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

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Fresnillo plc interim results for the six months to 30 June 2010

Financial highlights (H1 2010/H1 2009 comparisons)

- Average realised silver price US$17.93 per oz, up 28.8%.
- Average realised gold price US$1,171.9 per oz, up 27.4%.
- Adjusted Revenue* of US$636.3m, up 49.4%.
- Revenue of US$605.7m, up 59.9%.
- Gross Profit of US$401.5m, up 82.4%.
- EBITDA** up 92.7% to US$392.0m.
- EBITDA margins increased to 64.7% in 1H10 from 53.7 % in 1H09.
- Profit for the period of US$258.9m, up 88.8%.
- Cash generated by operations before changes in working capital US$419.9m, up 79.2%.
- Earnings per share 30.8 US cents, up by 82.2%.
- Interim dividend 9.20 US cents per share, up by 75.2%.

Operational highlights

- First half record attributable silver production of 19.1 million ounces.
- Record attributable gold production of 176,351 ounces, up 32.7%.
- On track to achieve full year production targets of 38moz of silver and 340,000oz of gold.
- Start-up of Soledad-Dipolos.
- Encouraging exploration results at Saucito, Orisyvo, San Julián, Herradura and Las Casas.
- Saucito project and Ciénega's expansion on track for initial production to begin in 1H 2011.
- San Julián and Orisyvo scoping studies and Noche Buena and Juanicipio prefeasibility studies expected by end 2010.

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

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

Highlights for 1H10

US$ million unless stated	1H10	1H09	% change
Silver Production (koz) – Attributable	19,107	18,805	1.6
Gold Production (oz) - Attributable	176,351	132,894	32.7
Total Revenue	605.7	378.9	59.9
Adjusted Revenue*	636.3	426.0	49.4
Exploration expenses	33.4	22.1	51.1
EBITDA**	392.0	203.4	92.7
Attributable Profit	220.7	121.1	82.2
Cash generated by operations before changes in working capital	419.9	234.3	79.2
Basic and diluted EPS (US$)***	0.308	0.169	82.2
Adjusted basic and diluted EPS (US$/share)****	0.291	0.169	72.2
Dividend per ordinary share (US$)	0.0920	0.0525	75.2

* Adjusted Revenue is revenue as disclosed in the income statement adjusted to exclude hedging effects and treatment and refining charges.
** Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative and exploration expenses.
*** The weighted average number of shares was 717,160,159 . See Note 10 in the Financial Statements.
**** Adjusted basic and diluted earnings per share reflects profit in the period attributable to equity shareholders of the company adjusted to exclude Silverstream revaluation effects in the period (see note 10 in the Financial Statements).

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

“We are pleased to be able to report a very strong first half of the year. Although this solid performance is in part due to a recovery in silver and gold prices, we are particularly pleased with the operational improvements that have been made in the first half of 2010 and which have contributed to these record results.

The commercial start-up of Soledad-Dipolos in January this year has added a fourth operating mine to our portfolio and highlights our commitment to growth and the development of further world-class assets. The performance of our ongoing exploration projects gives us confidence in further expansion of our resource base to support our strategy of one new mine or expansion per year for the next five years.

Despite the increase in operational costs as a result of the revaluation of the Mexican peso against the US dollar and higher electricity and diesel prices, we continue to work hard to keep our costs under control and remain in the lowest quartile of the cost curve relative to our peers. As a result our EBITDA margins continue to improve.

We remain positive about delivering robust operational performance in the second half of the year. Combined with the high silver and gold prices, we are confident that Fresnillo plc is well placed to deliver strong financial results by the end of the year, with the potential to make 2010 one of the most outstanding years in Fresnillo plc’s history.”

Commentary on the Group's results

During the first half of 2010, the global financial crisis continued to disrupt the world economy while sovereign risk in Europe and economic uncertainty in the United States also increased market volatility. These economic conditions drove up precious metals prices. Average realised silver and gold prices for Fresnillo plc increased by 28.8% and 27.4% respectively, resulting in significant earnings growth and improvements to the company's income statement.

From an operating perspective, stable silver production at Fresnillo, record gold production at Herradura and increased gold ore grades and recoveries at Ciénega boosted production levels. This solid operating performance, combined with the start-up of our new Soledad-Dipolos gold mine, resulted in record silver and gold production. Additionally, the Group intensified its exploration activities at all its operating mines and projects, resulting in an increase in the resource base.

Despite the above achievements, cost per tonne milled/deposited increased at all our operating mines. These increases were driven by the 8.5% revaluation of the Mexican peso against the US dollar and by higher electricity and diesel prices which returned to international levels at the beginning of the year following a period where the Government tried to control inflation by maintaining prices. Other factors contributing to the higher cost per tonne were the increased mine development, which resulted in higher contractors costs, and an increase in the workforce at Herradura to operate the additional trucks and loaders. These increases in costs per tonne were partly mitigated by higher volumes of ore milled/deposited and reductions in the prices of certain operating materials.

Notwithstanding the higher cost per tonne described above, consolidated gross profit, excluding hedging gains and losses, reached US$399.0 million, a 69.2% increase when compared with the first half of 2009. The increase in silver and gold prices, the strong operating performance and US$37.2 million gross profit from the new mine at Soledad-Dipolos were the primary contributors to the increase in profit during the first half of this year. However, this increase was partially offset by higher depreciation, adjusted production costs and profit sharing. EBITDA rose by 92.7% to US$392.0 million, increasing the EBITDA margin from 53.7% in the first six months of 2009 to 64.7% in the equivalent period of 2010.

The effective tax rate for the six months ended 30 June 2010 was 27.0%. This is lower than the Mexican statutory rate of 30%, due primarily to the revaluation of the Mexican peso over the period from 31 December 2009 to 30 June 2010, which generated a foreign exchange loss in the income statement under Mexican GAAP. However, the higher profits resulted in an overall tax charge of US$95.6 million, which represented a 123.4% increase when compared with the first half of 2009.

Net profit for the period totaled US$258.9 million, representing an increase of 88.8%. The Group's attributable profit increased to US$220.7 million, representing a 82.2% increase over the comparable period last year. This increase in profits was the primary driver of increased cash flow generated by operations before changes in working capital, which increased from US$234.3 million in the first half 2009 to US$419.9 million in the same period of 2010, an increase of 79.2%. Capital expenditures for the period were US$131.1 million, which were used to purchase property, plant and equipment mainly for the Saucito project, the expansion of Ciénega and the construction of ramps at the exploration projects.

The Directors have recommended an interim dividend of 9.20 US cents per share amounting to US$66.0 million which is scheduled to be paid on 14 September 2010 and is accordance with the Company's stated dividend policy.

Growth

Exploration is the main pillar of our growth strategy and a significant increase in the exploration budget was approved for this year. In the first half of 2010, US$33.4 million was spent on exploration out of US$77.6 million approved for 2010 as a whole. Our exploration efforts were focused on intensifying drilling programmes at Saucito, San Julián, San Ramón and Orisyvo, while we also confirmed resource estimates at Noche Buena and Juanicipio. Although positive results were obtained at all these properties, results at Saucito and Orisyvo were the most encouraging as new extensions of ore bodies were discovered.

The Ciénega expansion and the Saucito development project remained on schedule and we continue to expect to begin operations in the first half of 2011. The expected production levels during the first year of operation are approximately 4.7 million ounces of silver and 22,500 ounces of gold, gradually ramping up to annual production of approximately 9.0 million ounces of silver and 45,000 ounces of gold from the third year of operations onwards.

During the first half of 2010, the resources at Noche Buena were confirmed and the prefeasibility study will be prepared for approval.

Both San Julián and Orisyvo scoping studies are currently being performed by independent engineering firms and will be completed in the fourth quarter of 2010. AMC Mining Consultants (Canada) Ltd has been appointed to undertake a prefeasibility study for the development of Juanicipio as a stand alone underground silver mine.

Outlook

We believe that the foundations for silver and gold investment will remain positive for the remainder of the year assisted by current economic conditions, the sovereign debt crisis and the narrow high-yield investment possibilities offered by the global market. However, we remain cautious as we wait to see clearer signs of the strong economic recovery that would drive industrial demand for silver.

Despite the uncertain economic climate and volatile commodities prices, Fresnillo plc continues to focus on increasing productivity, controlling costs, expanding the resource and reserve base, and strengthening our growth pipeline. Together, we expect these to create ongoing and sustainable value to all our stakeholders through economic cycles in the years to come.

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

Fresnillo plc	Tel: +44 (0)20 7399 2470
London Office	
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 four producing mines, all of them in Mexico - Fresnillo, Ciénega, Herradura and Soledad-Dipolos; one development project - Saucito; and five advanced exploration prospects – Noche Buena, San Juan, San Julián, Orysivo and Juanicipio as well as a number of other long term exploration prospects. In total the group has mining concessions covering approximately 1.75 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

In the first half of 2010, Fresnillo plc's core operations were strengthened by the addition of Soledad-Dipolos as an operating mine. With the inclusion of this asset, the Company currently has four producing mines located in Mexico, comprising two underground mines (Fresnillo and Ciénega) and two open pit mines (Herradura and Soledad-Dipolos).

Additionally, during the first six months of the year we made further progress with the expansion at Ciénega, the development of the Saucito project and the exploration programmes at our Noche Buena, San Julián, San Juan, Orisyvo and Juanicipio advanced prospects.

Production

Total attributable silver production for the first half of the year reflected a slight increase of 1.6% over the same period of 2009. Stable production at the Fresnillo mine, higher ore throughput from the development works at Saucito and higher silver ore grades and tonnages leached at Herradura offset the lower silver ore grade mined at Ciénega. However, this modest increase was sufficient to achieve a record level in comparison to the corresponding periods of previous years. With this result, Fresnillo plc remains on track to achieve its full year target of 38 million silver ounces.

