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3 August 2021

Fresnillo plc interim results for the six months to 30 June 2021

Octavio Alvídrez, Chief Executive Officer, commented:

Our commitment to our purpose, to contribute to the wellbeing of people through the sustainable mining of silver and gold, drives our decisions as we navigate the on-going impact of the pandemic. The safety of our people, their families and our communities is our priority. We continue to engage extensively with our stakeholders to ensure we are playing our part as a large employer and long-standing community supporter, to contribute to the overall efforts to manage these challenges. Our connection to our local communities has only strengthened in the last 18 months, and the support we have offered including investment in local healthcare, employment and education programmes, has continued to increase.

"I am pleased to report a strong financial result in the first half. The combination of improved production performance and higher precious metals prices has seen a sharp increase in profitability during the period. This in turn, has enabled us to declare a dividend of US$73.0 million to shareholders, while continuing to invest in both our development and exploration projects. The Juanicipio mine remains on track, with commissioning of the processing plant expected by the end of the year, and we are making strong progress with our intensified exploration activities to convert resources into reserves.

"With a proven strategy, high quality assets, talented personnel, a very strong balance sheet and considerable development pipeline, we are well placed to continue generating value for all our stakeholders long into the future."

First half highlights

Financial highlights (1H21/1H20 comparisons)

- Adjusted Revenues[1] of US$1,543.1m, up 37.1%; 75.8% of this due to higher metal prices and 24.2% due to increased volumes.
- Gross profit and EBITDA[2] of US$606.8m and US$747.0m, up 88.9% and 59.0%, respectively.

[1] Adjusted revenues are the revenues shown in the income statement adjusted to add back treatment and refining charges and the effects of metals prices hedging. The Company considers this is a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices.
[2] Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain/(loss), less revaluation effects of the Silverstream contract and other operating income plus other operating expenses and depreciation.

- Operating profit and profit before income tax of US$471.9m and US$445.4m, up 117.6% and 248.3%, respectively.
- Profit for the period of US$308.4m, up 445.8%.
- Basic and diluted EPS from continuing operations of US$41.0 cents per share, up 365.9%.
- Adjusted EPS[3] of US$41.4 cents per share, up 250.8%.
- Cash generated from operations, before changes in working capital, of US$750.4m, up 64.5%.
- Free cash flow[4] of US$305.1m in 1H21 (US$265.7m in 1H20).
- Strong balance sheet with cash and other liquid funds[5] as at 30 June 2021 of US$1,202.9m (31 December 2020: $1,070.4m); net debt/EBITDA of -0.02x[6] (31 December 2020: 0.08x).
- Interim dividend of 9.90 US cents per share, totalling US$73.0m (1H20: 16.9m).

Operational highlights (1H21/1H20 comparisons)
As disclosed in the 2Q21 production report on 28 July 2021:

- First half attributable silver production of 27.5 moz (including Silverstream), up 2.7% vs. 1H20.
- First half attributable gold production of 428.4 koz, up 12.3% vs. 1H20.
- Continued progress was achieved on the construction of the Juanicipio processing plant, with the assembly of flotation cells and filters concluded during the quarter. Commissioning of the plant in 4Q21 remains on track and on budget.
- As previously reported, the connection of the new circuit to the Fresnillo flotation plant was completed in 1Q21, and the programming of the control loop system was concluded in 2Q21.
- Ongoing focus on costs control and productivity.

Covid-19 update

We continue to prioritise the safety and welfare of our people and our local communities. Our teams have adapted very well and we have been able to contain the impact of the virus, though we remain vigilant around the continued evolution of the pandemic and its potential effect on our operations. Our various community health programmes are on-going, as are the safety measures we put in place last year.

