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1 August 2023

**Fresnillo plc interim results
for the six months to 30 June 2023**

Octavio Alvidrez, Chief Executive Officer, commented:

“We achieved a solid operating performance in the first half. Higher silver and gold production combined with stronger precious metals prices, also saw a rise in revenue in the period.

“I am pleased to report we are fully staffed across the business and have now overcome the challenges presented by the labour reforms in Mexico as well as the tight labour market. Further, in the period we have delivered on the ramp up of our new Juanicipio mine and begun operations at the new pyrites plant following the successful tie-in to the national electricity grid earlier this year.

“These are considerable development milestones and testament to the skill of our teams on the ground. It is with both huge sadness and regret however that we confirm two fatal contractor incidents in the period, a stark reminder of the critical need to ensure safety remains at the heart of everything we do, for both employees and contractors.

“Though we have made good operational progress, we are facing higher costs across the business driven by inflation as well as the material impact of the revaluation of the peso against the US dollar, which have resulted in an impact on profitability in the period.

“Our priorities in the second half are clear. We will continue to focus on the safety of our people and instilling a true culture of safety across the business. We are committed to managing costs and further improving productivity, while delivering on the promise of Juanicipio as we complete the ramp up. We are well placed to meet our operating targets for the year.”

First half highlights

Financial highlights (1H23/1H22 comparisons)

- Adjusted Revenues¹ of US\$1,430.8m, up 6.1%; mainly due to higher gold and silver volumes sold at higher prices, partly offset by a lower zinc price.
- Revenues of US\$1,343.3m, up 6.7%.
- Adjusted production costs² of US\$773.9m, up 17.4% over 1H22 primarily due to the revaluation of the Mexican peso vs. US dollar, cost inflation, additional costs from the start up of the beneficiation plant at Juanicipio and an increase in stripping recognised as costs rather than capitalised.
- Cost of sales of US\$1,060.6m, up 18.7% mainly as a result of the higher adjusted production costs and the effect of the consumption of inventories at Juanicipio and Noche Buena net of the reassessment of gold inventories at Herradura.
- Gross profit and EBITDA³ of US\$282.7m and US\$351.0m, down 22.7% and 23.5%, respectively.
- Exploration expenses of US\$96.9m, up 24.7% as exploration spend was front loaded.
- Profit from continuing operations before net finance costs and income tax and profit before income tax of US\$81.2m and US\$47.9m, down 62.8% and 69.2%, respectively.
- Profit for the period of US\$89.7m, down 36.4%.
- Basic and diluted EPS from continuing operations of US\$8.8 cents per share, down 44.7%.
- Adjusted EPS⁴ of US\$10.4 cents per share, down 46.4%.
- Cash generated from operations, before changes in working capital, of US\$322.9m, down 29.7%.
- Free cash flow⁵ of US\$18.7m in 1H23 (US\$93.5m in 1H22).
- Strong balance sheet with cash and other liquid funds as at 30 June 2023 of US\$889.7m (31 December 2022: \$969.1m); net debt/EBITDA of 0.42x⁶ (31 December 2022: 0.26x).
- Interim dividend of 1.40 US cents per share, totaling US\$10.3m (1H22: 25.0m).

¹ Adjusted revenues are the revenues shown in the income statement adjusted to add back treatment and refining charges and the effects of metals prices 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 Adjusted production costs are calculated as cost of sales less depreciation, profit sharing, hedging, change in inventories and unproductive costs. The Company considers this a useful additional measure to help understand underlying factors driving production costs in terms of the different stages involved in the mining and plant processes, including efficiencies and inefficiencies as the case may be and other factors outside the Company's control such as cost inflation or changes in accounting criteria.

³ Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain/(loss), less revaluation effects of the Silverstream contract and other operating income plus other operating expenses and depreciation.

⁴ Prior to Silverstream valuation effects.

⁵ Free cash flow calculated as net cash flow after the effect of foreign exchange on cash, less dividend payments.

⁶ Net Debt is calculated as debt at 30 June 2023 less Cash and other liquid funds at 30 June 2023 divided by the EBITDA generated in the last 12 months

Operational highlights (1H23/1H22 comparisons)

As disclosed in the 2Q23 production report on 26 July 2023:

- First half attributable silver production of 28.0 moz (including Silverstream), up 1.4% vs. 1H22.
- First half attributable gold production of 325.4 koz, up 5.4% vs. 1H22.
- Ramp up at new Juanicipio mine is progressing as planned, with full nameplate capacity expected in 3Q23.
- Tie-in of the new Pyrites Plant to the national power grid completed in 2Q23, followed by its commissioning and the start up of operations.
- Ongoing focus on safety, cost control and productivity.

Highlights for 1H23

US\$ million unless stated	H1 23	H1 22	% change
Silver production (koz) *	28,018	27,632	1.4
Gold production (oz)	325,415	308,752	5.4
Total revenues	1,343.3	1,259.1	6.7
Adjusted revenues ¹	1,430.8	1,349.0	6.1
Cost of Sales	1,060.6	893.2	18.7
Adjusted production costs ²	773.9	659.3	17.4
Exploration expenses	96.9	77.7	24.7
EBITDA ³	351.0	459.1	(23.5)
Profit for the period	89.7	141.0	(36.4)
Cash generated by operations before changes in working capital	322.9	459.5	(29.7)
Basic and Diluted EPS (US\$) ⁴	0.088	0.159	(44.7)
Basic and Diluted EPS, excluding post-tax Silverstream revaluation effects (US\$)	0.104	0.194	(46.4)
Dividend per ordinary share (US\$)	0.014	0.034	(58.8)

* 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 charges and the effects of metals prices 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 Adjusted production costs are calculated as cost of sales less depreciation, profit sharing, hedging, change in inventories and unproductive costs. The Company considers this a useful additional measure to help understand underlying factors driving production costs in terms of the different stages involved in the mining and plant processes, including efficiencies and inefficiencies as the case may be and other factors outside the Company's control such as cost inflation or changes in accounting criteria.

³ Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain/(loss), less revaluation effects of the Silverstream contract and other operating income plus other operating expenses and depreciation.

⁴ The weighted average number of shares for H1 2023 and H1 2022 was 736.9m. See Note 8 in the Interim Consolidated Financial Statements.

Commentary on the Group's results

Operating results

First half attributable silver production of 28.0 moz (including Silverstream) increased 1.4% vs. 1H22, primarily due to the ramp-up of Juanicipio, partially offset by the lower ore grade at San Julián (DOB).

First half attributable gold production of 325.4 koz increased 5.4% vs. 1H22 mainly due to the increased volume of ore processed and higher ore grade at Herradura and Saucito, partially compensated for by the decrease in gold production at Noche Buena.

First half by-product lead production increased 2.2% vs. 1H22 due to the increased contribution from Juanicipio and higher ore processed at Fresnillo, partly offset by the lower ore grade at Saucito.

First half by-product zinc production decreased 1.5% vs. 1H22 due to the lower ore grades at Saucito and San Julián (DOB), mitigated by the increased production at Juanicipio and the higher ore processed at Fresnillo.

With profound sadness we informed the tragic loss of two of our colleagues. The safety and wellbeing of our people remains our absolute priority and our aim is to promote a safety culture that is upheld by our robust safety management system and a preventive culture. The 'I Care, We Care' philosophy continued to be rolled out across the business, focusing on critical risk and control management, leadership practices, preventive management, learning from high-potential incidents and contractor engagement.

Financial results

Total revenues increased 6.7% to US\$1,343.3 million in 1H23, mainly due to the increased volumes of gold and silver sold at higher prices, partly offset by the lower zinc price.

The average realised silver price increased 2.4% from US\$22.8 per ounce in 1H22 to US\$23.3 per ounce in 1H23, while the average realised gold price rose 4.1%, from US\$1,871.1 per ounce in 1H22 to US\$1,948.9 per ounce in 1H23. However, the average realised zinc and lead by-product prices decreased 29.5% and 4.7% against their corresponding periods, to US\$122.4 cents and US\$93.7 cents per pound, respectively.

Adjusted production costs⁶ increased by 17.4% to US\$773.9 million in 1H23. The US\$114.5 million increase resulted mainly from: i) the adverse effect of the 10.2% average revaluation of Mexican peso vs. the US dollar (US\$45.0 million); ii) underlying cost inflation excluding the revaluation of the Mexican peso vs. US dollar (US\$41.6 million) - these two factors combined resulted in a cost inflation in US dollars of 13.4%, which increased adjusted production cost by US\$86.6 million; iii) costs from the start-up of the beneficiation plant and mine ramp up at Juanicipio (US\$19.6 million); iv) higher stripping to cost at Herradura (US\$19.5 million); v) increased maintenance, contractors, operating materials and diesel consumption due to longer haulage distances, deeper mines and increased development works (US\$16.7 million); and vi) higher volume of ore processed (US\$5.4 million). These adverse effects were mitigated by: i) a decrease in mining costs as depositing activities stopped at Noche Buena as part of the mine closure process which started in May (-US\$19.8 million); and ii) the reclassification of fixed costs incurred at Herradura and Noche Buena

⁶ Adjusted production cost is calculated as total production costs less depreciation, profit sharing and the effects of exchange rate hedging.

during the 14 days illegal stoppage to unproductive costs (-US\$13.5 million) (see 1H23 Operational Review -Herradura).

Additionally, the variation in the change in inventories had a negative effect of US\$32.3 million vs. 1H22. The change in inventories in 1H23 of US\$26.3 million was explained by the decrease in inventories at Juanicipio as a result of the start up of the beneficiation plant in 2Q23, and at Noche Buena as it approached the end of its mine life. This was partly mitigated by the gold inventory uplift at Herradura.

Depreciation remained broadly stable at US\$236.3 million, 1.1% up. This is mainly due to the depreciation of the additional asset base at Juanicipio, and to a lesser extent, increased amortisation of capitalised mining works at Fresnillo and Saucito, partly mitigated by the lower depreciation at Noche Buena.

The factors mentioned above resulted in an 18.7% increase in cost of sales compared with 1H22.

The increase in revenues was more than offset by the rise in cost of sales, resulting in a 22.7% decrease in gross profit to US\$282.7 million in 1H23.

Exploration expenses increased by 24.7% from US\$77.7 million in 1H22 to US\$96.9 million in 1H23 as the exploration programme was accelerated at both brownfield and greenfield projects in 1H23.

Other expenses of US\$33.5 million in 1H23 increased by US\$26.3 million, primarily explained by the write off of 20 thousand gold ounces, following illegal extraction of ore from the leaching pads at Soledad-Dipolos.

Driven by a decrease in gross profit, EBITDA decreased by 23.5%, with EBITDA margin decreasing from 36.5% in 1H22 to 26.1% in 1H23. Similarly, profit from continuing operations before net finance costs and income tax decreased from US\$218.2 million in 1H22 to US\$81.2 million in 1H23, a decrease of 62.8%.

The net Silverstream effect recorded in the 1H23 income statement was a loss of US\$17.0 million (US\$23.3 million amortisation profit and -US\$40.3 million revaluation loss), which compared favourably to the net loss of US\$36.3 million registered in 1H22. The negative revaluation was mainly driven by the decrease in the forward silver price curve and an updated mine plan, which considers a decrease in silver reserves.

Net finance costs of US\$19.5 million decreased 30.1% compared to the US\$27.9 million recorded in 1H22, primarily due to the higher interest gained on short term deposits and investments. Financial expenses in 1H23 included mainly: i) interest paid on the outstanding US\$317.9 million from the US\$800 million Senior Notes due 2023, and ii) interest paid on the 4.250% Senior Notes due 2050.

The decrease in profit from continuing operations, together with the net Silverstream loss, resulted in a 69.2% decrease in profit from continuing operations before income tax from US\$155.2 million in 1H22 to US\$47.9 million in 1H23.

Tax income for the period was US\$19.5 million, which compared favourably to the US\$6.8 million tax expense in 1H22. The effective tax rate, excluding the special mining rights, was -40.7% (1H22: 4.4%), which was substantially below the 30% statutory tax rate. The reasons for the unusual positive effective tax rate was the significant permanent differences between the tax and the accounting treatment related mainly to: i) the effect of the 11.8% revaluation of the Mexican peso/US dollar spot exchange rate in 1H23 on the tax value of assets and liabilities; and ii) the inflation rate (Mexican Consumer Price Index), which impacted the inflationary uplift of the tax base for assets and liabilities.

Mining rights income for the first half of the period were US\$22.3 million compared to the mining rights charges of US\$7.4 million registered in 1H22.

Profit for the period decreased from US\$141.0 million in 1H22 to US\$89.7 in 1H23, a 36.4% decrease period-on-period as a result of the factors described above. Profit due to non-controlling interests was US\$25.0 million reflecting the profit generated at Juanicipio, where MAG Silver owns 44% of the outstanding shares. Accordingly, profit attributable to equity shareholders of the Group was US\$64.7 million, a 44.9% decrease half-on-half.

Excluding the effects of the Silverstream contract, profit for the year decreased from US\$166.3 million to US\$101.6 million, a 38.9% decrease.

Cash generated by operations before changes in working capital decreased by 29.7% to US\$322.9 million, mainly as a result of the lower profits generated in the year.

Capital expenditure in 1H23 totalled US\$227.8 million, a 23.8% decrease over 1H22. Investments during the period included mine development and stripping, purchase of in-mine equipment, construction of a leaching pad at Herradura, the deepening of the San Carlos and Jarillas shafts and investments in tailings dams.

Other uses of funds during the period were income tax, special mining rights and profit sharing paid of US\$192.8 million (US\$141.2 million in 1H22) and dividends paid of US\$98.0 million (US\$176.9 million in 1H22).

Fresnillo plc continued to maintain a solid financial position during the period with cash and other liquid funds of US\$889.7 million as of 30 June 2023, decreased -8.2% and -22.8% versus 31 December 2022 and 30 June 2022 respectively. Taking into account the cash and other liquid funds of US\$889.7 million and the US\$1,158.9 million outstanding Senior Notes, Fresnillo plc's net debt is US\$269.2 million as at 30 June 2022. This compares to the net debt position of US\$15.9 million as at 31 December 2022. Considering these variations, the balance sheet at 30 June 2023 remains strong, with a net debt / EBITDA ratio of 0.42x⁷.

Interim Dividend

The Board of Directors has declared an interim dividend of 1.40 US cents per Ordinary Share totalling US\$10.3 million, which will be paid on 14 September 2023 to shareholders on the register on 11 August 2023. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. This interim dividend is lower than the previous period due to the decrease in profit in 1H23, and remains in line with the Group's dividend policy. 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.

As previously disclosed, the corporate income tax reform introduced in Mexico in 2014 created a withholding tax obligation of 10% (including to foreign nationals). The 2023 interim dividend will be subject to this withholding obligation.

⁷ Net debt is calculated as debt at 30 June 2023 less Cash and other liquid funds at 30 June 2023 divided by the EBITDA generated in the last 12 months

Outlook

2023 guidance remains unchanged. Attributable silver production is expected to be in the range of 57.0 to 64.0 moz (including Silverstream) while attributable gold production is expected to be in the range of 590 to 640 koz. Expressed in silver equivalent ounces⁸, production is expected to be 104 -115 million ounces.

Exploration expenses for 2023 are expected to remain around US\$175 million.

Capex for 2023 has been revised from US\$630 million to US\$555 million following a project review and timetable optimisation.

Analyst Presentation

Management will host a webcast for analysts and investors today at 9am UK. Registration and access will be provided on the homepage of Fresnillo's website and directly via this link:

https://kvgo.com/IJLO/Fresnillo_1H23_Interim_Results

Conference call:

Participants will be able to join the call with the usual dialling numbers, but they will also be able to pre-register through a link, and they will receive a pin code, confirmation email and a calendar invite directly to their inbox. When they dial into the call, they can just input the code and gain access and bypassing the operator.

Conference Call Registration Link:

<https://www.netroadshow.com/events/login?show=37639fc5&confId=53607>

Avoid wait time - Bypass speaking with an operator to join the call

Receive a calendar invite with call access details including unique PIN.

Only if participants require operator assistance:

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⁸ Au:Ag ratio of 80:1

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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 eight operating mines, all of them in Mexico - Fresnillo, Saucito, Juanicipio, Ciénega, Herradura, Soledad-Dipolos¹, Noche Buena and San Julián (Veins and Disseminated Ore Body) and four advanced exploration projects - Orisyvo, Rodeo, Guanajuato and Tajitos as well as a number of other long term exploration prospects.

Fresnillo plc has mining concessions and exploration projects in Mexico, Peru and Chile. Fresnillo plc has a strong and long tradition of exploring, mining, a proven track record of mine development, reserve replacement, and production costs in the lowest quartile of the cost curve for silver. Fresnillo plc's goal is to maintain the Group's position as the world's largest primary silver company and Mexico's largest gold producer.

¹ Operations at Soledad-Dipolos are currently suspended.

FORWARD LOOKING STATEMENTS

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

1H23 Operational Review

Production

Production	H1 2023	H1 2022	% change
Silver (koz)	26,472	26,192	1.1
Silverstream prod'n (koz)	1,546	1,440	7.4
Total Silver prod'n (koz)	28,018	27,632	1.4
Gold (oz)	325,415	308,752	5.4
Lead (t)	27,363	26,779	2.2
Zinc (t)	49,788	50,533	(1.5)

First half attributable silver production of 28.0 moz (including Silverstream) increased 1.4% vs. 1H22, primarily due to the ramp-up of Juanicipio, partially offset by the lower ore grade at San Julián (DOB).

First half attributable gold production of 325.4 koz increased 5.4% vs. 1H22 mainly due to the increased volume of ore processed and higher ore grade at Herradura and Saucito, partially compensated for by the decrease in gold production at Noche Buena.

First half by-product lead production increased 2.2% vs. 1H22 due to the increased contribution from Juanicipio and higher ore processed at Fresnillo, partly offset by the lower ore grade at Saucito.

First half by-product zinc production decreased 1.5% vs. 1H22 due to the lower ore grades at Saucito and San Julián (DOB), mitigated by the increased production at Juanicipio and the higher ore processed at Fresnillo.

