Fresnillo plc
28 Grosvenor Street
London W1K 4QR
United Kingdom
www.fresnilloplc.com

2 August 2011

Fresnillo plc interim results for the six months to 30 June 2011

Financial highlights (H1 2011/H1 2010 comparisons)

- Average realised silver price US$35.74 per oz, up 99.3%
- Average realised gold price US$1,462.31 per oz, up 24.8%
- Adjusted Revenue[1] of US$1,114.1m, up 75.1%
- Gross Profit of US$774.6m, up 91.8%
- EBITDA[2] up 92.0% to US$757.0m
- EBITDA margins increased to 71.6% from 65.1%
- Profit attributable to equity shareholders of the Company, excluding Silverstream revaluation effects, up 102.3% to US$422.0m (post-tax Silverstream revaluation effects: US$66.7m)
- Cash generated by operations before changes in working capital US$798.2m, up 90.1%
- Adjusted EPS[3] up 102.1% to US$0.588 per share, EPS up 121.1% to US$0.681 per share
- Interim dividend 21.0 US cents per share, up by 128.3%

Operational highlights

- Record half year silver production of 21.5 million ounces, (including the Silverstream), up 2.6%.
- Record attributable gold production of 206,477 ounces, up 17.1%
- On track to achieve full year production targets of 44moz of silver (including 3.0 million ounces from the Silverstream) and 400,000oz of attributable gold
- Fresnillo plc's core operations were strengthened by the addition of Saucito as an operating mine

---

[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 and exploration expenses.
[3] Adjusted Basic and diluted earnings per ordinary share from continuing operations, prior to the revaluation effects of the Silverstream Contract.

- Soledad-Dipolos reached its new capacity of 130,000 ounces per year
- Ciénega expanded milling capacity to 930,000tpy became operational in June
- Construction of Noche Buena on track to start-up in H1 12
- Exploration results at San Julián, San Ramón, Centauro Deep, Noche Buena, Juanicipio and Orisyvo were encouraging

Highlights for 1H11

US$ million unless stated	H1 11	H1 10	% change
Silver Production (koz) – Attributable	21,460	20,923	2.6
Gold Production (oz) - Attributable	206,477	176,351	17.1
Total Revenue	1,056.9	605.7	74.5
Adjusted Revenue[1]	1,114.1	636.3	75.1
Exploration expenses	62.0	33.4	85.6
EBITDA[2]	757.0	394.3	92.0
Attributable Profit	488.7	220.7	121.4
Cash generated by operations before changes in working capital	798.2	419.9	90.1
Basic and Diluted EPS (US$)[3]	0.681	0.308	121.1
Dividend per ordinary share (US$)	0.2100	0.0920	128.3

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 and exploration expenses.

3 The weighted average number of shares was 717,160,159 . See Note 10 in the Consolidated Financial Statements.

Jaime Lomelín, Chief Executive Officer of Fresnillo plc, said:

"I am pleased to report that we have achieved excellent operating and financial results in the first half of the year. This performance was underpinned by the strength of precious metal prices, our high quality assets, and the ability to meet production targets through disciplined execution and continuous investment in the Group's project pipeline.

The commercial start-up of Saucito in April this year has added a fifth operating mine to our portfolio, reflecting the efficiency of our growth strategy. Our commitment to operational excellence was also evident through the delivery of the expansion projects at the Soledad-Dipolos and Ciénega mines.

An extensive exploration programme is being conducted at our operating mines, advance exploration projects and early-stage prospects. We are confident that these efforts will increase our growth potential through the expansion of the Group's resource base.

In spite of these positive results, the mining industry is being challenged by cost pressures. Production costs were affected by higher unit prices of consumables, electricity and diesel, while the revaluation of the Mexican peso against the US dollar continued to have an adverse effect. That said, we are currently in the lowest quartile of the industry cost curve and our ongoing cost reduction initiatives are expected to continue to contain costs and ensure we remain there.

The Board's highest priority is to eliminate accidents and in particular fatalities which is why we are saddened to see eight recorded over the period, the majority of these among contractors. We are determined to address our safety performance, and have undertaken a number of initiatives to reduce safety risks.

We are confident that our strong foundations will continue delivering robust operational performance in the second half of the year, consolidating Fresnillo plc's global leadership in silver production and continuing to create ongoing and sustainable value to all our stakeholders. Given our strong platform and the strength of precious metal prices, we continue to have confidence in the second half of this year."

Commentary on the Group's results

In the first half of 2011, demand for precious metals as safe haven instruments gained momentum as a result of the weak global economic performance, geopolitical tensions arising in the Middle East and North Africa and increased uncertainty surrounding sovereign risk in Europe. This economic scenario caused precious metal prices to increase materially, exceeding the record levels reached in 2010. The average realised silver price for Fresnillo plc almost doubled to US$35.7 per ounce, while the average realised gold price of US$1,462.3 per ounce rose by 24.8%, increasing earnings in the Group's income statement.

The significant improvements achieved in Fresnillo plc's financial results were also supported by a solid operating performance, resulting in record silver and gold production. The most relevant operating highlight was the on-time start-up of commercial production at Saucito. This new mine is expected to become a key driver of production and earnings growth in the future, while playing a significant role in boosting local economic development. The expanded capacity at Soledad-Dipolos also contributed to increased gold production.

However, anticipated lower ore grades at the Fresnillo and Ciénega mines affected production levels. This adverse effect was mitigated in part by drawing on the company's technical expertise which allowed increased volumes of ore to be milled, optimal mining methods to be implemented and recovery rates to be improved. Further efficiency projects are expected to be concluded in the second half of the year to further maximise the value of the Group's existing operations.

Given the conditions in the metal and commodity markets, global capital expenditure in the industry is surpassing expected levels, resulting in shortages of equipment and consumables and generating industry-wide cost pressures. Cost per tonne milled/deposited increased at all our operating mines due to the higher unit prices of operating materials, with an estimated weighted average increase of 13.2%. In addition, the adverse effect of a 6.1% revaluation of the Mexican peso against the US dollar and higher electricity and diesel prices affected production costs.

Other factors contributing to the higher cost per tonne were the 6.5% wage increase in Mexican pesos, plus 1.5% in fringe benefits, and increased volumes of waste material moved at our operating mines which resulted in higher contractor costs. However, these increases were partly mitigated by higher volumes of ore milled/deposited and several operating efficiencies achieved through the use of systems that optimise input consumption. The Group continued working to improve its procurement process and to maintain long-term relations with selected contractors to further contain costs.

Consolidated gross profit, excluding hedging gains and losses, reached US$774.6 million, a 91.8% increase when compared with the first half of 2010. The main factors driving this significant increase during the first half of the year were higher silver and gold prices, stronger operating performance and the contribution of US$46.2 million from the new Saucito mine.

This increase was partially offset by the adverse effect of the anticipated lower ore grades at some of our operating mines, higher depreciation on our increased asset base, adjusted production costs and profit sharing. Nevertheless, EBITDA reached a record US$757.0 million, representing a 92.0% increase over the first half of 2010. Similarly, the EBITDA margin increased from 65.1% in the first six months of 2010 to 71.6% in the equivalent period of 2011.

The effective tax rate for the six months ended 30 June 2011 was 28.7%, which is lower than the Mexican statutory rate of 30%. This difference is explained primarily by the revaluation of the Mexican peso over the period from 31 December 2010 to 30 June 2011, which generated a foreign exchange loss in the income statement under IFRS in local currency. Despite this, higher profits resulted in an overall tax charge of US$222.9 million, representing a 133.1% increase when compared with the first half of 2010.

The fair value of the Silverstream instrument continued to increase resulting in a US$93.6 million non-cash gain recognised in the income statement, which accounted for 12.1% of the Group's profit before tax.

Net profit for the period totalled US$553.2 million, an increase of 113.7% compared to the first half of 2010. The Group's attributable profit increased to US$488.7 million, representing a 121.5% increase over the comparable period last year. Profit attributable to equity shareholders of the Group, excluding the Silverstream effects, increased by 102.3% to US$422.0 million in the first half of 2011.

Cash flow generated by operations before changes in working capital, reached US$798.2 million in the first half of 2010, a 90.1% increase as a result of the increased profits. Capital expenditures for the period were US$201.2 million, which were related to the construction of the Noche Buena gold mine, underground workings at advanced exploration projects, mine development and expansion projects at Soledad-Dipolos and Ciénega mines.

The Directors have recommended an interim dividend of 21.0 US cents per share amounting to US$150.6 million which is scheduled to be paid on 13 September 2011 and is accordance with the Company's stated dividend policy.

Growth

Exploration remains a key foundation to preserve the Group's growth strategy and create a high-quality pipeline of prospects, projects and assets. This requires disciplined investments in exploration to replace reserves at our operating mines and expand our resource base. In the first half of the year, US$62.0 million was spent on exploration out of US$151.4 million (excluding US$100 million capitalised) approved for 2011 as a whole. The exploration programme resulted in the discovery of the new Shalom gold-silver vein at San Julián and new extensions of ore bodies at Centauro Deep and Noche Buena. Drilling is expected to be continued at all our exploration sites, including new areas, and audited results will be released in early 2012.

Construction of the Noche Buena gold mine began in March and the mine is expected to start commercial production in the first half of 2012.

At the San Ramón project (Ciénega District), exploration and mining works continued to convert resources into reserves. Following a thorough analysis and considering San

Ramon's resource base, it was decided that this project should be considered a satellite of Ciénega, whose mill will process its ore. As a result, ore from advanced exploration activities began to be shipped to the Ciénega mill during the second quarter of 2011.

At Herradura, construction of a dynamic cyanidation plant to increase recoveries of high-grade ore from the Herradura and Soledad-Dipolos pits is being evaluated. The Executive Committee approved the advance purchase orders of critical long-lead equipment for this project, which is expected to produce 60,000 ounces of gold per year from 2013 through 2019.

Outlook

We believe that the global economy will continue to be challenging in the second half of the year. We foresee precious metals prices continuing to be volatile, reflecting the uncertainty surrounding the US economic recovery and sovereign risk in Europe. The Group's priorities for the second half of 2011 will be projects aiming to increase productivity, contain costs and improve safety performance. Investments in exploration and development projects will continue to be a main contributor to Fresnillo plc's solid foundation. The Group is confident that its disciplined adherence to its strategy will continue to benefit all its stakeholders.

Presentation for Analysts

Jaime Lomelín, Chief Executive Officer, and Mario Arreguín, Chief Financial Officer, will host a presentation for analysts on Tuesday 2 August at 9am (BST) at JP Morgan Cazenove, Level 6, Board Room, 20 Moorgate London EC2R 6DA

For analysts unable to attend dial in details are:

Dial-in number: +44 (0)1452 541 076

Conference ID: 85547801

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: 85547801#

For further information, please visit our website: www.fresnilloplc.com or contact:

Fresnillo plc

London Office Tel: +44 (0)20 7399 2470

Arturo Espinola, Head of Investor Relations

Mexico City Office Tel: +52 55 52 79 3203

Gabriela Mayor

Brunswick Tel: +44 (0)20 7404 5959

Carole Cable

David Litterick

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 plc has five producing mines, all of them in Mexico - Fresnillo, Ciénega, Herradura, Soledad-Dipolos and Saucito; three development projects – Noche Buena (new gold mine), Saucito II and San Ramón (a satellite for the Ciénega gold mine); and five advanced exploration prospects – San Julián, Orysivo, Juanicipio, Centauro Deep and Las Casas as well as a number of other long term exploration prospects and, in total, has mining concessions covering approximately 2.1 million hectares in Mexico.

Fresnillo plc has a strong and long tradition of mining, a proven track record of mine development, reserve replacement, and production costs in the lowest quartile of the cost curve for both silver and gold.

