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6 August 2013

Fresnillo plc interim results
for the six months to 30 June 2013

Financial highlights (H1 2013/H1 2012 comparisons)

- Average realised silver price US$24.67 per oz, down 20.3%
- Average realised gold price US$1,471.67 per oz, down 10.6%
- Adjusted Revenue[1] of US$982.3m, down 14.0%
- Gross Profit of US$518.9m, down 27.0%
- EBITDA[2] decreased by 29.1% to US$486.3m in line with the EBITDA margin which decreased to 52.5% from 63.2%
- Profit attributable to equity shareholders of the Company, excluding Silverstream revaluation effects, decreased by 34.2% to US$225.6m (post-tax Silverstream revaluation effects: US$80.8m loss)
- Cash generated by operations before changes in working capital US$496.4m, down 30.7%
- Strong balance sheet with cash position as at 30 June 2013 of US$570.8m and no debt
- Basic and diluted EPS decreased by 61.1% to US$0.200 per share
- Interim dividend 4.90 US cents per share

Operational highlights

- Attributable silver production of 20,980kOz (including Silverstream), up 4.5% due to the continuous ramp-up of Saucito and higher ore grade and volume of ore processed from San Ramón.
- Attributable gold production decreased by 5.2% as a result of a slower recovery rate and lower ore deposited at Soledad-Dipolos and the anticipated decline in Cienega's ore grade.
- The construction of the dynamic leaching plant at Herradura continues to be on track to start up in the fourth quarter of 2013.

[1] Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude lead hedging and treatment and refining charges.
[2] Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative, selling and exploration expenses.

- The construction of San Julián continued on track while the detailed engineering for the processing plant progressed ahead of schedule at the Saucito II project.
- Encouraging exploration results were achieved at the Ciénega, Fresnillo and Herradura Districts. Good gold and silver mineralisation was obtained at Guanajuato District.
- Drilling programmes were concluded at Orisyvo and Lucerito, where the resource model will be developed in 2H13, as well as at the Coneto and Cebadillas prospects.
- As a result of the strategy review considering current market conditions:
  - we will continue to focus on reducing costs and improving efficiencies
  - the Group's capex remains largely unchanged
  - the exploration budget US$242.8m was reduced from US$279.8m
- On track to achieve full year production target of 41moz of silver (including Silverstream) and revised target of 465,000oz of attributable gold in 2013.

Highlights for 1H13

US$ million unless stated	H1 13	H1 12	% change
Silver Production (koz) – Attributable*	20,980	20,072	4.5
Gold Production (oz) - Attributable	235,827	248,795	-5.2
Total Revenue	925.9	1,085.2	-14.7
Adjusted Revenue[1]	982.3	1,141.7	-14.0
Exploration expenses	114.7	104.0	10.3
EBITDA[2]	486.3	685.6	-29.1
Attributable Profit	144.8	368.8	-60.7
Cash generated by operations before changes in working capital	496.4	716.7	-30.7
Basic and Diluted EPS (US$)[3]	0.200	0.514	-61.1
Dividend per ordinary share (US$)	0.0490	0.1550	-68.4

* Silver production includes volumes realised under the Silverstream Contract.

1 Adjusted Revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges.

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 was 724,615 in the first half of 2013 (717,160 in 1H12) . See Note 7 in the Consolidated Financial Statements.

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

"Fresnillo enjoyed a strong operational performance in the first half, with attributable silver production up 6.9% (excluding the Silverstream). As Saucito continues to ramp up and the grades at Fresnillo move higher to more normal levels, we are on track to meet our 41 million ounces of silver target this year. Our gold production target is 465,000 ounces for the year.

"I am sad to report that we had two fatalities – one from our Saucito mine in June and one in July at the Dynamic Leaching Plant under the supervision of an outsourced engineering and construction team. We continue to focus on our "No More Accidents" programme and will not be satisfied until we achieve that goal.

"The dramatic decline in gold and silver prices since mid April had a significant impact on revenues over the half year. This coupled with higher production costs associated with higher volumes from the expanded business and higher electricity and diesel prices pushed EBITDA and profit lower. In light of this backdrop Fresnillo plc's continued focus on cost cutting and operational efficiency remains more relevant than ever and we remain confident that our assets will continue to be amongst the lowest cost precious metals producers.

"Our project pipeline and investment in exploration is critical to our success as a sustainable long term producer that generates free cash, creates value and can grow profitably in any metal price environment. Fresnillo has the assets, the discipline to control costs and the strong balance sheet to achieve that goal for the benefit of all stakeholders."

Commentary on the Group's results

During the first half of 2013, the Group's financial results were impacted by the decline in precious metals prices resulting from the economic volatility that has been driven in large part by the speculation about central bank sales, ETF liquidations and the potential end of quantitative easing.

As a result, our average realised silver price decreased by 20.3% when compared to the first half of 2012. Similarly, the average realised gold price fell by 10.6% when compared to the same period in 2012. This affected the Group's adjusted revenues which decreased by 14.0% over the first half of 2012.

Our cost of sales increased by 8.7% compared to the first half of 2012, mainly as a result of higher adjusted production costs (+29.4%) which stemmed from: i) the additional two months of operation at Noche Buena in 2013; ii) the 5.3% revaluation of the Mexican peso against the US dollar; iii) higher unit prices of electricity (+9.9%) and diesel (+24.4%); iv) the 2.9 % increase in the weighted average cost of operating materials; v) the 6.0% rise in wages in Mexican pesos; and vi) higher stripping ratio at the Soledad-Dipolos and Noche Buena mines, longer distances as the pits are deepened and increased rock bolting, shotcreting and scaling activities.

During the first half of 2013, costs per tonne increased in all our operating mines for the reasons mentioned above, except at Saucito and Ciénega which benefited from the economies of scale from the increase in the volume of ore processed.

Total gross profit decreased 27.0% when compared to the first half of 2012 from US$710.9 million to US$518.9 million as a result of the lower average realised metal prices, lower production from the Fresnillo mine and slower recovery rates at Soledad-Dipolos. Furthermore, the increase of 29.4% in the adjusted production costs also contributed to the decline in the consolidated gross profit. However, these negative effects were partially mitigated by higher production at Saucito, Ciénega and Noche Buena.

We continue to pursue our strategy to strengthen the Group's project pipeline and achieve sustainable growth through investing across the cycle to expand our resource base. In the first half, the Group spent US$57.4 million at our exploration projects. This figure is in line with the authorised annual budget of US$115 million (not including in-mine exploration and new development).

In the first half 2013, encouraging results were obtained at Herradura, Fresnillo and Ciénega Districts as well as in the Guanajuato District. In addition, the 2013 drilling programme was concluded at Orisyvo and Lucerito where the new resource model will be developed. We will continue with our intensive exploration programme throughout the rest of the year.

As a result of the lower gross profit and higher exploration expenses, EBITDA decreased by 29.1% when compared to the first half of 2012. Similarly, EBITDA margins decreased to 52.5% from 63.2% in the same period in 2012 but remain strong.

The downward revaluation of the Silverstream also affected the financial results in the first half mainly due to the decrease in silver prices as we are required to calculate the fair value of the Silverstream contract every six months. During this period, the Silverstream was revalued downwards by US$112.5 million, compared with an upward revaluation of US$36.4 million in the first half of 2012.

Income tax expense declined by 57.1% to US$73.0 million, reflecting the lower profits obtained during this period. The effective tax rate was 29.2%.

Net profit for the period was US$176.8 million, a 59.7% decrease when compared to the first half 2012. Profit attributable to equity shareholders of the group totalled US$144.8 million a decrease of 60.7% when compared to the same period in 2012.

During the first half of 2013, cash flow generated by operations, before changes in working capital of US$496.4 million, decreased by 30.7% over the same period of 2012 as a result of the lower profits. In addition, working capital increased by 25.4% mainly as a result of higher gold inventories at Soledad-Dipolos and Noche Buena.

The Group continues to have a very strong balance sheet with no bank debt and US$570 million in cash and cash equivalents as at 30 June.

In order to comply with the changes to the Ground Rules of the FTSE UK Index Series which requires constituents to maintain a minimum free float of 25% or more, the Group issued 19,733,430 new ordinary shares which represent 2.74% of the number of the existing shares. This resulted in proceeds of US$346.1 million, which are being used for general corporate purposes and working capital requirements.

During the first half of 2013, the 2012 final dividend which totalled US$304.1 million was paid to shareholders. Directors have recommended an interim dividend of 4.90 US cents per share amounting to US$36.11 million which will be paid on 10 September 2013 in accordance with the Company's stated dividend policy.

Capital expenditure totalled US$324.1 million, an increase of 34.8% when compared to the first six months of 2012. Investments included the continuous mining works mainly at the San Julián project, Fresnillo and Ciénega, purchase of in-mine equipment and construction of the dynamic leaching plant as well as the leaching pads at Herradura, Soledad-Dipolos and Noche Buena. Further information is provided in note 3 to the Consolidated Financial Statements.

Growth

Sustainable and profitable growth for all stakeholders is the key to Fresnillo plc's future success. As a result we continue to strengthen our project pipeline and during the first half of 2013 significant progress was achieved in the construction of the dynamic leaching plant at Herradura. Further adjustments to the mills' components were carried out and the assembly of the remainder of the structure of the milling building continued. Similarly, several components of the crushing station were also installed. In addition, the construction of the tailings dam at Herradura continued with further progress in the installation of liners whilst civil works for the pumping station started. This project will be concluded in the third quarter of 2013 and will start up operation in the fourth quarter 2013. This project will increase gold production by a total of 412,000 ounces over the 2013-2020 period.

The construction of the Saucito II project continued with further progress in engineering and equipment delivery as well as the preparation of the site for the tailings dam construction.

During the first half of 2013 further progress was reached in the engineering of both the flotation and leaching plants at the San Julián project, with the conclusion of the layout for the leaching plant and the crushing facilities location defined, whilst in the flotation plant, engineering for the auxiliary buildings continued.

Outlook

At Fresnillo, we have a long experience in mining and have operated throughout a number of economic cycles. We understand the need to look beyond short term economic volatility and market uncertainty and focus on building a sustainable and profitable business for the long term.

We will continue to focus on our strong operational performance, while reducing costs and improving efficiencies, and always with the utmost attention to safety. We will continue to invest through the cycle, bringing on profitable growth projects and exploring to keep our pipeline strong. We will always be prudent with the way in which we allocate capital, whether that is returning cash to shareholders or investing in the business.

Therefore, even under the current challenging environment, we remain confident of achieving our long-term goals for the benefit of all stakeholders.

Presentation for Analysts

Octavio Alvídrez, Chief Executive Officer, and Mario Arreguín, Chief Financial Officer, will host a presentation for analysts on Tuesday 6th 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)1452 555 566

Conference ID: 25367848

A replay of the conference call will be available for 7 days after the call at:

Dial in number: +44 (0)1452 550 000

Conference ID: 25367848

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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 Stock Exchange under the symbol FRES.

Fresnillo has six operating mines, all of them in Mexico - Fresnillo, Saucito, Ciénega (including the San Ramón satellite mine), Herradura, Soledad-Dipolos and Noche Buena; three development projects – a dynamic leaching plant to treat high grade gold ore from the Herradura and Soledad-Dipolos mine; San Julián and Saucito II and four advanced exploration prospects – Centauro Deep, Juanicipio, Orysivo and Las Casas Rosario as well as a number of other long term exploration prospects. In total, has mining concessions covering approximately 2.1 million hectares in Mexico.

Fresnillo 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 both silver and gold.

Fresnillo's goal is to maintain the Group's position as the world's largest primary silver company, producing 65 million ounces of silver and 500,000 ounces of gold by 2018.

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.

Operational Review

Attributable silver production, including the Silverstream, increased by 4.5% over the first half of 2012 due to the successful ramp-up at Saucito and increased volumes of ore processed from the San Ramón satellite mine at Cienega. Based on these results, management reiterates its confidence towards achieving the Group's full-year production target of 41 million ounces of silver.

Attributable gold production decreased by 5.2% when compared to the first half of 2012 due to the slower recovery rate at Soledad-Dipolos and Herradura, as well as the anticipated lower ore grade at Ciénega. However, this was partially mitigated by the ramp-up of production at Noche Buena, and to a lesser extent, the slightly higher production at Saucito. For the first time, the Group has lowered its gold production guidance to 465,000 ounces (-5.1%) as a result of the court ruling against Fresnillo plc with regard to the Soledad-Dipolos mine explained in more detail on page 11.

Our growth pipeline continued to be strengthened with significant progress made in the construction of the dynamic leaching plant, Saucito II and San Julián projects. Furthermore, encouraging exploration results were obtained at the Fresnillo and Herradura Districts, whilst drilling activities continued at several prospects with good potential, including the Guanajuato District.

Notwithstanding, the prevailing challenging conditions within the mining industry, the Group remains confident of achieving its long-term targets by extracting the best from its high-quality assets, experienced management team and low cost profile.

Production

Production	H1 2013	H1 2012	% change
Silver (kOz) - attributable	19,144	17,912	6.9
Silverstream prod'n (kOz)	1,836	2,160	-15.0
Total Silver prod'n (kOz)	20,980	20,072	4.5
Gold (Oz) - attributable	235,827	248,795	-5.2
Lead (t)	12,421	12,844	-3.3
Zinc (t)	11,957	13,565	-11.9

Attributable silver production (including the Silverstream) increased to 20.9 million ounces when compared to the same period of 2012 mainly due to the increased volume of ore processed and the improved silver ore grade at the Saucito mine resulting from the access gained to the Jarillas vein. Furthermore, the increase in ore throughput and higher silver ore grade from San Ramón also benefited silver production. These positive factors more than offset the lower production at Fresnillo which resulted from the anticipated decline in ore grade and the temporarily lower efficiency achieved by contractors.

Year to date attributable gold production decreased by 5.2% due to the slower recovery rates and lower volumes of ore processed at Soledad-Dipolos, lower ore grade at Ciénega and lower recovery rates at Herradura. However, the increased production at Noche Buena partially mitigated this negative effect.

