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28 July 2020

Fresnillo plc interim results
for the six months to 30 June 2020

Octavio Alvídrez, Chief Executive Officer, commented:

"Our purpose is to contribute to the wellbeing of people, through the sustainable mining of silver and gold – and this has guided all our decisions throughout the COVID-19 pandemic. Our commitment to prioritise the wellbeing of our workforce and communities at all times meant that we acted promptly and rapidly adapted our activities and operations to protect health. COVID-19 has presented a challenge to Fresnillo in the first half. However, we have come together as a company and I am proud of the way we have adapted to this new environment. Above all, it has shown that our purpose is not just a set of words, but directly reflects how we act as a business.

Our extensive engagement with stakeholders, together with the high level of trust this has forged with our workforce and the government, has meant that we have been able to minimise the pandemic's impact on our operations. Production at our underground mines remains broadly in line with plan, despite a reduction in the number of workers on site. The impact on our open pit gold mines has been greater, as mining activities had to cease for around six weeks, although processing continued. However, mining has now re-started and activities are ramping up. I am also pleased our development projects continued to make progress.

The combination of higher commodity prices and lower costs has resulted in a significant rise in profitability during the first half. Our performance improvement initiatives we have set out in previous reports are having a positive impact. We remain committed to delivering a sustainable improvement in our operating performance and maintaining the momentum in the improvement plan into the second half.

We will continue to work closely with our stakeholders and believe that these partnerships will remain key to our ability to respond to whatever future challenges COVID-19 will present to our industry and our country.

We look ahead to the second half with our commitment to our people being the highest priority, and a continued determination to generate the greatest value from our mine portfolio for the benefit of all our stakeholders."

First half highlights

Contributing to the wellbeing of people during the COVID-19 pandemic

- We promptly engaged with all our key stakeholders at the onset of the pandemic, allowing us to rapidly focus on the health of our workforce and to support local communities
- We further developed health protocols at the beginning of the pandemic and have implemented rigorous preventive measures at our mines
- 20,000 COVID-19 tests have been purchased to trace suspected cases, and we have carried out nearly 5,300 random tests across our operations and projects to date
- We promptly identified the vulnerable members of the workforce and encouraged them to stay at home, on full pay
- We have worked closely with the authorities and local communities to contribute food, medical and protective equipment and means of sanitisation, as well as to support online education programmes and to invest in mental health initiatives

Financial highlights (1H20/1H19 comparisons)

- Gross profit of US$321.2m, up 56.3%, including a US$65.1 million benefit from the positive impact of the reassessment of the recoverable gold inventories on the leaching pads at Herradura
- Operating profit and EBITDA[1] of US$216.9m and US$469.9m, up 232.1% and 52.6%, respectively
- Profit before income tax of US$127.9m, up 136.6%, including the adverse effect of the silverstream valuation of -US$31.8m (non-cash item), and foreign exchange losses of -US$41.0m.
- Profit for the period of US$56.5m, down 20.3%, virtually all as a result of the adverse effect of the 21.9% devaluation of the MXN vs USD on deferred taxes (non-cash item)
- Basic and diluted EPS from continuing operations of US$8.8 cents per share, down 7.4%
- Adjusted EPS[2] of US$11.8 cents per share, up 40.5%
- Cash generated from operations, before changes in working capital, of US$456.2m, up 44.3%
- Free cash flow of US$242.6m in 1H20 (-US$80.7m in 1H19).

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[1] Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative, selling and exploration expenses
[2] Prior to Silverstream valuation effects.

- Strong balance sheet with cash and other liquid funds[3] as at 30 June 2020 of US$514.7m (31 December 2019: $336.6m); net debt/EBITDA of 0.34x[4] (31 December 2019: 0.69)
- Interim dividend of US$16.9m (2.3 US cents per share)

Operational highlights (1H20/1H19 comparisons)
As disclosed in the 2Q20 production report on 22 July 2020:

- Production at our underground mines was relatively unaffected by COVID-19 in 2Q20; six weeks suspension of mining activities at the Herradura district.
- Silver production of 26.8 moz (including Silverstream), down 2.7%, and gold production of 381.3 koz, down 11.8%
- Ongoing tests at the Herradura leaching pads have resulted in an increase of 119.3 koz of gold in inventory as of 1 January 2020 with a US$65.1 million favourable effect on the income statement
- Construction of Juanicipio slowed in 2Q20 due to certain COVID-related work restrictions but remains on track to be concluded by mid 2021 as the critical path remained unaffected and mine development continued
- Construction of the pyrites plant (phase II) at Fresnillo continued to progress, with commissioning expected in 2H20. A possible delay in final inspections by the authority as a result of COVID-19, could defer start-up of commercial production from 3Q20 to 4Q20.
- Optimisation of the Fresnillo flotation plant to cope with higher content of lead and zinc advanced according to plan and is expected to be concluded by 2H20. However commercial production is expected in 2021 as connection of the current and new flotation circuits has been postponed to year end to prioritise operational continuity in 2020.
- The programme to control costs and further operational measures to increase productivity continued to be implemented in 1H20
- 2020 exploration budget has been revised and reduced to US$120m (US$135m previously), reflecting limited ability to explore certain prospects due to travel restrictions related to COVID-19; while capex has been reduced to US$525m (US$655m previously), reflecting the deferral of some expenditures to 2021, particularly at Juanicipio and San Julián

Highlights for 1H20

US$ million unless stated	H1 20	H1 19	% change
Silver production (koz) *	26,819	27,557	-2.7
Gold production (oz)	381,319	432,417	-11.8
Total revenues	1,054.2	1,002.0	5.2
Adjusted revenues[1]	1,125.1	1,069.0	5.3
Cost of Sales	733.0	796.5	-8.0
Exploration expenses	50.7	84.0	-39.6
EBITDA[2]	469.9	307.9	52.6
Profit for the period	56.5	70.9	-20.3

[3] Cash and other liquid funds are disclosed in note 18(d) to the Financial Statements
[4] Net debt (Debt at 30 June 2020 – Cash and other liquid funds at 30 June 2020) divided by the EBITDA generated in the last 12 months

Cash generated by operations before changes in working capital	456.2	316.1	44.3
Basic and Diluted EPS (US$)[3]	0.088	0.095	-7.4
Basic and Diluted EPS, excluding post-tax Silverstream revaluation effects (US$)	0.118	0.084	40.5
Dividend per ordinary share (US$)	0.023	0.026	-11.5

* Silver production includes volumes realised under the Silverstream contract

[1] Adjusted revenues are the revenues shown in the income statement adjusted to add back treatment and refining costs and the effects of gold, lead and zinc hedging. The Company considers this is a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices

[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 shares for H1 2020 and H1 2019 was 736.9m. See Note 8 in the Interim Consolidated Financial Statements.

COVID-19 – Key Priorities

As the development and availability of a vaccine remains uncertain, we are conscious that we may have to learn to live with COVID-19 for some time to come. In addition to the existing measures to protect our workforce, we are introducing new initiatives as more information becomes available and as we learn from our and others' experiences. For example, we are investing in the mental health of our people and their families, providing health webinars to local communities and donating medical and protective equipment to health authorities.

This is a summary of the initiatives we have put in place with our stakeholders:

Stakeholder	What issues matter to our stakeholders	Actions of the company
Our workforce • Unionised, • Non-Unionised • Contractors	• Health • Job security	• Vulnerable members of the workforce (including our contractors) were promptly identified and requested to stay at home, remaining on full pay • Workplace social distancing, access control and sanitisation measures were implemented in our operations, accommodation and transportation facilities • Testing and contact tracing have been implemented to identify those needing to self-quarantine • Daily monitoring of the health of confirmed cases is monitored daily, together with psychological support • Working from home was adopted by our corporate offices
Communities	• Health • Unemployment • Local procurement • Support to the most vulnerable	• Communication of preventive measures • Maintaining our commitment to local procurement and employment • Support for the most vulnerable population by providing food, masks and means of sanitisation • Sharing our COVID19 tests with communities in remote locations • Going online with our education programmes

Governments & Regulators	• Health practices in the workplace • Economic recovery • Medical and protection equipment supplies • Support to the most vulnerable	• Collaborating with the Mining Ministry of Mexico to develop national workplace COVID19 guidance • Engaging authorities to recognise mining as an essential activity that ensures global continuity of supply of minerals and supports local economies • Donation of medical and protective equipment to health authorities, including ventilators. • Providing land on a temporary basis to increase hospital capacity in the city of Fresnillo • Partnering to provide donations and logistics to deliver food to the most vulnerable in our local communities
Contractors and suppliers	• Collapsed demand • Liquidity • Managing the work environment	• Our payment and supply terms have remained unchanged • Providing guidance to enable contractors and suppliers to implement health protocols

Commentary on the Group's results

Operating results

First half silver production (including Silverstream) decreased 2.7% vs. 1H19, mainly due to the expected lower ore grade at Saucito and, to a lesser extent, a lower contribution from the Silverstream, a lower volume of ore processed at San Julián Veins and a lower ore grade at the pyrites plant, mitigated by a higher ore grade at Fresnillo and Herradura.

First half gold production decreased 11.8% vs. 1H19, due to a lower volume of ore processed at Herradura and Noche Buena primarily as a result of a six week suspension of mining activities related to COVID-19 restrictions, mitigated by the ability to process inventories on the leaching pads and stockpiled material through the dynamic leaching plants (DLPs).

First half by-product lead and zinc production increased 19.6% and 16.4% vs. 1H19, mainly due to higher ore grades at Fresnillo, Saucito and Ciénega.

The Group continues to implement the "I care, we care" programme and, despite improvements in Total Recordable and Lost Time Injury Frequency Rates in 1H20, there remain areas for improvement as we continue to mature our safety culture.

Financial results

Total revenues increased 5.3% to US$1,125 million in 1H20, mainly due to higher gold and silver prices and, to a lesser extent, higher volumes of zinc and lead sold. This was partially offset by lower volumes of gold and silver sold and the decrease in zinc and lead prices.

The average realised gold price increased 27.0%, from US$1,320.7 per ounce in 1H19 to US$1,676.8 per ounce in 1H20, while the average realised silver price increased 10.1% from US$15.3 per ounce in 1H19 to US$16.8 per ounce in 1H20.

Adjusted production costs[5] decreased by 10.6% to US$506.6 million in 1H20. The US$59.8 million decrease resulted mainly from: i) the 12.7% devaluation of the Mexican peso against the US dollar (-US$34.6 million); and ii) lower volumes of ore deposited at Herradura and Noche Buena (-US$50.9 million). These favourable impacts were partly offset by the increase in development (US$25.7 million).

Additionally, the variation in the change in work in progress had a positive effect of US$24.2 million compared with 1H19. This resulted from the re-assessment of the gold content on the old leaching pads at Herradura with an estimated positive effect of US$65.1 million. This was partially offset by the net effect of the reduction of inventories at Herradura and Noche Buena during the pandemic.

However, depreciation rose 4.7% compared with 1H19, primarily due to the increased depletion factors resulting from the decreased reserve base.

The lower adjusted production costs and positive effect of the variation in change in work in progress at Herradura, net of the increase in depreciation, resulted in an 8.0% decrease in cost of sales compared with 1H19.

[5] Adjusted production cost is calculated as total production costs less depreciation, profit sharing and the effects of exchange rate hedging.

The increase in total revenues together with the decrease in cost of sales resulted in a 56.3% increase in gross profit to US$321.2 million in 1H20.

Administrative expenses decreased 4.0%, mainly due to a decrease in non-recurring corporate services provided by Servicios Industriales Peñoles S.A.B. de C.V. and the favourable effect of the devaluation of the Mexican peso vs. the US dollar.

Exploration expenses decreased 39.6% over 1H19 due to the lower budget allocated and, to a lesser extent, a decrease in exploration investment as some activities were postponed due to COVID-19 travel restrictions.

The increase in gross profit, combined with the lower administrative and exploration expenses, resulted in a 52.6% increase in EBITDA, with EBITDA margin increasing from 30.7% in 1H19 to 44.6% in 1H20. Similarly, profit from continuing operations increased from US$65.3 million in 1H19 to US$216.9 million in 1H20.

During the period, there was a negative revaluation of the Silverstream contract of US$31.8 million, primarily due to a decrease in silver reserves at the Sabinas mine, which resulted in changes to the mine plan, and an increase in the risk adjusted discount rate; mitigated by the unwinding of the discount and a higher forward price of silver. This compared negatively to the US$11.4 million positive revaluation recognised in 1H20.

Net finance costs of US$16.2 million in 1H20 compared favourably with the US$27.8 million recorded in 1H19. The 1H20 net finance costs principally reflected the interest on the US$800 million principal amount of 5.5% Senior Notes, mitigated by the inflationary adjustments on recoverable VAT and interest gained on the short term deposits.

We recorded a foreign exchange loss of US$41.0 million in the income statement. This was as a result of the 21.9% devaluation of the Mexican peso against the US dollar in the six months ended 30 June 2020 on: i) the realised transactions during the period related to accounts receivable paid in Mexican pesos (mainly recoverable VAT); and ii) the value of peso-denominated net monetary assets. This compared negatively to the US$5.1 million foreign exchange gain recognised in 1H19.

As a result of the increase in profit from continuing operations, partly offset by the adverse effects mentioned above, profit from continuing operations before income tax increased 136.6% from US$54.1 million in 1H19 to US$127.9 million in 1H20.

Income tax for the period was US$62.0 million (-US$4.0 million in 1H19). The effective tax rate, excluding the special mining rights, was 48.5%, which was above the 30% statutory tax rate. This was mainly due to the devaluation of the Mexican peso, which had a significant impact on the tax value of assets and liabilities denominated in Mexican pesos.

Net profit for the period decreased 20.3% from US$70.9 million to US$56.5 million in 1H20.

Cash flow generated by operations, before changes in working capital, increased by 44.3% to US$456.2 million.

Capital expenditure totalled US$182.0 million, a decrease of 26.7% compared to 1H19, reflecting a slower rate of deploying capital related to the COVID-19 disruption. Investments during the period included construction of the Juanicipio mine, as well as the ongoing construction of the pyrites plant (phase II) and the optimisation of the beneficiation plant, both at Fresnillo.

Other uses of funds during the period were income tax, special mining rights and profit sharing paid of US$71.0 million (US$140.8 million in 1H19) and dividends paid of US$87.7 million (US$123.1 million in 1H19).

Cash and other liquid funds as at 30 June 2020 totalled US$514.7 million, a 42.1% increase compared to the US$362.1 million in cash and other liquid assets at the end of June 2019 and a 52.9% increase over the year-end total of US$336.6 million. Taking into account the cash and other liquid funds of US$514.7 million and the US$800.6 million amortised cost of the Senior Notes, Fresnillo plc's net debt was US$285.9 million as at 30 June 2020, compared with a net debt position of US$438.5 million for the corresponding period in the previous year. Considering these variations, the balance sheet at 30 June 2020 remains strong, with a net debt / EBITDA ratio of 0.34[6]x

Interim Dividend

The Board of Directors has declared an interim dividend of 2.3 US cents per share totalling US$16.9 million to be paid on 16 September 2020 to shareholders on the register on 7 August 2020. This decision was made after a comprehensive review of the Company's and Group's financial situation, as well as the Parent's distributable earnings, ensuring that the Group is well placed to meet its current and future financial requirements, including its development and exploration projects.

The corporate income tax reform introduced in Mexico in 2014 created a withholding tax obligation of 10% relating to the payment of dividends, including to foreign nationals.

Historically the Company has been making dividend payments out of retained earnings generated before the tax reform came into force and no withholding tax has therefore been applicable. It is expected that the 2020 interim dividend will be paid out of the remaining balance of the retained earnings generated before 2014.

Growth

Our progress on development projects in 1H20 varied, depending on the protocols in place and the decisions made to prioritise the health of our workforce. Despite the adversity cause by the pandemic, we continue to make progress on our key projects, the pyrites plant and the optimisation of the beneficiation plant, both at Fresnillo, and the commissioning of Juanicipio.

The completion of the pyrites plant at Fresnillo is anticipated in 2H20. However, we understand that the final inspections by the authority could be delayed by the pandemic, and this could defer start-up of commercial production from 3Q20 to 4Q20.

The second phase of the optimisation of the beneficiation plant, which consists of installing additional flotation cells to cope with higher base metal grades at depth in the Fresnillo mine, is on target for completion in 2H20. However, as the connection of the new flotation circuit requires a few days stoppage of the existing beneficiation plant, we decided to postpone this activity until the end of the year]. This will help avoid unnecessary interruptions to the normal operation of the plant.

Silver production for 2020 will not be materially affected as a result of the events and decisions described above, as these projects were expected to only marginally contribute to the Group's total silver production this year. Both facilities are expected to be fully operational in 1Q21.

[6] Net debt (Debt at 30 June 2020 – Cash and other liquid funds at 30 June 2020) divided by the EBITDA generated in the last 12 months

Construction of the Juanicipio project progressed as planned, mainly due to activities during the first months of the year. However, at the beginning of the second quarter, we decided to halt both the construction of the beneficiation plant and surface exploration. This was because the contractor's shift patterns and working practices in these areas were not compatible with the new strict social distancing measures we needed to introduce – and we were not prepared to put the health of the workforce at risk.

Mine development continued as planned and we anticipate that the first production stope will be fully prepared by the end of 3Q20, with development ore expected to be processed through the Fresnillo plant in the coming weeks at an average rate of 16,000 tonnes per month. The overall development timetable for this project currently remains unchanged.

Outlook

As stated in our production report of 22 July, we have revised our consolidated production guidance. Total gold production guidance was decreased to 785-815 thousand ounces (815-900 thousand ounces previously) mainly due to the COVID-19 operational restrictions at the Herradura district in the second quarter. Total silver production guidance (including Silverstream) remains within the range of 51-56 million ounces.

Exploration expenses are expected to be reduced to around US$120 million (US$135 million previously), reflecting our limited ability to explore certain prospects due to travel restrictions related to COVID-19 guidelines. Similarly, capex is anticipated to reduce to US$525 million, mainly as a result of the deferral of expenditures at the Juanicipio project and San Julián.

This year has been a watershed for many industries worldwide and we reaffirm our solidarity with the millions of people that have been affected, particularly in Mexico. We will continue playing our part in supporting all our stakeholders. From ensuring effective preventive and social distancing measures to launching a digital learning community for local children unable to attend school, we will do everything we can to minimise the impact of the virus. Please see the Sustainability section later in this report for more details.

There is no doubt that this health crisis will continue re-shaping our daily lives in the upcoming months, but we remain confident that the Company's strong fundamentals and financial flexibility will give us the opportunity to continue working towards achieving our purpose....*contributing to the wellbeing of people, through the sustainable mining of silver and gold.*

Analyst Presentation

Management will host a webcast for analysts and investors today at 3pm UK / 9am Mexico. Registration and access will be provided on the homepage of Fresnillo's website and directly via this link:
https://kvgo.com/IJLO/Fresnillo_HY_2020_Interim_Results

Questions may be submitted via the webcast.

For those unable to access the webcast, a conference line will also be provided:

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P/W: Fresnillo Half Year Results

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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-Dipolos[1], 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 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.