Fresnillo mine production

	H1 2023	H1 2022	% change
Ore Processed (t)	1,336,142	1,194,359	11.9
Production			
Silver (koz)	6,789	6,609	2.7
Gold (oz)	19,747	18,148	8.8
Lead (t)	10,972	10,432	5.2
Zinc (t)	22,790	20,139	13.2
Ore Grades			
Silver (g/t)	177	189	(6.3)
Gold (g/t)	0.64	0.67	(4.5)
Lead (%)	0.96	1.04	(7.7)
Zinc (%)	2.27	2.35	(3.4)

First half silver production increased 2.7% vs. 1H22 mainly as a result of the increase in volume of ore processed, partly offset by the lower ore grade and recovery rate.

Mine development rates increased half on half to an average of 3,197m per month in 1H23 (1H22: 2,883m per month), primarily due to the higher productivity of the unionised personnel.

First half by-product gold production increased 8.8% vs. 1H22 primarily as a result of the higher volume of ore processed, partly offset by the lower ore grade.

The silver ore grade in 2023 is expected to remain in the range of 185-205 g/t, while the gold ore grade is expected to remain in the range of 0.50-0.70 g/t.

Progress at the San Carlos shaft has been slower than anticipated due to service infrastructure redesign. The commissioning of the San Carlos shaft has been delayed to year end, which will provide further time to optimise haulage of ore through ramps whilst the two sections of the shaft are connected. This project is expected to support a reduction in haulage costs.

Pyrites Plant at Fresnillo

The tie in of the Pyrites Plant to the national grid at Fresnillo was completed in 2Q23 and commissioning began immediately with ramp up of production expected in 2H23.

This facility and the Pyrites plant (phase I) at Saucito are together expected to produce an average of 3.5 moz silver and 13 koz gold per year, once both are operating at full capacity.

Saucito mine production

	H1 2023	H1 2022	% change
Ore Processed (t)	1,034,921	1,008,158	2.7
Production			
Silver (koz)	5,811	5,781	0.5
Gold (oz)	40,080	33,172	20.8
Lead (t)	8,251	9,444	(12.6)
Zinc (t)	12,993	15,665	(17.1)
Ore Grades			
Silver (g/t)	197	199	(1.0)
Gold (g/t)	1.52	1.30	16.9
Lead (%)	0.95	1.09	(12.8)
Zinc (%)	1.65	1.97	(16.2)

First half silver production remained at similar levels vs. 1H22, as higher volumes of ore processed were offset by the lower ore grade resulting from the delays in preparation, thus limiting operational flexibility.

We continued working on increasing the availability of equipment and improving the productivity of our personnel and expect to further increase volumes of ore processed in 2H23 to reach the optimal run rate of c. 7,000 tpd.

First half by-product gold production increased 20.8% vs. 1H22 as a result of the higher ore grade and increase in volume of ore processed.

Full year 2023 silver ore grade is estimated to remain between 190-210 g/t, while the gold ore grade is estimated to continue to be around 1.20-1.40 g/t.

PYRITES PLANT (PHASE I)

	H1 2023	H1 2022	% change
Pyrite Concentrates Processed (t)	55,844	65,690	(15.0)
Production			
Silver (koz)	238	277	(14.1)
Gold (oz)	601	932	(35.5)
Ore Grades			
Silver (g/t)	192	176	9.1
Gold (g/t)	1.44	1.40	2.9

First half silver production decreased 14.1% vs. 1H22 due to the decreased volume of pyrite concentrates processed and lower recovery rates, partly mitigated by the higher ore grade.

First half gold production decreased 35.5% vs. 1H22 as a result of the lower recovery rate and the decrease in volume of pyrite concentrates processed, partly offset by a higher ore grade.

Juanicipio - Attributable

	H1 2023*	H1 2022**	% change
Ore Processed (t)	335,855	167,751	100.2
Production			
Silver (koz)	4,214	2,672	57.7
Gold (oz)	9,351	6,412	45.8
Lead (t)	2,718	1,286	111.4
Zinc (t)	4,309	2,041	111.1
Ore Grades			
Silver (g/t)	448	582	(23.0)
Gold (g/t)	1.18	1.53	(22.9)
Lead (%)	0.94	0.92	2.2
Zinc (%)	1.74	1.73	0.6

* Includes ore processed as part of the initial tests during the commissioning of the Juanicipio plant and ore processed at the Fresnillo and Saucito beneficiation plants.

** Ore processed at the Fresnillo and Saucito beneficiation plants.

Attributable first half silver and gold production reached 4.2 moz and 9.4 koz respectively as the ramp-up progressed as planned following the commissioning completed in 1Q23. Full nameplate capacity is expected to be reached by 3Q23. As previously reported, ore will continue to be processed at the nearby Saucito and Fresnillo plants as required.

Ciénega mine production

	H1 2023	H1 2022	% change
Ore Processed (t)	501,401	563,094	(11.0)
Production			
Gold (oz)	17,434	18,907	(7.8)
Silver (koz)	1,991	2,485	(19.9)
Lead (t)	1,504	1,684	(10.7)
Zinc (t)	1,921	2,596	(26.0)
Ore Grades			
Gold (g/t)	1.18	1.14	3.5
Silver (g/t)	144	159	(9.4)
Lead (%)	0.47	0.47	0.0
Zinc (%)	0.72	0.82	(12.2)

First half gold production decreased 7.8% vs. 1H22 mainly due to the lower volume of ore processed, partly mitigated by the higher ore grade.

First half silver production decreased 19.9% vs. 1H22 due to the decrease in volume of ore processed and lower ore grade as a result of the increased dilution.

The gold and silver ore grades for 2023 are estimated to remain in the ranges of 1.0-1.1 g/t and 150-160 g/t respectively.

San Julián mine production

	H1 2023	H1 2022	% change
Ore Processed Veins (t)	558,257	583,966	(4.4)
Ore Processed DOB(t)	1,050,158	1,076,326	(2.4)
Total production at San Julián			
Gold (oz)	22,292	23,433	(4.9)
Silver (koz)	7,008	7,968	(12.0)
Production Veins			
Gold (oz)	20,464	21,710	(5.7)
Silver (koz)	2,480	2,235	11.0

Production DOB			
Gold (oz)	1,828	1,723	6.1
Silver (koz)	4,528	5,733	(21.0)
Lead (t)	3,917	3,933	(0.4)
Zinc (t)	7,775	10,093	(23.0)
Ore Grades Veins			
Gold (g/t)	1.20	1.22	(1.6)
Silver (g/t)	152	131	16.0
Ore Grades DOB			
Gold (g/t)	0.09	0.08	12.5
Silver (g/t)	156	193	(19.2)
Lead (%)	0.48	0.45	6.7
Zinc (%)	0.99	1.20	(17.5)

San Julián Veins

First half gold production decreased 5.7% vs. 1H22 mainly due to the decrease in volume of ore processed and the lower ore grade as a result of lower equipment availability, which limited access to the San Atanasio vein with higher ore grades.

First half silver production increased 11.0% vs. 1H22 mainly due to the higher ore grade at San Antonio, Ultima Tierra and Elisa stopes, partly offset by the lower volume of ore processed.

Additional anchoring equipment is expected to arrive in 3Q23, which will contribute to the normalisation of mining cycles.

We continue to expect the 2023 silver and gold ore grades to average 130-140 g/t and 1.20-1.30 g/t, respectively.

San Julián Disseminated Ore Body

First half silver production decreased 21.0% vs. 1H22 respectively, mainly due to the lower ore grade in the areas in the periphery of the ore body and structural geological features which slowed down the long hole drilling cycles.

We continue to expect the 2023 silver ore grade to be in the range of 130-140 g/t.

Herradura mine production

	H1 2023	H1 2022	% change
Ore Processed (t)	11,705,553	9,518,276	23.0
Total Volume Hauled (t)	50,669,525	64,333,382	(21.2)
Production			
Gold (oz)	189,869	160,644	18.2
Silver (koz)	344	387	(11.1)
Ore Grades			
Gold (g/t)	0.74	0.68	8.8
Silver (g/t)	1.55	1.83	(15.3)

First half gold production increased 18.2% vs. 1H22 mainly driven by the increased volume of ore processed and higher ore grade in the sulphides in the lower areas of the pit and positive variations with the geological model. The aforementioned factors were partly offset by the lower recovery rate driven by the temporary suspension of operations following an illegal stoppage by a very small group of unionised employees, as reported in May, and the slower pace of irrigation.

The adjusted production costs were impacted by the increase in waste material hauled charged to costs, rather than capitalised, despite the 28.9% decrease in the total volume of waste material hauled (capitalised and charged to costs). This is because in 1H22 the stripping ratio for the main component of the Herradura mine of c. 7.3 was significantly higher than the prevailing stripping ratio for the life of the mine (LOM) of this component (under IFRIC 20 stripping costs above the average LOM stripping ratio are capitalised), this higher stripping ratio was due to the need to prepare and gain access to the mineral benches; whereas in 1H23 the 3.4 stripping ratio was below the prevailing stripping ratio for LOM of this component, thus recognising all the stripping as cost in the income statement.

The gold ore grade in 2023 is estimated to be in the range of 0.65-0.75 g/t.

Noche Buena mine production

	H1 2023	H1 2022	% change
Ore Processed (t)	2,510,639	4,384,077	(42.7)
Total Volume Hauled (t)	8,424,676	13,283,655	(36.6)
Production			
Gold (oz)	25,878	47,103	(45.1)
Silver (koz)	8	14	(42.9)
Ore Grades			
Gold (g/t)	0.47	0.57	(17.5)
Silver (g/t)	0.17	0.26	(34.6)

First half gold production decreased 45.1% vs. 1H22 as a result of the decrease in the volume of ore processed and lower ore grade following the mine closure process which started in May.

The 2023 estimated gold ore grade remains in the range of 0.40-0.50 g/t, as the mine approaches the end of its operational life.

Soledad-Dipolos mine

The Company has recently identified certain suspected illegal extraction of gold content at its Soledad-Dipolos leaching pads. The Company estimates a loss of approximately 20,000 ounces of gold content and consequently has recognised a write off of US\$21.9 million regarding the Soledad-Dipolos gold contents in inventory, which has been presented as other expenses in the Interim Consolidated Income Statement. The Company is taking relevant actions so that the illegal leaching activities be ceased as soon as possible. The Company does not currently expect any further losses of this inventory to be significant.

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 2023 approved capex and exploration budget.

Advanced exploration projects

Rodeo

Rodeo is an open pit, heap leaching gold project located in central Durango state. Disseminated gold occurs in volcanic rocks showing thorough oxidation down to depths exceeding 200 meters, with good metallurgical recoveries in ores coming from a projected low strip ratio pit. During 1H 2023 several regional studies continued, including hydrological, environmental, and social base lines along with the analysis of power supply and infrastructure alternatives. A community and local-to-state level government engagement programme has been implemented, focused on education and health initiatives that have been well received. Several land access alternatives continue in negotiation with the local Ejidos and once agreements are reached, comprehensive pre-feasibility to feasibility level exploration, engineering, and development programmes will be performed.

Orisyvo

Orisyvo is a world-class, high-sulphidation epithermal disseminated gold deposit located in the Sierra Madre mountains of Chihuahua state. Several activities aimed at delivering an updated pre-feasibility study progressed as scheduled during 1H 2023. Simultaneously, a region-wide community and local government engagement programme fostering the improvement of educational, health, environmental care and entrepreneurship skills of local stakeholders has been strengthened and the preparation for the required indigenous consultation and land acquisition strategies have advanced as scheduled as well.

Some of the technical works in progress include the analysis of alternatives for power supply, conceptual mine design and engineering scenarios, detailed environmental studies for permitting and options for tailings storage. The detailed geotechnical studies of the

mineralised and barren rocks have been completed, and initial bio-oxidation and Albion metallurgical processing technologies delivered promising results for increasing the gold recovery in sulphide ores and a full-scale investigation of these methods is underway.

Tajitos

Tajitos is a low strip ratio open-pit, heap-leach, orogenic type, disseminated gold project located in the Herradura Corridor of northwestern Sonora state. During 1H 2023, 46,972 meters of core and reverse circulation drilling were completed in the main resource area, as part of a programme designed to fully evaluate the ore bodies to deliver an updated resource estimation by the end of the year. Additional metallurgical investigations and geotechnical studies are scheduled for 2H 2023, as we look to produce a new preliminary economic study in 2024.

After completing over 95% of claim consolidation of the district and acquiring an important land block, environmental studies for permitting the exploration drilling of the remaining exploration targets in the region are underway and additional land purchase for mine development is under consideration.

Guanajuato

Guanajuato is a historic, world-class gold and silver epithermal vein field stretching more than 40 kilometers along the central Mexican state of Guanajuato. Exploration was intensified in 1H 2023, with core drilling amounting to 44,704 meters distributed in the three main sectors making up the district. Good results have been obtained from quartz veins and stockwork zones, the latter amenable to massive, low-cost mining methods in the Veta Madre, Peregrina, and San Gregorio areas. The application of our upper-level epithermal model has yielded significant intercepts below hydrothermally altered, barren zones at the surface. Investigations of the use of ore-sorting technologies for the Guanajuato ores and detailed metallurgical test work are in progress. A preliminary economic study was completed, delivering possibilities for conceptual mining and processing scenarios for the district. These types of studies will continue as an updated resource estimation becomes available in late 2023.

Exploration

Exploration was accelerated during 1H 2023 on both brownfield and greenfield projects; the 490,996 meters completed by the end of June represent a 3% increase from the same period of 2022. 90% of the drilling was devoted to brownfield targets, including in-mine zones for resource conversion/expansion and increase of the certainty of reserves for short to medium-term mine planning, and also the evaluation of early-stage peripheral targets. In particular, drilling was intensified at the Fresnillo and San Julian districts.

Greenfield drill programmes designed to test expansion targets at the Candameña and San Juan projects in Mexico and Capricornio in Chile advanced well. In Peru, good results were obtained from the strengthening of our community and government engagement initiatives, allowing our teams to resume drilling at the Pilarica project and the initiation of the programme at Santo Domingo, both of which remain in progress.

The evaluation of our full portfolio was renewed in 1H 2023, delivering an updated ranking of our prospect pipeline for budget allocation to continue our programme of project generation using an array of geological, geochemical, geophysical, and remote sensing

techniques. The effort to strengthen our portfolio will continue as a standard practice of our exploration teams.

In the first six months, US\$96.9 million of exploration expenses were recorded in the income statement, an increase of 24.7% over 1H22. Total risk capital invested in exploration for the full year 2023 remains at approximately US\$175 million.

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.

Health and safety, environment and community relations

We are committed to our Purpose: “Contribute to the wellbeing of people through the sustainable mining of silver and gold”. This commitment underlines the importance of integrating responsible business practices deeply into our business model and considering factors that affect stakeholders at every critical decision-making level.

Our People

Our workforce is vital to achieve our organisational purpose; thus, we prioritise their health, safety and wellbeing, and aim to attract, nurture, and retain top talent, ensuring long-term engagement. We promote leadership development programmes, wellbeing initiatives, continuous improvement projects and actively collaborate with unions to foster trust through ongoing dialogue. Our goal is to cultivate an inclusive culture where diversity is valued, and all employees feel respected and empowered to reach their full potential.

Table 1. Workforce composition

	As at June 30, 2023	As at December 31, 2022	% Change
Unionised employees	5,817	6,360	-8.54
Non-unionised employees	1,562	1,710	-8.65
Total unionised and non-unionised employees	7,379	8,070	-8.56
<i>Unionised and non-unionised women (%)</i>	<i>13.80</i>	<i>14.03</i>	-
Contractors	13,060	13,639	-4.25
Total workforce	20,439	21,709	-5.85
<i>Total women (%)</i>	<i>11.78</i>	<i>12.11</i>	-

Table 2. Turnover

	As at June 30, 2023	As at June 30, 2022
<i>Voluntary turnover (%)</i>	<i>5.10</i>	<i>4.14</i>
<i>Total turnover (%)</i>	<i>12.36</i>	<i>6.45</i>

We have continued to increase the participation of women in our workforce throughout recent years. The percentage of unionised and non-unionised women was 13.80% (14.03% in 2022) while the percentage of our overall total workforce, including contractors, was 11.78% (12.11% in 2022). In 2022 we achieved our 2025 target, well ahead of time, of 12% of women in our workforce and we expect to maintain it throughout 2023. We also expect to continue making progress towards our target of 8% women in managerial roles by 2025. The increase in total turnover in 1H23 was explained by: i) the administrative reorganisation that was undertaken to achieve efficiencies and cost reductions; and ii) the workforce consolidation at the Herradura district following the closure of mine operations at Noche Buena.

During the period we continued our female and reproductive health programmes such as gestational follow-up and gynaecological check-ups and finalised the construction of lactation facilities at Penmont and Juanicipio, adding to those already constructed in Ciénega and Saucito last year, while at Fresnillo, San Julián and exploration offices, flexible schedules exist to allow for lactation at home.

Our 'Women for Women' Mentoring Programme's first generation graduated, and an open invitation has been distributed among our female staff for a new generation to begin in the second half of the year, which will incorporate lessons learnt from the first generation to enhance the programme's effectiveness. We have also defined a set of KPIs for the Women Leadership Program that aim to measure our understanding of aspects of representation, retention, compensation, development and environment to better assess our Diversity, Equity and Inclusion (DEI) strategy progress over time. Finally, we also supported the creation of the first Women in the Mining Industry Survey in collaboration with the Mexican Mining Chamber and KPMG.

Our organisation began its cultural evolution journey in 2021 focused on human dignity and respect, equal opportunities and non-discrimination. Our goal remains to prioritise the wellbeing of our workforce through results oriented collaborative ecosystems that strive to improve the company's effectiveness and efficiency. As part of these endeavours, we have updated and deployed a new organisational competencies model based on agility, inclusive collaboration, results-oriented commitment, trust-based communication, talent development and emotional intelligence.

The Behaviour Commissioners continued to deal with related cases to the harassment prevention and attention programme. In addition, three years into the programme, a review and update of the protocol has been initiated to incorporate learnings and experiences from its application.

We also updated our Code of Conduct building up on its predecessor with the purpose of homogenising our applicable behavioural framework with our parent company, Industrias Peñoles.