Year to date by-product zinc and lead production decreased by 11.9% and 3.3% respectively when compared to the first six months of 2012. Lead production decreased as a result of the lower ore grade and reduced volumes of ore processed at Fresnillo and to a lesser extent due to the lower ore grade at Ciénega. Meanwhile, zinc production decreased due to lower ore grades at Ciénega and Fresnillo.

Fresnillo mine production

Production	H1 2013	H1 2012	% change
Silver (kOz)	11,197	13,366	-16.2
Gold (Oz)	13,640	15,880	-14.1
Lead (t)	7,165	8,702	-17.7
Zinc (t)	6,886	8,309	-17.1

Silver production for the first half 2013 decreased 16.2% when compared to the same period of 2012 as a result of: i) the anticipated lower ore grade as previously announced and ii) lower ore processed due to the delayed mining works and development activities carried out by contractors which resulted in a limited access to several stopes.

The silver ore grade is expected to be maintained at levels of around 300 g/tonne in 2013.

Additionally, we continue to evaluate the potential to expand the milling capacity at Fresnillo.

Year to date by-product lead, zinc and gold production decreased when compared to the first half 2012 as a result of lower ore grades and to a lesser extent, lower volumes of ore processed.

Saucito mine production

Production	H1 2013	H1 2012	% change
Silver (kOz)	5,628	3,248	73.3
Gold (Oz)	22,041	21,720	1.5
Lead (t)	2,581	1,146	125.2
Zinc (t)	2,151	711	202.5

Year to date silver production increased by 73.3% when compared to the first half of 2012 due to: i) access to the rich Jarillas vein, where ore grades are higher than those at Saucito and Mezquite; ii) increased volumes of ore processed as a result of the expected ramp-up of the mine and iii) additional material processed from the development activities at Jarillas and Mezquite veins which were not available in 2012.

Gold production for the first half of 2013 slightly increased by 1.5% when compared to the same period of 2012 due to higher volumes of ore processed which was offset in part by the lower ore grade. Furthermore, by-product zinc and lead year to date production significantly increased by 202.5% and 125.2% respectively as a result of higher ore grade as well as ore milled and to a lesser extent, higher zinc recovery.

Saucito is on track to produce approximately 8.5 million ounces of silver and 40,000 ounces of gold in 2013.

Ciénega mine production

Production	H1 2013	H1 2012	% change

Gold (Oz)	59,644	65,331	-8.7
Silver (kOz)	2,188	1,190	83.9
Lead (t)	2,675	2,997	-10.7
Zinc (t)	2,919	4,545	-35.8

Year to date gold production decreased 8.7% when compared to the same period of 2012 due to the anticipated lower ore grade (-20.8%; 3.13 g/tonne 1H13 vs 3.96 g/tonne 1H12) and greater dilution in narrow veins. However, this effect was partially compensated by the increase in ore throughput as a result of the optimisation of the maintenance programme and milling process at Cienega's mine, and higher volumes of ore processed from San Ramón (215,495 tonnes).

As expected, silver production for the first six months of 2013 significantly increased by 83.9% when compared to the same period of 2012 as a result of the higher silver ore grade (+59.1%; 127.17 g/tonne 1H13 vs 79.94 g/tonne 1H12) from the San Ramón satellite mine and increased volume of ore throughput. This production profile will continue to the extent that Ciénega will primarily become a silver mine as gold ore grades steadily decrease until they reach the reserve level.

By-product zinc and lead year to date production decreased 35.8% and 10.7% respectively when compared to the first six months of 2012 as a result of lower ore grade.

Herradura mine production - Attributable

Production	H1 2013	H1 2012	% change
Gold (Oz)	91,233	94,394	-3.3
Silver (kOz)	112	84	33.3

Attributable gold production for the six months of 2013 decreased 3.3% when compared to the same period of 2012 as a result of a slower recovery rate due to the higher height of the leaching pads which slowed the leaching process. Nevertheless, increased gold ore grades partially mitigated this effect. The recovery rate is expected to increase in the second half of 2013 once the first phase of the tenth leaching pad is concluded.

By-product silver production for the first half 2013 increased 33.3% when compared to the corresponding period of 2012 due to a higher recovery rate.

Encouraging results from the exploration activities at Centauro Deep were obtained, during the first half of 2013 diamond drilling reached 27,797 metres. Additionally, 3,254 metres of development works were also carried out. Furthermore, diamond drilling continued during the first half of 2013 in order to evaluate the expansion of the Centauro Pit (Mega Centauro project). Additional exploration will be needed to better determine the potential of this area.

Soledad-Dipolos mine production - Attributable

Production	H1 2013	H1 2012	% change
Gold (Oz)	22,226	38,864	-42.8
Silver (kOz)	14	21	-33.3

Attributable gold production decreased by 42.8% when compared to the same period of 2012 as a result of slower recovery rate due to low gold concentration in the solution resulting in a slower leaching process. However, the lower ore deposited but with higher gold ore grades partially compensated the aforementioned effects.

As previously noted in the Group's production report of 17 July 2013, the impact of the decision by the Court in Sonora on the El Bajío litigation is likely to result in a loss of gold production of 25,000 ounces from the overall expected production for the year of 490,000 ounces; this loss of production represents just 5.1% of the Group's total gold production. The difference between the net present value (NPV) of Fresnillo plc against the NPV of Fresnillo plc without Dipolos is less than 1%.

The local Magistrate in Sonora, who issued the order for Minera Penmont to vacate the land, has also issued requests to the Ministry of Defense which has resulted in a temporary suspension of Minera Penmont's explosives permits (not only at Dipolos but also at Soledad, Herradura and Noche Buena). Minera Penmont has presented legal proceedings before authorities requesting re-activation of its explosives permits outside Dipolos (at the Soledad, Herradura and Noche Buena mines). Minera Penmont is currently evaluating and implementing other legal routes to lift the suspension of explosives order and is of the opinion that the explosives suspension is excessive since it goes beyond the area of land pertaining to the original court order.

Minera Penmont expects to obtain relief for lifting the explosives suspension in the short term, although no assurances can be given.

Minera Penmont has not been affected to date in its production from Herradura and Noche Buena given the fact that sufficient ore has been available for deposit on the leaching pads which has permitted continuance of operations. Sufficient inventory to maintain current operations will be available in the case of Herradura, until early August and in the case of Noche Buena, until late August. Production of doré will not be interrupted as both mines will continue processing ore that has already been deposited on the leaching pads.

See also note 15 to the Consolidated Financial Statements.

Noche Buena mine production - Attributable

Production	H1 2013	H1 2012	% change
Gold (Oz)	27,044	12,606	114.5
Silver (kOz)	5	4	25.0

The continued ramp-up at Noche Buena led to an increase in attributable gold production of 114.5% when compared to the first six months of 2012. This was due to the additional months of operation in 2013 compared to 2012, when commercial operations only began in March. Increased recovery rates also contributed to the increase in gold production.

The expansion of the Noche Buena mine was approved by the Executive Committee and is expected to increase average annual gold production to 75,000 attributable ounces once it reaches full capacity in 2014.

Growth Projects

Dynamic leaching plant at Herradura

In the first six months of 2013, further progress was made in the construction of the dynamic leaching plant, which is expected to begin operations in 4Q13. The components for the mill were already installed and the assembly of the milling building structure continued. The construction of the thickeners was finished as well as the foundations for the crusher. Additionally, some components of the crushing station were also installed.

The construction of the tailings dam progressed according to schedule with further installation of liners. Furthermore, the structure for the reagents warehouse was concluded and the sodium cyanide tanks were assembled.

Workers who will be operating this plant have been training at Saucito and Ciénega's beneficiation plants.

This project is expected to increase gold production by a total of 412,000 ounces over the 2013-2020 period.

Saucito II

Board approval of the expansion of the Saucito mine (Saucito II project) was granted in March 2013 and progress has been made in finalising the detailed engineering for the new plant. Permits for the construction of the tailings dam were obtained.

This US$235.0 million project is expected to be concluded in the first half of 2015. It will produce an average of 8.4 million ounces of silver and 35,000 ounces of gold per year at full capacity.

San Julián

Construction of the San Julián Project continued. Engineering progressed as expected with the conclusion of the diagrams for the leaching plant. The layout for the plant and location for the crushing station were defined. Additionally, diagrams for the mills were delivered to the engineering firm for their inspection

Construction of the landing strip was concluded in February 2013.

This project is expected to start production in the second half of 2014 and will produce an average of 9.6 million ounces of silver and 40,000 ounces of gold per year once at full capacity.

Exploration

The 2013 exploration budget was set at US$115 million (not including in mine exploration and new development), with US$57.4 million spent in 1H 2013 focused near our mining operations and advanced exploration projects. Approximately 65% of the expenditure was devoted to drilling, with 336,550 metres of core and reverse circulation completed using 40 rigs. Health, Safety, Environment, and Community Relations work progressed as planned, and no lost time accidents occurred in the period.

Exploration in the Herradura District continues to deliver good results. At Mega Centauro, gold grades intersected confirm continuity of the ore bodies, increasing both the open-pittable disseminated reserves and underground higher grades resources. Mine workings including crosscuts and ramps were advanced to 3.3 kilometers at Centauro Deep. Gold mineralisation has been confirmed both east and west of the current pit at Noche Buena and the drilling programme has been extended. Widespread low grade gold values near surface were obtained at the Tajitos prospect and metallurgical testing and a preliminary economic analysis are in progress.

At the Ciénega District, resources from Las Casas vein system were incorporated into the mine's medium-term development plan. Exploration results were positive at the San Ramón satellite operation, where good exploration potential remains to be tested in four ore-shoots within the vein system. Other gold and silver prospects in the region are being systematically evaluated with mapping and channel sampling.

Drilling continues at selected targets in the Fresnillo District, both east of the Saucito mine and northwest of the main Fresnillo operation. Encouraging results have been obtained by drill testing exploration targets developed using a multidisciplinary approach which includes alteration vectoring, geochemistry, geophysics, and structural geology. At the Juanicipio project infill and geotechnical holes are on schedule.

At the San Julián project, systematic drilling of blind targets in the north part of the district resulted in the discovery of two additional gold-silver bearing veins, currently under evaluation. Gold and silver mineralisation continues to be encountered in drilling at the Guanajuato district, where good results were obtained from the El Gigante, Opulencia, La Joya, and El Chorro vein systems. The rental contract to a third party of the Guanajuato Torres mining concessions and mill, including surface land, expired and Fresnillo plc has taken control of the property as planned. The installations and mining potential are being evaluated.

The 2013 drilling programmes at Orisyvo and Lucerito were successfully concluded and a new resource model for these localities will be developed in the second half of the year. At Orisyvo, metallurgical testing indicates acceptable gold recoveries from both oxide and selected sulphide ores; an exploratory adit in the north oxide zone advanced 260 meters and the lower adit was extended to 625 meters through the better grade sulphide core. At Lucerito metallurgical investigation is in progress and the results will be incorporated in a preliminary economic analysis to be commissioned. Drill programmes at the Coneto project, and at the Cebadillas prospect were concluded and follow-up drilling in 2014 at both of these prospects is warranted.

Geological work as well as social and environmental permitting are advancing at the Datil, Bellavista, Guazapares, and Guachichil prospects in México, and at Pilarica prospect in Perú, where drilling is planned in the second half of 2013. Regional prospection programmes and evaluations of selected properties continue in favorable precious metal belts both in México and Perú.

Health and safety, human resources, environment and community relations

During the first half of 2013 the Group has continued with the implementation and follow up of different health programmes to promote the wellbeing of our employees. The health campaigns, in coordination with health NGOs, have been carried out at operative and exploration sites; these have also been promoted in the schools of our local communities.

The "No More Accidents" programme includes five lines of action which focus on operational discipline, accidents and incidents investigation and improvement in behaviour around attitude to safety.

Notwithstanding, we reported a fatal accident during this period at our Saucito mine and regrettably, another one at the dynamic leaching plant (Herradura District) in July of a worker who was under the supervision of an outsourced engineering and construction team. Both accidents resulted from a breach of safety procedures. We will continue to prioritise safety to achieve our zero fatal accident target with an emphasis on safety training, implementation of a behavioral change and adherence to the safety guidelines throughout the company.

For the first half of 2013, Fresnillo plc's workforce totalled 1,183 employees, 2,701 unionised workers and 3,327 contractors. We also concluded the annual wage negotiations with the mining union and agreed a 6.0% wage increase in Mexican pesos.

Our commitment to employee development continued with training programmes throughout the whole company. During the period the "Leaders with Vision" programme took place reinforcing the required abilities and skills to be a leader and promoting further knowledge of the company's processes. We have also continued with the follow up of our personnel performance evaluation to identify areas of opportunity and promote communication. In addition, the first generation of mining technicians from the CETEF graduated during this period.

As part of our sustainable growth strategy, our operating and exploration activities have always considered the environmental impact on the sites we operate. Therefore, we have always complied with the corresponding regulations suggested by the environmental authorities. In the first half of 2013 we have not suffered any environmental incidents.

As a result of our continuous efforts to operate with the best environmental practices, La Ciénega received the Environmental Leadership Award from the Mexican Federal Environmental Protection Agency (PROFEPA). This award was due to our participation as a leading Company in the "Environmental Leadership for Competitiveness" programme. In addition, the Saucito mine was authorised by the Environmental Authority to expand the tailings dam.

For the fifth year in a row, we received the ESR Distinction (social responsibility). Additionally, we have been notified that the company will receive the "Ethics and Values of the Industry 2013" award for the fourth consecutive year. We continued promoting education in several schools at the communities and reinforcing our "Let's read" programme at the community center of Caborca.

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 half of 2013 and 2012 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.

Commentary on financial performance

In the first half of 2013, we continued to deliver on our operational metrics as planned. However, our financial performance reflected the underlying trends impacting the broader metals market. Gross profit, EBITDA and profit from continuing operations before net finance costs and income tax decreased by 27.0%, 29.1% and 35.6%, respectively.