1H20 Operational Review

Production

Production	H1 2020	H1 2019	% change
Silver (koz)	25,491	26,009	-2.0
Silverstream prod’n (koz)	1,328	1,548	-14.2
Total Silver prod’n (koz)	26,819	27,557	-2.7
Gold (oz)	381,319	432,417	-11.8
Lead (t)	30,085	25,164	19.6
Zinc (t)	49,381	42,406	16.4

First half silver production of 26.8 moz (including Silverstream), down 2.7% vs. 1H19 due to the expected lower ore grade at Saucito, and to a lesser extent, a lower contribution from the Silverstream, a lower volume of ore processed at San Julián Veins and a lower ore grade at the pyrites plant, mitigated by a higher ore grade at Fresnillo and Herradura.

First half Silverstream production decreased 14.2% vs. 1H19 due to a decrease in ore throughput and the expected lower ore grade resulting from narrower veins, which were partially compensated for by a higher recovery rate.

First half gold production decreased 11.8% vs. 1H19 due to a lower volume of ore processed at Herradura and Noche Buena primarily as a result of COVID-19 related restrictions, mitigated by the ability to continue processing inventories both, on the leaching pads and the dynamic leaching plants (DLP’s).

First half by-product lead production increased 19.6% vs. 1H19 due to higher ore grades at Fresnillo, Saucito and Ciénega.

First half by-product zinc production increased 16.4% vs. 1H19 due to higher ore grades at Fresnillo, Saucito and Ciénega, offset by a lower ore grade at San Julián (DOB).

Fresnillo mine production

	H1 2020	H1 2019	% change
Ore Processed (t)	1,194,905	1,194,199	0.1
Production			
Silver (koz)	6,756	6,407	5.5
Gold (oz)	19,609	24,935	-21.4
Lead (t)	11,477	8,769	30.9
Zinc (t)	17,737	11,957	48.3
Ore Grades			
Silver (g/t)	196	187	4.9
Gold (g/t)	0.72	0.86	-16.7
Lead (%)	1.14	0.85	33.4
Zinc (%)	2.12	1.46	45.0

First half silver production increased 5.5% vs. 1H19 due to the higher ore grade resulting from a combination of incremental improvements achieved following the implementation of our action plan, as set out at the end of last year and further described below.

Our performance improvement plan, as set out in the Capital Markets Day in December 2019, continues to be implemented, focusing on controlling dilution, enhancing the blasting and drilling techniques to cope with the narrower veins, in conjunction with the use of more efficient and accurate topographic scanners. All the long haul drilling stopes have now been scanned. Further, intiatives to increase efficiency and reduce downtime were advanced, with the use of five semi-automatic drilling machines now operating and beginning to see improvements month on month.

Development rates remained at a similar level vs. 1Q20, with an average of 3,183m per month in 2Q20 (1Q20: 3,200m per month), despite a reduction in the number of contractors and employees on site while they self isolated in accordance with COVID-19 guidelines. During the first half, development rates increased 6.3% (3,190m per month) vs. 1H19 (3,000m per month) as a result of the ramp up of the tunnel boring machine and the new contractor hired at the end of 2019. With these measures and assuming that the impact of COVID-19 pandemic on our operations does not worsen, we remain confident of achieving our expected development rates of 3,400m per month by the end of 2020.

First half by-product gold production decreased 21.4% vs. 1H19 due to a lower ore grade and to a lesser extent, lower recovery rate.

The silver ore grade for 2020 continues to be in the range of 185-200 g/t, while the gold ore grade is estimated to remain around 0.7 g/t.

Saucito mine production

	H1 2020	**H1 2019**	**% change**
Ore Processed (t)	1,385,385	1,327,673	4.3
Production			
Silver (koz)	8,141	8,840	-7.9
Gold (oz)	41,574	36,716	13.2
Lead (t)	11,972	10,439	14.7
Zinc (t)	17,744	15,052	17.9
Ore Grades			
Silver (g/t)	210	243	-13.3
Gold (g/t)	1.21	1.14	6.0
Lead (%)	1.02	0.93	9.5
Zinc (%)	1.84	1.64	12.3

In line with our expectations, first half silver production decreased 7.9% vs. 1H19 as a result of the gradual depletion of higher ore grade areas at the Jarillas vein. This decline was mitigated by a higher volume of ore processed.

First half by-product gold production increased 13.2% vs. 1H19 due to a higher ore grade, volume of ore processed and recovery rate.

The silver ore grade for 2020 continues to be in the range of 200-220 g/t, while the gold ore grade is estimated to remain around 0.95 g/t.

PYRITES PLANT (PHASE I)

	H1 2020	H1 2019	% change
Ore Processed (t)	80,502	87,005	-7.5
Production			
Silver (koz)	505	638	-20.8
Gold (oz)	1,795	2,315	-22.5
Ore Grades			
Silver (g/t)	252	305	-17.3
Gold (g/t)	2.11	2.31	-8.7

First half silver production decreased 20.8% vs. 1H19 due to a lower ore grade and volume of iron concentrates processed, mitigated by a higher recovery rate.

Similarly, first half gold production decreased 22.5% vs. 1H19 as a result of a lower ore grade, recovery rate and volume of iron concentrates processed.

We continue to expect this plant to recover around 1 moz silver and 3 koz gold from the Saucito tailings during 2020.

Ciénega mine production

	H1 2020	H1 2019	% change
Ore Processed (t)	657,893	650,107	1.2
Production			
Gold (oz)	32,374	29,757	8.8
Silver (koz)	2,969	2,920	1.7
Lead (t)	3,237	2,335	38.6
Zinc (t)	4,909	3,842	27.8
Ore Grades			
Gold (g/t)	1.65	1.55	6.4
Silver (g/t)	163	163	-0.1
Lead (%)	0.75	0.56	32.3
Zinc (%)	1.24	1.00	24.2

First half gold production increased 8.8% vs. 1H19 primarily due to the higher ore grade while first half silver production remained flat vs. 1H19. This resulted from the higher proportion of material extracted from the Eastern zone of the district with higher gold content but lower silver content.

The gold and silver ore grades for 2020 are expected to remain at around 1.65-1.75 g/t and 155-165 g/t respectively.

San Julián mine production

	H1 2020	**H1 2019**	**% change**
Ore Processed Veins (t)	621,973	661,680	-6.0
Ore Processed DOB(t)	1,101,489	1,107,875	-0.6
Total production at San Julián			
Gold (oz)	31,535	36,443	-13.5
Silver (koz)	6,277	6,542	-4.1
Production Veins			
Gold (oz)	30,242	35,299	-14.3
Silver (koz)	2,121	2,330	-9.0
Production DOB			
Gold (oz)	1,293	1,143	13.1
Silver (koz)	4,156	4,212	-1.3
Lead (t)	3,400	3,621	-6.1
Zinc (t)	8,991	11,555	-22.2
Ore Grades Veins			
Gold (g/t)	1.58	1.74	-9.2
Silver (g/t)	115.37	119.69	-3.6
Ore Grades DOB			
Gold (g/t)	0.08	0.08	1.5
Silver (g/t)	136.93	137.00	-0.0
Lead (%)	0.39	0.44	-9.7
Zinc (%)	1.10	1.40	-21.0

San Julián Veins

First half gold and silver production decreased 14.3% and 9.0% vs. 1H19 respectively due to lower ore grades driven by the depletion of high ore grade areas at San Julián and Shalom, and the lower volumes of ore processed following the depletion of the stockpile in 2H19, which resulted from the development activities in 2019.

We continue to expect the 2020 silver and gold ore grades to remain flat year on year, averaging 110-120 g/t and 1.6-1.7 g/t, respectively.

San Julián Disseminated Ore Body

First half silver production decreased 1.3% vs. 1H19 due to a marginally lower volume of ore processed and recovery rate.

The silver ore grade for 2020 is expected to remain within a range of 140-150 g/t.

Herradura mine production

	H1 2020	H1 2019	% change
Ore Processed (t)	8,130,282	11,161,864	-27.2
Total Volume Hauled (t)	52,783,600	61,233,200	-13.8
Production			
Gold (oz)	205,746	236,866	-13.1
Silver (koz)	824	634	30.0
Ore Grades			
Gold (g/t)	0.82	0.82	-0.9
Silver (g/t)	3.82	2.70	41.6

First half gold production decreased 13.1% vs. 1H19 driven by the lower volume of ore deposited during the COVID-19 operational restrictions. This adverse effect was mitigated by: i) the reduction of gold inventories from 72koz at the end of 2019 to 47koz at the end of 1H20; ii) the increased recovery rate due to an increase in leaching proportional to the level of deposits, which resulted in the improved overall speed of recovery at the 13th leaching pad following its commissioning in mid-2019; and iii) access gained to a high ore grade area of the pit in 2Q20.

Since mid-June, operations have ramped up, albeit with strict safety protocols limiting productivity gains.

The gold ore grade is expected to remain around 0.75-0.80 g/t during 2020.

Following the analysis conducted during 2018 as a result of the construction of an access road through a number of old leaching pads, the mine has continued carrying out assays to refine estimated grade and recovery of the ore in inventories. As a result of the information obtained, there was an update to the estimate of the recoverable remaining gold content in the inventories at the old leaching pads resulting in an increase of 119.3 thousand ounces of gold as at 1st January 2020.

Noche Buena mine production

	H1 2020	H1 2019	% change
Ore Processed (t)	3,330,054	6,575,328	-49.4
Total Volume Hauled (t)	15,717,399	26,115,609	-39.8
Production			
Gold (oz)	48,686	65,386	-25.5
Silver (koz)	19	29	-35.2

Ore Grades			
Gold (g/t)	0.54	0.53	1.2
Silver (g/t)	0.38	0.22	73.0

First half gold production decreased 25.5% vs. 1H19 driven by the lower volume of ore deposited, for reasons explain above, in addition to the expected depletion of the gold production as the mine approaches closure. This were mitigated by the higher speed of recovery due to increased irrigation on the pads in addition to the installation of the carbon in columns in 2019, which are now operational and incorporated to the process.

The expected gold ore grade has been marginally revised down to the range of 0.50-0.55 g/t in 2020

Growth Projects

After reviewing the potential impacts of COVID-19 in the following months, the Group has revised its expected capital expenditure and decreased it to US$525 million (US$655 million previously) for the full year, reflecting the deferral of some expenditure to 2021, particularly at Juanicipio and San Julián, albeit an expected increase in the rate of capital deployment at our different mines and projects during the 2H20.

Pyrites Plant at Fresnillo

Construction of the Pyrites plant (phase II) in the Fresnillo district advanced and remains on track and on budget. As a direct result of COVID-19 related disruption, there could be a possible delay in final inspections by the authority, which could defer start-up of commercial production from 3Q20 to 4Q20.

The Pyrites Plant is expected to improve overall recoveries of gold and silver, and to therefore maximise production in the Fresnillo district. This project was divided into two phases, the first phase consisted of the iron flotation circuit and pyrites leaching plant at the Saucito mine, which was commissioned mid-2018. The second phase, a 14,000 tpd tailings flotation plant at the Fresnillo mine, is under construction and advancing as mentioned above. Production is expected to total an average of 3.5 moz of silver and 13 koz of gold per year once both phases are operating at full capacity. The second phase of the Pyrites Plant project will process the ongoing and historical tailings from the Fresnillo mine to produce a pyrites concentrate. This will be sent to a filtration plant and then on to the leaching plant at Saucito for the final part of the process to produce the precipitates.

Optimisation of the beneficiation plant at the Fresnillo mine

The main objective of this project is to increase processing capabilities at the Fresnillo beneficiation plant to cope with the higher lead and zinc grades currently being mined at the deeper levels of the mine. A three-stage project, the first phase was completed in 2017 and comprised the installation of an additional zinc thickener. This year, construction of the second phase, the installation of flotation cells, is progressing according to plan and is due to be concluded in 2H 2020. However, as the connection of the new flotation circuit requires a few days stoppage of the existing beneficiation plant, we decided to postpone this activity until the end of the year. This will help avoid unnecessary interruptions to the normal operation of the plant.

The third and final stage, increasing the plant capacity to 9,000 tpd from its current capacity of 8,000 tpd through the use of vibrating screens, will only be undertaken when the mine is able to sustain a consistent level of development, sufficient to support this higher level of processing capacity.

Juanicipio

During the first half of the year, the pace of progress at Juanicipio slowed due to COVID-19 restrictions. This resulted from our decision to halt both the construction of the beneficiation plant and surface exploration as contractor's shift patterns and working practices in these areas were not compatible with the new strict social distancing measures we needed to introduce – and we were not prepared to put the health of the workforce at risk. Nevertheless, the overall development timetable currently remains unchanged with the Juanicipio processing plant expected to be commissioned mid-2021 as the critical path of the project was unaffected by the pandemic. Mine development continued, and we expect the first production stope to be fully prepared by the end of 3Q20, with development ore expected to be processed through the Fresnillo plant in the coming weeks at an average rate of 16,000 tonnes per month.

Juanicipio is expected to contribute a total average annual production of 11.7 moz silver and 43.5 koz gold, with an initial life of mine of 12 years.

Below we provide an update on other projects which are expected to contribute to our medium and long term growth. These projects have not yet been approved by the Board and are subject to ongoing internal review. However, certain minor works and exploration activities might be in progress in preparation for Board approval and as such, are included within the 2020 approved capex and exploration budget.

Advanced exploration projects

Ciénega Optimisation project

The exploration campaign, albeit being positive, has not resulted in the expected increase in reserves. As a result, we have decided to continue operating the Ciénega mine at its current 4,000 tpd capacity and evaluate this project in the future if the reserve base is increased.

Orisyvo

Exploration and additional metallurgy testing continued during the period, with a drilling programme of 7,700 metres. This information will be used to design a new recovery estimation that will be used to update the preliminary economic assessment. This project is now expected to commence production in 2H23, following an estimated investment of US$430 million.

Centauro pit expansion and Centauro underground

During the first half of the year, drilling activities continued. However, additional exploration will be conducted prior to reevaluating this project again in the future.

Guanajuato

Guanajuato is a large historic silver-gold mining district. The Fresnillo holdings are comprised of three areas of interest: the Gigante-Opulencia systems in the north, the Las Torres-Peregrina targets in the centre of the district and La Joya-Cerro Blanco in the south. In 1H20, exploration continued with 11,915 metres being drilled.

At the end of May 2019, indicated and inferred resources at this project totalled 1.4 million ounces of gold and circa 89 million ounces of silver[7].

Rodeo

This gold-silver project is located in Durango. Negotiations to acquire land and engage with the surrounding communities continued. Indicated and inferred resources amounted to 1.2 million ounces of gold and 11 million ounces of silver as of 31st of May 2019[4].

Exploration

During the first half of 2020, 264,000 metres of drilling were completed at our operating mines, as part of the 440,000 metre 2020 programme to convert resources into reserves and direct mine development. Additionally, 77,000 metres of exploration drilling were carried out, as part of the 228,000 metre 2020 programme at new projects.

Presently, eight areas are in drilling. Interesting results were obtained at Fresnillo, Guanajuato and Supaypacha (Peru), that identified new mineralised zones and merit following up; at the San Julián district, drilling successfully converted resources to reserves on the south vein system. Mapping, sampling and geophysical surveys were carried out in the San Julián and Ciénega districts to define additional targets. Negotiations with communities to obtain access permits to drill continue at several project areas in Mexico and Peru.

Some exploration activities were postponed due to COVID-19 related travel restrictions in the areas in which they are located. Exploration teams are working out in selected areas of the favourable silver-gold belts in Mexico, Peru and Chile.

In the first six months, US$50.7 million of exploration expenses were recorded in the income statement, a decrease of 33.3% over 1H19.

Total risk capital expected to be invested in exploration for the full year 2020 has been adjusted to approximately US$120 million (US$135 million previously).

Related party transactions

Details of related party transactions that have taken place in the first six months of the current financial year are detailed in note 16 of the interim consolidated financial statements.

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[7] This is the latest reserve and resource estimate and an update will be given with the Preliminary Results in early 2021.

Health and safety, human resources, environment and community relations report

At the time of preparing this document, the coronavirus outbreak remains a threat to lives and livelihoods. The steps we have taken to protect our workforce and communities are grounded in our values and inspired by our corporate purpose. The trust that we have built during the last 12 years with authorities, contractors and suppliers has been fundamental to our ability to respond decisively to the social and economic challenges of the pandemic. The HSECR Committee met twice to review the company's approach and performance.

Our approach to Sustainability

We believe that responsible mining is compatible with high stakeholder expectations in terms of ethical, social and environmental performance, and recognise that our social licence to operate is dependent upon being trusted by our stakeholders. This underlines the importance of responsible business practices being deeply integrated into our business model, and of factors that affect stakeholders.

Our Purpose, Values and Culture

Contributing to the wellbeing of people, through the sustainable mining of silver and gold has been our source of inspiration and commitment to do the right thing during the coronavirus outbreak. As soon as the outbreak began, we engaged with the Mexican authorities in order to maintain operations, and implemented decisive measures to protect our workforce and support our communities. For example, we enabled the most vulnerable members of our workforce to stay at home on full pay, regardless of their status as employees or contractors. We also implemented rigorous preventive measures in our workplaces as well as a number of initiatives to support the health authorities and protect vulnerable people in our local communities.

Our moral compass is based on our longstanding values:

Trust	Build Trust by engaging our workforce, communities and authorities on the issues that matter to them
Responsibility	Manage responsibly our operations and projects and be accountable for our impacts
Integrity	Act ethically and make decisions according to our values
Loyalty	Build long term relationships with our workforce and communities based on reciprocity

Our "step-up ethics" and the "I care, we care" programmes have embedded winning behaviours in our culture making it easier to align our actions to our purpose during the COVID-19 crisis.

Our workforce

We seek to attract, develop and retain the best people, and engage them over the long term. We are committed to eliminating unsafe workplace conditions and behaviours, and to keeping our people healthy. We continue to work hard to develop an organisational culture based on trust, and to embed ethics and integrity into that culture in order to create a fair and respectful workplace.

We collaborate with leading educational institutions in Mexico to attract young talent in geology, metallurgy and mining engineering, offering students internships of varying lengths. In 2020, we have offered internship opportunities of various lengths for 75 students, of which 38% are women. In addition, we recruit graduates from our pool of interns through the 'Engineers in Training' programme. In 2020 we recruited 21 engineers in training, among them 33% are women. We have met our talent needs with internal promotions (76%) and experienced recruits for leadership positions (24%).

We continue with our talent development programme. This year we have achieved 90% success rate regarding the development and training plan for senior managers and engineers, and 98% regarding unionised employees. The average training hours during the first semester of 2020 is 40 for non-unionised employees and 32 for unionised employees. We have reviewed 50% of our position profiles for non-unionised employees equivalent to 702 people and identified among of them, 63% as high-potential employees. We have begun our succession plans for critical leadership positions.

In the first half of 2020, our workforce totalled 18,485 (18,889 in 2019[8]), of which 4,155 were unionised employees, 1,355 were non-unionised employees and the remainder were contractors.

We continue to make progress in developing an inclusive culture and increasing the participation of women in our workforce.

Voluntary labour turnover decreased in 1H20 to 3.63% (5.71% in 2019[7]), however total turnover remained broadly the same at 10.42% (10.31% in 2019[7]).