Production	H1 2010	H1 2009	% change
Silver (kOz) - attributable	19,107	18,805	1.6
Silverstream prod'n (koz)	1,816	1,759	3.2
Total Silver prod'n (koz)	20,923	20,564	1.7
Gold (Oz) - attributable	176,351	132,894	32.7
Lead (t)	9,144	8,446	8.3
Zinc (t)	10,825	10,199	6.1

In addition to the silver ounces produced by our existing operating mines, Fresnillo plc receives proceeds from the sale of silver from the Sabinas mine in accordance with the Silverstream contract. In the first half of 2010, total silver production from Peñoles' Sabinas mine was 1.8 million silver ounces, a 3.2% increase as a result of higher volumes of ore milled and improved recovery.

Attributable gold production increased by 32.7% in the first half to a record 176,351 ounces due to the successful start-up in January of commercial production at Soledad-Dipolos. Other factors which also contributed to this significant increase were the higher ore grades and greater volumes of ore milled at Ciénega and increased volumes of ore deposited at Herradura. We continue to expect production of approximately 340,000 attributable gold ounces for the whole of 2010, which is in line with our previous estimates.

Production of lead and zinc, which are by—products of the Group's operations, increased by 8.3% and 6.1% respectively when compared with the first half of last year. Both lead and zinc production benefited from the higher volumes of ore milled and ore grades at Fresnillo, while better recovery and higher volumes of ore milled at Ciénega further increased the tonnage of zinc produced.

Fresnillo mine production

Production	H1 2010	H1 2009	% change
Silver (kOz)	17,820	17,544	1.6
Gold (Oz)	11,488	12,577	-8.7
Lead (t)	5,836	5,031	16.0
Zinc (t)	6,014	5,873	2.4

Silver production at the Fresnillo mine, which accounts for 93% of the Group's silver production, remained broadly stable when compared to the first half of 2009; whilst lower ore grades led to an 8.7% decrease in gold production.

Sinking of the San Carlos shaft to extract minerals from the western zone of the San Carlos vein is on schedule. The shaft reached a depth of 360 metres and the construction of infrastructure required to install the hoist was started. All equipment to continue developing the next phase of the San Carlos shaft is currently in place. This US$19.1 million project, which will reduce production costs by reducing underground haulage distances from 5,300 to 1,600 metres, is expected to be concluded in the third quarter of 2011.

Ciénega mine production

Production	H1 2010	H1 2009	% change
Gold (Oz)	55,772	47,625	17.1
Silver (kOz)	676	751	-10.0
Lead (t)	3,228	3,360	-3.9
Zinc (t)	4,811	4,284	12.3

Gold production for the first half of 2010 increased by 17.1% when compared with the same period last year due to higher gold ore grades and a 9.1% increase in volume of ore milled. This result was achieved mainly through the implementation of Six Sigma quality control methodology and other development activities, which enables the mine to extract more ore from higher ore grade veins. To a lesser extent, recovery rates also improved due to the optimisation of the leaching circuit.

Silver production for the first half of the year declined by 10.0% when compared to the corresponding period of 2009 due to lower ore grades. However, the favourable economic effect of the increased gold production more than offset the adverse impact of the lower silver production.

The project to sink the shaft a further 300 metres to gain access to deeper ore reserves and reduce costs is on schedule, with 214.5 metres advanced as of 30 June 2010. The investment required for this project is estimated at US$13.3 million and is expected to be concluded in the second half of 2011.

We remain committed to reaching a production target of 110,000 gold ounces per year and our plans to expand milling capacity from 755,000 to 930,000 tonnes per year. This US$24.9 expansion project is progressing according to schedule and is expected to become operational in the first half of 2011.

Herradura mine production - Attributable

Production	H1 2010	H1 2009	% change
Gold (Oz)	79,569	71,428	11.4
Silver (kOz)	122	87	40.2

Attributable gold production increased by 11.4% year on year, reaching a record level of 79,569 ounces. This considerable increase was driven by additional volumes of ore deposited on the leaching pads. Gold ore grades remained unchanged whilst better recovery also contributed to increase gold production at this mine, which represents 45.1% of the Group's attributable gold production.

Silver production for the first six months of 2010 increased by 40.2% when compared to the equivalent period of last year as a result of an higher than expected silver ore grade.

Soledad-Dipolos mine production - Attributable

Production	H1 2010	H1 2009	% change
Gold (Oz)	27,524	-	N/A
Silver (kOz)	11	-	N/A

After a US$67.8 million investment and the commencement of commercial production in January 2010, 27,524 attributable gold ounces were produced at this open-pit mine, achieving a contribution of 15.6% to the Group's attributable gold production. The mine is currently operating according to plan, giving us confidence that we will achieve our 2010 target of 56,000 attributable gold ounces.

As a result of the increase in resources reported at Soledad-Dipolos in 2009, an expansion project to produce 130,000 total gold ounces per annum during the life of the mine was approved by the Executive Committee early this year. The additional investment required for this expansion is US$34.0 million, of which US$22.0 million will be spent in 2010, US$6 million in 2012 and the remaining US$6 million in 2013.

In-Mine exploration

Fresnillo plc has an active and continuing in-mine exploration programme to replace reserves and resources at all operating mines. Silver and gold ounces contained in ore reserves remained at similar levels to 2009. At the time of this report, these resources have been calculated in-house and have not been audited. Auditing is scheduled to occur at year-end and will underpin the annual reserve and resource statement for all operating mines, development projects and exploration prospects.

Growth Projects

Saucito

Development of the Saucito project remains on track, with the first stage scheduled for completion in the first half of 2011. Total mining works at this US$309 million project have reached 24,035 metres, while the equipment for the concentrator and shafts is already on site and further machinery is expected to arrive in the next few months.

In the first half of the year, the Saucito shaft was commissioned and became fully operational. The electricity lines and substation were completed and a pumping station located at the Saucito vein is already in operation. The construction of the patio of the Saucito shaft and the compressor building was also completed.

At the Jarillas shaft, the engineering and foundation work for the construction of the production hoist area was completed and the hoist is currently being shipped from Canada. In the first months of the year, an emergency electricity plant was tested and will be available in the case of any power shortfall from the national utility, Comisión Federal de Electricidad. Sinking of this shaft reached a depth of 208 metres out of a total 645 metres.

Saucito will have an initial capacity of 330,000 tonnes of ore per year, gradually ramping up to 990,000 tonnes per year by 2014. The expected 2011 production is approximately 4.7 million ounces of silver and 22,500 ounces of gold gradually ramping up to approximately 9.0 million ounces of silver and 45,000 ounces of gold from the third year of operations onwards.

In the first half of the year, the metal content recovered at the Fresnillo mine concentrator from Saucito development ore resulted in an additional 477,178 silver ounces, 1,998 gold ounces and 80 tonnes of lead being produced, whilst in 2009 424,000 silver ounces, 1,263 gold ounces and 56 tonnes of lead were recovered. This production is included in the total production figures of Fresnillo plc but not in the Fresnillo mine figures. Additional ore from Saucito will be processed at the Fresnillo mill as ore extracted from development works is accumulated.

Exploration

Our growth strategy relies on our exploration programme. It is through investment in exploration and consolidation of mining districts that the Company is able to expand its mineral resources and pursue organic growth. In the first half of 2010, exploration expenses were US$33.4 million, a 51.1% increase year over year as a result of the higher budget that was approved to fulfill our extensive 2010 exploration programme. Additionally, US$4.8 million was capitalised at the Saucito and Juanicipio projects.

During the first half, the Company undertook a broad drilling programme through 40 exploration rigs operating around our mines, advanced projects and prospects. Total ore resources and reserves, audited and updated as of December 2010, will be released in early 2011.

Saucito
Drilling to explore the extensions of the Jarillas, Valdecanas East, and Santa Natalia veins was completed through 19 holes (12,955 metres). Encouraging results were obtained west of Jarillas and southeast of Santa Natalia. Resources will be updated at the end of the year.

Noche Buena (56% Fresnillo plc)
An extensive drilling campaign was completed at this open-pit gold project located 24 km SE of the Herradura mine. 165 reverse circulation holes (15,466 metres) and 69 diamond drill holes (14,143 metres) were completed. The unaudited preliminary resource estimate yielded 627,000 gold ounces inside a US$950 per gold ounce

conceptual pit shell, with an average grade of 0.45 g/t. Drilling and engineering studies continue and the prefeasibility study will be carried out during the second half of this year in order to obtain the approval to go ahead with the construction. All the land required has been secured.

Herradura (56% Fresnillo plc)
Exploration in the immediate surroundings of the Herradura mine continued to produce good results. Interesting gold intercepts have been obtained from Centauro Deep (32 holes, 13,844m), where underground mining of several veins is being considered below the pit limits; and from the Dunas-Ocotillo target (3,807 metres, 14 reverse circulation holes), opening the possibility of further expanding the Centauro mega-pit. Drilling has commenced at the Altar gold prospect, 120km southeast of the Herradura mine, with 10 reverse circulation holes (1,423 metres) completed to date.

Juanicipio (56% Fresnillo plc and 44% Mag Silver)
28 holes (16,032 metres) were completed to infill drill the Valdecañas shoot and explore other targets. Mixed results were obtained on the Juanicipio vein; an interesting intersection was obtained north of Juanicipio where additional holes are planned.
Minera Juanicipio appointed AMC Mining Consultants (Canada) Ltd. to undertake a prefeasibility study for the development of a stand alone underground silver mine. The prefeasibility study is expected to be concluded by the end of the year.

Ciénega
At the Las Casas veins located 500 metres north of the mine workings, 43 diamond drill holes (24,156 metres) were completed on 100m centres. Results show lower grades than average at the Cienega mine, but the veins are of 10 to 20m width and have good tonnage potential. A resource estimate will be completed in the last quarter of 2010. Exploration was initiated at the Jessica East target, located 500 metres from the mine.

San Ramón in the Ciénega District
Infill diamond drilling continues on the Porvenir-Bandera vein to upgrade the inferred gold-silver resources to the indicated category. Footwall splays including the historic Candelaria vein are also under evaluation. 29 holes (9,431 metres) were completed in the period and an exploration adit initiated in the Porvenir area.