Adjusted revenues of US$982.3 million decreased by 14.0% compared to the first six months of 2012 as a result of the significant drop in precious metal prices (silver -20.3%, gold -10.6%) and lower volume of gold sold (-4.4%) mainly at Soledad-Dipolos and Herradura.

Adjusted production cost in absolute terms increased by 29.4% over the first half of 2012 mainly as a result of: i) higher ore processed at our operating mines; ii) higher cost of contractors related to the additional volumes of waste and ore hauled through longer distances and increased development, shotcreting and scaling at our operating mines; iii) full six months of production from the Noche Buena mine, whereas in 2012 only four months were recorded as cost after its start-up of commercial operations in March, iv) increased electricity and diesel prices; and v) higher labour costs related to the 6.0% increase in wages in Mexican pesos and the increased number of personnel.

Another important factor affecting production costs was the 5.3% revaluation of the Mexican peso/US dollar exchange rate, which further increased costs denominated in Mexican pesos when converted to US dollars at a lower exchange rate. However, this was mitigated by the positive effect of the Group's exchange rate hedging contracts

In the first half of the year, Fresnillo management's focused its efforts towards implementing several cost cutting and efficiency initiatives such as optimisation of reagent dosage, recycling oils and lubricants and lower electricity consumption by monitoring demand of ventilation systems. Notwithstanding, the Group recognises the importance of remaining a low-cost producer in this challenging metals prices environment and will continue to implement more stringent cost control and invest in additional cost savings and efficiency projects. Management remains confident that these plans will contribute to maintaining our status as a low cost producer.

In the first six months of 2013, exploration expenses in the income statement increased by 10.3% over the same period of 2012 due to the higher pace at which we explored this year. Notwithstanding, risk capital invested in exploration for the full year, (including capitalised expenses), will be lower than the figure invested in 2012, which reflects our commitment to maintaining our exploration programme through metal prices cycles but at a lower cost.

The aforementioned factors resulted in a decrease of the EBITDA margin from 63.2% in the first half of 2012 to 52.5% in the first half of this year.

As anticipated, the fair of value of the Silverstream contract was considerably affected by the decline in silver prices. This resulted in a financial loss of US$112.5 million taken to the income statement, which further impacted the Group's profits.

Income tax decreased by 57.1% from US$170.0 million in the first half of 2012 to US$73.0 million in the same period of this year as a result of lower profits. The effective tax rate of 29.2% was in line with the 30% statutory tax rate.

Profit for the period of US$176.8 million decreased by 59.7% compared to 2012 due to the factors described above.

The Group continues to have a very strong balance sheet with no bank debt and US$570.8 million in cash and cash equivalents. On April 29 2013, Fresnillo plc agreed to issue 19,733,430 new ordinary shares to funds and accounts managed by First Eagle Investment Management, who has been a long term shareholder of the company since the IPO. By doing this, Fresnillo plc complied with the Ground Rules of the FTSE UK Index Series by maintaining a 25% free float; and received US$346.1 million, which are being used for general corporate purposes and working capital requirements.

Income Statement

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

	H1 2013	H1 2012	% change
Adjusted Revenue[1]	982.3	1,141.7	-14.0
Lead hedging	0.1	0	100.0
Treatment & Refining charges	-56.5	-56.5	0.0
Total Revenues	925.9	1,085.2	-14.7
Cost of sales[4]	407.0	374.3	8.7
Gross Profit[4]	518.9	710.9	-27.0
Exploration expenses	114.7	104.0	10.3
EBITDA[2,4]	486.3	685.6	-29.1
Profit before income tax	249.8	608.5	-58.9
Income tax expense[4]	73.0	170.0	-57.1
Profit for the period[4]	176.8	438.5	-59.7
Profit for the period, excluding post-tax Silverstream revaluation effects[4]	257.6	412.4	-37.5
Attributable profit[4]	144.8	368.8	-60.7
Attributable profit, excluding post-tax Silverstream revaluation effects[4]	225.6	342.7	-34.2
Basic and diluted Earnings per share (US$/share) [3,4]	0.200	0.514	-61.1
Basic and diluted Earnings per share, excluding post-tax Silverstream revaluation effects (US$/share)[4]	0.311	0.478	-34.9

[1] Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude lead hedging and treatment and refining charges.

[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 was 736,893,589 (H1 2012: 717,160,159). See Note 7 in the Consolidated Financial Statements.

[4] 2012 figures were adjusted to reflect the adoption of IFRIC 20 and IAS19R. Further information is provided in notes 2c and 19 to the Consolidated Financial Statements.

Fresnillo plc's financial results are, to a great extent, dependent on the Group's operational performance, asset quality, skilled personnel and management execution towards our strategic goals. Notwithstanding, there are certain macroeconomic variables affecting the financial results, which are beyond the Group's control. A description of these variables is provided below.

Precious metal prices

In the first half of 2013, the precious metals markets were affected by concerns about the reduction of the monetary stimulus programme announced by the U.S. Federal Reserve in light of more positive macro-economic data. These events prompted an aggressive selling trend of gold, including ETFs held by investors in North America, which affected both the price of gold and silver. As a result, the average realised silver price decreased by 20.3% from US$30.97 per ounce in the first half of 2012 to US$24.67 per ounce in the same period of 2013; whilst the average realised gold price decreased by 10.6% over the first half of 2012 to US$1,471.67 per ounce. Furthermore, gold and silver prices reached a low at US$1,192.00 per ounce and US$18.53 per ounce respectively, in June.

Zinc prices decreased by 4.0% when compared to the first half of 2012, however lead prices increased by 6.9%.

Hedging

Fresnillo plc remains fully exposed to volatility in precious metals prices in accordance with its policy of not hedging silver and gold production. However, the Group does not preclude entering into derivatives to minimise its exposure to changes in the prices of lead and zinc by-products.

In the first half of the year, 980 metric tonnes of lead were hedged through collar structures with floor and cap prices of US$2,205 per tonne and US$2,670 per tonne respectively, resulting in a US$0.1 million gain recorded in the income statement. The total outstanding position as of 30th of June is 1,470 metric tonnes with monthly settlements until December 2013.

Fresnillo plc continued to hedge foreign exchange exposure.

Foreign exchange rates

The average spot Mexican peso/US dollar exchange rate revalued by 5.3% from $13.26 per US dollar in the first half of 2012 to $12.56 per US dollar in the same period of 2013. This resulted in a negative effect estimated at US$9.1 million in the Group's production costs as costs denominated in Mexican pesos (approximately 2/3 of total costs) were higher when converted to US dollars at a lower exchange rate.

Inflation of key operating materials

Key operating materials	**HALF OVER HALF CHANGES**
Steel balls for milling	0.1%
Steel for drilling	1.8%
Explosives	1.8%

Tyres	10.1%
Sodium cyanide	5.8%
Other reagents	3.3%
Lubricants	0.7%

Weighted average of all operating materials	2.9%

Unit prices of key operating materials are starting to stabilise as a result of the challenging environment within the mining industry. This was reflected in the slight increase of 2.9% in the net weighted average unit prices of operating materials over the first half of 2012. Notwithstanding, demand for several items such as tyres and sodium cyanide continued to increase during the period, maintaining the upward trend that the unit prices of these operating materials have.

Electricity

In the first half of 2013, the electricity weighted average cost increased by 9.9% from US$10.1 cents per kw in the first six months of 2012 to US$11.1 cents per kw in the same period of 2013. Electricity rates are set by the national utility, Comisión Federal de Electricidad (CFE), based on their averaged generating cost.

Diesel

The weighted average cost of diesel for the first six months of 2013 was US$77.6 cents per litre, which represented an increase of 24.4% when compared to the weighted average cost of US$62.4 cents per litre in the first half 2012. This increase is based on the Mexican Government's decision to gradually align fuel and diesel prices with prevailing international rates. The revaluation of the Mexican peso/US dollar exchange rate further impacted the unit cost of diesel when converted to US dollars.

Treatment and Refining charges

The 2013 treatment and refining charges (TRCs) per tonne and per ounce are still being negotiated with Met-Mex in accordance with international benchmarks and will apply retrospectively from January. We are assuming that treatment charges per tonne of lead and zinc will not materially change compared to 2012, however refining silver charges are expected to decrease by approximately 9.1%. Including these assumptions, TRCs recognised in the first half 2013 income statement remained at the same level compared to the six months of 2012. The nil effect in absolute terms resulted from the lower silver refining charge per ounce which offset the increase in volumes of lead concentrate shipped to Met-Mex, mainly from the Saucito mine.

The effects of the above external factors, combined with the Group's internal variables, will be further analysed through the main line items of the income statement.

Revenues

Consolidated Revenues
(US$ millions)

	H1 2013	H1 2012	Amount	%Change
Adjusted Revenue[1]	982.3	1,141.7	-159.4	-14.0
Hedging	0.1	0.0	0.1	100.0
Treatment and	-56.5	-56.5	0.0	0.0

refining charges				
Total Revenues	925.9	1,085.2	-159.3	-14.7

[1] Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude lead hedging and treatment and refining charges.

Adjusted revenues of US$982.3 million decreased by 14.0% over the first half of 2012. This decrease is mainly explained by the estimated US$109.3 million adverse effect of the lower silver price, the negative impact of the lower gold price estimated at US$60.0 million and the reduction of US$24.1 million related to the lower volumes of gold sold from Soledad-Dipolos. These were partially mitigated by the US$36.5 million benefit from the higher volume of silver sold from the Saucito and Ciénega mines in the first half 2013.

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

	H1 2013		H1 2012		Volume* Variance	Price* Variance	Total	%
Silver	443.9	45%	516.8	45%	36.5	-109.3	-72.9	-14.1
Gold	496.7	51%	580.8	51%	-24.1	-60.0	-84.1	-14.5
Lead	22.7	2%	21.9	2%	-0.7	1.5	0.8	3.6
Zinc	18.9	2%	22.2	2%	-2.4	-0.8	-3.3	-14.7
Total Revenues	982.3	100%	1,141.7	100%	9.2	-168.7	-159.4	-14.0

*Estimated

1 Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude lead hedging and treatment and refining charges.

Silver, gold, lead and zinc participation in adjusted revenues remained unchanged over the period. Notwithstanding, the contribution by mine to the adjusted revenues did change in the first half of 2013. The lower silver production due to the anticipated ore grades at Fresnillo resulted in a lower participation, decreasing from 74.1% in the first half of 2012 to 58.5% in the same period of 2013. On the contrary, Saucito's contribution increased from 18.5% in the first six months of 2012 to 29.3% in 2013; whilst silver revenues from Ciénega represented 10.9% of the total silver revenues having increased its production from the San Ramón satellite mine (in 2012: 6.2%). Contribution to gold revenues also changed over the first half of 2013, with Noche Buena's participation increasing to 14.1% and Soledad-Dipolos's participation decreasing to 11.7%.

The contribution by metal and by mine to the adjusted revenues will continue to evolve as production in new mines continues to ramp up, new projects become operational and precious metal prices fluctuate.

Gold Adjusted Revenues by mine

	H1 13	**H1 12**
Herradura	48.1%	47.2%
Soledad-Dipolos	11.7%	19.4%
Noche Buena	14.1%	6.2%
Ciénega (and San Ramón)	16.8%	17.8%
Fresnillo	3.4%	3.7%
Saucito	5.9%	5.7%
TOTAL	100%	100%

Silver Adjusted Revenues by mine

	H1 13	H1 12
Fresnillo	58.5%	74.1%
Saucito	29.3%	18.5%
Ciénega (and San Ramón)	10.9%	6.2%
Herradura	1.1%	1.0%
Soledad-Dipolos	0.1%	0.2%
Noche Buena	0.1%	0.0%
TOTAL	100%	100%

Adjusted Revenues by mine

	H1 13	H1 12
Fresnillo	30.6%	37.9%
Herradura	24.8%	24.4%
Ciénega	14.4%	13.0%
Saucito	17.0%	11.5%
Soledad-Dipolos	6.0%	10.0%
Noche Buena	7.2%	3.2%
TOTAL	100%	100%

Volumes of metal in products sold
Six months ended 30 June

	H1 13	H1 12	% change
SILVER (kOz)			
Fresnillo	10,529	12,352	-14.8
Ciénega	1,968	1,064	85.0
Herradura	198	147	34.7
Soledad-Dipolos	25	36	-30.6
Saucito	5,268	3,079	71.1
Noche Buena	8	7	11.0
Total Silver (kOz)	17,995	16,685	7.9
GOLD (kOz)			
Fresnillo	12	13	-7.7
Ciénega	58	63	-7.9
Herradura	161	167	-3.6
Soledad-Dipolos	39	68	-42.6
Saucito	20	20	0.0
Noche Buena	47	22	113.6
Total Gold (kOz)	338	353	-4.2
LEAD (MT)			
Fresnillo	6,283	7,531	-16.6
Ciénega	2,275	2,670	-14.8
Saucito	2,195	894	145.5
Total Lead (MT)	10,752	11,095	-3.1
ZINC (MT)			
Fresnillo	5,753	6,766	-15.0
Ciénega	2,444	3,883	-37.1
Saucito	1,803	596	202.4
Total Zinc (MT)	10,000	11,245	-11.1

Cost of sales[5]

			Change	
	H1 13	**H1 12**	**Amount**	**%**
Adjusted production costs[4]	339.0	262.0	77.0	29.4
Depreciation	114.3	109.0	5.3	4.9
Change in work in progress	-51.0	-23.9	-27.1	113.4
Profit Sharing	8.9	25.5	-16.6	-65.1
Hedging	-4.1	1.8	-5.9	N/A
Cost of Sales	**407.0**	**374.3**	**32.7**	**8.7**

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

5 2012 figures were adjusted in accordance to IFRIC 20 and IAS19R to be comparable with presentation/criteria in 2012

In the first half of 2013, cost of sales totalled US$407.0 million, an increase of 8.7% over the first half of 2012. The main reasons for the US$32.7 million increase are explained below:

- Adjusted production costs of US$339.0 million rose by 29.4% when compared to the first half of 2012. However, 23.0% of the US$77.0 million increase, or US$17.7 million, corresponded to the additional two months of production at Noche Buena in 2013. The 5.3% revaluation of the average Mexican peso/US dollar exchange rate, which affected peso-denominated costs (approximately 2/3 of total costs) when converted to US dollars, further contributed to the increase in adjusted production costs by an estimated US$9.1 million. These items were factored out from each category to analyse the underlying operational and dollar-denominated unit cost changes, resulting in the effects described below:
  - Contractor costs rose by US$25.1 million as a result of: i) the additional volumes of ore and waste material hauled through longer distances at all our mines; ii) an increase in development works mainly at Saucito and the open pit mines to ensure continuous operations; and iii) an increased number of contractors hired for scaling mainly at the Fresnillo mine and for shotcreting and rock bolting at Saucito and Ciénega.
  - The cost of operating materials increased by US$10.2 million, mainly as a result of: i) higher consumption of sodium cyanide and lime at the open pit mines to irrigate a larger area and to increase recovery rates; ii) higher consumption of explosives and steel for drilling related to the increased development; iii) higher consumption of ball mills associated with the increased volumes of ore processed; iv) higher consumption of anchors due to the additional rock bolting activities; and v) the 2.9% weighted average increase in the unit price of operating materials.
  - The cost of energy increased by US$8.7 million due to: i) the higher unit prices of electricity and diesel, which increased by 9.9% and 24.4% respectively; ii) the higher consumption of diesel related to longer haulage distances and deeper pits; and iii) higher consumption of electricity associated with the increased production volumes.
  - The cost of personnel, excluding profit sharing, rose by US$3.2 million mainly due to: i) a 6.0% increase in wages in Mexican pesos; and ii) higher number of employees hired at the open pit mines to increase volumes of ore processed.
  - Maintenance costs increased by US$2.4 million as a result of: i) the maintenance provided to a higher number of equipment used to haul ore and waste material; ii) higher consumption of spare parts related also to

the increased number of trucks and loaders; and iii) maintenance provided to pumps at Saucito.
  - Other costs increased by US$0.6 million mainly due to higher freight costs and information technology to support mining operations.

