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2 August 2016

Fresnillo plc interim results
for the six months to 30 June 2016

Highlights (H1 2016/H1 2015 comparisons)

- Silver production of 25.2 moz (including Silverstream), up 6.1%, and gold production of 448 koz, up 23.0%
- Profit for the period of US$165.6m, up 116.9%
- Basic and diluted EPS US$22.7 cents per share, up 118.3%
- Cash generated from operations of US$475.2m, up 50.9%
- Strong balance sheet maintained - cash, cash equivalents and short-term investments of US$701.2m
- Interim dividend of US$63.4m (8.6 US cents per share) declared reflecting Board's confidence in the Company's financial position and outlook; no change to previously stated policy
- Construction of the leaching plant (stage 1) at San Julián completed, with production expected to re-start in the coming days
- Centauro Extension project and resumption of Pyrites project approved by the Board
- Full year gold production guidance raised to 850-870 koz from 775-790 koz; full year silver production remains on track (49-51 moz, including Silverstream)

Highlights for 1H16

US$ million unless stated	H1 16	H1 15	% change
Silver Production (koz) *	25,212	23,771	6.1
Gold Production (oz)	447,569	364,020	23.0
Total revenues	886.9	752.3	17.9
Adjusted revenues[1]	959.4	822.4	16.7
Exploration expenses	52.1	75.4	-30.9
EBITDA[2]	474.0	317.9	49.1
Profit for the period	165.6	76.4	116.9
Cash generated by operations before changes in working capital	475.2	314.9	50.9
Basic and Diluted EPS (US$)[3]	0.227	0.104	118.3
Dividend per ordinary share (US$)	0.086	0.0210	309.5

* Silver production includes volumes realised under the Silverstream Contract

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

[2] Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative, selling and exploration expenses

[3] The weighted average number of shares for H1 2016 and H1 2015 was 736.9m. See Note 8 in the Interim Consolidated Financial Statements.

Octavio Alvídrez, Chief Executive Officer of Fresnillo plc, said:

"We have had a solid first half operationally, with silver and gold production up 6% and 23% respectively. Silver production was driven by another strong performance at Saucito following the ramp-up of Saucito II and the plant optimisation, higher grades at Ciénega, and higher ore grades and production at the Fresnillo mine. We continue to progress the turnaround at Fresnillo, consolidating the improvements already made. Gold production was driven by increased output from our open pit mines, Herradura and Noche Buena. I am confident we are well-placed to meet our 2016 silver production guidance of 49-51 million ounces, and our recently increased 2016 gold production guidance of 850-870 thousand ounces.

The first half saw construction of the leaching plant at our new San Julián mine completed. As previously reported, we expect to re-start feeding ore to the mill in the coming days, post a minor issue with the lubrication system. Phase 2 of this project remains on track for commissioning by year end. Looking further forward, the first half also saw Board approval for the resumption of the Pyrites plant project, thanks to improved market conditions, and the approval of the Centauro Extension project at Herradura, encompassing a second line to the Dynamic Leaching Plant. I am also pleased to report that our ongoing exploration activity yielded interesting drill results at San Julián, Guanajuato and Fresnillo.

Precious metals prices have performed strongly since the start of the year, and our mines have seen increased production, resulting in robust financial results. However, we are maintaining our cautious approach, with strict operational and financial discipline, and investment decisions will continue to be evaluated on a project by project basis against key criteria. This is in line with our Contingency Plan, which we put in place early this year and which remains in place. Our strategic objectives remain unchanged and we will continue to take a long-term view, focusing on balancing profitable growth with returns, whilst maintaining a solid financial position.

Thanks to this conservative approach we remain well placed to create value throughout price cycles, with our high quality, low cost assets and significant growth pipeline, combined with our balance sheet strength. "

Commentary on the Group's results

Fresnillo plc's operating results were driven by a strong performance from Herradura, with higher speeds of recovery and an increase in ore processed following the commissioning of the second Merrill Crowe plant in late 2015. Higher speeds of recovery at Noche Buena also contributed to the increased gold production. In silver, regained access to the higher grades areas at the San Carlos and San Alberto veins led to higher ore grades and production at Fresnillo, whilst Saucito continued to perform strongly following the ramp-up of Saucito II and the plant optimisation. Ciénega saw a decrease in gold production resulting from lower grades, but an increase in silver production mainly due to higher silver grades at the Rosario and Las Casas areas.

Increased volumes of gold, silver, lead and zinc sold and our cost reduction initiatives, coupled with the benefit of external variables including the recovery of the gold price and the devaluation of the Mexican peso/US dollar exchange rate, positively impacted the Group's financial results in the first half of 2016.

Total revenues increased 17.9% half on half to US$886.9 million in the first six months of 2016 mainly as a result of increased sales volumes and the higher gold price during the period; which was partly offset by higher treatment and refining charges resulting from the increased volumes of lead and zinc concentrates produced.

Adjusted production costs of US$299.7 million decreased by 5.2% compared to the first half of 2015. This decrease was mainly explained by the favourable effect of the 19.3% devaluation of the Mexican peso vs. the US dollar, lower energy prices and the positive impact of our cost reduction initiatives. These factors more than compensated for the additional production costs recorded resulting from the increased ore throughput at Herradura and Saucito. However, cost of sales of US$492.5 million increased slightly by 2.9% over the first half of 2015 mainly due to the decrease in inventories at Herradura following the increased processing capacity achieved with the commissioning of the second Merrill Crowe plant; and to a lesser extent a decrease in inventories at Noche Buena.

Similarly, cost per tonne across all our mines decreased, reflecting the benefit of the devaluation of the average Mexican peso/US dollar exchange rate and the efficiencies and cost reduction initiatives achieved.

The increase in revenues, which more than offset the slight increase in cost of sales resulted in a 44.1% increase in gross profit to US$394.4 million in the first half of 2016.

Administrative expenses decreased by 20.9% as a result of a decrease in non-recurring engineering and construction services provided by Peñoles related to new projects, the lower cost of services provided by third parties and the positive effect of the devaluation of the Mexican peso against the US dollar on administrative expenses denominated in pesos.

As part of our Contingency Plan, exploration expenses of US$52.1 million also decreased over the first half of 2015 as a result of a slower pace of drilling.

The higher gross profit and lower administrative and exploration expenses resulted in a 49.1% increase in EBITDA, with the EBITDA margin rising from 42.3% in the first half of 2015 to 53.4% in the same period of 2016.

In the first half of 2016, net finance costs included US$13.9 million as a result of the interest recognised in the income statement in relation to the US$800 million debt facility raised in November 2013. In addition, a non-cash loss of US$136.6 million was recognised in respect of the gold hedging programme put in place to protect the investment made in the acquisition of the 44% stake of Newmont in Penmont.

During the period, there was a positive revaluation of the Silverstream (US$109.9 million) due most significantly to the higher forward silver price and the decrease in the reference discount rate (LIBOR).

The 9.9% spot devaluation of the Mexican peso against the US dollar in the six months to 30 June 2016 had an adverse effect on the value of peso-denominated net current assets when converted to US dollars, resulting in a foreign exchange loss of US$8.6 million in the first half of 2016.

Profit from continuing operations before income tax increased by 87.4% from US$136.1 million to US$255.1 million in the first half of 2016.

Income tax expense increased 51.6% to US$73.7 million as a result of higher profits generated in the first half of 2016. The effective tax rate, excluding the special mining right, was 28.9%, and 35.1% including the effects of the special mining right.

Net profit for the period was US$165.6 million, a 116.9% increase over the first half of 2015.

Cash flow generated by operations, before changes in working capital, increased by 50.9% to US$475.2 million in the first half of 2016 as a result of higher profits.

Capital expenditure totaled US$198.8 million, a decrease of 13.2% over the first half of 2015. Investments during the period included construction at the San Julián project, leaching pads at Herradura and development at Fresnillo and Ciénega.

Other uses of funds during the period were income tax and profit sharing paid of US$67.9 million (US$33.5 million in 1H15) and dividends paid of US$24.8 million (US$22.1 million in 1H15).

The Group maintained a strong balance sheet. Cash, cash equivalents and short-term investments (together defined as “short-term funds”) as at 30 June 2016 amounted to US$701.2 million, a 47.4% increase compared to the US$475.7 million in short term funds at the end of June 2015 and a 40.2% increase over the year-end total of US$500.1 million. Taking into account the short-term funds of US$701.2 million and the US$796.5 million amortised cost of the Senior Notes, Fresnillo plc’s net debt was US$95.3 million as at 30 June 2016.

The Board of Directors has declared an interim dividend of 8.6 US cents per share totaling US$63.4 million which will be paid on 9 September 2016 to shareholders on the register on 12 August 2016. This decision was made after a comprehensive review of the Company’s and Group’s financial situation, assuring that the Group is well placed to meet its current and future financial requirements, including its development and exploration projects. Fresnillo plc’s existing dividend policy, which takes into account the profitability of the business and underlying earnings, as well as our capital requirements and cash flows while maintaining an appropriate level of dividend cover, remains in place. To reiterate the policy, a total dividend of between 33 and 50 percent of profit after tax is paid out each year in the approximate proportion of one-third to be paid as an interim dividend, two-thirds to be paid as a final dividend.

Growth

Fresnillo plc remains committed to disciplined and sustainable profitability. Our high quality growth pipeline allows us to focus on projects with the potential to be developed into world class low-cost mines. During the first half, construction of the leaching plant at our San Julián mine was completed on time and on budget. As previously reported, we expect to re-start feeding ore to the mill in the coming days, post a minor issue with the lubrication system at the mill. Phase 2, the flotation plant, remains on track for commissioning in the fourth quarter of 2016.

As a result of the improved market conditions in the first half of 2016 and the Group’s solid financial position, the Board approved the resumption of the Pyrites plant project. The

Centauro Extension project was also approved during the period, encompassing a second line at the Dynamic Leaching Plant at Herradura. We expect the commissioning of both projects in 2018.

In exploration, interesting drill results were obtained at San Julián, Guanajuato and Fresnillo, whilst channel sampling and mapping of cross-cuts at the Centauro Deep and Orisyvo advanced exploration projects continued.

We continue to expect full year 2016 capital expenditure and total exploration investment of around US$600 million and US$135-140 million respectively, as spend will be weighted towards the second half of 2016.

Outlook

Our proven strategy remains consistent: we invest through the cycle, balancing growth with returns. Our operating mines provide a solid platform for growth, which we are set to deliver through our development projects and our investment in exploration to extend our growth pipeline. This is achieved within the context of a maturing sustainability framework.

Precious metals prices have seen a strong recovery since the start of the year, particularly post the UK referendum on departing the European Union. However, the sustainability of any rally in gold and silver prices will always remain uncertain. We therefore maintain our Contingency Plan which was put in place at the beginning of the year. To that end, growth projects will continue to be evaluated against a range of metrics before final investment decisions are made: operational circumstances, technical justification, the pricing backdrop, and our financial position.

Our high quality, low cost assets, and significant quality growth pipeline, combined with our balance sheet strength, leave us well placed to perform throughout the cycle.

We remain on track to meet our 2018 silver production target of 65 million ounces, having already surpassed our 2018 gold target of 750 thousand ounces.

Presentation for Analysts

Octavio Alvídrez, Chief Executive Officer and Mario Arreguín, Chief Financial Officer, will host a presentation for analysts on Tuesday 2nd August at 9am (BST) at Bank of America Merrill Lynch, 2 King Edward St, London EC1A 1HQ

For analysts unable to attend dial in details are:

Dial-in number: +44 (0) 20 3059 8125

Password: Fresnillo Interim Results 2016

A webcast can be accessed at: www.fresnilloplc.com

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About Fresnillo plc

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

Fresnillo plc has six operating mines, all of them in Mexico - Fresnillo, Saucito, Ciénega (including the San Ramón satellite mine), Herradura, Soledad-Dipolos[1] and Noche Buena, two development projects - San Julián and the Pyrites plant, and four advanced exploration prospects – Orisyvo, Juanicipio, Las Casas Rosario & Cluster Cebollitas and Centauro Deep, as well as a number of other long term exploration prospects. In total, Fresnillo plc has mining concessions covering approximately 2 million hectares in Mexico.

Fresnillo plc has a strong and long tradition of 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, producing 65 million ounces of silver per year by 2018, having already surpassed the gold target of 750,000 ounces.

Forward Looking Statements

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

[1] Operations at Soledad-Dipolos are currently suspended.

Operational Review

Production

Production	H1 2016	H1 2015	% change
Silver (koz)	22,824	21,630	5.5
Silverstream prod'n (koz)	2,388	2,141	11.5
Total Silver prod'n (koz)	25,212	23,771	6.1
Gold (oz)	447,569	364,020	23.0
Lead (t)	22,668	19,259	17.7
Zinc (t)	25,380	20,438	24.2

First half 2016 silver production (including Silverstream) increased 6.1% on 1H15, mainly as a result of: i) the higher ore grades at Fresnillo as a result of regained access to the higher ore grade areas of the San Carlos and San Alberto veins; ii) higher silver ore grades at the Rosario and Las Casas areas of Ciénega; and iii) increased ore throughput at Saucito.

First half 2016 gold production increased 23.0% on 1H15, due to higher volumes of ore processed and higher speeds of recovery at Herradura, as well as higher speeds of recovery at Noche Buena. These factors were partially offset by the lower ore grade at Ciénega due to the depletion of some high grade stopes, lower ore grades at the Rosario and Las Casas areas and increased dilution due to the narrowing of some veins.