Highlights for 1H21

[3] Prior to Silverstream valuation effects.
[4] Free cash flow calculated as net cash flow after the effect of foreign exchange on cash, less dividend payments.
[5] Cash and other liquid funds are disclosed in note 18(d) to the Financial Statements
[6] Net Debt is calculated as debt at 30 June 2020 less Cash and other liquid funds at 30 June 2020 divided by the EBITDA generated in the last 12 months

US$ million unless stated	H1 21	H1 20	% change
Silver production (koz) *	27,530	26,819	2.7
Gold production (oz)	428,356	381,319	12.3
Total revenues	1,466.8	1,054.2	39.1
Adjusted revenues[1]	1,543.1	1,125.1	37.1
Cost of Sales	860.1	733.0	17.3
Exploration expenses	60.9	50.7	20.0
EBITDA[2]	747.0	469.9	59.0
Profit for the period	308.4	56.5	445.8
Cash generated by operations before changes in working capital	750.4	456.2	64.5
Basic and Diluted EPS (US$)[3]	0.410	0.088	365.9
Basic and Diluted EPS, excluding post-tax Silverstream revaluation effects (US$)	0.414	0.118	250.8
Dividend per ordinary share (US$)	0.099	0.023	330.4

* Silver production includes volumes realised under the Silverstream contract

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

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

3 The weighted average number of shares for H1 2021 and H1 2020 was 736.9m. See Note 8 in the Interim Consolidated Financial Statements.

Commentary on the Group's results

Operating results

First half attributable silver production of 27.5 moz (including Silverstream), up 2.7% vs. 1H20 mainly due to a higher ore grade at San Julián Disseminated Ore Body (DOB) and, to a lesser extent, the contribution of development ore from Juanicipio, partially offset by a lower ore grade and volume of ore processed at Saucito.

First half attributable gold production of 428.4 koz, up 12.3% vs. 1H20 primarily due to the higher volume of ore processed at Herradura and, to a lesser extent, a higher ore grade at Saucito. This was partially offset by a lower speed of recovery at Herradura and Noche Buena.

First half attributable by-product lead and zinc production increased 5.5% and 8.5% vs. 1H20 respectively primarily due to higher ore grades at both Saucito and San Julián DOB, partially offset by lower ore grades at both Fresnillo and Ciénega.

We are completing the roll-out of the 'I Care, We Care' programme across all our operations, which has provided an excellent focus for us all in the Group to ensure safety remains our key focus.

Financial results

Total revenues increased 39.1% to US$1,466.8 million in 1H21, due mainly to the increase in metal prices and, to a lesser extent, higher volumes of all metals sold.

The average realised silver price increased 57.3% from US$16.8 per ounce in 1H20 to US$26.4 per ounce in 1H21, while the average realised gold price rose 6.7%, from US$1,676.8 per ounce in 1H20 to US$1,789.2 per ounce in 1H21. Further, the average realised lead and zinc by-product prices increased 22.9% and 43.8% against their corresponding periods, to US$0.96 and US$1.31 per pound, respectively.

Adjusted production costs[7] increased by 20.6% to US$611.1 million in 1H21. The US$104.5 million increase resulted mainly from: i) a higher volume of ore processed at Herradura following Covid-19 operational restrictions in 1H20 (US$52.8 million); ii) increased development and infrastructure works at our underground mines (US$24.9 million); iii) cost inflation, excluding the Mexican peso vs. US dollar revaluation effect (US$21.3 million); iv) the adverse effect of the revaluation of the Mexican peso vs. US dollar (US$19.5 million)[8] and; v) costs from the start-up of operations at Juanicipio (US$4.3 million). These adverse impacts were mitigated by a decreased volume of ore processed at Saucito, San Julián (Veins and DOB) and Fresnillo (-US$14.3 million) and others (-US$3.9 million).

Additionally, the variation in the change in work in progress had a negative effect of US$12.5 million versus 1H20. This resulted mainly from recognising a smaller favourable effect from the reassessment of recoverable gold inventories at the leaching pads in 1H21 compared to the one recorded in 1H20.

Depreciation rose 5.4% compared with 1H20, mainly due to increased amortisation of capitalised mining works and increased depletion factors at Fresnillo and San Julián, in

[7] Adjusted production cost is calculated as total production costs less depreciation, profit sharing and the effects of exchange rate hedging.
[8] Cost inflation of 8.6% (including the effect of the Mexican peso revaluation) had an adverse effect of US$40.8 million (the sum of iii and iv).

addition to the higher depreciation at Herradura and Noche Buena as some equipment was not in use during the period when preventive measures related to Covid-19 were in place in 1H20.