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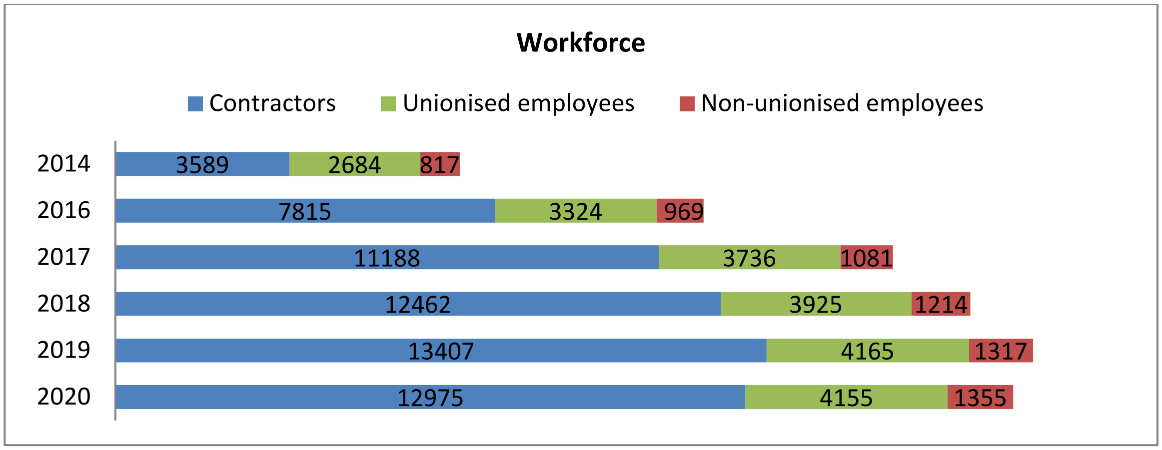
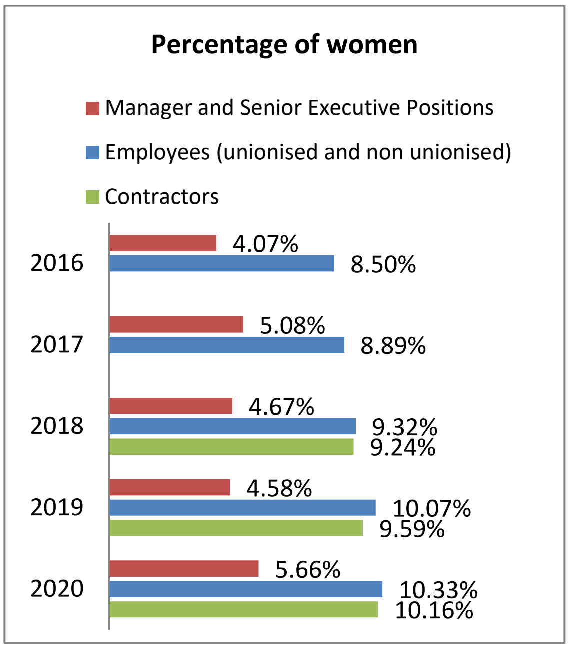
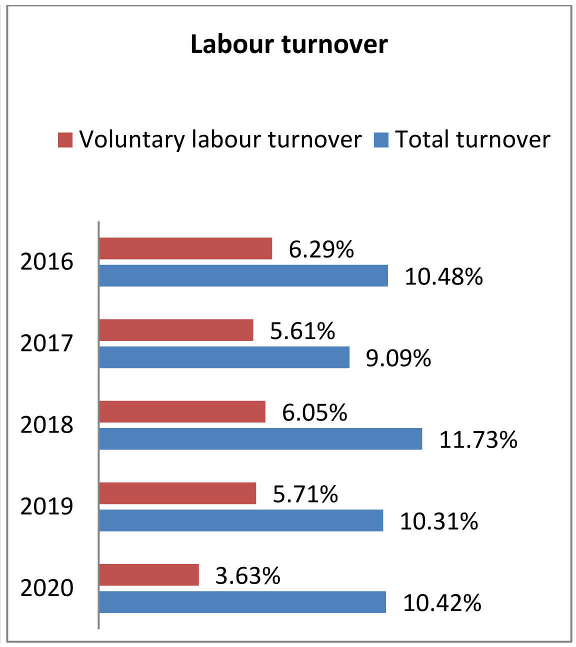
[8] Comparative figures relate to the full year 2019







*Comparative figures relate to full years 2016-2019

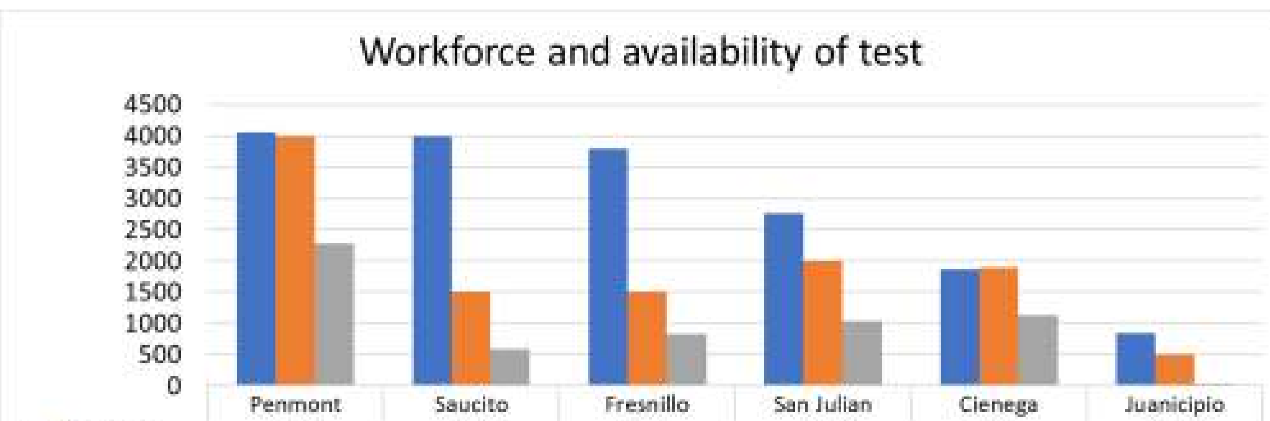
Workforce Engagement during COVID-19

During these challenging times we have been collaborating with the Mexican authorities and our industry peers to implement best-practice approaches to protecting the health of the workforce. These engagement efforts resulted in the Mexican Mining Ministry issuing guidance[9] to help shape the response of the industry to the COVID-19 crisis. The guidance focuses on protecting the most vulnerable people in the workforce, mitigating the impacts on small and medium-sized enterprises (SMEs) and collaborating with our local communities.

[9] Guía de mejores prácticas de operación minero-metalúrgica: Contingencia sanitaria 2020 SARS-CoV2 (Covid-19) by the Mexican Mining Ministry.

We have taken steps to protect employees and contractors in our mining operations from the impacts of COVID-19:

- *Protecting the vulnerable workforce*: We identified 876 members of our workforce as vulnerable, based on factors such as their age, chronic diseases (diabetes, high blood pressure, etc.), and whether they were pregnant or breastfeeding. We offered these employees the option to stay at home in order to protect their health, on full pay.
- *Raising awareness and education*: We launched a creative communication campaign to educate our workforce on preventive measures, to raise awareness and combat misinformation.
- *Social Distancing in the workplace*: All our facilities have adopted key preventive measures. In common areas such as entrances, dining rooms, dressing rooms, shafts, boardrooms and meeting rooms, floor markings facilitate compliance with social distancing. We also ensure social distancing during the transportation of personnel and provide appropriate protective equipment.
- *Hygiene and sanitisation*: To minimise risk, we have implemented disinfection measures, notably the use of anti-bacterial gel, facemasks and the discontinuation of the use of digital fingerprint controls. A daily sanitisation programme has been implemented for work areas and transportation.
- *Access control:* We have introduced check-up points where we monitor body temperature and ask personnel about any symptoms or contacts with people suspected to have the disease. For our workforce in remote locations, monitoring takes place before transportation and also once they arrive at the mine site.
- *Testing, monitoring and contagion traceability:* We have acquired, and promote the responsible use of, COVID-19 tests and conduct contagion traceability for any suspected cases. On a daily basis, we monitor the progress of any individuals who need to go into quarantine, and also offer psychological care and emotional support. We have applied 2,019 random tests across our operations and projects, with 225 people requested to self-quarantine as a preventive measure.



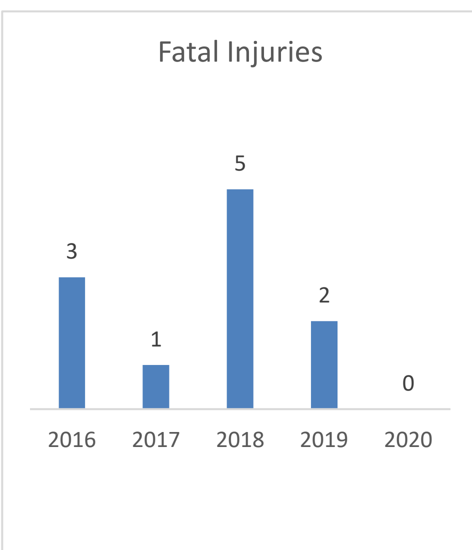
	Penmont	Saucito	Fresnillo	San Julian	Cienega	Juanicipio
Workforce	4048	3990	3789	2764	1870	849
Available tests	4000	1500	1500	2000	1900	500
Tests applied	2275	584	828	1030	1124	31

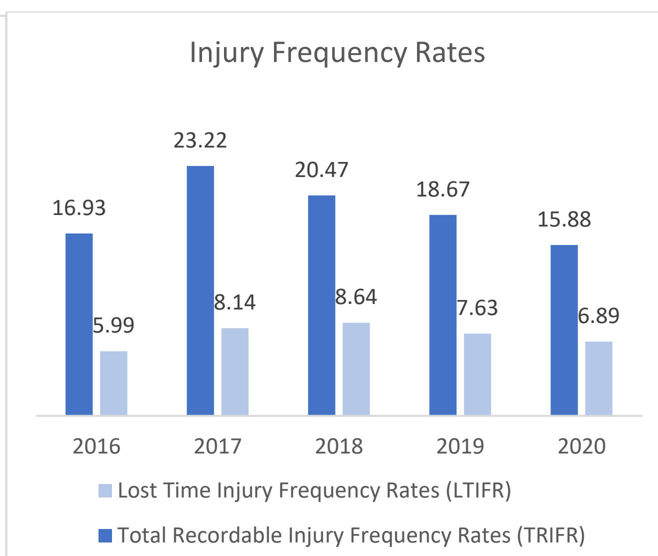
Safety

Our goal is to instil a safety culture based on caring for our people. We continue to make progress with the implementation of the 'I Care, We Care' programme that integrates best practices, systems, programmes and behaviours. Although our Total Recordable and Lost Time Injury Frequency Rates improved with respect to 2019 from 18.67 (2019) to 15.88 (1H20) and 7.63 (2019) to 6.89 (1H20) respectively, we recognise that there is a long road ahead until our safety culture matures.

I care, we care programme
(Me cuido, nos cuidamos)

This comprehensive programme integrates the best systems, projects and behaviours into one cohesive initiative in order to encourage safe working. It enables us to continuously innovate in safety, risk assessment and emergency preparedness, while also developing accountability through better leadership and clearer responsibilities. A key strength of the programme lies in its ability to involve each and every one of us in building trust and respect. It highlights the importance of safe working, recognises positive behaviours and creates a learning





*Comparative figures relate to full years 2016-2019

Environment

Our Independent Tailings Review Panel (ITRP) has been successfully operating in 2020, providing guidance and recommendations for the safe design, construction and operation of our Tailings Storage Facilities (TSF). While site visits were conducted in the early part of the year, these were replaced by remote reviews following the outbreak.

Community Relations

Our communities are our strategic partners. We have collaborated with our communities in new and creative ways to respond to the COVID-19 pandemic:

- *Communicating preventive measures:* We work closely with the authorities to communicate official information and share recommendations to reduce the risk of infection.
- *Making donations to the Health Sector:* We have donated ventilators and protective equipment such as suits, gloves, facemasks, anti-bacterial gel and eye protection. We have provided land in the Fresnillo district on a temporary basis in order to enable the capacity of the Social Security Institute (IMSS) Hospital to be increased.
- *Supporting the most vulnerable:* We have also partnered with local authorities and food banks to donate food, sanitising kits and protective equipment to the poor and elderly, in order to make staying at home a little easier and more comfortable.
- *Reinventing how we collaborate:* Our robotics teams in local communities have turned their skills to the production of acetate masks and other protective equipment for community hospitals. Mothers from our communities in San Julián also partnered with us to manufacture protective equipment. Our reading programme *Picando Letras* launched a YouTube channel and continued to provide training to teachers and parents. Our shared objective is to support children's education during the coronavirus outbreak. *Picando Letras* became our first programme to bring together communities at all our operations and projects into a single digital community.

Small and medium-sized contractors and suppliers

Our approach is helping to preserve our business relations with small and medium-sized enterprises (SMEs). Our payment and supply terms have remained unchanged to mitigate the negative impact of the coronavirus outbreak on our value chain.

Our Environment, Social and Governance (ESG) performance was recognised by the inclusion of Fresnillo plc in the FTSE4Good Index and Ethisphere's world most ethical companies.

FTSE4Good

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Financial Review

The interim consolidated financial statements of Fresnillo plc for the first halves of 2020 and 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. Management recommends reading this section in conjunction with the Interim Financial Statements and their accompanying Notes.

Income Statement

Income Statement Key Line Items
Six months ended 30 June
(in millions of US$)

	H1 2020	H1 2019	% change
Adjusted revenues[1]	1,125.1	1,069.0	5.3
Lead and zinc hedging	1.5	0.1	N/A
Treatment & refining charges	-72.4	-67.1	7.9
Total revenues	1,054.2	1,002.0	5.2
Cost of sales	733.0	796.5	-8.0
Gross Profit	321.2	205.5	56.3
Exploration expenses	50.7	84.0	-39.6
EBITDA[2]	469.9	307.9	52.6
Profit before income tax	127.9	54.1	136.6
Special mining right	9.4	-12.9	N/A
Income tax expense	62.0	-4.0	N/A
Profit for the period	56.5	70.9	-20.3
Profit for the period, excluding post-tax Silverstream revaluation effects	78.8	62.9	25.3
Attributable profit	64.5	70.2	-8.0
Attributable profit, excluding post-tax Silverstream revaluation effects	86.8	62.2	39.5
Basic and diluted earnings per share (US$/share) [3]	0.088	0.095	-7.4
Basic and diluted Earnings per share, excluding post-tax Silverstream revaluation effects (US$/share)	0.118	0.084	40.5

[1] Adjusted revenues is the revenue shown in the income statement adjusted to add back treatment and refining costs and the effects of gold, lead and zinc hedging. The Company considers this is a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices.
[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 shares for H1 2020 and H1 2019 was 736.9m. See Note 8 in the Consolidated Financial Statements.

Fresnillo plc's financial results rely on the Group's asset quality, skilled personnel and management's execution capabilities. However, there are a number of macroeconomic variables affecting the financial results which are beyond the Group's control. A description of these variables is provided below.

Metal prices

The average realised gold price increased 27.0%, from US$1,320.7 per ounce in 1H19 to US$1,676.8 per ounce in 1H20, whilst the average realised silver price increased 10.1% from US$15.3 per ounce in 1H19 to US$16.8 per ounce in 1H20.

The average realised lead price decreased by 10.6% to US$0.78 per pound in 1H20, whilst the average zinc price decreased 27.0% on 1H19 to US$0.91 per pound.

Foreign exchange rates

The Mexican peso/US dollar spot exchange rate at 30 June 2020 was $22.97 per US dollar, compared to the exchange rate at 31 December 2019 of $18.85 per US dollar. The 21.9% spot devaluation had a negative effect on the net monetary peso asset position, which contributed to the US$40.0 million foreign exchange loss recognised in the income statement, as well as the accounts receivable denominated in Mexican pesos, which were collected during the period (mainly recoverable VAT).

The average spot Mexican peso/US dollar exchange rate devalued by 12.7% from $19.17 per US dollar in 1H19 to $21.61 per US dollar in 1H20. The positive effect of the devaluation of the Mexican peso vs. the US dollar on adjusted production costs is expected to continue into 2H20, should the exchange rate remain at similar levels throughout the following six months.

Cost Deflation

There was a net decrease in the weighted average input cost over the half, of 6.1%. This deflation reflected, amongst other factors, the favourable effect of the 12.7% average devaluation of the Mexican peso against the US dollar. Excluding this positive effect, the resulting cost inflation for 1H20 was 0.1%.

Labour

Personnel cost decreased by a net 8.5% in US dollar terms considering the 12.7% average devaluation of the Mexican peso vs. the US dollar. Wages to unionised employees have not been negotiated this year due to the COVID-19 gathering restrictions but annual increases are expected to be negotiated in the following months.

Deflation of key operating materials in US$ terms

Unit prices of the majority key operating materials decreased in US dollar terms. As a result, the weighted average unit prices of all operating materials over the half decreased by 2.8%.

Key operating materials	**1H20 VS 1H19**
Reagents	-10.3%
Sodium cyanide	-5.3%
Steel balls for milling	-4.0%
Steel for drilling	-3.8%
Explosives	-1.6%
Lubricants	3.2%
Tires	0.2%

Weighted average of all operating materials	-2.8%

Electricity

The weighted average cost of electricity in US dollars increased 2.3% from US$7.28 cents per kw in 1H19 to US$7.45 cents per kw in the same period of 2020, reflecting an increase in consumption of electricity generated by the government-owned utility company, which is charged at a higher average generating cost, and to a lesser extent, to a higher unit price of energy supplied by Peñoles' thermoelectric plant and wind farm.

Diesel

The weighted average cost of diesel in US dollars decreased by 18.7% from US$88.0 cents per litre in 1H19 to US$71.5 cents per litre in 1H20.

Contractors

Contractor costs are an important component of the Group's total costs and include costs incurred by contractors relating to operating materials, equipment and labour. The weighted average decrease in contractor unit costs in US dollar terms was 6.7% when compared to 1H19.

Maintenance

Maintenance decreased by approximately 5.5% in US dollars in 1H20, reflecting the favourable effect of the devaluation of the Mexican peso vs. US dollar on the wages of maintenance personnel, which are denominated, in their majority, in Mexican pesos. Excluding this effect, maintenance would have increased by 1.8% as a result of a 1.1% increase in the unit prices of spare parts in US dollars and increases in fees paid to some maintenance contractors.

Others

Other cost line items included a -10.7% decrease in freight and an average deflation of -3.1% for the remaining components over 1H20, whereas there was a 4.0% increase in insurance premium per US dollar insured unit.

Total revenues

Consolidated Revenues
(US$ millions)

	H1 2020	H1 2019	Amount	%Change
Adjusted revenues[1]	1,125.1	1,069.0	56.1	5.3
Hedging	1.5	0.1	1.4	N/A
Treatment and refining charges	-72.4	-67.1	-5.3	-7.9
Total revenues	1,054.2	1,002.0	52.2	5.2

[1] Adjusted revenues is the revenue shown in the income statement adjusted to add back treatment and refining costs and the effects of gold, lead and zinc hedging. The Company considers this is a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices.

Adjusted revenues of US$1,125.1 million increased 5.3% over 1H19. This was mainly explained by the higher gold and silver prices resulting in a positive impact of US$175.9 million and to a lesser extent, higher volumes of zinc and lead sold, resulting in a favourable impact of US$18.3 million. These effects were partially offset by lower volumes of gold and silver sold, estimated at US$104.0 million and a US$34.2 million impact from the decrease in zinc and lead prices.