First half by-product lead production increased 17.7% on 1H15 mainly as a result of higher ore grades at Fresnillo and Ciénega and increased ore throughput at Saucito.

First half by-product zinc production increased 24.2% on 1H15 as a result of higher ore grades at Fresnillo and Ciénega and increased volumes processed and recovery rates at Saucito.

As a result of our first half results and our confidence in second half performance, we have raised our full year gold guidance to 850-870 koz from 775-790 koz. We remain on track to meet our 2016 silver production guidance of 49-51 moz (including Silverstream).

Fresnillo mine production

	H1 2016	H1 2015	% change
Ore Processed (t)	1,189,637	1,206,441	-1.4
Production			
Silver (koz)	8,285	7,831	5.8
Gold (oz)	20,631	15,092	36.7
Lead (t)	9,543	7,005	36.2
Zinc (t)	10,952	8,206	33.5
Ore Grades			
Silver (g/t)	234	220	6.6
Gold (g/t)	0.70	0.50	39.0
Lead (%)	0.89	0.65	37.4
Zinc (%)	1.36	1.04	31.0

First half silver production increased 5.8% on 1H15 as a result of higher ore grades (up 6.6%) due to the regained access to higher grade areas at the San Carlos and San Alberto veins. This more than offset the lower ore processed due to a reduction in the availability of mining equipment caused by maintenance delays during the second quarter, and preparation of additional production stopes. Steps have been taken to solve these problems, and equipment availability is back to normal rates.

The turnaround plan at Fresnillo continues to progress, and the medium term trend remains positive, despite the expected short term fluctuations as we consolidate the improvements already made. We expect full year silver production at this mine to show an increase of around 6% compared to 2015.

In the second half of 2016 we expect an average silver ore grade of around 235 g/t.

First half by-product gold and lead production increased 36.7% and 36.2% respectively on 1H15 as a result of a higher ore grades.

First half by-product zinc production increased 33.5% on 1H15 due to a higher ore grade and recovery rate.

Saucito mine production

	H1 2016	**H1 2015**	**% change**
Ore Processed (t)	1,283,792	1,158,786	10.8
Production			
Silver (koz)	11,706	11,389	2.8
Gold (oz)	41,823	44,673	-6.4
Lead (t)	9,999	9,638	3.8
Zinc (t)	10,795	9,432	14.4
Ore Grades			
Silver (g/t)	318	341	-6.8
Gold (g/t)	1.35	1.50	-10.3
Lead (%)	0.89	0.96	-7.7
Zinc (%)	1.42	1.55	-8.3

First half silver production increased slightly on 1H15 due to higher ore throughput as a result of increased ore processed following the ramp up of Saucito II which started operations in December 2014, increased ore throughput from the West and Central Jarillas areas, and the capacity increase achieved with the installation of vibrating screens. These factors more than compensated for the expected lower ore grade due to the unusually high ore grades at the Jarillas vein in 1Q15.

In the second half of 2016 we expect an average silver ore grade of around 295 g/t.

First half by-product gold production decreased 6.4% on 1H15 as a result of a lower ore grade and recovery rate, partly offset by increased ore processed.

First half by-product lead production increased 3.8% on 1H15 mainly as a result of increased ore processed.

First half by-product zinc production increased 14.4% on 1H15 as a result of a higher recovery rate and increased ore processed.

Ciénega mine production

	H1 2016	H1 2015	% change
Ore Processed (t)	642,049	653,583	-1.8
Production			
Gold (oz)	36,896	45,745	-19.3
Silver (koz)	2,513	2,148	16.9
Lead (t)	3,125	2,616	19.5
Zinc (t)	3,633	2,800	29.7
Ore Grades			
Gold (g/t)	1.85	2.25	-17.8
Silver (g/t)	139	117	18.4
Lead (%)	0.70	0.59	18.0
Zinc (%)	0.99	0.75	32.1

First half gold production decreased 19.3% on 1H15 as a result of: i) a lower ore grade resulting from the depletion of higher gold ore grade veins at Ciénega and lower grades at the Rosario and Las Casas areas; ii) increased dilution resulting from the narrower veins at the East and West areas; and iii) lower volume of ore processed due to the extraction of harder mineral from the Rosario, Las Casas and Carmen areas.

In the second half of 2016 we expect an average gold ore grade of around 1.9 g/t.

First half silver production increased 16.9% on 1H15 as a result of the high silver grade development ore from the Rosario and Las Casas areas.

In the second half of 2016 we expect an average silver ore grade of around 135 g/t.

First half by-product lead production increased 19.5% on 1H15 as a result of a higher ore grade and to a lesser extent, a higher recovery rate.

First half by-product zinc production increased 29.7% on 1H15 due to a higher ore grade.

Herradura total mine production

	H1 2016	H1 2015	% change
Ore Processed (t)	12,624,559	10,937,571	15.4
Total Volume Hauled (t)	60,763,938	57,661,169	5.4
Production			
Gold (oz)	248,558	188,050	32.2
Silver (koz)	304	219	38.8
Ore Grades			
Gold (g/t)	0.69	0.74	-6.9
Silver (g/t)	1.11	1.26	-11.9

First half gold production increased 32.2% on 1H15 due to a higher overall speed of recovery and increased ore processed following the commissioning of the second Merrill Crowe plant in 4Q15. The latter allowed the elimination of the bottleneck in processing volumes of rich solution coming from the leaching pads and the dynamic leaching plant (DLP), and enabled us to further reduce inventories at the pads to 120koz. These factors more than compensated for the expected lower ore grade as material is deposited from higher banks in line with the mine plan and to control haulage costs.

In the second half of 2016 we expect an average gold ore grade of around 0.75 g/t.

Noche Buena total mine production

	H1 2016	H1 2015	% change
Ore Processed (t)	8,586,222	8,690,540	-1.2
Total Volume Hauled (t)	40,292,417	42,281,912	-4.7
Production			
Gold (oz)	99,661	70,460	41.4
Silver (koz)	16	43	-63.4
Ore Grades			
Gold (g/t)	0.49	0.48	2.2
Silver (g/t)	0.11	0.26	-58.4

First half gold production increased 41.4% on 1H15 due to a higher speed of recovery as a result of the new mineral layers at the leaching pads and higher ore grade due to richer banks being processed, which more than compensated for the lower ore deposited.

In the second half of 2016 we expect an average gold ore grade of around 0.49 g/t.

Growth Projects

As a result of the recovery in precious metals prices in the first half of 2016 and the Group's solid financial position, the Board approved resumption of the Pyrites project, expected to increase silver and gold recovery rates by processing tailings, both historical and ongoing, from the Fresnillo and Saucito mines. The Board also approved the Centauro Extension project during the first half, encompassing the construction of the second line of the Dynamic Leaching Plant at Herradura. Investment in these projects was considered within the Group's financial planning, therefore we continue to expect capital expenditure for the full year 2016 to be in the region of US$600 million. Below we provide an update on each of our growth projects.

San Julián

The construction of phase 1 at the San Julián project has been completed on time and on budget. However, as previously reported, after a few days of feeding mineral to the mill a minor technical failure occurred resulting in a malfunctioning of the lubrication system of the mill.

The milling facility issue has been addressed, and the Group expects production to re-start in the coming days. Mine preparation and development continued whilst this issue was being addressed, allowing us to stockpile material for future processing.

Construction of the flotation plant (phase 2) continued as planned during the first half, and we continue to expect commissioning in 4Q16.

This US$515 million silver-gold project has an expected average production of 10.3 million ounces of silver and 44,000 ounces of gold per year once at full capacity.

Pyrites Plant at the Saucito mine

During the first half, detailed engineering works for this project continued, environmental permits were obtained, preparation of the site commenced, and we began to place orders for major equipment.

This US$155 million project is expected to increase silver and gold recovery rates by processing tailings, both historical and ongoing, from the Fresnillo and Saucito mines. The Pyrites plant is expected to be concluded in 2018 and average annual production is estimated at 3.5 million ounces of silver and 13,000 ounces of gold at full capacity.

Centauro extension (previously Mega Centauro)

This project is the natural evolution of the main Centauro pit at Herradura, encompassing the expansion of the pit as well as the construction of a second line at the dynamic leaching plant (DLP) which will enable more efficient processing of the sulphides which occur deeper in the pit.

Board approval was granted in April, and the project is now at the basic engineering stage, with initial equipment orders placed and preparation of the land in progress.

The pre-operative capital expenditure for this project is estimated at US$110 million, with commissioning expected in 2018. Considering the natural expansion of the Centauro pit, average annual gold production at the Herradura mine is expected to be approximately 390 koz.

Below we provide an update on other projects which are expected to contribute to our medium and long term growth, but have not yet been approved by the Board and are subject to ongoing internal review.

Optimisation projects

Fresnillo optimisation project

During the first half of 2016 we analysed alternative options for carrying out the expansion works without interrupting normal operations at the beneficiation plant. We continued to work on the optimal equipment sizing to provide the plant with sufficient capacity to process the higher lead and zinc grades expected in the future. The final stage in this optimisation project would be the installation of vibrating screens to increase the milling capacity to 9,000 tonnes per day. Capital expenditure for this project is estimated at US$30 million and the expansion is expected to result in an additional annual average production of 3 million ounces of silver upon commissioning, expected in 2018.

Ciénega optimisation project

Following the positive results of our extensive exploration campaign at the Cebollitas cluster, alternative options continue to be evaluated for the Ciénega optimisation project.

This US$55 million project is currently expected to commence production in 2019, with average annual production estimated at an additional 15 thousand gold ounces and 1.3 million silver ounces.

Advanced exploration projects

Juanicipio

During the first half, construction of the ramp continued and further progress was made in the mine design and in obtaining environmental permits. A feasibility study is expected to be presented for Board approval at the end of this year. The US$305 million joint venture with MAG Silver Corp. (Fresnillo plc: 56%) is expected to be commissioned in 2018, and to produce an annual average of 10 million ounces of silver and 30 thousand ounces of gold. As previously mentioned, this project will be developed on a stand-alone basis.

Centauro Deep

During the first half, further geological modelling was carried out and works on a pilot stope continued, in order to further refine the model and more accurately determine the ore bodies. This will enable us to define the optimal mining method: a bulk mining method with lower grades or a more selective mining method extracting only the higher gold grade material. This US$130 million project is expected to commence production in 2020, and to produce an annual average of 65 thousand ounces of gold, if the selective mining method is ultimately chosen.

Orisyvo

During the first half, we continued our evaluation of the economic viability of this project. This US$350 million project is currently expected to commence production in 2021.

Exploration

In the first half of 2016, US$52.1 million of exploration expenses were recorded in the income statement, down 30.9% over the first half of 2015 resulting from a slower pace of drilling. US$7.7 million were capitalised.

During the first half exploration drilling totalled 265 km, across the Fresnillo, Herradura, Guanajuato, San Julián, Guazapares, Pilarica, and Huacravilca Districts, and 12km at other early stage prospects. Interesting drill intersections with gold-silver values were obtained at San Julián, Guanajuato and Fresnillo; resources are expected to increase at these projects in the year end estimates.

Targets were selected and prioritised around each of our mining operations and 30 surface rigs are presently carrying out drilling. Channel sampling and mapping of cross-cuts at the Centauro Deep and Orisyvo advanced exploration projects continued in the period and updated resource models will be completed by year end. Additional surface land was acquired in key areas and additional negotiators have been assigned to intensify this process. Fresnillo Plc has six teams of geologists prospecting and evaluating submittals in the states of Sonora, Chihuahua, Durango and Jalisco in Mexico, as well as Central Peru and Northern Chile. New targets have been identified and are either in negotiation or in the permitting stage for parametric drilling.

Exploration spend is expected to increase in the second half, and we continue to expect total risk capital invested in exploration for the full year 2016 of around US$135-140 million, compared to the US$151 million spent in 2015.

Reserves and resources estimates will be updated and audited by SRK at year end.

Health and safety, human resources, environment and community relations

Health

We strive to keep our people healthy and prevent occupational diseases. Our approach aims to pre-emptively identify and manage the health risks to which our workforce is exposed. Fresnillo, Saucito and Penmont hold the “Healthy Company” certification, an award from the Mexican health authorities for companies implementing best practices in health and safety. We have no new cases of occupational diseases to report for the first half of 2016. Although the frequency of accidents decreased, there was an increase in their average severity and duration of recovery. The accident severity rate (Lost work days per 1,000,000 hours worked) increased from 132 in 2015 to 264 for the first half of 2016. The recovery duration rate (Lost work days / number of lost-time injuries + fatalities) increased from 43 in 2015 to 57 for the first half of 2016.

Preventive care and the promotion of healthier lifestyles can limit certain chronic diseases and enhance overall wellness and fitness for work. Our Healthy Lifestyles programme supports healthy food habits and the prevention and control of obesity-related diseases. Our health week was jointly organised with the National University Foundation, providing free healthcare to the neighbouring communities of our Penmont, Fresnillo and Saucito operations.

Safety

We seek to instill a safety culture where our workers and contractors have the knowledge, competence and desire to work safely. We regret two fatal injuries having occurred during the first half of 2016: one from a rock fall at Ciénega, and a second caused by a mining explosive loader truck at San Julián. In the first half of 2016, our Total Recordable Injury Frequency Rate (TRIFR) was 12.55 injuries per 1,000,000 hours (20.98 in 2015) and the Lost Time Injury Frequency Rate (LTIFR) was 4.64 injuries per 1,000,000 hours (5.87 in 2015).