The higher adjusted production costs, adverse effect of the variation in change in work in progress at Herradura and the increase in depreciation resulted in a 17.3% increase in cost of sales compared with 1H20.

The increase in total revenues more than offset the increase in cost of sales, resulting in an 82.1% increase in gross profit to US$584.9 million in 1H21.

Administrative and corporate expenses increased 22.5% from US$41.8 million in 1H20 to US$51.2 million in 1H21, mainly due to an increase in fees paid to advisors, the increase in non-recurring corporate services provided by Servicios Industriales Peñoles S.A.B. de C.V. and the adverse effect of the revaluation of the Mexican peso vs. the US dollar.

Exploration expenses increased 20.0% over 1H20 due to the higher budget allocated and our intensified exploration activities aimed at converting resources into reserves and direct mine development at our operations.

Driven by an increase in gross profit, EBITDA increased by 59.0%, with EBITDA margin increasing from 44.6% in 1H20 to 50.9% in 1H21. Similarly, profit from continuing operations increased from US$216.9 million in 1H20 to US$471.9 million in 1H21, an increase of 117.6%.

During the period, there was a net negative Silverstream effect of US$4.0 million (US$21.1 million amortisation profit and US$25.1 million revaluation loss), primarily due to the increase in the LIBOR reference rate; and a decrease in the production plan due to a silver resources update; partly compensated by inflation and exchange rate forecasts and a slight increase in the forward silver price curve.

Net finance costs of US$25.4 million compared unfavourably to the US$16.2 million recorded in 1H20. Financial expenses in 1H21 included: i) interest paid on the outstanding US$317.9 million from the US$800 million Senior Notes due 2023, and ii) interest paid on the 4.250% Senior Notes due 2050. In 1H20, financial expenses mainly reflected the interest paid on the US$800 million Senior Notes due 2023.

We recorded a foreign exchange gain of US$2.9 million in the income statement. This was as a result of the 0.73% revaluation of the Mexican peso against the US dollar over the period. This compared favourably to the US$41.0 million loss in 1H20.

As a result of the increase in profit from continuing operations, partly offset by the adverse effects mentioned above, profit from continuing operations before income tax increased 248.3% from US$127.9 million in 1H20 to US$445.4 million in 1H21.

Income tax for the period was US$111.1 million (US$62.0 million in 1H20). The effective tax rate, excluding the special mining rights, was 24.9%, which was below the 30% statutory tax rate. The reason for the lower effective tax rate was the significant permanent differences between the tax and the accounting treatment related mainly to: i) the revaluation of the Mexican peso, which had a significant impact on the tax value of assets and liabilities that are denominated in Mexican pesos; ii) the inflation rate (Mexican Consumer Price Index), which impacted the inflationary uplift of the tax base for assets and liabilities; and iii) the benefit from the lower border zone tax which applied to Herradura and Noche Buena operations.

Net profit for the period increased 445.8% from US$56.5 million to US$308.4 million in 1H21.

Cash flow generated by operations, before changes in working capital, increased by 64.5% to US$750.4 million.

Capital expenditure totalled US$256.8 million, an increase of 41.1% compared to 1H20, reflecting a faster rate of deploying capital following the disruption caused by Covid-19. Investments during the period included construction of Juanicipio, mine development, purchase of in-mine equipment, construction of a leaching pad at Herradura and the deepening of the San Carlos and Jarillas shafts.

Other uses of funds during the period were income tax, special mining rights and profit sharing paid of US$253.5 million (US$71.0 million in 1H20) and dividends paid of US$172.6 million (US$87.7 million in 1H20).

Cash and other liquid funds as at 30 June 2021 totalled US$1,202.9 million, a 133.7% increase compared to the US$514.7 million in cash and other liquid assets at the end of June 2020 and a 12.4% increase over the year-end total of US$1,070.4 million. Taking into account the cash and other liquid funds of US$1,202.9 million and the US$1,167.8 million outstanding Senior Notes, Fresnillo plc's net debt was -US$35.1 million as at 30 June 2021, compared with a net debt position of US$97.4 million for the corresponding period in the previous year. Considering these variations, the balance sheet at 30 June 2021 remains strong, with a net debt / EBITDA ratio of -0.02x[9].

