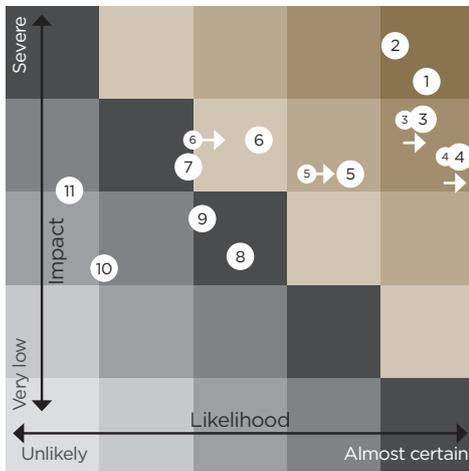


**Heat map**



Risk\*

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

\* Bold text indicates those risks which have changed during 2016.  
(v) Risk that was considered for the viability assessment as detailed on page 54.

(X) 2016      (X) 2015

**1. Impact of global macroeconomic developments**

Risk description	Response/mitigation	Risk appetite	Link to strategy
<p>There could be an adverse impact on our sales and profits, and potentially the economic viability of projects, from macroeconomic developments such as:</p> <ul style="list-style-type: none"> <li>A decrease in precious metal prices (primary driver of the risk); even though this was not the case for silver and gold in 2016, with higher annual average realised prices over the previous year of 10.3% and 10.7% respectively; the high uncertainty of economic markets still positions this risk at the top of our scale.</li> <li>Exchange rates, for the same reasons of volatility and uncertainty; while most currencies lost value vs. the US dollar in 2016, the Mexican peso suffered a devaluation of 17.7% vs. the average spot exchange rate of the US dollar.</li> <li>General inflation in Mexico which was 3.42% in Mexican pesos in 2016; the specific deflation affecting the Company was 8.08% in US dollar terms.</li> <li>A decrease in the price of the Company's by-products; this was not the case in 2016, with the average annual prices for lead and zinc rising 7.0% and 20.0%, respectively, over the previous year.</li> </ul>	<p>Fresnillo's hedging policy remains guided by the principle of providing shareholders with full exposure to gold and silver prices. However, following shareholder approval for the acquisition of 44% of Penmont (and associated companies) in 2014, we initiated a specific hedging programme to protect the value of the investment made in the acquisition, using a collar structure to allow partial continued exposure to gold prices. The volume associated with this phased hedging programme was strictly limited to up to the 44% of production associated with the acquired Penmont assets and will not be extended to other assets in the Group. The total volume hedged was 1,559,689 oz of which 242,000 oz matured in 2016 with a profit of US\$48,158. (For more details, see Financial Review pages 102)</p> <p>Fresnillo is not precluded from entering into derivatives to minimise its exposure to changes in the prices of lead and zinc by-products. As in previous years, the Group entered into a hedging structure in 2016 to mitigate the risk related to the sale of lead and zinc. See note 31 in the Financial Statements page 211.</p> <p>Furthermore, we have hedging policies in place for foreign exchange risk, including those associated with capex related to projects. The Company entered into a number of foreign exchange forward contracts denominated in Canadian dollars, euros and Swedish kronas. See note 31 in the Financial Statements page 210.</p> <p>A significant increase is expected in some of our main energy inputs (diesel and electricity), because of the increase in international petroleum prices and the market liberalisation of fuel prices in Mexico. We will continue to identify efficiency initiatives to improve our energy consumption.</p>	<p>High</p> <p><b>Risk rating (relative position)</b> 2016: Very high (1) 2015: Very high (1)</p> <p><b>Change in heat map:</b> ⊖</p> <p><b>Description of risk change</b> During 2016 all macroeconomic variables favoured our financial results, however volatility and uncertainty were constants in the same period (and are expected to remain as such in 2017); therefore we still consider the impact of global macroeconomic developments our principal risk driver; in addition, most industry and financial analysts who follow metal prices continue to foresee volatility in silver and gold prices for 2017, with a notable spread among forecasts, meaning continued volatility.</p>	<ul style="list-style-type: none"> <li>Mines in operation</li> <li>Development projects</li> <li>Growth pipeline</li> </ul> <p><b>Key risk indicators</b></p> <ul style="list-style-type: none"> <li>Gross profit sensitivity to % change in metals price and to MXP/US\$ exchange rate.</li> <li>EBITDA sensitivity to % change in metals price and to MXP/US\$ exchange rate.</li> </ul>