San Julián
Exploration continues at the San Julián project with 83 holes (25,733 metres) being drilled during the period. The San Atanasio-Ruth, San Julián-Refugio, La Dura, and La Gloria veins are being systematically drilled to define new ore-shoots, and the search for new disseminated silver ore bodies continues in adjacent areas. The San Julián ramp reached 850 metres length, and 330 metres of drifting were developed along the San Atanasio vein where it attains 1 to 5 metres width with economic silver-gold grades. The San Roberto exploration adit in the southern part of the district was advanced 470 metres.

The independent scoping study, which aims to help in designing the development works at this project, will be concluded in the third quarter of 2010. This study includes the mine, concentrator plant and infrastructure.

Orisyvo
Drilling through 23 holes (9,824 metres) was completed at Orisyvo, extending the upper North and West oxide gold deposits, and the deeper Central sulphide zone. Exploration potential remains open to the north and east. A 1.5 kilometre adit to explore the higher

grade sulphide zone and obtain bulk samples for metallurgical testing has been approved.

The scoping study, which in this project is limited to the preliminary mine design, will be concluded in the third quarter of 2010.

San Juan
Drilling through 14 holes (5,056 metres) was completed in the period, exploring the Tulillo alteration zone. Results delivered only anomalous gold and silver values. Sampling and geological mapping defined a new target at Acatita, which will be drill-tested in the second half of 2010 along with the north extension of the Lorena gold-silver vein.

Leones
An initial drill program consisting of 20 holes (5,780 metres) was completed at this silver property located in Chihuahua. The near-surface potential is 15 million silver ounces in the Leones breccia, with grades of 140g/t. Other geochemical and geophysical targets remain to be tested.

Other
Drill targets have been defined through mapping and sampling at San Nicolás del Oro, Guanajuato, Otzumatlan, Lucerito and Manzanillas in México, and Amata and Huacravilca in Perú. Permits have been obtained and drilling will start at these prospects in the second half of the year.

Health and safety, human resources, environment and community relations

No fatal accidents occurred during the first half of 2010. However, we continue to focus on health and safety as the Group's injury frequency rate index increased from 1.28 in the first half of 2009 to 1.43 in the equivalent period of 2010. Similarly, the lost work days ratio increased from 0.59 in 2009 to 0.61. The above increases were related to the hiring of new personnel, mainly at Herradura and Saucito development works. In response, the Group has intensified employee and contractors training through different safety programmes and procedures at all our operating mines.

Fresnillo plc's relationship with the communities where we operate are fundamental to the continuity of our operations. The Group's ongoing practice is to share our success with our personnel and our resources with local communities. In the first half of 2010, operation of the sewage water treatment plant at Fresnillo has contributed to preserving aquifers where water is a scarce resource. In this period, 658,000m^3 were used at the mine's processes, reducing a potential source of contamination for the community, whilst lowering our production costs and our fresh water usage.

Other activities include education programmes, sponsorship of recreational activities and sports, water conservation initiatives, protection of endangered species and recycling efforts, amongst others. These activities for our workers and their families are performed on a continuous basis at our operating mines and also at Saucito, where several sports competitions took place during the period. At Herradura and Cienega mines, efforts to re-locate plant species continued.

Activities aimed at gaining certification in accordance to the Code of the International Cyanide Management Institute continued at Ciénega and at Herradura, which is already a signatory, additional audits were undertaken. An audit was undertaken by Golder Associates and we defined an action plan to comply with the areas of opportunity identified during the process.

The Company successfully concluded the annual wage negotiations with each of the local mining unions, agreeing a 6.5% wage increase across all operating mines, plus a 1% bonus on base salary.

In the first half of the year, elections were held in several states, including Zacatecas and Durango, where the Fresnillo and Ciénega districts are located. Regardless of the political party assuming the government, it is the Group's intention to maintain sound and harmonious relations with the newly elected authorities.

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 2010 and 2009 have been prepared in accordance with IAS 34 “Interim Financial Statements”. 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

The Group’s financial results for the first half of 2010 were strong, with adjusted revenues up by 49.4% (to US$636.3m), consolidated gross profit up by 82.4% (to US$401.5m), EBITDA up by 92.7% (to US$392.0m) and profit for the period up by 88.8% (to US$258.9m) compared with the corresponding period last year.

The significant increases were primarily driven by three factors: increases in silver and gold prices, the start up of the Soledad-Dipolos gold mine and the solid operating performance at all Fresnillo plc’s mines.

However, there were certain cost variables which affected the adjusted production costs during the period. Excluding the increase in costs associated with the Soledad-Dipolos operations, other factors contributing to the increase in production costs were the revaluation effect of the Mexican peso/US dollar exchange rate and higher electricity and diesel prices. Additionally, other factors which contributed to the production cost increase were the development works performed at our mines, the higher volumes produced, and rises in labour costs. Management plans to continue investing in cost-saving initiatives and efficiency projects aimed at reducing costs.

As anticipated, exploration expenses increased to fund an intensive drilling programme at all our mines and advanced exploration projects. As exploration is a vital part of our strategy, we believe that these expenses will accrue more advantages to the Group as our resource base is expanded.

Considering the results obtained during this first half of the year, management remains confident of delivering another year of robust operational performance, which combined with the high silver and gold prices, should continue to deliver strong financial results for the remainder of the year, with the potential to make 2010 one of the most outstanding years in Fresnillo plc’s history.

Income Statement

Income Statement Key Line Items
Six months ended 30 June 2010
(in millions of US$)

	H1 2010	H1 2009	% change
Adjusted Revenue[1]	636.3	426.0	49.4
Treatment & Refining charges	30.6	35.1	-12.8
Hedging	0.0	12.0	-100.0
Total Revenues	605.7	378.9	59.9
Cost of sales	204.2	158.8	28.6
Gross Profit	401.5	220.1	82.4
Exploration expenses	33.4	22.1	51.1
EBITDA[2]	392.0	203.4	92.7
Profit before income tax	354.5	179.9	97.1
Income tax expense	95.6	42.8	123.4
Profit for the period	258.9	137.1	88.8
Attributable profit	220.7	121.1	82.2
Basic and diluted Earnings per share (usd/share) [3]	0.308	0.169	82.2

[1] Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude hedging effects and 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.
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The Group's financial results rely, to a great extent, on the quality and performance of our assets, the effort of our personnel and the management's execution capabilities. However, these aspects are strengthened or weakened by certain variables that are beyond the Group's control. A description of these external factors is provided below:

Precious metal prices

Silver and gold prices are considered amongst the Group's most important variables impacting the financial statements. In the first half of 2010, the average realised silver price increased by 28.8% compared to the same period last year (from US$13.92 per ounce in H1 2009 to US$17.93 per ounce in H1 2010). Similarly, the average realised gold price reached US$1,171.92 per ounce, representing a 27.4% increase when compared to the first six months of 2009. Both prices gave a significant increase to revenues as approximately 95% of the income comes from these metals, thus benefiting the financial results for the period.

Foreign exchange rates

The average spot Mexican peso/US dollar exchange rate for the first half of 2010 was $12.68 per US dollar, compared with $13.86 per US dollar during the same period of last year. This 8.5% revaluation had an adverse effect on the Group's income statement as costs denominated in Mexican pesos (approximately 70% of total costs) were higher when converted to US dollars. As a result, the Group estimates that a fifth (US$5.8 million) of the benefits that were obtained last year as a result of the costs conversion at a higher exchange rate, were reversed in the first half of 2010.

The Mexican peso/US dollar spot exchange rate at 30 June 2010 was $12.66 per US dollar, 3.08% lower than the prevailing spot exchange rate at the beginning of the period ($13.06 per US dollar), generating a foreign exchange loss over our net dollar position for Mexican GAAP purposes, therefore lowering the Group's taxable profits which are determined on this basis.

Inflation of key operating materials

In the first half of 2010, there were reductions in the unit prices of certain key materials, such as sodium cyanide and steel for milling, which began to decline in the second half of 2009. In contrast, the average unit price of these inputs was considerably higher during the first half of 2009, after reaching record levels in 2008. As a result, the weighted average unit prices of all operating materials over the half decreased by 3.0%.

Key operating materials	HALF OVER HALF CHANGES
Steel balls for milling	-9.5%
Steel for drilling	0.5%
Explosives	3.7%
Tyres	-6.9%
Reagents	-7.5%
Weighted average of all operating materials	-3.0%

Electricity

The Group's weighted average cost of electricity increased significantly by 34.3% when compared to the first half of 2009. As anticipated, the higher electricity rate resulted from the improved 2010 economic conditions, which prompted the Mexican Government to reverse its policy of reducing electricity prices to control inflation. No further increases are expected in the forthcoming months.

Diesel

The weighted average cost of diesel in Mexican pesos increased by 9.7% half on half. This increase is based on the Mexican Government's decision to align fuel and diesel prices with prevailing international rates.

Treatment and Refining charges

Treatment and refining charges (TRCs), which are deducted from adjusted revenues for the purposes of revenues as disclosed in the income statement, are negotiated annually in accordance with international benchmarks. The lower TRCs per tonne or ounce, including the effects of the upward zinc and lead prices adjustments (escalator), resulted in a net decrease of 12.8% in total TRCs despite the increase in sales volume.

Having described the impact of the external factors, the main line items of the income statement for the first half of 2010 are described below.

Revenues

Consolidated Revenues
(US$ millions)

	H1 2010	H1 2009	Amount	%Change
Adjusted Revenue[1]	636.3	426.0	210.3	49.4
Treatment and refining charges	-30.6	-35.1	4.5	-12.8
Hedging	0.0	-12.0	12.0	-100
Total Revenues	605.7	378.9	226.8	59.9

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

Total consolidated revenues for the first six months of the year increased significantly when compared to the same period of last year. The US$226.8 million increase was mainly driven by the benefit of the higher adjusted revenue, which increased by 49.4% reaching US$636.3 million. As shown in the table below, 64.3% of the increase in the adjusted revenues was explained by the higher average realised metal prices. The remaining 35.7% of the favourable US$210.3 million movement was achieved by the additional volume of gold ounces sold from Ciénega, Herradura and the recently opened Soledad-Dipolos mine.