Occupational Health

Our approach aims to pre-emptively identify and manage the health risks to which our workforce is exposed. Preventive care and the promotion of healthier lifestyles can limit certain chronic diseases and enhance overall wellness and fitness for work. While our focus is on prevention, emergency response is a core competence of all our health teams. In recent years, the health departments of each business unit have expanded beyond occupational

health programmes, establishing a more comprehensive perspective and promoting other aspects of health, defining five lines of action compatible with the 'I Care, We Care' philosophy: Health surveillance, Integral wellbeing, Industrial care, Development and Innovation and Emergency Preparedness.

We persist in implementing measures to reduce psychosocial risk factors and foster well-being programmes that align with our desired organisational culture. During the period we concluded the second phase of the Living in BALance Programme, identifying the top 3 critical risks: anxiety/ depression, inadequate sleeping habits and work-related stress. We also began a pilot for a Fatigue Management System at Herradura and Juanicipio, using technology that allows us to monitor worker's sleep quality in order to reduce accidents, increase productivity and promote a healthier lifestyle.

We continue working towards the 'Safe and Healthy Workplace Environments' certification of all our business units by the Mexican Social Security Institute, a voluntary programme to implement strategies and measures to improve health, safety and well-being of workers, as well as productivity and quality in the workplace, achieving the recertification of Penmont during this period, with an objective to obtain it for the first time in Ciénega and San Julián later in the year.

Safety

As an organisation, safety stands as one of our core values, and our unwavering commitment is to meet the objective of zero harm. Our aim is to foster a safety culture that is upheld by our robust safety management system, with prevention being a fundamental pillar of our approach. Our 'I Care, We Care' philosophy promotes leadership, accountability, risk-based management systems and cross-functional learning. In 2022 we set a goal to achieve zero fatalities and a Total Recordable Injury Frequency Rates (TRIFR) in the International Council on Mining and Metals (ICMM) ranges. To achieve this vision, during 2023 we have continued to deploy the 'I Care, We Care' Safety Plan, focusing on critical risk and critical control management, compliance with leadership practices, preventive management, learning from high-potential incidents and contractor engagement.

The 'I Care, We Care' Operational Committee – formalised last year to ensure the effective implementation of critical risk management and incident management – holds monthly meetings to review performance results, progress in the operating plan, as well as carrying out leadership practices on the field. Sub-optimal critical risks are emphasised and communicated accordingly across our operations to capitalise from lessons learnt. As part of the management of critical risks, awareness sessions were held across our mining units with the participation of our COO, unit managers and in partnership with the union, to train the workforce on accident prevention, and to empower them through the materialisation of the "Right to Say No" Policy in case of a missing or failed critical control. We have also launched '3 in line,' a mentorship programme that accelerates learning for young safety supervisors by pairing them with experienced peers. It aims to foster safety awareness and develop sound judgment in safety practices.

With profound sadness we regret to inform of the tragic loss of two of our colleagues – a stark reminder of the critical work ahead in our unwavering pursuit of zero harm. Despite continued improvement compared to previous periods, our performance of Total Recordable Injury Frequency Rates (TRIFR) and Lost Time Injury Frequency Rates (LTIFR) per million hours worked increased to 12.04 (10.26 in 2022) and 6.79 (5.44 in 2022) respectively. It is important to highlight though that only 15% of the TRIFR indicator

corresponds to high potential accidents, meaning that 85% of the cumulative injuries of the period were generated in incidents associated to low potential risks. Furthermore, we remain steadfast in our diligent reporting of near-miss incidents to identify any missed or failed critical controls that could lead to harm, with the purpose of fostering worker engagement in an early warning system, monitoring the safety of operational areas, and facilitating timely decision-making.

Table 3. TRIFR and LTIFR performance*

	As at June 30, 2023	As at December 31, 2022	% Change
Total Recordable Injury Frequency Rates (TRIFR)	12.04	10.26	17.3
Lost Time Injury Frequency Rates (LTIFR)	6.79	5.44	24.8

* Frequencies for every 1,000,000 hours worked

Tailings Storage Facilities

We implement best governance and engineering practices to manage our Tailings Storage Facilities (TSF). Our governance framework considers:

- The Board and the HSECR Committee establish the mandate and rely on management for implementation.
- The Technical Review Committee is accountable for oversight.
- The CEO (Accountable Executive), Senior Management of Operations and Mine Managers (Risk Owners) are accountable for operating in compliance with the policies and governance.
- Peñoles' Technical Services Co-CEO (Accountable Executive), Assistant VP Infrastructure and Engineering Corporate Tailings Specialists and Managers are accountable for the governance.
- TSF Operators, Regional TSF Superintendents and Managers, and Engineers of Record (EOR) are responsible for Operation, Control and assurance.
- Independent Tailings Review Panel (ITRP) and Independent Inspectors provide independent verification.

During the first half of the year, relevant activities have been carried out in tailings management, starting with the authorisation and issuance of the Responsible Tailings Management Policy by our Board of Directors, and the guidelines for the Tailings Management System. These establish the compliance guidelines for the best international practices adopted by the Company.

At each site, progress has been made in the operational units, projects, and those under care and maintenance. The Orysivo project has begun its design phase accompanied by the company that will serve as the design registrar until this role transitions into the role of the Engineer of Record (EoR), as outlined in our guidelines. At Ciénega, a secure TSF has been successfully developed, adhering to the best practice guides of the Mining Association of Canada (MAC), the International Commission on Large Dams (ICOLD) and the Canadian

Dam Association (CDA). It has been designed to provide a safe space for depositing tailings until the end of the mine's life. Finally, as the Juanicipio unit begins operations, its TSF has transitioned to an operational status with full compliance with standards, accompanied by a formal EoR that supports day-to-day operations.

Environmental Management

We optimise resource use to curb our impacts and are accountable for our environmental footprint. We're also committed to implement sound measures to safeguard biodiversity and ensure that it is not adversely affected by our operations.

To pursue these ambitions, throughout the period, we developed ICM high potential methodology (risk management system) for environmental risks, resulting in a portfolio identification and prioritisation of top risks, which we will roll-out in phases in the upcoming months. We also conducted the engineering survey for the project design that will materialise our ambition to eliminate freshwater consumption in our mining and mineral processing activities at the Fresnillo District and are in the process of updating our conceptual mine closure plan at Noche Buena, including geological, geochemical and hydrology characterisation studies, among others.

We've also held biodiversity-oriented awareness training, activities and reforestation campaigns in our neighbouring communities in collaboration with volunteers from our workforce, communities and business partners, capitalising on these experiences to instil an environmental-prone culture in our stakeholders. Additionally, we supported San Julián and Ciénega neighbouring communities in forest firefighting activities.

Climate Change

We continue to mature our capabilities to disclose climate-related financial information, considering the risks and opportunities of climate change and setting the road ahead towards the compliance with the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board (ISSB) in June 2023. During the period we carried out an external assurance of our 2022 Greenhouse Gas (GHG) emissions and are in the process of issuing an internal reporting procedure, capitalising from lessons learnt across different voluntary and regulatory assurance exercises. Additionally, we enrolled in the third generation of Mexico's UN Global Compact's Climate Accelerator Programme to build capacities that will support us moving forward in our climate ambitions. Finally, we're piloting different mineral processing technologies that have the potential to improve our performance while minimising our impact on the environment.

Community Relations

We earn and maintain the trust of our communities through meaningful engagement and by being accountable for our impacts. Our community strategy, which embraces all phases of the mining lifecycle, aims to build mutual understanding between our operations and local communities, ensuring that we engage, develop and grow together. We recognise the strategic importance of going beyond maintaining our social licence to operate – supporting the issues that matter to our communities and working with them for the long term.

Sustainable Development Goal 3 “Good Health and Wellbeing”

We organised Community Health Weeks for the communities of Fresnillo, San Julián and Ciénega in partnership with National University Foundation (UNAM Foundation) and local authorities, providing free dental and eye care, general medicine and physiotherapy, benefiting a little under 4,000 people. Activities are programmed at Penmont, Guanajuato and Orsivo for the second half of the year. Also, as part of our sports and physical reactivation axis at the Fresnillo District, we initiated the Santos Fresnillo Soccer Academy activities and organised a championship with Social Cause, inaugurated the Baseball Academy, and in synergy with ‘Fútbol Más’, implemented work sessions with the objective of promoting social cohesion at Penmont.

Sustainable Development Goal 6 “Clean Water and Sanitation”

In Penmont, we carried out a study to determine the conditions of the wells in 10 communities, including level checks, pumping equipment conditions, and well desilting. The results were presented to state and municipal authorities as well as civil organisations and NGOs in the area, in order to involve them in possible maintenance and creation of new wells in the zone. In San Julián, the community committee is working to develop a collective water system. The project involves the company contributing a portion of the materials, the community working together with the NGO FORMAC, and the state of Chihuahua providing the majority of the resources and manpower.

Sustainable Development Goal 4 “Quality Education”

We sponsored teams from our communities to compete at the Laguna Regional FIRST Robotics Competition to foster science, technology, engineering and mathematics (STEM) education. This programme aims to develop the talent and skills of high school students by promoting teamwork, leadership, solidarity and project management. The Volunteer of the Year Award, Gracious Professionalism, Team Spirit and Rookie All Star Award were won by Fresnillo sponsored teams. Additionally, graduates of our four teams compete for 100% scholarships in partnership with La Salle University at the Laguna and Noroeste campuses. We also continued the ‘Picando Letras’ programme at Penmont and Juanicipio carrying out reading activities at local schools, such as: Literary Creation, ‘Reencounter with my books’ workshop and reading circles, among others.

Sustainable Development Goal 8 “Decent Work and Economic Growth”

We continued with our entrepreneurial programmes to promote capacity building, micro-enterprises and productive project development, carrying out workshops in neighbouring rural communities with the support of the Education for Rural Development Brigade. We provided training in cleaning and personal hygiene products, recycling, family gardens and fodder cactus; some of these projects are already at the marketing stage. On the other hand, ‘Emprende Kids’ at San Julián, aims to encourage elementary students to create a business idea through playful activities, fostering skills such as leadership, teamwork and communication, with guidance from Pro Empleo.

FINANCIAL REVIEW

The interim consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the IASB and as adopted by the UK. All comparisons refer to the first halves of 2023 and 2022, unless otherwise noted. The financial information and half year on half year variations are presented in US dollars, except where indicated. Management recommends reading this section in conjunction with the Interim Financial Statements and their accompanying Notes.

INCOME STATEMENT

	1H 2023	1H 2022	Amount	
	US\$ million	US\$ million	Change	Change %
Adjusted revenue ⁹	1,430.8	1,349.0	81.8	6.1
Total revenue	1,343.3	1,259.1	84.2	6.7
Cost of sales	1,060.6	893.2	167.4	18.7
Gross profit	282.7	365.9	(83.2)	(22.7)
Exploration expenses	96.9	77.7	19.2	24.7
Operating profit	81.2	218.2	(137.0)	(62.8)
EBITDA ¹⁰	351.0	459.1	(108.1)	(23.6)
Income tax expense including special mining rights	(41.8)	14.2	(56.0)	N/A
Profit for the period	89.7	141.0	(51.3)	(36.4)
Profit for the period, excluding post-tax Silverstream effects	101.6	166.3	(64.7)	(38.9)
Basic and diluted earnings per share (US\$/share) ⁵	0.088	0.159	(0.071)	(44.7)
Basic and diluted earnings per share, excluding post-tax Silverstream effects (US\$/share)	0.104	0.194	(0.09)	(46.4)

The Group's financial results are largely determined by the performance of our operations. However, there are other factors such as a number of macroeconomic variables, that lie beyond our control and which affect financial results. These include:

METALS PRICES

The average realised silver price increased 2.4% from US\$22.8 per ounce in 1H22 to US\$23.3 per ounce in 1H23, while the average realised gold price rose 4.1%, from US\$1,871.1 per ounce in 1H22 to US\$1,948.9 per ounce in 1H23. However, the average realised zinc and lead by-product prices decreased 29.5% and 4.7% against their corresponding periods, to US\$122.4 cents and US\$93.7 cents per pound, respectively. The decrease in zinc and lead prices had an adverse effect on cash cost as it lowered by product credits.

⁹ Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and metals prices hedging.

¹⁰ Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain/(loss), plus revaluation effects of the Silverstream contract and other operating income plus other operating expenses and depreciation.

MX\$/US\$ EXCHANGE RATE

The Mexican peso/US dollar spot exchange rate at 30 June 2023 was \$17.07 per US dollar, compared to the exchange rate at 31 December 2022 of \$19.36 per US dollar. The 11.8% spot revaluation had a positive effect on deferred taxes and mining rights.

The average spot Mexican peso/US dollar exchange rate decreased from \$20.28 per US dollar in 1H22 to \$18.21 per US dollar in 1H23. As a result, there was an adverse effect of US\$45 million on the Group's costs denominated in Mexican pesos (approximately 45% of total costs) when converted to US dollars.

COST INFLATION

In 1H23, cost inflation (increase in unit price) considering Fresnillo plc's basket of goods and services was 13.4% (including the adverse effect of the revaluation of the Mexican peso vs. US dollar). Underlying cost inflation (cost inflation excluding the revaluation of the Mexican peso vs. US dollar) was 6.2%. The main components of our cost inflation (including the effect of the revaluation of the Mexican peso vs. US dollar) basket are listed below:

Labour

Unionised employees received on average an 8.5% increase in wages in Mexican pesos, while non-unionised employees received on average a 7.5% increase in wages in Mexican pesos; when converted to US dollars, this resulted in a weighted average labour inflation of 20.3%.

Energy

Electricity

The weighted average cost of electricity in US dollars increased 18.3% from US\$8.88 cents per kw in 1H22 to US\$10.50 cents per kw in the same period of 2023, reflecting an increase in the average generating cost of the Comisión Federal de Electricidad (CFE), the national utility.

Diesel

The weighted average cost of diesel in US dollars increased 16.2% to 102.97 US cents per litre in 1H23, compared to 88.59 US cents per litre in 1H22. This resulted primarily from the revaluation of the Mexican peso vs. US dollar and the gradual lifting of the Mexican Government's fuel tax relief that subsidised the cost of diesel and gasoline in Mexico in previous months.

Operating materials

	Half on half change in unit price %
Lubricants	33.5
Other reagents	12.1
Sodium cyanide	10.7
Steel for drilling	9.6
Explosives	8.5
Tyres	5.7
Steel balls for milling	(0.1)
Weighted average of all operating materials	9.4

Unit prices of the majority of key operating materials significantly increased in US dollar terms primarily reflecting global inflationary pressures and supply disruptions. As a result, the weighted average unit prices of all operating materials over the half increased by 9.4%.

Contractors

Agreements are signed individually with each contractor company and include specific terms and conditions that cover not only labour, but also operating materials, equipment and maintenance, amongst others. Contractor costs are mainly denominated in Mexican pesos and are an important component of our total production costs. In 1H23, increases per unit (i.e. per metre developed/ per tonne hauled) granted to contractors, resulted in a weighted average increase of 13.2% in US dollars, after considering the revaluation of the Mexican peso vs. US dollar.

Maintenance

Unit prices of spare parts for maintenance increased by 10.3% on average in US dollar terms.

Other costs

Other cost components include freight which increased by an estimated 23.4% in US dollars, while insurance costs increased by 12.0% in US dollars mainly due to higher market premiums. The remaining cost inflation components experienced average inflation of 10.2% in US dollars over 1H22.

The effects of the above external factors, combined with the Group's internal variables, are further described below through the main line items of the income statement.

REVENUE

CONSOLIDATED REVENUE ¹

	1H 2022 US\$ million	1H 2022 US\$ million	Amount US\$ million	Change %
Adjusted revenue ¹¹	1,430.8	1,349.0	81.8	6.1
Metals prices hedging	0.0	(3.8)	3.8	N/A
Treatment and refining charges	(87.4)	(86.2)	(1.2)	1.4
Total revenue	1,343.3	1,259.1	84.2	6.7

Adjusted revenue increased by US\$81.8 million mainly due to the increased volumes of gold and silver sold at higher prices, partly offset by the lower zinc price. Total revenue increased by 6.7% to US\$1,343.3 million in 1H23.

¹¹ Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and metals prices hedging.

ADJUSTED REVENUE ¹² BY METAL

	1H 2023		1H 2022					
	US\$ million	%	US\$ million	%	Volume Variance % US\$ million	Price Variance US\$ million	Total net change US\$ million	%
Gold	625.0	43.7	555.9	41.2	45.1	24.1	69.1	12.4
Silver	632.4	44.2	576.8	42.8	41.2	14.5	55.7	9.6
Lead	55.1	3.9	54.2	4.0	3.5	(2.6)	0.9	1.7
Zinc	118.2	8.3	162.2	12.0	4.8	(48.7)	(44.0)	27.1
Total adjusted revenue	1,430.8	100	1,349.0	100	94.5	(12.8)	81.7	6.1

The higher gold volumes sold were primarily due to the increased volume of ore processed and higher ore grade at Herradura and Saucito. The increase in volumes of silver sold was primarily driven by the ramp up of production at Juanicipio (for further detail, see 1H23 Operational Review).

Changes in the contribution by metal were the result of the relative changes in metal prices and volumes produced. Gold increased its contribution to total adjusted revenues from 41.2% in 1H22 to 43.7% in 1H23, while silver increased its contribution from 42.8% in 1H22 to 44.2% in 1H23. Zinc decreased its contribution from 12.0% in 1H22 to 8.3% in 1H23, reflecting the adverse effect of the lower price. Lead's contribution to total adjusted revenues remained flat period-on-period.

ADJUSTED REVENUE ¹³ BY MINE

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

	1H 2023		1H 2022	
	(US\$ million)	%	(US\$ million)	%
Herradura	379.7	26.5	302.9	22.4
Saucito	252.7	17.7	250.8	18.6
Fresnillo	243.4	17.0	243.6	18.1
Juanicipio	215.5	15.1	140.1	10.4
San Julián (DOB)	114.1	8.0	148.0	11.0
San Julián (Veins)	96.0	6.7	78.8	5.8
Ciénega	80.6	5.6	98.6	7.3
Noche Buena	48.8	3.4	86.4	6.4
Total	1,430.8	100	1,349.0	100

¹² Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and metals prices hedging.

¹³ Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and metals prices hedging.