Interim Dividend

The Board of Directors has declared an interim dividend of 9.90 US cents per share totalling US$73.0 million to be paid on 15 September 2021 to shareholders on the register on 13 August 2021. This decision was made after a comprehensive review of the Company's and Group's financial situation, as well as the Company's distributable earnings, ensuring that the Group is well placed to meet its current and future financial requirements, including its development and exploration projects.

As previously disclosed, the corporate income tax reform introduced in Mexico in 2014 created a withholding tax obligation of 10% relating to the payment of dividends, including to foreign nationals.

Historically the Company has been making dividend payments out of retained earnings generated before the tax reform came into force and no withholding tax has therefore been applied. Dividend payments relating to 2021 and future years will attract the withholding obligation. However, foreign shareholders may be able to recover such tax depending on their tax residence and the existence of double taxation agreements.

Growth

We made good progress on our development projects in 1H21. Despite the adversity caused by the pandemic, we continue to advance our key project, Juanicipio. Progress was achieved on the construction of the beneficiation plant with commissioning expected in 4Q21.

Mine development fell behind over the last three months but, with a new contractor in place, is now advancing as planned. We continue to process development ore through the

[9] Net debt is calculated as debt at 30 June 2020 less Cash and other liquid funds at 30 June 2020 divided by the EBITDA generated in the last 12 months

Fresnillo beneficiation plant. Juanicipio will be a major factor in the Group's future silver production.

The new Pyrites Plant at the Fresnillo mine was completed on schedule early in 4Q20 – the start of operations was deferred mainly due to a delay in final inspections by the authorities at the Mexican state-owned electricity utility Comisión Federal de Electricidad (CFE) as a result of Covid-19 restrictions on travel and other regulatory delays. We continue to anticipate that this inspection will take place in the third quarter of 2021. However, the timing of both, this and the future inspection required to connect the Juanicipio plant, is out of our control.

The connection of the new flotation circuit to the Fresnillo flotation plant, which required a few days' stoppage of the existing beneficiation plant, was completed in 1Q21, and the programming of the control loop system was concluded in 2Q21.

Outlook

We remain on track to meet our 2021 full year guidance of 53.5 to 59.5 moz of silver (including Silverstream) and 675 to 725 koz of gold. We are assessing any potential impact that might result from the implementation of the new law restricting the ability to subcontract labour in Mexico. However, these new measures are not expected to materially impact second half production.

Exploration expenses are expected to remain within the range of US$175-US$180 million, of which approximately US$15 million is anticipated to be capitalised.

The Group has reduced its estimated capex from US$680 million to approximately US$580 million to reflect the lower rate of capital deployment at our different mines and projects.

Analyst Presentation

Management will host a webcast for analysts and investors today at 3pm UK / 9am Mexico. Registration and access will be provided on the homepage of Fresnillo's website and directly via this link:
https://kvgo.com/IJLO/Fresnillo_HY_2021_Interim_Results

For those unable to access the webcast, a conference line will also be provided:

UK: +44 (0) 33 0551 0200
US: +1 212 999 6659
MX: 00 1 866 966 8830
Password: Quote Fresnillo when prompted by the operator

Questions may be submitted via the conference dial-in.

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

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ABOUT FRESNILLO PLC

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

Fresnillo plc has seven operating mines, all of them in Mexico - Fresnillo, Saucito, Ciénega (including the San Ramón satellite mine, Las Casas Rosario & Cluster Cebollitas), Herradura, Soledad-Dipolos[1], Noche Buena and San Julián (Veins and Disseminated Ore Body), three development projects - the Pyrites Plant at Fresnillo, the optimisation of the beneficiation plant also at Fresnillo and Juanicipio, and three advanced exploration projects – Rodeo, Orisyvo and Guanajuato, as well as a number of other long term exploration prospects.

Fresnillo plc has mining concessions and exploration projects in Mexico, Peru and Chile.

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

Fresnillo plc's goal is to maintain the Group's position as the world's largest primary silver company and Mexico's largest gold producer.