Fresnillo plc's goal is to maintain the Group's position as the world's largest primary silver company, producing 65 million ounces of silver and over 400,000 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

The Group began 2011 with two underground mines (Fresnillo and Ciénega) and two open pit operations (Herradura and Soledad-Dipolos), all located in Mexico. In April, Fresnillo plc's high-quality portfolio of operating mines was enhanced with the inclusion of Saucito. In addition, expanded capacities at Soledad-Dipolos and Ciénega were successfully completed, increasing production volumes. With these assets, the Group reached record silver and gold production in the first half of 2011.

The aggressive exploration programme set out for 2011 progressed as planned at our operating mines, advanced exploration projects, prospects and new areas; while construction of Noche Buena, the Group's next new gold mine, remains on track to start commercial production in 2012. In addition, the construction of a dynamic cyanidation plant is being considered to increase recoveries of high-grade ore at Herradura and Soledad-Dipolos.

Production

Production	H1 2011	H1 2010	% change
Silver (kOz) - attributable	19,544	19,107	2.3
Silverstream prod'n (koz)	1,916	1,816	5.5
Total Silver prod'n (koz)	21,460	20,923	2.6
Gold (Oz) - attributable	206,477	176,351	17.1
Lead (t)	10,602	9,144	15.9
Zinc (t)	11,429	10,825	5.6

Attributable silver production for the first half of the year reached a record of 19.5 million ounces, a 2.3% increase over the same period of 2010. The successful start-up of commercial production at the Saucito mine was the main driver behind increased silver production. However, this positive impact was mitigated by the anticipated lower ore grades at Fresnillo resulting from natural changes over its mine life.

In accordance with the Silverstream Contract, Fresnillo plc receives proceeds from the sale of silver from Peñoles' Sabinas mine. In the first half of 2011, 1.9 million ounces of silver were produced at Sabinas, representing a 5.5% increase compared to the corresponding period of 2010 due to higher volumes of ore milled and increased ore grades.

Attributable gold production increased by 17.1% in the first half to a record 206,477 ounces due to the expanded capacity and improved recovery rates at Soledad-Dipolos, increased volumes of ore deposited at Herradura and the contribution of Saucito. These benefits were slightly offset by the anticipated lower ore grade at Ciénega.

By-product lead and zinc production increased by 15.9% and 5.6% respectively half over half as a result of higher mill throughput and increased ore grades at Fresnillo and tonnage produced at Saucito.

Considering the above operational results, the expected production ramp-up at Saucito in the second half of the year and the projects carried out at Fresnillo and Ciénega mines to mitigate the decline in ore grades, Fresnillo plc remains on track to achieve its full year target of 44 million ounces of silver (including 3.0 million ounces from the Silverstream Contract) and 400,000 ounces of attributable gold.

Fresnillo mine production

Production	H1 2011	H1 2010	% change
Silver (kOz)	16,865	17,820	-5.4
Gold (Oz)	12,485	11,488	8.7
Lead (t)	6,739	5,836	15.5
Zinc (t)	6,579	6,014	9.4

Silver production at Fresnillo mine was 16.9 million ounces, a 5.4% decrease when compared to the first half of 2010. This reduction was caused by: i) the anticipated decline in silver ore grade; and ii) the additional rock bolting conducted at high grade stopes during the second quarter of 2011 to ensure ground control to improve safety conditions. The latter adverse effect is expected to be offset during the second half of 2011 once access to the high ore grade stopes is regained and volumes extracted from these areas increase. As a result, ore grade expectations for the full year remain unchanged.

A future expansion of milling capacity to maintain production levels with low-grade resources will be evaluated in 2011-2012.

Sinking of the San Carlos shaft to extract minerals from the western zone of the San Carlos vein remained on schedule to be concluded in the fourth quarter of 2011. This US$19.1 million project will reduce production costs by reducing underground haulage distances from 5,300 to 1,600 metres.

Saucito mine production

Production	H1 2011	H1 2010*	% change
Silver (kOz)	1,932	477	N/A
Gold (Oz)	9,130	1,998	N/A
Lead (t)	559	80	N/A
Zinc (t)	290		N/A

* 2010 figures are from the development ore from Saucito processed at the Fresnillo mill.

The development of the Saucito mine was successfully concluded on time and below budget with a US$273 million investment. Since commercial production started in April, this mine produced 1.7 million ounces of silver and 8,299 ounces of gold, achieving a contribution of approximately 9% to the Group's silver production.

Production ramp-up will continue in the second half of the year, providing confidence that we will achieve our 2011 target of 4.7 million ounces of silver and 22,500 ounces of gold. However, these figures are expected to gradually increase to approximately 10 million ounces of silver and 50,000 ounces of gold by 2015.

At the beginning of 2011, Saucito had a solid resource base comprising 361.5 million ounces of silver. Fresnillo plc will conduct additional exploration drilling to convert those resources into reserves. With this information, the Group will conduct a feasibility study to examine the potential to significantly expand capacity in the future.

The sinking of the Jarillas shaft, which is expected to hoist ore and waste material only from the Saucito mine, reached 547 metres depth, out of a total 645 metres planned. This shaft is expected to become operational in 2012.

Ciénega mine production

Production	H1 2011	H1 2010	% change
Gold (Oz)	53,377	55,772	-4.3
Silver (kOz)	576	676	-14.8
Lead (t)	3,304	3,228	2.4
Zinc (t)	4,560	4,811	-5.2

Gold production for the first half of 2011 decreased by 4.3% when compared with the same period last year due to anticipated lower gold ore grades, which was mitigated by a 5.1% increase in volume of ore milled.

Silver and zinc production similarly declined for the first six months of the year by 14.8% and 5.2%, respectively, when compared to the corresponding period of 2010 due to lower ore grades.

The expansion of milling capacity from 755,000 to 930,000 tonnes per year was concluded on time and became operational in June. This US$24.9 million project, along with improved recovery rates, will help stabilise production at 110,000 ounces of gold per year.

The US$13.3 million project to sink the shaft a further 300 metres to gain access to deeper ore reserves and reduce costs remained on schedule to be concluded in the second half of 2011.

Gold ore grades at the Ciénega mine are decreasing and are expected to continue doing so in the years to come until they reach the levels reported in reserves. In the second quarter of 2011, development ore from the San Ramón project started to be processed at the Ciénega mill. At this stage, the project is considered a satellite of Ciénega and is expected to contribute with higher-grade throughput to the Ciénega mine.

Herradura mine production - Attributable

Production	H1 2011	H1 2010	% change
Gold (Oz)	88,226	79,569	10.9
Silver (kOz)	142	122	16.4

Attributable gold production increased by 10.9% compared to the previous year, reaching a record 88,226 ounces, which represented 43% of the Group's attributable gold production. Attributable silver production also increased by 16.4% compared to the first six months of 2010. Both increases were driven by additional volumes of ore deposited on the leaching pads thanks to the greater availability of trucks and loaders. This more than offset the temporary decline in ore grades. Contrary to the situation at Fresnillo and Ciénega, ore grades at Herradura are likely to remain steady in the future, or even increase as the pit is further deepened. The high grade ore from the Herradura Centauro and Soledad-Dipolos pits could be recovered through a dynamic cyanidation plant, which is further described in the growth projects section below.

The construction of the ninth leaching pad to ensure continuous operation in the future remained on track. The two stages comprising this US$16.7 million project are expected to be concluded in the second half of 2011 and first quarter of 2012, respectively.

The project to automate the assay process at the laboratory continued progressing and is expected to be completed in the third quarter of 2011. Aimed at increasing the volume of samples analyzed with greater accuracy and efficiency, the project will require an estimated investment of US$2.4 million.

Soledad-Dipolos mine production - Attributable

Production	H1 2011	H1 2010	% change
Gold (Oz)	43,260	27,524	57.2%
Silver (kOz)	28	11	154.5%

Attributable gold production for the first half of the year reached 43,260 ounces of gold, representing a 57.2% increase compared to the same period of 2010. Similarly, attributable silver production rose by 154.5% over the first half of 2010. These increases resulted from the purchase of additional trucks and loaders, and improved recovery with leaching pads at full capacity which resulted in expanded capacity to 130,000 ounces per year. As anticipated, gold ore grades at Soledad-Dipolos remained steady and are expected to be maintained at similar levels in the future.

Construction of the third, fourth and fifth leaching pads remained on schedule and are expected to begin operating by year end. This project will ensure stable production at the expanded capacity of 130,000 ounces per year throughout the life of the mine.

Growth Projects

Noche Buena

Construction of the Noche Buena gold mine began in March 2011 and progressed according to schedule during the second quarter of the year. The estimated pre-operative capex for this project is US$63 million and the mine is expected to start commercial production in the first half of 2012. Activities conducted during this period included waste stripping, preparation of the land to begin the construction of leaching pads and purchase of major equipment, whilst personnel for this project are currently being hired and trained at the Herradura mine.

This mine has an estimated initial mine life of five years with total production of 376,000 ounces of gold at an average ore grade of 0.5 gms/tonne. Given Noche Buena's proximity to Herradura and Soledad-Dipolos, it is expected that important synergies would be generated once these three mines are fully integrated.

Dynamic cyanidation plant at Herradura

The Group is evaluating the construction of a dynamic cyanidation plant at Herradura with an estimated capacity of 8,000 tonnes per day which will result in additional expected production of 60,000 ounces of gold per year. This facility will initially be used to increase recoveries of high-grade ore from the Centauro Pit at Herradura and the Soledad-Dipolos pit and, at a later time, is expected to treat the ore from the future

Centauro Deep underground mine. In preparation for this project and given the current industry-conditions, the Executive Committee approved the advance purchase orders of critical long-lead equipment.

San Ramón

At the San Ramón project (Ciénega District), exploration and mining works continued to convert resources into reserves. Given the resource base and its proximity to Ciénega, this project will be mined as part of Ciénega's cluster with an expected contribution of 1,000 tonnes per day starting in the second half of 2012. Construction of a 14 km road to truck ore from San Ramón to Ciénega was concluded and development ore was processed at the Ciénega mill in the second quarter of the year.

In-Mine exploration

Reserve replacement at all operating mines is a key element to support the Group's strategy and achieve our long-term production targets. Fresnillo plc has a strong track record of conducting disciplined in-mine exploration programmes aimed at replacing reserves and resources at the operating mines. Results from our 2011 exploration efforts will be audited at year-end and released in early 2012.

Exploration

Our growth strategy continues to focus on the exploration of Fresnillo plc's large portfolio of properties and early stage acquisitions. The exploration budget was increased to US$251.4 million in 2011 and in the first half of the year expenditure was US$83.9 million. Some 44 rigs were employed to drill 226,500 metres on 16 properties during the period. These were the Noche Buena, San Ramón and Saucito II development projects; the San Julián, Centauro Deep, Juanicipio, Orisyvo and Las Casas advanced exploration projects; and the Jaralillo, Guanajuato, Manzanillas, Lucerito, Tocayos, San Juan, Cebadillas, and San Nicolás del Oro drilling projects. In addition mapping and sampling were carried out at 13 of the 41 properties planned for early stage exploration in 2011. These include Yesca (Nayarit) and Candameña (Chihuahua) optioned from third parties, and Pilarica in Peru that was purchased recently.

An aeromagnetic survey was completed on the Company's extensive claim blocks in the Mesa Central (Mexico), complementing mapping and geochemical surveys. Three areas have been selected for drill testing and permits are in process. Additional ground was also staked to consolidate positions in the Herradura, Mesa Central, Sierra Madre and Peruvian Andes belts, where Fresnillo plc now controls 2.2 million hectares of claims. Ore reserves and resources will be updated and audited in December, and the figures released in early 2012.