VOLUMES OF METAL SOLD

	1H 2023	% contribution of each mine	1H 2022	% contribution of each mine	% change
Silver (koz)					
Juanicipio	6,879	25.4%	4,494	19.1%	53.1
Fresnillo	6,042	22.3%	5,943	25.4%	1.7
Saucito	5,099	18.8%	5,138	21.9%	(0.8)
San Julián (DOB)	3,776	14.0%	4,759	20.3%	(20.7)
San Julián (Veins)	2,415	8.9%	1,878	8.0%	28.6
Ciénega	1,797	6.6%	2,311	9.8%	(22.2)
Pyrites Plant at Saucito	698	2.6%	423	1.8%	65.0
Herradura	350	1.3%	389	1.7%	(10.0)
Noche Buena	3	0.0%	5	0.0%	(40.0)
Total silver (koz)	27,059		25,340		6.8
Gold (oz)					
Herradura	191,073	59.4%	162,404	54.7%	17.7
Saucito	36,083	11.2%	29,360	9.9%	22.9
Noche Buena	24,742	7.7%	40,671	13.7%	(39.2)
San Julián (Veins)	20,183	6.3%	18,980	6.4%	6.3
Ciénega	16,187	5.0%	17,875	6.0%	(9.4)
Fresnillo	15,918	5.0%	15,235	5.1%	4.5
Juanicipio	14,791	4.6%	10,464	3.5%	41.4
Pyrites Plant at Saucito	1,595	0.5%	1,264	0.4%	26.2
San Julián (DOB)	893	0.3%	740	0.3%	20.7
Total gold (oz)	321,465		296,993		8.2
Lead (t)					
Fresnillo	9,829	36.9%	9,358	37.4%	5.0
Saucito	7,443	27.9%	8,382	33.5%	(11.2)
Juanicipio	4,379	16.4%	2,082	8.3%	110.3
San Julián (DOB)	3,626	13.6%	3,642	14.6%	(0.4)
Ciénega	1,392	5.2%	1,556	6.2%	(10.5)
Total lead (t)	26,669		25,020		6.6

Zinc (t)					
Fresnillo	18,753	42.8%	16,063	38.0%	16.7
Saucito	10,726	24.5%	12,798	30.2%	(16.2)
San Julián (DOB)	6,371	14.6%	8,241	19.5%	(22.7)
Juanicipio	6,291	14.4%	3,047	7.2%	106.5
Ciénega	1,636	3.7%	2,170	5.1%	(24.6)
Total zinc (t)	43,777		42,318		3.4

TREATMENT AND REFINING CHARGES

Similar to previous years, the 2023 treatment and refining charges¹⁴ (TRCs) per tonne and per ounce are currently being negotiated with Met-Mex (Peñoles' smelter and refinery) in accordance with international benchmarks and will apply retrospectively from January 2023. We expect these negotiations to conclude by October 2023.

The increased volumes of lead and zinc concentrates shipped from our mines to Met-Mex resulted in a 1.4% increase in treatment and refining charges set out in the income statement in absolute terms when compared to 1H22.

COST OF SALES

	1H 2023	1H 2022	Amount	
	US\$ million	US\$ million	US\$ million	Change %
Adjusted production costs ¹⁵	773.9	659.3	114.6	17.4
Depreciation	236.3	233.7	2.6	1.1
Profit sharing	2.9	5.6	(2.8)	(49.2)
Hedging	(0.1)	0.0	(0.1)	100.0
Change in inventories	26.3	(6.0)	32.3	N/A
Unproductive costs ¹⁶	21.5	0.5	21.0	>100
Cost of sales	1,060.6	893.2	167.4	18.7

Cost of sales increased 18.7% to US\$1,060.6 million in 1H23. The US\$167.4 million increase is explained by the following combination of factors:

¹⁴ Treatment and refining charges include the cost of treatment and refining as well as the margin charged by the refiner.

¹⁵ Adjusted production costs are calculated as cost of sales less depreciation, profit sharing, hedging, change in inventories and unproductive costs. The Company considers this a useful additional measure to help understand underlying factors driving production costs in terms of the different stages involved in the mining and plant processes, including efficiencies and inefficiencies as the case may be and other factors outside the Company's control such as cost inflation or changes in accounting criteria.

¹⁶ Unproductive costs primarily include unabsorbed production costs such as non-productive cost for the temporary illegal stoppage at Herradura, fixed costs incurred at Juanicipio and pyrites plant, and fixed mine costs at Noche Buena as a result of the end of its mine life.

- An increase in Adjusted production costs (US\$114.6 million). This was primarily due to: i) the adverse effect of the 10.2% average revaluation of Mexican peso vs. the US dollar (US\$45.0 million); ii) underlying cost inflation excluding the revaluation of the Mexican peso vs. US dollar (US\$41.6 million) - these two factors combined resulted in a cost inflation in US dollars of 13.4%, which increased adjusted production cost by US\$86.6 million; iii) costs from the start-up of the beneficiation plant and mine ramp up at Juanicipio (US\$19.6 million); iv) higher stripping to cost at Herradura (US\$19.5 million); v) increased maintenance, contractors, operating materials and diesel consumption due to longer haulage distances, deeper mines and increased development works (US\$16.7 million); and vi) higher volume of ore processed (US\$5.4 million). These adverse effects were mitigated by: i) a decrease in mining costs as depositing activities stopped at Noche Buena as part of the mine closure process which started in May (-US\$19.8 million); and ii) the reclassification of fixed costs incurred at Herradura and Noche Buena during the 14 days illegal stoppage to unproductive costs (-US\$13.5 million).
- The variation in the change in inventories had a negative effect of US\$32.3 million versus 1H22 primarily due to a decrease in inventories at Juanicipio as a result of the start up of the beneficiation plant in 2Q23, and at Noche Buena as it approached the end of its mine life. This was partly mitigated by the gold inventory uplift at Herradura with an estimated positive effect of US\$21.6 million (see notes 2c and 5 to the financial statements).
- Unproductive costs of US\$21.5 million (+US\$21.0 million vs 1H22) mainly related to fixed costs incurred during the temporary illegal stoppage at Herradura and Noche Buena.
- Depreciation (+US\$2.6 million). This is mainly due to the depreciation of the additional asset base at Juanicipio, and to a lesser extent, increased amortisation of capitalised mining works at Fresnillo and Saucito, partly mitigated by the lower depreciation at Noche Buena.

These negative effects were mitigated by the lower profit sharing (-US\$2.8 million).

COST PER TONNE, CASH COST PER OUNCE AND ALL-IN SUSTAINING COST (AISC)

Cost per tonne is a key indicator to measure the effects of changes in production costs and cost control performance at each mine. This indicator is calculated as total production costs, plus ordinary mining rights, less depreciation, profit sharing and exchange rate hedging effects, divided by total tonnage processed. We have included cost per tonne hauled/moved as we believe it is a useful indicator to thoroughly analyse cost performance for the open pit mines.

Cost per tonne		1H 2023	1H 2022	% change
Fresnillo	US\$/tonne milled	91.69	87.23	5.1
Saucito	US\$/tonne milled	137.67	116.22	18.5
San Julián (Veins)	US\$/tonne milled	107.32	89.12	20.4
San Julián (DOB)	US\$/tonne milled	49.50	41.23	20.0
Ciénega	US\$/tonne milled	141.45	105.80	33.7
Herradura	US\$/tonne deposited	19.41	20.02	(3.0)
Herradura	US\$/tonne hauled	4.86	5.04	(3.5)
Noche Buena	US\$/tonne deposited	10.19	9.72	4.8
Noche Buena	US\$/tonne hauled	3.04	3.21	(5.3)

Fresnillo: Cost per tonne increased 5.1% to US\$91.7 in 1H23, driven by the underlying cost inflation and the adverse effect of the revaluation of the Mexican peso vs. the US dollar. This was mitigated by the decrease in development contractors and the higher volume of ore milled.

Saucito: Cost per tonne increased 18.5% to US\$137.7, mainly driven by the adverse effect of the revaluation of the Mexican peso vs. the US dollar underlying cost inflation and increased use of operating materials and maintenance.

San Julián Veins: Cost per tonne increased 20.4% to US\$107.3, primarily driven by the underlying cost inflation, the adverse effect of the revaluation of the Mexican peso vs. the US dollar, an increase in the use of maintenance and personnel.

San Julián (DOB): Cost per tonne increased 20.0% to US\$49.5, mainly driven by the underlying cost inflation, the adverse effect of the revaluation of the Mexican peso vs. the US dollar, and an increase in the use of maintenance energy and personnel.

Ciénega: Cost per tonne increased 33.7% to US\$141.5 mainly driven by an increase in development and infrastructure contractors, underlying cost inflation, the revaluation of the Mexican peso vs. the US dollar and the lower volume of ore milled.

Herradura: Cost per tonne of ore deposited decreased by 3.0% to US\$19.4 as the adverse effect of the revaluation of the Mexican peso vs. the US dollar and underlying cost inflation was more than offset by the favourable effect of the increase in volumes of ore deposited at the leaching pads.

Noche Buena: Cost per tonne increased 4.8% to US\$10.2 in 1H23, primarily driven by the underlying cost inflation and the revaluation of the Mexican peso vs. the US dollar.

Cash cost per ounce, calculated as total cash cost (cost of sales plus treatment and refining charges, less depreciation) less revenue from by-products divided by the silver or gold ounces sold, when compared to the corresponding metal price, is an indicator of the ability of the mine to generate competitive profit margins.

Cash cost per ounce		1H 2023	1H 2022	% change
Fresnillo	US\$ per silver ounce	7.41	3.53	110.1
Saucito	US\$ per silver ounce	6.84	2.52	171.0
San Julián (Veins)	US\$ per silver ounce	7.10	5.41	31.4
San Julián (DOB)	US\$ per silver ounce	10.23	4.45	129.9
Ciénega	US\$ per gold ounce	1,455.39	84.00	1,632.6
Herradura	US\$ per gold ounce	1,214.70	1,248.08	(2.7)
Noche Buena	US\$ per gold ounce	1,573.75	1,098.34	43.3

Fresnillo: Cash cost per silver ounce increased to US\$7.4 (1H22: US\$3.5 per silver ounce) mainly due to the lower silver ore grade, a decrease in zinc by-product credits per silver ounce due to the lower price of zinc, and a higher cost per tonne.

Saucito: Cash cost per silver ounce increased to US\$6.8 per ounce (1H22: US\$2.5 per silver ounce) as a result of a higher cost per tonne and lower zinc by-product credits per silver ounce (lower volumes of zinc sold at a lower price).

San Julián Veins: Cash cost per ounce of silver increased to US\$7.1 per ounce mainly due to the higher cost per tonne and lower gold by-product credits per silver ounce, largely mitigated by a higher silver ore grade.

San Julián (DOB): Cash cost per silver ounce increased to US\$10.2 per ounce of silver driven by the lower silver ore grade (-19.2%), a higher cost per tonne and lower zinc by-product credits per silver ounce (lower volumes of zinc).

Ciénega: The increase in cash cost per gold ounce to US\$1,455.4 per ounce in 1H23 was primarily due to a higher cost per tonne and a decrease in silver, zinc and lead by-product credits per gold ounce.

Herradura: Cash cost per gold ounce decreased to US\$1,214.7 mainly due to the higher gold ore grade, the uplift in gold inventories at the leaching pads and a decrease in cost per tonne.

Noche Buena: Cash cost per gold ounce decreased by 43.3% to US\$1,573.8 per ounce primarily driven by the decrease in gold ore grade and the lower cost per tonne.

In addition to the traditional cash cost, the Group is reporting All-In Sustaining Cost (AISC) in accordance with the guidelines issued by the World Gold Council.

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

We consider AISC to be a reasonable indicator of a mine's ability to generate free cash flow when compared with the corresponding metal price. We also believe it is a means to monitor not only current production costs, but also sustaining costs as it includes mine development costs incurred to prepare the mine for future production, as well as sustaining capex.

ALL-IN SUSTAINING COST (AISC)

AISC		1H 2023	1H 2022	% change
Fresnillo	US\$ per silver ounce	15.27	12.52	22.0
Saucito	US\$ per silver ounce	18.40	14.20	29.5
San Julián (Veins)	US\$ per silver ounce	22.24	16.39	35.7
San Julián (DOB)	US\$ per silver ounce	12.53	6.40	95.8
Ciénega	US\$ per gold ounce	3,072.87	1,302.58	135.9
Herradura	US\$ per gold ounce	1,390.22	1,755.78	(20.8)
Noche Buena	US\$ per gold ounce	1,564.17	1,154.23	35.5

Fresnillo: All-in sustaining cost increased 22.0% over 1H22 primarily due to a higher cash cost, mitigated by lower sustaining capex and a decrease in capitalised mine development per ounce.

Saucito: All-in sustaining cost increased to US\$18.4 per ounce due to higher cash cost, partially offset by a lower sustaining capex.

San Julián Veins: All-in sustaining cost increased to US\$22.2 per ounce due to a higher cash cost, increased sustaining capex, and higher capitalised mine development per ounce.

San Julián DOB: All-in sustaining cost increased to US\$12.5 per ounce driven by the increase in cash cost, partly mitigated by the lower sustaining capex.

Ciénega: The increase in all-in sustaining cost was primarily driven by the higher cash cost and increased mine development.

Herradura: All-in sustaining cost decreased by 20.8% mainly due to the lower cash cost and a decrease in capitalised stripping.

Noche Buena: The 35.5% increase in all-in sustaining cost was the result of the higher cash cost.

GROSS PROFIT

Gross profit, excluding hedging gains and losses, is a key financial indicator of profitability at each business unit and the Fresnillo Group as a whole.

Total gross profit, including hedging gains and losses, decreased by 22.7% from US\$365.9 million in 1H22 to US\$282.7 million in 1H23.

The US\$83.2 million decrease in gross profit was mainly explained by: i) the variation in change of inventories (-US\$54.2 million); ii) the lower zinc and lead prices (-US\$51.3 million); iii) the MXP/USD revaluation effect (-\$45.0 million); iv) underlying cost inflation (-\$41.6 million); v) increase in unproductive costs primarily from the illegal stoppage at Herradura and Noche Buena (-US\$21.0 million); vi) higher stripping to cost at Herradura (-US\$19.5 million); and vii) others (-US\$12.8 million). These negative effects were mitigated by: i) the start up of the beneficiation plant and ramp up of the Juanicipio mine (US\$59.2 million); ii) a higher volume of ore extracted (US\$42.6 million); iii) higher gold and silver prices (US\$38.5 million); and iv) the positive effect of the gold inventory uplift at Herradura (US\$21.8 million).

CONTRIBUTION BY MINE TO CONSOLIDATED GROSS PROFIT, EXCLUDING HEDGING GAINS AND LOSSES

	1H 2023		1H 2022		Change	
	US\$ million	%	US\$ million	%	US\$ million	%
Herradura	86.8	31.9	65.3	17.7	21.5	32.9
Juanicipio	79.0	29.0	82.9	22.5	(3.9)	(4.7)
Fresnillo	45.1	16.6	69.3	18.8	(24.2)	(34.9)
Saucito	39.8	14.6	62.8	17.1	(23.0)	(36.6)
San Julián	36.4	13.4	60.2	16.3	(23.8)	(39.5)
Noche Buena	3.0	1.1	20.9	5.7	(17.9)	(85.6)
Ciénega	(17.9)	(6.6)	6.8	1.9	(24.7)	(363.2)
Total for operating mines	272.2	100.0	368.2	100.0	(96.0)	(26.1)
Metal hedging and other subsidiaries	10.5		(2.3)		12.8	N/A
Total Fresnillo plc	282.7		365.9		(83.2)	(22.7)

ADMINISTRATIVE AND CORPORATE EXPENSES

Administrative and corporate expenses increased 11.6% from US\$49.1 million in 1H22 to US\$54.8 million in 1H23, mainly due to the negative effect of the revaluation of the Mexican peso against the US dollar in administrative expenses denominated in pesos, and an increase in fees paid to advisors (legal, labour, tax and technical). An increase in non-recurring engineering and construction services provided by Servicios Industriales Peñoles, S.A.B de C.V., together with an adjustment to reflect the higher costs of services provided, also contributed to the increase in administrative expenses

EXPLORATION EXPENSES

Business unit/project (US\$ million)	Exploration expenses 1H 2023	Exploration expenses 1H 2022	Capitalised expenses 1H 2023	Capitalised expenses 1H 2022
Ciénega	4.2	3.4	-	-
Fresnillo	10.1	6.1	-	-
Herradura	2.8	2.4	-	-
Saucito	6.4	6.1	-	-
Noche Buena	0.7	0.4	-	-
San Julián	10.6	11.3	-	-
Orisyvo	2.1	2.2	-	0.6
Centauro Deep	0.3	0.2	-	-
Guanajuato	9.2	4.0	-	1.3
Juanicipio	3.9	5.6	-	-
Others	46.6	36.0	0.4	0.4
Total	96.9	77.7	0.4	2.2

Exploration expenses increased by 24.7% from US\$77.7 million in 1H22 to US\$96.9 million in 1H23, in line with our strategy to focus exploration on specific targets, mainly at our Fresnillo and San Julián districts and Guanajuato. The increase of US\$19.2 million seen period-on-period was due to our intensified exploration activities aimed at increasing the resource base, converting resources into reserves and improving the confidence of the grade distribution in reserves. In addition, US\$0.4 million was capitalised in 1H23, compared to US\$2.2 million in 1H22. As a result, risk capital invested in exploration increased 19.0%, from US\$79.9 million in 1H22 to US\$97.3 million in 1H23. The full year guidance of US\$175 million remains unchanged.

EBITDA

	1H 2023 US\$ million	1H 2022 US\$ million	Amount US\$ million	Change %
Profit from continuing operations before income tax	47.9	155.2	(107.3)	(69.1)
- Finance income	(26.5)	(7.0)	(19.5)	278.6
+ Finance costs	46.0	34.9	11.1	31.8
+ Revaluation effects of Silverstream contract	17.0	36.3	(19.3)	(53.2)
- Foreign exchange gain (loss), net	(3.2)	(1.2)	(2.0)	166.7
- Other operating income	(1.9)	(2.2)	0.3	(13.6)
+ Other operating expense	35.4	9.4	26.0	276.6
+ Depreciation	236.3	233.7	2.6	1.1
EBITDA	351.0	459.1	(108.1)	(23.5)
EBITDA margin	26.1%	36.5%		

EBITDA is a gauge of the Group's financial performance and a key indicator to measure debt capacity. It is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain / (loss), plus the net Silverstream effects and other operating income plus other operating expenses and depreciation. In 1H23, EBITDA decreased 23.5% to US\$351.0 million primarily driven by the lower gross profit and, to a lesser extent, a higher exploration expense. As a result, EBITDA margin expressed as a percentage of revenue decreased, from 36.5% in 1H22 to 26.1% in 1H23.