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

	H1 2020	%	H1 2019	%	Volume Variance	Price Variance	Total	%
Gold	611.9	54.4	556.8	52.1	(84.9)	140.0	55.1	9.9
Silver	383.0	34.0	366.1	34.2	(19.1)	35.9	16.9	4.6
Lead	47.4	4.2	45.3	4.2	7.3	(5.2)	2.1	4.6
Zinc	82.9	7.4	100.8	9.5	11.0	(29.0)	(18.0)	-17.8
Total revenues	1,125.1	100.0	1,069.0	100.0	(85.7)	141.8	56.1	5.3

[1] Adjusted revenues is the revenue shown in the income statement adjusted to add back treatment and refining costs and the effects of gold, lead and zinc hedging. The Company considers this is a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices

Changes in the contribution by metal were the result of the relative changes in metal prices and volumes produced. Gold was the only metal that increased its contribution to total adjusted revenues, rising from 52.1% in 1H19 to 54.4% in 1H20. Lead and silver's contributions to adjusted revenue remained at similar levels to those observed in 1H19, while contribution of zinc to the total adjusted revenues decreased from 9.5% in 1H19 to 7.4% in 1H20.

Herradura continued to be the largest contributor, representing 31.1% of the Group's total adjusted revenue. Saucito's contribution to total adjusted revenues decreased from 22.9% in 1H19 to 21.1% in 1H20, reflecting the lower volume of silver sold, mitigated by a higher price. Conversely, Fresnillo's contribution to total adjusted revenues increased to 16.1% in 1H20 (15.0% in 1H19) as a result of higher volumes of silver, lead and zinc sold. Ciénega's contribution to total adjusted revenues increased from 8.5% in 1H19 to 9.7% in 1H20, mainly resulting from the higher volumes of gold sold at a higher price. San Julián's (DOB) contributions to total adjusted revenues decreased from 8.2% in 1H19 to 7.2% in 1H20 mainly as a result of the decrease in volume of zinc sold at a lower price. Noche Buena's represented 7.2% of the Group's adjusted revenues, down from 8.1%, reflecting the lower gold production.

Saucito's contribution to the Group's silver adjusted revenues decreased from 37.7% in 1H19 to 32.9% in 1H20 reflecting the 17.2% decrease in silver volumes sold. In contrast, Fresnillo's contributions to silver adjusted revenues increased to 27.2% in 1H20 as shown in the table below.

Noche Buena's contribution to the Group's gold adjusted revenues decreased half on half due to the 26.8% decrease in gold volumes sold.

Fresnillo became the largest contributor to zinc adjusted revenues increasing its participation from 26.8% in 1H19 to 36.8% in 1H20. Conversely, Saucito's contribution to adjusted revenues decreased from 38.6% in 1H19 to 35.2% in 1H20, driven by the lower zinc price.

The contribution by metal and by mine to adjusted revenues is expected to change further over future periods as new projects are incorporated into the Group's operations and as precious metal prices fluctuate.

Gold Adjusted revenues by mine

	H1 20	**H1 19**
Herradura	54.9%	55.2%
Noche Buena	13.2%	15.6%
Saucito	10.4%	8.7%
San Julián Veins	8.3%	8.4%
Ciénega (and San Ramón)	8.3%	6.7%
Fresnillo	4.7%	5.3%
San Julián DOB	0.2%	0.1%
TOTAL	100%	100%

Silver Adjusted revenues by mine

	H1 20	**H1 19**
Saucito	32.9%	37.7%
Fresnillo	27.2%	24.2%
San Julián DOB	15.5%	14.7%
Ciénega (and San Ramón)	11.7%	11.2%
San Julián Veins	9.0%	9.5%
Herradura	3.5%	2.7%
Noche Buena	0.1%	0.0%
TOTAL	100%	100%

Total adjusted revenues by mine

	H1 20	**H1 19**
Herradura	31.1%	29.7%
Saucito	21.1%	22.9%
Fresnillo	16.1%	15.0%
Ciénega	9.7%	8.5%
San Julián DOB	7.2%	8.2%
Noche Buena	7.2%	8.1%
San Julián Veins	7.6%	7.6%
TOTAL	100%	100%

Volumes of metal in products sold
Six months ended 30 June

	H1 20	H1 19	% change
SILVER (kOz)			
Fresnillo	6,234	5,825	7.0
Ciénega	2,668	2,695	-1.0
Herradura	808	652	24.0
Saucito	8,387	8,387	-9.6

Pyrites plant	654	654	N/A
Noche Buena	13	4	194
San Julián Veins	2,017	2,275	-9.0
San Julián DOB	3,527	3,555	-0.8
Total Silver (kOz)	22,806	24,040	-5.1
GOLD (Oz)			
Fresnillo	16,984	22,325	-23.9
Ciénega	29,954	28,112	6.6
Herradura	201,820	233,625	-13.6
Saucito	34,177	34,177	-1.5
Pyrites plant	2,467	2,467	N/A
Noche Buena	47,789	65,318	-26.8
San Julián (phase I)	30,013	35,069	-14.4
San Julián (phase II)	579	379	52.7
Total Gold (Oz)	364,879	421,472	-13.4
LEAD (MT)			
Fresnillo	10,659	7,921	34.6
Ciénega	2,968	2,107	40.9
Saucito	10,783	10,168	6.0
San Julián (phase II)	3,207	3,393	-5.5
Total Lead (MT)	27,615	23,590	17.1
ZINC (MT)			
Fresnillo	15,199	9,890	53.7
Ciénega	4,123	3,158	30.6
Saucito	14,585	14,099	3.4
San Julián (phase II)	7,493	9,617	-22.1
Total Zinc (MT)	41,400	36,764	12.6

HEDGING

Fresnillo plc's hedging policy remains guided by the principle of providing shareholders with full exposure to gold and silver prices.

In the last quarter of 2019, a portion of our by-product lead production for 2020 was hedged. The table below illustrates the expired hedging volume, the results in the first half of 2020 and the outstanding balance for the rest of the year.

Concept	**As of June 30th 2020***
	Lead
Weighted Floor (US$/tonne)	2,094
Weighted Cap (US$/tonne)	2,290
Expired volume (ton)	4,380
Profit/Loss (US$ dollars)	1,469,016
Total outstanding volume (tonne)	4,380

Treatment and Refining charges

Similar to previous years, the 2020 treatment and refining charges (TRCs) per tonne and per ounce are currently being negotiated with Met-Mex in accordance with international benchmarks and will apply retrospectively from January 2020. We expect these negotiations to conclude by October 2020. Treatment and refining charges in these Interim Financial Statements were assumed to be the same as those which were negotiated for the full year 2019, consistent with the approach taken in 1H19.

Treatment charges per tonne of lead and zinc concentrate for the first half of 2020 increased 4.0% and 51.7% respectively, while silver refining charges decreased 17.0% compared to 1H19. The significant rise in the treatment charge per tonne of zinc is explained by the increase in mine supply, which is surpassing the limited worldwide smelting capacity. The increase in volumes of lead and zinc concentrates shipped to Met-Mex further increased treatment and refining charges in absolute terms, which rose by US$5.3 million half on half.

Cost of sales

			Change	
	H1 20	**H1 19**	**Amount**	**%**
Adjusted production costs[4]	506.6	566.4	-59.8	-10.6
Depreciation and amortisation	251.7	240.5	11.2	4.7
Change in work in progress	-38.3	-14.0	-24.3	172.6
Profit Sharing	7.8	4.3	3.5	81.5
Unproductive cost	5.2	-0.7	5.9	N/A
Hedging (MXN/USD exchange rate)	-0.1	0.0	-0.1	N/A
Cost of Sales	**733.0**	**796.5**	**-63.5**	**-8.0**

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

Cost of sales of US$733.0 million decreased by 8.0% over 1H19 as a result of the following combination of factors:

- Adjusted production costs decreased by 10.6% to US$506.6 million in 1H20. The US$59.8 million decrease was mainly related to: i) the 12.7% average devaluation of Mexican peso against the US dollar (-US$34.6 million) and ii) lower volumes of ore deposited at Herradura and Noche Buena (-US$50.9 million).

  The above decreases were partly offset by an increase in development (US$25.7 million).

- Depreciation increased by US$11.2 million mainly due to the increased depletion factors due to the decreased reserve base.
- The variation in the change in work in progress had a positive effect of US$24.2 million half on half. This resulted from the re-assessment of the gold content on the leaching pads at Herradura with an estimated positive effect of US$65.1 million (see notes 2c and 5 to the financial statements). This was partially offset by the net effect of the reduction of inventories at Herradura and Noche Buena during the pandemic and the increase in inventories at the underground mines, mainly at Saucito.
- The US$5.2 million in unproductive costs is mainly related to costs incurred during the partial stoppage at Herradura and Noche Buena due to the COVID-19 measures taken by the state government.

- Mexican peso/US dollar hedging gain of US$0.1 million in 1H20. Considering the exchange rate reached maximum levels in mid March, we decided to hedge part of our exposure to foreign exchange risk associated with costs incurred in Mexican pesos. In the first quarter of the year, we entered into a combination of put and call options structured at zero cost (collars). These derivatives were used to hedge US$150.1 million of costs denominated in Mexican pesos with average floor and cap exchange rates of $22.33 and $32.82 per US dollar respectively, which have generated a positive result of US$0.1 million. The total outstanding position using collar structures as of 30th June 2020 was US$112.59 million with monthly maturities throughout 2020 until March 2021 with average floor and cap exchange rates of $22.33 and $32.82 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 must sell US dollars at the contract rate.

Cost per tonne and cash cost per ounce

Cost per tonne is a key indicator to measure the effects of mining inflation and cost control performance at each mine. This indicator is calculated as total production costs, plus ordinary mining rights less depreciation, employee profit sharing and exchange rate hedging effects, divided by total tonnage processed.

COST PER TONNE				
				%
		H1 20	H1 19	Change
Fresnillo	US$/TONNE MILLED	65.60	58.87	11.4
Saucito	US$/TONNE MILLED	70.34	65.96	6.6
Ciénega	US$/TONNE MILLED	72.98	79.46	-8.2
San Julián Veins	US$/TONNE MILLED	70.03	66.54	5.2
San Julián DOB	US$/TONNE MILLED	37.89	38.98	-2.8
Herradura	US$/TONNE DEPOSITED	18.54	18.02	2.9
Noche Buena	US$/TONNE DEPOSITED	13.74	9.32	47.5

Costs per tonne across the Group were positively impacted by the 12.7% average devaluation of the Mexican peso vs. US dollar half on half. Additional factors affecting cost per tonne at each mine are described below:

Fresnillo

Cost per tonne milled increased 11.4% half on half principally due to an increase in development, mitigated by the favourable effect of the devaluation of the Mexican peso vs. US dollar.

Saucito

Cost per tonne milled increased 6.6% half on half primarily due to an increase in development at the mine, mitigated by the favourable effect of the devaluation of the Mexican peso and the lower volume processed at the pyrites plant.

Ciénega

Cost per tonne milled decreased 8.2% mainly due to the positive effect of the devaluation of the Mexican peso vs. US dollar and a decrease in the number of contractors due to the initiatives to increase productivity and reduce costs.

San Julián Veins

Cost per tonne milled increased 5.2% mainly as a result of an increase in development, mitigated by the favourable effect of the devaluation of the Mexican peso vs. US dollar.

San Julián Disseminated Ore Body

Cost per tonne milled decreased 2.8% mainly as a result of the positive effect of the devaluation of the Mexican peso vs. the US dollar.

Herradura

Cost per tonne increased 2.9% primarily due to lower economies of scale as a result of the decrease in volume of ore processed and waste material hauled related to the COVID-19 disruptions, mitigated by the decrease in the unit price of diesel and the devaluation of the Mexican peso vs. the US dollar.

Noche Buena

Cost per tonne increased by 47.5% mainly driven by the lower economies of scale achieved from the decrease in volume of ore processed and waste material hauled as a result of COVID-19 disruptions, mitigated by the lower unit price of diesel and the devaluation of the Mexican peso vs. the US dollar.

CASH COST PER OUNCE

Cash cost is a key indicator which measures the ability of the mine to generate competitive profit margins. Cash cost per ounce is calculated as total cash cost (cost of sales plus treatment and refining charges and mining rights less depreciation) less revenues from by-products divided by the silver or gold ounces sold.

		H1 20	H1 19	% Change
Fresnillo	US$ per silver ounce	4.86	3.12	56.0
Saucito	US$ per silver ounce	1.19	2.36	-49.7
Ciénega	US$ per gold ounce	-84.59	176.85	N/A
San Julián Veins	US$ per silver ounce	-2.67	0.58	N/A
San Julián DOB	US$ per silver ounce	8.65	6.03	43.5
Herradura	US$ per gold ounce	573.04	770.28	-25.6
Noche Buena	US$ per gold ounce	1,100.81	821.91	33.9
Consolidated				
	US$ per equiv. gold ounce	729.87	683.45	6.8

	US$ per equiv. silver ounce	7.31	7.88	-7.3

Fresnillo: US$4.86/oz (1H20) vs US$3.12/oz (1H19), (US$1.74/oz; 56.0%)

The increase in cash cost per ounce was primarily driven by a higher cost per tonne and an increase in treatment and refining charges. This was mitigated by the higher silver ore grade and the increased lead and zinc by-product credits.

Saucito: US$1.19/oz (1H20) vs US$2.36/oz (1H19), (-US$1.17/oz; -49.7%)

Cash cost per ounce decreased primarily due to higher gold and lead by-product credits per silver ounce. This was partially offset by a lower silver ore grade and higher treatment and refining charges per silver ounce.

Ciénega: -US$84.59/oz (1H20) vs US$176.85/oz (1H19), (-US$261.44/oz; N/A)

The decrease in cash cost was mainly due to a lower cost per tonne, higher gold ore grade and an increase in silver and lead by-product credits. This was partly offset by a higher treatment and refining charge.

San Julián Veins: -US$2.67/oz (1H20) vs US$0.58/oz (1H19), (-US$3.25/oz; N/A)

Cash cost per ounce decreased mainly due to the higher gold by-product credits, partly offset by the lower silver grade.

San Julián (DOB) US8.65/oz (1H20) vs US$6.03/oz (1H19), (US$2.62/oz; 43.5%)

The increase in cash cost was mainly explained by the lower zinc and lead by-product credits, mitigated by lower cost per tonne.

Herradura: US$573.04/oz (1H20) vs US$770.28/oz (1H19), (-US$197.24/oz; -25.6%)

The lower cash cost per gold ounce was primarily driven by the favourable effect of the reassessment of recoverable gold inventories at the leaching pads, resulting in a lower cost per ounce; partly offset by a higher cost per tonne and, to a lesser extent, an increase in silver by-product credits and higher speed of recovery.

Noche Buena: US$1,100.81/oz (1H20) vs US$821.91/oz (1H19), (US$278.90/oz; 33.9%)

The increase in cash cost was mainly explained by the higher cost per tonne.

All in sustaining cost

		H1 20	H1 19	Change %
Fresnillo	US$ per silver ounce	11.14	12.46	-10.6
Saucito	US$ per silver ounce	6.07	10.02	-39.4
Ciénega	US$ per gold ounce	613.93	1,533.84	-60.0
San Julián Veins	US$ per silver ounce	5.19	10.85	-52.2
San Julián DOB	US$ per silver ounce	10.10	9.49	6.4
Herradura	US$ per gold ounce	664.74	925.37	-28.2

Noche Buena	US$ per gold ounce	1,148.11	906.56	26.6
Consolidated				
	US$ per equiv. gold ounce	963.82	1,025.85	-6.0
	US$ per equiv. silver ounce	9.65	11.83	-18.4

All-in sustaining costs are 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.

All-in sustaining costs are affected by ad hoc expenses recorded in each particular period, and therefore may significantly vary period on period.

The changes in all-in sustaining costs at each mine are explained below:

Fresnillo: All-in sustaining cost decreased 10.6% over 1H19. The US$1.32 per ounce decrease was mainly explained by lower sustaining capex per ounce, partly offset by higher cash cost.

Saucito: All-in sustaining cost decreased US$3.95 per ounce mainly as a result of lower sustaining capex per ounce and lower cash cost.

Ciénega: The US$919.88 per ounce decrease was driven by the decreased sustaining capital expenditure per ounce and lower cash cost.

San Julián Veins: The US$5.66 per ounce decrease in all in sustaining cost was driven by a lower sustaining cost per ounce and a decrease in cash cost.

San Julián Disseminated Ore Body: The all in sustaining cost increased US$0.61 per ounce half on half due to higher cash cost, mitigated by a lower sustaining capital expenditure per ounce.

Herradura: All-in sustaining cost decreased by US$260.63 per ounce due to the lower cash cost and a lower sustaining capital expenditure per ounce.

Noche Buena: The US$241.55 per ounce increase in all-in sustaining cost was mainly the result of a higher cash cost.

Gross profit

Total gross profit, excluding hedging gains and losses, increased by 56.3% to US$321.2 million in 1H20. The US$115.7 million increase resulted from:

i) The net favourable effect of the higher metal prices estimated at US$141.8 million;
ii) The re-assessment of gold inventories in the leaching pads at Herradura with a positive effect of US$65.1 million; and
iii) The favourable effect of the devaluation of the MX$/US$ exchange rate amounting to US$34.6 million.

These effects were partly offset by:

i) Lower gold production at Herradura and Noche Buena following the COVID-19 operational restrictions, with a net impact of US$85.8 million (including the negative effect of the variation of change in inventories at these two mines due to the decrease in inventories, excluding the reassessment of the gold inventories);
ii) An increase in development works of US$25.6 million at our underground mines;
iii) Higher depreciation of US$11.2 million; and
iv) Other adverse effects estimated at US$3.1 million.

On a per mine basis, Herradura's contribution to the consolidated gross profit increased from 37.7% in 1H19 to 56.0% in 1H20 mainly reflecting the higher revenues due to the increase in gold price, the favourable effect of the reassessment of recoverable gold inventories and the lower adjusted production cost as explained above. Conversely, Saucito's contribution to the Group's gross profit decreased to 18.5% in 1H20 due to the decrease in gross profit as a result of the expected lower silver production. Fresnillo's share of the Group's consolidated gross profit decreased from 17.3% to 11.3% in 1H20 due to its relative weighting, despite generating a similar level of gross profit to the one achieved in 1H19. Similarly, Noche Buena's contribution to the Group's consolidated gross profit decreased to 6.3% in 1H20 as a result to its relative weighting, albeit an increase in its gross profit as a result of the lower cost of sales. Ciénega's participation to the consolidated gross profit increased to 7.1% as a result of the US$14.7 million increase in gross profit mainly due to the increase in gold, silver and lead revenues.