- Change in work in progress rose by US$27.1 million as a result of the new phases of the leaching pads, which increased ore inventories at Soledad-Dipolos, Noche Buena and Herradura pads.
- Profit sharing decreased by US$16.6 million due to the lower profits mainly at the Soledad-Dipolos and Fresnillo mines.
- Depreciation increased by US$5.3 million mainly due to the higher depreciable capital base at Fresnillo, Herradura and Ciénega, which resulted from additional mining works. To a lesser extent, the increase also reflected the full six months of depreciation at Noche Buena, as compared to four months in the first half of 2012. These aspects were mitigated by the anticipated lower depreciation at Saucito, where depletion factors decreased due to the increased reserve base.
- The Group enters into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with costs incurred in Mexican pesos. In the first half of 2013, the Group did not enter into any forward position, short or long, in respect of Mexican pesos. The outstanding net forward position as of June 30th 2013 was US$9.5 million short, with maturity dates throughout 2013 and 2014. However, the Group did enter into a combination of MXP/USD put and call options structured at zero cost (collars). In the first half of 2013, these derivatives were used to hedge US$97.0 million of costs denominated in Mexican pesos with average floor and cap exchange rates of $13.00 and $14.42 per US Dollar respectively, resulting in a US$4.1 million gain recorded in the income statement. The total outstanding position using collar structures as of 30th June 2013 was US$215.0 million with maturity dates throughout the second half of this year and 2014. These instruments guarantee a minimum exchange rate should the market fall below the floor exchange rate. Between the floor and cap exchange rates the Group sells US dollars at the market rate, and when the Mexican peso per US dollar exchange rate goes above the cap rate, the Company is obliged to sell US dollars at the contract rate.
  The Group also enters into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with the purchase of equipment denominated in Euro and Swedish krona. The total Euro and Swedish krona outstanding net forward position at 31st of December 2012 was EUR 1.4 million and SEK 54.7 million respectively. In the first half of 2013, the Euro and Swedish krona positions increased by EUR 6.6 million and SEK 134.5 million respectively; in the same period EUR 4.08 million and SEK 154.60 million matured, leaving a final outstanding position of EUR 3.87 million and SEK 34.61 million, with maturity dates throughout the second half of this year and 2014.

Cost per tonne and cash cost per ounce

Cost per tonne, which is calculated as total production costs less depreciation, profit sharing and exchange rate hedging effects, is a key indicator to analyse the effects of mining inflation and the efficiency of the Group's cost controls. In the first half of 2013, management continued to closely monitor changes in cost per tonne.

COST PER TONNE**				
				%
		H1 13	H1 12	Change

Fresnillo	US$/TONNE MILLED	46.60	43.51	7.1
Ciénega	US$/TONNE MILLED	73.59	74.15	-0.8
Herradura	US$/TONNE DEPOSITED	7.13	6.21	14.8
Soledad-Dipolos	US$/TONNE DEPOSITED	9.96	5.90	68.8
Saucito	US$/TONNE MILLED	59.17	60.92	-2.9
Noche Buena	US$/TONNE DEPOSITED	8.20	N/A	N/A

**2012 cost per tonne at Noche Buena is not included as it started operations in March 2012 and may not be comparable to the full six months of operations in 2013.

There were several common factors impacting cost per tonne across the Group: i) the 6.0% rise in wages in Mexican pesos for unionised workers; iii) the 5.3% revaluation of the Mexican peso against the US dollar; iii) the higher unit prices of electricity (+9.9%) and diesel (+24.4%); and iv) the 2.9% increase in the weighted average unit cost of operating materials. Additional factors affecting cost per tonne at each particular mine are described below:

Cost per tonne at the Fresnillo mine was negatively impacted by the 2.5% decrease in ore processed as a result of the temporarily lower efficiency achieved by contractors which delayed mining works and development. Other factors affecting cost per tonne were higher diesel consumption related to the additional waste material hauled through longer distances and increased mechanised scaling activities which further impacted contractors and operating materials costs.

Cost per tonne at Ciénega slightly decreased when compared to the first half 2012 due to the favourable effect of the economies of scale which resulted from the 15.1% increase in ore processed. This was mitigated by higher contractor costs and greater consumption of diesel related to: i) the higher participation of ore extracted from the San Ramón satellite mine, which is further away; ii) increased haulage of waste material through longer distances; and iii) additional rock bolting activities to improve safety conditions.

Cost per tonne at Saucito mine decreased by 2.9% compared to the first half of 2012 as a result of the ramp up of production at this mine, whereby ore processed increased by 32.8% with its corresponding economies of scale. This favourable effect was mitigated by the higher maintenance costs associated with the purchase of spare parts for the additional in-mine equipment and maintenance provided to pumping stations.

Cost per tonne at the Herradura mine was affected by: i) the increased number of contractors and unionised workers hired to haul additional volumes of waste material through longer distances and a deeper pit; ii) higher consumption of sodium cyanide to improve recovery rates; iii) increased volumes of lime consumed to maintain the solution ph at the extended areas under irrigation; and iv) higher consumption of diesel associated with the longer distances.

Cost per tonne at the Soledad-Dipolos mine was negatively impacted by: i) the additional contractors hired to haul increased volumes of waste material; ii) dis-economies of scale resulting from the lower volumes of ore deposited at the leaching pads, which decreased by 19.2% compared to the first half of 2012; iii) increased maintenance costs due to the more intensive use of equipment; iv) higher diesel consumption per tonne as a result of longer distances; and v) higher consumption of sodium cyanide to increase the recovery speed at the leaching pads.

Cost per tonne at Noche Buena amounted to US$8.2 per tonne. This mine started operations in March 2012, thus there are no comparable cost per tonne figures.

CASH COST PER OUNCE[7] **

				%
		H1 13	**H1 12**	**Change**
Fresnillo	US$ per silver ounce	5.46	5.09	7.3
Ciénega	US$ per gold ounce	-86.29	60.75	N/A
Herradura	US$ per gold ounce	492.95	439.85	12.1
Soledad-Dipolos	US$ per gold ounce	672.71	557.57	20.7
Saucito	US$ per silver ounce	2.19	0.48	356.3
Noche Buena**	US$ per gold ounce	896.10	N/A	N/A

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

**The 1H12 cash cost at Noche Buena is not included as it started operations in March 2012 and is not comparable

The detailed changes in cash cost for each mine are explained below:

Cash cost per silver ounce at Fresnillo, increased by 7.3% mainly as a result of the lower volumes of silver sold, reflecting the 13.8% decline in silver ore grade. The higher mining costs and lower by-product credits also contributed to the rise in cash cost. However, this was partially mitigated by lower profit sharing and treatment and refining charges.

Cash cost per gold ounce at Ciénega considerably declined, to being negative in the first half of 2013, as a result of higher silver revenues credited to costs, which represented 34.3% of Ciénega's total sales as compared to 21.6% last year. This positive effect more than compensated for the reduced ounces of gold sold resulting from the expected lower grade and the higher treatment and refining charges.

Cash cost at the Saucito mine increased to US$2.2 per silver ounce due to lower gold revenues credited to costs. Income from this by-product represented 17.4% of Saucito's total income, whereas in the first half of 2012 it represented 25.2%. However, this negative effect was partially compensated by the higher silver ore grade from the Jarillas vein and lower mining costs.

Cash cost per gold ounce at Herradura increased by 12.1% as a result of the 14.8% increase in cost per tonne and lower ore grade. These negative effects were partially compensated by higher silver revenues credited and lower profit sharing.

Cash cost per gold ounce at Soledad-Dipolos increased by 20.6% mainly due to the decline in gold ounces sold, which resulted from the slower speed of recovery. Additionally, the higher mining costs related to the increased waste material hauled also contributed to the increase in cash cost. The higher ore grade partially compensated for these adverse effects.

Cash cost at Noche Buena for the first half of 2013 totalled US$896.1 per gold ounce. There is no comparable cash cost as an important part of the ore processed in 2012 was sourced from stockpiled material during the construction of the mine.

In addition to the traditional cash cost described above, the Group is reporting the all-in sustaining costs (AISC), in accordance with the guidelines issued by the World Gold Council.

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

Management considers that the all-in sustaining costs is a reasonable measure to monitor current production costs as well as sustaining costs as it includes stripping costs incurred to prepare the mine for future production.

		H1 13
Fresnillo	US$ per silver ounce	9.45
Ciénega	US$ per gold ounce	463.50
Herradura	US$ per gold ounce	735.83
Soledad-Dipolos	US$ per gold ounce	756.62
Saucito	US$ per silver ounce	6.83
Noche Buena**	US$ per gold ounce	1,334.66

Gross profit

Gross profit for operating mines, excluding hedging gains and losses, decreased by 28.5% to US$502.9 million when compared to the first half of 2012. The factors behind the US$200.2 million decrease in gross profit were: i) the significant decrease in silver, gold and zinc prices (-US$174.1 million); ii) lower production at Fresnillo, Soledad-Dipolos and Herradura (-US$109.6 million); iii) higher adjusted production costs, excluding Mexican peso/US dollar exchange rate effects, and new operations (-US$50.2 million); iv) the adverse effect of the revaluation of the average Mexican peso/US dollar exchange rate (-US$9.1 million); v) the expected lower ore grade at Ciénega (-US$4.3 million); and vi) higher depreciation (-US$1.9 million).

The factors described above were partially mitigated by: i) ramp-up of production at Saucito and Noche Buena (US$78.4 million); ii) favourable effect of the change in inventories and other (US$36.1 million); iii) the increased ore throughput from San Ramón, Ciénega's satellite mine (US$18.0 million); iv) lower profit sharing mainly at Soledad-Dipolos and Fresnillo (US$16.9 million); v) the contribution of Noche Buena corresponding to the additional two months of operations in 2013 (US$6.2 million); and vi) the increase in the price of lead by-product (US$1.5 million).

The contribution by mine to the Group's gross profit, excluding hedging effects, continued to change during the period. The Fresnillo mine remained the largest contributor to this indicator, albeit decreasing its participation from 43.8% to 34.6% in the first half of 2013. As expected, Saucito's contribution significantly increased to 20.9% in the first six months of the year as a result of continuous ramp-up of production, whilst participation from Herradura, Ciénega and Noche Buena reflected marginal changes over the period. Gross profit at the Soledad-Dipolos mine significantly decreased compared to the first half of 2012, decreasing its contribution to the Group's gross profit from 8.9% to 3.6% in first half of 2013.

CONTRIBUTION BY MINE TO CONSOLIDATED GROSS PROFIT EXCLUDING HEDGING GAINS AND LOSSES						
(US$ millions)					**Change**	
	H113		**H112**		**Amount**	**%**

Fresnillo	173.8	34.6%	305.5	43.4%	-131.7	-43.1
Herradura	125.1	24.9%	166.4	23.7%	-41.3	-24.8
Ciénega	64.8	12.9%	80.5	11.4%	-15.7	-19.5
Saucito	105.0	20.9%	67.9	9.7%	37.1	54.6
Soledad-Dipolos	18.1	3.6%	62.6	8.9%	-44.5	-71.1
Noche Buena	16.2	3.2%	20.3	2.9%	-4.1	-20.2
Total for operating mines	**502.9**	100.0%	**703.2**	100.0%	**-200.2**	**-28.5**
MXP/USD exchange rate hedging (losses) and gains	4.1		(1.8)		5.8	N/A
Other subsidiaries	11.9		9.5		2.4	25.3
Total Fresnillo plc	**518.9**		**710.9**		**-192.0**	**-27.0**

2012 figures were adjusted in accordance to IFRIC 20 and IAS19R to be comparable with presentation/criteria in 2012

Administrative expenses

Administrative expenses increased by 5.6% to US$28.6 million in the first half of 2013. This increase was driven by the 6.0% increase in salaries granted to employees, the additional administrative personnel hired to service the mines and projects, and training provided to new engineers at Soledad- Dipolos, Noche Buena and Herradura. This was mitigated by lower legal and advisory fees paid during the period.