We launched the “Safety Folder”, an initiative that reinforces controls, follow-up and the commitment of supervisors at every level of the Company. We organised the first safety festival to engage our people and community in the Fresnillo district, whilst as part of the Health and Safety Information system implementation, we reviewed and re-engineered our Business Processes, identifying the software requirements necessary to support our enhanced processes.

Environment

Minimising the impact of our activities and being transparent and accountable regarding our environmental footprint are key commitments. Our environmental management system ensures effective compliance with regulations. Fresnillo, Ciénega and Penmont are certified in ISO 14,001, whilst Saucito has accomplished 90% of the requirements to obtain the ISO 14,001 and clean industry certifications. In the Penmont district, the Herradura mine advanced to the second level in the Clean Industry certification and the Noche Buena mine obtained the "Cyanide Code" certification. In the reporting period we consumed 23.6 GWh of wind energy as part of our energy portfolio. We disclosed our environmental performance in the water and climate change programmes of the CDP (formerly known as the Carbon Disclosure Project), and our Environment Information System has been adapted to match our business processes and operating indicators.

Community Relations

Our communities are strategic partners. Having their trust requires effectively engaging them and being accountable for our impacts, and we recognise that building trust is the only way to obtain and preserve our social licence to operate. As part of our commitment we launched the "Silver Saves Lives (SSL)" initiative in the communities of San Julián and Ciénega. SSL aims to raise awareness and donate rainwater collection systems to public schools. Moreover, the community relations and land acquisition teams have enhanced collaboration in response to rising land access challenges. The outcomes of reputation studies at all of our operations and at San Julián have been used to better assess social risks and opportunities. During the first half of 2016, we organised nearly 200 activities with the communities across our operations and exploration projects, and supported over 770 requests for contributions from the communities.

People

We seek to attract, develop and retain the best people, and engage them over the long-term. In the first half of 2016, Fresnillo plc's workforce totaled 4,229 employees (4,191 in 2015) and 5,902 contractors (3,840 in 2015). Total and voluntary turnover rates are respectively 10.4% (9.21% in 2015) and 6.2% (5.39% in 2015). The percentage of women and women executives are respectively at 8.49% (8.33% in 2015) and 3.42% (3.45% in 2015). In 2015, we launched a programme to assess leadership potential and soft skill competencies (i.e. emotional intelligence) based on Hogan tests. Test takers can check their evaluation and view suggestions to improve their competencies on our internal website. In addition, we implemented new courses in our online campus to develop key competences identified in the annual performance evaluations. Fresnillo plc is recognised as a Great Place to Work in Mexico, currently ranking 17th among companies with more than 5,000 employees.

Maturity of the Health, Safety, Environment and Community Relations System

We continue to make progress on the implementation of the Health, Safety, Environment and Community Relations (HSECR) System. We have a certified integrated ISO 14,001 – OHSAS 18,001 Management System for Health, Safety and Environment at our Fresnillo, Ciénega and Penmont operations. As at December 2015 the HSECR System had an overall maturity level of 92.3%. We are on track to meet our 100% maturity target by the year end, following the introduction of best practices. The next independent assessment will be conducted in August by PWC.

During the first half of 2016 we engaged a number of NGO's and researched target setting approaches consistent with the United Nations Sustainable Development Goals (SDG). The Carbon Disclosure Project (CDP) recognised Fresnillo plc's disclosure efforts: currently Fresnillo ranks 4th in Mexico and 11th in Hispanic America, based on CDP's disclosure scores.

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 financial statements.

Financial Review

The interim consolidated financial statements of Fresnillo plc for the first halves of 2016 and 2015 have been prepared in accordance with IAS 34 "Interim Financial Statements" as adopted by the European Union. Management recommends reading this section in conjunction with the Interim Financial Statements and their accompanying Notes.

Income Statement

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

	H1 2016	H1 2015	% change
Adjusted revenues[1]	959.4	822.4	16.7
Lead and zinc hedging	1.5	0.8	84.4
Treatment & refining charges	-74.1	-70.9	4.4
Total revenues	886.9	752.3	17.9
Cost of sales	492.5	478.7	2.9
Gross Profit	394.4	273.6	44.1
Exploration expenses	52.1	75.4	-30.9
EBITDA[2]	474.0	317.9	49.1
Profit before income tax	255.1	136.1	87.4
Mining right	15.8	11.2	41.3
Income tax expense	73.7	48.6	51.7
Profit for the period	165.6	76.4	116.9
Profit for the period, excluding post-tax Silverstream revaluation effects	88.7	75.1	18.0
Attributable profit	167.0	76.5	118.3
Attributable profit, excluding post-tax Silverstream revaluation effects	90.1	75.3	19.7
Basic and diluted earnings per share (US$/share) [3]	0.227	0.104	118.4
Basic and diluted Earnings per share, excluding post-tax Silverstream revaluation effects (US$/share)	0.122	0.102	19.6

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

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

[3] The weighted average number of shares for H1 2016 and H1 2015 was 736.9m. See Note 8 in the Consolidated Financial Statements.

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

Precious metal prices

Gold and silver prices remained at low levels at the beginning of 2016 following the strengthening of the US dollar, an interest rate increase from the Federal Reserve (FED) at the end of 2015 and the decline in oil prices. However, precious metals prices gradually recovered due to expectations that the FED would not continue to increase rates as fast as initially expected and increasing political and economic uncertainty in the US and the European Union. Prices then increased significantly following the announcement that the United Kingdom had voted to leave the European Union. The net effect was that prices in the first half of 2016 remained at similar levels to those observed in the first half 2015, with the average realised gold price increasing 3.3% to US$1,245.6 per ounce and the average realised silver price remaining flat at US$16.58 per ounce (-0.2%).

Average realised lead and zinc prices decreased by 7.7% and 11.0% respectively when compared to the first half of 2015.

Hedging

In the second half of 2014, Fresnillo plc initiated a one-off hedging programme to protect the value of the investment made in the Penmont acquisition. The hedging programme was executed for a total volume of 1,559,689 oz of gold with monthly maturities until December 2019.

The table below illustrates the expired structures and the outstanding hedged position as of 30 June 2016.

Concept	1H 2016	1H 2015	As of 30 June 2016
Weighted Floor (usd/tonne)	1,100	1,100	1,100
Weighted Cap (usd/tonne)	1,438	1,431	1,425
Expired volume	110,076	133,380	--
Profit (US$ dollars)	48,158	--	
Outstanding volume			1,147,440

Fresnillo plc's hedging policy remained unchanged for the remainder of the portfolio, providing shareholders with full exposure to gold and silver prices.

In addition, the Group hedged a portion of its by-product lead and zinc production. The chart below illustrates the expired structures, results in the first half of 2016 and the outstanding hedged position as of 30 June 2016.

Concept	1H16		1H15		As of 30 June 2016	
	Zinc	Lead	Zinc	Lead	Zinc*	Lead*
Weighted Floor (usd/tonne)	2,205	1,985	2,088	2,100	2,205	1,985
Weighted Cap (usd/tonne)	2,543	2,259	2,527	2,496	2,543	2,259
Expired volume (tonne)	2,268	2,136	3,328	1,938		
Profit (US$ dollars)	928,599	542,348	390,815	433,204		
Total outstanding volume (tonne)					2,268	2,136

* Monthly settlements until Dec. 2016

Foreign exchange rates

The average spot Mexican peso/US dollar exchange rate devalued by 19.3% from $15.12 per US dollar in the first half of 2015 to $18.04 per US dollar in the first half of 2016. This devaluation resulted in a favourable effect estimated at US$22.2 million on the Group's production costs, as costs denominated in Mexican pesos (approximately two thirds of total costs) were lower when converted to US dollars.

The Mexican peso/US dollar spot exchange rate at 30 June 2016 was $18.91 per US dollar, compared to the exchange rate at 31 December 2015 of $17.21 per US dollar. The 9.9% spot devaluation had an adverse effect on the net monetary peso asset position, which contributed to an US$8.6 million foreign exchange loss recognised in the income statement.

Cost Inflation

In the first half of 2016, there was a net decrease in the weighted average input cost half on half, of 9.3% including the favourable effect of the devaluation of the Mexican peso/US dollar exchange rate.

Labour

In the first half of 2016, unionised personnel received a 5.0% increase in wages in Mexican pesos and administrative employees at the mines received a 4.5% increase. Taking into consideration the 19.3% devaluation of the Mexican peso against the US dollar, personnel costs showed a 10.7% deflation in US dollar terms.

Deflation of key operating materials in US$ terms

Key operating materials	**1H 16 VS 1H15**
Sodium cyanide	-16.1%
Other reagents	-16.1%
Steel balls for milling	-10.7%
Lubricants	-8.4%
Explosives	-7.5%
Tyres	-5.1%
Steel for drilling	1.3%
Weighted average of all operating materials	-6.9%

Unit prices of the majority of key operating materials decreased in US dollars mainly due to the devaluation of the Mexican peso/US dollar exchange rate, resulting in a net weighted average decrease of 6.9%. However, unit prices excluding the favourable effect of the devaluation remained stable half on half.

Electricity

The weighted average cost of electricity in US dollars decreased 28.6% from US$7.7 cents per kw in the first six months of 2015 to US$5.5 cents per kw in the same period of 2016, reflecting the positive effect of the devaluation of the Mexican peso/US dollar exchange rate, and to a lesser extent, the lower average generating cost following the decrease in fuel prices.

Diesel

The weighted average cost of diesel in US dollars for the first six months of 2016 decreased by 19.6% to US$62.4 cents per litre from US$77.6 cents per litre in the first half of 2015.

Contractors

Contractor costs are an important component of the Group's total costs denominated in Mexican pesos and include costs incurred by contractors relating to operating materials, equipment and labour. In the first half of 2016, increases granted to contractors in Mexican pesos, whose agreements were due for review during the period, ranged from 2.0% to 12.5%, which represented an aggregate cost inflation of 4.3% for such contractors. However, these increases converted to decreases (equivalent to –14.5% to –5.7%) when converted into US dollars, reflecting the 19.3% devaluation of the average Mexican peso/US dollar exchange rate. The weighted average decrease in contractor costs in US dollars was 3.7% including those who were not subject to review.

Maintenance

Unit prices of spare parts to provide maintenance decreased by approximately 6.3% in US dollars in the first half of 2016.

Others

Other cost line items included a 12.8% decrease in freight due to the devaluation of the Mexican peso/US dollar exchange rate, a 2.0% decline in insurance premium per unit and an average deflation of 8.2% for the remaining components over the first half of 2015.

Treatment and Refining charges

The 2016 treatment and refining charges (TRCs) per tonne and per ounce are being negotiated with Met-Mex in accordance with international benchmarks and will apply retrospectively from January 2016. Treatment and Refining Charges in these Interim Financial Statements were assumed to be the same as those which were negotiated for the full year 2015, a consistent approach taken to that in the comparative period.

Treatment charges for lead and refining charges per ounce of silver for the first half of 2016 decreased 3.5% and 1.9% respectively. Treatment charges for zinc remained flat half on half.

Total revenues

Consolidated Revenues
(US$ millions)

	H1 2016	H1 2015	Amount	%Change
Adjusted revenues[1]	959.4	822.4	137.0	16.7
Hedging	1.5	0.8	0.7	84.4
Treatment and refining charges	-74.1	-70.9	-3.1	4.4
Total revenues	886.9	752.3	134.6	17.9

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

Adjusted revenues of US$959.4 million increased 16.7% over the first half of 2015 mainly as a result of higher volumes of all metals sold (primarily gold), and to a lesser extent, a higher gold price.

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

	H1 2016		H1 2015		Volume Variance	Price Variance	Total	%
Silver	342.9	36%	332.7	40%	10.9	-0.6	10.2	3.1
Gold	542.2	56%	421.8	51%	105.0	15.5	120.5	28.5
Lead	34.9	4%	31.8	4%	5.7	-2.7	3.1	9.7
Zinc	39.4	4%	36.1	5%	7.7	-4.4	3.3	9.1
Total revenues	959.4	100%	822.4	100%	129.3	7.8	137.0	16.7

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

Gold contribution to adjusted revenues continued to increase from 51% in the first half of 2015 to 56% in the first half of 2016, reflecting the increased volumes produced at the Herradura District and the change in relative prices. Despite the increase in silver ounces produced at the Fresnillo District and Ciénega, silver contribution decreased from 40% in the first half of 2015 to 36% in the same period of 2016. By-product lead and zinc sales represented the remaining 8% of the Group's adjusted revenues.

Saucito continued to outperform following the ramp-up of Saucito II and the plant optimisation, thus remaining the main contributor to silver adjusted revenues with a 50.5% share in the first half of 2016. Fresnillo's contribution to silver adjusted revenues remained broadly unchanged at 36.9% in the first half of 2016, whilst Ciénega's contribution increased to 11.1% from 8.9% in the first half of 2015, reflecting the increased silver production at San Ramón.

In terms of gold adjusted revenues, Herradura's contribution increased to 56.3%, reflecting the increase in gold production and the reduction of inventories at the leaching pads. Similarly, Noche Buena's contribution increased to 22.8% due to increased gold ounces produced resulting from higher speeds of recovery. However, Ciénega and Saucito's contribution to gold adjusted revenues decreased to 8.0% and 8.7% respectively in the first six months of 2016.