(US$ millions)					**Change**	
	H1 20	**%**	**H1 19**	**%**	**Amount**	**%**
Herradura	179.3	56.0	78.2	37.7	101.1	129.3
Saucito	59.1	18.5	67.0	32.5	-7.9	-11.8
Fresnillo	36.2	11.3	35.7	17.3	0.5	1.4
Noche Buena	20.0	6.3	17.4	8.3	2.6	14.9
Ciénega	22.8	7.1	8.1	3.9	14.7	181.5
San Julián	2.5	0.8	0.5	0.3	2.0	400.0
Total for operating mines	**319.9**	**100%**	**206.9**	**100%**	**113.0**	**54.6**
MXN/USD exchange rate hedging (losses)	0.1		0.0		0.1	N/A
Metal hedging	1.5		0.1		1.4	N/A
Other subsidiaries	-0.3		-1.4		1.1	-78.6
Total Fresnillo plc	**321.2**		**205.5**		**115.7**	**56.3**

Administrative expenses

Administrative and corporate expenses decreased by US$1.8 million to US$41.8 million in 1H20. The 4.0% decrease was mainly explained by the decrease in non-recurring corporate services provided by Servicios Industriales Peñoles S.A.B. de C.V. and the favourable effect of the devaluation of the Mexican peso vs. the US dollar.

Exploration expenses

BUSINESS UNIT / PROJECT (US$ millions)	Exploration expenses	Capitalised expenses
Ciénega	3.0	-
Fresnillo	3.3	-
Herradura	4.0	-
Saucito	7.4	-
San Julián	6.6	-
Centauro Deep	0.0	4.5
Orisyvo	1.6	-
Tajitos	0.3	-
San Antonio	0.2	-
Pilarica	0.1	-
Candameña	0.1	-
Carina	0.3	-
Guanajuato	2.3	-
Chile	1.0	-
Perú	1.3	-
Juanicipio	0.0	1.8
Condoriaco	0.9	-
Others	18.3	-
TOTAL	**50.7**	**6.3**

Exploration expenses totalled US$50.7 million in 1H20, a 39.6% decrease over 1H19 partly as a result of a lower budget, with lower spend at our operating mines, except at Saucito, and projects and prospects, particularly Guanajuato. a decrease in exploration spent as some activities were postponed due to COVID-19 travel restrictions further decreased exploration expenses in 1H20. Exploration activities were focused on converting resources into reserves and direct mine development at our operations. An additional US$6.3 million was capitalised mainly related to exploration expenses at Juanicipio and Centauro Deep. Thus, risk capital invested in exploration totalled US$57.1 million. The full year exploration budget has been reduced to US$120 million] (including capitalised exploration expenses of ~US$12 million), reflecting our limited ability to explore certain prospects due to travel restrictions related to COVID-19 guidelines.

EBITDA

EBITDA and EBITDA Margin
Six months ended 30 June
(in millions of US$)

	H1 2020	H1 2019	% change
Gross Profit	321.2	205.5	56.3
+ Depreciation and amortisation	251.7	240.5	4.7
- Administrative Expenses	-41.8	-43.6	4.1
- Exploration Expenses	-50.7	-84.0	-39.6
- Selling Expenses	-10.5	-10.6	-0.7
EBITDA	469.9	307.9	52.6
EBITDA Margin	44.6%	30.7%	

A key indicator of the Group's financial performance is EBITDA, which is calculated as gross profit plus depreciation, less administrative, selling and exploration expenses. This indicator increased from US$307.9 million in 1H19 to US$469.9 million in 1H20 mainly as a result of the higher gross profit and lower exploration expenses. The EBITDA margin increased from 30.7% in 1H19 to 44.6% in 1H20.

Silverstream revaluation effects

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. The total effect of the revaluation of the Silverstream contract recorded in 1H20 was a US$31.8 million loss, compared to the US$11.4 million gain registered in 1H19. The negative revaluation was mainly driven by: i) a decrease in silver reserves at the Sabinas mine, which resulted in changes to the mine plan; ii) an increase in the risk adjusted discount rate. These factors were mitigated by the unwinding of the discount and a higher forward silver price of silver.

Since the IPO, cumulative cash received from the Silverstream contract has been US$666.7 million, which compares favourably to the upfront payment of US$350 million paid on 31 December 2007.

The Group expects that further unrealised gains or losses will be recorded in the income statement in accordance with the cyclical behaviour of the silver price or changes in the assumptions used when valuing this contract and potential structural changes in the operations at the Sabinas mine. Further information related to the Silverstream contract is provided in the Balance Sheet section below and in notes 10 and 18 to the Interim Financial Statements.

Net finance costs

Net finance costs of US$16.2 million in 1H20 compared favourably with the US$27.8 million recorded in 1H19. The 1H20 net finance costs principally reflected the interest on the US$800 million principal amount of 5.5% Senior Notes, mitigated by the inflationary adjustments] on recoverable VAT and the interest gained on the short term deposits.
In 1H19, in addition to interest on the senior notes mentioned above, US$15.7 million of interest and surcharges was recognised, resulting from aligning the tax treatment of mining works across the Group's underground mines to the agreement reached between

SAT, Prodecon and Fresnillo plc in November 2018. Detailed information is provided in note 7 to the Interim Financial Statements.

Foreign exchange

A foreign exchange loss of US$40.0 million was recorded in the income statement as a result of the 21.9% devaluation of the Mexican peso against the US dollar in the six months ended 30 June 2020 on: i) the realised transactions during the period related to accounts receivable paid in Mexican pesos (mainly recoverable VAT); and ii) the value of peso-denominated net monetary assets. This compared negatively to the US$5.1 million foreign exchange gain recognised in 1H19.

The Group also entered into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with the purchase of equipment denominated in Euro (EUR) and Swedish krona (SEK). As of June 30th 2020, the total EUR and SEK outstanding net forward position was EUR 0.23 million and SEK 7.64 million with maturity dates through September 2020. Volumes that expired during the first half of 2020 were EUR 6.98 million with a weighted average strike of 1.1520 USD/EUR and SEK 20.94 million with a weighted average strike of 9.3832 SEK/USD, which have generated a loss for the period of -US$0.20 million.

Taxation

Income tax expense for the period was US$62.0 million, which compare unfavourably vs. -US$4.0 million (tax credit) in 1H19. The effective tax rate, excluding the special mining rights, was 48.5%, which was above the 30% statutory tax rate. This was mainly due to the devaluation of the Mexican peso, which had an important impact on the tax value of assets and liabilities denominated in Mexican pesos.

The effective tax rate in 1H19 was lower (-7.4% in 1H19, vs. 48.5% in 1H20). The reason for the negative tax rate in 1H19 was the significant permanent differences between the tax and accounting treatment, together with the low level of profit before income tax.

Mining rights for 1H20 were US$9.4 million vs. -US$12.9 million in 1H19. The main reason for the negative mining rights in 1H19 was the effect that the voluntary amendment to the tax treatment for mining works for the years 2014-2018 had on the deferred mining rights.

Profit for the period

Profit for the period was US$56.5 million, which represented a US$14.4 million decrease half on half as a result of the factors discussed above.

Excluding the effects of the Silverstream valuation, profit for the period increased 25.3% to US$78.8 million in 1H20.

Cash Flow

A summary of the key items from the cash flow is set out below:

Cash Flow Key Items
Six months ended 30 June
(in millions of US$)

	H1 20	H1 19	(US $)	(%)
Cash generated by operations before changes in working capital	456.2	316.1	140.2	44.3
(Decrease)/Increase in working capital	-37.3	7.6	-44.9	N/A
Taxes and Employee Profit Sharing paid	-71.0	-140.8	69.8	49.6
Net cash from operating activities	422.5	167.7	254.8	152.0
Silverstream contract	13.1	12.9	0.2	1.8
Purchase of property, plant & equipment	-182.0	-248.4	66.4	-26.7
Dividends paid	-87.7	-123.1	35.3	28.7
Net interest (paid)	-10.2	-21.3	11.1	-52.1
Net increase (decrease) in cash and short term investments during the period after foreign exchange differences	178.1	-198.7	376.8	N/A
Cash and other liquid funds at 30 June*	514.7	362.1	152.6	42.1

* Cash and other liquid funds are disclosed in note 18(d) to the Financial Statements.

In 1H20, cash generated by operations before changes in working capital totalled US$456.2 million, a 44.3% increase due to higher profits generated from the Group's operating mines. Working capital decreased by US$37.3 million as a result of the net impact of the following factors:

- A -US$71.3 million decrease in accounts receivables which resulted mainly from the recovery of VAT receivables.
- A decrease in prepayments of -US$2.0 million
- A US$43.2 million increase in inventories primarily generated by the reassessment of gold content at the Herradura leaching pads
- A US$7.0 million decrease in accounts payable

Taxes and employee profit sharing paid of US$71.0 million decreased by 49.6% over 1H19 mainly due to a decrease in provisional tax payments resulting from the lower profit factor determined to calculate the estimated taxable income.

As a result of the above factors, net cash from operating activities increased by 152.0% to US$422.5 million.

The Group also received proceeds of US$13.1 million from the Silverstream Contract.

The Group purchased property plant and equipment for a total of US$182.0 million, a 26.7% decrease over 1H19. The Group has reviewed its expected capital expenditures of c.

US$655 million for the full year to US$525 million, a US$145 million decrease, mainly as a result of deferral of expenditures at the Juanicipio project and San Julián. However, the Company expects an increase in the rate of capital deployment at our different mines and projects during the 2H20. Capital expenditures for 1H20 are further described below:

Purchase of property, plant and equipment*		
(US$ millions)		
	H1 20	
Fresnillo mine	50.2	Mine development and mining works, construction of the Pyrites Flotation Plant and the optimisation of the current beneficiation plant, purchase of in-mine equipment and deepening of the San Carlos shaft.
Saucito mine	30.3	Mine development, purchase of in-mine equipment and deepening of the Jarillas shaft.
San Julián Veins and DOB	17.5	Mining works and purchase of in-mine equipment and land.
Herradura mine	14.9	Purchase of equipment for dynamic leaching plants, land acquisition and construction of leaching pad.
Ciénega mine	12.3	Mining works, purchase of in-mine equipment and construction of tailings dam.
Noche Buena	1.4	Implementation of Carbon in Column process, construction of leaching pad and anti-collision system
Juanicipio	40.3	Mine development and contruction of the beneficiation plant
Other	15.1	Minera Bermejal
Total Purchase of property, plant and equip.	182.0	

Dividends paid to shareholders in 1H20 totalled US$87.7 million as a result of the 2019 final dividend of 11.9 US cents per share paid in June 2020. Other uses of funds included the US$10.2 million net interest paid in 1H20.

The sources and uses of funds described above resulted in a net increase of US$178.1 million in cash and other liquid funds, which, combined with the US$336.6 million balance at the beginning of the year, resulted in cash and other liquid funds of US$514.7 million as at 30 June 2020.

Balance Sheet

Fresnillo plc continued to maintain a solid financial position with cash and other liquid funds of US$514.7 million as of 30 June 2020. This represented a 52.9% increase versus December 2019 and a 42.1% increase compared to the cash and other liquid funds of US$362.1 million as of 30 June 2019.

Trade and other receivables (including income tax recoverable) decreased from US$517.8 million as at 31 December 2019 to US$367.6 million as at 30 June 2020 mainly due to the recovery of VAT tax in the first half of 2020.

Inventories increased 11.9% over the 2019 year-end figure to US$406.9 million, mainly as a result of the reassessment of gold inventories on the leaching pads at Herradura.

The change in the value of the Silverstream derivative from US$541.3 million at the beginning of the year to US$497.5 million as of 30 June 2020 reflects the revaluation effects of a US$31.8 million loss in the Group's income statement, mitigated by proceeds of US$11.9 million in the period (US$7.9 million in cash generated in respect of the period and US$4.0 million receivable).

The net book value of property, plant and equipment decreased 4.0% to US$2,700.9 million at 30 June 2020 from US$2,813.4 at 31 December 2019.

Fresnillo plc's total equity for 1H20 was US$3,257.2 million, flat when compared to the figure at the beginning of the year.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above in the Operational Review, with further detail in the Annual Report 2019. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review. In addition, the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk were set out in the Annual Report 2019. Details of its financial instruments and hedging activities as at 30 June 2020 are set out in note 18 to the interim report.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecasts for the period to 31 December 2021 as at July 2020. In line with previous periods, the directors reviewed a more conservative cash flow scenario with silver and gold prices significantly reduced below current expectations, whilst maintaining current forecasted expenditure, which resulted in our current cash balances reducing over time to a more than adequate margin of liquidity towards the end of 2021.

Additionally, in the current period the directors reviewed scenarios that incorporated an estimated potential impact of plausible COVID-19 restrictions and regulations on our mining districts. The impact of COVID-19, and actions being taken are set out on the Health and safety, human resources, environment and community relations report.

As mining has been declared an essential activity by the Mexican government, we consider the risk of a government imposed full stoppage across all our operations to be low. Furthermore, we have implemented additional health and safety measures at each of our mines coupled with extensive targeted and random testing. This has allowed us to keep infection rates significantly below the Mexican average. We are therefore confident that we are well prepared to manage any localised outbreaks at our mines and maintain operations at planned levels.

However, taking into account risk implications of COVID-19 set out in the risk section of the interim report, we consider it plausible that temporary restrictions like those we saw in April and May at Penmont could be required in response to a deteriorating health situation at a particular state level.

As the profitability of our operations is most sensitive to restrictions being imposed in the state of Sonora impacting operations at Penmont, we have modelled scenarios assuming restrictions at the Herradura and Noche Buena mines.

The key judgement applied is the likely time period of restrictions on operations and the time it would take for the subsequent recover once those restrictions are lifted. The base scenario assumes restrictions caused by the stringent working health measures in our open pit mines and the resulting lower volumes processed at the open pit mines during the first half 2020; the severe scenario includes an assumption that again impacts the production for two months of the open pit mines resulting in its full stoppage for that period. In all scenarios we have also assumed that our employees remain on full pay for the duration of the closure and no mitigating actions are required to be implemented to maintain a comfortable liquidity level to continue operating in the period assessed.

After reviewing all of the above considerations, the Directors have a reasonable expectation that management has sufficient flexibility in potential adverse circumstances to maintain adequate resources to continue in operational existence for the foreseeable future. The Directors, therefore, continue to adopt the going concern basis of accounting in preparing these interim financial statements

Dividends

The Board of Directors has declared an interim dividend of 2.3 US cents per share totalling US$16.9 million which will be paid on 16 September 2020 to shareholders on the register on 7 August 2020. This decision was made after a comprehensive review of the Group's financial situation, assuring that the Group is well placed to meet its current and future financial requirements, including its development and exploration projects.

Fresnillo's existing dividend policy, which takes into account the profitability of the business and underlying earnings of the Group, as well as its capital requirements and cash flows whilst maintaining an appropriate level of dividend cover, remains in place. To reiterate the policy, a total dividend of between 33 and 50 percent of profit after tax is paid out each year in the approximate proportion of one-third to be paid as an interim dividend, two-thirds to be paid as a final dividend.

The interim dividend will be paid in UK pounds sterling to shareholders, unless a shareholder elects to receive dividends in US dollars. The interim dividend will be paid in UK pounds sterling with the dividend being converted into UK pounds sterling on or around 3 August 2020.

The corporate income tax reform introduced in Mexico in 2014 created a withholding tax obligation of 10% relating to the payment of dividends, including to foreign nationals.

Historically the Company has been making dividend payments out of retained earnings generated before the tax reform came into force and no withholding tax has therefore been applicable. It is expected that the 2020 interim dividend will be paid out of the remaining balance of the retained earnings generated before 2014.
We expect that future dividend payments will attract the withholding obligation.
However, foreign shareholders may be able to recover such tax depending on their tax residence and the existence of double taxation agreements.

MANAGING OUR RISKS AND OPPORTUNITIES

I. How we manage risk.
As we explained in our 2019 Annual Report, the Company ended 2019 having made good progress in risk management, including implementing actions that mitigated our most important risks. In parallel, the Enterprise Risk Management (ERM) team developed a training programme focused on risk identification and mitigation, which was rolled out across our personnel to raise awareness of our risk culture. In the current year, we are continuing to enhance our risk framework by increasing the use of metrics to more precisely articulate the risk appetite and tolerance limits within which we wish to operate.

II. COVID-19 pandemic.
Due to the impact of the global COVID-19 pandemic, we re-evaluated the Principal Risks set out in the 2019 Annual Report, to rethink their relative importance, probability and impact and to re-assess the corresponding mitigation actions.

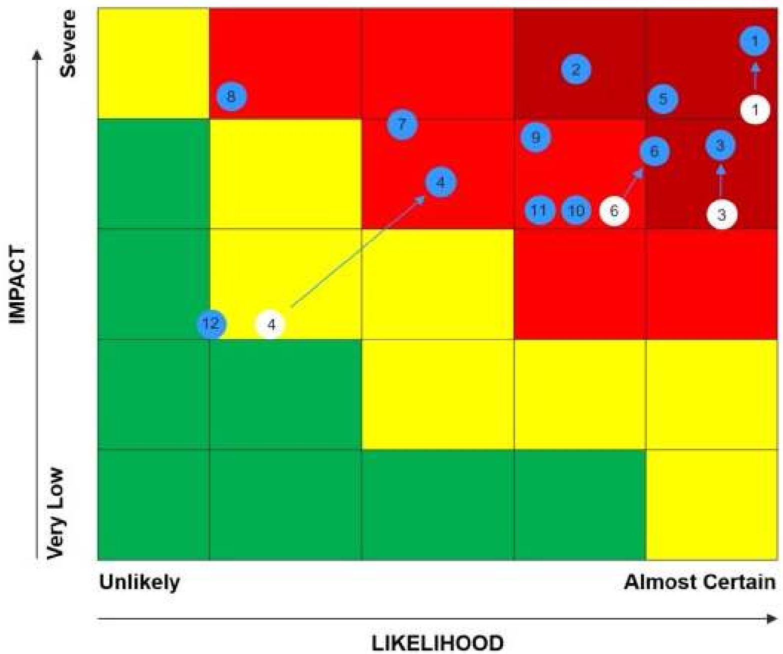
As a result of this analysis, the Company proposed recognising the impact of COVID-19 on Fresnillo's existing 12 Principal Risks rather than introducing a new, standalone risk. This approach was approved by the Executive Committee and the Board.

The Principal Risks that have been most affected by COVID-19 are: 1) "Potential Government Actions", 2) "Security", 3) "Human Resources" and 4) "Public perception against mining".

Principal risks exposed	Additional risk factors arising from the COVID-19 pandemic
1. Potential Government Actions.	• Total or partial stoppage of mining operations due to a massive wave of the virus in the states where our operations are located. • Possible non-compliance by mining units with the sanitary requirements requested by the federal government in order for activities to be resumed. • Federal, state or municipal government restrictions on the reopening of activities. • Imposition of new taxes or levies in response to an economic crisis that may ensue.
2. Security.	• Increased presence of organised crime in the vicinities of mining units. • Increase in the number of high impact crimes (homicide, kidnapping, extortion) in the regions of the mining units. • Consumption and sale of drugs at the mining units. • Theft of assets in mining units and / or during transfer. • Roadblocks or blockages on the roads and / or highways near the mining units.

3. Human Resources.	• Poor employee health. • Staff absenteeism due to fear of contagion or medical incapacity of infected personnel. • Failure to undertake timely COVID-19 medical tests, to provide medical supplies to care for infected personnel or those suspected of being infected, and to provide protective equipment for medical personnel attending a potential outbreak. • Insufficient capacity at the mining units (which would be the first point of contact) and, later, in regional hospitals and clinics, to deal with a massive outbreak.
4. Public perception against mining.	• Social tension due to the pandemic. • Social licence at risk, with complaints, claims, blocks and other actions arising from local communities fearing contagion.