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

FORWARD LOOKING STATEMENTS

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

1H21 Operational Review

Production

Production	H1 2021	H1 2020	% change
Silver (koz)	25,931	25,491	1.7
Silverstream prod'n (koz)	1,599	1,328	20.4
Total Silver prod'n (koz)	27,530	26,819	2.7
Gold (oz)	428,356	381,319	12.3
Lead (t)	31,726	30,085	5.5
Zinc (t)	53,568	49,381	8.5

First half attributable silver production of 27.5 moz (including Silverstream), up 2.7% vs. 1H20 due to a higher ore grade at San Julián DOB and, to a lesser extent, the contribution of development ore from Juanicipio, partially offset by a lower ore grade and volume of ore processed at Saucito.

First half attributable gold production of 428.4 koz, up 12.3% vs. 1H20 primarily due to the higher volume of ore processed at Herradura and, to a lesser extent, a higher ore grade at Saucito. This was partially offset by a lower ore grade at Ciénega and a lower ore grade and recovery rate at Noche Buena.

First half attributable by-product lead and zinc production increased 5.5% and 8.5% vs. 1H20 respectively primarily due to higher ore grades at both Saucito and San Julián DOB, partially offset by lower ore grades at both Fresnillo and Ciénega.

Fresnillo mine production

	H1 2021	H1 2020	% change
Ore Processed (t)	1,141,223	1,194,905	(4.5)
Production			
Silver (koz)	6,608	6,756	(2.2)
Gold (oz)	17,112	19,609	(12.7)
Lead (t)	9,367	11,477	(18.4)
Zinc (t)	15,546	17,737	(12.3)
Ore Grades			
Silver (g/t)	202	196	2.7
Gold (g/t)	0.69	0.72	(4.2)
Lead (%)	0.97	1.14	(14.7)
Zinc (%)	1.95	2.12	(7.9)

First half silver production decreased 2.2% vs. 1H20 due to a lower volume of ore processed resulting from a temporary ventilation system failure and an increased presence of water at the San Alberto area in June together with the additional rehabilitation and maintenance of certain ramps as reported in 1Q21. This was mitigated by a higher ore grade partly as a result of the enhanced dilution control during the year.

Mine development rates increased slightly half on half to an average of 3,285m per month in 1H21 vs. 3,190m per month in 1H20. The target remains to develop on average between 3,300 – 3,500m per month in 2021.

First half by-product gold production decreased 12.7% vs. 1H20 due to a lower ore grade and a decrease in the volume of ore processed.

The silver ore grade in 2021 is expected to remain in the range of 190-210 g/t, while the gold ore grade is expected to remain in the range of 0.55-0.70 g/t.

Saucito mine production

	H1 2021	**H1 2020**	**% change**
Ore Processed (t)	1,310,923	1,385,385	(5.4)
Production			
Silver (koz)	6,602	8,141	(18.9)
Gold (oz)	51,578	41,574	24.1
Lead (t)	15,490	11,972	29.4
Zinc (t)	23,570	17,744	32.8
Ore Grades			
Silver (g/t)	184	210	(12.8)
Gold (g/t)	1.58	1.21	31.0
Lead (%)	1.38	1.02	35.4
Zinc (%)	2.45	1.84	33.3

First half silver production decreased 18.9% vs. 1H20 as a result of the gradual depletion of higher ore grade areas at the Jarillas vein. The lower volume of ore processed was primarily driven by the presence of high temperature water in an underground production area, which temporarily limited access to that zone and a section of the ramps, also resulting in the need for additional ventilation.

First half by-product gold production increased 24.1% vs. 1H20 driven by a higher ore grade, partially offset by a lower volume of ore processed.

Given the lower silver grade in 1H21, the full year 2021 silver ore grade is expected to be at the lower end of the original estimate of 200-220g/t, while the gold ore grade is estimated to be around 1.3-1.5 g/t.

PYRITES PLANT (PHASE I)

	H1 2021	H1 2020	% change
Pyrite Concentrates Processed (t)	90,283	80,502	12.2
Production			
Silver (koz)	304	505	(39.8)
Gold (oz)	1,399	1,795	(22.1)
Ore Grades			
Silver (g/t)	145	252	(42.5)
Gold (g/t)	1.60	2.11	(24.2)

First half silver and gold production decreased vs. 1H20 due to lower ore grades from Saucito's flotation plant and lower recovery rates, mitigated by a higher volume of pyrite concentrates processed.