<u>Herradura District (56% Fresnillo plc)</u>

At Noche Buena, 56,600 metres of drilling extended the gold mineralisation in the east ore body and upgraded resources to reserves. Mapping identified two new drill targets between this area and the Herradura mine.

At Centauro Deep 14,200 metres of drilling were completed to depths of 900 metres and seven gold bearing veins have been extended beyond the pit limits along a total 1,500 metres strike. These deposits grade 3 to 7 gms/tonne gold and could support an underground operation. Construction of the exploration ramp reached 659 metres and five stations were prepared for underground delineation drilling.

Ciénega District

Drilling of 33,400 metres was carried out on the San Ramón, Las Casas, Transversal and Manzanillas vein systems. Resources were increased at San Ramón on the Porvenir and Candelaria structures, which are located within trucking distance of the Ciénega mine processing plant. Sampling of outcrops and old workings on the nearby Pereñita vein gave good gold-silver values and drill roads have been completed for the second half.

Fresnillo District

Drilling was initiated at Jaralillo to test geophysical/geochemical anomalies in the valley east of the main mine area. Mapping located trails of silver bearing vein material further to the north and drilling permits have been obtained to follow up this new target.

Infill drilling of 10,720 metres on the Juanicipio property (56% Fresnillo plc) converted additional resources into the indicated category and, subject to an independent review, will be the base for a prefeasibility study including resources as of June 2011.

San Julián project

Drilling of 39,100 metres resulted in the discovery of a new Shalom gold-silver vein and increased resources on the Todos Santos and San Julián veins in the north area of the project. Development on the San Julián and San Roberto ramps advanced 4,000 metres and crosscuts have reached the JM disseminated silver ore body.

Orisyvo project

Infill drilling of 24,800 metres upgraded the resource category both in oxide and sulphide deposits. The access road to the exploration adit portal has been completed and the contractor has established his base camp and delivered all necessary mining equipment. Metallurgical testing continues on drill core samples and pilot plant testing from the adit material will be conducted in 2012.

Guanajuato project

Drilling of 4,200 metres on the west side of the property was completed and interesting gold-silver values were obtained on the Karina and San José veins. Two new target areas were prepared for drilling in the second half of 2011 located near Las Torres mill owned by Fresnillo plc.

Health and safety, human resources, environment and community relations

Regrettably, Fresnillo plc suffered two fatalities of unionised personnel during the first half of 2011. Additionally, six contractors suffered fatal accidents while working at our operations. A detailed investigation was undertaken for each accident and an analysis was reported to the management team, which concluded that six of the incidents were caused by violating established safety procedures, and one was due to equipment failure. This performance is simply unacceptable and the Group is taking additional measures to reinforce the existing safety procedures and programmes. The Group requires that its contractors conduct additional awareness campaigns and training for their less experienced employees to mitigate against the risk of accidents occurring at the Company's mine sites.

We have also engaged Peñoles, as part of the Services Contract, to conduct a thorough audit of Fresnillo plc's safety procedures and recommendations will be presented to the Health, Safety, Environment and Community Relations Committee in August. In addition, a safety consultant has been hired to identify further areas where the Company can try to improve its safety performance. We expect these actions to help us return to a zero fatalities performance. The Company extends its sincere condolences to the families of the victims.

Herradura, Soledad-Dipolos and the Explorations Division have not suffered safety incidents during this period.

As at 20 June 2011, Fresnillo plc's workforce was 554 employees, 2,100 unionized workers and 2,344 contractors. We continue to develop our recruitment, workforce selection and training programmes. Last April and May we implemented our annual Performance Evaluation and Planning for all employees.

The Company successfully concluded the annual wage negotiations with the mining union this year, agreeing a 6.5% wage increase in Mexican pesos plus 1.5% fringe benefits (13.0% wage increase in US dollars, plus 7.7% fringe benefits).

As part of caring for our people and through the collaboration with local and national public health agencies, we have implemented medical awareness and vaccination campaigns at all mine units and made close to 2,000 diagnosis medical tests and check-ups. We have also launched nutritional plans in our different diners and promote sporting activities through tournaments and better facilities. In Fresnillo, the Occupational Health Unit initiated these operations.

Our ongoing investments in environmental management systems have meant that Fresnillo has had no environmental incidents. The results of periodic tests concerning environmental aspects such as dust, noise, illumination, tailings and vibrations show compliance with national regulations. However, we continue to closely monitor potential risks and conduct periodic tests concerning environmental aspects to mitigate the impact of our operations.

New operations from Saucito's mine are using water from Fresnillo's waste water treatment plant and we are also implementing our reforestation programme in all our mines.

In May, Herradura obtained the certification awarded by the Code of the International Cyanide Management Institute. Ciénega, which is already a signatory, continued with the process to obtain this certification, whilst Soledad-Dipolos began the initial evaluation.

Fresnillo plc recognizes that long-term success comes with good relationships with our local communities. In keeping with this, we celebrated, World Water Day, Earth Day and World Environment Day in collaboration with local social organisations and public agencies at all our mine units. Activities were as diverse as workshops, seminars, visits to the operations and reforestation and cleaning campaigns. We also organised workshops at the different Community Centers especially for our employees' wives and children.

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 18 of the financial statements.

Financial Review

The interim consolidated financial statements of Fresnillo plc for the first half of 2011 and 2010 have been prepared in accordance with IAS 34 "Interim Financial Statements" as adopted by the European Union. The financial information is presented in US dollars, and all values in this commentary are expressed in millions except where indicated. Management recommends reading this section in conjunction with the Financial Statements and their accompanying Notes.

Commentary on financial performance

In the first half of 2011, our operating mines delivered on the Group's overall production targets. This strong operating foundation combined with the higher precious metal prices resulted in significant profit increases.

Adjusted revenues of US$1,114.1 million increased by 75.1% from the previous year, resulting in consolidated gross profit up by 91.8%, EBITDA up by 92.0% and attributable profit for the period up by more than double compared to the first half of 2010.

These favourable results reflected the increases in silver and gold prices, the start-up of commercial production at Saucito, the expanded capacity at Soledad-Dipolos and the higher volumes of ore processed at our long-time operating mines.

The above positive aspects were partially offset by higher adjusted production costs caused by the increase in energy prices, labour costs and operating materials. Furthermore, the prolonged period of high metal prices has incentivised mining companies to grow aggressively, which has resulted in added demand for operating materials, spare parts and equipment across the global mining industry, increasing unit prices of several critical inputs.

Other important factors affecting production costs, excluding the associated cost of the new Saucito mine and the higher volumes processed at our existing mines, were the revaluation effect of the Mexican peso/US dollar exchange rate and the increase in maintenance activities.

To contain costs, Fresnillo has implemented a more stringent monitoring of costs, ongoing investments in cost-reduction and efficiency projects, optimisation of inputs consumption through systems and mechanised process and effective supply chain management.

Exploration is an essential component of our business model and a key factor to meet our strategic growth plans, thus replacing and increasing reserves and resources is considered a core practice. As anticipated, exploration expenses were increased to support our intensified drilling programme at all our mines, advanced projects and prospects.

A further favourable impact, not related to our operations, was the revaluation gain on the Silverstream Contract which once again was revalued to reflect current expectations of future silver prices.

Income Statement

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

	H1 2011	H1 2010	% change
Adjusted Revenue[1]	1,114.1	636.3	75.1
Treatment & Refining charges	57.2	30.6	86.9
Total Revenues	1,056.9	605.7	74.5
Cost of sales	282.4	201.9	39.8
Gross Profit	774.6	403.8	91.8
Exploration expenses	62.0	33.4	85.6
EBITDA[2]	757.0	394.3	92.0
Profit before income tax	776.1	354.5	118.9
Income tax expense	222.9	95.6	133.1
Profit for the period	553.2	258.9	113.7
Profit for the period, excluding post-tax Silverstream revaluation effects	486.6	246.8	97.2
Attributable profit	488.7	220.7	121.5
Attributable profit, excluding post-tax Silverstream revaluation effects	422.0	208.6	102.3
Basic and diluted Earnings per share (US$/share) [3]	0.681	0.308	121.1
Basic and diluted Earnings per share, excluding post-tax Silverstream revaluation effects (US$/share)	0.588	0.291	102.1

[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 and exploration expenses.
[3] The weighed average number of shares was 717,160,159. See Note 10 in the Consolidated Financial Statements.

Fresnillo plc's financial results rely, to a great extent, on the Group's asset quality, the skills of our personnel and management's execution capabilities. However, these aspects are impacted by certain variables that are beyond the Group's control. A description of these external factors is provided below.

Precious metal prices

Geopolitical tensions in the Middle East and North Africa, the debt crisis in the Euro zone, global inflationary pressures and the vulnerability of the global economic recovery led to continued safe-haven investment demand for precious metals. As a result, gold and silver prices continued to increase, reaching new record levels in the first half of 2011. The average realised silver price almost doubled when compared to the first half of 2010 (US$35.74 per ounce in H1 2011 vs US$17.93 per ounce in H1 2010). The average realised gold price increased by 24.8% over H1 2010 to US$1,462.31 per ounce. The benefit of these increases was reflected in the Group's financial results as 96% of our revenues come from these metals.

Together with record high precious metal prices, the silver market experienced record levels of volatility. In May, the silver three months volatility reached 53% after the spot price came down from nearly US$50 per ounce to US$32 per ounce.

The Silverstream contract is considered to be a derivative instrument under IFRS, consequently one of the key assumptions underlying the valuation of this contract is the expectation of future silver price. Similar to 2010, the valuation of the Silverstream contract was impacted as forward silver prices continued to strengthen in the first half of 2011. As a result, an unrealised pre-tax gain of US$93.6 million was recorded in the income statement.

Hedging

The Group does not hedge silver and gold production and remains fully exposed to volatility in the underlying metal prices.

Foreign exchange rates

The average spot Mexican peso/US dollar exchange rate for the first half of 2011 was $11.91 per US dollar, compared with $12.68 per US dollar during the same period of 2010, representing an average revaluation of 6.1%. As a result, an estimated adverse effect of US$5.9 million impacted the Group's production costs as costs denominated in Mexican pesos (approximately 2/3 of total costs) were higher when converted to US dollars.

The Mexican peso/US dollar spot exchange rate at 30 June 2011 was $11.84 per US dollar, 4.2% lower than the prevailing spot exchange rate at the beginning of the year ($12.36 per US dollar). This revaluation caused an adverse effect on the peso value of US-dollar denominated net monetary asset position, which is used for calculating taxes payable in accordance with Mexican legislation. This foreign exchange loss in Mexican pesos terms therefore created a tax benefit in the period

Inflation of key operating materials

Key operating materials	**HALF OVER HALF CHANGES**
Steel balls for milling	20.8%
Steel for drilling	9.6%
Explosives	12.7%
Tyres	9.6%
Sodium cyanide	26.7%
Other reagents	23.3%
Oils and other lubricants	22.1%
Weighted average of all operating materials	13.2%

Increased demand for mining inputs continued to create cost pressures across the industry. In the first half of 2011, unit prices of key operating materials rose considerably, whereas in 2010 the average unit prices for the same inputs were lower reflecting the then prevailing markets conditions. Specifically, higher global demand for sodium cyanide, which is used in the gold leaching process, drove the average unit price up by 26.7% when compared to the first half of 2010. The global shortage of ammonium nitrate affected the prices of explosives while the increase in the price of steel was also reflected in the cost of inputs. As a result, the net weighted average increase in the cost of operating materials over the year was 13.2%.

Electricity

The Group's weighted average cost of electricity for the first half of 2011 was US$10.3 cents per kw, representing an 11.2% increase when compared to the same period of 2010. Electricity rates are set by the Comisión Federal de Electricidad (CFE), the national utility.