Exploration expenses

BUSINESS UNIT / PROJECT (US$ millions)	**Exploration expenses**	**Capitalised expenses**
Ciénega	4.7	
Fresnillo	5.9	
Herradura	7.7	
Soledad-Dipolos	4.4	
Saucito	2.3	
Noche Buena	13.1	
San Ramón	5.2	
San Julián	5.2	
Orisyvo	8.0	
Nuevo Corredor Herradura	2.8	
Centauro Profundo	25.6	
San Juan	0.9	
Lucerito	4.7	
Candameña	0.9	
Guachichil	1.1	
Guanajuato	2.4	
Perú	2.2	
Manzanillas	0.1	
Juanicipio	0.0	1.7
Others	17.6	

TOTAL	**114.7**	**1.7**

Exploration expenses recorded in the income statement rose by 10.3% to US$114.7 million in the first half of 2013. The US$10.7 million increase resulted from the higher pace at which the drilling programme was conducted this year compared to the same period of 2012. The Group's exploration activities focused on the Herradura and Fresnillo Districts, as well as on the San Julián, Lucerito, Orisyvo, Guanajuato, Candameña, Guachichil and San Juan projects. In addition, US$1.7 million was capitalised related to the Juanicipio project. Expected risk capital invested in exploration for the full year, (including capitalised expenses) was revised and lowered to US$242.8 million from US$279.8 million (a 13.2% reduction).

EBITDA

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

	H1 2013	H1 2012	% change
Gross Profit	518.9	710.9	-27.0
+ Depreciation	114.3	109.0	4.9
- Administrative Expenses	-28.6	-27.1	5.6
- Exploration Expenses	-114.7	-104.0	10.3
- Selling Expenses	-3.5	-3.2	9.4
EBITDA	486.3	685.6	-29.1
EBITDA Margin	52.5%	63.2%	

2012 figures were adjusted in accordance to IFRIC 20 and IAS19R to be comparable with presentation/criteria in 2012

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. In the first half of 2013, this indicator decreased by 29.1% to US$486.3 million as a result of the lower gross profit and the increase in exploration expenses during the period. Likewise, EBITDA margin declined from 63.2% in the first half of 2012 to 52.5% in the same period of 2013.

Silverstream revaluation effects

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. In the first half of 2013, a US$112.5 million loss was recorded in the Group's income statement mainly as a result of the decrease in the forward price of silver. This lowered the accumulated non-cash revaluation gains that have been recognised in the income statement since 2008 to US$376.3 million; whilst cumulative cash received from the Silverstream contract totalled US$377.3 million.

It was anticipated that the Group would record further unrealised gains or losses taken to the income statement in accordance with the cyclical behaviour of the silver price or changes in the assumptions utilised when valuing this contract. Further information related to the Silverstream contract is provided in the Balance Sheet section below and in notes 9 and 17 to the Consolidated Financial Statements.

Foreign exchange

In the first half of 2013, a foreign exchange loss of US$5.3 million was recorded in the income statement, which resulted from the slight devaluation of the Mexican peso against the US dollar at the end of the period. However, this loss was lower than the US$8.7 million loss recognised in the first half of 2012.

Taxation

In the first half of 2013 the income tax expense decreased by 57.1% when compared to the same period 2012 as a result of the lower profits earned by the Group. The effective tax rate for the first six months of 2013 was 29.2%, which was broadly in line with the 30% statutory tax rate; whereas in the first half of 2012, the effects of foreign exchange and inflationary adjustments decreased the effective tax rate to 27.9%.

Profit for the period

Profit for the period accounted for US$176.8 million, a 59.7% decrease when compared to the same period of 2012 as a result of the factors described above. Profits due to non-controlling interests decreased by 54.0% from US$69.7 million registered in the first half of 2012 to US$32.0 million in this period mainly as a result of the lower profits generated at Soledad-Dipolos. Profit attributable to equity shareholders of the Group decreased by 60.7% to US$144.8 million in the first half of 2013.

Excluding the adverse effects of the Silverstream valuation, profit for the period decreased by 37.5% to US$257.6 million in the first six months of 2013, whilst profit attributable to equity shareholders of the Group, declined by 34.2% to US$225.6 million.

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 13	H1 12	(US $)	(%)
Cash generated by operations before changes in working capital	496.4	716.7	-220.3	-30.7
Decrease in working capital	-53.0	-71.1	-18.1	25.4
Taxes and Employee Profit Sharing paid	-254.5	-352.8	98.3	-27.9
Net cash from operating activities	188.9	292.8	-103.9	-35.5
Issue of share capital	346.1	0	346.1	N/A
Silverstream contract	37.3	53.2	-15.9	-29.9
Purchase of property, plant & equipment	-324.1	-240.4	-83.7	34.8
Dividends paid	-304.1	-312.6	8.5	-2.7
Decrease in cash during the period before foreign exchange	-43.8	-194.1	150.3	-77.4

differences				
Cash at 30 June	570.8	490.8	80.0	16.3

2012 figures were adjusted in accordance to IFRIC 20 to be comparable with presentation/criteria in 2012

In the first six months of 2013, cash generated by operations before changes in working capital decreased by 30.7% to US$496.4 million mainly as a result of the lower profits generated at our mines, except for Saucito. In addition, the US$53.0 million increase in working capital also impacted Fresnillo plc's cash flow, and was the result of:

- A US$57.2 million increase in ore inventories at the Soledad-Dipolos, Noche Buena and Herradura mines, which resulted from depositing ore on the new phases of the leaching pads.
- Trade and other receivables which rose by US$10.0 million due to the increased recoverable value added tax; and mitigated by the decrease in receivables to Met-Mex Peñoles.
- The US$13.1 million increase in trade and other payables.

Taxes and employee profit sharing paid decreased to US$254.5 million.

As a result of the above factors, net cash from operating activities for the first six months of 2013 decreased by 35.5% to US$188.9 million.

Fresnillo plc received proceeds totalling US$383.4 million as a result of: i) the placement of 19,733,430 new ordinary shares announced on 29 April 2013, which increased the Group's source of funds by US$346.1 million; and ii) the proceeds from the Silverstream Contract, which despite lower silver prices, accounted for US$37.3 million.

The Group purchased property plant and equipment for a total of US$324.1 million, a 34.8% increase over the first half of 2012. Capital expenditures for the first half of 2013 are further described below:

Purchase of property, plant and equipment		
(US$ millions)		
	H113	
Herradura mine	73.6	Construction of dynamic leaching plant and leaching pads and purchase of components for mobile equipment.
Saucito mine	64.0	Development works and purchase of in-mine equipment. Expansion of Saucito (Saucito II)
Ciénega mine	31.7	Development works and purchase of operative control system (Devex).
Fresnillo mine	28.6	Mine development and purchase of in-mine equipment.
Noche Buena	22.2	Stripping activities and construction of leaching pads.
Soledad-Dipolos mine	0.9	Construction of leaching pads.
San Julián	50.4	Construction of ramps and mining works.
Juanicipio project	4.8	Exploration expenses.
Bermejal	6.2	Acquisition of trucks and loaders to lease to Herradura, Soledad-Dipolos and Noche Buena.
Other	41.7	Exploraciones Mineras Parreña and SAFSA.
Total Purchase of property, plant and equip.	324.1	

In the first half of 2013, dividends paid totalled US$304.1 million as a result of the final 2012 dividend of US$42.40 cents per share paid on 8 May 2013.

The sources and uses of funds described above resulted in a net decrease of US$43.8 million in cash and cash equivalents, which combined with US$613.8 million balance at the beginning of the year and the favourable effect of the exchange rate (US$0.8 million), resulted in a net cash position of US$570.8 million as at 30 June 2013.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the reasonable future when considering the current levels of silver and gold prices. This assessment resulted from the Directors consideration of the Group's budget and cash flow projections for the period to December 2014, as well as the exploration and capital expenditure plans. In addition, Directors have considered the sensitivities around the cash flow forecasts to movements in prices as a result of the significant changes experienced in the first half 2013. Therefore, Fresnillo plc will continue to adopt the going concern basis of accounting in preparing the financial statements.

Balance Sheet

Fresnillo plc maintained its solid position with no bank debt.

Cash and cash equivalents as of 30 June 2013 of US$570.8 million decreased when compared to the year-end 2012 cash position of US$613.8 million, but increased by 16.3% when compared to the cash position as of 30 June 2012.

Trade and other receivables slightly increased to US$265.8 million mainly as a result of higher recoverable taxes related to value added tax generated by the increased purchases of operating materials.

In the first half of 2013, inventories accounted for US$254.8 million, a 28.7% increase over the 2012 year-end figure, reflecting mainly the higher gold inventories in the leaching pads of Soledad-Dipolos, Noche Buena and Herradura.

The change in the value of the Silverstream derivative from US$487.8 million at the beginning of the year to US$343.0 million as of 30 June 2013 reflects proceeds of US$32.3 million, (US$26.3 million in cash and US$6.0 million receivable) and the revaluation effects of US$112.5 million in the Group's income statement.

The net book value of property, plant and equipment was US$1,704.6 million at 30 June 2013, an increase of 14.3% over the US$1,490.7 at 31 December 2012. The US$208.8 million increase is explained by the progress made in the construction of the dynamic leaching plant and additional pads built at Herradura, Noche Buena and Soledad-Dipolos. Mining works at the San Julián project, Ciénega and Fresnillo and purchase of equipment at Herradura, Saucito further increased the asset base. Property, plant and equipment 2012 figure was adjusted to reflect the adoption of the IFRIC 20. Further information related to these adjustments is provided in note 19 to the Consolidated Financial Statements.

Fresnillo plc's total equity for the first half of 2013 was US$2,786.6 million, an increase of 6.8% when compared to the figure at the beginning of the year, reflecting the placement of the additional shares previously described.

The total number of ordinary shares issued by the Company is 736,893,589 and voting rights for the same amount as the Company does not hold any ordinary shares in treasury.

Dividends

The Board of Directors has declared an interim dividend of 4.90 US cents per share totaling US$36.11 million which will be paid on 10 September 2013 to shareholders on the register on 16 August 2013. This dividend is in linewith the Group's dividend policy which takes into account the profitability of the business, underlying growth in earnings and the capital and cash flow requirements to support future production and expansion.

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 19 August 2013.

Risks and uncertainties

In the first half of 2013, the Board and the Executive Committee continued to monitor Fresnillo plc's principal risks and the appetite for each of these risks as part of the strengthening of the risk management framework and execution towards achieving long-term objectives. During this period, two projects were undertaken: in the first, the risk management function identified specific activities which needed to be carried out by operating personnel with risk management responsibilities. These activities were discussed with the operating personnel and were presented to and approved by the Executive Committee. They have now been incorporated into the Human Resources Procedure Manual.

The second project started at the beginning of the year and involved the collection of data to calculate the Key Risk Indicators (KRIs). We now have two quarters of data which will be compared, analysed and presented to the Executive Committee on a quarterly basis. We currently monitor ten principal risks and have not changed from those set out in the Business Review section of the Annual Report for the year ended 31 December 2012. A copy of the Fresnillo's Group 2012 Annual Report is available at the Company's website at www.fresnilloplc.com. The principal risks are shown below:

- *Security*
- *Impact of global macroeconomic developments*
- *Projects*
- *Access to land*
- *Potential actions by the Government*
- *Public perception against mining*
- *Safety*
- *Environmental incidents*
- *Exploration*

- *Human Resources*

Directors

The names and functions of the current directors and senior management team of Fresnillo plc are as listed in the Fresnillo Group's Annual Report for 2012. A list of current directors is maintained on the Group website: www.fresnilloplc.com

Statement of directors' responsibilities

The Directors of the Company as listed on pages 113 to 114 of the Fresnillo plc 2012 Annual Report, 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 condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 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 19. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 condensed 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 condensed 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 condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 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

5 August 2013

Interim Consolidated Income Statement

	Notes	For the six months ended 30 June 2013 (Unaudited)			2012 (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	925,896		925,896	1,085,182		1,085,182
Cost of sales	5	(407,017)		(407,017)	(374,301)		(374,301)
Gross profit		**518,879**		**518,879**	**710,881**		**710,881**
Administrative expenses		(28,596)		(28,596)	(27,075)		(27,075)
Exploration expenses		(114,675)		(114,675)	(103,956)		(103,956)
Selling expenses		(3,543)		(3,543)	(3,208)		(3,208)
Other operating income		3,300		3,300	3,270		3,270
Other operating expenses		(4,084)		(4,084)	(3,791)		(3,791)
Profit from continuing operations before net finance costs and income tax		**371,281**		**371,281**	**576,121**		**576,121**
Finance income		2,836		2,836	6,893		6,893
Finance costs		(6,519)		(6,519)	(2,231)		(2,231)
Changes in fair value of Silverstream contract	9	-	(112,496)	(112,496)	-	36,374	36,374
Foreign exchange loss		(5,311)		(5,311)	(8,691)		(8,691)
Profit from continuing operations before income tax		**362,287**	**(112,496)**	**249,791**	**572,092**		**608,466**
Income tax expense	6	(104,684)	31,690	(72,994)	(159,667)	(10,324)	(169,991)
Profit for the period from continuing operations		**257,603**	**(80,806)**	**176,797**	**412,425**	**26,050**	**438,475**
Attributable to:							
Equity shareholders of the Company		225,556	(80,806)	144,750	342,736	26,050	368,786
Non-controlling interests		32,047		32,047	69,689	-	69,689
		257,603	**(80,806)**	**176,797**	**412,425**	**26,050**	**438,475**
Earnings per share: (US$)							
Basic and diluted earnings per ordinary share from continuing operations	7	-		0.200	-		0.514
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per ordinary share from continuing operations	7	0.311		-	0.478		-