Adjusted Revenues[2] by metal
(US$millions)

	H1 2010		H1 2009		Volume variance	Price variance	Total	%
Silver	311.9	49%	238.1	56%	4.4	69.4	73.8	31.0
Gold	291.4	46%	166.2	39%	68.7	56.5	125.2	75.3
Lead	14.7	2%	10.2	2%	0.8	3.7	4.5	44.1
Zinc	18.3	3%	11.5	3%	1.2	5.6	6.8	59.1
Total Revenues	636.3	100%	426.0	100%	75.1	135.2	210.3	49.4
					35.7%	64.3%	100.0%	

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

The Soledad-Dipolos mine contributed 9% to adjusted revenues with 48,270 gold ounces sold in the period. This new operating mine changed the relative proportion of adjusted revenues represented by silver and gold, increasing gold from 39% to 46% in the first half of 2010, whilst silver contribution decreased to 49% in this period.

Volumes of metal in products sold
Six months ended 30 June

	H1 2010	H1 2009	% change
SILVER (kOz)			
Fresnillo	16,556	16,276	1.7
Ciénega	605	681	-11.2
Herradura	216	154	40.3
Soledad-Dipolos	20	-	N/A
Total (kOz)	17,397	17,111	1.7
GOLD k(Oz)			

Fresnillo	9	11	-18.2
Ciénega	51	44	15.9
Herradura	141	126	11.9
Soledad-Dipolos	48	-	N/A
Total k(Oz)	249	181	37.6
LEAD (MT)			
Fresnillo	4,802	4,262	12.7
Ciénega	2,841	2,883	-1.5
Total (MT)	7,643	7,145	7.0
ZINC (MT)			
Fresnillo	5,124	4,871	5.2
Ciénega	3,996	3,514	13.7
Total (MT)	9,120	8,385	8.8

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

However, a favourable movement is reflected in the results of hedging primarily as a result of a non-cash charge of US$12.4 million in the first six months of 2009 relating to hedging instruments that were terminated in 2007 but for which cumulative losses were recycled to income at the time of the occurrence of the hedged transaction to which they related.

Cost of sales

			Change	
	H110	**H109**	**Amount**	**%**
Adjusted Production Cost[3]	142.8	100.4	42.4	42.2
Depreciation	48.8	31.3	17.5	55.9
Change in work in progress	-7.6	5.5	-13.1	N/A
Profit Sharing	22.7	17.9	4.8	26.8
Hedging	-2.5	3.7	-6.2	N/A
Cost of Sales	**204.2**	**158.8**	**45.4**	**28.6**

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

Cost of sales increased by US$45.4, representing an increase of 28.6% when compared with the first half of 2009. The main reasons for this increase are described below:

- Adjusted production costs were the main contributor to the higher cost of sales, increasing 42.2% in the first half of 2010. However, 52.6% of the US$42.4 million increase, that is US$22.3 million, is attributable to the adjusted production costs generated by the new Soledad-Dipolos operations which started production at the beginning of the year. Additionally, the lower average spot exchange rate adversely impacted costs when converting peso-denominated costs to US dollars. The increase in adjusted production costs relating to the 8.5% Mexican peso/US dollar revaluation was estimated at US$5.8 million. By factoring out the impact of the exchange rate on the peso-denominated components for each category, the figures explained below reflect the estimated underlying operational and dollar-denominated unit cost changes:

- The cost of contractors increased by US$6.2 million as a result of: i) an increase in development works at all our operating mines to ensure continuous operation in the future; ii) shotcreting and rock bolting activities carried out mainly at the Fresnillo mine due to ground instability at certain areas; iii) additional volumes of ore and waste hauled through longer distances at all our mines; iv) 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 cost of energy increased by US$4.8 million mainly due to the higher prices of electricity and diesel, which increased by 34.3% and 9.7% respectively. Additionally, there was an increase in the consumption of energy which resulted from higher production volumes, longer haulage distances, a greater number of trucks and loaders and the need for more ventilation systems.
- Personnel costs, excluding profit sharing, increased by US$1.9 million mainly due to: i) a 6.5% increase in wages at our mines, plus a 1% bonus on base salary; ii) additional personnel hired at Herradura and iii) training to improve performance and safety indices.
- Operating materials increased by US$1.4 million as a result of the increased consumption of explosives, tyres and steel for drilling, which resulted from higher production volumes. These increases were mitigated by operating efficiencies and lower weighted average unit prices.
- Other costs increased by US$1.3 million due to additional equipment insured, security, freight and maintenance of workers camps and administrative offices.

The above adverse effects were mitigated by the lower cost of other maintenance elements, which decreased by US$1.3 million as a result of discounts obtained in the acquisition of spare parts.

- Depreciation increased by US$17.5 million mainly due to the addition of assets from Soledad-Dipolos, increased production volumes which affected the depletion factor and the purchase of additional trucks and loaders at Herradura and in-mine equipment at the underground mines.
- Profit sharing increased by US$4.9 million due to increased profits at the operating mines.
- Change in work in progress decreased by US$6.2 million mainly as a result of the ore deposited at Soledad-Dipolos, resulting in an increase of inventories.
- The Group enters into certain forward and option derivative contracts in order to manage its exposure to foreign exchange risk associated with costs incurred in Mexican pesos and Euros. In the first half of 2010, forward dollar sales for US$39.0 million matured, resulting in gains of US$2.5 million being recycled to income.

During the period the Group entered into a combination of put and call options structured at zero cost that mature in the second half of 2010 and the first half of 2011. The average floor and cap exchange rates of these collars are $12.90 and $13.83 per US dollar respectively. These instruments guarantee a minimum exchange rate should the market fall below the floor exchange rate. Between the floor and cap exchange rates the Group sells US dollars at the market rate, and when the Mexican peso per US dollar exchange rate goes above the cap rate, the Company is obliged to sell US dollars at the contract rate. The total amount hedged by these options was US$27.0 million.

Additionally, during the first half Fresnillo plc sold forward US$60.5 million at an average price of $12.89 per US dollar, including US$10.0 million which matured in the same period. The total net outstanding position relating to the hedging of costs incurred in Pesos as of 30 June 2010 was US$70.5 million.

Furthermore, at 30 June 2010 the Group holds Euro forward contracts to purchase Euros to cover the purchase of equipment for the Saucito project (€5.5 million) and the Herradura mine (€5.2 million). These positions matured in July 2010.

Cost per tonne and cash cost per ounce

Cost per tonne, calculated as total production costs less depreciation, profit sharing and the effects of exchange rate hedging, represents a key indicator to monitor productivity at the operating mines while controlling costs. In the first half of 2010, cost per tonne milled at Fresnillo and Ciénega increased by 14.2% and 6.4% respectively, whilst at Herradura cost per tonne deposited remained stable when compared to the same period of last year.

COST PER TONNE[4]

		H110	H109[5]	% Change
Fresnillo	US$/TONNE MILLED	40.76	35.68	14.2%
Ciénega	US$/TONNE MILLED	63.32	59.49	6.4%
Herradura	US$/TONNE DEPOSITED	5.05	5.03	0.4%
Soledad-Dipolos	US$/TONNE DEPOSITED	4.65	-	N/A

[4] Cost per tonne is calculated as total production costs less depreciation, profit sharing and exchange rate hedging effects.
[5] 1H09 figures in this table were adjusted to include reclassification of freight expense from sales to production costs.

The main reasons for the increase in cost per tonne at all of Fresnillo plc's operating mines were the revaluation of the Mexican peso against the US dollar, the increase in electricity and diesel prices and the 6.5% increase in wages for unionised workers plus a 1% bonus on base salary. However, there were other negative impacts affecting individual mines as follows:

At Fresnillo mine, cost per tonne was also negatively impacted by an increase in energy consumption due to the expansion of the San Carlos vein to the west, which required more electricity for the ventilation and pumping systems, whilst longer distances of haulage affected diesel consumption. Additionally, a 13.5% increase in metres of shotcreting to stabilise the San Alberto and San Carlos areas resulted in a higher contractor costs. Consumption of cable for the General shaft, anchors for rock bolting, additional spare parts and installation of key components for equipment further increased cost per tonne.

At Ciénega, cost per tonne was also affected by higher contractor costs due to a 72.4% increase in development works (2,510 additional metres). Other factors impacting this were the higher costs related to security and the maintenance of administrative offices and employees' houses.

At Herradura, an increase in the cost of contractors was recognised due to the stripping cost of the Valles pit recorded in the income statement, whilst in 2009 these costs were capitalised. Longer hauling distances and deeper pits were the reason for higher diesel consumption at this mine.

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. Furthermore, there were certain additional benefits lowering cost per tonne. For instance, discounts in the purchase of spare parts obtained at Herradura and a reduction in cost of repairs at Ciénega decreased maintenance costs.

Despite the 6.4% increase in Ciénega's cost per tonne, cash cost[6] at this mine decreased by 35.1% from US$284.16 per gold ounce in the first six months of 2009 to US$184.49 per gold ounce in the equivalent period of 2010. This reduction resulted from the favourable effect of the increase in price and volume of by-products which are credited to costs. This positive impact, combined with the lower treatment and refining charges, also benefited Fresnillo's cash cost, which more than offset the adverse effect of lower ore grade at this mine, resulting in a decrease of 3.3% (US$3.70 per silver ounce in the first half of 2009 to US$3.58) compared to the 14.2% increase in cost per tonne. Herradura's cash cost of US$324.88 per gold ounce in 1H10 decreased by 3.6% when compared to the same period last year as a result of the increased gold ounces produced, whilst Soledad-Dipolos' cash cost was US$308.16 per gold ounce during its first six months of production.

Gross profit

Management continuously monitors gross profit, excluding hedging gains and losses, for each mine as it represents a key indicator of the profitability of each business unit and the Group as a whole. Consolidated gross profit, excluding hedging gains and losses for the first half of 2010, reached US$399.0 million, a 69.2% increase when compared with the same period of last year. The combination of higher average realised silver and gold prices and robust operating results together with the gross profit generated by the newly opened Soledad-Dipolos mine resulted in the US$163.2 million increase in the consolidated gross profit excluding hedging effects.