Diesel

The weighted average cost of diesel in US dollars was US$65.0 cents per litre, a 21.6% increase half on half. This increase is related to the Mexican Government's policy of adjusting fuel and diesel prices to international rates.

Treatment and Refining charges

The 2011 treatment and refining charges per tonne and per ounce are still being negotiated with Met-Mex (the smelting and refining company, to which all of the Group's output was sold in the period) and will apply retrospectively from January. We are assuming that treatment charges per tonne of lead and zinc concentrate will not materially change compared to last year. However, due to the lack of refining capacity to accommodate the substantial increase in the production of materials with a high silver content, we are expecting a significant increase in refining charges per ounce, and for accounting purposes, we are assuming an increase of approximately 171%.

The absolute increase in treatment charges recognised in the first half of 2011 income statement resulted from: i) the increase in the volumes of concentrates and doré shipped to Met-Mex; ii) the impact of higher metal prices on the escalator component; and iii) the expected increase in the refining charge per ounce of silver mentioned above.

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

Revenues

Consolidated Revenues
(US$ millions)

	H1 2011	H1 2010	Amount	%Change
Adjusted Revenue[1]	1,114.1	636.3	477.9	75.1
Treatment and refining charges	-57.2	-30.6	-26.6	86.9
Total Revenues	1,056.9	605.7	451.3	74.5

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

Total consolidated revenues for the first half of the year reached a record figure of US$1,056.9 million, rising 74.5% compared to the same period of 2010. The US$451.3 million increase was mainly driven by the higher adjusted revenues, which rose by 75.1% reaching US$1,114.1 million. As shown in the table below, the higher average realised metal prices explained 83.8% of the total US$477.9 million increase in adjusted revenues. The additional volumes of gold ounces sold from Soledad-Dipolos and

Herradura, and the contribution of metal contents sold from the Saucito mine, justified the remaining 16.2% of the favourable effect in adjusted revenues.

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

	H1 2011		H1 2010		Volume* Variance	Price* Variance	Total	%
Silver	638.6	57%	311.9	49%	12.7	314.0	326.7	104.7
Gold	431.6	39%	291.4	46%	61.2	79.0	140.2	48.1
Lead	22.6	2%	14.7	2%	3.3	4.6	7.9	53.7
Zinc	21.3	2%	18.3	3%	0.3	2.7	3.0	16.4
Total Revenues	1,114.1	100%	636.3	100%	77.5 16.2%	400.3 83.8%	477.9 100.0%	75.1

*Estimated

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

Saucito, which started commercial production in April, contributed 6% to adjusted revenues with 1.6 million silver ounces and 7,538 gold ounces sold in the period. This new operating mine, together with the changes in relative prices, modified the gold and silver participation in adjusted revenues, increasing silver contribution from 49% to 57% in the first half of 2011, whilst gold portion decreased from 46% to 39% in this period.

Adjusted Revenues by metal

	H1 11	**H1 10**
Silver	57.3%	49.0%
Gold	38.8%	45.8%
Lead	2.0%	2.3%
Zinc	1.9%	2.9%
TOTAL	100%	100%

Adjusted Revenues by mine

	H1 11	**H1 10**
Fresnillo	53.2%	51.4%
Herradura	20.8%	26.3%
Ciénega	9.7%	13.3%
Soledad-Dipolos	10.0%	9.0%
Saucito	6.3%	N/A
TOTAL	100%	100%

Volumes of metal in products sold
Six months ended 30 June

	H1 11	H1 10	% change
SILVER (kOz)			
Fresnillo	15,471	16,556	-6.6
Ciénega	502	605	-17.0
Herradura	243	216	12.5
Soledad-Dipolos	49	20	145.0
Saucito	1,604		N/A
Total Silver (kOz)	17,869	17,397	2.7

GOLD k(Oz)			
Fresnillo	10	9	11.1
Ciénega	50	51	-2.0
Herradura	153	141	8.5
Soledad-Dipolos	75	48	56.3
Saucito	8		N/A
Total Gold k(Oz)	296	249	18.9
LEAD (MT)			
Fresnillo	5,650	4,802	17.7
Ciénega	3,129	2,841	10.1
Saucito	362		N/A
Total Lead (MT)	9,141	7,643	19.6
ZINC (MT)			
Fresnillo	5,291	5,124	3.3
Ciénega	3,870	3,996	-3.2
Saucito	94		N/A
Total Zinc (MT)	9,255	9,120	1.5

The Group has not entered into any silver or gold hedging contracts since its Initial Public Offering in 2008, and at this stage does not intend to do so in the near future. As such, Fresnillo plc is fully exposed to fluctuations in silver and gold prices. Furthermore, the Group did not enter any new derivative contracts to hedge the price of lead and zinc by-products during the period.

Cost of sales[4]

			Change	
	H111	**H110**	**Amount**	**%**
Adjusted Production Costs[5]	191.6	140.5	51.1	36.4
Depreciation	69.8	48.8	21.0	43.0
Change in work in progress	-15.6	-7.6	-8.0	105.3
Profit Sharing	41.3	22.7	18.6	81.9
Hedging	-4.7	-2.5	-2.2	88.0
Cost of Sales	**282.4**	**201.9**	**80.5**	**39.9**

4 In 2011, freight costs associated with ore transported from Fresnillo plc's mines to Met-Mex facilities have been presented as selling expenses in the income statement. These were previously presented as part of Cost of sales and therefore also as part of Adjusted Production Costs. Comparative information for 2010 has been amended to reflect this reclassification to Selling expenses in order to be comparable with the presentation in 2011.

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

Cost of sales amounted to US$282.4 million in the first half of 2011, an increase of 39.9% when compared with the same period of 2010. The main factors for this US$80.5 million increase were:

- Adjusted production costs increased to US$191.6 million, representing a 36.4% rise over the first half of 2010. However, 26.6% of the total US$51.1 million increase, that is US$13.6 million, was related to the adjusted production costs incurred at the new Saucito mine, which started commercial production in the second quarter. In addition, the 6.1% revaluation of the average spot exchange rate resulted in an estimated US$5.9 million adverse effect when converting peso-denominated costs to US dollars. By factoring out the new Saucito mine and the impact of the exchange rate on the peso-denominated components for each category, the factors explained below reflect the underlying operational and dollar-denominated cost changes:

- The cost of operating materials increased by US$8.6 million, of which we estimate that approximately 55% is attributable to the increased ore volume throughput at our operating mines. The remaining 45% was mainly caused by the 13.2% weighted average increase in the unit price in operating materials.
- The cost of maintenance rose by US$7.9 million as a result of: i) the programmed maintenance of hydraulic shovels at Herradura which did not take place last year; ii) consumption of additional spare parts for an increased number of trucks and loaders; and iii) intensified use of equipment to load and haul ore and waste at the mines. It is estimated that 45% of the increase in the cost of maintenance was related to the higher volumes of ore milled/deposited at the mines.
- The cost of energy increased by US$7.5 million mainly due to the higher unit prices of electricity and diesel, which increased by 11.2% and 21.6% respectively. Consumption of diesel and electricity directly related to higher production volumes was estimated at US$3.0 million. However, there was also additional consumption of diesel associated to longer haulage distances and increased volume of waste haulage (estimated at US$2.3 million).
- Contractor costs rose by US$4.9 million as a result of: i) an increased number of contractors hired for waste stripping and mineral haulage at Soledad-Dipolos, ii) an increase in development works at most of our operating mines to ensure continuous operation; iii) higher volumes of ore and waste hauled through longer distances at all our mines; iv) increased services such as road maintenance, personnel carrier and improved surveillance, which are typically conducted by contractors; and v) an increase in unit fees charged by contractors, which include the annual rise in labour cost, depreciation of the contractors' equipment, operating materials to perform drilling activities and fuel and lubricants. The proportion of contractor costs linked to the increased volumes of ore processed was estimated at US$2.4 million or 50% of the total change.
- Other costs increased by US$1.8 million mainly due to additional mining concessions acquired to consolidate the Group's position.
- Personnel costs, excluding profit sharing, rose by US$0.9 million mainly due to the 6.5% increase in wages at our mines, plus a 1.5% in fringe benefits in Mexican pesos, which expressed in US dollars represented increases of 13.0% and 7.7% respectively.

- Depreciation increased by US$21.0 million mainly due to the additional asset base from Saucito, increased production volumes which affected the depletion factor and the purchase of additional trucks and loaders to support the expanded capacity at Soledad-Dipolos.
- Profit sharing increased by US$18.6 million due to increased profits at the operating mines.
- The increase in change in work in progress had a favourable effect of US$8.0 million in the income statement.
- The Group enters into certain derivative instruments in order to manage its exposure to foreign exchange risk associated with costs incurred in Mexican pesos. In the first half of 2011, forward dollar sales for US$43.0 million at an average rate of $13.04 matured, resulting in gains of US$3.2 million being recycled to income. The outstanding net forward position as of 30 June 2011 was US$59.5 million with maturity dates throughout the second half of 2011 and the first half of 2012.

Additionally, the Group entered into a combination of put and call options structured at zero cost (collars) that matured in the first half of 2011. 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. Collars were used to hedge US$20.0 million of costs denominated in Mexican pesos with average floor and cap exchange rates of $13.05 and $14.06 per US dollar respectively, resulting in a US$1.5 million gain recognised in the income statement. The total outstanding position using collar structures as of 30 June 2011 was US$37.0 million with maturity dates throughout the second half of 2011 and 2012.

Cost per tonne and cash cost per ounce

Cost per tonne, calculated as total production costs less depreciation, profit sharing and the exchange rate hedging effects, increased when compared to the first half of 2010 as shown in the table below.

COST PER TONNE				
				%
		H111	**H110[6]**	**Change**
Fresnillo	US$/TONNE MILLED	42.27	39.97	5.7%
Ciénega	US$/TONNE MILLED	70.06	60.81	15.2%
Herradura	US$/TONNE DEPOSITED	5.52	5.03	9.8%
Soledad-Dipolos	US$/TONNE DEPOSITED	6.14	4.64	32.3%

6 In 2011, freight costs associated with ore transported from Fresnillo plc's mines to Met-Mex facilities have been presented as selling expenses in the income statement. These were previously presented as part of Adjusted Production Costs, which is used to calculate cost per tonne. Comparative information for 2010 has been amended to reflect this reclassification to Selling expenses in order to be comparable with the presentation in 2011.

There were several common factors affecting cost per tonne across the Group: i) the 6.1% revaluation of the Mexican peso against the US dollar; ii) the 11.2% increase in the unit cost of electricity and the 21.6% rise in diesel prices; iii) a 13.2% increase in the weighted average unit cost of operating materials; and iv) the 6.5% increase in wages in Mexican pesos plus a 1.5% in fringe benefits for unionised workers. Additional negative impacts affecting individual mines are further described below.

Cost per tonne at the Fresnillo mine was also negatively impacted by higher consumption of certain operating materials: i) anchors to increase ground stability at production stopes, ii) steel balls to improve the size of the rocks at the milling process, iii) change of mill liners, and iv) reagents due to the increased lead and zinc ore grades. The 5.4% increase in unionised personnel and higher consumption of electricity per tonne due to additional ventilation requirements also contributed to the 5.7% increase in cost per tonne at this mine.

At the Ciénega mine, cost per tonne was also affected by higher contractor costs due to higher volumes of waste material hauled through longer distances. Cost of maintenance at this mine was also increased as a result of several in-mine equipment repairs and spare parts for locomotives.

Cost per tonne at the Herradura mine was negatively impacted by: i) the cost of maintenance of hydraulic shovels and repairs of trucks, ii) higher consumption of several operating materials, such as diesel, tyres and lubricants, caused by a 34% increase in volumes of waste materials hauled through longer distances and a deeper pit, iii) increased consumption of explosives and steel for drilling associated with higher volumes of waste material.