Interim Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2013	*2012*
	(Unaudited)	*(Unaudited)*
	(in thousands of US dollars)	
Profit for the period	**176,797**	**438,475**
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net (loss)/gain on cash flow hedges recycled to income statement	(3,770)	1,756
Income tax effect	1,131	(527)
Net unrealised gain on cash flow hedges	2,674	4,919
Income tax effect	(802)	(1,476)
Net effect of cash flow hedges	**(767)**	**4,672**
Fair value (loss)/gain on available-for-sale financial assets	(57,604)	15,241
Income tax effect	16,129	(4,267)
Net effect of available for sale financial assets	**(41,475)**	**10,974**
Foreign currency translation	**136**	**(39)**
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(42,106)**	**15,607**
Items not to be reclassified to profit or loss in subsequent periods:		
Gain on cash flow hedges reclassified to the value of other assets	218	141
Income tax effect	(65)	(42)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**153**	**99**
Other comprehensive (loss)/income, net of tax	**(41,953)**	**15,706**
Total comprehensive income, net of tax	**134,844**	**454,181**
Attributable to:		
Equity shareholders of the Company	102,797	384,403
Non-controlling interests	32,047	69,778
	134,844	**454,181**

Interim Consolidated Balance Sheet

	Notes	*As of 30 June 2013 (Unaudited)*	*As of 31 December 2012 (Audited)*
		(in thousands of US dollars)	
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,704,625	1,490,657
Available-for-sale financial assets		69,838	127,442
Silverstream contract	9	301,898	419,489
Deferred tax asset		66,429	70,815
Other receivables	10	15,840	21,003
Other assets		2,408	2,171
		2,161,038	2,131,577
Current assets			
Inventories		254,795	198,007
Trade and other receivables	10	265,788	263,644
Income tax refunds due		41,408	-
Prepayments		1,761	3,103
Derivative financial instruments		1,016	2,842
Silverstream contract	9	41,066	68,290
Cash and cash equivalents	11	570,829	613,773
		1,176,663	1,149,659
Total assets		**3,337,701**	**3,281,236**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital		368,547	358,680
Share premium		1,153,817	818,597
Capital reserve		(526,910)	(526,910)
Net unrealised losses on cash flow hedges		70	684
Net unrealised gains on available-for-sale financial assets		11,098	52,573
Foreign currency translation reserve		(406)	(542)
Retained earnings		1,375,236	1,534,562
		2,381,452	2,237,644
Non-controlling interests		405,129	371,890
Total equity		**2,786,581**	**2,609,538**
Non-current liabilities			
Provision for mine closure cost		108,265	104,712
Provision for pensions and other post-employment benefit plans		11,526	10,723
Deferred tax liability		305,941	379,027
		425,732	494,462

Current liabilities		
Trade and other payables	114,204	95,288
Derivative financial instruments	2,373	1,128
Income tax	-	28,994
Employee profit sharing	8,811	51,826
	125,388	177,236
Total liabilities	**551,120**	**671,698**
Total equity and liabilities	**3,337,701**	**3,281,236**

Interim Consolidated Cash Flow Statement

	Notes	For the six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
		(in thousands of US dollars)	
Net cash from operating activities	17	**188,890**	**292,829**
Cash flows from investing activities			
Purchase of property, plant and equipment		(324,135)	(240,439)
Proceeds from the sale of property, plant and equipment		6,530	5,443
Purchase of available-for-sale financial assets		-	(2,004)
Loans granted to contractors		(3,000)	(1,128)
Repayments of loans granted to contractors		5,876	5,178
Silverstream contract	9	37,279	53,207
Interest received		2,772	3,672
Other (payments) /proceeds		(1,095)	66
Net cash used in investing activities		**(275,773)**	**(176,005)**
Cash flows from financing activities			
Capital contribution		1,188	1,669
Dividends paid to shareholders of the Company		(304,120)	(286,418)
Issue of share capital	12	346,125	-
Interest paid		(93)	-
Dividends paid to non-controlling interest		-	(26,213)
Net cash used in financing activities		**43,100**	**(310,962)**
Net decrease in cash and cash equivalents during the period		(43,783)	(194,138)
Effect of exchange rate on cash and cash equivalents		839	9
Cash and cash equivalents at 1 January	11	613,773	684,922
Cash and cash equivalents at 30 June	11	**570,829**	**490,793**

Interim Consolidated Statement of Changes in Equity

	Notes	*Share capital*	*Share premium*	*Capital reserve*	*Net unrealised (losses)/gains on revaluation of cash flow hedges*	*Net unrealised gain on available-for-sale financial assets*	*Foreign currency translation reserve*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
						(in thousands of US dollars)					
Balance at 1 January 2012 *(Audited)*		**358,680**	**818,597**	**(526,910)**	**(5,672)**	**31,293**	**(482)**	**1,192,315**	**1,867,821**	**281,562**	**2,149,383**
Profit for the period	19	-	-	-	-	-	-	368,786	368,786	69,689	438,475
Other comprehensive income, net of tax		-	-	-	4,682	10,974	(39)	-	15,617	89	15,706
Total comprehensive income for the period					4,682	10,974	(39)	368,786	384,403	69,778	454,181
Capital contribution		-	-	-	-	-	-	-	-	1,669	1,669
Dividends paid	13	-	-	-	-	-	-	(286,864)	(286,864)	(26,213)	(313,077)
Balance at 30 June 2012 *(Unaudited)*		**358,680**	**818,597**	**(526,910)**	**(990)**	**42,267**	**(521)**	**1,274,237**	**1,965,360**	**326,796**	**2,292,156**
Balance at 1 January 2013 *(Audited)*		**358,680**	**818,597**	**(526,910)**	**684**	**52,573**	**(542)**	**1,530,380**	**2,233,462**	**368,608**	**2,602,070**
Effect of changes in accounting policies	19							4,182	4,182	3,286	7,468
Restated balance at 1 January 2013		**358,680**	**818,597**	**(526,910)**	**684**	**52,573**	**(542)**	**1,534,562**	**2.237,644**	**371,894**	**2,609,538**
Profit for the period		-	-	-	-	-	-	144,750	144,750	32,047	176,797
Other comprehensive income, net of tax		-	-	-	(614)	(41,475)	136		(41,953)	-	(41,953)
Total comprehensive income for the period					(614)	(41,475)	136	144,750	102,797	32,047	134,844
Capital contribution										1,188	1,188
Issue of share capital	12	9,867	335,220	-	-	-	-	-	345,087	-	345,087
Dividends paid	13	-	-	-	-	-		(304,076)	(304,076)	-	(304,076)
Balance at 30 June 2013 *(Unaudited)*		**368,547**	**1,153,817**	**(526,910)**	**70**	**11,098**	**(406)**	**1,375,236**	**2,381,4527**	**405,129**	**2,786,581**

Notes to the Interim Condensed Consolidated Financial Statements

1 Corporate Information

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

Industrias Peñoles S.A.B. de C.V. ("Peñoles") currently owns 75 percent of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. 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 2013 ("interim consolidated financial statements"), were authorised for issue by the Board of Directors of Fresnillo plc on 5 August 2013.

The Group's principal business is the mining and beneficiation of non-ferrous minerals, and the sale of related production. The primary contents of this production are silver, gold, lead and zinc. Further information about the Group 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 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all the information required for full annual financial statements for the Group, and therefore, should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012 as published in the Annual Report 2012.

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 2012. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union up to 31 December 2012, has been delivered to the Register of Companies. The auditors' 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 instruments 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 consolidated interim financial statements.

(b) Basis of consolidation

The interim consolidated financial statements set out the Group's financial position as of 30 June 2013 and 31 December 2012, and its operations and cash flows for the periods ended 30 June 2013 and 30 June 2012.

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 2012.

2 Significant accounting policies continued

(c) Changes in accounting policies and presentation rules

The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

New standards, interpretations and amendments adopted by the Group

The Group has applied, for the first time, certain standards, interpretations and amendments that require restatement of previous financial statements. These include amendments to IAS 1 *Presentation of Financial Statements* and to IAS 19 *Employee Benefits,* and the new IFRIC 20 *Stripping cost during the production phase of a surface mine*. In addition, the adoption of the IFRS 13 *Fair Value Measurement* resulted in additional disclosures. As required by IAS 34, the nature and the effect of these changes are disclosed below.

- **IAS 1 Presentation of Items of Other Comprehensive Income (OCI) – Amendments to IAS 1**: The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans). The amendment affected presentation only and had no impact on the Group's financial position or performance.

- **IAS 19 Employee Benefits (Revised 2011) (IAS 19R):** IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in OCI and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. Refer to note 19 for details of the financial effect of adopting this interpretation.

  As a result of the adoption of amendments to IAS 19R, the Group's accounting policy was modified as follows:

  Defined benefit pension plan

  This funded plan is based on each employee's earnings and years of service. This plan was open to all employees in Mexico until it was closed to new entrants on 1 July 2007. The plan is denominated in Mexican Pesos. For members as at 30 June 2007, benefits were frozen at that date subject to indexation with reference to the Mexican National Consumer Price Index (NCPI).

  The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method and prepared by an independent actuarial firm as at each year-end balance sheet date. The discount rate is the yield on mxAAA (Standard & Poors) and AAA-mex (Fitch Ibca) credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Actuarial gains or losses are recognised in OCI and permanently excluded from profit or loss.

  Past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested following the introduction of, or changes to, a pension plan, the past service cost is recognised immediately.

  The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Net interest cost is recognised in finance cost and return on plan assets (other than amounts reflected in net interest cost) is recognised in OCI and permanently excluded from profit or loss.

– **IFRS 13 Fair Value Measurement:** IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted as well as a requirement for enhanced disclosures. We have adopted IFRS 13 on a prospective basis. We have added additional disclosures on fair value measurement in note 18.

– **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New interpretation):** IFRIC 20 now clarifies when an entity should recognise production phase waste removal (stripping) costs (production stripping costs) incurred in relation to a surface mining operation as an asset. Such an asset will be referred to as a stripping activity asset. The interpretation is effective for annual reporting periods beginning on or after 1 January 2013 and has impacted the way in which the Group accounts for production stripping costs. Refer to note 19 for details of the financial effect of adopting this interpretation.

As a result of the adoption of this interpretation, the Group's accounting policy was modified as follows:

In a surface mine operation, it is necessary to remove overburden and other waste material in order to gain access to the ore bodies (stripping activity). During development and pre-production phases, the stripping activity costs are capitalised as part of the initial cost of development and construction of the mine (the stripping activity asset) and charged as depreciation or depletion to cost of sales, in the income statement, based on the mine's units of production once commercial operations begin.

Removal of waste material normally continues throughout the life of a surface mine. This activity is referred to as production stripping and commences at the time that saleable material begins to be extracted from the surface mine. The costs of production stripping are charged to the income statement as cost of sales.

The removal of waste may occur following initial extraction of saleable material and during the production phase. This stripping cost is capitalised only if the following criteria is met:

- It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the Group;
- The Group can identify the component of an ore body for which access has been improved; and
- The costs relating to the improved access to that component can be measured reliably.

Stripping activity costs associated with such development activities are capitalised into existing mining development assets, as mining properties and development cost, within property, plant and equipment, using a measure that considers the volume of waste extracted compared with expected volume, for a given volume of ore production. This measure is known as "component stripping ratio", which is revised annually in accordance to the mine plan. The amount capitalised is subsequently depreciated over the expected useful life of the identified component of the ore body related to the stripping activity asset, by using the units of production method. The identification of components and the expected useful lives of those components are evaluated annually Depreciation is recognised as cost of sales in the income statement.

The capitalised stripping activity asset is carried at cost less accumulated depletion/depreciation, less impairment in value, if any. Cost includes the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. The costs associated with incidental operations are excluded from the cost of the stripping activity asset.

If not all of the criteria are met, the production stripping costs are charged to the income statement as operating costs as they are incurred.

2 Significant accounting policies continued

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body and a mine may have several components that are identified based on the mine plan. The mine plans and therefore the identification of components can vary between mines for a number of reasons including but not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

The IASB and IFRIC have issued other amendments resulting from Improvements to IFRSs that management considers do not have any impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

3 Segment reporting

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

At 30 June 2013 the Group has six reportable operating segments following the successful conclusion of the development of the Noche Buena mine in February 2012 and commercial production starting in March 2012. The following segments represent the Group's six producing mines as follows:

- The Fresnillo mine, located in the State of Zacatecas, the world's 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.

The exploration services provided by the exploration companies and projects under development have been aggregated into the Other segment below.

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 statement, and certain costs included within Cost of Sales and Gross Profit which are considered to be outside of the control of the operating management of the mines. The table below provides a reconciliation from segment profit to Gross Profit as per the interim consolidated income statement. Other income and expenses included in the interim consolidated income statement are not allocated to operating segments. Transactions between reportable segments are accounted for on an arm's length basis similar to transactions with third parties.

3 Segment reporting continued

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2013 and 2012, respectively.

Six months ended 30 June 2013									
US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Soledad-Dipolos**	**Saucito**	**Noche Buena**	**Other (1)**	**Adjustments and eliminations**	**Total**
Revenues:									
Third party	268,387	243,233	133,869	58,181	152,089	70,021	-	-	925,780
Hedging	-	-	-	-	-	-	-	116	116
Inter-Segment	-	-	-	-	-	-	33,291	(33,291)	-
Segment revenues	**268,387**	**243,233**	**133,869**	**58,181**	**152,089**	**70,021**	**33,291**	**(33,175)**	**925,896**
Segment Profit	**206,851**	**153,687**	**88,868**	**29,828**	**118,453**	**26,402**	**29,797**	**(15,989)**	**637,897**
Hedging	-	-	-	-	-	-	-	-	4,055
Depreciation	-	-	-	-	-	-	-	-	(114,261)
Employee profit sharing	-	-	-	-	-	-	-		(8,812)
Gross profit as per the income statement	-	-	-	-	-	-	-	-	**518,879**

(1) Other includes exploration services provided by the exploration companies.