In 2021, we continue to expect production from this plant at Saucito to remain unchanged year-on-year.

Ciénega mine production

	H1 2021	H1 2020	% change
Ore Processed (t)	660,123	657,893	0.3
Production			
Gold (oz)	26,696	32,374	(17.5)
Silver (koz)	2,723	2,969	(8.3)
Lead (t)	2,191	3,237	(32.3)
Zinc (t)	3,642	4,909	(25.8)
Ore Grades			
Gold (g/t)	1.34	1.65	(18.4)
Silver (g/t)	150	163	(8.2)
Lead (%)	0.54	0.75	(27.7)
Zinc (%)	0.99	1.24	(20.1)

In line with the planned mine sequence, first half gold and silver production decreased vs. 1H20, due to the lower ore grades.

The gold and silver ore grades for 2021 are expected to remain in the range of 1.30-1.40 g/t and 150-160 g/t respectively.

San Julián mine production

	H1 2021	H1 2020	% change
Ore Processed Veins (t)	591,148	621,973	(5.0)
Ore Processed DOB(t)	1,003,728	1,101,489	(8.9)

Total production at San Julián			
Gold (oz)	29,346	31,535	(6.9)
Silver (koz)	8,649	6,277	37.8
Production Veins			
Gold (oz)	27,147	30,242	(10.2)
Silver (koz)	1,992	2,121	(6.1)
Production DOB			
Gold (oz)	2,199	1,293	70.1
Silver (koz)	6,657	4,156	60.2
Lead (t)	4,507	3,400	32.6
Zinc (t)	10,533	8,991	17.1
Ore Grades Veins			
Gold (g/t)	1.52	1.58	(4.1)
Silver (g/t)	115	115.37	(0.3)
Ore Grades DOB			
Gold (g/t)	0.12	0.08	45.0
Silver (g/t)	240	136.93	75.5
Lead (%)	0.55	0.39	38.4
Zinc (%)	1.38	1.10	24.9

San Julián Veins

First half gold production decreased 10.2% vs. 1H20 due to a lower volume of ore processed and lower ore grade due to the depletion of higher ore grade areas.

First half silver production decreased 6.1% vs. 1H20 due to a lower volume of ore processed resulting from the adverse impact of the reported electricity outage by the Mexican state-owned electricity utility Comisión Federal de Electricidad (CFE) in February.

We continue to expect the 2021 silver and gold ore grades to average 110-120 g/t and 1.30-1.50 g/t, respectively.

San Julián Disseminated Ore Body

First half silver production increased 60.2% vs. 1H20 due to a higher than expected ore grade as a result of: i) the positive variation with the geological model in the Central area of the ore body; and ii) access to higher ore grade areas following the mine resequencing in 2019, as mentioned in previous quarters. This was partially offset by a lower volume of ore processed, primarily in 1Q21, as a result of the damage to the lead circuit housing at the end of 2020 and the electricity outage by the CFE in February.

We are in the process of reviewing the positive reconciliation of the silver ore grade in production with the geological model, in particular in high grade areas. However, if this trend continues, silver ore grade for 2021 is expected to be between 200-230 g/t.

Herradura mine production

	H1 2021	H1 2020	% change
Ore Processed (t)	11,494,407	8,130,282	41.4
Total Volume Hauled (t)	66,655,154	52,783,600	26.3
Production			
Gold (oz)	258,165	205,746	25.5
Silver (koz)	530	824	(35.7)
Ore Grades			
Gold (g/t)	0.81	0.82	(1.3)
Silver (g/t)	2.03	3.82	(46.8)

First half gold production increased 25.5% vs. 1H20 due to a higher volume of ore processed, partially offset by the lower recovery rate resulting from a slower speed of recovery on the leaching pads.

The gold ore grade in 2021 is expected to remain in the range of 0.70-0.75 g/t, despite 1H21 ore grade being above this guidance.

Following the re-assessment of the remaining recoverable gold content on the old leaching pads conducted last year, an increase of 119.3 thousand ounces of gold had been recorded as at 1st January 2020. There was no further update to the estimate in the current period.