Cost per tonne at the Soledad-Dipolos mine was affected by: i) higher cost of contractors as a result of a 22.4% increase in waste material hauled to support the operations in the first half of 2011, whereas in the same period of 2010 most of the activities at the mine were conducted by unionised personnel; ii) cost of operating materials as a result of the higher consumption of tyres derived from the more intensive use of equipment; iii) increased diesel consumption due to longer distances from the pit to the leaching pads or to the waste pile.

The above adverse effects were mitigated by the economies of scale related to the increases in volume of ore milled/deposited at all the operating mines.

CASH COST PER OUNCE[7]

		H1 11	H1 10[8]	% Change
Fresnillo	US$ per silver ounce	5.53	3.86	43.2%
Ciénega	US$ per gold ounce	91.27	163.84	-44.3%
Herradura	US$ per gold ounce	306.75	323.48	-5.2%
Soledad-Dipolos	US$ per gold ounce	447.03	307.34	45.5%

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.

8 In 2011, freight costs associated with ore transported from Fresnillo plc's mines to Met-Mex facilities have been presented as selling expenses in the income statement. These were previously presented as part of Cost of sales, which is used to calculate cash cost per ounce. Comparative information for 2010 has been amended to reflect this reclassification to Selling expenses in order to be comparable with the presentation in 2011.

Cash Cost per silver ounce at Fresnillo rose significantly due to the increase in production costs and the higher profit sharing and refining charge per ounce of silver. These effects, combined with the decreased volumes of silver ounces sold due to the anticipated lower ore grade, resulted in a 43.2% increase in Fresnillo's cash cost.

Cash cost per gold ounce at Ciénega decreased by 44.3% as a result of the increase in price and volume of by-products which are credited to costs. Silver, lead and zinc sales represented 32.5% of Ciénega's total sales vs 29.1% last year.
Cash cost per ounce of gold at Herradura decreased mainly as a result of higher gold ounces produced and sold at this mine. In contrast, cash cost per gold ounce at Soledad-Dipolos increased by 45.5% due mainly to the higher production costs described above.

Gross profit

Management continuously monitors gross profit for each mine as it represents a key indicator of the profitability of each business unit and the Group as a whole.

Total gross profit for operating mines, excluding hedging gains and losses for the first half of 2011, reached US$771.0 million, a 92.3% increase when compared with the same period of last year.

Gross Profit benefited substantially from higher precious metal prices, however operating performance was also an important contributor to the US$370.8 million increase, as evidenced by i) the start-up of the Saucito mine which contributed with US$46.2 million; ii) the expanded capacity and improved recovery at Soledad-Dipolos mine, which we estimate contributed US$36.1 million; and iii) the increased ore processed at Fresnillo, Ciénega and Herradura mines, which we estimate contributed US$50 million and helped to offset the adverse effect of the lower ore grades at those mines.

CONTRIBUTION BY MINE TO CONSOLIDATED GROSS PROFIT EXCLUDING HEDGING GAINS AND LOSSES							
(US$ millions)					Change		
	H111		**H110**[9]		**Amount**		**%**
Fresnillo	451.7	58.6%	224.2	55.9%	227.5	61.5%	101.5
Ciénega	54.0	7.0%	43.4	10.8%	10.6	2.9%	24.4
Herradura	150.9	19.6%	96.0	24.0%	54.9	14.8%	57.2
Soledad-Dipolos	68.2	8.8%	37.3	9.3%	30.9	8.3%	82.8
Saucito	46.2	6.0%			46.2	12.5%	N/A
Total for operating mines	**771.0**	100.0%	**400.9**	100.0%	**370.1**	100.0%	**92.3**
MXP/USD exchange rate hedging (losses) and gains	4.7		2.5		2.2		88.0
Other subsidiaries	-1.1		0.4		-1.5		N/A
Total Fresnillo plc	**774.6**		**403.8**		**370.8**		**91.8**

9 In 2011, freight costs associated with ore transported from Fresnillo plc's mines to Met-Mex facilities have been presented as selling expenses in the income statement. These were previously presented as part of Cost of sales, decreasing gross profit for the period. Comparative information for 2010 has been amended to reflect this reclassification to Selling expenses in order to be comparable with the presentation in 2011.

Administrative and Corporate expenses

Administrative expenses of US$25.4 million rose by 2.0% over the first half of 2010. This slight increase reflected the additional administrative personnel hired to service a larger number of mines and projects and increased legal and advisory fees associated with the new Bribery Act and the new UK Corporate Governance Code as it relates to risk management. The modest reduction in corporate expenses was caused by the capitalisation, in accordance with IFRS, of US$3.2 million expenses related to engineering and construction at advanced projects.

Exploration expenses

BUSINESS UNIT / PROJECT (US$ millions)	Exploration expenses	Capitalised expenses
Ciénega	4.5	0.0
Fresnillo	4.0	0.0
Herradura	5.3	0.0
Soledad-Dipolos	1.4	0.0
San Ramón	10.4	0.0
San Julián	5.6	19.5
Noche Buena	5.7	0.0
Orisyvo	5.0	0.0

Nuevo Corredor Herradura	2.6	0.0
Centauro Profundo	2.5	0.0
San Juan	1.0	0.0
Perú	1.7	0.0
Saucito	1.7	0.0
Manzanillas	1.4	0.0
Juanicipio	0.0	2.4
Others	9.2	0.0
TOTAL	**62.0**	**21.9**

Exploration expenses taken to income for the first half of 2011 totalled US$62.0 million, an 85.6% increase over the same period of 2010. As anticipated, the Group intensified its exploration programme with the purpose of expanding the resource and reserve base and ensuring a robust long-term production pipeline. Exploration activities were mainly focused on the Ciénega and Herradura Districts and San Julián, Orisyvo, Noche Buena and Juanicipio projects. In addition to the aforementioned expenses, the Group capitalised US$21.9 million related to the San Julián and Juanicipio projects. Total exploration expenses, including those capitalized, totalled US$83.9 million, representing a 119.6% increase over the first half of 2010.

EBITDA

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

	H1 2011	H1 2010[10]	% change
Gross Profit	774.6	403.8	91.8
+ Depreciation	69.8	48.8	43.0
- Administrative Expenses	-25.4	-24.9	2.0
- Exploration Expenses	-62.0	-33.4	85.6
EBITDA	757.0	394.3	92.0
EBITDA Margin	71.6%	65.1%	

10 In 2011, freight costs associated with ore transported from Fresnillo plc's mines to Met-Mex facilities have been presented as selling expenses in the income statement. These were previously presented as part of Cost of sales, decreasing gross profit for the period and EBITDA. Comparative information for 2010 has been amended to reflect this reclassification to Selling expenses in order to be comparable with the presentation in 2011.

A key indicator of the Group's financial performance is EBITDA, which is calculated as gross profit plus depreciation, less administrative and exploration expenses. In the first six months of 2011, this indicator reached a record level at US$757.0 million, increasing by 92.0% over the same period of 2010. EBITDA benefited from the higher gross profit, which was partially offset by the increase in depreciation and exploration expenses. As a result, the EBITDA margin increased from 65.1% in the first half of 2010 to 71.6% in the first half of 2011.

Silverstream revaluation effects

The Silverstream contract is accounted for as a derivative financial instrument, which is carried at fair value. In the first half of 2011, the fair value of this instrument continued to increase resulting in a non-cash gain recognised in the income statement. This US$93.6 million unrealised gain represented 12.1% of the Group's profit before tax. Since the IPO, unrealised non-cash revaluation gains related to the Silverstream Contract totalling US$304.8 million have been recognised in the income statement. The cyclical behaviour of the silver price may generate unrealised losses in the future, which would also be recorded in the income statement. Further information related to the Silverstream contract is provided in the Balance Sheet section below and in notes 12 and 20 to the Consolidated Financial Statements.

Foreign exchange

In the first half of 2011, a foreign exchange loss of US$4.4 million was recorded in the income statement as a result of the revaluation of the Mexican peso against the US dollar, which adversely affected the value of peso-denominated net liabilities when converted to US dollars. This loss was lower than the US$5.1 million recognised in the first half of 2010.

Taxation

Income tax expense of US$ 222.9 million increased by 133.1% compared to the first half of 2010 as a result of the higher profits levels achieved in these six months of 2011. Notwithstanding, the effective tax rate for the period remained almost steady at 28.7%, which is lower than the 30% statutory tax rate. The difference is explained mainly by the impact of the 4.2% revaluation of the Mexican peso/US dollar exchange rate.

Profit for the period

Profit for the period reached US$553.2 million, an increase of 113.7% half on half. The profits due to non-controlling interests recorded in the first half of the year accounted for US$64.6 million, which is 69.1% above the equivalent period of 2010 due to the increased profits at Soledad-Dipolos and Herradura gold mines. Both mines are owned by Penmont, where Newmont owns 44% of the outstanding shares. Despite this increase, profit attributable to equity shareholders of the Group rose by 121.5% from US$220.7 million to US$488.7 million compared to the first half of 2010.

Profit for the period, excluding the effects of the revaluation of the Silverstream Contract, rose by 97.2% from US$246.8 million in the first half of 2010 to US$486.6 million in the same period of 2011. Profit attributable to equity shareholders of the Group, excluding the Silverstream revaluation effects, increased by 102.3% to US$422.0 million in the first half of 2011.

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 11	H1 10	(US $)	(%)
Cash generated by operations before changes in working capital	798.2	419.9	378.3	90.1
(Increase)/decrease in working capital	-42.6	-53.3	10.7	-20.0
Taxes and Employee Profit	-166.2	-61.0	-105.2	172.5

Sharing paid				
Net cash from operating activities	589.4	305.6	283.8	92.9
Purchase of property, plant & equipment	-201.2	-131.1	-70.1	53.5
Silverstream contract	56.3	21.7	34.6	159.4
Dividends paid	-290.0	-116.2	-173.8	149.6
Net increase/(decrease) in cash during the period before foreign exchange differences	159.1	81.3	77.8	95.7
Cash at 30 June	717.9	389.8	328.1	84.2

In the first half of 2011, cash generated by operations before changes in working capital increased by 90.1% to US$798.2 million in the first half of 2011. This increase was achieved primarily as a result of the increase in profits generated at the mines. However, this benefit was partially offset by taxes and profit sharing paid in the first half of 2011 of US$166.2 million and a US$42.6 million increase in working capital mainly resulting from:

- Trade and other receivables which rose US$22.7 million due to: i) higher metal prices and volumes of ore sold to Met-Mex; ii) increased recoverable taxes, and iii) increased accounts receivables related to the loans granted to contractors for purchase of equipment.
- A US$16.5 million increase in ore inventories at the leaching pads of Herradura and Soledad-Dipolos and additional inventories of critical spare parts to secure operating continuity.

As a result of the above factors, net cash from operating activities of US$589.4 million increased by 92.9% when compared to the corresponding figure for 2010.

The proceeds from the Silverstream Contract were yet another important source of funds contributing US$56.3 million to cash flow.

Funds were used to purchase property plant and equipment for a total of US$201.2 million, a 53.5% increase when compared to the corresponding period of 2010. Capital expenditures in the first half of 2011 are further described below:

Purchase of property, plant and equipment		
(US$ millions)		
	H110	
Ciénega mine	37.8	Development, mining works, expansion of milling capacity and sinking of the shaft.
Saucito mine	36.3	Mining works, development and equipment for treatment plant.
Herradura mine	33.6	Construction of leaching pads, mining works and dynamic cyanidation plant.
Soledad-Dipolos mine	23.2	Stripping, construction of leaching pads, purchase of trucks and loaders to support expended capacity.
Fresnillo mine	20.7	Mine development and shotcreting, construction of the San Carlos shaft and purchase of in-mine equipment.
Noche Buena	20.4	Stripping, construction of leaching pads and plant and purchase of trucks and loaders.