Six months ended 30 June 2012									
US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Soledad-Dipolos**	**Saucito**	**Noche Buena (1)**	**Other (2)**	**Adjustments and eliminations**	**Total**
Revenues:									
Third party	434,289	277,915	141,678	113,211	82,097	35,992	-	-	1,085,182
Inter-Segment	-	-	-	-	39,062	-	41,100	(80,162)	-
Segment revenues	**434,289**	**277,915**	**141,678**	**113,211**	**121,159**	**35,992**	**41,100**	**(80,162)**	**1,085,182**
Segment Profit	**336,028**	**195,272**	**102,211**	**78,333**	**94,133**	**28,527**	**40,133**	**(27,537)**	**847,100**
Hedging	-	-	-	-	-	-	-	-	(1,756)
Depreciation	-	-	-	-	-	-	-	-	(108,967)
Employee profit sharing	-	-	-	-	-	-	-	-	(25,496)
Gross profit as per the income statement	-	-	-	-	-	-	-	-	**710,881**

(1) The results for Noche Buena are not fully comparable due to the fact that it became a reportable segment following the successful conclusion its development in February 2012 and the start of its production in March 2012.
(2) Other includes exploration services provided by the exploration companies.

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 2013	2012
	(in thousands of US dollars)	
Lead concentrates (containing silver, gold, lead and by-products)	481,431	569,093
Doré and slag (containing gold, silver and by-products)	371,434	427,118
Zinc concentrates (containing zinc, silver and by-products)	31,354	39,646
Precipitates (containing gold and silver)	41,677	49,325
	925,896	**1,085,182**

Substantially all lead and zinc concentrates, precipitates, doré and slag, were sold to Peñoles' 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 2013	2012
	(in thousands of US dollars)	
Silver	443,935	516,803
Gold	496,697	580,813
Zinc	18,931	21,901
Lead	22,811	22,183
Value of metal content in products sold	982,374	1,141,700
Adjustment for treatment and refining charges	(56,478)	(56,518)
Total revenues	**925,896**	**1,085,182**

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 2013	2012
	(in US dollars per ounce)	
Gold	1,471.67	1,645.50
Silver	24.67	30.97

5 Cost of sales

	Six months ended 30 June	
	2013	*2012*
	(in thousands of US dollars)	
Depreciation and amortization (notes 8, 19)	114,261	108,967
Personnel expenses[(1)]	42,110	52,529
Maintenance and repairs	41,048	35,408
Operating materials	68,461	54,562
Energy	57,853	44,489
Contractors	120,416	84,107
Mining rights and contributions	4,133	3,873
Freight	5,312	3,748
Insurance	2,687	2,728
Other	5,777	6,035
Cost of production	462,058	396,446
Loss on foreign currency hedges	(4,055)	1,756
Change in work in progress and finished goods (ore inventories)	(50,986)	(23,901)
Cost of sales	**407,017**	**374,301**

(1) Personnel expenses include employees´ profit sharing of US$8.9 million for the six months ended 30 June 2013 (six months ended 30 June 2012: US$25.5 million).

6 Income tax

	Six months ended 30 June 2013	2012
	(in thousands of US dollars)	
Current income tax:		
Current income tax charge	123,549	171,071
Amounts overprovided in previous years	1,756	49
	125,305	171,120
Deferred income tax:		
Origination and reversal of temporary differences	(20,621)	(11,453)
Revaluation effects of Silverstream contract	(31,690)	10,324
	(52,311)	(1,129)
Income tax expense reported in the income statement	**72,994**	**169,991**

The effective tax rate for the six months ended 30 June 2013 is 29.22% (six months ended 30 June 2012: 27.94%). The factors that have reduced this rate from the statutory rate of 30% include principally the effects of foreign exchange and inflationary adjustments.

7 Basic and diluted earnings per share

Earnings per share ('EPS') is calculated by dividing profit for the period attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

The Company has no dilutive potential ordinary shares.

As of 30 June 2013 and 30 June 2012, earnings per share have been calculated as follows:

	Six months ended 30 June 2013	2012
Earnings:		
Profit from continuing operations attributable to equity holders of the Company (*in thousands of US dollars*)	144,750	368,786
Adjusted profit from continuing operations attributable to equity holders of the Company (*in thousands of US dollars*)	225,556	342,736

Adjusted profit is profit as disclosed in the Interim Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$112.5 million loss (US$80.8 million net of tax) (2012: US$36.4 million gain and US$26.1 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 2013	2012
Number of shares:		
Weighted average number of ordinary shares in issue ('ooo)	724,615	717,160

	Six months ended 30 June 2013	2012
Earnings per share:		
Basic and diluted earnings per ordinary share from continuing operations (US$)	0.200	0.514

Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.311	0.478

8 Property, plant and equipment

The significant changes in property, plant and equipment during the six months ended 30 June 2013 are additions of US$330 million (six months ended 30 June 2012: US$242 million) and depreciation of US$113.9 million (six months ended 30 June 2012: US$108.9 million). Additions consist of equipment such as trucks, trackdozers, graders, the purchase of land and mining concessions, mine development works and stripping activity asset. See note 14 for capital commitments and refer to note 19 for details of the financial effect of adopting the new IFRIC 20.

9 Silverstream contract

On 31 December 2007, the Group entered into an agreement with Peñoles through which it is entitled to receive the proceeds received by the Peñoles Group in respect of the refined silver sold from the Sabinas Mine ("Sabinas"), a base metals mine owned and operated by the Peñoles Group, for an upfront payment of US$350 million. In addition, a per ounce cash payment of $2.00 in years 1 to 5 and $5.00 thereafter (subject to an inflationary adjustment commencing on 31 December 2013) is payable to Peñoles. Under the contract, the Group has the option to receive a net cash settlement from Peñoles attributable to the silver produced and sold from Sabinas, to take delivery of an equivalent amount of refined silver or to receive settlement in the form of both cash and silver. If, by 31 December 2032, the amount of silver produced by Sabinas is less than 60 million ounces, a further payment is due from Peñoles of US$1 per ounce of shortfall.

The Silverstream contract has been recorded as a derivative financial instrument at fair value and classified within non-current and current assets as appropriate. Changes in the contract's fair value, other than those represented by the realisation of the asset through the receipt of either cash or refined silver, are charged or credited to the income statement. In the six months ended 30 June 2013 total proceeds received in cash were US$37.3 million (six months ended 30 June 2012: US$53.2 million), of which US$26.3 million received in the period, US$11 million was in respect of proceeds receivable as at 31 December 2012. Cash received in respect of the period of US$26.3 million corresponds to 1.4 million ounces of payable silver (six months ended 30 June 2012: 1.3 million ounces). As at 30 June 2013, a further US$6.0 million (30 June 2012: US$11.1 million) of cash corresponding to 410,730 ounces of silver is due (30 June 2012: 434,311 ounces).

In the six months ended 30 June 2013, the most significant drivers of the US$(112.5) million unrealised loss taken to income (six months ended 30 June 2012: gain of US$36.4 million) were the updating of assumptions utilised to value the Silverstream contract, most significantly the forward price of silver which was lower than expected given the cyclical nature of prices, the increase of the reference discount rate (libor) and the difference between payments already received during the six months ended 30 June 2013 and payments estimated in the valuation model as at 31 December 2012.

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

	2013	*2012*
	(in thousands of US dollars)	
Balance at 1 January:	487,779	478,083
Cash received in respect of the period	(26,298)	(39,592)
Cash receivable	(6,021)	(11,069)
Remeasurement (losses)/gains recognised in profit or loss	(112,496)	36,374
Balance at 30 June	342,964	463,796
Less - Current portion	41,066	59,547
Non-current portion	301,898	404,249

10 Trade and other receivables

	As at 30 June 2013	As at 31 December 2012
	(in thousands of US dollars)	
Trade receivables from related parties (note 16)	152,459	192,273
Value added tax receivable	67,658	18,860
Advances to suppliers and contractors	7,868	6,778
Other receivables from related parties (note 16)	6,053	11,000
Loans granted to contractors	4,411	7,019
Other receivables arising on the sale of fixed assets	11,455	13,924
Other receivables	16,548	14,454
	266,452	264,308
Provision for impairment of other receivables	(664)	(664)
	265,788	263,644
Other receivables classified as non-current assets :		
Loans granted to contractors	7,646	7,914
Other receivables arising from the sale of fixed assets	8,194	13,089
	15,840	21,003
	281,628	**284,647**

11 Cash and cash equivalents

	As at 30 June 2013	As at 31 December 2012
	(in thousands of US dollars)	
Cash at bank and on hand	3,321	5,121
Short-term deposits	567,508	608,652
Cash and cash equivalents	**570,829**	**613,773**

Cash at bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

12 Equity

Pursuant to the placing of shares announced on 29 April 2013, the Group issued on 3 May 2013, 19,733,430 new ordinary shares at £11.30 (US$17.60) per share for gross proceeds of £222.9 million (US$346.1 million). The placing of shares ensured that Fresnillo plc is compliant with changes to the Ground Rules of the FTSE UK Index Series that require constituents to maintain a minimum free float of 25%. The proceeds of the placing were used for general corporate purposes and the Company's working capital needs.

As a result, the Company's issued ordinary share capital now consists of 736,893,589 (2012: 717,160,159) ordinary shares of US$0.50 each with voting rights. The Company does not hold any ordinary shares in treasury. Therefore, the total number of voting rights in the Company is 736,893,589.

13 Dividends paid

Dividends declared by the Company are as follows:

	Per share US Cents	Amounts $Million
Six months ended 30 June 2012		
Total dividends paid during the period (1)	40.0	286.9
Six months ended 30 June 2013		
Total dividends paid during the period (2)	42.4	304.1

(1) Final dividend for 2011 approved at the Annual General Meeting on 18 May 2012 and paid on 23 May 2012.
(2) Final dividend for 2012 approved at the Annual General Meeting on 3 May 2013 and paid on 8 May 2013.

14 Commitments

A summary of capital expenditure commitments is as follows:

	As at 30 June 2013	*As at 31 December 2012*
	(in thousands of US dollars)	
Minera Saucito, S.A. de C.V.	24,162	15,883
Minera Penmont, S. de R.L. de C:V.	49,654	55,594
Minera Mexicana La Ciénega, S.A. de C.V.	12,298	9,145
Minera Fresnillo, S. A. de C.V.	85,482	102,149
Minera El Bermejal, S. de R.L. de C.V.	11,393	81,162
	182,989	**263,933**

15 Contingencies

The contingencies in the Group's annual consolidated financial statements for the year ended 31 December 2012 as published in the 2012 Annual Report, are still applicable as of 30 June 2013, including the El Bajío agrarian community situation which has been updated as noted in the Company's production report of 17 July 2013 and as further described as follows:

The local Magistrate in Sonora, who issued the order for Minera Penmont to vacate the land, has also issued requests to the Ministry of Defense which has resulted in a temporary suspension of Minera Penmont's explosives permits (not only at Dipolos but also at Soledad, Herradura and Noche Buena). Minera Penmont has presented legal proceedings before authorities requesting re-activation of its explosives permits outside Dipolos (at the Soledad, Herradura and Noche Buena mines). Minera Penmont is currently evaluating and implementing other legal routes to lift the suspension of explosives order and is of the opinion that the explosives suspension is excessive since it goes beyond the area of land pertaining to the original court order.

Minera Penmont expects to obtain relief for lifting the explosives suspension in the short term, although no assurances can be given.

Minera Penmont has not been affected to date in its production from Herradura and Noche Buena given the fact that sufficient ore has been available for deposit on the leaching pads which has permitted continuance of operations. Sufficient inventory to maintain current operations will be available in the case of Herradura, until early August and in the case of Noche Buena, until late August. Production of doré will not be interrupted as both mines will continue processing ore that has already been deposited on the leaching pads.

16 Related party balances and transactions

(a) Related party accounts receivable and payable

The Group had the following related party transactions during the six months ended 30 June 2013 and 30 June 2012 and balances as at 30 June 2013 and 31 December 2012.

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.

	Accounts receivable in thousands of US dollars		*Accounts payable in thousands of US dollars*	
	As at 30 June 2013	*As at 31 December 2012*	*As at 30 June 2013*	*As at 31 December 2012*
Trade:				
Met-Mex Peñoles, S.A. de C.V.	152,449	192,273		-
Other receivables:				
Industrias Peñoles, S.A.B. de C.V.	6,021	10,981		-
Grupo Nacional Provincial, S.A. B. de C.V.		-		-
Other	32	19		
Other payable:				
Other			4,875	1,660
Sub-total	158,512	203,273	4,875	1,660
Less-Current portion	158,512	203,273	4,875	1,660
Non-current portion	-	-	-	-

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

Other balances with related parties:

	As at 30 June 2013	*As at 31 December 2012*
	(in thousands of US dollars)	
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	342,963	487,779

The Silverstream contract can be settled in either silver or cash. Details of the Silverstream contract are provided in note 9.

(b) Principal transactions with affiliates are as follows:

	Six months ended 30 June 2013	*2012*
	(in thousands of US dollars)	
***Income*:**		
Sales[(1)]:		
Met-Mex Peñoles, S.A. de C.V.	925,780	1,080,810
Other income	183	216
Total income	**925,963**	**1,081,026**

(1) Figures do not include hedging losses.

16 Related party balances and transactions continue

	Six months ended 30 June 2013	2012
	(in thousands of US dollars)	
***Expenses*:**		
Administrative Services Agreement[2]:		
Servicios Administrativos Peñoles, S.A. de C.V.	17,981	16,603
Energy:		
Termoelectrica Peñoles, S. de R.L. de C.V.	14,986	14,630
Operating materials and spare parts:		
Wideco Inc	3,024	3,021
Equipment repairs:		
Serviminas, S.A. de C.V.	2,468	1,819
Insurance premiums:		
Grupo Nacional Provincial, S.A.B. de C.V.	2,285	6,560
Other expenses:	6,733	5,058
Total expenses	47,477	47,691

(2) Effective 1 January 2013, a new Service Agreement with Servicios Administrativos Peñoles, S.A. de C.V., ("SAPSA"), a wholly owned Peñoles subsidiary. This Service Agreement comprises administrative and non-administrative services from 1 January 2013 through 31 December 2018, for an annual fee of US$7.4 million and MX$362.8 million. From 1 November 2009 through 31 December 2012, this Service agreement comprised administrative and non-administrative services for an annual fee of US$6.1 million and MX$277.5 million.