Heat Map.



Position ARA´19	Position Jun´20	Riesgos Principales
2	1	Potential Actions by the Government
1	2	Impact of metal prices and global macroeconomic developments
4	3	Security
10	4	Human Resources
3	5	Access to Land
9	6	Public perception against mining
8	7	Projects (performance risk)
11	8	Cyber security
5	9	Safety
6	10	Union Relations
7	11	Exploration
12	12	Environmental Incidents

x 2019 x Jun´20

III. Emerging Risks.

Last year, we defined the concept of "Emerging Risk" in compliance with the UK Corporate Governance Code. The identification of our emerging risks required the active participation of the leaders of the business units and projects, the support and corporate areas, internal audit, customers, suppliers and contractors, as well as sister companies of the BAL Group.

In the first half of the year, amid the COVID-19 pandemic, the Company carried out our first assessment of these seven emerging risks. This process involved 70 colleagues (44% from mining units and exploration offices, 49% from support and corporate areas and 7% from project areas). Their input, together with that of the Executive Committee, enabled us to identify our two most exposed emerging risks: "Water Crisis" and "Technological Disruption".

As the pandemic continues to generate a high degree of uncertainty, we will continue to work with business units in order to identify and mitigate risks, and to train staff. Our risk programme also includes reviewing operating risks and business continuity, and identifying opportunities. In October, we will carry out our annual risk assessment which will include both Principal and Emerging Risks.

Appendix to interim announcement. Principal and emerging risks and uncertainties.

a. Principal risks.

Below, we describe the changes in risk level for each of the 12 Principal Risks compared to the levels in the 2019 ARA, main changes observed in 2020 but before COVID-19 and further impacts as a direct result of the pandemic:

ARA´19	COVID-19 effect	Jun´20	Principal Risks	Risk Rating	Changes before the impact of COVID-19	Impact of COVID-19
2	↑	1	Potential Government Actions	Very high	-In 2019, no new concessions were granted for mining by the federal government, while the mining sector registered declines in investment and production. -In January 2020, the federal government reviewed some operating mining concessions, although none so far from Fresnillo plc. - Possible increase in tax audits compared to previous years.	• Total or partial stoppage of mining operations due to a massive wave of the virus in the states where our operations are located. • Possible non-compliance by mining units with the sanitary requirements requested by the federal government in order for activities to be resumed. • Federal, state or municipal government restrictions on the reopening of activities. • Imposition of new taxes or levies in response to an economic crisis that may ensue.

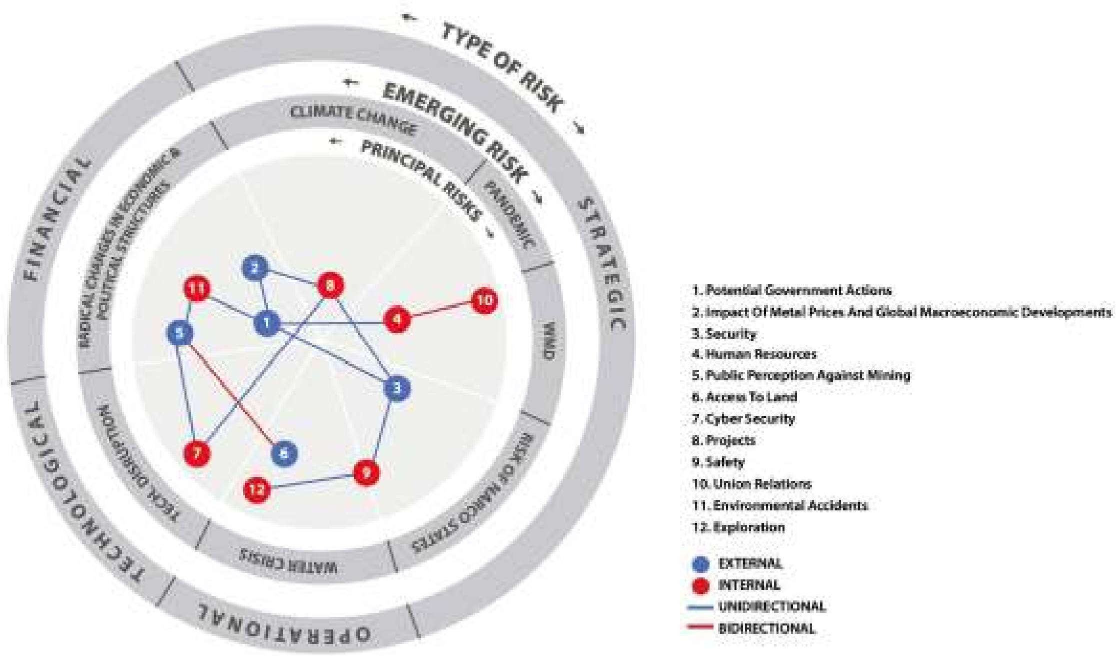
1	=	2	Impact of metal prices and global macroeconomic developments	Very high	-At the beginning of the year there was strong international uncertainty in the stock markets (mainly due to the tensions between Iran and the United States) -There was a severe international economic slowdown, while economic growth forecasts were negative for Mexico.	- At the beginning of the pandemic, market uncertainty increased. However, this has since stabilised and experts consider it moderate and within a normal range. -Mexico anticipates experiencing the worst economic crisis since the Second World War, with a drop in GDP forecasted of up to 8%.
4	↑	3	Security (Physical)	Very high	- Increased presence of organised crime in the regions where we operate mining units. -Indications of buying and selling drugs in the mines. -Theft of assets.	- Increase in the actions or threats of organised crime and / or drug trafficking in the regions where we operate mining units. -Actions by the authorities to counter drug trafficking, such as roadblocks near the mining units. -Increase in asset thefts (notably at Penmont and Ciénega).
12	↑	4	Human Resources	Very high		• Poor employee health. • Staff absenteeism due to fear of contagion or medical incapacity of infected personnel. • Failure to undertake timely COVID-19 medical tests, to provide medical supplies to care for infected personnel or those suspected of being infected, and to provide protective equipment for medical personnel attending a potential outbreak. • Insufficient capacity at the mining units (which would be the first point of contact) and, later, in regional hospitals and clinics, to deal with a massive outbreak.
9	↑	5	Public perception against mining	Very high		• Social tension due to the pandemic. • Social licence at risk, with complaints, claims, blocks and other actions arising from local communities fearing contagion.
3	↗	6	Access to land	High	- Procedural delays in obtaining permits and concessions.	- Suspension of government procedures and procedures for granting permits and concessions.

10		7	Cyber security	High	- Disruption in the Newtrax system.	- Insecure communication across our networks can make our systems susceptible to the exploits of hackers and others, leading to viruses, data leaks, information theft, Malware and Ransomware.
8		8	Projects	High	- Insufficient contractors in Juanicipio.	-Significant delay in project execution. -The productivity of contractors may decrease, which will cause delays. -Lack of contractors available for projects due to increased infections.
5	=	9	Safety (Industrial)	Medium	- Increased personnel transfer, compounded by poor access to roads.	- Maintenance of critical areas in the mines might not be carried out as a result of total or partial stoppage of operations.
6		10	Union Relations	Medium	- Labour Reform published on May 1, 2019 (Unions). - The reform to article 15 A of the Federal Labour Law (Outsourcing).	- Differences of opinion arise between the trade union sections, with factions trying to establish new trade unions.
11		11	Environmental accidents	Medium	- Monitor the tailings management system.	- Due to a lack of personnel, there is an increased risk of incidents during transportation of iron concentrate from the Fresnillo tailings plant to the leaching plant.
7		12	Exploration	Medium	- Failure to obtain volumes and grades of the quality estimated in the exploration programmes.	- Failure to complete the exploration programme locally or an inability to carry out the drilling programme for each project in terms of metres.

⬆ Severe increase ⬈ Moderate increase (In observation) = No increase at the moment

b. Our 12 Principal Risk and interdependencies.

We continue to consider risks both individually and collectively in order to fully understand our risk landscape. By analysing the correlation between Principal and Emerging Risks, we can identify those that have the potential to cause, impact, or increase another risk and ensure that these are weighted appropriately. In performing this exercise we have considered COVID-19, which could lead to a long-term global recession and other operating constraints that may have a knock-on effect on several of our principal risks. Our analysis highlights the strong relationship between Cybersecurity and Disruption to Technology as well as Security and Risk of Narco State[10].



[10] Countries whose government institutions are significantly influenced by the power and wealth of drug trafficking, and whose leaders simultaneously hold positions as government officials and members of the illegal narcotic drug trafficking networks, protected by their legal powers.

INDEPENDENT REVIEW REPORT TO FRESNILLO PLC

Introduction

We have been engaged by the Company to review the interim condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated balance sheet, the interim consolidated cash flow statement, the interim consolidated statement of changes in equity and the related Notes 1 to 18. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim condensed consolidated set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 2a, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The interim condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the interim condensed consolidated set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London

27 July 2020

Interim Consolidated Income Statement

	Notes	For the six months ended 30 June					
		2020 (Unaudited)			2019 (Unaudited)		
		(in thousands of US dollars)					
		Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
Continuing operations:							
Revenues	4	1,054,183		1,054,183	1,001,965		1,001,965
Cost of sales	5	(732,999)		(732,999)	(796,453)		(796,453)
Gross profit		**321,184**		**321,184**	**205,512**		**205,512**
Administrative expenses		(41,751)		(41,751)	(43,506)		(43,506)
Exploration expenses		(50,737)		(50,737)	(84,045)		(84,045)
Selling expenses		(10,486)		(10,486)	(10,561)		(10,561)
Other operating income		5,719		5,719	904		904
Other operating expenses		(7,052)		(7,052)	(3,005)		(3,005)
Profit from continuing operations before net finance costs and income tax		**216,867**		**216,867**	**65,299**		**65,299**
Finance income	6	9,494		9,494	15,630		15,630
Finance costs	6	(25,652)		(25,652)	(43,442)		(43,442)
Revaluation effects of Silverstream contract	10		(31,824)	(31,824)		11,431	11,431
Foreign exchange (loss)/gain		(41,014)		(41,014)	5,136		5,136
Profit from continuing operations before income tax		**159,695**	**(31,824)**	**127,881**	**42,623**	**11,431**	**54,054**
Corporate income tax	7	(71,502)	9,547	(61,955)	7,439	(3,429)	4,010
Special mining right	7	(9,425)		(9,425)	12,850		12,850
Income tax (expense)/credit	7	(80,927)	9,547	(71,380)	20,289	(3,429)	16,860
Profit for the period from continuing operations		**78,778**	**(22,277)**	**56,501**	**62,912**	**8,002**	**70,914**
Attributable to:							
Equity shareholders of the Company		86,802	(22,277)	64,525	62,163	8,002	70,165
Non-controlling interests		(8,024)		(8,024)	749		749
		78,778	**(22,277)**	**56,501**	**62,912**	**8,002**	**70,914**
Earnings per share: (US$)							
Basic and diluted earnings per ordinary share from continuing operations	8	-		0.088	-		0.095
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per ordinary share from continuing operations	8	0.118		-	0.084		-

Interim Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2020	*2019*
	(Unaudited)	*(Unaudited)*
	(in thousands of US dollars)	
Profit for the period	**56,501**	**70,914**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of cash flow hedges	1,396	836
Gain on cost of hedging recycled to income statement	(1,556)	(79)
Changes in the fair value of cost of hedging	2,064	(618)
Total effect of cash flow hedges	1,904	139
Foreign currency translation	(1,526)	368
Income tax effect on items that may be reclassified subsequently to profit or loss	(571)	(41)
Net other comprehensive (loss)/income that may be reclassified subsequently to profit or loss	**(193)**	**466**
Items that will not be reclassified to profit or loss:		
Loss on cash flow hedges recycled to other assets	-	(347)
Changes in the fair value of cash flow hedges	172	(18)
Total effect of cash flow hedges	172	(365)
Changes in the fair value of equity investments at FVOCI	20,100	30,801
Income tax effect on items that will not be reclassified to profit or loss	(6,082)	(9,131)
Net other comprehensive profit that will not be reclassified to profit or loss	**14,190**	**21,305**
Other comprehensive income, net of tax	**13,997**	**21,771**
Total comprehensive income, net of tax	**70,498**	**92,685**
Attributable to:		
Equity shareholders of the Company	78,534	91,942
Non-controlling interests	(8,036)	743
	70,498	**92,685**

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Interim Consolidated Balance Sheet

	Notes	As of 30 June 2020 (Unaudited)	As of 31 December 2019 (Audited)
		(in thousands of US dollars)	
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,700,901	2,813,417
Equity instruments at FVOCI	18	143,124	123,024
Silverstream contract	10,18	472,657	518,696
Deferred tax asset		101,423	110,770
Inventories	11	91,620	91,620
Other receivables	12	-	23,014
Other assets		2,916	3,622
		3,512,641	3,684,163
Current assets			
Inventories	11	315,274	272,120
Trade and other receivables	12	365,947	437,642
Income tax recoverable		1,605	57,124
Prepayments		17,053	18,344
Derivative financial instruments	18	3,666	2,623
Silverstream contract	10,18	24,874	22,558
Cash and cash equivalents	13	514,659	336,576
		1,243,078	1,146,987
Total assets		**4,755,719**	**4,831,150**
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)
Hedging reserve		1,105	139
Cost of hedging reserve		1,274	918
Fair value reserve of financial assets at FVOCI		68,804	54,734
Foreign currency translation reserve		(1,776)	(250)
Retained earnings		2,070,501	2,093,666
		3,135,361	3,144,660
Non-controlling interests		126,053	134,059
Total equity		**3,261,414**	**3,278,719**
Non-current liabilities			
Interest-bearing loans		801,772	801,239
Lease liabilities		7,683	8,009
Provision for mine closure cost		209,104	231,056
Provision for pensions and other post-employment benefit plans		9,567	10,704
Deferred tax liability		273,331	321,347
		1,301,457	1,372,355

Current liabilities			
Trade and other payables		170,017	159,768
Income tax payable		9,177	3,991
Derivative financial instruments	18	8	1,789
Lease liabilities		5,176	4,535
Employee profit sharing		8,470	9,993
		192,848	180,076
Total liabilities		**1,494,305**	**1,552,431**
Total equity and liabilities		**4,755,719**	**4,831,150**

Interim Consolidated Statement of Cash Flows

	Notes	*For the six months ended 30 June*	
		2020	*2019*
		(Unaudited)	*(Unaudited)*
		(in thousands of US dollars)	
Net cash from operating activities	17	**422,518**	**167,696**
Cash flows from investing activities			
Purchase of property, plant and equipment		(181,958)	(248,352)
Proceeds from the sale of property, plant and equipment		144	210
Silverstream contract	10	13,135	12,899
Interest received		9,493	15,630
Net cash used in investing activities		**(159,186)**	**(219,613)**
Cash flows from financing activities			
Proceeds from notes payable		23,145	-
Principal elements of lease payment	[1]	(2,796)	(2,530)
Dividends paid to shareholders of the Company	14	(87,737)	(123,057)
Capital contribution		27	15,301
Interest paid[1]		(19,723)	(36,931)
Net cash used in financing activities		**(87,084)**	**(147,217)**
Net increase (decrease) in cash and cash equivalents during the period		176,248	(199,134)
Effect of exchange rate on cash and cash equivalents		1,835	409
Cash and cash equivalents at 1 January	13	336,576	560,785
Cash and cash equivalents at 30 June	13	**514,659**	**362,060**

[1] Total interest paid during the six months ended 30 June 2020 less amounts capitalised totalling US$4.4 million (30 June 2019: US$2.6 million) which is included within the caption Purchase of property, plant and equipment.

[2] Corresponds to a short-term interest-bearing note payable received from Minera los Lagartos, S.A. de C.V. which holds a non-controlling interest in Juanicipio project. As of 30 June 2020, the balance amounted US$23.3 million and is presented within trade and other payables in the balance sheet.

Interim Consolidated Statement of Changes in Equity

	Notes	*Share capital*	*Share premium*	*Capital reserve*	*Hedging Reserve*	*Cost of hedging reserve*	*Fair value reserve of financial assets at FVOCI*	*Foreign currency translation reserve*	*Retained earnings*	*Total attributable to shareholders of the Company*	*Non-controlling interests*	*Total equity*
					(in thousands of US dollars)							
Balance at 1 January 2019 (*Audited*)		**368,546**	**1,153,817**	**(526,910)**	**(229)**	**(2,374)**	**23,370**	**(795)**	**2,033,860**	**3,049,285**	**78,968**	**3,128,253**
Profit for the period		-	-	-	-	-	-	-	70,165	70,165	749	70,914
Other comprehensive income, net of tax		-	-	-	336	(488)	21,561	368	-	21,777	(6)	21,771
Total comprehensive income for the period		-	-	-	336	(488)	21,561	368	70,165	91,942	743	92,685
Capital contribution		-	-	-	-	-	-	-	-	-	15,301	15,301
Dividends paid	14	-	-	-	-	-	-	-	(123,061)	(123,061)	-	(123,061)
Balance at 30 June 2019 *(Unaudited)*		**368,546**	**1,153,817**	**(526,910)**	**107**	**(2,862)**	**44,931**	**(427)**	**1,980,964**	**3,018,166**	**95,012**	**3,113,178**
Balance at 1 January 2020 (*Audited*)		**368,546**	**1,153,817**	**(526,910)**	**139**	**918**	**54,734**	**(250)**	**2,093,666**	**3,144,660**	**134,059**	**3,278,719**
Profit for the period		-	-	-	-	-	-	-	64,525	64,525	(8,024)	56,501
Other comprehensive income, net of tax		-	-	-	1,109	356	14,070	(1,526)	-	14,009	(12)	13,997
Total comprehensive income for the period		-	-	-	1,109	356	14,070	(1,526)	64,525	78,534	(8,036)	70,498
Hedging loss transferred to the carrying value of PPE purchased during the period	18(c)	-	-	-	(143)	-	-	-	-	(143)	3	(140)
Capital contribution		-	-	-	-	-	-	-	-	-	27	27
Dividends paid	14	-	-	-	-	-	-	-	(87,690)	(87,690)	-	(87,690)
Balance at 30 June 2020 *(Unaudited)*		**368,546**	**1,153,817**	**(526,910)**	**1,105**	**1,274**	**68,804**	**(1,776)**	**2,070,501**	**3,135,361**	**126,053**	**3,261,414**

Notes to the Interim Condensed Consolidated Financial Statements

1 Corporate Information

Fresnillo plc ("the Company") is a public limited company registered in England and Wales with the registered number 6344120.

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. The registered address of Peñoles is Calzada Legaria 549, Mexico City 11250. 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 16.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 ("interim consolidated financial statements") were authorised for issue by the Board of Directors of Fresnillo plc on XX July 2020.

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's operating mines and its principal activities is disclosed in Note 3.

2 Significant accounting policies

(a) Basis of preparation and statement of compliance

The interim consolidated financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU). They do not include all the information required for full annual financial statements for the Group, and therefore, should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019 as published in the Annual Report 2019.

These interim consolidated financial statements do not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2019 has been delivered to the Register of Companies. The auditor's report in accordance with Chapter 3 of Part 16 of the Companies Act 2006 in relation to those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 498(2) or section 498(3) of the UK Companies Act 2006.