OTHER OPERATING INCOME AND EXPENSE

In 1H23, a net loss of US\$33.5 million was recognised in the income statement mainly due to identification of certain suspected illegal extraction of an estimated 20,000 ounces of gold from the Soledad-Dipolos leaching pads, which resulted in a write off of US\$21.9 million of gold contents in inventory. Maintenance costs of closed mines also contributed to the net loss in other expenses. This compares unfavourably to the net loss of US\$7.2 million recognised in the income statement in 1H22, mainly as a result of maintenance costs of closed mines.

SILVERSTREAM EFFECTS

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. The net Silverstream effect recorded in the 1H23 income statement was a loss of US\$17.0 million (US\$23.3 million amortisation profit and -US\$40.3 million revaluation loss), which compared favourably to the net loss of US\$36.3 million registered in 1H22. The negative revaluation was mainly driven by the decrease in the forward silver price curve and an updated mine plan, which considers a decrease in silver reserves at the Sabinas mine.

Since the IPO, cumulative cash received has been US\$789.9 million vs. US\$350 million initially paid. The Group expects that further unrealised gains or losses related to the valuation of the Silverstream will be taken to the income statement in accordance with silver price cyclicity or changes in the variables considered in valuing this contract. Further information related to the Silverstream contract is provided in the balance sheet section in notes 10 and 18 to the consolidated financial statements.

NET FINANCE COSTS

Net finance costs decreased -30.1% to US\$19.5 million in 1H23, primarily due to the favourable effect of the higher interest gained on short term deposits and investments. Financial expenses in 1H23 included mainly: i) interest paid on the outstanding US\$317.9 million Senior Notes due 2023, and ii) interest paid on the 4.250% Senior Notes due 2050.

FOREIGN EXCHANGE

A foreign exchange gain of US\$3.2 million was recorded over the period. This was higher than the US\$1.2 million gain registered in 1H22.

The Group also enters 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 30 June 2023, the total EUR outstanding net forward position was EUR 5.04 million with maturity dates through December 2023. Volumes that expired during the first half of 2023 were EUR 7.22 million with a weighted average strike of 1.0635 USD/EUR, which have generated a marginal result in the period of US\$0.124 million.

TAXATION

Tax income for the period was US\$19.5 million, which compared favourably to the US\$6.8 million tax expense in 1H22. The effective tax rate, excluding the special mining rights, was -40.7%, which was substantially below the 30% statutory tax rate. The reasons for the unusual positive effective tax rate were the significant permanent differences between the tax and the accounting treatment related mainly to: i) the effect of the 11.8% revaluation of the Mexican peso/US dollar spot exchange rate in 1H23 on the tax value of assets and liabilities; and ii) the inflation rate (Mexican Consumer Price Index), which impacted the inflationary uplift of the tax base for assets and liabilities.

The effective tax rate, excluding the special mining rights, was 4.4% in 1H22.

Mining rights income for the first half of the period was US\$22.3 million compared to US\$7.4 million charged in 1H22. The reasons for the positive tax rate in mining rights were the same as the ones affecting income tax.

PROFIT FOR THE PERIOD

Profit for the period decreased from US\$141.0 million in 1H22 to US\$89.7 million in 1H23, a 36.4% decrease period-on-period as a result of the factors described above. Profit due to non-controlling interests was US\$25.0 million reflecting the profit generated at Juanicipio, where MAG Silver owns 44% of the outstanding shares. Accordingly, profit attributable to equity shareholders of the Group was US\$64.7 million, a 44.9% decrease half-on-half.

Excluding the effects of the Silverstream contract, profit for the year decreased from US\$166.3 million to US\$101.6 million, a 38.9% decrease.

CASH FLOW

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

	1H 2023 US\$ million	1H 2022 US\$ million	Amount US\$ million	Change %
Cash generated by operations before changes in working capital	322.9	459.5	(136.6)	(29.7)
Decrease in working capital	75.4	76.8	(1.4)	(1.8)
Taxes and employee profit sharing paid	(192.8)	(141.2)	(51.7)	36.6
Net cash from operating activities	205.5	395.1	(189.6)	(48.0)
Silverstream contract	20.2	18.3	1.9	10.4
Capital contributions and loans by minority shareholders	25.0	10.1	14.9	147.4
Purchase of property, plant and equipment	(227.8)	(299.0)	71.3	(23.8)
Dividends paid to shareholders of the Company	(98.0)	(176.9)	78.8	(44.6)
Financial expenses and foreign exchange effects	1.5	(29.0)	30.5	N/A
Net (decrease)/increase in cash during the period after foreign exchange differences	(79.4)	(83.4)	4.0	(4.8)
Cash and other liquid funds at 30 June	889.7	1,151.9	(262.2)	(22.8)

Cash generated by operations before changes in working capital decreased by 29.7% to US\$322.9 million, mainly as a result of the lower profits generated in the year. Working capital decreased US\$75.4 million, mainly due to: i) a US\$43.7 million decrease in inventories; ii) a decrease in trade and other receivables of US\$22.8 million; iii) a US\$9.2 million decrease in prepayments; and iv) a US\$0.3 million increase in accounts payable.

Taxes and employee profit sharing paid increased 36.6% over 1H22 to US\$192.8 million mainly due to: i) the provisional tax payments paid in 1H23; ii) the higher final income tax paid in 1H23, net of provisional taxes paid (corresponding to the 2022 tax fiscal year); iii) an increase in mining rights; and iv) profit sharing paid.

As a result of the above factors, net cash from operating activities decreased 48.0% from US\$395.1 million in 1H22 to US\$205.5 million in 1H23.

The Group received other sources of cash including; i) the proceeds of the Silverstream contract of US\$20.2 million and; ii) notes payable by minority shareholders in subsidiaries and capital contribution of US\$25.0 million.

Main uses of funds were:

- i) the purchase of property, plant and equipment for a total of US\$227.8 million, a 23.8% decrease over 1H22. Capital expenditures for 1H23 are described below:

PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

1H 2023
US\$ million

Saucito mine	54.1	Mine development, purchase of in-mine equipment, deepening of the Jarillas shaft and tailings dam.
Fresnillo mine	43.5	Mine development and mining works, purchase of in-mine equipment, deepening of the San Carlos shaft and tailings dam.
Juanicipio project	41.3	Mine development and equipment
San Julián Veins and DOB	34.3	Mining works, tailings dam and purchase of in-mine equipment.
Herradura mine	28.7	Stripping, carbon in column project and purchase of mine equipment.
Ciénega mine	23.9	Mining works, purchase of in-mine equipment and construction of tailings dam.
Other	2.0	Minera Bermejál.
Total purchase of property, plant and equipment	227.8	

ii) Dividends paid to shareholders of the Group in 1H23 totalled US\$98.0 million, a 44.6% decrease over 1H22 as a result of the 2022 final dividend of 13.3 cents per share paid in May 2023, in line with our dividend policy.

iii) Financial income and foreign exchange effects of US\$1.5 million in 1H23. Financial expenses in 1H23 included: i) interest paid on the outstanding US\$317.9 million from the US\$800 million Senior Notes due 2023, and ii) interest paid on the 4.250% Senior Notes due 2050. Interest received during the period totalled US\$27.0 million.

The sources and uses of funds described above resulted in a net decrease in cash of US\$79.4 million (net decrease in cash and other liquid assets), which combined with the US\$969.1 million balance at the beginning of the year resulted in cash and other liquid assets of US\$889.7 million at the end of June 2023.

BALANCE SHEET

Fresnillo plc continued to maintain a solid financial position during the period with cash and other liquid funds of US\$889.7 million as of 30 June 2023, decreasing 8.2% versus 31 December 2022 and 22.8% versus 30 June 2022. Taking into account the cash and other liquid funds of US\$889.7 million and the US\$1,158.9 million outstanding Senior Notes, Fresnillo plc's net debt is US\$269.2 million as at 30 June 2023. This compares to the net debt position of US\$198.7 million as at 31 December 2022. Considering these variations, the balance sheet at 30 June 2023 remains strong, with a net debt / EBITDA ratio of 0.42x¹⁷

Inventories decreased 7.4% to US\$543.6 million mainly driven by the consumption of inventories at Juanicipio due to the start up of the beneficiation plant, and at Noche Buena as it approached the end of its mine life.

¹⁷ Net debt is calculated as debt at 30 June 2023 less Cash and other liquid funds at 30 June 2023 divided by the EBITDA generated in the last 12 months.

Trade and other receivables increased 9.0% to US\$441.1 million mainly as a result of income tax recoverable.

The change in the value of the Silverstream derivative from US\$511.5 million at the end of the 2022 to US\$477.2 million as of 30 June 2023 reflects proceeds of US\$17.3 million in the period (US\$11.8 million in cash and US\$5.4 million in accounts receivables) and the Silverstream revaluation effect in the income statement of US\$17.0 million.

The net book value of property, plant and equipment was US\$2,860.6 million at the end of June, broadly stable over 31 December 2022.

The Group's total equity was US\$3,877.2 million as of 30 June 2023, a 1.0% decrease over 31 December 2022. This was mainly explained by the decrease in retained earnings as a result of the dividends paid during the period.

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 2022. 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; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk were set out in the Annual Report 2022.

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 2024 (being the going concern assessment period). The Directors have also considered the cash position at 30 June 2023 (US\$889.7 million), as described in the financial review. In addition, they reviewed a more conservative cash flow scenario with reduced silver and gold prices of US\$21.1 and US\$1,734 respectively throughout this period, whilst maintaining current budgeted expenditure and only considering projects approved by the Executive Committee. This resulted in our current cash and cash equivalents balances reducing over time but maintaining sufficient liquidity throughout the period.

The Directors have further calculated prices (US\$18.3 and US\$1,481 for silver and gold respectively), which should they prevail to the end of 2024 would result in cash balances decreasing to minimal levels by the end of 2024, without applying mitigations.

Should metal prices remain below the stressed prices above for an extended period, management have identified specific elements of capital and exploration expenditures which could be deferred without adversely affecting production profiles throughout the period. Finally, management could amend the mining plans to concentrate on production with a higher margin in order to accelerate cash generation without affecting the integrity of the mine plans.

After reviewing all of the above considerations, the Directors have a reasonable expectation that management have sufficient flexibility in 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 the annual financial statements.

DIVIDENDS

The Board of Directors has declared an interim dividend of 1.40 US cents per Ordinary Share totalling US\$10.3 million, which will be paid on 14 September 2023 to shareholders on the register on 11 August 2023. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. This interim dividend is lower than the previous period due to the decrease in profit in 1H23, and remains in line with the Group's dividend policy. 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.

As previously disclosed, the corporate income tax reform introduced in Mexico in 2014 created a withholding tax obligation of 10% (including to foreign nationals). The 2023 interim dividend will be subject to this withholding obligation.

MANAGING OUR RISKS AND OPPORTUNITIES WITH RESILIENCE

Taking risks responsibly is key to delivering our strategy in a way that creates value for our investors, shareholders and employees.

Effective risk management is an essential part of our culture and strategy. The accurate and timely identification, assessment and management of principal and emerging risks give us a clear understanding of the actions required to achieve our objectives. We have embedded a global risk management framework across Fresnillo plc which aims to ensure consistency and the application of the appropriate level of oversight at all times.

Key elements of integrated risk management:

- **We recognise that risks are inherent to our business:** *Only through adequate risk management can internal stakeholders be effectively supported in making key strategic decisions and implementing our strategy.*
- **Exposure to risks must be consistent with our risk appetite:** *The Board defines and regularly reviews the acceptable level of exposure to emerging and principal risks: Risks are aligned with our risk appetite, taking into consideration the balance between threats and opportunities.*
- **We are all responsible for managing risks:** *Each business activity carries out risk evaluations to ensure the sound identification, management, monitoring and reporting of risks that could impact the achievement of our goals.*
- **Risk is analysed using a consistent framework:** *Our risk management methodology is applied to all our operating, projects, exploration activities and support areas, so that we have a comprehensive view of the uncertainties that could affect us in achieving our strategic goals.*
- **We are committed to continuous improvement:** *Lessons learned, and best practices are incorporated into our procedures to protect and unlock value sustainably.*

I. How we manage risk.

As we explained in our 2022 Annual Report, the Company ended 2022 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 identifying and mitigating fraud, security and business continuity risks, which was rolled out across the business to raise awareness of our risk culture. During this current year, we are continuing to enhance our risk framework by increasing the use of metrics and scenarios to more precisely articulate the risk appetite and tolerance limits within which we wish to operate.

We maintain a risk register through a robust assessment of the potential principal risks that could affect the Company's performance. This register ensures that principal risks are identified in a thorough and systematic way and that agreed definitions of risk are used.

Defining risk appetite is key in embedding the risk management system into our organisational culture. The Company's risk appetite statement helps to align our strategy with the objectives of each business unit, clarifying which risk levels are, or are not, acceptable. It promotes consistent decision-making on risk, allied to the strategic focus and risk/reward balance approved by the Board.

During the first half of 2023, our risk team focused its efforts on identifying and assessing emerging risks, safety and climate change (ESG) risks according to the TCFD criteria. For the second part of the year, we will be assessing fraud, compliance, cybersecurity and community relations risks.

II. Assessment of Principal Risks for the first half of the year 2023.

Due to the effects caused by: a. Mexico's new mining law, b. global post-pandemic impacts of COVID-19, c. Russia's invasion of Ukraine, d. some increased insecurity in the regions surrounding our mining operations, e. disruptions to supply chains of key inputs and inflation leading to higher operating costs and f. climate change consequences, it has been necessary to re-evaluate the Principal Risks set out in the 2022 Annual Report, to rethink their relative importance, probability and impact, and to re-assess the corresponding mitigation actions.

The following is a description of the Principal Risks with the greatest impact and likelihood of occurrence during the first half of the year 2023:

Principal risks	Risk description	Factors contributing to risk	Mitigation actions
<p>Potential actions by the government (political, legal and regulatory)</p>	<p>Regulatory actions can have an adverse impact on the Company. These could include stricter environmental regulations, forms of procurement or explosives, more challenging permit processes, more onerous tax compliance obligations for us and our contractors, as well as more frequent reviews by tax authorities.</p> <p>The right of indigenous communities to be consulted regarding mining concessions could potentially affect the granting of new concessions in Mexico.</p> <p>The federal government aims to discourage the generation of energy based on clean sources and to encourage that from fuel oil and coal.</p> <p>We paid special attention to the following aspects:</p> <ul style="list-style-type: none"> •Government actions that negatively impact the mining industry. •Regulatory changes to mining rights and adverse fiscal changes. •Increase in the frequency of the reviews by the tax authorities with special focus on the mining industry. •Inability to obtain necessary water concessions because of government control or private interests. 	<ul style="list-style-type: none"> • In May, the Mexican government approved a package of legal reforms to the following laws: "Mining Law", "Law on National Waters", "Law on Ecological Balance and Environmental Protection" and "General Law for the prevention and integrated management of waste in the field of mining and water concessions", which directly affect the mining sector, including, among others, the following notable aspects: <ul style="list-style-type: none"> - Granting of new concessions. Elimination of the concept of "free land" whereby the party requesting a concession in an area that is not occupied, has a right to request the concession on a "first come first served" basis. Now, all new concessions would be subject to a tender process (licitación) supervised by the Federal Government. - Exploration activities. The Federal Government will be in charge of the exploration activities directed by the public Mexican Geological Service institution. It is possible to sign an agreement between the public institution and private entities to develop exploration activities for five years. The possibility of signing five-year agreements with the Mexican Geological Survey is envisaged so that mining companies can participate in the exploration process. - Duration of new concessions. New concessions would be valid for 30 years rather than 50 years, renewable exclusively for two periods of 25 years. For the second term of 25 years, it will be open to a 	<ol style="list-style-type: none"> 1. With the news of the new mining law, risk scenarios were developed for each change and impact, considering the legal and operational criteria to implement the necessary mitigation and prevention measures. These scenarios are updated quarterly. 2. Commitment to constant communication with all levels of government. 3. Increased monitoring of the processes being implemented at the Ministry of Labour and Economy. 4. We remain alert to the changes proposed by the authorities, including energy and mining tax initiatives, so that we can respond in a timely and relevant manner. 5. We continue to collaborate with other members of the mining community through the Mexican Mining Chamber to lobby against any new harmful taxes, royalties or regulations. We also support industry lobbying efforts to improve the general public's understanding of the mining industry.