During the six months ended 30 June 2013, the Company incurred expenses of USD17.9 million under the new above mentioned agreement (US$16.6 million for the six months ended 30 June 2012, under the prior agreement). Expenses include administrative services of US$14.1 million (US$13.1 million for the six months ended 30 June 2012, under the prior agreement), exploration services of US$0.2 million (US$0.6 million for the six months ended 30 June 2012, under the prior agreement) and US$3.6 million that were capitalised (US$2.9 million for six months ended 30 June 2012, under the prior agreement).

(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 2013	2012
	(in thousands of US dollars)	
Salaries and bonuses	1,679	2,126
Post-employment pension	74	32
Other benefits	215	262
Total compensation paid to key management personnel	1,968	2,420

17 Notes to the consolidated cash flow statement

	Notes	Six months ended 30 June 2013	2012
		(in thousands of US dollars)	
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the period		176,796	438,475
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation	8	114,261	108,967
Employee profit sharing		9,153	26,069
Deferred income tax	6	(52,311)	(1,129)
Current income tax	6	125,305	171,120
Loss on the sale of property, plant and equipment and other assets		532	673
Other losses/(gains)		252	(154)
Net finance expense/(income)		1,490	(1,785)
Foreign exchange loss		5,738	13,266
Difference between pension contributions paid and amounts recognised in the income statement		485	760
Non cash movement on derivatives		2,192	(3,221)
Changes in fair value of Silverstream	9	112,496	(36,374)
Working capital adjustments			
Increase in trade and other receivables		(9,991)	(26,199)
Decrease/(increase) in prepayments and other assets		1,081	(6,947)
Decrease in inventories		(57,155)	(36,978)
Increase/(decrease) in trade and other payables		13,056	(947)
Cash generated from operations		**443,380**	**645,596**
Income tax paid		(199,159)	(288,650)
Employee profit sharing paid		(55,331)	(64,117)
Net cash from operating activities		**188,890**	**292,829**

18 Financial instruments

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: Valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following financial instruments are carried at fair value. There is, therefore, no difference between the fair value and the carrying amount of the financial assets and liabilities which are categorised into the following fair value hierarchy as at:

	As of 30 June 2013			
	Level 1	***Level 2***	***Level 3***	***Total***
	(in thousands of US dollars)			
Financial assets:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	1,016	-	1,016
Silverstream contract	-	-	342,963	342,963
		1,016	342,963	343,979
Available-for-sale financial assets:				
Quoted investments	69,838	-	-	69,838
	69,838	1,016	342,963	413,817
Financial liabilities:				
Derivative financial instruments:				
Embedded derivatives within sales contracts(1)	-	-	(9,469)	(9,469)
Options and forward foreign exchange contracts	-	(2,372)	-	(2,372)
	-	(2,372)	(9,469)	(11,841)

(1) Fair value of embedded derivatives arising due to provisional pricing in sales contracts included in "Trade and other receivables" in the balance sheet.

The tables above illustrate the classification of the Group's financial instruments based on the fair value hierarchy as required for complete sets of financial statements. This classification provides a reasonable basis to illustrate the nature and extent of risks associated with those financial instruments.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

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 beginning balance to the ending balance for Level 3 financial instruments other than Silverstream (which is disclosed in note 9) is shown below:

	June 2013 US$ thousands	June 2012 US$ thousands
Balance at 1 January:	(6,136)	(14,479)
Changes in fair value	(3,268)	7,076
Realised embedded derivatives during the year	(65)	45
Balance at 30 June:	**(9,469)**	**(7,358)**

18 Financial instruments continued

Valuation techniques

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 Garmam-Kohlhagen formula, 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 Silverstream contract see note 9).

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 estimated 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 and the related mine plan 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 is not significantly sensitive to a reasonable change in future exchange rates, however, it is to a reasonable change in future silver price, future inflation and the discount rate used to discount future cash flows. The following table demonstrates the sensitivity of the Silverstream contract valuation to reasonably possible change those inputs:

30 June 2013	Increase/ (decrease)	Effect on fair value: increase/ (decrease) US$ thousands
Future silver price	25%	108,161
	(25%)	(108,161)
Future inflation	100 basis point	1,340
	(100 basis point)	(1,340)
Interest rate	100 basis point	(18,439)
	(100 basis point)	20,383

18 Financial instruments continued

***Embedded derivatives within sales contracts*:**

Sales of concentrates, precipitates and doré bars are "provisionally priced" and revenue is initially recognised using this provisional price and the Group's best estimate of the contained metal. Revenue is subject to final price and metal content adjustments subsequent to the date of delivery. This price exposure is considered to be an embedded derivative and 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 are actively traded on international exchanges but the estimated metal content is a non observable input to this valuation.

At 30 June 2013 the fair value of embedded derivatives within sales contracts was US$(9.5) million (31 December 2012: US$(7.4) million). The revaluation effects of embedded derivatives arising from these sales contracts are recorded as an adjustment to revenue.

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 entered into a number of forward derivative contracts to hedge its exposure to fluctuations in foreign exchange rates. The outstanding contracts as at 30 June 2013 are as follows:

Contract	*Term*	*Currency*	*Contract value (thousands)*	*Contract exchange rate*	*2013 Fair value (US$ thousands)*
Euro denominated forward	2014	EUR€	3,869	EUR€1.29: US$1 to EUR to EUR€1.34:US$1	(90)
Dollars denominated forward	2014	US$	9,500	MXP12.55: US$1 to MXP12.61:US$1	(457)
Swedish Krona denominated forward	2013	SEK	48,066	SEK6.46:US$1 to SEK6.79:US$1	(215)

The Group's Mexican peso denominated forward contracts mature over the period from December 2013 to January 2014 with a weighted average rate of MX$12.59: US$1. Euro denominated forward contracts mature over the period from December 2013 to March 2014 with a weighted average rate of US$1.32: €1. The Group's SEK-US dollar forward contracts mature over the period from September 2013 to December 2013 with a weighted average rate of SEK6.46: USD$1.

18 Financial instruments continued

The Group also entered into a number of Mexican peso-US dollar collars to hedge its exposure to fluctuations in foreign exchange rates. These derivative instruments mature over the period from July 2013 to August 2014. The collar instruments hedge costs denominated in Mexican pesos amounting to US$215 million with a range of floor prices from MX$12.40 to MX$13.59:US$1 and a range of capped prices from MX$13.21 to MX$15.22:US$1. The fair value of the put options at 30 June 2013 was an asset of US$5.3 million, and the fair value of the call options at 30 June 2013 was a liability of US$6.2 million.

The outstanding contracts as at 31 December 2012 are as follows:

Contract	*Term*	*Currency*	*Contract value (thousands)*	*Contract exchange rate*	*2012 Fair value (US$ thousands)*
Euro denominated forward	2013	EUR€	1,396	EUR€1.28: US$1	58
Swedish Krona denominated forward	2013	SEK	54,708	SEK6.49:US$1 to SEK7.25:US$1	(237)

The Group's euro-denominated forward derivative instruments mature on 14 June 2013 at a rate of US$1.28: €1. The Group also entered into a number of SEK-US dollar forward contracts to hedge its exposure to fluctuations in foreign exchange rates. These derivative instruments mature over the period from 15 March 2013 to 14 June 2013 with a weighted average rate of SEK6.78: US$1. The Group does not apply hedge accounting for SEK:USD forward contracts, therefore, changes in fair value are recognised in the income statement in the year.

The Group also entered into Mexican peso-US dollar collars to hedge its exposure to fluctuations in foreign exchange rates. Collar derivative instruments mature over the period from 7 January 2013 to 12 August 2013. The collar instruments hedge costs denominated in Mexican peso amounting to US$115 million with a range of floor prices from MX$12.75 to MX$13.78:US$1 and a range of capped prices from MX$13.57 to MX$16.16:US$1. The fair value of the put options at 31 December 2012 was an asset of US$2.3 million, and the fair value of the call options at 31 December 2012 was a liability of US$0.4 million.

19 Effect of changes in accounting policies

a) Amendments to IAS 19R

In the case of the Group, the transition to IAS 19R had an impact on the recognition of the actuarial gains and losses that are now recognised in OCI and permanently excluded from profit and loss. Such a change did not have an impact on the pension liability balance. Upon adoption of this amendment the Group reclassified net interest cost related to the pension liability of US$344 thousand from cost of sales to finance cost, for the six months ended 30 June 2012. The amendment did not have an impact on retained earnings. The Group determines actuarial gains or losses on an annual basis; therefore, the effect of this amendment will be presented in the 2013 Annual Report. See details in table below.

b) IFRIC 20 "Stripping cost in the production phase of a surface mine

The IFRS Interpretations Committee issued IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (IFRIC 20), effective 1 January 2013. Prior to the issuance of IFRIC 20, the accounting for production stripping costs had been based on general IFRS principles and the *Framework,* as IFRS had no specific guidance.

19 Effect of changes in accounting policies continued

Previously, the Group deferred production stripping costs for those operations where this was considered to be the most appropriate basis for matching the cost against the related economic benefits and the effect was material. This was generally the case where there were fluctuations in stripping ratios over the life of the mine. The amount of stripping costs deferred was based on the life of mine average strip ratio that was obtained by dividing the total tonnage of waste expected to be mined over the life of the mine by the quantity (e.g., tonnes) of economically recoverable reserves expected to be mined across the life of the mine expected to be contained in the economically recoverable reserves. Production stripping costs incurred in the period were deferred to the extent that the current period actual strip ratio exceeded the life of the mine average strip ratio. The amount capitalised was subsequently depreciated over the expected useful life of the identified component of the ore body related to the stripping activity, by using the units of production method. The life of mine ratio was based on economically recoverable reserves of the mine.

IFRIC 20 now provides specific guidance on how to account for production stripping costs. It requires such costs to be capitalised where the recognition criteria set out in IFRIC 20 are met. IFRIC 20 differs from the life of mine average strip ratio approach in a number of ways – these include:

a) The level at which production stripping costs are to be assessed i.e., at a component level rather than a life of mine level
b) The way in which any stripping activity assets are to be depreciated

In addition, specific transitional rules are provided to deal with any opening deferred stripping balances an entity may have recognised under its previous accounting policy.

Identification of stripping activity assets

The first difference in the new guidance is the requirement to identify the components of each ore body. This will determine whether any stripping activity assets should be recognised and if so, the level at which such assets are initially recognised. IFRIC 20 defines a component as a specific volume of the ore body that is made more accessible by the stripping activity. An identified component of the ore body is considered to typically be a subset ("phases of production") of the total ore body of the mine. This suggests a lower unit of account than the entire life of mine, which is used in the current life of mine average strip ratio approach. It is considered that a mine may have several components, which are to be identified based on the mine plan. As well as providing a basis for measuring the costs reliably at recognition stage, the identification of components is necessary for the subsequent depreciation or amortisation of the stripping activity asset(s), which will take place as each identified component is mined.

Depreciation of the stripping activity asset(s)

The second difference in the new guidance relates to the way in which the stripping activity asset(s) are depreciated. Under the life of mine average strip ratio approach, the deferred stripping balance was released to profit or loss (or effectively depreciated) when the actual ratio fell below the average expected ratio. Under IFRIC 20, any stripping activity asset(s) will be depreciated or amortised over the expected useful life of the identified component of the ore body that is made more accessible by the activity, on a basis that best reflects the consumption of economic benefits. IFRIC 20 requires the units of production method to be applied unless another method is more appropriate. Refer to note 2 for further information on the depreciation method applied by the Group.

19 Effect of changes in accounting policies continued

In accordance with the transitional provisions of IFRIC 20, this new policy has been applied prospectively from the start of the comparative period, being 1 January 2012. As a result of the adoption of the interpretation, the adjustments outlined below were made to the financial statements.

Adjustments to the interim consolidated income statement:

For the six months 30 June	2012 Previously presented	Adjustments for changes in accounting policies IAS 19	IFRIC 20	2012 Adjusted
Cost of sales (1)	(379,831)	344	5,186	(374,301)
Finance costs	(1,887)	(344)	-	(2,231)
Income tax expense	(168,539)	-	(1,452)	(169,991)
Increase in profit for the period from continuing operations	-	-	3,734	-
Attributable to:				
Equity shareholders of the Company	-	-	2,091	-
Attributable to non-controlling interest	-	-	1,643	

(1) Includes a credit to depreciation of US$4.4 million.

Adjustments to earnings per share:

For the six months ended 30 June	2012 Previously presented	Adjustments for changes in accounting policies IAS 19	IFRIC 20	2012 Adjusted
Earnings:				
Profit from continuing operations attributable to equity holders of the Company	366,695	-	2,091	368,786
Adjusted profit from continuing operations attributable to equity holders of the Company	340,645	-	2,091	342,736
Earnings per share:				
Basic and diluted earnings per ordinary share from continuing operations (US$)	0.511	-	0.003	0.514
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.475	-	0.003	0.478

19 Effect of changes in accounting policies continued

Adjustments to the interim consolidated balance sheet:

As at 31 December	2012 Previously presented	Adjustments for changes in accounting policies IAS 19	IFRIC 20 (1)	2012 Adjusted
Property, plant and equipment,	1,480,285	-	10,372	1,490,657
Deferred tax liability	376,123	-	2,904	379,027
Retained earnings	1,530,380	-	4,182	1,534,562
Non-controlling interest	368,608	-	3,286	371,894
Increase in net assets		-	7,468	

(1) Impact for the year ended 31 December 2012.

Adjustments to interim consolidated cash flow:

For the six months ended 30 June	2012 Previously presented	Adjustments for changes in accounting policies IAS 19	IFRIC 20	2012 Adjusted
Profit for the period	434,741	-	3,734	438,475
Adjusted for the following items:				
Depreciation	113,332	-	(4,365)	108,967
Deferred income tax	(2,581)	-	1,452	(1,129)
Net cash from operating activities	292,008	-	821	292,829
Property, plant and equipment	(239,618)	-	(821)	(240,439)
Net cash used in investing activities	(239,618)	-	(821)	(240,439)