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

Gold Adjusted revenues by mine

	H1 16	H1 15
Herradura	56.3%	53.4%
Noche Buena	22.8%	20.0%
Saucito	8.7%	11.3%
Ciénega (and San Ramón)	8.0%	11.4%
Fresnillo	4.2%	3.9%
TOTAL	100%	100%

Silver Adjusted revenues by mine

	H1 16	H1 15
Saucito	50.5%	52.8%
Fresnillo	36.9%	37.1%
Ciénega (and San Ramón)	11.1%	8.9%
Herradura	1.5%	1.1%
Noche Buena	0.0%	0.1%
TOTAL	100%	100%

Adjusted revenues by mine

	H1 16	H1 15
Herradura	32.3%	27.8%
Saucito	26.3%	31.1%
Fresnillo	18.9%	20.2%
Noche Buena	12.9%	10.4%
Ciénega	9.6%	10.5%
TOTAL	100%	100%

Volumes of metal in products sold
Six months ended 30 June

	H1 16	H1 15	% change
SILVER (kOz)			
Fresnillo	7,658	7,412	3.3
Ciénega	2,279	1,784	27.7
Herradura	310	218	42.5
Saucito	10,431	10,575	-1.4
Noche Buena	6	41	-85.0
Total Silver (kOz)	20,685	20,030	3.3
GOLD (Oz)			
Fresnillo	18,243	13,614	34.0
Ciénega	34,042	39,747	-14.4
Herradura	260,639	188,339	38.4
Saucito	37,210	39,593	-6.0
Noche Buena	85,179	68,387	24.6
Total Gold (Oz)	435,313	349,681	24.5
LEAD (MT)			
Fresnillo	8,753	6,629	32.0
Ciénega	2,765	1,980	39.7
Saucito	8,991	8,688	3.5
Total Lead (MT)	20,510	17,297	18.6
ZINC (MT)			
Fresnillo	9,043	6,765	33.7
Ciénega	3,053	2,490	22.6
Saucito	8,850	7,826	13.1
Total Zinc (MT)	20,946	17,081	22.6

Cost of sales

			Change	
	H1 16	**H1 15**	**Amount**	**%**
Adjusted production costs[4]	299.7	316.2	-16.5	-5.2
Depreciation and amortisation	165.3	159.7	5.6	3.5
Change in work in progress	37.6	-13.4	51.0	N/A
Profit Sharing	9.9	6.0	3.9	67.2
Hedging	2.6	10.2	-7.6	-74.8
Reversal of inventories write-down	-22.6	0.0	-22.6	N/A
Cost of Sales	**492.5**	**478.7**	**13.8**	**2.9**

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

Cost of sales of US$492.5 million increased by 2.9% over the first half 2015 as a result of the following combination of factors:

- Adjusted production costs of US$299.7 million decreased 5.2% over the first half of 2015. The US$16.5 million decrease was largely explained by the positive effect of the 19.3% devaluation of the average Mexican peso/US dollar spot exchange rate estimated at US$22.2 million. In addition, lower ore throughput at Ciénega, Fresnillo and Noche Buena decreased production costs by an estimated 2.4 million. This was partly offset by: i) additional production costs related to the increased ore throughput at Herradura and Saucito estimated at US$13.3 million; and ii) an estimated US$2.1 million increase in development and maintenance costs, mainly at the Fresnillo, Saucito and Ciénega mines. In addition, each production cost component was affected by the below cost inflation/deflation (excluding the benefit of the devaluation):

- Personnel costs, excluding profit sharing, increased by US$2.1 million as a result of the 5.0% increase in wages in Mexican pesos
- Contractor costs rose by US$2.0 million due to the contract adjustments recorded during the first half of the year; up 2.0%-12.5% in Mexican pesos
- Cost of energy decreased by US$6.4 million due to lower unit prices of electricity and diesel
- Cost of operating materials decreased by US$3.0 million
- Cost of maintenance decreased by US$2.0 million

- Depreciation increased by US$5.6 million mainly as a result of: i) a higher depletion factor at Herradura and Saucito due to the higher production volumes; ii) increased depreciation at Herradura following the commissioning of the second Merrill Crowe plant; and iii) additional mining works depreciated mainly at the Fresnillo mine.
- The variation in change in work in progress was an adverse effect of US$51.0 million half on half. Change in work in progress resulted in a change of US$37.6 million in the first half of 2016. This was explained by the decrease in inventories on the leaching pads at Herradura following the increased ore throughput and commissioning of the second Merrill Crowe plant in 4Q15, which allowed the elimination of the bottleneck in processing volumes of rich solution coming from the leaching pads and the dynamic leaching plant, and, to a lesser extent, a decrease in inventories on the leaching pads at Noche Buena. In contrast, change in work in progress resulted in a benefit of US$13.4 million in the first half of 2015 as a result of the increase in inventories on the leaching pads at Herradura as part of the process to normalise production at this mine.
- Profit sharing increased by US$4.0 million due to the higher profits generated.
- Mexican peso/US dollar hedging in production costs: In 2015, the Group entered into a combination of put and call options structured as zero cost (collars) to hedge US$152.0 million of costs and expenses denominated in Mexican pesos with average floor and cap exchange rates of $14.54 and $18.06 per US dollar respectively, resulting in a US$2.6 million loss recorded in the income statement. The total outstanding position using collar structures as of 30 June 2016 was US$46.0 million with monthly maturity dates throughout July and August 2016 with average floor and cap exchange rates of $16.15 and $18.93 per US dollar respectively. These instruments guarantee a minimum exchange rate should the market rate fall below the floor. Between the floor and cap exchange rates the Group sells US dollars at the market rate, and when the Mexican peso per US dollar exchange rate goes above the cap rate, the Company is obliged to sell US dollars at the contract rate. The Company decided that it will no longer be continuing with this programme, so has not entered into further hedging contracts, but is maintaining the outstanding position to maturity.
- Reversal of the provision (US$14.5 million) recorded in December 2015 related to the decrease in the gold price below the inventory carrying cost at Soledad-Dipolos as a result of the stronger gold price.

Cost per tonne and cash cost per ounce

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

COST PER TONNE				
				%
		H1 16	H1 15	Change
Fresnillo	US$/TONNE MILLED	43.80	48.53	-9.8
Saucito	US$/TONNE MILLED	40.34	42.65	-5.4
Ciénega	US$/TONNE MILLED	55.18	66.66	-17.2
Herradura	US$/TONNE DEPOSITED	7.61	8.71	-12.6
Noche Buena	US$/TONNE DEPOSITED	7.80	8.16	-4.5

The 19.3% devaluation of the average Mexican peso against the US dollar and the lower unit prices of electricity (28.6%) and diesel (19.6%) benefitted cost per tonne across the Group. These positive effects were mitigated by the 5.0% increase in wages in Mexican pesos for unionised workers and the increase in contractor fees. Factors affecting cost per tonne at each mine are described below:

Fresnillo

Cost per tonne milled decreased by 9.8% over the first half of 2015 mainly due to the devaluation of the Mexican peso and the lower cost of energy, together with lower maintenance costs resulting from the maintenance delays experienced in the second quarter of 2016; and a decrease in the cost of operating materials mainly due to lower consumption of steel balls and liners for the mill. This was partly offset by higher contractor costs resulting from the increased number of contractors hired to accelerate development; and higher personnel costs due to increased headcount.

Saucito

Cost per tonne decreased by 5.4% mainly as a result the devaluation of the Mexican peso and the lower cost of energy, together with lower maintenance costs and a lower unit price of operating materials. This was partly offset by increased development recorded as costs in the first half 2016 income statement, whereas in 2015 a greater portion was capitalised; and a larger number of contractors and personnel to increase development rates and volumes of ore hauled.

Ciénega

Cost per tonne milled decreased 17.2% mainly as a result of the devaluation of the Mexican peso and the lower cost of energy, together lower consumption of electricity and sodium cyanide. These positive effects were partly offset by an increased number of contractors.

Herradura

Cost per tonne decreased 12.6% mainly due to the devaluation of the Mexican peso and the lower cost of diesel, together with the decline in unit costs of operating materials, lower maintenance costs and the additional efficiencies achieved from the increased ore throughput.

Noche Buena

Cost per tonne decreased by 4.5% as a result of the devaluation of the Mexican peso and the lower cost of diesel, together with the decrease in unit costs of operating materials and maintenance of haulage trucks. This was partly offset by the increased consumption of diesel and sodium cyanide; and increased contractor costs due to higher volumes hauled.

CASH COST PER OUNCE[5]

				%
		H1 16	**H1 15**	**Change**
Fresnillo	US$ per silver ounce	3.56	5.75	-38.1
Saucito	US$ per silver ounce	0.83	0.64	31.2
Ciénega	US$ per gold ounce	-121.68	296.99	N/A
Herradura	US$ per gold ounce	485.23	490.18	-1.0
Noche Buena	US$ per gold ounce	778.38	897.91	-13.3

5 Cash cost per ounce is calculated as total cash cost (cost of sales plus treatment and refining charges and mining rights less depreciation) less revenues from by-products divided by the silver or gold ounces sold.

Fresnillo: US$3.56/oz (1H16) vs US$5.75/oz (1H15), (-US$2.19/oz; -38.1%)

The decrease in cash cost per ounce was primarily driven by higher by-product credits (gold, zinc and lead), lower cost per tonne and higher silver ore grades. This was partly offset by higher treatment and refining charges resulting from the increased volumes of lead and zinc concentrates produced.

Saucito: US$0.83/oz (1H16) vs US0.64/oz (1H15), (+US$0.19/oz; +31.2%)

Cash cost per silver ounce increased due to the expected lower silver ore grade and, to a lesser extent, lower by-product credits and higher profit sharing. These negative factors were mitigated by the lower cost per tonne and lower treatment and refining charges.

Ciénega: -US$121.68/oz (1H16) vs US$296.99/oz (1H15), (-US$418.67/oz; N/A)

The decrease in cash cost was primarily explained by higher by-product credits per gold ounce and lower cost per tonne. This was partly offset by the lower gold ore grade, higher treatment and refining charges resulting from the increased volumes of lead and zinc concentrate produced.

Herradura: US$485.23/oz (1H16) vs US$490.18/oz (1H15), (-US$4.95/oz; -1.0%)

Cash cost per gold ounce decreased mainly as a result of lower cost per tonne, offset by the expected lower gold ore grade and higher profit sharing.

Noche Buena: US$778.38/oz (1H16) vs US$897.91/oz (1H15), (-US$119.53/oz; -13.3%)

The decrease in cash cost was driven by the reversal of the write down of gold inventories on the leaching pads following the recovery of the gold price; a higher gold ore grade; and lower cost per tonne.

All in sustaining cost

		H1 16	H1 15	Change %
Fresnillo	US$ per silver ounce	8.31	11.05	-24.8
Saucito	US$ per silver ounce	5.53	5.95	-7.2
Ciénega	US$ per gold ounce	525.86	649.97	-19.1
Herradura	US$ per gold ounce	721.24	873.23	-17.4
Noche Buena	US$ per gold ounce	826.11	940.87	-12.2

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

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

Fresnillo: All-in sustaining cost decreased due to a lower cash cost, a decrease in capitalised mine development works and lower community and administrative costs.

Saucito: All-in sustaining cost declined due to lower capital expenditure.

Ciénega: The decrease in all-in sustaining cost was mainly driven by the decrease in cash cost.

Herradura: All-in sustaining cost decreased mainly due to the lower cost per tonne.

Noche Buena: The decrease in all-in sustaining cost was due to a decrease in capital expenditures and lower cash cost.

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

Gross profit

Total gross profit, excluding hedging gains and losses, increased by 44.1% to US$394.4 million in the first half of 2016. The US$120.8 million increase resulted from: i) the positive effect of the increased volumes processed at Herradura estimated at US$57.2 million; ii) the US$22.2 million favourable effect of the Mexican peso/US dollar exchange rate devaluation; iii) the US$19.2 million estimated positive effect of the increased gold ounces produced at Noche Buena; iv) the favourable impact of the higher ore grades at the Fresnillo mine estimated at US$18.9 million; v) the US$15.5 million estimated benefit of the increase in gold price; vi) the reversal of the write down of inventories at Soledad-Dipolos of US$14.5 million; vii) the US$6.9 million positive effect of hedging; viii) the cost deflation estimated at US$6.2 million; and ix) other favourable impacts estimated at US$0.9 million.

These factors were partly offset by: i) the expected lower ore grades at Herradura and Saucito, which had an estimated adverse impact of US$19.4 million and US$8.1 million respectively; ii) the US$7.7 million negative effect of the lower lead and zinc prices; and iii) the increase in depreciation of US$5.6 million.

On a per mine basis, the increased gold production at Herradura resulted in a 49.4% increase in gross profit to US$139.8 million, which represented 35.6% of the Group's consolidated gross profit, excluding hedging effects. Saucito was the second most important contributor, generating US$121.6 million or 31.0% of the Group's gross profit, despite the 4.4% decrease over the first half of 2015. Fresnillo's gross profit rose 32.9%, reflecting the progress made in the turnaround plan at this mine. However, its contribution to the consolidated gross profit remained relatively stable at 17% in the first half of 2016. The increased revenues and lower costs at Noche Buena resulted in an increase in gross profit to US$28.4 million, increasing this mine's contribution to the Group's gross profit from 0.4% in the first half of 2015 to 7.2% in the same period of 2016. Similarly, gross profit at Ciénega doubled during the first six months of 2016, contributing 5.5% of the consolidated gross profit.