In the first half of 2010, the Fresnillo mine remained the largest contributor to the consolidated gross profit, however its contribution decreased to 56.0%. The Herradura mine was the second contributor with 24.0% share of the consolidated gross profit as a result of increased silver and gold ounces sold at higher prices. Similarly, Cienega's gross profit was increased by 92.8% to US$42.3 million due to the increase in ore milled and higher gold ore grade, which enabled the mine to increase its contribution to the consolidated gross profit to 10.6%. Finally, the commencement of the commercial production at Soledad & Dipolos resulted in a gross profit of US$37.2 million, which represented 9.4% of the consolidated gross profit, excluding hedging gains and losses.

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

(US$ millions)			Change	
	H110	**H109**	**Amount**	**%**

[6] 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.

Fresnillo	223.23	56.0%	154.44	65.4%	68.79	42.4%	44.5
Ciénega	42.31	10.6%	21.94	9.3%	20.37	12.5%	92.8
Herradura	95.83	24.0%	59.75	25.3%	36.08	22.2%	60.4
Soledad-Dipolos	37.24	9.4%	-	N/A	37.24	22.9%	N/A
Total for operating mines	**398.61**	100.0%	**236.13**	100.0%	**162.48**	100.0%	**68.8**
Other subsidiaries	0.37		-0.31		0.68		N/A
Total Fresnillo plc	**398.98**		**235.82**		**163.16**		**69.2**

Administrative expenses

Administrative expenses for the first half of 2010 decreased by 3.9% to US$24.9 million when compared to the same period of last year. The modest reduction was a result of lower administrative fees paid to Servicios Administrativos Peñoles, S.A. de C.V. under the New Services Agreement. The annual fee agreed under that contract was US$27.6 million, which compared favourably with the US$34.0 million annual fee that was payable under the previous Transitional Services Agreement, in effect until October 2009.

Exploration expenses

Exploration expenses for the first half of 2010 increased significantly to US$33.4 million, 51.1% higher than the same period of 2009. As anticipated, the Group intensified its exploration efforts with the purpose of expanding the resource and reserve base and confirming the resource estimations at Noche Buena and Juanicipio (Fresnillo plc 56% and Mag Silver 44%). Our strategic goal is to discover enough reserves by the year 2018 to reach our annual production target of 65moz of silver and 400,000 ounces of gold (attributable) and to sustain at least a 10 year average mine life.
In addition to the aforementioned expenses, the Group capitalised US$4.8 million related to the Saucito and Juanicipio projects.

BUSINESS UNIT / PROJECT (US$ millions)	Exploration expenses	Capitalised expenses
Ciénega	7.8	0.0
Fresnillo	5.2	0.0
Herradura	4.1	0.0
Soledad-Dipolos	0.9	0.0
Noche Buena	3.2	0.0
San Julián	3.1	0.0
Orisyvo	2.4	0.0
Nuevo Corredor Herradura	2.0	0.0
San Juan	0.9	0.0
Leones	0.8	0.0
Saucito	0.0	2.2
Juanicipio	0.0	2.6
Others	3.0	0.0
TOTAL	**33.4**	**4.8**

EBITDA

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 half of 2010, EBITDA increased by 92.7% over the same period of 2009 due to the higher gross profit, despite the fact that exploration expenses increased by US$11.3 million. As a result, the EBITDA margin increased from 53.7% in the first half of 2009 to 64.7% in the first half of 2010.

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

	H1 2010	H1 2009	% change
Gross Profit	401.5	220.1	82.4
+ Depreciation	48.8	31.3	55.9
- Administrative Expenses	-24.9	-25.9	-3.9
- Exploration Expenses	-33.4	-22.1	51.1
EBITDA	392.0	203.4	92.7
EBITDA Margin	64.7%	53.7%	

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 2010, the fair value of this instrument increased by US$17.3 million, with a corresponding non-cash gain recognised in the income statement. Further information related to the Silverstream contract is provided in the Balance Sheet section below and in note 12 to the Consolidated Financial Statements.

Foreign exchange

In the first half of 2010, a foreign exchange loss of US$5.1 million was recorded in the income statement which was driven primarily by the devaluation of the UK pound sterling against the US dollar on the dividends paid in pounds and the conversion of the pound sterling position held in treasury to US dollars. Another factor contributing to the foreign exchange loss was the revaluation of the Mexican peso against the US dollar which adversely affected the value of peso-denominated net liabilities. In contrast, a foreign exchange gain of US$6.9 million was recorded in the first half of 2009 as a result of the 12.3% devaluation of the US dollar against the UK pound sterling.

Taxation

As a result of the higher profits achieved during the first half of 2010, the income tax expense reached US$95.6 million, an increase of 123.4% when compared to the same period of 2009. Notwithstanding, the effective tax rate for the period was 27.0%, which is lower than the statutory tax rate of 30.0%. The difference is explained mainly by the 3.1% revaluation of the Mexican peso vs US dollar which had two effects: i) it generated a foreign exchange loss that was recorded under Mexican GAAP, which lowered the

Group's taxable profits; and ii) it generated movements in the US dollar equivalent tax value of assets that were originally valued in Mexican pesos and are not subsequently revalued for tax purposes with fluctuations in the Mexican peso/US dollar exchange rate under Mexican GAAP. Additionally, there were inflationary adjustments of certain assets for tax purposes which had no accounting effect.

Profit for the period

Profit for the period totaled US$258.9 million, representing an increase of 88.8% half on half. The profits due to non-controlling interests recorded in the first half of the year was US$38.2 million, which is 138.5% above the equivalent period of 2009 due to the increased profits at Herradura and the profits generated by Soledad-Dipolos.

As a result, profit attributable to equity shareholders of the Group increased by 82.2% from US$121.1 million to US$220.7 million compared with the same period in 2009.

Cash Flow

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

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

	H1 2010	H1 2009	(US $)	(%)
Cash generated by operations before changes in working capital	419.9	234.3	185.6	79.2
(Increase) in working capital	-53.3	-57.3	4.0	-7.0
Taxes and Employee Profit Sharing paid	61.0	82.8	-21.8	-26.3
Silverstream contract	21.7	20.6	1.1	5.3
Purchase of property, plant & equipment	131.1	105.5	25.6	24.3
Dividends paid	116.2	55.9	60.3	107.9
Net increase/(decrease) in cash during the period before foreign exchange differences	81.3	(41.6)	122.9	N/A
Cash at 30 June	389.8	174.6	215.2	123.3

In the first half of 2010, cash generated by operations before changes in working capital increased by 79.2% from US$234.3 million in the first half of 2009 to US$419.9 million in the period under review. This increase was achieved primarily as a result of the increase in profits.

However, there was a US$53.3 million increase in working capital due to the increase in trade receivables resulting from higher prices and volumes sold to Met-Mex Peñoles.

As a result of the above effects, cash flow from operating activities of US$305.6 million increased by 224.4% when compared to the corresponding figure for 2009.

Another important source of funds was the proceeds received under the Silverstream contract (US$21.7 million).

A portion of the funds generated by operations was used to purchase property plant and equipment (US$131.1 million). Capital expenditures in the first half of 2010 are described below in detail:

Purchase of property, plant and equipment

	(US$ millions) H110	
Saucito project	35.8	Mining works and purchase of key equipment, net of US$8 million revenues recovered from ore mined.
Ciénega mine	28.8	Mine development, purchase of land and mining concessions, expansion of the plant to 930,000 tonnes per year and sinking of the shaft
Herradura mine	25.0	Expansion of the Centauro pit, stripping of the Valles pit, construction of the eighth leaching pad and Noche Buena gold project.
Fresnillo mine	21.1	Construction of the ramp at San Julián project, mining works, construction of the San Carlos shaft, purchase of equipment and ventilation systems.
Soledad-Dipolos	16.0	Construction of the second leaching pad and purchase of equipment.
Juanicipio project	2.6	Mining works
Exploraciones Mineras La Parreña	0.4	
Servicios Administrativos Fresnillo	0.3	
Other	1.1	
Total Purchase of property, plant and equip.	131.1	

In June, the final dividend for the 2009 financial year was paid, totaling US$116.2 million.

The sources and uses of funds described above resulted in a net increase of US$81.3 million in cash and cash equivalents during the period. The combination of this increase with the US$312.2 million balance at the beginning of the year and the unfavourable effect of the exchange rate (US$3.7 million), resulted in a net cash position of US$389.8 million as at 30 June 2010.

Balance Sheet

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

Cash and cash equivalents as of June 2010 of US$389.8 million increased by 24.8% compared to the cash position at year-end 2009, and 123.3% when compared to the cash position as of 30 June 2009 due to the factors described in the cash flow section.

Trade and other receivables increased during the period by US$38.7 million to US$146.9 million primarily as a result of the rise in metal prices and volumes sold during the period.

In accordance with the Silverstream Agreement, 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 contract from US$298.7 million at the beginning of the year to US$291.0 million at the end of the period reflects cash proceeds of US$21.7 million and proceeds due of US$3.2 million offset by a revaluation of US$17.3 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, property, plant and equipment, net of depreciation effects, increased by 10.8% since December 2009 to US$762.9 million.

Dividends

The Directors have declared an interim dividend of 9.20 US cents per share amounting to US$66.0 million which is scheduled to be paid on 14 September 2010.

The interim dividend will be paid in UK pound sterling to shareholders on the register on 20th August 2010. 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 20th August 2010.

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.

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.

Risks and uncertainties

The Group's operating and financial results could be adversely impacted by certain risks. The Board is responsible for ensuring that risk is effectively managed across the Group, whilst the day-to-day risk management and internal control system relies on the Executive Committee. Although key risks are continuously being assessed and monitored, management remains committed to further improve the risk management process.