	<p>•Failures/delays in obtaining the required environmental permits.</p>	<p>tender process. It is not clear how this would affect concessions that are already in the process of renewal – although from a legal view, no retroactive effect could be given to shorten the life of concessions granted before the time that the new mining law comes into effect.</p> <ul style="list-style-type: none"> - Inclusion of free, prior and informed consultation with communities and indigenous peoples, along with the payment of 5% of profits to the communities. - New grounds for cancellation of concessions, such as public utility, damage to the population, lack of indigenous consultation, and new conducts that are now considered crimes. <ul style="list-style-type: none"> • The legal reform to the mining law during 2022 about lithium could have negative consequences for gold and silver or any other mineral considered strategic because its exploitation could be reserved to the State. • Labour reform that prohibits subcontracting, which mainly generates complications in relationships with contractors.. • The implementation of policies that support the emission of coal into the atmosphere and reduce the development of renewable energies. • New taxes and discrepancies in the criteria used in audits carried out by the tax authority. • Increase in the frequency of the reviews by the tax authorities, as well as environmental, labour and civil protection authorities, with special focus on the mining industry. • The United States-Mexico-Canada Agreement (USMCA or TMEC) with new labour dispositions. 	
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Principal risks	Risk description	Factors contributing to risk	Mitigation actions
Security	<p>Our employees, contractors and suppliers face the risk of theft, kidnapping, extortion or damage due to insecurity in some of the regions where we operate.</p> <p>The influence and dispute of territories by drug cartels, other criminal elements and general anarchy in some of the regions where we operate, combined with our exploration activities and projects in certain areas of drug deposit, transfer or cultivation, makes working in these areas a particular risk to us.</p> <p>The Federal Government created the Secretariat of Citizen Security and Protection as part of the comprehensive strategy to reduce insecurity. It also created the National Guard, mostly comprising military personnel, with the aim of combating organised crime and drug cartels. Unfortunately, state or local police in most states are unprepared and ill-equipped to combat organised crime, have low wages and are sometimes infiltrated by criminal elements.</p> <p>According to information from the Secretariat of Security and Citizen Protection, the National Guard and the Attorney General's Office of the Republic, the presence of organised crime and high-impact crimes (homicide, kidnapping and extortion) increased in 2023, in the states where our business units and projects are located, such as Zacatecas, Guanajuato, and Sonora.</p> <p>The main risks we face are:</p> <ul style="list-style-type: none"> -High-impact robberies. -Theft of assets such as minerals, equipment, instruments, inputs, etc. -Consumption and sale of toxic substances in our mining units. -Homicide. -Kidnappings. -Extortions. -Vandalism. 	<ul style="list-style-type: none"> • Increased presence of organised crime in the vicinities of mining units, particularly in Fresnillo, Saucito, Juanicipio and Penmont. • A severe increase in the number of high impact crimes (homicide, kidnapping, extortion) in the regions where our mining units are located. • Consumption and sale of drugs at the mining units, particularly in Saucito. • Theft of assets in mining units and/or during transfer. • Roadblocks or blockages on the roads and/or highways near the mining units. 	<ol style="list-style-type: none"> 1. Our property security teams closely monitor the security situation, maintaining clear internal communications and coordinating work in areas of greater insecurity. 2. We have adopted the following practices to manage our security risks and prevent and treat possible incidents: <ol style="list-style-type: none"> a. Close and constant communication with federal and state security authorities. b. Regular interactions and meetings with the National Guard. 3. An increase in the number of anti-doping tests at the start of the day in the mining units. 4. Frequent inspections inside the mines to verify that drugs are not consumed and sold. 5. Drug consumption prevention campaigns, with a focus on employees. 6. An increase in logistical controls in order to reduce the potential for theft of mineral concentrate. These controls include the use of real-time tracking technology; surveillance cameras to identify alterations in the transported material; protection and support services on distribution routes; reduction in the number of authorised stops in order to optimise delivery times and minimise exposure of trucks transporting ore concentrates or doré.

Principal risks	Risk description	Factors contributing to risk	Mitigation actions
Global macroeconomic developments (energy and supply chain disruptions, inflation, productivity and cost)	<p>Metal price performance for both gold and silver, has not been affected for the time being. Even the price of gold has reached record levels. We see this risk as stable with no threat in the short term.</p> <p>On the other hand, about global macroeconomic development, during the first half of 2023, we saw increases in operating costs and greater inflationary pressures, together with a shortage of critical inputs and equipment. We expect this situation to continue during the second part of the year and in 2024.</p> <p>This condition could create an adverse impact on our operations, costs, sales and profits, and potentially on the economic viability of projects.</p>	<ul style="list-style-type: none"> The impact of the post pandemic COVID-19 and Russia-Ukraine war on supply chains has been global, prolonged, and comprised a series of major shocks to companies' logistical systems. Disruptions in the value chain of critical inputs for our operations such as spare parts (primarily delivered by land transport from the US and maritime transport from China and Europe). Disruptions also include reduced availability of maintenance teams/contractors to resolve issues, resulting in delays. Increased operating costs due to higher prices for critical inputs such as steel, cyanide, copper, diesel, haulage equipment, oxygen and truck tyres. 	<ol style="list-style-type: none"> Regarding critical inputs for operations and projects, supplies have been secured for this year through alliances and agreements with suppliers and contractors. We constantly seek to maintain a broad supplier base to ensure a range of options for the purchase of critical inputs and reduce the likelihood of shortages. We focus on cost, efficiency and capital discipline to deliver a competitive total cost of operation and maintenance. We increase cost competitiveness by improving the quality of the supplier and contractor portfolio.

Principal risks	Risk description	Factors contributing to risk	Mitigation actions
Union Relations (labour relations)	<p>We run the risk of an outside union seeking to destabilise the current union.</p> <p>National union politics could adversely affect us, as could pressure from other mining unions seeking to take over Fresnillo's labour contracts.</p> <p>Unionised staff may not agree with the decisions or compensation the Company provides (<i>managing and resolving conflicts; safe and comfortable work conditions; promotions and discipline; wage negotiations; work and life balance; recruitment and retention and payment of profits</i>), and may be dissatisfied with the Company's decisions, even going as far as a partial operational stoppage or strike.</p>	<ul style="list-style-type: none"> In May 2023, operations at the Herradura mine, operated by the Company's wholly-owned subsidiary, Minera Penmont, S. de R.L. de C.V. ("Penmont"), were temporarily suspended following an illegal work stoppage by a small group of unionised Penmont personnel. The work stoppage, which prevented other workers from accessing the site, was neither approved by the union nor supported by the vast majority of Herradura's unionised workers, with whom Penmont has a very constructive and long-term relationship. 	<ol style="list-style-type: none"> As a result of this minor conflict, talks were held with representatives of the dissident group in order to reach agreements so as not to affect the Company's operations. There is a lot of communication with the representatives of the union's sections, in order to address their concerns and requests, and today we have a very stable relationship without any threats. The Company's legal team is prepared to handle any legal proceedings that may arise in connection with profit sharing.

III. Our risk matrix.

A consistent assessment of the probability and impact of risk occurrence is fundamental to establishing, prioritising and managing the risk profile of the Company. In common with many organisations and in line with good practice, we use a probability and impact matrix for this purpose.

Relative position		Risk	Risk appetite	Risk Level		Risk Velocity
1H'23	ARA'22			1H'23	v. ARA'22	
1	1	Potential actions by the government (<i>political, legal and regulatory</i>)	Low	Very high	Increasing	High
2	2	Security	Low	Very high	Stable	High
3	3	Global macroeconomic developments (<i>energy and supply chain disruptions, inflation, productivity and cost</i>)	Low	High	Stable	High
4	4	Impact of metals prices (<i>commodity prices and exchange rates</i>)	High	High	Stable	High
5	5	Human Resources (<i>attract and retain requisite skilled people/talent crisis</i>)	Medium	High	Stable	Medium
6	6	Cybersecurity	Low	High	Stable	High
7	7	Projects (<i>performance risk</i>)	Medium	Medium	Stable	Medium
8	8	Access to Land	Medium	Medium	Stable	Medium
9	9	Licence to Operate (<i>community relations</i>)	Low	Medium	Stable	Medium
10	11	Union Relations (<i>labour relations</i>)	Low	Medium	Increasing	High
11	10	Safety (<i>incidents due to unsafe acts or conditions could lead to injuries or fatalities</i>)	Low	Medium	Stable	High
12	12	Exploration (<i>new ore resources</i>)	High	Medium	Stable	Low
13	13	Tailings dams (<i>overflow or collapse of tailings deposits</i>)	Low	Medium	Stable	High
14	14	Environmental Incidents (<i>cyanide spills and chemical contamination</i>)	Low	Medium	Stable	High
15	15	Climate change	Medium	Medium	Stable	Low

Risk Velocity:

High: Impact within 6 months of risk occurring
Medium: Impact between 6 and 12 months of risk occurring
Low: Impact after more than 12 months of risk occurring
Rating obtained with the owners of the risks

Risk Level:

Very High
High
Medium
Low

Risk Appetite:

Determined by the Board in 2022

IV. Emerging Risks.

We define an emerging risk as a new manifestation of risk that cannot yet be fully assessed, a risk that is known to some degree but is not likely to materialise or have an impact for several years, or a risk that the company is not aware of but that could, due to emerging macro trends in the mid or long-term future, have significant implications for the achievement of our strategic plan. Furthermore, we consider emerging risks in the context of longer-term impact and shorter-term risk velocity.

We have therefore defined emerging risks as those risks captured on a risk register that: (I) are likely to be of significant scale beyond a five-year timeframe; or (II) have the velocity to significantly increase in severity within the five-year period. To strengthen our emerging risks management framework, during 2023 we carried out activities to: (I) identify new emerging risks; (II) re-assess emerging risks identified in 2021-22; (III) deploy effective monitoring mechanisms; (IV) carry out horizon scanning to consider disruptive scenarios, and; (V) implement mitigating control actions and enhance our risk awareness culture. This process involved workshops, surveys and meetings with the Executive Committee, business unit leaders, support and corporate areas, as well as suppliers, contractors and customers. We also consulted third party information from global risk reports, academic publications, risk consulting experts and industry benchmarks. Our risk management standards promote communication of up-to-date information on the Company and industry risks, trends and emerging risks.

The emerging risk assessment conducted during the first half of the year concluded that the risks we presented in the 2022 annual report are current. The only relevant change we observed is the increase in the risk of "Water stress and drought", as the temperatures we have reached this spring and summer in the regions of Sonora, Durango, Chihuahua and Zacatecas, where we have operations and projects, have reached ranges that had not occurred before, reaching temperatures of more than 50 degrees Celsius. The same is the case with rain and storms.

Emerging Risk		Description	Impact	Mitigations Actions	Time Scale
1	Water stress and drought <i>(Linked to climate change principal risk)</i>	Lack of sufficient water resources to meet the water consumption demand in a region and strong heat waves in desert regions.	Water is critical to mining processes. Without this natural resource, we cannot extract gold and silver.	Strict control and monitoring of water concessions is maintained and actions are envisaged to ensure water for the coming years. Water consumption planning was improved in order to make better use of the water leaving the operating process.	> 3 Years
2	Geopolitical instability <i>(Linked to global macroeconomic development principal risk)</i>	Current global geopolitical tensions, such as the war between Russia and Ukraine, the problems between Taiwan and China, as well as U.S. and Chinese tariff matters, may affect our operations and projects.	Disruptions in the supply chain of critical operating inputs such as cyanide, ammonia, spare parts, equipment parts, etc. and rising prices of key inputs such as steel, diesel, cement, etc.	Inventory control in the mining units to plan purchases in a timely manner and maintain sufficient stock to guarantee operations. Strict control of operating costs to avoid increases.	< 1 Years

3	Transition to a low-carbon future <i>(Linked to climate change principal risk)</i>	The transition to a low-carbon future is a "transition risk" according to the TCFD and presents challenges and opportunities for our portfolio in the short and long term. It is considered within the climate change principal risk mitigation strategy. However, we consider this risk to be an emerging risk due to the speed of potential new climate change regulations and the obstacles that government may place in the way of supporting investment in clean energy.	Key areas of uncertainty include future climate change regulation and policies, the development of low-carbon technology solutions and the pace of transition across our value chains, in particular the decarbonisation pathways across the steel sector.	We have introduced new sources of information to help us identify the impacts of climate change. These include industry reports and guides, energy scenarios, and Global Circulation Models (GCM) under several Representative Concentration Pathways (RCP). We have used a well-below two-degree decarbonisation pathway to evaluate the flexibility of the energy strategy.	> 5 Years
4	Technological disruption <i>(Linked to cybersecurity principal risk)</i>	Failure to identify, invest in, or adopt technological and operational productivity innovations that significantly replace or optimise a process through new systems with recognisably superior attributes.	Obsolete or outdated mining processes impact productivity and efficiency levels and impact sales and profits.	Technological advances in the mining industry are constantly monitored (particularly in mine operations) in order to adopt the most appropriate best practices and new technology. Automated equipment (tunneling jumbos) operating with artificial intelligence has been included in some business units.	> 5 Years
5	Infectious diseases (pandemics)	The regional or global spread of a new disease (bacteria or virus) against which most people do not have immunity.	Another virus such as SARS-CoV-2 coronavirus (COVID-19) may affect the health of employees and stop the Company's activities.	Mine and project personnel are continuously monitored by the medical team and receive medical examinations to ensure that there are no outbreaks of contagion.	< 1 Years
6	Increasing societal and investor expectations	We continued to see increasing expectations and focus on social equality, fairness and sustainability. Financial institutions are also placing greater emphasis on environmental, social and governance (ESG) considerations when making investment decisions.	The increasing focus on ESG has the potential to shape the future of the mining industry, supply cost structures, demand for global commodities and capital markets. While this presents us with opportunities for portfolio and product differentiation, it has the potential to impact how we operate.	We always respond to investor and societal requests and comments and promote action plans to meet their expectations. A number of initiatives demonstrate our progress. For example, we were placed first in the Corporate Integrity Ranking in Mexico.	< 3 Years
7	Replacement on depletion of ore reserves <i>(Linked to exploration principal risk)</i>	The inability to replace depletion of ore reserves in key business units through exploration, projects or acquisitions.	By not replacing ore reserves with new discoveries, the company's production capacity and eventually its operation would be diminished.	There are very interesting exploration projects such as Orisyvo, Rodeo, Guanajuato that could replace the mineral reserves that are currently being exploited. There are also several exploration camps that explore new territories every day in search of minerals in Mexico, Peru and Chile.	> 5 Years

8	Future of the workforce <i>(Linked to human resources principal risk)</i>	<p>Create a culture of talent under an inclusive, empowered and confident culture and career path to generate a future-ready workforce.</p>	<p>A lack of talent in some areas of the mines and projects such as planning, maintenance, safety, etc. is expected. There is a need to develop personnel to fill these positions in the future. Otherwise, we will not have people prepared to operate the mines.</p>	<p>The Human Resources department has a highly specialized training programme in the strategic areas of the operation. It also has a training programme for developing personnel focused on filling vacant positions.</p>	<p>< 3 Years</p>
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Statement of directors' responsibilities

The Directors of the Company hereby confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board IASB and as adopted by UK and gives a true and fair view of the assets, liabilities, financial position and profit and loss account of the Fresnillo Group as required by DTR 4.2.4; and
- the interim management report includes a fair review of the information required by
 - DTR 4.2.7 (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principle risks and uncertainties for the remaining six months of the year); and
 - DTR 4.2.8 (being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period and changes since the last annual report).

As mentioned in the Annual Report 2022, the Directors of the Company are:

Alejandro Baillères	Chairman
Juan Bordes	Non-executive director
Arturo Fernández	Non-executive director
Fernando Ruiz	Non-executive director
Eduardo Cepeda	Non-executive director
Charlie Jacobs	Senior Independent non-executive director
Bárbara Garza Lagüera	Independent non-executive director
Georgina Kessel	Independent non-executive director
Dame Judith Macgregor	Independent non-executive director
Alberto Tiburcio	Independent non-executive director
Guadalupe de la Vega	Independent non-executive director
Héctor Rangel	Independent non-executive director

On behalf of the board of directors of Fresnillo plc

Octavio Alvidrez
Chief Executive Officer

INDEPENDENT REVIEW REPORT TO FRESNILLO PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises Interim Consolidated Income Statement, Interim Consolidated Statement of Comprehensive Income, Interim Consolidated Balance Sheet, Interim Consolidated Statement of Cash Flows 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 condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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 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.

As disclosed in note 2a, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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.

Ernst & Young LLP
London
1 August 2023

Interim Consolidated Income Statement

Notes		For the six months ended 30 June					
		2023 (Unaudited)			2022 (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	1,343,333		1,343,333	1,259,062		1,259,062
Cost of sales	5	(1,060,647)		(1,060,647)	(893,203)		(893,203)
Gross profit		282,686		282,686	365,859		365,859
Administrative expenses		(54,766)		(54,766)	(49,114)		(49,114)
Exploration expenses		(96,862)		(96,862)	(77,699)		(77,699)
Selling expenses		(16,415)		(16,415)	(13,718)		(13,718)
Other operating income		1,916		1,916	2,220		2,220
Other operating expenses	2 (c)	(35,399)		(35,399)	(9,396)		(9,396)
Profit from continuing operations before net finance costs and income tax		81,160		81,160	218,152		218,152
Finance income	6	26,473		26,473	7,008		7,008
Finance costs	6	(46,010)		(46,010)	(34,913)		(34,913)
Revaluation effects of Silverstream contract	10		(17,009)	(17,009)		(36,259)	(36,259)
Foreign exchange gain		3,241		3,241	1,238		1,238
Profit from continuing operations before income tax		64,864	(17,009)	47,855	191,485	(36,259)	155,226
Corporate income tax	7	14,437	5,103	19,540	(17,714)	10,878	(6,836)
Special mining right	7	22,325		22,325	(7,426)		(7,426)
Income tax (expense)/credit	7	36,762	5,103	41,865	(25,140)	10,878	(14,262)
Profit for the period from continuing operations		101,626	(11,906)	89,720	166,345	(25,381)	140,964
Attributable to:							
Equity shareholders of the Company		76,632	(11,906)	64,726	142,753	(25,381)	117,372
Non-controlling interests		24,994		24,994	23,592		23,592
		101,626	(11,906)	89,720	166,345	(25,381)	140,964
Earnings per share: (US\$)							
Basic and diluted earnings per ordinary share from continuing operations	8			0.088			0.159
Adjusted earnings per share: (US\$)							
Adjusted basic and diluted earnings per ordinary share from continuing operations	8	0.104			0.194		

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June
2023 2022
(Unaudited) (Unaudited)
(in thousands of US dollars)

Profit for the period	89,720	140,964
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Loss on cash flow hedges recycled to income statement	-	3,771
Changes in the fair value of cost of hedges	-	194
<i>Total effect of cash flow hedges</i>	-	3,965
Foreign currency translation	(3,078)	348
Income tax effect on items that may be reclassified subsequently to loss or profit	-	(1,189)
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	(3,078)	3,124
<i>Items that will not be reclassified to profit or loss:</i>		
Changes in the fair value of cash flow hedges	72	(1,532)
<i>Total effect of cash flow hedges</i>	72	(1,532)
Changes in the fair value of equity investments at fair value through other comprehensive income (FVOCI)	(43,989)	(38,076)
Income tax effect on items that will not be reclassified to profit or loss	13,175	11,883
Net other comprehensive loss that will not be reclassified to loss or profit	(30,742)	(27,725)
Other comprehensive loss, net of tax	(33,820)	(24,601)
Total comprehensive income, net of tax	55,900	116,363
Attributable to:		
Equity shareholders of the Company	30,935	93,918
Non-controlling interests	24,965	22,445
	55,900	116,363