(US$ millions)					Change	
	H1 16		H1 15		Amount	%
Herradura	139.8	35.6%	93.6	33.6%	46.2	49.4
Saucito	121.6	31.0%	127.2	45.6%	(5.6)	(4.4)
Fresnillo	66.7	17.0%	50.2	18.0%	16.5	32.9
Noche Buena	28.4	7.2%	1.1	0.4%	27.3	N/A
Ciénega	21.8	5.5%	10.3	3.7%	11.5	111.7
Soledad-Dipolos	14.5	3.7%	(3.6)	-1.3%	18.1	N/A
Total for operating mines	**392.8**	**100.0%**	**278.8**	**100.0%**	**114.0**	**40.9**
MXP/USD exchange rate hedging (losses) and gains	-2.6		-10.2		7.6	-74.5
Other subsidiaries	4.2		5.0		-0.8	-16.0
Total Fresnillo plc	**394.4**		**273.6**		**120.8**	**44.2**

Administrative expenses

Administrative expenses decreased from US$33.4 million to US$26.5 million in the first half of 2016. The 20.9% decrease was explained by a decrease in non-recurring engineering and construction services provided by Peñoles relating to new projects, lower cost of services provided by third parties and the positive effect of the devaluation of the Mexican peso against the US dollar in administrative expenses denominated in pesos.

Exploration expenses

BUSINESS UNIT / PROJECT (US$ millions)	Exploration expenses	Capitalised expenses
Ciénega	3.2	
Fresnillo	2.4	
Herradura	9.5	
Saucito	4.4	
Noche Buena	1.2	
San Julián	2.1	
Centauro Deep	1.2	0.7
Orisyvo	1.3	0.2
San Ramón	2.3	
Cebollitas and Manzanillas	3.1	
Corredor Herradura	0.6	
Pilarica	0.6	
Guazaparez	1.2	
Rodeo	0.4	
Candameña	0.3	
Guanajuato	1.4	0.1
Perú	1.5	
Juanicipio	0.0	6.7
Others	15.4	
TOTAL	**52.1**	**7.7**

Exploration expenses for the first half of 2016 totalled US$52.1 million, a 30.9% decrease over the first half of 2015, as a result of a slower pace of drilling. An additional US$7.7 million was capitalised mainly related to exploration expenses at Juanicipio project. However, Risk Capital Invested in Exploration is expected to increase in the second half of 2016 reaching a total in the range of US$135- US$140 million for the full year.

EBITDA

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

	H1 2016	H1 2015	% change
Gross Profit	394.4	273.6	44.1
+ Depreciation and amortisation	165.3	159.7	3.5
- Administrative Expenses	-26.5	-33.4	-20.9
- Exploration Expenses	-52.1	-75.4	-30.9
- Selling Expenses	-7.2	-6.7	7.7
EBITDA	474.0	317.9	49.1
EBITDA Margin	53.4%	42.3%	

A key indicator of the Group's financial performance is EBITDA, which is calculated as gross profit plus depreciation, less administrative, selling and exploration expenses. This indicator increased by 49.1% to US$474.0 million in the first half of 2016 as a result of the higher gross profit and lower administrative and exploration expenses. Likewise, the

EBITDA margin increased from 42.3% in the first half of 2015 to 53.4% in the same period of 2016.

Silverstream revaluation effects

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. In the first half of 2016, the revaluation of the Silverstream contract generated an US$88.2 million non-cash gain mainly as a result of the higher forward price of silver, the decrease of the reference discount rate (LIBOR), and to a lesser extent, the impact of the US dollar exchange rate against the Mexican peso. In addition, a US$21.7 million non-cash gain was generated by the unwinding of the discount and the difference between payments received during the six months ended 30 June 2016 and estimated payments in the valuation model at 31 December 2015. The total effect recorded in the first six months of 2016 was US$109.9 million, which compared favourably against the US$1.8 million non-cash gain registered in the same period of 2015.

The cumulative non-cash revaluation gains that have been recognised in the income statement since 2008 increased to US$660.2 million in total; whilst cumulative cash received or receivable at the end of the first half 2016 from the Silverstream contract totalled US$522.1 million.

It is expected that the Group will record further unrealised gains or losses in the income statement in accordance with the cyclical behaviour of the silver price or changes in the assumptions used when valuing this contract. Further information related to the Silverstream contract is provided in the Balance Sheet section below and in notes 10 and 18 to the Interim Financial Statements.

Finance costs and income

Finance costs decreased from US$19.8 million in the first half of 2015 to US$13.9 million in the same period of 2016 mainly due to an increase in the interest on the US$800 million principal amount of 5.5% Senior Notes, that has been capitalised as part of the San Julián project.

In addition, a US$136.6 million non-cash finance loss was generated by the mark-to-market time value of the outstanding gold hedging programme put in place to protect the investment made in the acquisition of the 44% stake of Newmont in Penmont. This compared negatively to the US$16.9 million non-cash finance gain generated in the first half of 2015.

Foreign exchange

A foreign exchange loss of US$8.6 million was recorded in the income statement as a result of the realised transactions in the period and the adverse effect of the 9.9% spot devaluation of the Mexican peso against the US dollar in the six months ended 30 June 2016 on the value of peso-denominated net monetary assets. This represented a 44.7% decrease from the US$15.6 million foreign exchange loss recognised in the first half of 2015.

Taxation

Income tax expense increased by 51.6% to US$73.7 million as a result of the increase in profit generated in the first half 2016. The effective tax rate, excluding the special mining rights, was 28.9% which was in line with the 30% statutory tax rate. Including the effect of the special mining rights, the effective tax rate was 35.1%. The effective tax rate is calculated using forecasts of gold and silver prices; and foreign exchange rates for the second half of 2016.

Profit for the period

Profit for the period was US$165.6 million, which represented a 116.9% increase half on half as a result of the factors discussed above.

Excluding the effects of the Silverstream valuation, profit for the period increased 18.0% to US$88.7 million in the first six months of 2016.

Cash Flow

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

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

	H1 16	H1 15	(US $)	(%)
Cash generated by operations before changes in working capital	475.2	314.9	160.3	50.9
Decrease (increase) in working capital	0.5	-18.0	18.6	N/A
Taxes and Employee Profit Sharing paid	-67.9	-33.5	-34.4	102.7
Net cash from operating activities	407.9	263.4	144.5	54.9
Silverstream contract	20.1	22.7	-2.6	-11.5
Purchase of property, plant & equipment	-198.8	-229.1	30.3	-13.2
Dividends paid	-24.8	-22.1	-2.7	12.3
Net interest paid	-9.3	-17.1	7.9	-45.9
Net increase in cash and short term investments during the period before foreign exchange differences	201.8	26.0	175.8	676.2
Cash, cash equivalents and short term investments at 30 June*	701.2	475.7	225.4	47.4

*As disclosed in the Consolidated Cash Flow Statement, cash and cash equivalents at 30 June 2016 totalled US$581.2 million and short-term investments held in fixed-term bank deposits amounted to US$120.0 million. Cash and cash equivalents at 30 June 2015 accounted for US$255.7 million and short-term investments amounted to US$220.0 million.

In the first half of 2016, cash generated by operations before changes in working capital totalled US$475.2 million, a 50.9% increase due to higher profits generated. In addition, working capital decreased by US$0.5 million as a result of the net impact of the following factors:

- A US$10.7 million increase in trade and other receivables which resulted mainly from an increase in the volume of lead and zinc concentrates and dore sold to Met-Mex
- A US$4.6 million decrease in ore inventories on the leaching pads at Herradura, and to a lesser extent, at Noche Buena
- A US$1.4 million decrease in prepayments and other assets
- An increase in trade and other payables of US$5.2 million

Taxes and employee profit sharing paid of US$67.9 million increased by 102.7% over the first half 2015 due to higher profits generated.

As a result of the above factors, net cash from operating activities for the first half of 2016 increased by 54.9% to US$407.9 million.

The Group also received proceeds of US$20.1 million from the Silverstream Contract.

The Group purchased property plant and equipment for a total of US$198.8 million, a 13.2% decrease compared to the first half of 2015. However, the Group expects to increase capital expenditures in the second half of the year, and continues to anticipate a total spend of around US$600 million for the full year. Capital expenditures for the first six months of 2016 are further described below:

Purchase of property, plant and equipment*		
(US$ millions)		
	H1 16	
Herradura mine	38.0	Stripping activities and construction of leaching pads and tailings ponds.
Saucito mine	43.6	Development works and purchase of equipment to optimise the beneficiation plant
Ciénega mine	17.2	Development works, construction of tailings dam and purchase of in-mine equipment and components
Fresnillo mine	25.8	Mine development and purchase of in-mine equipment.
Noche Buena	2.0	Construction of leaching pads
San Julián	62.4	Construction of dynamic leaching plant and mining works
Juanicipio project	6.7	Exploration expenses
Other	3.1	Exploraciones Mineras Parreña and SAFSA.
Total Purchase of property, plant and equip.	198.8	

*In addition to purchases of property, plant and equipment above, additions to property, plant and equipment on the balance sheet include capitalised depreciation (US$7.1 million).

Dividends paid to shareholders in the first half 2016 totalled US$24.8 million as a result of the final dividend of 3.35 US cents per share paid in May 2016. Other uses of funds included the US$9.3 million net interest paid in the first half of 2016.

The sources and uses of funds described above resulted in a net increase of US$201.8 million in cash, cash equivalents and short term funds, which combined with the US$500.1 million balance at the beginning of the year and the effect of the exchange rate (-US$0.7 million), resulted in cash, cash equivalents and short term funds of US$701.2 million as at 30 June 2016.

Balance Sheet

Fresnillo plc continued to maintain a solid financial position with short term funds increasing to US$701.2 million as of 30 June 2016 from US$500.1 million at the beginning of the year. This represented a 47.4% increase compared to the short term funds of US$475.7 million as of 30 June 2015, reflecting the ability of our mines to generate solid cashflow, and, to a lesser extent, the higher average realised gold price.

Trade and other receivables (including income tax recoverable) decreased from US$305.7 million as of 31 December 2015 to US$278.4 million as at 30 June 2016 mainly due a decrease in recoverable taxes in the first half of 2016. This was partly offset by higher volumes sold, which increased accounts receivables.

Inventories slightly decreased (1.5%) over the 2015 year-end figure to US$295.9 million, mainly as a result of the decrease in gold inventories on the leaching pads of Herradura and Noche Buena This was partly offset by the reversal of the write downs of inventories at Soledad-Dipolos.

The change in the value of the Silverstream derivative from US$384.8 million at the beginning of the year to US$471.6 million as of 30 June 2016 reflects proceeds of US$23.0 million, (US$17.3 million in cash generated in respect of the period and US$5.7 million receivable) and the revaluation effects of US$109.9 million in the Group's income statement.

The net book value of property, plant and equipment remained steady at US$2,157.6 million at 30 June 2016 (US$2,138.6 at 31 December 2015).

Fresnillo plc's total equity for the first half of 2016 was US$2,529.4 million, an increase of 6.5% when compared to the figure at the beginning of the year, which reflected retained earnings from 2015.

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 2015. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review. In addition, the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk were set out in the Annual Report 2015. Details of its financial instruments and hedging activities as at 30 June 2016 are set out in note 18 to the interim report.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecasts for the period to 31 December 2017 as at July 2016. In addition, they reviewed a more conservative cash flow scenario with silver and gold prices reduced below current expectations, whilst maintaining current budgeted expenditure, which resulted in our current cash balances reducing over time to a small but adequate margin of liquidity towards the end of 2017.

The Directors have agreed with management's proposal to maintain the 'Contingency Plan' established at the beginning of the year which has reduced or deferred capital and/or exploration expenditures as well as continuing with cost reduction initiatives.

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

Dividends

The Board of Directors has declared an interim dividend of 8.6 US cents per share totalling US$63.4 million which will be paid on 9 September 2016 to shareholders on the register on 12 August 2016. This decision was made after a comprehensive review of the Group's financial situation, assuring that the Group is well placed to meet its current and future financial requirements, including its development and exploration projects.

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

The interim dividend will be paid in UK pounds sterling to shareholders, unless a shareholder elects to receive dividends in US dollars. The interim dividend will be paid in UK pounds sterling with the dividend being converted into UK pounds sterling on or around 16 August 2016.

Risks and uncertainties

In the first half of 2016, the Board and the Executive Committee continued to monitor Fresnillo plc's principal risks as part of our risk management as we work towards achieving our long-term objectives.

Fresnillo plc currently monitors eleven principal risks which have not changed from those set out in the Strategy section of the Strategic Report of the Annual Report for the year ended 31 December 2015 (published in April 2016). A copy of Fresnillo plc's 2015 Annual Report is available at the Company's website at www.fresnilloplc.com.

The principal risks are shown below:

- *Impact of global macroeconomic developments (silver and gold prices)*
- *Access to land*
- *Potential actions by the Government (e.g. taxes, more stringent regulations, permits)*
- *Security*
- *Public perception against mining*
- *Projects (performance risk)*
- *Safety*
- *Union relations*
- *Exploration*
- *Human Resources*
- *Environmental incidents*

Directors

The names and functions of the current directors and senior management team of Fresnillo plc are shown on the Group's website: www.fresnilloplc.com

Statement of directors' responsibilities

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

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union 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

(b) 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).

On behalf of the board of directors of Fresnillo plc.