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 2009. A copy of the Fresnillo's Group 2009 Annual Report is available at the Company's website at www.fresnilloplc.com. Nonetheless, a brief description of the principal risks is shown below:

Strategic risks

- *Depletion of reserves and/or failure to identify new mineral deposits could impact the Company's growth projections and production capabilities.*
- *Delays in obtaining access to the land for performing exploration/mining activities.*
- *Difficulty in finding and/or retaining personnel with the requisite knowledge, skills and experiences for key positions.*
- *Internal union conflicts at the national level may cause temporary stoppages or discontinue operations.*
- *Security related risks such as drug cartels, kidnapping, thefts, etc., could cause business interruptions resulting from their impact on our personnel and property.*

Operational risks

- *Lower ore grade extracted could impact cash cost projections and production programmes.*
- *Difficulty in sourcing critical equipment and strategic spare parts to meet operational needs.*
- *Continued upward trend in the price of key operating materials due to competitive demand and reliance on third party suppliers.*
- *Expensive or insufficient energy to meet demands of mining operations, due to reliance on CFE, the state-run electric utility.*
- *Accidents or irresponsible actions caused by the Company in the communities where it operates that may disrupt operations from a civil or legal perspective.*
- *Difficulties in obtaining permission from the Mexican Ministry of Defence for the use of explosives.*

Macroeconomic and Financial risks

- *Fluctuation in metal prices and exchange rates could limit profitability margins.*
- *Adverse changes in the tax law and/or new mining royalties, rights or duties that could impact the Company's profitability.*

Compliance

- *External pressure (from NGOs, political groups and others) for more regulation to the mining industry in Mexico, which could increase our regulatory burden.*
- *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.*

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 2009. 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 67 to 69 of the Fresnillo plc 2009 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 financial statements in the half-yearly financial report for the six months ended 30 June 2010 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 2010 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 2010

Interim Consolidated Income Statement

	Notes	*For the six months ended 30 June*	
		2010	*2009*
		(Unaudited)	*(Unaudited)*
		(in thousands of US dollars)	
Continuing operations:			
Revenues	4	605,676	378,910
Cost of sales	5	(204,189)	(158,756)
Gross profit		**401,487**	**220,154**
Administrative expenses	6	(24,901)	(25,945)
Exploration expenses		(33,361)	(22,103)
Other income	7	2,155	2,505
Other expenses		(2,477)	(1,531)
Profit from continuing operations before net finance costs and income tax		**342,903**	**173,080**
Finance income	8	1,022	873
Finance costs	8	(1,636)	(923)
Revaluation effects of Silverstream contract		17,250	-
Foreign exchange (loss)/gain		(5,069)	6,917
Profit from continuing operations before income tax		**354,470**	**179,947**
Income tax expense	9	(95,611)	(42,840)
Profit for the period from continuing operations		**258,859**	**137,107**
Attributable to:			
Equity shareholders of the Group		220,655	121,087
Non-controlling interests		38,204	16,020
		258,859	**137,107**

Earnings per share: (US$)			
Basic and diluted earnings per ordinary share from continuing operations	10	0.308	0.169

Adjusted earnings per share: (US$)

Adjusted basic and diluted earnings per ordinary share from continuing operations	10	0.291	0.169

Interim Consolidated Statement of Comprehensive Income

	Notes	*For the six months ended 30 June*	
		2010	*2009*
		(Unaudited)	*(Unaudited)*
		(in thousands of US dollars)	
Profit for the period		**258,859**	**137,107**
Net (gain)/loss on cash flow hedges recycled to income statement		(2,501)	15,455
Tax effect of cash flow hedges recycled to income statement		750	(4,327)
Net unrealised gain on cash flow hedges		292	4,638
Tax effect of unrealised gain on cash flow hedges		(88)	(1,299)
Net effect of cash flow hedges		**(1,547)**	**14,467**
Fair value gains on available for sale financial assets		2,230	3,204
Tax effect of fair value gains on available for sale financial assets		(625)	(899)
Net effect of available for sale financial assets		**1,605**	**2,305**
Foreign currency translation		186	331
Other comprehensive income for the period, net of tax		**244**	**17,103**
Total comprehensive income for the period, net of tax		**259,103**	**154,210**
Attributable to:			
Equity shareholders of the Group		221,115	138,190
Non-controlling interests		37,988	16,020
		259,103	**154,210**

Interim Consolidated Balance Sheet

	Notes	*As of 30 June 2010 (Unaudited)*	*As of 31 December 2009 (Audited)*
		(in thousands of US dollars)	
ASSETS			
Non-current assets			
Property, plant and equipment	11	762,864	688,718
Available for sale financial assets		70,665	68,435
Silverstream contract	12	246,077	256,059
Deferred tax asset		11,749	9,363
Other assets		3,823	504
		1,095,178	1,023,079
Current assets			
Inventories		42,344	33,783
Trade and other receivables	13	146,904	108,242
Prepayments		3,970	1,912
Derivative financial instruments		991	1,373
Silverstream contract	12	44,910	42,600
Income tax refunds due		-	20,167
Cash and cash equivalents	14	389,809	312,192
		628,928	520,269
Total assets		**1,724,106**	**1,543,348**
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 (losses)/gains on cash flow hedges		(436)	895
Net unrealised gains on available for sale financial assets		13,871	12,266
Foreign currency translation reserve		(909)	(1,095)

	Notes	*As of 30 June 2010 (Unaudited)*	*As of 31 December 2009 (Audited)*
		(in thousands of US dollars)	
Retained earnings		618,166	513,691
		1,281,059	1,176,124
Non-controlling interests		166,352	126,979
Total equity		**1,447,411**	**1,303,103**
Non-current liabilities			
Provision for mine closure cost		37,527	35,513
Provision for pensions and other post-employment benefit plans		6,577	5,811
Other liabilities		4,906	4,811
Deferred tax liability		125,766	119,944
		174,776	166,079
Current liabilities			
Trade and other payables		54,145	48,286
Derivative financial instruments		1,922	95
Income tax		22,791	-
Employee profit sharing		23,061	25,785
		101,919	74,166
Total liabilities		**276,695**	**240,245**
Total equity and liabilities		**1,724,106**	**1,543,348**

Interim Consolidated Cash Flow Statement

	Notes	For the six months ended 30 June 2010 (Unaudited)	2009 (Unaudited)
		(in thousands of US dollars)	
Net cash from operating activities	19	**305,597**	**94,241**
Cash flows from investing activities			
Purchase of property, plant and equipment		(131,082)	(105,514)
Purchase of available for sale instruments		-	(25)
Proceeds from the sale of property, plant and equipment and other assets		234	637
Silverstream contract		21,672	20,588
Financing provided to contractors		(3,392)	-
Interest received		1,022	873
Other proceeds		2,113	2,682
Net cash used in investing activities		**(109,433)**	**(80,759)**
Cash flows from financing activities			
Capital contribution		1,385	891
Dividends paid		(116,209)	(55,864)
Interest paid		(50)	(136)
Net cash used in financing activities		**(114,874)**	**(55,109)**
Net increase/ (decrease) in cash and cash equivalents during the period		81,290	(41,627)
Net foreign exchange difference		(3,673)	4,212
Cash and cash equivalents at 1 January	14	312,192	211,985
Cash and cash equivalents at 30 June	14	**389,809**	**174,570**

Interim Consolidated Statement of Changes in Equity

	Notes	Equity share capital	Share premium	Capital reserve	Net gains/ losses on revaluation of cash flow hedges	Unrealised gains/ losses on available for sale financial assets	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Group									
						(in thousands of US dollars)					
Balance at 1 January 2009 ***(Audited)***		358,680	818,597	(526,910)	(26,408)	(4,207)	(1,387)	285,195	903,560	89,832	993,392
Profit for the period		–	–	–	–	–	–	121,087	121,087	16,020	137,107
Other comprehensive income		–	–	–	14,467	2,305	331	–	17,103	–	17,103
Total comprehensive income for the period		–	–	–	14,467	2,305	331	121,087	138,190	16,020	154,210
Capital contribution		–	–	–	–	–	–	–	–	891	891
Dividend paid	15	–	–	–	–	–	–	(55,864)	(55,864)	–	(55,864)
Balance at 30 June 2009 ***(Unaudited)***		358,680	818,597	(526,910)	(11,941)	(1,902)	(1,056)	350,418	985,886	106,743	1,092,629
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		–	–	–	(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

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.

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 2010, were authorised for issue by the Board of Directors of Fresnillo plc on 2 August 2010.

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 four fully developed operating mines: Fresnillo, Herradura, Ciénega, and Soledad y Dipolos, the latter starting production in January 2010.

2 Significant Accounting Policies

(a) Basis of preparation and statement of compliance

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2010 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. 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 2009 as published in the 2009 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 2009. 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 2009, 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 condensed consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment that have been stated at deemed cost under IFRS 1, derivative financial instruments, available-for-sale financial instruments and defined benefit pension scheme assets which have been measured at fair value. The financial statements are presented in US dollars ($) and all monetary results are rounded to the nearest thousand ($000) except where otherwise indicated.

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

(b) Changes in accounting policies and presentation rules

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations noted below. Adoption of these standards and interpretations did not have any significant effect on the financial position of the Group.

- IFRS 3 (Revised) 'Business Combinations' and IAS 27 (Revised) 'Consolidated and Separate Financial Statements', issued in January 2008. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Furthermore, the amended standard changes the accounting for losses incurred by partially-owned subsidiaries as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 'Statement of Cash Flows', IAS 12 'Income Taxes', IAS 21 'The Effects of Changes in Foreign Exchange Rates', IAS 28 'Investment in Associates' and IAS 31 'Interests in Joint Ventures'. The changes introduced by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with Non-controlling interests (previously referred to as "minority interests").

Other new standards, amendments and interpretations that are effective but not applicable to the Group are as follows:

- *IFRS 1 (Amendment) "First-time adoption of international financial reporting Standars-Cost of an Investment in a Subdisidiary, Jointly controlled Entity or Associate"*
- *IFRS 2 (Amendment) Share-based Payment-Vesting Conditions and Cancellations"*
- *IAS 39 (Amendment) "Financial instruments: Recognition and Measurement-Eligible hedged items.*
- *IFRIC 17 "Distributions of Non-Cash Assets to Owners"*

Improvements to IFRSs

In April 2009 the Board issued its second 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 but did not have any impact on the financial position or performance of the Group;

- *IFRS 8 'Operating Segments'* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information in note 3.
- *IAS 7 'Statement of Cash Flows'* clarifies that only expenditures that result in a recognised asset can be classified as a cash flow from investing activities. The amendment has no impact on the Group.
- *IAS 17 'Leases'* clarifies the classification of land and buildings and the specific guidance on classifying land as a lease has been removed (only the general guidance remains). The amendment has no impact on the Group financial statements as there are no fixed assets under finance lease.
- *IAS 36 'Impairment of Assets'* clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as there have been no business combinations in the period.