**Change in heat map:**

⬆ Vertical movement indicates impact      ⬅ Horizontal movement indicates likelihood      ⊖ No change

# Managing Our Risks continued

2. Access to land			
Risk description	Response/mitigation	Risk appetite	Link to strategy
<p>Failure or significant delays in accessing the surface land above our mineral concessions and other land of interest is a persistent risk to our strategy, with a potentially high impact on our objectives. Possible barriers to land access include:</p> <ul style="list-style-type: none"> <li>• Rising expectations of land owners.</li> <li>• Refusal to acknowledge prior land acquisition terms and conditions by members of an agrarian community.</li> <li>• Influence of multiple special interests in land negotiations.</li> <li>• Conflicts in land boundaries with an often arduous resolution process.</li> <li>• Succession issues among land owners resulting in a lack of clarity about the legal entitlement to possess and sell land.</li> <li>• Litigation risk i.e. increased activism by agrarian communities and/or judicial authorities.</li> </ul> <p>Furthermore, insecurity and conflicts in our exploration and operation areas increase the complexity of land access.</p>	<p>To maximise our opportunities for successful land access we actively manage our mining rights focusing on areas of interest or strategic value; at the end of 2016, after adding required areas and divesting areas of less interest, we held 1.8 million hectares, a 11.4% decrease vs. 2015. Other initiatives include:</p> <ul style="list-style-type: none"> <li>• Plan well in advance for land requirements and acquisitions (e.g. anticipating any issues with a potential land purchase before intensive exploration). In certain areas of interest, leasing or occupation agreements with purchase options are negotiated.</li> <li>• Foster strong community relations through investment in community programmes and infrastructure. Such investments totalled US\$2.6 million in 2016.</li> <li>• Always seek tri-party cooperation between the government, community and ourselves in securing access to land.</li> <li>• Early involvement of our community relations teams during negotiation and acquisition processes, including the exploration stage.</li> <li>• Continue working with our land negotiation teams, comprising negotiators hired directly by Fresnillo and also provided by Peñoles as part of the service agreement.</li> </ul> <p>We have almost concluded a comprehensive review of the legal status of the Company's land rights in order to mitigate or eliminate litigation risk. Certain areas of opportunity were identified and we continue to implement measures to manage this risk on a case-by-case basis. Such measures include, whenever possible, negotiating with agrarian communities the outright purchase of land through mechanisms provided under agrarian law as well as utilising other legal mechanisms under mining law which afford added protection for land occupation. The Company has already closed several such agreements in the states of Sonora and Zacatecas.</p>	<p>Medium</p> <p><b>Risk rating (relative position)</b> 2016: Very high (2) 2015: Very high (2)</p> <p><b>Change in heat map:</b></p>  <p><b>Description of risk change</b></p> <p>The mining industry continues to face legal challenges in regard to access to land by individuals and local communities who may seek to disregard previous land agreements; this has been a permanent difficulty in recent years. Thus, despite all the strategic actions undertaken by the Company, the perceived level of this risk remains very high.</p>	<ul style="list-style-type: none"> <li>• Mines in operation</li> <li>• Development projects</li> <li>• Growth pipeline</li> <li>• Sustainable development</li> </ul> <p><b>Key risk indicators</b></p> <ul style="list-style-type: none"> <li>• Percentage of land required for advanced exploration projects which is under occupation or other agreements other than full property ownership (overall and by project).</li> <li>• Total US\$ and percentage of project budget spend on HSECR activities, including community relations (at projects and exploration sites).</li> </ul>