Octavio Alvídrez
Chief Executive Officer

INDEPENDENT REVIEW REPORT TO FRESNILLO PLC

Introduction

We have been engaged by the Company to review the interim condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated balance sheet, the interim consolidated cash flow statement, the interim consolidated statement of changes in equity and the related Notes 1 to 18. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim condensed consolidated set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
2 August 2016

Interim Consolidated Income Statement

	Notes	For the six months ended 30 June					
		2016 (Unaudited)			2015 (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	886,877		886,877	752,308		752,308
Cost of sales	5	(492,479)		(492,479)	(478,670)		(478,670)
Gross profit		**394,398**		**394,398**	**273,638**		**273,638**
Administrative expenses		(26,459)		(26,459)	(33,436)		(33,436)
Exploration expenses		(52,053)		(52,053)	(75,379)		(75,379)
Selling expenses		(7,205)		(7,205)	(6,689)		(6,689)
Other operating income		501		501	38		38
Other operating expenses		(4,918)		(4,918)	(5,321)		(5,321)
Profit from continuing operations before net finance costs and income tax		**304,264**		**304,264**	**152,851**		**152,851**
Finance income	6	3,721		3,721	21,177		21,177
Finance costs	6	(154,162)		(154,162)	(24,077)		(24,077)
Revaluation effects of Silverstream contract	10	-	109,919	109,919	-	1,761	1,761
Foreign exchange loss		(8,607)		(8,607)	(15,572)		(15,572)
Profit from continuing operations before income tax		**145,216**	**109,919**	**255,135**	**134,379**	**1,761**	**136,140**
Corporate income tax	7	(40,732)	(32,976)	(73,708)	(48,064)	(529)	(48,593)
Special mining right	7	(15,801)		(15,801)	(11,179)		(11,179)
Income tax expense	7	(56,533)	(32,976)	(89,509)	(59,243)	(529)	(59,772)
Profit for the period from continuing operations		**88,683**	**76,943**	**165,626**	**75,136**	**1,232**	**76,368**
Attributable to:							
Equity shareholders of the Company		90,093	76,943	167,036	75,267	1,232	76,499
Non-controlling interests		(1,410)		(1,410)	(131)		(131)
		88,683	**76,943**	**165,626**	**75,136**	**1,232**	**76,368**
Earnings per share: (US$)							
Basic and diluted earnings per ordinary share from continuing operations	8			0.227			0.104
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per ordinary share from continuing operations	8	0.122			0.102		

Interim Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2016	*2015*
	(Unaudited)	*(Unaudited)*
	(in thousands of US dollars)	
Profit for the period	**165,626**	**76,368**
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Reclassification relating to cash flow hedges recycled to income statement	1,052	9,361
Income tax effect	(315)	(2,809)
Changes in the fair value of cash flow hedges	(52,308)	(5,675)
Income tax effect	15,692	1,703
Net effect of cash flow hedges	(35,879)	2,580
Changes in the fair value of available-for-sale financial assets	64,930	(4,846)
Income tax effect	(19,479)	1,454
Impairment on available-for-sale financial assets taken to income during the period	-	761
Income tax effect	-	(228)
Net effect of available-for-sale financial assets	45,451	(2,859)
Foreign currency translation	(390)	(26)
Net other comprehensive income that may be reclassified subsequently to profit or loss	**9,182**	**(305)**
Items that will not be reclassified to profit or loss:		
Remeasurement losses on defined benefit plans	(188)	**-**
Income tax effect	30	**-**
	(158)	**-**
Other comprehensive income/(loss), net of tax	**9,024**	**(305)**
Total comprehensive income, net of tax	**174,650**	**76,063**
Attributable to:		
Equity shareholders of the Company	176,060	76,194
Non-controlling interests	(1,410)	(131)
	174,650	**76,063**

Interim Consolidated Balance Sheet

	Notes	*As of 30 June 2016 (Unaudited)*	*As of 31 December 2015 restated (Audited)*
		(in thousands of US dollars)	
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,157,621	2,138,588
Available-for-sale financial assets		136,371	71,442
Silverstream contract	10,18	435,350	358,164
Derivative financial instruments	18	-	97,473
Deferred tax asset		47,410	30,814
Inventories	11	91,620	76,375
Other receivables	12	1,625	2,289
Other assets		3,236	3,372
		2,873,233	2,778,517
Current assets			
Inventories	11	204,321	224,200
Trade and other receivables	12	256,040	237,992
Income tax recoverable		22,397	67,690
Prepayments		1,734	2,966
Derivative financial instruments	18	1,148	19,602
Silverstream contract	10,18	36,209	26,607
Short-term investments	13	120,000	118,718
Cash and cash equivalents	13	581,168	381,420
		1,223,017	1,079,195
Total assets		**4,096,250**	**3,857,712**
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		335	36,214
Available-for-sale financial assets reserve		61,748	16,297
Foreign currency translation reserve		(1,121)	(731)
Retained earnings		1,439,098	1,296,906
		2,495,513	2,344,139
Non-controlling interests		33,882	30,202
Total equity		**2,529,395**	**2,374,341**
Non-current liabilities			
Interest-bearing loans		797,539	797,032
Derivative financial instruments	18	65,990	-
Provision for mine closure cost		188,881	195,476
Provision for pensions and other post-employment benefit plans		13,862	14,534
Deferred tax liability		393,911	373,009
		1,460,183	1,380,051

Current liabilities			
Trade and other payables		90,180	89,630
Derivative financial instruments	18	6,957	1,427
Employee profit sharing		9,535	12,263
		106,672	103,320
Total liabilities		**1,566,855**	**1,483,371**
Total equity and liabilities		**4,096,250**	**3,857,712**

Interim Consolidated Statement of Cash Flows

	Notes	*For the six months ended 30 June 2016 (Unaudited)*	*2015 (Unaudited)*
		(in thousands of US dollars)	
Net cash from operating activities	17	**407,895**	**263,415**
Cash flows from investing activities			
Purchase of property, plant and equipment		(198,817)	(229,125)
Proceeds from the sale of property, plant and equipment and other assets		219	4,305
Repayments of loans granted to contractors		1,299	767
Short-term investments	13	(1,282)	74,730
Silverstream contract	10	20,123	22,727
Interest received		3,717	1,623
Net cash used in investing activities		**(174,741)**	**(124,973)**
Cash flows from financing activities			
Dividends paid to shareholders of the Company		(24,776)	(22,054)
Capital contribution		5,090	3,080
Interest paid[1]		(12,987)	(18,763)
Net cash used in financing activities		**(32,673)**	**(37,737)**
Net increase in cash and cash equivalents during the period		200,481	100,705
Effect of exchange rate on cash and cash equivalents		(733)	703
Cash and cash equivalents at 1 January	13	381,420	154,340
Cash and cash equivalents at 30 June	13	**581,168**	**255,748**

[1]Total interest paid during the six months ended 30 June 2016 less amounts capitalised as part of fixed assets projects totalling US$10.2 million (30 June 2015: US$4.4 million). The capitalised interest is included under the section of purchase of property, plant and equipment.

Interim Consolidated Statement of Changes in Equity

	Notes	*Share capital*	*Share premium*	*Capital reserve*	*Hedging reserve*	*Available-for-sale financial assets reserve*	*Foreign currency translation reserve*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
						(in thousands of US dollars)					
Balance at 1 January 2015 (*Audited*)		**368,546**	**1,153,817**	**(526,910)**	**(9,946)**	**24,515**	**(597)**	**1,265,877**	**2,275,302**	**26,539**	**2,301,841**
Profit for the period		-	-	-	-	-	-	76,499	76,499	(131)	76,368
Other comprehensive income, net of tax		-	-	-	2,580	(2,859)	(26)	-	(305)	-	(305)
Total comprehensive income for the period		-	-	-	2,580	(2,859)	(26)	76,499	76,194	(131)	76,063
Capital contribution		-	-	-	-	-	-	-	-	3,080	3,080
Dividends paid	14	-	-	-	-	-	-	(22,107)	(22,107)	-	(22,107)
Balance at 30 June 2015 *(Unaudited)*		**368,546**	**1,153,817**	**(526,910)**	**(7,366)**	**21,656**	**(623)**	**1,320,269**	**2,329,389**	**29,488**	**2,358,877**
Balance at 1 January 2016 (*Audited*)		**368,546**	**1,153,817**	**(526,910)**	**36,214**	**16,297**	**(731)**	**1,296,906**	**2,344,139**	**30,202**	**2,374,341**
Profit for the period		-	-	-	-	-	-	167,036	167,036	(1,410)	165,626
Other comprehensive income, net of tax		-	-	-	(35,879)	45,451	(390)	(158)	9,024	-	9,024
Total comprehensive income for the period		-	-	-	(35,879)	45,451	(390)	166,878	176,060	(1,410)	174,650
Capital contribution		-	-	-	-	-	-	-	-	5,090	5,090
Dividends paid	14	-	-	-	-	-	-	(24,686)	(24,686)	-	(24,686)
Balance at 30 June 2016 *(Unaudited)*		**368,546**	**1,153,817**	**(526,910)**	**335**	**61,748**	**(1,121)**	**1,439,098**	**2,495,513**	**33,882**	**2,529,395**

Notes to the Interim Condensed Consolidated Financial Statements

1 Corporate Information

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

Industrias Peñoles S.A.B. de C.V. (ñPeñolesò) currently owns 74.99 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. 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 2016 (ñinterim consolidated financial statementsò), were authorised for issue by the Board of Directors of Fresnillo plc on 1 August 2016.

The Groupôs 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 Groupôs 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 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU). They do not include all the information required for full annual financial statements for the Group, and therefore, should be read in conjunction with the Groupôs annual consolidated financial statements for the year ended 31 December 2015 as published in the Annual Report 2015.

These interim consolidated financial statements do not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the full year is based on the statutory accounts for the financial year ended 31 December 2015. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU up to 31 December 2015, has been delivered to the Register of Companies. The auditorsô report in accordance with Chapter 3 of Part 16 of the Companies Act 2006 in relation to those accounts was unqualified.

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

The interim consolidated financial statements are presented in dollars of the United States of America (US dollars or US$) and all values are rounded to the nearest thousand ($000) except where otherwise indicated.

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

(b) Basis of consolidation

The interim consolidated financial statements set out the Groupôs financial position as of 30 June 2016 and 31 December 2015, and its operations and cash flows for the periods ended 30 June 2016 and 30 June 2015.

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 2015.

(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 2015.

As at 31 December 2015, derivatives relating to the gold hedging programme initiated in 2014 that mature after one year had been presented as current assets. During 2016, the Group restated the prior year comparatives and reclassified these derivatives to non-current assets. The reclassification resulted in an increase in non-current assets and a corresponding reduction in current assets by US$97.5 million as at 31 December 2015, with no impact on previously reported profit, other comprehensive income, liabilities, equity, cash flow or earnings per share. In addition, there is no tax effect and no impact on segmental disclosures.

New standards and interpretations as adopted by the Group

The Group has adopted ñIAS 1 Disclosure Initiative - Amendments to IAS 1ò. The amendments clarify existing requirements on materiality, aggregation and disaggregation in the preparation of financial statements and presentation of the notes. This amendment had no impact in the financial information of the Group.

Other than the above mentioned amendments there was no significant new accounting standards or interpretations required for the Group to adopt effective 1 January 2016.

The IASB and IFRS Interpretation committee have issued, and the EU have adopted, certain 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.

3 Segment reporting

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

At 30 June 2016 the Group has six reportable operating segments which consist of the Groupôs six producing mines as follows:

- The Fresnillo mine, located in the State of Zacatecas, the worldôs largest primary silver mine;
- The Saucito mine, located in the State of Zacatecas, an underground silver mine;
- The Cienega mine, located in the State of Durango, an underground gold mine; including the San Ramon satellite mine;
- The Herradura mine, located in the State of Sonora, a surface gold mine;
- The Soledad-Dipolos mine, located in the State of Sonora, a surface gold mine; and
- The Noche Buena mine, located in State of Sonora, a surface gold mine.

The operating performance and financial results for each of these mines are reviewed by management. As the Group´s chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information.

Substantially 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 armðs 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 2016 and 2015, respectively.

Six months ended 30 June 2016

US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Soledad-Dipolos** [4]	**Saucito**	**Noche Buena**	**Other**[5]	**Adjustments and eliminations**	**Total**
Revenues:									
Third party[1]	152,862	327,687	83,232	-	215,935	105,642	-	1,519	886,877
Inter-Segment	-	-	-	-	-	-	38,682	(38,682)	-
Segment revenues	**152,862**	**327,687**	**83,232**	**-**	**215,935**	**105,642**	**38,682**	**(37,163)**	**886,877**
Segment profit[2]	**101,143**	**186,633**	**48,285**	**15,246**	**166,728**	**31,317**	**29,874**	**(6,984)**	**572,242**
Hedging									(2,571)
Depreciation and amortisation									(165,327)
Employee profit sharing									(9,946)
Gross profit as per the income statement									**394,398**
Capital expenditure[3]	91,340	38,004	17,194	-	43,615	2,027	6,636	-	**198,816**

[1]Total third party revenues include treatment and refining charges amounting US$74.1 million.
[2]Segment profit excluding foreign exchange hedging losses, depreciation and amortisation and employee profit sharing.
[3]See Note 9 for a description of the main capital expenditures.
[4]Operations at Soledad-Dipolos were suspended in 2H 2013 as a result of the dispute disclosed in Note 15. The profit of the period corresponds to the reversal of the adjustment of net realizable value of inventories, see Note 11.
[5]Other includes inter-segment leasing services provided by Minera Bermejal, S.A. de C.V.