The interim consolidated financial statements have been prepared on a historical cost basis, except for trade receivables, derivative financial instruments, equity securities and defined benefit pension scheme assets which have been measured at fair value.

The interim 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 where otherwise indicated.

The impact of seasonality or cyclicality on operations is not considered significant on the interim consolidated financial statements.

(b) Basis of consolidation

The interim consolidated financial statements set out the Group's financial position as of 30 June 2020 and 31 December 2019, and its operations and cash flows for the six-month periods ended 30 June 2020 and 30 June 2019.

The basis of consolidation adopted in the preparation of the interim consolidated financial statements is consistent with that applied in the preparation of the consolidated financial statements for the year ended 31 December 2019.

(c) Changes in accounting policies and presentation

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2019.

New standards, amendments and interpretations as adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Impact of standards issued but not yet applied by the Group

The IASB has issued other amendments 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.

Significant accounting judgments, estimates and assumptions

Significant accounting judgments, estimates and assumptions are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019 except as set out below.

In the Group's open pit mines, certain mined ore is placed on leaching pads where a solution is applied to the surface of the heap to dissolve the gold and enable extraction. The determination of the amount of recoverable gold requires estimation with consideration of the quantities of ore placed on the pads, the grade of the ore (based on assay data) and the estimated recovery percentage (based on metallurgical studies and current technology).

The grades of ore placed on pads are regularly compared to the quantities of metal recovered through the leaching process to evaluate the appropriateness of the estimated recovery (metallurgical balancing). The Group monitors the results of the metallurgical balancing process and recovery estimates are refined based on actual results over time and when new information becomes available.

In 2017, the Group decided that it would construct a new leaching pad in a separate area of the Herradura mine. To reduce the hauling distance from the pit to the new pad, the Group constructed an access route through certain existing leaching pads, removing and redepositing the ore in the process. These works allowed the Group to perform assays and verify certain characteristics of the ore, including the humidity of the ore deposited and the grade of gold in solution. The Group monitors the metallurgical balances foregoing with the analysis performed during 2018 as a result of constructing a new leaching pad in a separate area of the Herradura mine, the Group has continued reviewing the metallurgical balance of the pads to confirm the grade and recovery of the ore in inventories. For operating strategies, since July 2019, all new ore extracted has been deposited on the new pad area.

Based on the new information the Group updated its estimate of the remaining gold content in leaching increasing this by 119.3 thousand ounces of gold as at 1 January 2020.

This change in estimation was incorporated prospectively in inventory from 1 January 2020. The increase in the number of ounces reduced the weighted average cost of inventory. Had the estimation not changed, production cost during the six-month period ended 30 June 2020 would have been US$65.1 million higher, with an offsetting impact against the work-in-progress inventory balance as of 30 June 2020.

Additionally, as discussed in next section, the Group has evaluated the impact of the COVID-19 pandemic implications in the evaluation of critical judgements as of 30 June 2020. No situations arise that suggested a change is needed.

(d) Effect of COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections around the world. The rapid development and fluidity of the situation precludes any prediction as to the ultimate impact of COVID-19; however, the Group seeks to obtain the best possible information to enable the assessment of the risks involved and implement appropriate measures to respond.

During the second quarter of 2020, the Group has taken a number of measures to safeguard the health of its employees and their local communities while continuing to operate safely and responsibly. Total costs of $1.6 million relating to COVID-19 safety measures were expensed during the six-month period ended 30 June 2020.. The Group acted in compliance with government-ordered restrictions, resulting in operations temporarily suspended in Minera Penmont during the period of mid-April to late-May. All other mines operate at normal production capacity. During the lockdown period Minera Penmont incurred in certain fixed costs that Management decided not to consider as production cost and are presented as unabsorbed production cost in note 5.

During of 2020, attempts at containment of COVID-19 have resulted in decreased economic activity, which has adversely affected the broader global economy. In the current environment, assumptions about future commodity prices, exchange rates, and interest rates are subject to greater variability than normal, which could in the future affect the valuation of the Group's assets and liabilities, both financial and non-financial. As at 30 June 2020, there were no material changes to the valuation of the Group's asset and liabilities due to COVID-19.

(e) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above in the Operational Review, with further detail in the Annual Report 2019. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review. In addition, the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk were set out in the Annual Report 2019. Details of its financial instruments and hedging activities as at 30 June 2020 are set out in note 18.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecasts for the period to 31 December 2021 as at July 2020. In line with previous periods, the directors reviewed a more conservative cash flow scenario with silver and gold prices significantly reduced below current expectations, whilst maintaining current forecasted expenditure, which resulted in our current cash balances reducing over time to a more than adequate margin of liquidity towards the end of 2021. Additionally, in the current period the directors reviewed scenarios that incorporated an estimated potential impact of plausible Covid-19 restrictions and regulations on our mining districts. The impact of Covid-19, and actions being taken are set out in the Health and safety, human resources, environment and community relations update.

As mining has been declared an essential activity by the Mexican government, we consider the risk of a government imposed full stoppage across all our operations to be low. Furthermore, we have implemented additional health and safety measures at each of our mines coupled with extensive targeted and random testing. This has allowed us to keep infection rates significantly below the Mexican average. We are therefore confident that we are well prepared to manage any localised outbreaks at our mines and maintain operations at planned levels.

However, taking into account risk implications of COVID-19 set out in the risk section of the interim report, we consider it plausible that temporary restrictions like those we saw in April and May at Penmont can be required in response to a deteriorating health situation at a particular state level.

As the profitability of our operations is most sensitive to restrictions being imposed in the state of Sonora impacting operations at Penmont, we have modelled scenarios assuming restrictions at the Herradura and Noche Buena mines.

The key judgement applied is the likely time period of restrictions on operations and the time it would take for the subsequent recovery once those restrictions are lifted. The base scenario assumes restrictions caused by the stringent working health measures in our open pit mines and the resulting lower volumes processed at the open pit mines during the first half 2020; the severe scenario includes an assumption that again impacts the production for two months of the open pit mines resulting in its full stoppage for that period. In all scenarios we have also assumed that our employees remain on full pay for the duration of the closure and no mitigating actions are required to be implemented to maintain a comfortable liquidity level to continue operating in the period assessed.

After reviewing all of the above considerations, the Directors have a reasonable expectation that management has sufficient flexibility in potential adverse circumstances to maintain adequate resources to continue in operational existence for the foreseeable future. The Directors, therefore, continue to adopt the going concern basis of accounting in preparing these interim financial statements."

3 Segment reporting

For management purposes, the Group is organised into operating segments based on producing mines.

At 30 June 2020 the Group has seven reportable operating segments represented by seven producing mines as follows:

- The Fresnillo mine, located in the State of Zacatecas, an underground 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;
- The Noche Buena mine, located in the State of Sonora, a surface gold mine; and
- The San Julian mine, located on the border of Chihuahua / Durango states, an underground silver-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.

In the six months ended 30 June 2020 and 2019, all revenue was derived from customers based in Mexico.

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 interim consolidated income statements, 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 interim consolidated income statement. Other income and expenses included in the interim 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.

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2020 and 2019, respectively. Revenues for the six months ended 30 June 2020 and 30 June 2019 include those derived from contracts with costumers and other revenues, as showed in note 4.

Six months ended 30 June 2020

US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Soledad-Dipolos [4]**	**Saucito**	**Noche Buena**	**San Julian**	**Other[5]**	**Adjustments and eliminations**	**Total**
Revenues:										
Third party[1]	156,496	348,711	101,109	-	211,463	80,347	154,588		1,469	1,054,183
Inter-Segment	-	-	-	-	-	-	-	86,395	(86,395)	-
Segment revenues	**156,496**	**348,711**	**101,109**	**-**	**211,463**	**80,347**	**154,588**	**86,395**	**(84,926)**	**1,054,183**
Segment profit[2]	**75,973**	**192,671**	**54,289**	**-**	**118,590**	**24,898**	**70,045**	**45,092**	**(828)**	**580,730**
Depreciation and amortisation										(251,707)
Employee profit sharing										(7,839)
Gross profit as per the income statement										**321,184**
Capital expenditure[3]	50,203	14,941	12,273		30,293	1,358	17,531	55,359		**181,958**

[1]Total third party revenues include treatment and refining charges amounting US$72.4 million. Adjustments and eliminations correspond to hedging gains (note 4).

[2] Segment profit excluding depreciation and amortisation and employee profit sharing.

[3] Capital expenditure represents the cash outflow in respect of additions to property, plant and equipment.

[4] During 2020, this segment did not operate due to the Bajio conflict (note 15).

[5] Other inter-segment revenue corresponds to leasing services provided by Minera Bermejal, S.A. de C.V; capital expenditure corresponds to Minera Juanicipio S.A de C.V.

Six months ended 30 June 2019

US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Soledad-Dipolos [4]**	**Saucito**	**Noche Buena**	**San Julian**	**Other[5]**	**Adjustments and eliminations**	**Total**
Revenues:										
Third party[1]	140,988	316,762	83,987	-	217,484	86,497	156,168	-	79	1,001,965
Inter-Segment	-	-	-	-	-	-	-	47,356	(47,356)	-
Segment revenues	**140,988**	**316,762**	**83,987**	**-**	**217,484**	**86,497**	**156,168**	**47,356**	**(47,277)**	**1,001,965**
Segment profit[2]	**72,013**	**95,887**	**33,005**	**-**	**118,300**	**26,810**	**66,332**	**36,937**	**1,027**	**450,311**
Depreciation and amortisation										(240,480)
Employee profit sharing										(4,319)
Gross profit as per the income statement										**205,512**
Capital expenditure[3]	70,424	21,838	31,921	-	60,941	2,978	29,354	30,896	-	**248,352**

[1]Total third party revenues include treatment and refining charges amounting US$67.0 million. Adjustments and eliminations correspond to hedging gains (note 4).
[2] Segment profit excluding depreciation and amortisation and employee profit sharing.
[3] Capital expenditure represents the cash outflow in respect of additions to property, plant and equipment.
[4] During 2019, this segment did not operate due to the Bajio conflict (note 15).
[5] Other inter-segment revenue corresponds to leasing services provided by Minera Bermejal, S.A. de C.V; capital expenditure corresponds to Minera Juanicipio S.A de C.V.

4 Revenues

Revenues reflect the sale of goods, being concentrates, doré, slag, precipitates and activated carbon of which the primary contents are silver, gold, lead and zinc.

(a) Revenues

	Six months ended 30 June	
	2020	*2019*
	(in thousands of US dollars)	
Revenues from contracts with customers	1,051,796	1,004,571
Revenues from other sources		
Provisional pricing adjustment on products sold	918	(2,685)
Hedging gain on sales	1,469	79
	1,054,183	**1,001,965**

(b) Revenues by product sold

	Six months ended 30 June	
	2020	*2019*
	(in thousands of US dollars)	
Lead concentrates (containing silver, gold, lead and by-products)	408,017	366,790
Doré and slag (containing gold, silver and by-products)	367,359	403,259
Zinc concentrates (containing zinc, silver and by-products)	94,414	117,602
Precipitates (containing gold and silver)	122,694	114,314
Activated carbon (containing gold, silver and by-products)	61,699	-
	1,054,183	**1,001,965**

All lead and zinc concentrates, precipitates, doré and slag, were sold to Peñoles' metallurgical complex, Met-Mex, for smelting and refining.

(c) 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:

	Six months ended 30 June	
	2020	*2019*
	(in thousands of US dollars)	
Silver	382,961	366,099
Gold	611,961	556,766
Zinc	82,869	100,922
Lead	48,844	45,263
Value of metal content in products sold	1,126,635	1,069,050
Adjustment for treatment and refining charges	(72,452)	(67,085)
Total revenues[1]	**1,054,183**	**1,001,965**

[1] Includes provisional price adjustments which represent changes in the fair value of trade receivables resulting in a gain of US$1.0 million (2019: loss of US$2.7 million) and hedging gain of US$1.47 million (2019: gain of US$0.08 million).

The average realised prices for the gold and silver content of products sold prior to the deduction of treatment and refining charges, were:

	Six months ended 30 June	
	2020	*2019*
	(in US dollars per ounce)	
Gold[2]	1,676.80	1,320.74
Silver[2]	16.79	15.25

[2] For the purpose of the calculation, revenue by content of products sold does not include the results from hedging.

5 Cost of sales

	Six months ended 30 June	
	2020	*2019*
	(in thousands of US dollars)	
Depreciation and amortisation (Note 9)	251,707	240,480
Personnel expenses[1]	55,351	52,394
Maintenance and repairs	83,520	90,329
Operating materials	97,145	118,380
Energy	89,667	108,231
Contractors	169,115	168,274
Mining concession rights and contributions	5,102	6,243
Freight	3,788	5,184
Surveillance	3,206	3,448
Insurance	2,991	2,984
Other	3,645	14,545
Cost of production	765,237	810,492
Unabsorbed production costs[2]	6,122	-
Gain on foreign currency hedges	(87)	-
Change in work in progress and finished goods (ore inventories) [3]	(38,273)	(14,039)
Cost of sales	**732,999**	**796,453**

[1] Personnel expenses include employees' profit sharing of US$7.8 million for the six months ended 30 June 2020 (six months ended 30 June 2019: US$4.3 million).
[2] Corresponds to fixed production cost (labour cost and depreciation) incurred in Minera Penmont during the lockdown period related to COVID-19.
[3] Refer to note 2 (c) for more detail related to change in work in progress inventories for the six months ended 30 June 2020 following a change in estimation.

6 Finance income and finance costs

	Six months ended 30 June	
	2020	*2019*
	(in thousands of US dollars)	
Finance income:		
Interest on short term deposits and investments	2,709	7,171
Interest on tax receivables	6,784	8,455
Other	1	4
	9,494	**15,630**
Finance costs:		
Interest on interest-bearing loans	19,409	20,482
Interest for lease liabilities	341	322
Unwinding of discount on provisions	5,363	5,924
Other[1]	539	16,714
	25,652	**43,442**

[1] 2019 includes US$15.7 million of interest and surcharges as a result of the amendment to tax positions described in note 7.

7 Income tax expense

	Six months ended 30 June	
	2020	*2019*
	(in thousands of US dollars)	
Current corporate income tax:		
Income tax charge[1]	117,156	49,827
Amounts (over)/under provided in previous periods[3]	(8,425)	34,002
	108,731	83,829
Deferred corporate income tax:		
Origination and reversal of temporary differences	(37,229)	(91,268)
Revaluation effects of Silverstream contract	(9,547)	3,429
	(46,776)	(87,839)
Corporate income tax	**61,955**	**(4,010)**
Current special mining right:		
Special mining right charge[2,3]	7,899	9,360
	7,899	9,360
Deferred special mining right:		
Origination and reversal of temporary differences	1,526	(22,210)
Special mining right	**9,425**	**(12,850)**
Income tax expense as reported in the income statement	**71,380**	**(16,860)**

[1] Until 2019 the Mexican Internal Revenue Law granted to taxpayers a credit in respect of an excise tax (Special Tax on Production and Services, or IEPS for its acronym in Spanish) paid when purchasing diesel used for general machinery and certain mining vehicles. The credit could be applied against the annual Group's own corporate income tax. The credit is calculated on an entity-by-entity basis. During the six months period ended 30 June 2019 the Group recognized a credit of US$8.1 million in respect of the period. As the IEPS deduction was itself taxable, the benefit was recognised at 70% of the IEPS calculated during the period.

[2] The special mining right allows the deduction of payments for mining concession rights up to the amount of the special mining right payable within the same legal entity. In the six months ended 30 June 2020, the Group credited US$7.9 million (2019: US$6.2 million) of mining concession rights against the special mining right. Prior to credits permitted under the special mining right regime, the current special mining right charge would have been US$16.8 million (2019: US$8.8).
The total mining concession rights paid during the six-month period were US$11.3 million (2019: US$10.7 million) and have been recognised in the income statement within cost of sales and exploration expenses. Mining concessions rights paid in excess of the special mining right cannot be credited to special mining rights in future fiscal periods, and therefore, no deferred tax asset has been recognised in relation to the excess.

[3] On 28 June 2019, Fresnillo elected to amend the tax treatment of mining works across all its underground mines in operation, retrospectively, for the years 2014 to 2018. For more information of this amendment refer to note 10 in the 2019 Annual Report.

The amendment resulted in an increase in the current corporate income tax of US$38.5 million and current special mining right of US$6.8 million; this effect was offset by a decrease in deferred corporate income tax of US$39.5 million and deferred special mining right of US$12.3 million. After considering the effect of recoverable tax-related balances arising during the amendment period, the amount payable upon amendment in respect of corporate income tax and special mining right was US$32.9 million and US$6.8 million, respectively. The amendment also resulted in US$15.7 million of interest and surcharges, presented in finance costs. Of the total amount payable, US$55.3 million, US$22.2 million was offset against corporate income tax and VAT receivables that existed at the date of the amendment and the remaining US$33.1 million was paid in cash.

The effective tax rate for corporate income tax for the six months ended 30 June 2020 is 48.45% (six months ended 30 June 2019: (7.42)%) and 55.82% including the special mining right (six months ended 30 June 2019: (31.19)%). The main factors that increase the effective tax rate for corporate income tax below 30% are the of foreign exchange effect on tax value of assets and liabilities net of the deductible effect of foreign exchange loss of the period.

In addition to the effect of the voluntary tax amendment, the origination and reversal of temporary differences principally reflect reductions in provisional sales and the effect of movements in property, plant and equipment in the period.

8 Earnings per share

Earnings per share ('EPS') is calculated by dividing profit for the period 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.

For the six months ended 30 June 2020 and 30 June 2019, earnings per share have been calculated as follows:

	Six months ended 30 June	
	2020	*2019*
	(in thousands of US dollars)	
Earnings:		
Profit from continuing operations attributable to equity holders of the Company	64,525	70,165
Adjusted profit from continuing operations attributable to equity holders of the Company	86,802	62,163

Adjusted profit is profit as disclosed in the Interim Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$31.8 million loss (US$22.2 million net of tax) (2019: US$11.4 million gain and US$8.0 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.

	Six months ended 30 June	
	2020	*2019*
Number of shares:		
Weighted average number of ordinary shares in issue ('000)	736,894	736,894

	Six months ended 30 June	
	2020	*2019*
Earnings per share:		
Basic and diluted earnings per ordinary share from continuing operations (US$)	0.088	0.095
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.118	0.084

9 Property, plant and equipment

The changes in property, plant and equipment, including right-of-use assets, during the six months ended 30 June 2020 are principally additions of US$142.6 million (six months ended 30 June 2019: US$245.3 million) and depreciation and amortisation of US$252.4 million, of which US$1.4 million was capitalised as a part of the cost of other fixed assets (six months ended 30 June 2019: US$241.1 million, of which US$0.10 million was capitalised). Significant additions include the development of Juanicipio project as well as plant equipment, the construction of the pyrites plant in the Fresnillo district and mine development in underground and open pit mines.

As of 30 June 2020, the Group has contractual commitments related to the construction and acquisition of property, plant and equipment of US$180.9 million (30 June 2019: US$250.0 million).

10 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 that commenced from 31 December 2013) is payable to Peñoles. The cash payment per ounce for the period ended 30 June was $5.37 per ounce (30 June 2019: $5.31 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. At 30 June 2020 the weighted average rate applied for the purposes of the valuation model calculated with reference to annual undiscounted cash flow was 7.08% (30 June 2019: 6.65%).