Interim Consolidated Balance Sheet

	Notes	As of 30 June 2023 (Unaudited) (in thousands of US dollars)	As of 31 December 2022 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,860,551	2,862,564
Equity instruments at FVOCI	18	117,137	158,813
Silverstream contract	10,18	442,183	475,256
Deferred tax asset	7	528,666	343,688
Inventories	11	69,760	91,620
Other receivables	12	45,004	38,458
Other assets		4,100	3,700
		<u>4,067,401</u>	<u>3,974,099</u>
Current assets			
Inventories	11	473,887	495,744
Trade and other receivables	12	375,343	404,499
Income tax recoverable		65,718	-
Prepayments		24,827	34,429
Derivative financial instruments	18	208	231
Silverstream contract	10,18	34,992	36,218
Cash and cash equivalents	13	889,684	969,060
		<u>1,864,659</u>	<u>1,940,181</u>
Total assets		<u>5,932,060</u>	<u>5,914,280</u>
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		29	(91)
Fair value reserve of financial assets at FVOCI		48,994	79,786
Foreign currency translation reserve		(4,964)	(1,886)
Retained earnings		2,579,189	2,612,469
		<u>3,618,701</u>	<u>3,685,731</u>
Non-controlling interests		<u>258,522</u>	<u>231,206</u>
Total equity		<u>3,877,223</u>	<u>3,916,937</u>
Non-current liabilities			
Interest-bearing loans		841,017	840,678
Notes payable		118,579	95,853
Lease liabilities		9,908	9,920
Provision for mine closure cost		276,650	242,380
Provision for pensions and other post-employment benefit plans		10,814	9,462
Deferred tax liability	7	200,125	111,120
		<u>1,457,093</u>	<u>1,309,413</u>

Current liabilities

Trade and other payables		249,479	258,867
Interest-bearing loans		317,879	317,879
Notes payable		9,644	9,109
Income tax payable		7,432	81,235
Derivative financial instruments	18	271	487
Lease liabilities		4,960	5,209
Provision for mine closure cost		4,827	4,827
Employee profit sharing		3,252	10,317
		<u>597,744</u>	<u>687,930</u>
Total liabilities		<u>2,054,837</u>	<u>1,997,343</u>
Total equity and liabilities		<u>5,932,060</u>	<u>5,914,280</u>

Interim Consolidated Statement of Cash Flows

	Notes	For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
		(in thousands of US dollars)	
Net cash from operating activities	17	205,497	395,143
Cash flows from investing activities			
Purchase of property, plant and equipment		(227,752)	(299,026)
Proceeds from the sale of property, plant and equipment and other assets		422	660
Silverstream contract	10	20,187	18,257
Interest received		27,024	7,923
Purchase of equity instruments at FVOCI		(2,313)	-
Net cash used in investing activities		(182,432)	(272,186)
Cash flows from financing activities			
Proceeds from notes payable ¹		22,726	-
Payment of notes payable		-	(9,941)
Principal elements of lease payment		(3,878)	(2,641)
Dividends paid to shareholders of the Company ²		(98,033)	(176,875)
Capital contribution ³		2,309	10,120
Interest paid ⁴		(29,867)	(27,448)
Net cash used in financing activities		(106,743)	(206,785)
Net increase in cash and cash equivalents during the period		(83,678)	(83,828)
Effect of exchange rate on cash and cash equivalents		4,302	440
Cash and cash equivalents at 1 January	13	969,060	1,235,282
Cash and cash equivalents at 30 June	13	889,684	1,151,894

¹ Corresponds to interest-bearing notes payable received from Minera los Lagartos, S.A. de C.V. which holds a non-controlling interest in Juanicipio project.

² Includes the effect of hedging of dividend payments made in currencies other than US dollar (note 14).

³ Corresponds to capital contributions provided by Minera los Lagartos, S.A. de C.V.

⁴ Total interest paid during the six months ended 30 June 2023 less amounts capitalised totalling US\$2.0 million (30 June 2022: US\$4.3 million) which is included within the caption Purchase of property, plant and equipment.

Interim Consolidated Statement of Changes in Equity

	Notes	Share capital	Share premium	Capital reserve	Hedging Reserve	Cost of hedging reserve ¹	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 2022 (Audited)		368,546	1,153,817	(526,910)	(2,042)	(38)	83,784	(2,120)	2,543,087	3,618,124	184,548	3,802,672
Profit for the period									117,372	117,372	23,592	140,964
Other comprehensive income, net of tax		-	-	-	2,813	38	(26,653)	348	-	(23,454)	(1,147)	(24,601)
Total comprehensive income for the period		-	-	-	2,813	38	(26,653)	348	117,372	93,918	22,445	116,363
Hedging gain transferred to the carrying value of PPE purchased during the period		-	-	-	(1,879)	-	-	-	-	(1,879)	776	(1,103)
Capital contribution		-	-	-	-	-	-	-	-	-	10,120	10,120
Dividends paid	14	-	-	-	-	-	-	-	(176,854)	(176,854)	-	(176,854)
Balance at 30 June 2022 (Unaudited)		368,546	1,153,817	(526,910)	(1,108)	-	57,131	(1,772)	2,483,605	3,533,309	217,889	3,751,198
Balance at 1 January 2023 (Audited)		368,546	1,153,817	(526,910)	(91)	-	79,786	(1,886)	2,612,469	3,685,731	231,206	3,916,937
Profit for the period									64,726	64,726	24,994	89,720
Other comprehensive income, net of tax		-	-	-	79	-	(30,792)	(3,078)	-	(33,791)	(29)	(33,820)
Total comprehensive income for the period					79		(30,792)	(3,078)	64,726	30,935	24,965	55,900
Hedging gain transferred to the carrying value of PPE purchased during the period		-	-	-	41	-	-	-	-	41	42	83
Capital contribution		-	-	-	-	-	-	-	-	-	2,309	2,309
Dividends paid	14	-	-	-	-	-	-	-	(98,006)	(98,006)	-	(98,006)
Balance at 30 June 2023 (Unaudited)		368,546	1,153,817	(526,910)	29	-	48,994	(4,964)	2,579,189	3,618,701	258,522	3,877,223

Notes to the Interim Condensed Consolidated Financial Statements

1 Corporate Information

Fresnillo plc ("the Company", together with its subsidiaries, "the Group") 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 2023 ("interim consolidated financial statements") were authorised for issue by the Board of Directors of Fresnillo plc on 1 August 2023.

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 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board IASB and as adopted by the UK.

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 2022 has been delivered to the Registrar 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 cyclicalities 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 2023 and 31 December 2022, and its operations and cash flows for the six-month periods ended 30 June 2023 and 30 June 2022.

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 2022.

(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 2022.

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 2022 except as set out below.

Juanicipio project

Commercial Production is the term used for the point at which a mining operation is available for use and capable of operating in the manner intended by management. This generally means that the operation can produce its intended output at stable and sustainable levels. The determination of when a mine reaches commercial production can be complex and judgemental. The Group considered a number of factors when making this judgement, including completion of substantially all construction development activities in accordance with design, a production ramp up period which achieved an average throughput of 70% of mill nameplate capacity, grades in line with mine plan and recoveries consistent with design.

Considering the above-mentioned factors, the Group has concluded Juanicipio mine has reached commercial production on 1 June 2023 following a successful commissioning period. Juanicipio mine, processing facility and other vital systems are operating in line with, or rapidly approaching design capacity. The Juanicipio mill is operating at approximately 85% of its capacity of 4,000 tonnes per day ("tpd") with metal recovery in line with design. As commercial production has been achieved, the Group has started to depreciate all the plant assets and recognised the corresponding charge as production cost.

Estimate of recoverable ore on leaching pads

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.

The Group monitors the metallurgical balances to confirm the grade and recovery of the ore in inventories. Based on new technical information and the reconsideration of actual recovery grades and updated leaching targets, the Group updated its estimate of gold content in leaching pads increasing this by 30.7 thousand ounces of gold as at 1 January 2023.

This change in estimation was incorporated prospectively in inventory from 1 January 2023. 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 2023 would have been US\$21.6 million higher, with an offsetting impact against the work-in-progress inventory balance as of 30 June 2023.

Soledad y Dipolos inventory

The Company has recently identified certain suspected illegal extraction of gold content at its Soledad-Dipolos leaching pads. The Company estimates a loss of approximately 20,000 ounces of gold content and consequently has recognised a write off of US\$21.9 million regarding the Soledad-Dipolos gold contents in inventory, which has been presented as other expenses in the Interim Consolidated Income Statement. The Company is taking relevant actions so that the illegal leaching activities be ceased as soon as possible. The Company does not currently expect any further losses of this inventory to be significant.

The inventory write-off considered both the estimation of recoverable amount of gold existing at the leaching pad, and potential volume of solution being irrigated on the area that is believed to have been leached to date. However, the nature of estimation means that actual outcome may differ from those estimates.

(d) 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 2022. 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; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk were set out in the Annual Report 2022.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Group budgets and the cash flow forecasts for the period to 31 December 2024 (being the going concern assessment period). The Directors have also considered the cash position at 30 June 2023 (US\$ 889.7 million), as described in the financial review. In addition, they reviewed a more conservative cash flow scenario with reduced silver and gold prices of US\$21.1 and US\$1,734 respectively throughout this period, whilst maintaining current budgeted expenditure and only considering projects approved by the Executive Committee. This resulted in our current cash and cash equivalents balances reducing over time but maintaining sufficient liquidity throughout the period.

The Directors have further calculated prices (US\$18.3 and US\$1,481 for silver and gold respectively), which should they prevail to the end of 2024 would result in cash balances decreasing to minimal levels by the end of 2024, without applying mitigations.

Should metal prices remain below the stressed prices above for an extended period, management have identified specific elements of capital and exploration expenditures which could be deferred without adversely affecting production profiles throughout the period. Finally management could amend the mining plans to concentrate on production with a higher margin in order to accelerate cash generation without affecting the integrity of the mine plans.

After reviewing all of the above considerations, the Directors have a reasonable expectation that management have sufficient flexibility in 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 the interim financial statements.

3 Segment reporting

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

At 30 June 2023 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;
- The Herradura 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
- The San Julian mine, located on the border of Chihuahua / Durango states, an underground silver-gold mine; and
- The Juanicipio mine, located in the State of Zacatecas, an underground silver 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 2023 and 2022, 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 2023 and 2022, respectively. Revenues for the six months ended 30 June 2023 and 30 June 2022 include those derived from contracts with customers and other revenues, as showed in note 4.

Six months ended 30 June 2023

US\$ thousands	Fresnillo	Herradura	Cienega	Saucito	Noche Buena	San Julian	Juanicipio	Other ⁴	Adjustments and eliminations	Total
Revenues:										
Third party	221,728	379,509	76,150	308,791	48,436	197,639	111,080	-	-	1,343,333
Inter-Segment ³	250						75,177	54,031	(129,458)	-
Segment revenues	221,978	379,509	76,150	308,791	48,436	197,639	186,257	54,031	(129,458)	1,343,333
Segment profit¹	91,241	82,283	5,116	92,242	5,047	87,442	104,837	11,040	42,599	521,847
Depreciation and amortisation										(236,310)
Employee profit sharing										(2,851)
Gross profit as per the income statement										282,686
Capital expenditure²	43,470	28,732	23,927	54,120	2	34,348	41,289	1,864		227,752

¹ Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing.

² Capital expenditure represents the cash outflow in respect of additions to property, plant and equipment, including stripping cost, mine development and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include striping cost at Herradura mine, mining works at San Julian and Fresnillo and tailing dams at Saucito and Fresnillo.

³ The ore production of Juanicipio mine has been partially processed through Fresnillo and Saucito facilities while achieving name plate capacity of plant facilities.

⁴ Other inter-segment revenue corresponds to leasing services provided by Minera Bermejal, S.A. de C.V.; capital expenditure mainly corresponds to Minera Bermejal, S. de R.L. de C.V.

Six months ended 30 June 2022

US\$ thousands	Fresnillo	Herradura	Cienega	Saucito	Noche Buena	San Julian	Juanicipio ⁴	Other ⁵	Adjustments and eliminations	Total
Revenues:										
Third party ¹	266,353	302,679	92,533	303,507	85,898	211,870	-	-	(3,778)	1,259,062
Inter-Segment	-	-	-	-	-	-	120,140	92,235	(212,375)	-
Segment revenues	266,353	302,679	92,533	303,507	85,898	211,870	120,140	92,235	(216,153)	1,259,062
Segment profit²	113,514	47,971	32,668	111,533	28,341	125,661	92,533	73,179	(20,188)	605,212
Depreciation and amortisation										(233,735)
Employee profit sharing										(5,618)
Gross profit as per the income statement										365,859
Capital expenditure³	45,500	75,443	19,125	44,995	53	28,010	82,919	2,981	-	299,026

¹ Adjustments and eliminations correspond to hedging loss (note 4).

² Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing.

³ Capital expenditure represents the cash outflow in respect of additions to property, plant and equipment, including stripping cost, mine development and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include striping cost at Herradura mine and purchase of mobile equipment at Saucito.

⁴ The ore production of Juanicipio mine has been processed through Fresnillo and Saucito facilities.

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

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	
Revenues from contracts with customers	1,351,158	1,278,721
Revenues from other sources		
Provisional pricing adjustment on products sold	(7,825)	(15,888)
Hedging loss on sales	-	(3,771)
	1,343,333	1,259,062

(b) Revenues by product sold

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	
Lead concentrates (containing silver, gold, lead and by-products)	638,354	572,337
Doré and slag (containing gold, silver and by-products)	387,037	312,802
Zinc concentrates (containing zinc, silver and by-products)	141,458	186,503
Precipitates (containing gold and silver)	135,577	111,645
Activated carbon (containing gold, silver and by-products)	40,907	75,775
	1,343,333	1,259,062

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

(c) Value of metal content in products sold

Invoiced revenues are derived from the value of metal content which is determined by commodity market prices and adjusted for the treatment and refining charges to be incurred by the metallurgical complex of our customer. The value of the metal content of the products sold, before treatment and refining charges is considered as an alternative performance measure for the Group. The Group considers this a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices. The value of production sold by metal is as follows:

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	
Silver	631,111	576,885
Gold	626,375	555,702
Zinc	118,163	158,445
Lead	55,111	54,243
Value of metal content in products sold	1,430,760	1,345,275
Refining and treatment charges	(87,427)	(86,213)
Total revenues ¹	1,343,333	1,259,062

¹ Includes provisional price adjustments which represent changes in the fair value of trade receivables resulting in a loss of US\$7.8 million (2022: loss of US\$15.9 million). During the six-month period ended 30 June 2023, there were no hedging on sales (2022: loss of US\$3.8 million).

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

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>(in US dollars per ounce)</i>	
Gold ²	1,948.08	1,871.08
Silver ²	23.31	22.77

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

5 Cost of sales

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	
Depreciation and amortisation	236,310	233,735
Contractors	191,518	180,513
Operating materials	140,268	123,590
Maintenance and repairs	140,563	111,629
Energy	127,835	100,034
Personnel expenses ¹	107,471	79,016
Mine equipment leased	32,841	16,423
Mining concession rights and contributions	12,087	10,355
Surveillance	12,147	8,703
Freight	4,958	5,460
Insurance	6,034	5,457
Other	986	23,770
Cost of production	1,013,018	898,685
Unabsorbed production costs ²	21,481	500
Gain on foreign currency hedges	(132)	-
Change in work in progress and finished goods (ore inventories) ³	26,280	(5,982)
Cost of sales	1,060,647	893,203

¹ Personnel expenses include employees' profit sharing of US\$2.9 million for the six months ended 30 June 2023 (six months ended 30 June 2022: US\$5.6 million).

² Corresponds to fixed cost at Juanicipio and pyrites plant of US\$3.9 million and US\$1.7 million respectively, non-productive cost for the temporary stoppage of activities in Penmont US\$11.9 million and non-productive fixed mine cost incurred in Noche Buena resulting from finalisation of mining activities US\$4.0 million (2022: fixed costs incurred in Juanicipio plant activities).

³ Refer to note 2 (c) for more detail related to change in work in progress inventories for the six months ended 30 June 2023 following a change in estimation.

6 Finance income and finance costs

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	
Finance income:		
Interest on short-term deposits and investments	24,434	4,202
Interest on tax receivables	1,663	2,656
Other	376	150
	26,473	7,008
Finance costs:		
Interest on interest-bearing loans and notes payables	30,353	24,597
Interest on lease liabilities	561	276
Unwinding of discount on provisions	11,103	7,551
Other	3,993	2,489
	46,010	34,913

7 Income tax expense

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	
<i>Current corporate income tax:</i>		
Income tax charge	26,800	93,705
Amounts (over)/under provided in previous periods	4,515	(5,100)
	31,315	88,605
<i>Deferred corporate income tax:</i>		
Origination and reversal of temporary differences	(45,752)	(70,891)
Revaluation effects of Silverstream contract	(5,103)	(10,878)
	(50,855)	(81,769)
Corporate income tax	(19,540)	6,836
<i>Current special mining right:</i>		
Special mining right charge ¹	9,655	24,582
	9,655	24,582
<i>Deferred special mining right:</i>		
Origination and reversal of temporary differences	(31,980)	(17,156)
Special mining right	(22,325)	7,426
Income tax (credit)/expense as reported in the income statement	(41,865)	14,262

¹ The total mining concession rights paid during the six-month period were US\$14.8 million (2022: US\$12.5 million) and have been recognised in the income statement within cost of sales and exploration expenses.

Tax charged within the six-month period ended 30 June 2023 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the period ended 31 December 2023 using rates substantively enacted by 30 June 2023 as required by IAS 34 Interim Financial Reporting.

The effective tax rate for corporate income tax for the six months ended 30 June 2023 is (40.83%) (six months ended 30 June 2022: 4.40%) and (87.48%) including the special mining right (six months ended 30 June 2022: 9.19%). The main factors that decrease the effective tax rate for corporate income tax below 30% are the foreign exchange effect on tax value of assets and liabilities (76.70%) and the uplift of tax values corresponding to fixed assets (9.83%). The net deferred tax asset increased to US\$328.5 million (31 December 2022: net deferred tax asset of US\$232.6 million) primarily due the reduction of deferred tax liabilities in respect of fixed assets, derivatives including the Silverstream contract and equity instruments at FVOCI.