Six months ended 30 June 2015

US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Soledad-Dipolos** [4]	**Saucito**	**Noche Buena**	**Other**[5]	**Adjustments and eliminations**	**Total**
Revenues:									
Third party[1]	140,405	230,045	79,449	-	218,895	82,690	-	824	752,308
Inter-Segment	-	-	-	-	-	-	34,509	(34,509)	-
Segment revenues	**140,405**	**230,045**	**79,449**	**-**	**218,895**	**82,690**	**34,509**	**(33,685)**	**752,308**
Segment profit[2]	**82,901**	**120,762**	**37,034**	**-**	**170,792**	**19,845**	**28,441**	**(10,268)**	**449,507**
Hedging									(10,186)
Depreciation and amortisation									(159,733)
Employee profit sharing									(5,950)
Gross profit as per the income statement									**273,638**

Capital expenditure[3]	95,422	57,902	11,788	-	58,092	846	5,075	-	**229,125**

[1]Total third party revenues include treatment and refining charges amounting US$70.9 million.
[2] Segment profit excluding foreign exchange hedging losses, depreciation and amortisation and employee profit sharing.
[3] See Note 9 for a description of the main capital expenditures.
[4] Operations at Soledad-Dipolos were suspended in 2H 2013 as a result of the dispute disclosed in Note 15.
[5] Other includes inter-segment leasing services provided by Minera Bermejal, S.A. de C.V. The presentation of other and adjustments and eliminations have been changed to be consistent with the presentation in the 2016 table above.

4 Revenues

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

(a) Revenues by product sold

	Six months ended 30 June	
	2016	*2015*
	(in thousands of US dollars)	
Lead concentrates (containing silver, gold, lead and by-products)	386,568	371,867
Doré and slag (containing gold, silver and by-products)	433,377	312,734
Zinc concentrates (containing zinc, silver and by-products)	45,149	43,602
Precipitates (containing gold and silver)	21,783	24,105
	886,877	**752,308**

Substantially all lead and zinc concentrates, precipitates, doré and slag, were sold to Peñolesô metallurgical complex, Met-Mex, for smelting and refining.

(b) Value of metal content in products sold

For products other than refined silver and gold, invoiced revenues are derived from the value of metal content adjusted by treatment and refining charges incurred by the metallurgical complex of the customer. The value of the metal content of the products sold, before treatment and refining charges is as follows:

	Six months ended 30 June	
	2016	*2015*
	(in thousands of US dollars)	
Silver	342,883	332,652
Gold	542,280	421,748
Zinc	40,373	36,540
Lead	35,398	32,283
Value of metal content in products sold	960,934	823,223
Adjustment for treatment and refining charges	(74,057)	(70,915)
Total revenues[1]	**886,877**	**752,308**

[1] Includes provisional price adjustments which represent changes in the fair value of embedded derivatives resulting a gain of US$7.2 million (2015: gain of US$1.4 million) and hedging gain of US$1.5 million (2015: gain of US$ 0.8 million)

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

	Six months ended 30 June	
	2016	*2015*
	(in US dollars per ounce)	
Gold[2]	1,245.61	1,206.10
Silver[2]	16.58	16.61

[2] Revenue of product sold does not include hedging gains.

5 Cost of sales

	Six months ended 30 June 2016	2015
	(in thousands of US dollars)	
Depreciation and amortisation (Note 9)	165,327	159,733
Personnel expenses[1]	42,670	37,875
Maintenance and repairs	45,551	45,452
Operating materials	64,788	67,502
Energy	56,726	57,643
Contractors	81,684	93,229
Mining concession rights and contributions	5,600	5,041
Freight	3,802	5,076
Insurance	2,586	2,585
Other	5,495	7,485
Cost of production	474,229	481,621
Losses on foreign currency hedges	2,571	10,186
Change in work in progress and finished goods (ore inventories)	38,257	(13,137)
Inventory write down (Note 11)	(22,578)	-
Cost of sales	**492,479**	**478,670**

[1] Personnel expenses include employees´ profit sharing of US9.9 million for the six months ended 30 June 2016 (six months ended 30 June 2015: US$5.9 million).

6 Finance income and finance costs

	Six months ended 30 June 2016	2015
	(in thousands of US dollars)	
Finance income:		
Interest on short term deposits	1,627	889
Fair value movements on derivatives[1]	-	19,733
Other	2,094	555
	3,721	**21,177**
Finance costs:		
Interest on interest-bearing loans	13,488	18,656
Unwinding of discount on provisions	4,921	4,968
Fair value movements on derivatives[1]	135,126	-
Other	627	453
	154,162	**24,077**

[1] Principally relates to the time value associated with Gold commodity options- see Note 18 for further detail.

7 Income tax expense

	Six months ended 30 June	
	2016	*2015*
	(in thousands of US dollars)	
Current corporate income tax:		
Income tax charge[1]	82,461	88,377
Amounts over provided in previous periods	(1,607)	(31,720)
	80,854	56,657
Deferred corporate income tax:		
Origination and reversal of temporary differences	(40,122)	(8,593)
Revaluation effects of Silverstream contract	32,976	529
	(7,146)	(8,064)
Corporate income tax	**73,708**	**48,593**
Current special mining right:		
Special mining right charge[2]	8,417	4,914
	8,417	4,914
Deferred special mining right:		
Origination and reversal of temporary differences	7,384	6,265
Special mining right	**15,801**	**11,179**
Income tax expense as reported in the income statement	**89,509**	**59,772**

[1] The current income tax has been reduced by US$12.2 million (2015: nil) as a result of a credit granted to taxpayers in respect of an excise tax (Special Tax on Production and Services, or IEPS for its acronym in Spanish) paid when purchasing diesel used for general machinery and certain mining vehicles. The credit can be applied against either the companyǿs own corporate income tax or the income tax withheld from third parties. The credit is calculated on an entity-by-entity basis and any amount paid in excess of the sum of corporate income tax and income tax withheld cannot be credited in future fiscal periods. No deferred tax asset has therefore been recognised in relation to any excess.

[2] The special mining right allows the deduction of payments for mining concession rights up to the amount of the special mining right payable within the same legal entity. In the six months ended 30 June 2016, the Group credited US$4.3 million (2015: US$4.1million) of mining concession rights against the special mining right. Prior to credits permitted under the special mining right regime, the current special mining right charge would have been US$12.7 million. (2015: US$9.0).

The total mining concession rights paid during the six month period were US$8.1 million (2015: US$9 million) and have been recognised in the income statement within cost of sales and exploration expenses. Mining concessions rights paid in excess of the special mining right cannot be credited to special mining rights in future fiscal periods, and therefore, no deferred tax asset has been recognised in relation to the excess.

The effective tax rate for corporate income tax for the six months ended 30 June 2016 is 28.89% (six months ended 30 June 2015: 35.69%) and 35.08% including the special mining right (six months ended 30 June 2015: 43.90%). The main factor that reduced the effective tax rate below 30% is the IEPS tax incentive described above. This impact was partially offset by the effect of foreign exchange rates as a result the appreciation of the US dollar against the Mexican peso.

During 2015 the Group clarified the treatment applied in the computation of the 2014 tax provision regarding the deduction of certain mining-related expenditures. This resulted in an adjustment of US$29.9 million to the 2015 current tax expense with an equal and opposite effect to the deferred tax expense.

8 Earnings per share

Earnings per share (ÒEPSÓ) 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.

As of 30 June 2016 and 30 June 2015, earnings per share have been calculated as follows:

	Six months ended 30 June	
	2016	*2015*
	(in thousands of US dollars)	
Earnings:		
Profit from continuing operations attributable to equity holders of the Company	167,036	76,499
Adjusted profit from continuing operations attributable to equity holders of the Company	90,093	75,267

Adjusted profit is profit as disclosed in the Interim Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$109.9 million gain (US$76.9 million net of tax) (2015: US$1.8 million gain and US$1.2 million net of tax).

Adjusted earnings per share have been provided in order to provide a measure of the underlying performance of the Group, prior to the revaluation effects of the Silverstream contract, a derivative financial instrument.

	Six months ended 30 June	
	2016	*2015*
Number of shares:		
Weighted average number of ordinary shares in issue (Õ000)	736,894	736,894

	Six months ended 30 June	
	2016	*2015*
Earnings per share:		
Basic and diluted earnings per ordinary share from continuing operations (US$)	0.227	0.104
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.122	0.102

9 Property, plant and equipment

The significant changes in property, plant and equipment during the six months ended 30 June 2016 are additions of US$202.8 million (six months ended 30 June 2015: US$246.4 million) and depreciation and amortisation of US$172.4 million, of which US$7.1 million was capitalised as a part of the cost of other fixed assets (six months ended 30 June 2015: US$166.7 million, of which US$5.2 million was capitalised). Additions consist of capitalised interest, mine development works at the underground mines, stripping activity at the surface mines, tailing ponds at Herradura and Cienega, the construction of San Julian phase one facilities, and purchase of mine equipment such as scoops, trams and trucks.

As of 30 June 2016 the Group has contractual commitments related to the construction and acquisition of property, plant and equipment of US$124.1 million (31 December 2015: US$145.5 million)

10 Silverstream contract

Cash received in respect of the period of US$17.4 million (six months ended 30 June 2015: US$15.8 million) corresponds to 1.9 million ounces of payable silver (six months ended 30 June 2015: 1.9 million ounces). As at 30 June 2016, a further US$5.8 million (30 June 2015: US$4.7 million) of cash corresponding to 437,431 ounces of silver is due (30 June 2015: 440,115 ounces).

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

	2016	*2015*
	(in thousands of US dollars)	
Balance at 1 January:	384,771	392,276
Cash received in respect of the period	(17,353)	(15,753)
Cash receivable	(5,778)	(4,665)
Remeasurement gains recognised in profit or loss	109,919	1,761
Balance at 30 June	**471,559**	**373,619**
Less - Current portion	36,209	30,647
Non-current portion	435,350	342,972

During the six months ended 30 June 2016, the most significant driver of the US$109.9 million of unrealised gains recorded in the income statement (six months ended 30 June 2015: gain of US$1.8 million) was the updating of external financial assumptions used to value the Silverstream contract. The most significant of these were an increase in the forward price of silver and the decrease of the reference discount rate (LIBOR).

11 Inventories

	As at 30 June 2016	*As at 31 December 2015*
	(in thousands of US dollars)	
Finished goods[1]	3,415	1,711
Work in progress[2]	212,669	251,900
Ore stockpiles	11,442	-
Operating materials and spare parts	71,977	73,104
Inventories at lower of cost and net realisable value	299,503	326,715
Accumulated write-down of work in progress inventory[3]	-	(22,578)
Allowance for obsolete and slow-moving inventories	(3,562)	(3,562)
Balance at lower of cost and net realisable value	295,941	300,575
Less - Current portion	204,321	224,200
Non-current portion[4]	91,620	76,375

[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.

[3] As of 30 June 2016 the Group reversed the accumulated write down of work in progress inventory amounting US$22.6 million in 2015.

[4] The non-current inventories are expected to be processed more than 12 months from the reporting date.

12 Trade and other receivables

	As at 30 June 2016	*As at 31 December 2015*
	(in thousands of US dollars)	
Trade receivables from related parties (Note 16)[1]	166,422	115,805
Value added tax receivable	62,762	99,948
Advances and other receivable from contractors	15,877	13,641
Other receivables from related parties (Note 16)	5,778	2,769
Loans granted to contractors	2,152	2,595
Other receivables arising on the sale of fixed assets	335	759
Other receivables	3,027	2,775
	256,353	238,292
Provision for impairment of other receivables	(313)	(300)
	256,040	237,992
Other receivables classified as non-current assets:		
Loans granted to contractors	1,625	2,289
	1,625	2,289
	257,665	**240,281**

[1] Trade receivables from related partiesô includes the fair value of embedded derivatives arising due to provisional pricing in sales contracts of US$6.7 million as at 30 June 2016 (December 2015: US$(0.5) million).

13 Cash, cash equivalents and short term investments

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

	As at 30 June 2016	*As at 31 December 2015*
	(in thousands of US dollars)	
Cash at bank and on hand	6,405	4,104
Short-term deposits	574,763	377,316
Cash and cash equivalents	**581,168**	**381,420**

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 four 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.

	As at 30 June 2016	*As at 31 December 2015*
	(in thousands of US dollars)	
Short-term investments	120,000	118,718

Short-term investments are made for fixed periods no longer than four months and earn interest at fixed rates without an option for early withdrawal. As at 30 June 2016 and 31 December 2015 all short-term investments are held in fixed-term bank deposits.

14 Dividends paid

Dividends declared by the Company are as follows:

	Per share US Cents	Amounts $Million
Six months ended 30 June 2016		
Total dividends paid during the period[1]	3.4	24.7
Six months ended 30 June 2015		
Total dividends paid during the period[2]	3.0	22.1

[1] Final dividend for 2015 approved at the Annual General Meeting on 3 May 2016 and paid on 9 May 2016.

[2] Final dividend for 2014 approved at the Annual General Meeting on 18 May 2015 and paid on 22 May 2015.