San Julián	19.5	Construction of ramps and mining works.
Juanicipio project	2.4	Exploration expenses.
Other	7.3	
Total Purchase of property, plant and equip.	201.2	

Dividends paid in the first half of 2011 totaled US$290.0 million, a 149.6% increase compared to the equivalent period in 2010. These dividends resulted from: i) the final 2010 dividend of US$254.9 million; and ii) dividends paid to Newmont, the minority shareholders in Penmont, of US$35.1 million.

Use of funds also included loans granted to contractors for purchase of equipment of US$10.7 million. This cash outflow is consistent with the Group's strategy to support and develop new contractors.

The sources and uses of funds described above resulted in a net increase of US$159.1 million in cash and cash equivalents during the period. The combination of this increase with the US$559.5 million balance at the beginning of the year and the unfavourable effect of the exchange rate (US$0.8 million), resulted in a net cash position of US$717.9 million as at 30 June 2011.

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason, they continue to adopt the going concern basis in preparing the financial statements of the Group.

Balance Sheet

Fresnillo plc continues to have a solid financial position with no bank debt.

Cash and cash equivalents as of 30 June 2011 of US$717.9 million increased by 28.3% compared to the cash position at year-end 2010, and 84.2% when compared to the cash position as of 30 June 2010.

Trade and other receivables of US$225.3 million increased during the period primarily as a result of the rise in metal prices and higher volumes sold. In addition, loans granted to contractors and recoverable taxes also contributed to increase trade and other receivables.

In accordance with the Silverstream Contract, Fresnillo plc is entitled to receive all of the proceeds in respect of the payable silver produced at the Sabinas mine, owned and operated by the Peñoles Group. The contract is accounted for as a derivative financial instrument, with all payments received or due being credited against the carrying value of the asset. The change in the value of the Silverstream derivative from US$427.7 million at the beginning of the year to US$462.2 million as of 30 June 2011 reflects proceeds of US$66.3 million, (US$56.3 million in cash and US$10.0 million receivable) offset by US$7.2 million collected from 2010 and a revaluation of US$93.6 million, which is a non-cash gain reflected in the Group's income statement.

As a result of the Company's investments during the first half of the year, the net book value of property, plant and equipment was US$1,018.8 million, a 13.7% increase when compared to the figure as of 31 December 2010 and a 33.5% increase over the first half of 2010. The new Saucito's asset base, purchase of equipment to expand capacity at Soledad-Dipolos, construction of pads at our gold mines, increased milling capacity at Ciénega mine and construction of shafts were the main drivers for the increase in property, plant and equipment.

The Group's total equity was US$2,171.6 million as of 30 June 2011, a 13.2% increase compared to the figure at the beginning of the year.

Dividends

The Directors have recommended an interim dividend of 21.0 US cents per share amounting to US$150.6 million which is scheduled to be paid on 13 September 2011.

The interim dividend will be paid in UK pounds sterling to shareholders on the register on 19 August 2011. Whilst the dividends are declared in US dollars, unless a shareholder elects to receive dividends in US dollars, they will be paid in UK pound sterling with the declared dividend being converted into UK pound sterling on or around 23rd August 2011.

The Company´s dividend policy takes into account the profitability of the business and underlying growth in earnings of the Company, as well as its capital requirements and cashflows, while maintaining an appropriate level of dividend cover. Interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

Risks and uncertainties

Fresnillo plc considers effective risk management as essential to the achievement of its long-term objectives. The Board is responsible for determining the nature and extent of the significant risks the Company is willing to take in achieving its strategic objectives and ensuring that an effective system of internal control is implemented across the Group. In the first half of 2011, the Board continued to assess its risk process and to quantify its risk tolerance and risk appetite. External specialised firms were hired to supervise and provide guidance throughout this process and to secure that compliance to the UK Corporate Governance Code is achieved.

However, the main risks and uncertainties that could have a material impact on the Group's performance over the remainder of the financial year have not changed from those which are set out within the Business Review section of the Annual Report for the year ended 31 December 2010. A copy of the Fresnillo's Group 2010 Annual Report is available at the Company's website at www.fresnilloplc.com. Furthermore, a brief description of the principal risks is shown below:

Strategic risks
- *Depletion of reserves at existing mines, combined with no new mineral deposits identified, which would impact the Group's growth projections and production capabilities.*
- *Delays in securing land access for performing exploration/mining activities, caused by complex or unsuccessful negotiations with ejidos (cooperative landowners) that could delay or interrupt the exploration activities.*

- *Security related risks such as cartel activity, kidnapping and theft, which continued to increase in Mexico over the past year, could cause business interruptions resulting from their impact on personnel and property; while the Group, its employees, contractors and facilities are not necessarily specific targets, security issues have become pervasive in many parts of the country.*
- *Finding and/or retaining personnel with the requisite knowledge, skills and experiences for key positions, particularly when competition for such personnel increases during periods of expansion in the mining industry.*
- *Internal union conflicts at the national level may cause temporary stoppages or disrupt operations, even when the source of those conflicts is not related to local labour contracts and/or working conditions at the Company.*

Operational risks

- *Lower ore grade associated with the natural life of the mines could impact production programmes.*
- *Difficulty in obtaining permits from Mexico's Secretariat of National Defence for the use of explosives, due to the aforementioned security risks that have increased the military's control and management of explosives, which could impact operational continuity.*
- *Sourcing critical equipment and strategic spare parts to meet operational needs, due to long production and delivery timeframes, as well as shortages caused by competition for such parts could affect operational continuity.*
- *Price escalation of key operating materials due to competitive demand and reliance on third party suppliers could impact cash costs and profitability.*
- *Expensive or insufficient energy supplied by CFE, the state-run electric utility, to meet demands of mining operations, which could impact operational continuity, cash costs and profitability.*
- *Accidents or unintended events caused by the Company that may disrupt operations from a civil or legal perspective or have negative reputational effects.*

Financial risks

- *Volatility in silver and gold prices that could impact the realised prices of the Group's production output, and in exchange rates that could impact peso-denominated production costs when converted into dollars.*
- *Changes in tax law and/or mining royalty schemes, at the state and federal level, that could impact the Group's financial performance; in 2011 there was increased interest in such measures due to record metal prices and governmental budget constraints.*

Compliance

- *Failure to comply with environmental, health and safety regulations that could disrupt operations, lead to financial and legal penalties and/or terminate the Company's mining licences.*
- *External pressure (from NGOs, political groups and others) for more regulation to the mining industry in Mexico, which could increase our regulatory burden.*

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 2010. 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 84 to 86 of the Fresnillo plc 2010 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 give a true and fair view of the assets, liabilities, financial position and profit and loss 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.

Jaime Lomelín
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 2011 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 20. 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 2410 (UK and Ireland) "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 Services 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 2011 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 Services Authority.

Ernst & Young LLP

London

2 August 2011

Interim Consolidated Income Statement
(in thousands of US dollars)

	Notes	*Six months ended 30 June 2011 (Unaudited)*			*Six months ended 30 June 2010 (Unaudited)*		
				(in thousands of US dollars)			
		Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
Continuing operations:							
Revenues	4	1,056,949		1,056,949	605,676		605,676
Cost of sales	5	(282,368)		(282,368)	(201,916)		(201,916)
Gross profit		**774,581**		**774,581**	**403,760**		**403,760**
Administrative expenses	6	(25,381)		(25,381)	(24,901)		(24,901)
Exploration expenses		(61,959)		(61,959)	(33,361)		(33,361)
Selling expenses		(3,268)		(3,268)	(2,273)		(2,273)
Other income	7	4,961		4,961	2,155		2,155
Other expenses		(4,722)		(4,722)	(2,477)		(2,477)
Profit from continuing operations before net finance costs and income tax		**684,212**		**684,212**	**342,903**		**342,903**
Finance income	8	4,293		4,293	1,022		1,022
Finance costs	8	(1,647)		(1,647)	(1,636)		(1,636)
Revaluation effects of Silverstream contract		-	93,607	93,607	-	17,250	17,250
Foreign exchange loss		(4,366)		(4,366)	(5,069)		(5,069)
Profit from continuing operations before income tax		**682,492**	**93,607**	**776,099**	**337,220**	**17,250**	**354,470**
Income tax expense	9	(195,933)	(26,921)	(222,854)	(90,436)	(5,175)	(95,611)
Profit for the period from continuing operations		**486,559**	**66,686**	**553,245**	**246,784**	**12,075**	**258,859**
Attributable to:							
Equity shareholders of the Company		421,972	66,686	488,658	208,580	12,075	220,655
Non-controlling interests		64,587	-	64,587	38,204	-	38,204

		486,559	**66,686**	**553,245**	**246,784**	**12,075**	**258,859**
Earnings per share: (US$)							
Basic and diluted earnings per ordinary share from continuing operations	10	-		0.681	-		0.308
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per ordinary share from continuing operations	10	0.588		-	0.291		-

Interim Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2011	*2010*
	(Unaudited)	*(Unaudited)*
	(in thousands of US dollars)	
Profit for the period	**553,245**	**258,859**
Net gains on cash flow hedges recycled to income statement	(4,686)	(2,501)
Tax effect of cash flow hedges recycled to income statement	1,406	750
Net unrealised gains on cash flow hedges	7,141	292
Tax effect of unrealised gains on cash flow hedges	(2,143)	(88)
Net effect of cash flow hedges	**1,718**	**(1,547)**
Fair value (loss)/gain on available for sale financial assets	(17,947)	2,230
Tax effect of fair value (loss)/gain on available for sale financial assets	5,026	(625)
Net effect of available for sale financial assets	**(12,921)**	**1,605**
Foreign currency translation	(17)	186
Other comprehensive (expense) income for the period, net of tax	**(11,220)**	**244**
Total comprehensive income for the period, net of tax	**542,025**	**259,103**
Attributable to:		
Equity shareholders of the Company	477,429	221,115
Non-controlling interests	64,596	37,988
	542,025	**259,103**

Interim Consolidated Balance Sheet

	Notes	As of 30 June 2011 (Unaudited)	As of 31 December 2010 (Audited)
		(in thousands of US dollars)	
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,018,799	895,783
Available-for-sale financial assets		123,830	141,777
Silverstream contract	12	378,347	351,530
Deferred tax asset		27,036	14,226
Other receivables	13	18,716	11,687
Derivative financial instruments		895	-
Other assets		759	2,503
		1,568,382	1,417,506
Current assets			
Inventories		79,143	63,092
Trade and other receivables	13	225,257	224,984
Prepayments		1,429	2,532
Derivative financial instruments		6,862	4,056
Silverstream contract	12	83,845	76,151
Cash and cash equivalents	14	717,868	559,537
		1,114,404	930,352
Total assets		**2,682,786**	**2,347,858**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital		358,680	358,680
Share premium		818,597	818,597
Capital reserve		(526,910)	(526,910)
Net unrealised gains on cash flow hedges		3,881	2,172
Net unrealised gains on available for sale financial assets		52,151	65,072
Foreign currency translation reserve		(572)	(555)
Retained earnings		1,230,007	996,658

	Notes	*As of 30 June 2011 (Unaudited)*	*As of 31 December 2010 (Audited)*
		(in thousands of US dollars)	
		1,935,834	1,713,714
Non-controlling interests		235,860	205,554
Total equity		**2,171,694**	**1,919,268**
Non-current liabilities			
Provision for mine closure cost		42,796	39,682
Provision for pensions and other post-employment benefit plans		7,337	6,420
Derivative financial instruments		485	-
Deferred tax liability		297,607	217,448
		348,225	263,550
Current liabilities			
Trade and other payables		60,084	70,789
Derivative financial instruments		475	152
Income tax		60,778	54,480
Employee profit sharing		41,530	39,619
		162,867	165,040
Total liabilities		**511,092**	**428,590**
Total equity and liabilities		**2,682,786**	**2,347,858**