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 2023 and 30 June 2022, earnings per share have been calculated as follows:

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	

Earnings:

Profit from continuing operations attributable to equity holders of the Company	64,726	117,372
Adjusted profit from continuing operations attributable to equity holders of the Company	76,632	142,753

Adjusted profit is profit as disclosed in the Interim Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US\$17.0 million loss (US\$11.9 million net of tax) (2022: US\$36.3 million loss and US\$25.4 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.

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>

Number of shares:

Weighted average number of ordinary shares in issue ('000)	736,894	736,894
------------------------------------------------------------	---------	---------

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>

Earnings per share:

Basic and diluted earnings per ordinary share from continuing operations (US\$)	0.088	0.159
Adjusted basic and diluted earnings per ordinary share from continuing operations (US\$)	0.104	0.194

9 Property, plant and equipment

The changes in property, plant and equipment, including right-of-use assets, during the six months ended 30 June 2023 are principally additions of US\$250.2 million (six months ended 30 June 2022: US\$310.6 million) and depreciation and amortisation of US\$241.4 million, of which US\$1.3 million was capitalised as a part of the cost of other fixed assets (six months ended 30 June 2022: US\$237.6 million, of which US\$2.7 million was capitalised). Significant additions include stripping cost at Herradura mine, mining works at San Julian and Fresnillo and tailing dams at Saucito and Fresnillo.

As of 30 June 2023, the Group has contractual commitments related to the construction and acquisition of property, plant and equipment of US\$144.9million (30 June 2022: US\$219.0 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 polymetallic mine owned and operated by the Peñoles Group, for an upfront payment of US\$350 million. In addition, a per ounce cash payment of US\$2.00 in years one to five and US\$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 2023 was US\$5.65 per ounce (30 June 2022: US\$5.54 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\$1.00 per ounce of shortfall.

The Silverstream contract represents a derivative financial instrument which has been recorded at FVPL and classified within non-current and current assets as appropriate. The term of the derivative is based on Sabinas' life of mine which is currently 25 years. Changes in the contract's fair value, other than those represented by the realisation of the asset through the receipt of either cash or refined silver, are charged or credited to the income statement.

In the six months ended 30 June 2023, total proceeds received in cash were US\$20.2 million (2022: US\$18.3 million) of which, US\$8.3 million was in respect of proceeds receivable as at 31 December 2022 (2021: US\$4.8 million). Cash received in respect of the period of US\$11.8 million (six months ended 30 June 2022: US\$13.4 million) corresponds to 1.16 million ounces of payable silver (six months ended 30 June 2022: 1.01 million ounces). As at 30 June 2023, a further US\$5.4 million (30 June 2022: US\$5.4 million) of cash corresponding to 323,626 ounces of silver is due (30 June 2022: 360,944 ounces).

A reconciliation of the beginning balance to the ending balance as at 30 June 2023 and 31 December 2022 is shown below.

	30 June 2023	31 December 2022
	<i>(in thousands of US dollars)</i>	
Beginning balance	511,474	529,544
Cash received in respect of the period	(11,846)	(28,513)
Cash receivable	(5,444)	(8,342)
Remeasurement (loss)/gain recognised in profit or loss	(17,009)	18,785
Ending balance	477,175	511,474
Less - Current portion	34,992	36,218
Non-current portion	442,183	475,256

The US\$17.0 million unrealised loss recorded in the income statement (six months ended 30 June 2022: US\$36.3 million loss) resulted mainly from an update in the production mine plan with lower reserves and a decrease in the forward silver price curve.

Significant assumptions used in the valuation of the Silverstream contract are as follows:

- Forecasted volumes (millions of ounces/moz)
 - Silver to be produced and sold over the life of mine 86.6 moz (31 December 2022: 103.2 moz)
 - Average annual silver to be produced and sold 3.5 moz (31 December 2022: 4.0 moz)
- Weighted average discount rate 9.84% (31 December 2022: 9.82%)
- Future silver prices (US\$ per ounce)

As at	Year 1	Year 2	Year 3	Year 4	Year 5	Long-term
30 June 2023	22.98	23.96	24.81	26.65	25.86	19.89
31 December 2022	24.45	25.53	26.22	27.12	27.33	18.81

The fair value of the Silverstream contract is determined using a valuation model including unobservable inputs (Level 3). This derivative has a term of over 25 years and the valuation model utilises several 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 and the discount rate used to discount future cash flows. Other inputs into the valuation are future inflation and future foreign exchange rates between the Mexican peso and US dollar.

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 operational mine plan, with certain amendments to reflect a basis that a market participant would consider, that is 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 fair value of the Silverstream contract is significantly sensitive to a reasonably possible change in future silver price, the discount rate used to discount future cash flows and total recoverable resources and reserves over the life of mine. The sensitivity of these key inputs is as follows:

30 June 2023	Increase/ (decrease)	Effect on profit before tax: increase/ (decrease) <i>US\$ thousands</i>
Silver price	15% (15%)	94,432 (94,432)
Interest rate	25 basis point (50 basis point)	(8,966) 18,837
31 December 2022	Increase/ (decrease)	Effect on profit before tax: increase/ (decrease) <i>US\$ thousands</i>
Silver price	20% (15%)	133,736 (100,302)
Interest rate	100 basis point	(41,860)

Management considers that an appropriate sensitivity for volumes produced and sold is on the total recoverable reserve and resource quantities over the contract term rather than annual production volumes over the mine life. Reasonably possible change in total recoverable resources and reserves quantities over the life of the mine of an increase of approximately 6% (31 December 2022: 6%) would result in an increase in the value of the contract of US\$28.6 million (31 December 2022: US\$30.6 million) (a reduction of 6% (31 December 2022: 6%) in reserves and resources quantity would decrease the fair value of the contract by US\$28.6 million (31 December 2022: US\$30.6 million).

The significant unobservable inputs are not interrelated. The Sabinas mine is a polymetallic mine that contains copper, lead and zinc as well as silver, which is produced as a by-product. Therefore, changes to base metals prices (rather than the price of silver) are most relevant to the Sabinas mine production plans and the overall economic assessment of the mine.

The effects on profit before tax and equity of reasonably possible changes to the inflation rates and the US dollar exchange rate compared to the Mexican peso on the Silverstream contract are not material.

11 Inventories

	<i>As at 30 June 2023</i>	<i>As at 31 December 2022</i>
	<i>(in thousands of US dollars)</i>	
Finished goods ¹	33,316	27,257
Work in progress ²	334,379	375,603
Ore stockpile ³	12,574	26,020
Operating materials and spare parts	169,665	163,947
Inventories at lower of cost and net realisable value	549,934	592,827
Allowance for obsolete and slow-moving inventories	(6,287)	(5,463)
Balance at lower of cost and net realisable value	543,647	587,364
Less - Current portion	473,887	495,744
Non-current portion ⁴	69,760	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 and in stockpiles that will be processed in dynamic leaching plants (note 2(c)).

³ Ore stockpile includes ore mineral obtained at Juanicipio.

⁴ Non-current inventories relate to ore in leaching pads where the leaching process has stopped and is not expected to restart within twelve months. As 30 June 2023 the decrease in the value of inventory corresponds to the write-off adjustment described in note 2(c).

12 Trade and other receivables

	<i>As at 30 June 2023 (in thousands of US dollars)</i>	<i>As at 31 December 2022</i>
Trade and other receivables from related parties (Note 16) ¹	268,088	275,844
Value added tax receivable	67,903	85,979
Other receivables from related parties	5,577	8,377
Other receivable from contractors	2,410	52
Other receivables	8,469	8,697
Other receivables arising from the layback agreement	23,267	25,994
	<u>375,714</u>	<u>404,943</u>
Expected credit loss of 'Other receivables'	(371)	(444)
	<u>375,343</u>	<u>404,499</u>
Other receivables classified as non-current assets:		
Other receivable from contractors	1,176	1,638
Value Added Tax receivable	43,828	36,820
	<u>45,004</u>	<u>38,458</u>
	<u>420,347</u>	<u>442,957</u>

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

Balances corresponding to Value Added Tax receivables and US\$8.4 million within Other receivables (2022:US\$8.7 million) are not financial assets.

13 Cash and cash equivalents

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

	<i>As at 30 June 2023 (in thousands of US dollars)</i>	<i>As at 31 December 2022</i>
Cash at bank and on hand	5,570	2,516
Short-term deposits	884,114	966,544
Cash and cash equivalents	<u>889,684</u>	<u>969,060</u>

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 2023		
Total dividends paid during the period ¹	13.3	98.0
Six months ended 30 June 2022		
Total dividends paid during the period ²	24.0	176.9

¹ Final dividend for 2022 approved at the Annual General Meeting on 23 May 2023 and paid on 26 May 2023.

² Final dividend for 2021 approved at the Annual General Meeting on 17 May 2022 and paid on 27 May 2022.

A reconciliation between dividend declared, dividends recognised in retained earnings and dividend presented in the cash flow statements is as follows:

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>US\$ thousands</i>	<i>US\$ thousands</i>
Dividends declared	98,006	176,854
Foreign exchange effect	-	-
Dividends recognised in retained earnings	98,006	176,854
Foreign exchange and hedging effect	27	21
Dividends paid	98,033	176,875

The directors have declared an interim dividend of US\$1.40 cents per share and is not recognised as a liability as at 30 June 2023. Dividends paid from the profits generated from 1 January 2014 to residents in Mexico and to non-resident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Group.

15 Contingencies

The contingencies in the Group's annual consolidated financial statements for the year ended 31 December 2022 as published in the 2022 Annual Report, are still applicable as of 30 June 2023, with the following updates:

On 24 March 2022, the SAT initiated an audit of the income tax computation of Comercializadora de Metales Fresnillo for the year 2016. Findings were shared by the SAT on 22 March 2023, which mainly relate to the tax treatment of the Silverstream transaction. The Company responded on 20 April 2023 and began a Conclusive Agreement procedure before the PRODECON. On 16 June 2023 and on 5 July 2023, the Company provided additional documentation and information to the SAT through PRODECON. The SAT's response is expected in August 2023.

It is not practical to determine the amount of any potential claims or the likelihood of any unfavourable outcome arising from this 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 2023 and 30 June 2022 and balances as at 30 June 2023 and 31 December 2022.

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

	<i>Accounts receivable</i>		<i>Accounts payable</i>	
	<i>As at 30 June 2023</i>	<i>As at 31 December 2022</i>	<i>As at 30 June 2023</i>	<i>As at 31 December 2022</i>
	<i>(in thousands of US dollars)</i>			
<i>Trade:</i>				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	268,088	275,844	3,795	421
<i>Other:</i>				
Industrias Peñoles, S.A.B. de C.V.	5,444	8,342	8	-
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	-	-	421	-
Servicios Administrativos Peñoles, S.A. de C.V.	17	-	17,801	4,630
Servicios Especializados Peñoles, S.A. de C.V.	1	-	12,748	8,964
Fuentes de Energía Peñoles, S.A. de C.V.	-	-	2,991	1,062
Termoeléctrica Peñoles, S. de R.L. de C.V.	-	-	2,358	3,206
Eólica de Coahuila S.A. de C.V.	-	-	17,409	13,466
Minera Capela, S.A. de C.V.	30	-	-	-
Peñoles Tecnología, S.A. de C.V.	-	-	3,137	-
Other	85	35	6,274	4,220
	<u>273,665</u>	<u>284,221</u>	<u>66,942</u>	<u>35,969</u>

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

Other balances due from related parties:

	<i>As at 30 June 2023</i>	<i>As at 31 December 2022</i>
	<i>(in thousands of US dollars)</i>	
<i>Silverstream contract:</i>		
Industrias Peñoles, S.A.B. de C.V.	<u>477,175</u>	<u>511,474</u>

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:

	<i>Six months ended 30 June 2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	
<i>Income:</i>		
<i>Sales¹:</i>		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	<u>1,343,333</u>	<u>1,262,832</u>
<i>Other income</i>	<u>1,180</u>	<u>884</u>
Total income	<u>1,344,513</u>	<u>1,263,716</u>

¹ Figures do not include the effects of hedging as the derivative transactions are not undertaken with related parties.

	<i>Six months ended 30 June 2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	
<i>Expenses:</i>		
<i>Administrative Services:</i>		
Servicios Administrativos Peñoles, S.A. de C.V. ²	29,438	17,065

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	
Servicios Especializados Peñoles, S.A. de C.V. ²	8,830	13,289
Peñoles Tecnología, S.A. de C.V.	4,479	2,350
	<u>42,747</u>	<u>32,704</u>
<i>Energy:</i>		
Fuentes de Energía Peñoles, S.A. de C.V.	4,801	1,529
Termoeléctrica Peñoles, S. de R.L. de C.V.	14,614	9,704
Eólica de Coahuila, S.A. de C.V.	13,927	15,722
	<u>33,342</u>	<u>26,955</u>
<i>Operating materials and spare parts:</i>		
Wideco Inc	2,503	3,159
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	15,613	4,686
	<u>18,116</u>	<u>7,845</u>
<i>Equipment repairs and administrative services:</i>		
Serviminas, S.A. de C.V.	3,849	3,791
<i>Insurance premiums:</i>		
Grupo Nacional Provincial, S.A.B. de C.V.	1,597	6,515
<i>Other expenses</i>	<u>3,175</u>	<u>1,405</u>
Total expenses	<u>102,826</u>	<u>79,215</u>

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 2023 for a total amount of US\$38.3 million (US\$30.4 million for the six months ended 30 June 2022). During the period US\$6.7 million were administrative expenses capitalised (30 June 2022: nil) as the services were in relation to capital expenditures.

(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.

	<i>Six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>(in thousands of US dollars)</i>	
Salaries and bonuses	1,700	1,435
Post-employment pension	126	118
Other benefits	139	123
Total compensation paid to key management personnel	<u>1,965</u>	<u>1,676</u>

17 Notes to the consolidated statement cash flows

	Notes	Six months ended 30 June	
		2023	2022
		(in thousands of US dollars)	
Reconciliation of profit for the period to net cash generated from operating activities			
Profit for the period		89,720	140,964
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation		236,924	234,281
Employee profit sharing		2,935	5,809
Deferred income tax credit	7	(82,835)	(98,925)
Current income tax expense	7	40,970	113,187
Loss/(gain) on the sale of property, plant and equipment		841	(102)
Net finance costs		19,529	27,875
Foreign exchange gain		(2,874)	(450)
Difference between pension contributions paid and amounts recognised in the income statement		731	601
Non-cash movement on derivatives		(2)	25
Changes in fair value of Silverstream	10	17,009	36,259
Operating cash flow before change in working capital		322,948	459,524
Working capital adjustments			
Decrease in trade and other receivables		22,791	70,285
Decrease/(increase) decrease in prepayments and other assets		9,201	(8,027)
Decrease/(increase) in inventories		43,718	(12,399)
Increase in trade and other payables		(326)	26,940
Cash generated from operations		398,332	536,323
Income tax paid ¹		(182,078)	(125,008)
Employee profit sharing paid		(10,757)	(16,172)
Net cash from operating activities		205,497	395,143

¹ Income tax paid includes US\$135.5 million corresponding to corporate income tax (June 2022: US\$71.7 million) and US\$46.5 million corresponding to special mining right (June 2022: US\$53.3 million), for further information refer to note 7.

18 Financial instruments

a. Classification

As at 30 June 2023

US\$ thousands

Financial assets:	Amortized cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables ¹	26,613	-	-	273,532
Equity instruments at FVOCI		117,137	-	-
Silverstream contract	-	-	-	477,175
Derivative financial instruments	-	-	208	-
Financial liabilities:		Amortised Cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans	-	1,158,896	-	-
Trade and other payables	-	151,333	-	-
Notes payable	-	128,223	-	-
Derivative financial instruments	-	-	271	-

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

As at 31 December 2022

US\$ thousands

Financial assets:	Amortized Cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables ¹	27,276	-	-	284,186
Equity instruments at FVOCI	-	158,813	-	-
Silverstream contract	-	-	-	511,474
Derivative financial instruments	-	-	231	-
Financial liabilities:		Amortised Cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans		1,158,557	-	-
Trade and other payables		176,266	-	-
Notes payable		104,962	-	-
Derivative financial instruments		-	487	-

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 2023	31 December 2022	30 June 2023	31 December 2022
	<i>US\$ thousands</i>			
Financial assets:				
Trade and other receivables	26,613	27,276	26,613	27,276
Financial liabilities:				
Interest-bearing loans ¹	1,158,896	1,158,557	951,348	990,588
Trade and other payables	151,333	176,266	151,333	176,266
Note payable	128,223	104,962	128,223	104,962

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 2023				
Fair value measure using				
	Quoted prices in active markets (Level 1)	Significant observable (Level 2)	Significant unobservable (Level 3)	Total
<i>US\$ thousands</i>				
Financial assets:				
Trade receivables (Note 12) ¹	-	-	273,532	273,532
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	208	-	208
Silverstream contract (Note 10)	-	-	477,175	477,175
Other financial assets:				
Equity instruments at FVOCI	117,137	-	-	117,137
	117,137	208	750,707	868,052
Financial liabilities:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	271	-	271
	-	271	-	271

¹Includes receivable corresponding Silverstream contract of US\$5.4 million.

As of 31 December 2022				
Fair value measure using				
	Quoted prices in active markets (Level 1)	Significant observable (Level 2)	Significant unobservable (Level 3)	Total
<i>US\$ thousands</i>				
Financial assets:				
Trade receivables (Note 12) ¹	-	-	284,186	284,186
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	231	-	231
Silverstream contract (Note 10)	-	-	511,474	511,474
Other financial assets:				
Equity instruments at FVOCI	158,813	-	-	158,813
	158,813	231	795,660	954,704
Financial liabilities:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	487	-	487
	-	487	-	487

¹Includes receivable corresponding Silverstream contract of US\$8.3 million.

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 and the related receivable with the contract (which is disclosed in Note 10) is shown below:

	2023	2022
	<i>US\$ thousands</i>	
Balance at 1 January	275,844	265,473
Sales	1,351,158	1,278,721
Cash collection	(1,351,089)	(1,283,670)
Changes in fair value ¹	(4,969)	(16,924)
Realised embedded derivatives during the year ¹	(2,856)	1,034
Balance at 30 June	268,088	244,634

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

For further information relating to the valuation techniques were used to estimate the fair value of the Silverstream contract as well as the sensitivity of the valuation to the key inputs are disclosed in note 10.

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.

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 2023 and 2022 consisted of only cash and cash equivalents.