15 Contingencies

The contingencies in the Groupôs annual consolidated financial statements for the year ended 31 December 2015 as published in the 2015 Annual Report, are still applicable as of 30 June 2016, including the El Bajio agrarian community conflict as described below:

- Minera Penmont (ñPenmontò) has already presented a conceptual mine closure and remediation plan before the Unitarian Agrarian Court in respect of approximately 300 hectares where the Soledad-Dipolos mine is located (out of the total 1,824 hectares which Penmont returned to the El Bajio community in July 2013). Remediation activities however remain pending, since the agrarian members have not permitted Penmont physical access to the lands. Penmont will continue to monitor this situation and reiterate its request before the Agrarian Court in order that access to the lands may be permitted for remediation activities.

- In connection with the foregoing matters, and as previously reported by the Company in prior years, members of the El Bajio agrarian community have presented additional claims, including a separate claim before the Unitarian Agrarian Court, alleging US$65 million in damages as well as requesting the cancellation of Penmontôs mining concessions and environmental permits within the El Bajio lands. The Unitarian Agrarian Court has now issued a final and definitive ruling on the matter denying claimants their allegations, which is consistent with the Companyôs view, as previously reported, that this lawsuit had no merit.

- Various claims and counterclaims have been made between the relevant parties in the El Bajio matter including appeals that are pending as well as criminal complaints between the parties. There remains significant uncertainty as to the finalisation and ultimate outcome of these legal proceedings.

16 Related party balances and transactions

The Group had the following related party transactions during the six months ended 30 June 2016 and 30 June 2015 and balances as at 30 June 2016 and 31 December 2015.

Related parties are those entities owned or controlled by the ultimate controlling party, as well as those who have a minority participation in Group companies and key management personnel of the Group.

(a) Related party accounts receivable and payable

	Accounts receivable As at 30 June 2016	*As at 31 December 2015*	*Accounts payable As at 30 June 2016*	*As at 31 December 2015*
	(in thousands of US dollars)			
Trade:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	166,332	115,786	-	130
Other:				
Industrias Peñoles, S.A.B. de C.V.	5,778	2,769	-	-
Servicios Administrativos Peñoles, S.A de C.V.	-	-	2,787	366
Servicios Especializados Peñoles, S.A. de C.V.	-	-	2,019	1,804
Fuerza Eólica del Istmo, S.A. de C.V.	-	-	-	916
Other	90	19	354	921
	172,200	118,574	5,160	4,137

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

Other balances due from related parties:

	As at 30 June 2016	*As at 31 December 2015*
	(in thousands of US dollars)	
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	471,559	384,771

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

(b) Principal transactions with affiliates are as follows:

	Six months ended 30 June 2016	*2015*
	(in thousands of US dollars)	
***Income*:**		
Sales[1]:		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	885,358	751,484
Other income	891	375
Total income	**886,249**	**751,859**

[1] Figures do not include hedging gains as the derivative transactions are not undertaken with related parties. Figures are net of the adjustment for treatment and refining charges of US$74.1 million (2015: US$70.9 million).

	Six months ended 30 June 2016	2015
	(in thousands of US dollars)	
***Expenses*:**		
Administrative Services:		
Servicios Administrativos Peñoles, S.A. de C.V.[2]	10,297	10,288
Servicios Especializados Peñoles, S.A. de C.V.[2]	8,327	9,042
	18,624	19,330
Energy:		
Fuerza Eólica del Istmo, S.A. de C.V.	1,794	1,863
Termoeléctrica Peñoles, S. de R.L. de C.V.	7,615	11,296
	9,409	13,159
Operating materials and spare parts:		
Wideco Inc	2,247	2,802
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	871	2,228
	3,118	5,030
Equipment repairs and administrative services:		
Serviminas, S.A. de C.V.	2,947	1,925
Insurance premiums:		
Grupo Nacional Provincial, S.A.B. de C.V.	949	2,624
Other expenses:	4,285	3,491
Total expenses	39,332	45,559

[2] Based on the Service Agreement with Servicios Administrativos Peñoles, S.A. de C.V., (ñSAPSAò) and Servicios Especializados Peñoles, S.A. de C.V. (ñSEPSAò), wholly owned Peñolesôsubsidiaries, the companies provided administrative services during the six months ended 30 June 2016 for a total amount of US$18.6 million (US$19.3 million for the six months ended 30 June 2015). Services include administrative expenses of US$14 million (US$15.9 million for the six months ended 30 June 2016) and US$4.6 million operating expenses capitalised as exploration and development expenditure (US$3.4 million for six months ended 30 June 2015).

(c) Compensation of key management personnel of the Group

Key management personnel include the members of the Board of Directors and the Executive Committee who receive remuneration.

	Six months ended 30 June 2016	2015
	(in thousands of US dollars)	
Salaries and bonuses	1,996	1,894
Post-employment pension	106	129
Other benefits	154	125
Total compensation paid to key management personnel	2,256	2,148

17 Notes to the consolidated statement cash flows

	Notes	*Six months ended 30 June* *2016*	*2015*
		(in thousands of US dollars)	
Reconciliation of profit for the period to net cash generated from operating activities			
Profit for the period		165,626	76,368
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation		165,327	159,733
Employee profit sharing		10,243	6,271
Deferred income tax expense/(benefit)	7	238	(1,799)
Current income tax expense	7	89,271	61,571
Loss on the sale of property, plant and equipment and other assets		910	804
Other (gains)/losses		(148)	1,424
Impairment of available-for-sale financial assets		-	761
Net finance costs		15,315	22,633
Foreign exchange loss		3,121	8,200
Difference between pension contributions paid and amounts recognised in the income statement		124	420
Non cash movement on derivatives	6	135,126	(19,733)
Changes in fair value of Silverstream	10	(109,919)	(1,761)
Working capital adjustments			
Increase in trade and other receivables		(10,702)	(2,182)
Decrease in prepayments and other assets		1,368	2,608
Decrease/(increase) in inventories		4,634	(16,077)
Increase/(decrease) in trade and other payables		5,247	(2,369)
Cash generated from operations		**475,781**	**296,872**
Income tax paid		(55,394)	(22,340)
Employee profit sharing paid		(12,492)	(11,117)
Net cash from operating activities		**407,895**	**263,415**

18 Financial instruments

a. Fair value category

As at 30 June 2016

US$ thousands

Financial assets:	At fair value through profit or loss	Available-for-sale investments at fair value through OCI	Loans and receivables	At fair value through OCI (cash flow hedges)
Trade and other receivables[1]	-	-	178,004	-
Available-for-sale financial assets	-	136,371	-	-
Silverstream contract (Note 10)	471,559	-	-	-
Embedded derivatives within sales contracts[1]	6,724	-	-	-
Derivative financial instruments	109	-	-	1,039
Financial liabilities:		At fair value through profit or loss	At amortised Cost	At fair value through OCI (cash flow hedges)
Interest-bearing loans		-	797,539	-
Trade and other payables		-	79,620	-
Derivative financial instruments		103	-	72,843

1 Trade and other receivables and embedded derivatives within sales contracts are presented net in Trade and other receivables in the balance sheet.

As at 31 December 2015

US$ thousands

Financial assets:	At fair value through profit or loss	Available-for-sale investments at fair value through OCI	Loans and receivables	At fair value through OCI (cash flow hedges)
Trade and other receivables[1]	-	-	127,224	-
Available-for-sale financial assets	-	71,442	-	-
Silverstream contract (Note 10)	384,771	-	-	-
Derivative financial instruments	1	-	-	117,075
Financial liabilities:		At fair value through profit or loss	At amortised Cost	At fair value through OCI (cash flow hedges)
Interest-bearing loans		-	797,032	-
Trade and other payables		-	97,440	-
Embedded derivatives within sales contracts[1]		532	-	-
Derivative financial instruments		-	-	1,427

[1] Trade and other receivables and embedded derivatives within sales contracts are presented net in Trade and other receivables in the balance sheet.

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 fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, other than those with carrying amounts that are a reasonable approximation of their fair values, are as follows:

	Carrying amount		Fair value	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
		US$ thousands		
Financial liabilities:				
Interest-bearing loans[1]	797,539	797,032	861,040	805,352

[1] The fair value of interest-bearing loans is derived from quoted market prices in active markets (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 2016 Fair value measure using			
	Quoted prices in active markets (Level 1)	Significant observable (Level 2)	Significant unobservable (Level 3)	Total
	US$ thousands			
Financial assets:				
Derivative financial instruments:				
Embedded derivatives within sales contracts	-	-	6,724	6,724
Option commodity contracts	-	1,039	-	1,039
Option and forward foreign exchange contracts	-	109	-	109
Silverstream contract (Note 10)	-	-	471,559	471,559
Financial assets available-for-sale:				
Quoted investments	136,371	-	-	136,371
	136,371	**1,148**	**478,283**	**615,802**
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	-	72,448	-	72,448
Option and forward foreign exchange contracts	-	498	-	498
	-	**72,946**	**-**	**72,946**

	As of 31 December 2015 Fair value measure using			
	Quoted prices in active markets (Level 1)	Significant observable (Level 2)	Significant unobservable (Level 3)	Total
	US$ thousands			
Financial assets:				
Derivative financial instruments:				
Option commodity contracts	-	116,995	-	116,995
Option and forward foreign exchange contracts	-	80	-	80
Silverstream contract (Note 10)	-	-	384,771	384,771
Financial assets available-for-sale:				
Quoted investments	71,442	-	-	71,442
	71,442	**117,075**	**384,771**	**573,288**
Financial liabilities:				
Derivative financial instruments:				

Embedded derivatives within sales contracts	-	-	532	532
Option and forward foreign exchange contracts	-	1,427	-	1,427
	-	**1,427**	**532**	**1,959**

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

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

	2016	2015
	US$ thousands	
Balance at 1 January	(532)	(2,911)
Changes in fair value	6,609	(2,250)
Realised embedded derivatives during the year	647	3,671
Balance at 30 June	**6,724**	**(1,490)**

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 option commodity (Level 2) 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 foreign currency forward (Level 2) 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

The fair value of the Silverstream contract is determined using a valuation model (for further information relating to the Silverstream contract see Note 10). This derivative has a term of over 20 years and the valuation model utilises a number of inputs that are not based on observable market data due to the nature of these inputs and/or the duration of the contract. Inputs that have a significant effect on the recorded fair value are the volume of silver that will be produced and sold from the Sabinas mine over the contract life, the future price of silver, future foreign exchange rates between the Mexican peso and US dollar, future inflation and the discount rate used to discount future cash flows.

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

Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs described above, and determines their impact on the total fair value. The significant unobservable inputs are not interrelated. The fair value of the Silverstream contract is not significantly sensitive to a reasonable change in future inflation, however, it is to a reasonable change in future silver price, future exchange rate and the discount rate used to discount future cash flows as explained in Note 10.

The following table demonstrates the sensitivity of the Silverstream contract valuation to reasonably possible change in those inputs:

30 June 2016	Increase/ (decrease)	Effect on profit before tax: increase/ (decrease) *US$ thousands*
Silver price	15%	93,686
	(15%)	(93,686)
Foreign exchange rate: strengthening/(weakening) of the US dollar	10%	(1,329)
	(5%)	769
Interest rate	35 basis point	(14,869)
	(15 basis point)	6,607

31 December 2015	Increase/ (decrease)	Effect on profit before tax: increase/ (decrease) *US$ thousands*
Silver price	20%	104,659
	(15%)	(78,494)
Foreign exchange rate: strengthening/(weakening) of the US dollar	10%	(1,622)
	(10%)	1,982
Interest rate	50 basis point	(15,067)
	(10 basis point)	3,123

Quoted investments

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

Interest-bearing loans

Fair value of the Groupôs interest-bearing loan is derived from quoted market prices in active markets.

Embedded derivatives within sales contracts:

Sales of concentrates, precipitates and doré bars are óprovisionally pricedô and revenue is initially recognised using this provisional price and the Groupôs 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 is separated from the sales contract.

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.

At 30 June 2016 the fair value of embedded derivatives within sales contracts was a gain of US$7.2 million (31 December 2015: gain of US$2.3 million). The revaluation effects of embedded derivatives arising from these sales contracts are recorded as an adjustment to revenue.

c. Derivative financial instruments

The Group enters into certain forward and option contracts in order to manage its exposure to foreign exchange risk associated with costs incurred in Mexican pesos and other currencies. The Group also enters into option contracts to manage its exposure to commodity price risk.

The following table summarize the fair value of derivative financial instruments held as of 30 June 2016 and 31 December 2015.

	As at 30 June 2016	*As at 31 December 2015*
	(in thousands of US dollars)	
Assets:		
Currency contracts		
Forward contracts		
Euro	49	1
Swedish krona	60	1
Option Contracts[1]		
US dollar	-	78
Commodity contracts		
Option Contracts[1]		
Gold	-	113,000
Lead	588	1,060
Zinc	451	2,935
Total derivative related assets	**1,148**	**117,075**
Less – Current portion	**1,148**	**19,602**
Non-current portion[2]	**-**	**97,473**

	As at 30 June 2016	*As at 31 December 2015*
	(in thousands of US dollars)	
Liabilities:		
Currency contracts		
Forward contracts		
Euro	20	-
Canadian dollar	83	-
Option Contracts[1]		
US dollar	396	1,427
Commodity contracts		
Option contracts[1]		
Gold	72,448	-
Total derivative related liabilities	**72,947**	**1,427**
Less – Current portion	**6,957**	**1,427**
Non-current portion[2]	**65,990**	**-**

[1] Option contracts operate as zero cost collars.

[2] Non-current portion corresponds to Gold option contracts that mature in a period over one year from the reporting date until 30 December 2019.