Interim Consolidated Cash Flow Statement

	Notes	*For the six months ended 30 June* *2011* *(Unaudited)*	*2010* *(Unaudited)*
		(in thousands of US dollars)	
Net cash from operating activities	19	**589,443**	**305,597**
Cash flows from investing activities			
Purchase of property, plant and equipment		(201,198)	(131,082)
Proceeds from the sale of property, plant and equipment and other assets		2,574	234
Proceeds from mines under development		3,941	-
Loans granted to contractors		(10,719)	(3,392)
Repayments of loans granted to contractors		4,067	-
Silverstream contract		56,319	21,672
Interest received		3,856	1,022
Other proceeds		-	2,113
Net cash used in investing activities		**(141,160)**	**(109,433)**
Cash flows from financing activities			
Capital contribution		836	1,385
Dividends paid to shareholders of the Company		(254,852)	(116,209)
Dividends paid to non-controlling interest		(35,126)	-
Interest paid		(20)	(50)
Net cash used in financing activities		**(289,162)**	**(114,874)**
Net increase in cash and cash equivalents during the period		159,121	81,290
Effect of exchange rate on cash and cash equivalents		(790)	(3,673)
Cash and cash equivalents at 1 January	14	559,537	312,192
Cash and cash equivalents at 30 June	14	**717,868**	**389,809**

Interim Consolidated Statement of Changes in Equity

	Notes	Share capital	Share premium	Capital reserve	Net (losses)/ gains on evaluation of cash flow hedges	Unrealised gains/ (losses) on able-for sale financial assets	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
					Attributable to equity holders of the Company						
						(in thousands of US dollars)					
Balance at 1 January 2010 *(Audited)*		358,680	818,597	(526,910)	895	12,266	(1,095)	513,691	1,176,124	126,979	1,303,103
Profit for the period		–	–	–	–	–	–	220,655	220,655	38,204	258,859
Other comprehensive income, net of tax		–	–	–	(1,331)	1,605	186	–	460	(216)	244
Total comprehensive income for the period		–	–	–	(1,331)	1,605	186	220,655	221,115	37,988	259,103
Capital contribution		–	–	–	–	–	–	–	–	1,385	1,385
Dividend paid	15	–	–	–	–	–	–	(116,180)	(116,180)	–	(116,180)
Balance at 30 June 2010 *(Unaudited)*		358,680	818,597	(526,910)	(436)	13,871	(909)	618,166	1,281,059	166,352	1,447,411
Balance at 1 January 2011 *(Audited)*		**358,680**	**818,597**	**(526,910)**	**2,172**	**65,072**	**(555)**	**996,658**	**1,713,714**	**205,554**	**1,919,268**
Profit for the period		–	–	–	–	–	–	488,658	488,658	64,587	553,245
Other comprehensive income, net of tax		–	–	–	1,709	(12,921)	(17)	–	(11,229)	9	(11,220)
Total comprehensive income for the period		–	–	–	1,709	(12,921)	(17)	488,658	477,429	64,596	542,025
Capital contribution		–	–	–	–	–	–	–	–	836	836
Dividend paid	15	–	–	–	–	–	–	(255,309)	(255,309)	(35,126)	(290,435)
Balance at 30 June 2011 *(Unaudited)*		**358,680**	**818,597**	**(526,910)**	**3,881**	**52,151**	**(572)**	**1,230,007**	**1,935,834**	**235,860**	**2,171,694**

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 registered number 6344120.

Industrias Peñoles S.A.B. de C.V.("Peñoles") currently owns 77 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.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 ("interim consolidated financial statements"), were authorised for issue by the Board of Directors of Fresnillo plc on 2 August 2011.

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. The Group has five fully developed operating mines: Fresnillo, Herradura, Ciénega, Soledad - Dipolos and Saucito, the latter having started production in April 2011. Further information 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 2011 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 2010 as published in the 2010 Annual Report.

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 2010. 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 2010, 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 Group now uses a columnar approach to separately present the Silverstream revaluation effect, including related tax, in the income statement as in the Directors' judgment this needs to be disclosed separately in this manner by virtue of its size and volatility in order for users of the financial statements to obtain a proper understanding of the financial information and the underlying performance of the business.

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

In 2011, freight costs associated with ore transported from Fresnillo plc's mines to Met-Mex facilities have been presented as selling expenses in the income statement. These were previously presented as part of cost of sales. Comparative information has been amended to reflect this reclassification to Selling expenses in order to be comparable with the presentation in 2011. As a result cost of sales as at 30 June 2010 has decreased by USD$2.3 million.

(b) Basis of consolidation

The interim consolidated financial statements set out the Group's financial position as of 30 June 2011 and 31 December 2010, and its operations and cash flows for the periods ended 30 June 2011 and 30 June 2010.

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 2010.

(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 2010, except for the adoption of the following amendments and improvements to existing standards and interpretations as of 1 January 2011 as noted below.

Amendments for IFRSs

- *IAS 24 Related Party Transactions* (*Amendment*) - Clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Also, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

Other amendments to existing interpretations that are effective but not applicable to the Group are as follows

- *IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)* - The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies and certain disclosures, but did not have any impact on the financial position or performance of the Group.

- *IFRS 3 Business Combinations* - The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- *IFRS 7 Financial Instruments - Disclosures* - The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in Note 20.

- *IAS 34 Interim Financial Statements*: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. The Group has reflected these amendments in Note 20.

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, and therefore has five reportable operating segments representing the Group's five producing mines as follows:

- The Fresnillo mine, located in the State of Zacatecas, the world's largest primary silver mine;
- The Herradura mine, located in the State of Sonora, an open pit gold mine;
- The Cienega mine, located in the State of Durango, an underground gold mine;
- The Soledad-Dipolos mine, located in the State of Sonora, an open pit gold mine; and.
- The Saucito mine, located in the State of Zacatecas, an underground silver mine.

At 31 December 2010 the Group had four reportable operating segments. The development of the Saucito mine was successfully concluded in March 2011 and commercial production started in April 2011.

The operating performance and financial results are reviewed by management. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group does not disclose such information.

No operating segments have been aggregated to form the above reportable operating segments; however, other 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.

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2011 and 2010, respectively.

Six months ended 30 June 2011 (unaudited).

(US$ thousands)	Fresnillo	Herradura	Ciénega	Soledad - Dipolos	Saucito	Other	Adjustments and eliminations	Total
Revenues:								
Third party	549,783	231,270	100,638	111,065	64,193	-	-	1,056,949
Inter-segment	-	-	-	-	843	28,710	(29,553)	-
Segment revenues	549,783	231,270	100,638	111,065	65,036	28,710	(29,553)	1,056,949

Segment profit (1)	495,109	181,840	69,971	79,949	51,646	27,504	(25,016)	881,003
Hedging								4,686
Depreciation								(69,774)
Employee profit sharing								(41,334)
Gross profit as per the income statement								774,581

(1) Treatment and refining charges amounting to US$57,181 thousand are included in the segment profit. Previously this information was presented in a separate line.

Six months ended 30 June 2010 (unaudited)

(US$ thousands)	Fresnillo	Herradura	Ciénega	Soledad – Dipolos	Saucito (3)	Other	Adjustments and eliminations	Total
Revenues :								
Third party	301,725	167,101	77,372	57,276	-	-	2,202	605,676
Inter-segment	-	-	-	-	-	16,832	(16,832)	-
Segment revenues	301,725	167,101	77,372	57,276	-	16,832	(14,630)	605,676

Segment profit (1) (2)	247,233	119,815	52,365	44,762	-	16,281	(7,710)	472,746
Hedging								2,501
Depreciation								(48,806)
Employee profit sharing								(22,681)
Gross profit as per the income statement								403,760

(1) Treatment and refining charges amounting to US$30,600 thousand are included in the segment profit. Previously this information was presented in a separate line.
(2) Freight costs relating to sales, amounting to US$2,273 thousand are excluded from the segment profit. Previously these costs were presented within cost of sales.
(3) Certain comparative information has been disclosed to conform to current period presentation.

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	
	2011	*2010*
	(in thousands of US dollars)	
Lead concentrates (containing silver, gold, lead and by-products)	641,178	333,986
Doré and slag (containing gold, silver and by-products)	342,336	224,607
Zinc concentrates (containing zinc, silver and by-products)	42,315	23,385
Precipitates (containing gold and silver)	31,120	23,698
	1,056,949	**605,676**

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	
	2011	*2010*
	(in thousands of US dollars)	
Silver	638,589	311,968
Gold	431,568	291,298
Zinc	21,308	18,309
Lead	22,665	14,701
Value of metal content in products sold	1,114,130	636,276
Adjustment for treatment and refining charges	(57,181)	(30,600)
Total revenues	**1,056,949**	**605,676**

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

	Six months ended 30 June	
	2011	*2010*
	(in US dollars per ounce)	
Gold	1,462.31	1,171.92
Silver	35.74	17.93

5 Cost of Sales

	Six months ended 30 June 2011	2010
	(in thousands of US dollars)	
Depreciation (note 11)	69,774	48,806
Personnel expenses[1]	66,617	44,658
Maintenance and repairs	34,664	24,819
Operating materials	39,874	30,645
Energy	38,434	26,467
Contractors	37,658	25,941
Freight[2]	2,873	1,886
Mining rights and contributions	3,362	2,270
Gain on foreign currency hedges	(4,686)	(2,501)
Other	9,446	6,512
Cost of production	298,016	209,503
Change in work in progress and finished goods (ore inventories)	(15,648)	(7,587)
Total Cost of sales	**282,368**	**201,916**

(1) Personnel expenses include employees´ profit sharing of US$41.3 million for the six months ended 30 June 2011 (six months ended 30 June 2010: US$22.7 million).

(2) In June 2011, the classification of freight costs relating to sales was modified, consequently the June 2010 disclosure was modified for comparative purposes

6 Administrative Expenses

From 1 November 2009 through 31 October 2012 the Group has a Service Agreement with Servicios Administrativos Peñoles, S.A. de C.V. ("SAPSA"), a wholly owned Peñoles subsidiary which comprises administrative and non-administrative services for an annual fee of US$6.1 million and MXP277.5 million.

During the six months ended 30 June 2011, the Company incurred expenses of USD15.1 million under the above mentioned agreement (US$14.0 million for the six months ended 30 June 2010). Expenses include administrative expenses of US$11.9 million, exploration expenses of US$0.3 million and US$2.9 million that were capitalised. In the six months ended 30 June 2011, the Company paid US$1.2 million for additional non-recurring services from SAPSA.

7 Other Income

	Six months ended 30 June 2011	2010
	(in thousands of US dollars)	
Other income:		
Net insurance recovery	3,926	-
Gain on sale of property plant and equipment and other assets [1]	139	-
Royalties	-	609
Rentals	345	778
Other	551	768
	4,961	**2,155**

(1) Relates to those assets sold at the end of their operating life and replaced.

8 Finance Income and Finance Costs

	2011	2010
	Six months ended 30 June	
	(in thousands of US dollars)	
Finance income:		
Interest on short term deposits	3,471	784
Mark to market movements on currency derivatives	437	-
Other	385	238
	4,293	**1,022**
Finance costs:		
Unwinding of discount on provisions	1,627	1,498
Other	20	138
	1,647	**1,636**

9 Income Tax

	2011	2010
	Six months ended 30 June	
	(in thousands of US dollars)	
Current income tax:		
Current income tax charge	152,547	87,496
Amounts overprovided in previous years	(1,466)	(293)
	151,081	87,203
Deferred income tax:		
Origination and reversal of temporary differences	44,852	3,248
Revaluation effects of Silverstream contract	26,921	5,160
	71,773	8,408
Income tax expense reported in the income statement	**222,854**	**95,611**

The effective tax rate for the six months ended 30 June 2011 is 28.71% (six months ended 30 June 2010: 26.97%). The factors that have reduced this rate from the statutory rate of 30% include principally the effects of foreign exchange and inflationary adjustments.