In the six months ended 30 June 2020, cash received in respect of the period of US$7.8 million (six months ended 30 June 2019: US$9.5 million) corresponds to 1.19 million ounces of payable silver (six months ended 30 June 2019: 1.3 million ounces). As at 30 June 2020, a further US$4.0 million (30 June 2019: US$3.7 million) of cash corresponding to 324,569 ounces of silver is due (30 June 2019: 374,432 ounces).

A reconciliation of the beginning balance to the ending balance is shown below.

	2020	*2019*
	(in thousands of US dollars)	
Balance at 1 January:	541,254	519,093
Cash received in respect of the period	(7,851)	(9,528)
Cash receivable	(4,048)	(3,710)
Remeasurement (loss)/gain recognised in profit or loss	(31,824)	11,431
Balance at 30 June	**497,531**	**517,286**
Less - Current portion	24,874	20,303
Non-current portion	472,657	496,983

The US$31.8 million unrealised loss recorded in the income statement (30 June 2019: US$11.4 million gain) resulted mainly from the increase in the discount rate as a high uncertainty in the financial markets prevail, the updating of the Sabinas Reserves and Resources, inflation and exchange rate forecasts which were partially compensated by the unwinding of the discount and the increase in the forward silver price curve. See note 18 for further information on the inputs that have a significant effect on the fair value of this derivative.

11 Inventories

	As at 30 June 2020	*As at 31 December 2019*
	(in thousands of US dollars)	
Finished goods[1]	19,008	13,719
Work in progress[2]	285,860	251,074
Operating materials and spare parts	107,181	103,740
Inventories at lower of cost and net realisable value	412,049	368,533
Allowance for obsolete and slow-moving inventories	(5,155)	(4,793)
Balance at lower of cost and net realisable value	406,894	363,740
Less - Current portion	315,274	272,120
Non-current portion[3]	91,620	91,620

[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. Refer to note 2 (c) for more detail related to change in work in progress inventories for the six months ended 30 June 2020 following a change in estimation.
[3] The non-current inventories are expected to be processed more than 12 months from the reporting date.

12 Trade and other receivables

	As at 30 June 2020	*As at 31 December 2019*
	(in thousands of US dollars)	
Trade and other receivables from related parties (Note 16)[1]	218,592	206,982
Value added tax receivable	130,996	205,232
Other receivables from related parties (Note 16)	4,135	7,988
Other receivable from contractors	1,706	2,418
Other receivables	11,156	15,791
	366,585	438,411
Provision for credit impairment of other receivables	(638)	(769)
	365,947	437,642
Other receivables classified as non-current assets:		
Value added tax receivable	-	23,014
	-	23,014
	365,947	460,656

[1]Trade receivables from related parties are valued at fair value based on forward market prices.

13 Cash and cash equivalents

The Group considers cash and cash equivalents when planning its operations and in order to achieve its treasury objectives.

	As at 30 June 2020	*As at 31 December 2019*
	(in thousands of US dollars)	
Cash at bank and on hand	1,490	3,347
Short-term deposits	513,169	333,229
Cash and cash equivalents	**514,659**	**336,576**

Cash at bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short-term deposits can be withdrawn at short notice without any penalty or loss in value.

14 Dividends paid

Dividends declared by the Company are as follows:

	Per share US Cents	Amounts $Million
Six months ended 30 June 2020		
Total dividends paid during the period[1]	11.9	87.7
Six months ended 30 June 2019		
Total dividends paid during the period[2]	16.7	123.1

[1] Final dividend for 2020 approved at the Annual General Meeting on 26 May 2020 and paid on 2 June 2020.

[2] Final dividend for 2019 approved at the Annual General Meeting on 21 May 2019 and paid on 24 May 2019.

The 2019 accounts referred to a technical breach of the Companies Act 2006 (the ‘Act’) which the Directors became aware of during 2019 whereby certain dividends paid between 2011 and 2019 (the ‘Historic Dividends’) had been made without having filed interim accounts in accordance with the Act. The relevant interim accounts have now been filed with the Registrar of Companies and these show that the Company had sufficient distributable reserves at the point at which each of the Historic Dividends was paid. The 2019 Directors’ Report states that it was nevertheless the intention of the Directors, as a matter of prudency, to put a resolution (the 'Resolution') to the annual general meeting held on 29 May 2020 (the '2020 AGM') to regularise the position. The Resolution, if passed, would have constituted a related party transaction under IAS 24 and the UK Listing Rules and so the Company would have been required to issue a detailed circular to shareholders in compliance with the related party transaction requirements set out in the UK Listing Rules in order to put the Resolution to the 2020 AGM.

Given the unprecedented impact of the COVID-19 pandemic since the approval of the 2019 Annual Report, and in light of the significant additional work required in connection with the preparation of a related party transaction circular in compliance with the requirements of the UK Listing Rules, the Company concluded not to put the Resolution before the 2020 AGM. This decision will have no effect on the monies received pursuant to the Historic Dividends and will not adversely impact shareholders or the Company. Nevertheless, the Directors keep the matter under review.

15 Contingencies

The contingencies in the Group's annual consolidated financial statements for the year ended 31 December 2019 as published in the 2019 Annual Report, are still applicable as of 30 June 2020, with the followings updates:

- With regards to tax audits, we summarise the status of on-going inspections:

  – With respect to Minera Penmont's 2012 and 2013 tax inspections, on 11 July 2018 the Company filed before tax authorities a substance administrative appeal against the tax assessment, and on 3 September 2018, it filed additional documentation before tax authorities and is waiting for its response.

  – On March 22nd and June 21st, 2019, SAT initiated income tax audits for the year 2013 at Minera Saucito and Minera Fresnillo, respectively. The company fully responded to the SAT´s request of information and documentation. On March 6th and 10th 2020, the SAT notified to Minera Fresnillo and Minera Saucito, respectively, its Audit Report which contains its tax findings. On April 6th and 8th, 2020, Minera Fresnillo and Minera Saucito respectively, fully responded to the SAT´s Audit Report, and are waiting for its response.

  – On February 5th, 2020 SAT initiated a Profit Sharing audit and an Income Tax audit for the year 2014 at Minera Mexicana La Ciénega and Metalúrgica Reyna, respectively. On February 13th, 2020 SAT initiated Income Tax audits for the year 2014 at Desarrollos Mineros Fresne and Minera Saucito. The companies fully responded to the SAT´s request of information and documentation and are waiting for its response.

  It is not practical to determine the amount of any potential claims or the likelihood of any unfavourable outcome arising from these or any future inspections that may be initiated. 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.

16 Related party balances and transactions

The Group had the following related party transactions during the six months ended 30 June 2020 and 30 June 2019 and balances as at 30 June 2020 and 31 December 2019.

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 accounts receivable and payable

	Accounts receivable		*Accounts payable*	
	As at 30 June 2020	*As at 31 December 2019*	*As at 30 June 2020*	*As at 31 December 2019*
	(in thousands of US dollars)			
Trade:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	218,592	206,982	53	409
Other:				
Industrias Peñoles, S.A.B. de C.V.	4,048	5,283	-	-
Metalúrgica Met-Mex Peñoles, S.A. de C.V.		2,662	-	-
Servicios Administrativos Peñoles, S.A de C.V.	-	-	2,744	3,535
Servicios Especializados Peñoles, S.A. de C.V.	-	-	1,440	4,095
Fuentes de Energía Peñoles, S.A. de C.V.	-	-	2,192	1,735
Termoeléctrica Peñoles, S. de R.L. de C.V.	-	-	1,883	1,168
Eólica de Coahuila S.A. de C.V.	-	-	3,364	4,772
Other	87	43	1,439	2,185
	222,727	214,970	13,115	17,899

Related party accounts receivable and payable will be settled in cash.

Other balances due from related parties:

	As at 30 June 2020	*As at 31 December 2019*
	(in thousands of US dollars)	
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	497,531	541,254

The Silverstream contract can be settled in either silver or cash. Details of the Silverstream contract are provided in note 10.

(b) Principal transactions with affiliates are as follows:

	Six months ended 30 June	
	2020	*2019*
	(in thousands of US dollars)	
Income**:**		
Sales[1]:		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	1,052,714	1,001,995
Other income	1,428	3,222
Total income	**1,054,142**	**1,005,217**

[1] Figures are net of treatment and refining charges of US$72.4 million (June 2019: US$67.1 million). During 2020 there are no sales credited to development projects (June 2019: 0.1)

	Six months ended 30 June	
	2020	*2019*
	(in thousands of US dollars)	
Expenses**:**		
Administrative Services:		
Servicios Administrativos Peñoles, S.A. de C.V.[2]	16,347	17,540
Servicios Especializados Peñoles, S.A. de C.V. [2]	8,225	8,977
	24,572	26,517
Energy:		
Fuentes de Energía Peñoles, S.A. de C.V.	1,752	2,314
Termoeléctrica Peñoles, S. de R.L. de C.V.	8,588	7,478
Eólica de Coahuila, S.A. de C.V.	18,233	24,475
	28,573	34,267
Operating materials and spare parts:		
Wideco Inc	2,378	3,286
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	3,126	4,524
	5,504	7,810
Equipment repairs and administrative services:		
Serviminas, S.A. de C.V.	1,949	4,857
Insurance premiums:		
Grupo Nacional Provincial, S.A.B. de C.V.	2,923	1,719
Other expenses	943	1,142
Total expenses	64,464	76,312

[2] Based on the Service Agreement with Servicios Administrativos Peñoles, S.A. de C.V., ("SAPSA") and Servicios Especializados Peñoles, S.A. de C.V. ("SEPSA"), both wholly owned Peñoles' subsidiaries, the companies provided administrative services during the six months ended 30 June 2020 for a total amount of US$24.6 million (US$26.5 million for the six months ended 30 June 2019). Of the total amount of these services, US$23.4 million (US$24.3 million for the six months ended 30 June 2019) were recognised in administrative expenses and US$1.2 million (US$2.2 million for six months ended 30 June 2019) were capitalised.

(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.

	Six months ended 30 June	
	2020	*2019*
	(in thousands of US dollars)	
Salaries and bonuses	1,627	2,197
Post-employment pension	129	141
Other benefits	127	143
Total compensation paid to key management personnel	1,883	2,481

17 Notes to the consolidated statement cash flows

	Notes	*Six months ended 30 June*	
		2020	*2019*
		(in thousands of US dollars)	
Reconciliation of profit for the period to net cash generated from operating activities			
Profit for the period		56,501	70,914
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation	9	252,411	241,074
Employee profit sharing		8,002	4,563
Deferred income tax expense	7	(45,250)	(110,049)
Current income tax expense	7	116,630	93,189
(Gain)/loss on the sale of property, plant and equipment		(109)	127
Net finance costs		16,158	27,804
Foreign exchange loss/(gain)		19,819	(506)
Difference between pension contributions paid and amounts recognised in the income statement		517	477
Non cash movement on derivatives		(259)	(79)
Changes in fair value of Silverstream	10	31,824	(11,431)
Working capital adjustments			
Decrease in trade and other receivables		71,323	15,730
Decrease/(increase) in prepayments and other assets		1,996	(7,741)
Increase in inventories		(43,154)	(25,918)
Increase in trade and other payables		7,139	10,377
Cash generated from operations		**493,548**	**308,531**
Income tax paid[1]		(63,984)	(127,986)
Employee profit sharing paid		(7,046)	(12,849)
Net cash from operating activities		**422,518**	**167,696**

[1] Income tax paid includes US$61.4 million corresponding to corporate income tax (June 2019: US$111.2 million) and US$2.2 corresponding to special mining right (June 2019: US$17.9 million), for further information refer to note 7.

18 Financial instruments

a. Classification

As at 30 June 2020

US$ thousands

Financial assets:	Amortized cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables (Note 12[1])	1,155	-	-	222,640
Equity instruments at FVOCI	-	143,124	-	-
Silverstream contract (Note 10)	-	-	-	497,531
Derivative financial instruments	-	-	3,666	-
Financial liabilities:		Amortised Cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans		801,772	-	-
Trade and other payables		118,329	-	-
Lease liabilities		12,859	-	-
Derivative financial instruments		-	8	-

1 Relates to trade and other receivables from related parties and contractors, net of the provision for impairment

As at 31 December 2019

US$ thousands

Financial assets:	Amortized Cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables (Note 12[1])	4,353	-	-	212,265
Equity instruments at FVOCI	-	123,024	-	-
Silverstream contract	-	-	-	541,253
Derivative financial instruments	-	-	2,623	-
Financial liabilities:		Amortised Cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans		801,239	-	-
Trade and other payables		117,358	-	-
Lease liabilities		12,544	-	-
Derivative financial instruments		-	1,789	-

1 Relates to trade and other receivables from related parties and contractors, net of the provision for impairment

b. Fair value measurement

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: a) in the principal market for the asset or liability, or b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The value of financial assets and liabilities other than those measured at fair value are as follows:

	Carrying amount		Fair value	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	US$ thousands			
Financial assets:				
Trade and other receivables	1,155	4,353	1,155	4,353
Financial liabilities:				
Interest-bearing loans[1]	801,772	801,239	865,360	870,208
Trade and other payables	113,098	125,121	113,098	125,121

[1] Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.

The carrying amounts of all other financial instruments are measured at fair value.

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as follows:

	As of 30 June 2020 Fair value measure using			
	Quoted prices in active markets (Level 1)	Significant observable (Level 2)	Significant unobservable (Level 3)	Total
		US$ thousands		
Financial assets:				
Trade receivables (Note 12)	-	-	222,640	222,640
Derivative financial instruments:				
Option commodity contracts	-	1,692	-	1,692
Option and forward foreign exchange contracts	-	1,974	-	1,974
Silverstream contract (Note 10)	-	-	497,531	497,531
Other financial assets:				
Equity instruments at FVOCI	143,124	-	-	143,124
	143,124	**3,666**	**720,170**	**866,961**
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	-	-	-	-
Option and forward foreign exchange contracts	-	8	-	8
	-	**8**	-	**8**

	As of 31 December 2019 Fair value measure using			
	Quoted prices in active markets (Level 1)	Significant observable (Level 2)	Significant unobservable (Level 3)	Total
		US$ thousands		
Financial assets:				
Trade receivables (Note 12)			212,265	212,265
Derivative financial instruments:				
Option commodity contracts	-	2,537	-	2,537
Option and forward foreign exchange contracts	-	86	-	86
Silverstream contract	-	-	541,253	541,253
Other financial assets:				
Equity instruments at FVOCI	123,024	-	-	123,024
	123,024	**2,623**	**753,518**	**879,165**
Financial liabilities:				
Derivative financial instruments:				
Options commodity contracts	-	1,529	-	1,529
Option and forward foreign exchange contracts	-	260	-	260
	-	**1,789**		**1,789**

There have been no significant transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into or out of Level 3 fair value measurements.

A reconciliation of the opening balance to the closing balance for Level 3 financial instruments other than Silverstream (which is disclosed in Note 10) is shown below:

	2020	2019
	US$ thousands	
Balance at 1 January	206,982	213,202
Sales	2,346,142	2,542,501
Cash collection	(2,335,450)	(2,560,613)
Changes in fair value[1]	11,324	5,299
Realised embedded derivatives during the year[1]	(10,406)	(7,985)
Balance at 30 June	**218,592**	**192,404**

1 Changes in fair value and realised embedded derivatives during the year are recognised in revenues.

Valuation techniques

The following valuation techniques were used to estimate the fair values:

Option commodity contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The Level 2 option commodity contracts are measured based on observable spot commodity prices, the yield curves of the respective commodity as well as the commodity basis spreads between the respective commodities. The option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot commodities price, interest rates and the volatility of the commodity.

Option and forward foreign exchange contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The Level 2 foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The foreign currency option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot exchange rates, interest rates and the volatility of the currency.

Silverstream contract (see note 10)

The fair value of the Silverstream contract is determined using a valuation model. The term of the derivative, which is based on Sabinas life of mine is currently 34 years and the valuation model utilises a number of inputs that are not based on observable market data due to the nature of these inputs and/or the duration of the contract. Inputs that have a significant effect on the recorded fair value are the volume of silver that will be produced and sold from the Sabinas mine over the contract life, the future price of silver, future foreign exchange rates between the Mexican peso and US dollar, future inflation and the discount rate used to discount future cash flows.

The estimate of the volume of silver that will be produced and sold from the Sabinas mine requires estimates of the recoverable silver reserves and resources, the related production profile based on the Sabinas mine plan and the expected recovery of silver from ore mined. The estimation of these inputs is subject to a range of operating assumptions and may change over time. Estimates of reserves and resources are updated annually by Peñoles, the operator and sole interest holder in the Sabinas mine and provided to the Company. The production profile and estimated payable silver that will be recovered from ore mined is based on the latest plan and estimates, also provided to the Company by Peñoles. The inputs assume no interruption in production over the life of the Silverstream contract and production levels which are consistent with those achieved in recent years.

Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs described above, and determines their impact on the total fair value. The significant unobservable inputs are not interrelated. The fair value of the Silverstream contract is not significantly sensitive to a reasonable change in future inflation, however, it is to a reasonable change in future silver price, future exchange rate and the discount rate used to discount future cash flows.

The following table demonstrates the sensitivity of the Silverstream contract valuation to reasonably possible changes in those inputs. There are no changes to equity other than those derived from the changes in profit before tax.

30 June 2020	Increase/ (decrease)	Effect on profit before tax: increase/ (decrease) *US$ thousands*
Silver price	15%	101,555
	(25%)	(169,259)
Foreign exchange rate: strengthening/(weakening) of the US dollar	20%	(86)
	(15%)	91
Interest rate	25 basis point	(14,649)
	(25 basis point)	15,365

31 December 2019	Increase/ (decrease)	Effect on profit before tax: increase/ (decrease) *US$ thousands*
Silver price	20%	146,873
	(15%)	(110,155)
Foreign exchange rate: strengthening/(weakening) of the US dollar	5%	(40)
	(5%)	44
Interest rate	50 basis point	(32,969)
	(50 basis point)	36,322

Equity investments

The fair value of equity investments is derived from quoted market prices in active markets.

Interest-bearing loans

The fair value of the Group's interest-bearing loan is derived from quoted market prices in active markets.

Receivables from provisional sales

Sales of concentrates, precipitates and doré bars are 'provisionally priced' and revenue is initially recognised using this provisional price and the Group's best estimate of the contained metal. Revenue is subject to final price and metal content adjustments subsequent to the date of delivery. This price exposure is considered to be an embedded derivative and therefore the entire related trade receivable is measured at fair value.

At each reporting date, the provisionally priced metal content is revalued based on the forward selling price for the quotational period stipulated in the relevant sales contract. The selling price of metals can be reliably measured as these metals are actively traded on international exchanges but the estimated metal content is a non-observable input to this valuation.

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c. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios that support its business and maximise shareholder value. Management considers capital to consist of equity and interest-bearing loans, including loans from related parties, as disclosed in the balance sheet, excluding net unrealised gains or losses on revaluation of cash flow hedges and debt instruments. In order to ensure an appropriate return for shareholder's capital invested in the Group management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive Committee before submission to the Board for ultimate approval, where applicable. The Group's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows, including cash flows from the Silverstream.

One of the Group's metrics of capital is cash and other liquid assets which as at 30 June 2020 and 2019 consisted of only cash and cash equivalents.