Other amendments resulting from Improvements to IFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- *IFRS 2 'Share-based Payments'*
- *IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'*
- *IAS 1 'Presentation of Financial Statements'*
- *IAS 38' Intangible Assets'*
- *IAS 39 "Financial instruments: Recognition and Measurement"*
- *IFRIC 9 "Reassessment of Embedded Derivatives"*
- *IFRIC 16 'Hedge of a Net Investment in a Foreign Operation'*

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

(c) Basis of consolidation

The interim condensed consolidated financial statements set out the Group's financial position as of 30 June 2010 and 31 December 2009, and its operations and cash flows for the periods ended 30 June 2010 and 30 June 2009.

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 2009.

3 Segment Reporting

For management purposes the Group is organised into operating segments based on mining projects, and therefore has four reportable operating segments (at 30 June 2009 the Group had three reportable operating segments), representing the Group's four producing mines as follows:

- The Fresnillo mine, located in the State of Zacatecas is the worlds largest primary silver mine
- The Cienega mine, located in the State of Durango is an underground gold mine
- The Herradura mine, located in the State of Sonora is an open pit gold mine
- The Soledad-Dipolos mine, located in the State of Sonora is an open pit gold mine.

The construction of the Soledad-Dipolos mine was successfully concluded in December 2009 and commercial production started in January 2010. The operating performance and financial results are reviewed by management in the same way as the other three mining units.

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 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 income statement. Other income and expenses included in the income statement are not allocated to operating segments.

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2010 and 2009, respectively.

Six months ended 30 June 2010 (unaudited).

	Fresnillo	Herradura	Ciénega	Soledad - Dipolos	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	270,121	119,929	57,508	44,944	16,281	(7,710)	501,073
Hedging							2,501
Treatment and refining charges							(30,600)

Depreciation	(48,806)
Employee profit sharing	(22,681)
Gross profit as per the income statement	401,487

The property, plant and equipment of the Cienega, Herradura, Soledad-Dipolos and Fresnillo segments at 30 June 2010 amount to $147.9 million, $211.3 million, $89.5 million and $270.1 million respectively compared with $127.9 million, $207.3 million, $78.5 million and $263.3 million, respectively at 31 December 2009. The increase is due to the acquisition of equipment such as trucks, trackdozers, graders, the purchase of land and mining concessions and mine development works including ramp construction , shaft sinking, open pit preparation and leach pad development.

There has also been an increase in the property, plant and equipment of the Saucito segment which is included in “Other” above. Property, plant and equipment amounts to $129.1 million at 30 June 2010 compared with $94.5 million at 31 December 2009. The increase is due to the acquisition of equipment relating to plant and mine development including hoisting equipment and development of the ramps and shafts.

Six months ended 30 June 2009 (unaudited)

	Fresnillo	Herradura	Ciénega	Soledad - Dipolos(1)	Other	Adjustments and eliminations	Total
Revenues(1) :							
Third party	220,514	117,512	38,116	-	880	1,888	378,910
Inter-segment	-	-	-	-	6,834	(6,834)	-
Segment revenues	220,514	117,512	38,116	-	7,714	(4,946)	378,910

Segment profit	205,551	76,570	36,035	-	6,830	(4,884)	320,102
Hedging							(15,668)
Treatment and refining charges							(35,100)
Depreciation							(31,339)
Employee profit sharing							(17,841)
Gross profit as per the income statement							220,154

(1) Certain comparative information has been disclosed or restated to conform to current period presentation.

The property, plant and equipment of the Cienega and Herradura segments at 30 June 2009 amount to $107.5 million and $213.8 million compared with $97.0 million and $179.3 million, respectively at 31 December 2008. The increase is due to the acquisition of equipment such as dump trucks and wheel loaders, mine development works including a tailing dam and shaft sinking, open pit preparation and leach pad development.

There has also been an increase in the property, plant and equipment of the Saucito segment which is included in “Other” above. Property, plant and equipment amounts to $75.8 million at 30 June 2009 compared with $55.8 million at 31 December 2008. The increase is due to the acquisition of equipment relating to this mine development including hoisting equipment and development of the ramps and shafts.

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	
	2010	*2009*
	(in thousands of US dollars)	
Lead concentrates (containing silver, gold, lead and by-products)	333,986	251,530
Doré and slag (containing gold, silver and by-products)	224,607	117,629
Zinc concentrates	23,385	14,852
Precipitates	23,698	6,903
Effects of hedging	-	(12,004)
	605,676	**378,910**

In 2010 all lead concentrates, precipitates, doré and slag, were sold to Peñoles' metallurgical complex for smelting and refining. In 2009 all product was sold to Peñoles, aside from a minimal amount of product sold to a third party.

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	
	2010	*2009*
	(in thousands of US dollars)	
Silver	311,968	238,098
Gold(1)	291,298	153,338
Zinc(2)	18,309	11,692
Lead(3)	14,701	10,882
Value of metal content in products sold	636,276	414,010
Adjustment for treatment and refining charges	(30,600)	(35,100)
Total revenues	**605,676**	**378,910**

(1) There are no effects of hedging during the six months ended 30 June 2010 (losses of US$12.9 million for the six months ended 30 June 2009).

(2) There are no effects of hedging during the six months ended 30 June 2010 (gains of US$0.2 for the six months ended 30 June 2009).

(3) There are no effects of hedging during the six months ended 30 June 2010 (gains of US$0.6 for the six months ended 30 June 2009).

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

	Six months ended 30 June	
	2010	*2009*
	(in US dollars per ounce)	
Gold	1,171.92	920.23
Silver	17.93	13.92

5 Cost of Sales

	Six months ended 30 June	
	2010	*2009*
	(in thousands of US dollars)	
Depreciation (note 11)	48,806	31,339
Personnel expenses[(1)]	44,658	34,188
Maintenance and repairs	24,819	18,886
Operating materials	30,645	23,522
Energy	26,467	16,446
Contractors	25,941	15,364
Freight	4,159	3,108
Mining rights and contributions	2,270	2,475
Effects of hedging	(2,501)	3,664
Other	6,512	4,279
Cost of production	211,776	153,271
Change in work in progress and finished goods (ore inventories)	(7,587)	5,485
Total Cost of sales	**204,189**	**158,756**

(1) Personnel expenses include employees´ profit sharing of US$22.7 million for the six months ended 30 June 2010 (six months ended 30 June 2009: US$17.9 million).

6 Administrative Expenses

For the period from the IPO on 14 May 2008 to 31 October 2009 certain services, comprising administrative and non-administrative services were provided by Servicios Industriales Peñoles, S. A. de C.V. ("SIPSA") to the Group under a Transitional Services Agreement entered into on 15 April 2008 for a global fee of US$51.0 million. Of this amount, approximately US$15.0 million related to engineering and construction, technical research and development and central workshop costs, which are considered non-administrative services. The remaining US$36.0 million related to administrative expenses. From 1 November 2009 a new agreement was entered into with SIPSA for the period to 31 October 2012. The annual fee amounts to US$6.1 million and MXP277.5 million. On 21 December 2009, pursuant to an internal corporate restructuring within Peñoles, SIPSA's interest in the new service agreement was transferred to Dolorey, S.A. de C.V., a wholly owned Peñoles subsidiary, which subsequently changed its name to Servicios Administrativos Peñoles, S.A. de C.V.

Administrative expenses in the six months ended 30 June 2010 include costs of US$14.0 million incurred under the new Services Agreement (US$12.0 million for the six months ended 30 June 2009, under the Transitional Services Agreement).

7 Other Income

	Six months ended 30 June 2010	2009
	(in thousands of US dollars)	
Other income:		
Gain on sale of property plant and equipment and other assets [1]	-	352
Royalties	609	275
Rentals	778	1,050
Other	768	828
	2,155	**2,505**

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

8 Finance Income and Finance Costs

	Six months ended 30 June 2010	2009
	(in thousands of US dollars)	
Finance income:		
Interest on short term deposits	784	450
Other	238	423
	1,022	**873**
Finance costs:		
Unwinding of discount on provisions	1,498	787
Other	138	136
	1,636	**923**

9 Income Tax

	Six months ended 30 June 2010	2009
	(in thousands of US dollars)	
Current income tax:		
Current income tax charge	87,496	34,434
Adjustments in respect of current income tax of previous years	(293)	2
	87,203	34,436
Deferred income tax:		
Relating to origination and reversal of temporary differences	8,408	8,404
	8,408	8,404

	Six months ended 30 June 2010	2009
	(in thousands of US dollars)	
Income tax expense reported in the income statement	**95,611**	**42,840**

The effective tax rate for the six months ended 30 June 2010 is 26.97% (six months ended 30 June 2009: 23.8%). The factors that have reduced this rate from the statutory rate of 30% and 28% respectively include the effect of foreign exchange and certain 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 2010 and June 2009, earnings per share have been calculated as follows:

	Six months ended 30 June 2010	*2009*
Earnings:		
Profit from continuing operations attributable to equity holders of the Company (*US$ thousands*)	220,655	121,087
Adjusted profit from continuing operations attributable to equity holders of the Company (*US$ thousands*)	208,580	121,087

Adjusted profit is profit as disclosed in the Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$17.3 million gain (US$12.1 million net of tax) (2009: US$ nil).

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.