10. 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 2011 and 30 June 2010, earnings per share have been calculated as follows:

	Six months ended 30 June	
	2011	*2010*
Earnings:		
Profit from continuing operations attributable to equity holders of the Company (*US$ thousands*)	488,658	220,655
Adjusted profit from continuing operations attributable to equity holders of the Company (*US$ thousands*)	421,972	208,580

Adjusted profit is profit as disclosed in the Interim Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$93.6 million gain (US$66.7 million net of tax) (2010: US$17.3 million gain and US$12.1 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	
	2011	*2010*
Number of shares:		
Weighted average number of ordinary shares in issue (ooo)	717,160	717,160

	Six months ended 30 June	
	2011	*2010*
Earnings per share:		
Basic and diluted earnings per ordinary share from continuing operations (US$)	0.681	0.308
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.588	0.291

11 Property, Plant and Equipment

The significant changes in property, plant and equipment during the six months ended 30 June 2011 are additions of US$201.2 million (six months ended 30 June 2010: US$131.1 million) and depreciation of US$69.8 million (six months ended 30 June 2010: US$48.8 million). Additions consist of equipment such as trucks, trackdozers, graders, the purchase of land and mining concessions and mine development works.

12 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 represents a derivative financial instrument which has been recorded 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 2011 total proceeds received in cash were US$56.3 million (six months ended 30 June 2010: US$21.7 million). Of the US$56.3 million received in the period, US$7.2 million was in respect of proceeds receivable as at 31 December 2010. Cash received in respect of the period of US$49.1 million corresponds to 1.5 million ounces of payable silver (six months ended 30 June 2010: 1.4 million ounces).

In the six months ended 30 June 2011, the most significant driver of the US$93.6 million unrealised gain taken to income (six months ended 30 June 2010: US$17.2 million) was the strengthening of expectations of the forward price of silver during the period. A future downturn in the forward price of silver, which may happen given the cyclical nature of prices, would result in recognising an unrealised loss in the income statement.

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

	2011	*2010*
	(US$ thousands)	
Balance at 1 January:	427,681	298,659
Cash received in respect of the period	(49,124)	(21,672)
Cash receivable	(9,972)	(3,250)
Remeasurement gains recognised in profit and loss	93,607	17,250
Balance at 30 June	462,192	290,987
Less - Current portion	83,845	76,151
Non-current portion	378,347	351,530

13 Trade and Other Receivables

	As at 30 June 2011	*As at 31 December 2010*
	(US$ thousands)	
Trade receivables from related parties (note 18)	174,847	188,548
Value Added Tax receivable	12,036	8,982
Advances to suppliers and contractors	1,227	3,825
Other receivables from related parties (note 18)	10,019	7,195
Loans granted to contractors	6,990	5,805
Insurance receivable	5,704	-
Other receivables	15,051	11,220
	225,874	225,575
Provision for impairment of “other receivables”	(617)	(591)

	As at 30 June 2011	*As at 31 December 2010*
	(US$ thousands)	
	225,257	224,984
Other receivables classified as non-current assets :		
Advances to suppliers and contractors	2,263	1,172
Loans granted to contractors	12,803	7,336
Other receivables	3,650	3,179
	18,716	11,687
	243,973	**236,671**

14 Cash and Cash Equivalents

	As at 30 June 2011	*As at 31 December 2010*
	(US$ thousands)	
Cash at bank and on hand	2,034	1,988
Short-term deposits	715,834	557,549
Cash and cash equivalents	**717,868**	**559,537**

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.

15 Dividends paid

Dividends declared by the Company are as follows:

	Per share US Cents	Amounts $Million
Six months ended 30 June 2010		
Total dividends paid during the period [(1)]	16.2	116.2
Six months ended 30 June 2011		
Total dividends paid during the period [(2)]	35.6	255.3

1. Final dividend for 2009 approved at the Annual General Meeting on 28 May 2010 and paid on 2 June 2010.
2. Final dividend for 2010 approved at the Annual General Meeting on 17 May 2011 and paid on 20 May 2011.

16 Commitments

Capital expenditure

A summary of capital expenditure commitments is as follows:

	As at 30 June 2011	*As at 31 December 2010*
	(US$ thousands)	
Minera Fresnillo, S. A. de C.V.	127,717	48,782

Minera Penmont, S. de R.L. de C:V.	92,160	70,056
Minera Saucito, S.A. de C.V.	24,745	50,470
Minera Mexicana La Ciénega, S.A. de C.V.	33,674	19,359
Minera El Bermejal, S. de R.L. de C.V.	32,467	40,703
	310,763	**229,370**

17 Contingencies

The contingencies in the Group's annual consolidated financial statements for the year ended 31 December 2010 as published in the 2010 Annual Report, are still applicable as of 30 June 2011. No new contingencies have arisen during the six month period to 30 June 2011.

18 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 2011 and 30 June 2010 and balances as at 30 June 2011 and 31 December 2010. 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		*Accounts Payable*	
	As at 30 June 2011	*As at 31 December 2010*	*As at 30 June 2011*	*As at 31 December 2010*
		(US$ thousands)		
Trade:				
Met-Mex Peñoles, S.A. de C.V.	174,847	188,548	-	-
Other receivables:				
Industrias Peñoles, S.A. de C.V.	9,972	7,195	-	-
Other	47	-	5,036	2,323
	10,019	7,195	5,036	2,323
Sub-total	184,866	195,743	5,036	2,323
Less-Current portion	184,866	195,743	5,036	2,323
Non-current portion	-	-	-	-

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

Other balances with related parties:

	As at 30 June 2011	*As at 31 December 2010*
	(US$ thousands)	

	As at 30 June 2011	*As at 31 December 2010*
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	462,192	427,681

The Silverstream contract can be settled in either silver or cash. Details of the Silverstream contract are provided in note 12.

(b) Principal transactions with affiliates, including Industrias Peñoles, S.A.B. de C.V. and the Company's parent, are as follows:

	Six months ended 30 June	
	2011	*2010*
	(in thousands of US dollars)	
***Income*:**		
Sales[(1)]:		
Met-Mex Peñoles, S.A. de C.V.	1,050,720	600,088
Other income	162	126
Total income	**1,050,882**	**600,214**

(1) Figures do not include hedging losses.

	Six months ended 30 June	
	2011	*2010*
	(in thousands of US dollars)	
***Expenses*:**		
Services Agreement:		
Servicios Administrativos Peñoles, S.A. de C.V.	16,307	13,983
Energy:		
Termoelectrica Peñoles, S. de R.L. de C.V.	14,856	12,716
Other expenses:	7,295	9,941
Total expenses	38,458	36,640

(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	
	2011	*2010*
	(in thousands of US dollars)	
Salaries and bonuses	2,651	2,373
Post-employment pension	33	29
Other benefits	274	248
Total compensation paid to key management personnel	**2,958**	**2,650**

19 Notes to the Consolidated Cash Flow Statement

	Notes	*Six months ended 30 June* *2011*	*2010*
		(in thousands of US dollars)	
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the period		553,245	258,859
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation	5	69,774	48,806
Employee profit sharing		41,688	22,837
Deferred income tax	9	71,773	8,408
Current income tax	9	151,081	87,203
(Gain)/loss on the sale of property, plant and equipment and other assets	7	(139)	747
Other losses		3,586	3,974
Net finance (income)/cost	8	(2,209)	614
Foreign exchange loss		2,842	5,069
Difference between pension contributions paid and amounts recognised in the income statement		627	615
Non cash movement on derivatives		(437)	-
Changes in fair value of Silverstream	12	(93,607)	(17,250)
Working capital adjustments			
Increase in trade and other receivables		(22,694)	(48,244)
Decrease/(increase) in prepayments and other assets		1,078	(1,918)
Increase in inventories		(16,525)	(8,902)
(Decrease)/increase in trade and other payables		(4,481)	5,756
Cash generated from operations		**755,602**	**366,574**
Income tax paid		(123,779)	(34,484)
Employee profit sharing paid		(42,380)	(26,493)
Net cash from operating activities		**589,443**	**305,597**

20 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: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The financial assets and liabilities measured at fair value are categorised into the following fair value hierarchy as at 30 June 2011:

	As of 30 June 2011			
	Level 1	***Level 2***	***Level 3***	***Total***
	(US$ thousands)			
Financial assets:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	7,757	-	7,757
Silverstream contract	-	-	462,192	462,192
		7,757	462,192	469,949
Financial investments available-for-sale:				
Quoted investments	123,830	-	-	123,830
	123,830	7,757	462,192	593,779
Financial liabilities:				
Derivative financial instruments:				
Embedded derivatives within sales contracts[(1)]	-	-	(3,217)	(3,217)
Options and forward foreign exchange contracts	-	(960)	-	(960)
		(960)	(3,217)	(4,177)

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

During the six month period ended 30 June 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. Movements in Level 3 fair value movements include an increase of US$93.6 million in the fair value of Silverstream contract, as disclosed in note 12, and a net decrease of US$9.4 in embedded derivatives within sales contracts since 31 December 2010, which have been recorded in the income statement. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

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.

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.

***Silverstream contract*:**

The fair value of the Silverstream contract is determined using a valuation model (for further information relating to Silverstream contract see note 12.

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 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.

***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 2011 the fair value of embedded derivatives within sales contracts was US$(3.2) million (31 December 2010: US$6.2 million). The revaluation effects of embedded derivatives arising from these sales contracts are recorded as an adjustment to revenue.

Hedging activities-cash flow hedges

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, as described in the table below. The carrying value of these derivative contracts is detailed below:

- **Foreign currency contracts**

As at 30 June 2011

	Term	*Currency*	*Contract value (thousands)*	*Contract exchange rate*	*Fair Value US $ thousands*
Foreign currency contracts					
Mexican Peso denominated forward	2012	US$	59,500	MX$11.91:US$1	3,828

contracts				to MX$12.94:US$1	
Swedish Krona denominated forward contracts	2014	SEK	172,141	SEK$6.54:US$1 to SEK$6.83:US$1	628

During the six months ended 30 June 2011, 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 8 August 2011 to 9 July 2012. The collar instruments hedge costs denominated in Mexican Pesos amounting to US$37 million with a range of floor prices from MX$12.00 to MX$13.00:US$1 and a range of capped prices from MX$12.65 to MX$14.50:US$1. The fair value of the Put options at 30 June 2011 was an asset of US$2.7 million and a liability of US$0.2, and the fair value of the Call options at 30 June 2011 was an asset of US$0.3 and a liability of US$0.5 million.

As at 31 December 2010

	Term	*Currency*	*Contract value (thousands)*	*Contract exchange rate*	*Fair Value (US$ thousands)*
Mexican Peso denominated forward contracts	2011	US$	75,000*	MX$12.50:US$1 to MX$13.24:US$1	2,027

**Reflects US$63 million forward sales contracts and US$12 million forward purchase contracts.*

The Group also held 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 12 January 2011 to 2 September 2011. The collar instruments hedge costs denominated in Mexican Pesos amounting to US$36 million with a range of floor prices from MX$12.90 to MX$13.30:US$1 and a range of capped prices from MX$13.50 to MX$14.50:US$1. The fair value of the Put options at 31 December 2010 was an asset of US$2.0 million and a liability of US$0.2 million, and the fair value of the Call options at 31 December 2010 was a liability of US$0.1 million.