Number of shares:

Weighted average number of ordinary shares in issue (ooo)	717,160	717,160

Earnings per share:		
Basic and diluted earnings per ordinary share from continuing operations (US$)	0.308	0.169
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.291	0.169

11 Property, Plant and Equipment

The significant changes in Property, Plant and Equipment during the six months ended 30 June 2010 are additions of US$131.1 million (six months ended 30 June 2009: US$105.5 million) and depreciation of US$48.8 million (six months ended 30 June 2009: US$31.3 million).

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 2010 total proceeds received were US$21.7 million (six months ended 30 June 2009: US$20.6 million).

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

	2010
	(in thousands of US dollars)
Beginning balance	298,659
Cash received	(21,672)
Cash receivable	(3,250)
Remeasurement gains recognised in profit and loss	17,250
Ending balance	**290,987**

13 Trade and Other Receivables

	As of 30 June 2010	*As of 31 December 2009*
	(in thousands of US dollars)	
Trade receivables from related parties (note 18)	115,794	89,391
Value Added Tax receivable	8,056	8,419
Advances to suppliers	11,263	2,671
Other receivables from related parties (note 18)	3,325	434
Other receivables	9,043	7,806
	147,481	108,721
Provision for impairment of "other receivables"	(577)	(479)
	146,904	**108,242**

14 Cash and Cash Equivalents

	As of 30 June 2010	*As of 31 December 2009*
	(in thousands of US dollars)	
Cash at bank and on hand	23,480	1,358
Short-term deposits	366,329	310,834
Cash and cash equivalents	**389,809**	**312,192**

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 2009		
Total dividends paid during the period (1)	7.7	55.9
Six months ended 30 June 2010		
Total dividends paid during the period (2)	16.2	116.2

1. Final dividend for 2008 approved at the Board Meeting on 20 February 2009 and paid on 27 May 2009.
2. Final dividend for 2009 approved at the Annual General Meeting on 28 May 2010 and paid on 2 June 2010.

16 Commitments

Capital expenditure

A summary of capital expenditure commitments is as follows:

	As of 30 June 2010	*As of 31 December 2009*
	(in thousands of US dollars)	
Minera Saucito, S.A. de C.V.	76,228	54,205
Minera Penmont, S. de R.L. de C:V.	71,858	12,102
Minera Mexicana La Ciénega, S.A. de C.V.	16,109	9,461
Minera Fresnillo, S. A. de C.V.	21,668	14,664
Servicios Administrativos Fresnillo, S.A de C.V.	69	-
	185,932	**90,432**

17 Contingencies

The contingencies in the Group's annual consolidated financial statements for the year ended 31 December 2009 as published in the 2009 Annual Report, are still applicable as of 30 June 2010. No new contingencies have arisen during the six month period to 30 June 2010.

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 2010 and 30 June 2009 and balances as at 30 June 2010 and 31 December 2009. 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.

	Accounts Receivable		*Accounts Payable*	
	As of 30 June 2010	*As of 31 December 2009*	*As of 30 June 2010*	*As of 31 December 2009*
	(in thousands of US dollars)			
Trade:				
Met-Mex Peñoles, S.A. de C.V.	115,794	89,391	-	–
Other				
Industrias Peñoles S.A.B. de C.V.	3,250	-	-	-
Administrative services:				
Other	75	434	4,176	375
Total	119,119	89,825	4,176	375

Other balances and operations with related parties:

	As of 30 June 2010	*As of 31 December 2009*
	(in thousands of US dollars)	
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	290,987	298,659

Principal transactions with related parties are as follows:

	Six months ended 30 June 2010	2009
	(in thousands of US dollars)	
***Income*:**		
Sales:		
Met-Mex Peñoles, S.A. de C.V.	600,088	364,173 (1)
Other income	126	343
Total income	**600,214**	**364,516**

(1) Figures do not include hedging losses. Losses relating to derivatives contracted with another related party are presented as an expense.

	Six months ended 30 June 2010	2009
	(in thousands of US dollars)	
***Expenses*:**		
Services Agreement:		
Servicios Administrativos Peñoles, S.A. de C.V.	13,983	17,000 (1)
Realised result on derivatives:		
Industrias Peñoles, S.A.B. de C.V.	-	12,442
Energy:		
Termoelectrica Peñoles, S. de R.L. de C.V.	12,716	8,154
Other expenses:	9,941	7,443
Total expenses	36,640	45,039

(1) Amount incurred under the Transitional Services Agreement.

19 Notes to the Consolidated Cash Flow Statement

	Notes	*Six months ended 30 June*	
		2010	*2009*
		(in thousands of US dollars)	
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the period		258,859	137,107
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation	5	48,806	31,339
Employee profit sharing		22,837	18,007
Income tax expense	9	95,611	42,840
Loss/(gain) on the sale of property, plant and equipment and other assets	7	747	(352)
Other losses/(gains)		3,974	(622)
Net finance cost	8	614	50
Foreign exchange		5,069	(6,917)
Difference between pension contributions paid and amounts recognised in the income statement		615	436
Changes in fair value of Silverstream		(17,250)	-
Non cash movement on derivatives		-	12,442
Working capital adjustments			
Increase in trade and other receivables		(48,244)	(64,279)
(Increase)/ decrease in prepayments and other assets		(1,918)	658
(Increase)/ decrease in inventories		(8,902)	3,943
Increase in trade and other payables		5,756	2,415
Cash generated from operations		**366,574**	**177,067**
Income tax paid		(34,484)	(65,862)
Employee profit sharing paid		(26,493)	(16,964)
Net cash from operating activities		**305,597**	**94,241**

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 and 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 2010:

	As at 30 June 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	(US $ thousands)			
Financial assets:				
Derivate financial instruments:				
Derivative contracts used for hedging	-	991	-	991
Embedded derivates within sales contracts[1]	-	-	4,845	4,845
Silverstream contract	-	-	290,987	290,987
	-	991	295,832	296,823
Financial investments available-for-sale:				
Quoted investments	70,665	-	-	70,665
	70,665	991	295,832	367,488
Financial liabilities:				
Derivate financial instruments:				
Derivative contracts used for hedging	-	(1,922)	-	(1,922)
	-	(1,922)	-	(1,922)

(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.

The financial assets and liabilities measured at fair value are categorised into the following fair value hierarchy as at 31 December 2009:

	As at 31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	(US $ thousands)			
Financial assets:				
Derivate financial instruments:				
Derivative contracts used for hedging	-	1,373	-	1,373
Silverstream contract	-	-	298,659	298,659
	-	1,373	298,659	300,032

Financial investments available-for-sale:				
Quoted investments	68,435	-	-	68,435
	68,435	1,373	298,659	368,467
Financial liabilities:				
Derivate financial instruments:				
Derivative contracts used for hedging	-	(95)	-	(95)
Embedded derivates within sales contracts	-	-	(3,348)	(3,348)
	-	(95)	(3,348)	(3,443)

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

***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 utilizes a number of inputs that are not based on observable market data due to the nature of these inputs and/or the duration of the contract. Inputs that have a significant effect on the recorded fair value are the volume of silver that will be produced and sold from the Sabinas mine over the contract life, the future price of silver, future foreign exchange rates between the Mexican Peso and US Dollar, future inflation and the discount rate used to discount future cash flows.

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

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

Sales of concentrates, precipitates and doré bars are "provisionally priced" and revenue is initially recognized 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 2010 the fair value of embedded derivatives within sales contracts was US$4.8 million (31 December 2009: US$3.3 million). The revaluation effects of embedded derivatives arising from these sales contracts are recorded as an adjustment to revenue.

Hedging activities-cash flow hedges

During the six months ended 30 June 2010 the Group has entered into certain forward exchange contracts designated as hedges of expected future purchases. The forward currency contracts are being used to hedge the foreign currency risks of these purchases. The terms of the forward currency contracts have been negotiated to match the terms of the future purchases and are given below.

These cash flow hedges were assessed to be highly effective and the unrealised gains on these contracts are included in equity as at 30 June 2010. Details of these contracts are given below:

	Term	*Currency*	*Contract value* *(thousands)*	*Contract exchange rate*	*Fair value* *US $ thousands*
Foreign currency contracts					
Mexican Peso denominated forward contracts	2010-2011	US$	14,000	MX$13.27:US$1 to MX$12.77:US$1	228
Mexican Peso denominated forward contracts	2010-2011	US$	43,500	MX$12.54:US$1 to MX$13.05:US$1	(762)
Euro denominated forward contracts	2010	EUR	10,677	US$1.23:EUR$1 to US$1.36: EUR$1	(739)

During the period, the group 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 9 August 2010 to 9 May 2011. The collar instruments hedge costs denominated in Mexican Pesos amounting to US$27 million with a range of floor prices from MX$12.50:US$1 to MX$13:30:US$1 and a range of capped prices from MX$13.50:US$1 to MX$14.30:US$1. The fair value of the Put options at 30 June 2010 was an asset of $0.8 million and the fair value of the Call options at 30 June 2010 was a liability of $0.4 million.

Year ended 31 December 2009

	Term	*Currency*	*Contract value* *(thousands)*	*Contract exchange rate*	*Fair value* *(US $ thousands)*
Foreign currency contracts					
Mexican Peso denominated forward contracts	2010	US$	21,000	MX$13,50:US$1 to MX$14.13:US$1	1,185
Mexican Peso denominated forward contracts	2010	US$	8,000	MX$13,10:US$1 to MX$13.53:US$1	(28)
Mexican Peso denominated option contracts	2010	US$	10,000	MX$11.50:US$1 to MX$12.00:US$1	(67)
Euro denominated forward contracts	2010	EUR	5,508	US$1.40:EUR$1	188

The Group historically entered into derivative contracts with the purpose of managing commodity price risk relating to silver and gold. All such derivative hedging instruments were terminated during the second half of 2007 resulting in a cash payment of US$81.3 million at the date of termination. The cumulative hedging losses relating to the terminated hedging instruments were deferred in equity and reclassified to the income statement when the forecast transaction occurred. In the six months ended 30 June 2009 hedging losses of US$12.4 million (US$8.9 million net of tax) were recycled to the income statement from equity. An additional amount of US$12.6 million was charged to the income statement during the second half of 2009 but as at 1 January 2010 there were no remaining hedging losses related to these terminated derivatives.