Noche Buena mine production

	H1 2021	H1 2020	% change
Ore Processed (t)	3,703,923	3,330,054	11.2
Total Volume Hauled (t)	13,248,211	15,717,399	(15.7)
Production			
Gold (oz)	43,228	48,686	(11.2)
Silver (koz)	12	19	(34.6)
Ore Grades			
Gold (g/t)	0.52	0.54	(3.9)
Silver (g/t)	0.19	0.38	(51.3)

First half gold production decreased 11.2% vs. 1H20 due to a lower recovery rate and to a lesser extent, lower ore grade as a result of the expected depletion of the mine as it approaches closure. This was mitigated by a higher volume of ore processed following the Covid-19 related operational restrictions last year which resulted in lower volumes of ore deposited during 2Q20.

The expected gold ore grade in 2021 is predicted to remain in the range of 0.40-0.50 g/t.

Growth Projects

Capital expenditure guidance for the full year 2021 has been reduced from US$680 million to approximately US$580 million to reflect the lower rate of capital deployment at our different mines and projects.

Pyrites Plant at Fresnillo

The Pyrites Plant (phase II) was completed on time in 4Q20 but the inspection that is required to be carried out by the authorities in order to grant the energy permit has been delayed due to Covid-19 restrictions on travel and other regulatory delays. We continue to anticipate that the inspection will take place in 3Q21.

Optimisation of the beneficiation plant at the Fresnillo mine

The connection of the new circuit to the Fresnillo flotation plant was completed in 1Q21, and the programming of the control loop system was concluded in 2Q21.

Juanicipio

Development ore from Juanicipio continued to be processed through the Fresnillo mine beneficiation plant during the quarter. On an attributable basis, 502.5 koz of silver and 831.4 oz of gold were produced in 1H21.

Continued progress was achieved on the construction of the Juanicipio processing plant with the assembly of flotation cells and filters being completed during the quarter. Commissioning of the plant in 4Q21 remains on track.

Mine development fell behind over the last three months but, with a new contractor in place, is now advancing as planned.

We expect to process an average of 16,000 tonnes per month through to 4Q21 on a consolidated basis, at which time we expect to start commissioning the Juanicipio beneficiation plant.

Juanicipio is expected to contribute a total average annual production of 11.7 moz silver and 43.5 koz gold, with an initial life of mine of 12 years.

Below we provide an update on other projects which are expected to contribute to our medium and long term growth. These projects have not yet been approved by the Board and are subject to ongoing internal review. However, certain minor works and exploration activities might be in progress in preparation for Board approval and as such, are included within the 2021 approved capex and exploration budget.

Advanced exploration projects

Rodeo

This gold-silver project is located in Durango. Negotiations to acquire the right to access the land and engage with the surrounding communities continued. Indicated and inferred resources amounted to 1.3 million ounces of gold and 13 million ounces of silver as of 31st of May 2020[4].

Orisyvo

Detailed metallurgy testing continued during the period, with samples obtained from the drilling programme completed in 2020. The selected ore processing methodology and associated gold recoveries will be used to update the pre-feasibility study. In addition, we are preparing a 6,000 drilling programme for geotechnical purposes. The Orisyvo project is expected to commence production in 2H25, following an estimated investment in the range of US$430-US$500 million.

Guanajuato

Guanajuato is a large historic silver-gold mining district. The Fresnillo holdings are comprised of three areas of interest: the Gigante-Opulencia systems in the north, the Las Torres-San Gregorio targets in the centre of the district and La Joya-Cerro Blanco in the south. In 1H21, exploration continued with 13,887 metres drilled.

At the end of May 2020, indicated and inferred resources at this project totalled 1.5 million ounces of gold and circa 96 million ounces of silver.

Centauro pit expansion and Centauro underground

During the first half of the year, drilling activities continued focusing in near-pit high-grade veins. Additional exploration will be conducted prior to reevaluating this project again in the future.

Exploration

In the first half of 2021, drilling campaigns were intensified by both the mines and the Exploration division teams, reaching a combined amount of 383,221 metres.

An intensive programme is being carried out across all of our operations, aiming at increasing the resource base, converting inferred resources into indicated, and improving the confidence of the grade distribution in reserves.

By the end of the period, 3D geological models that will be used for the resources and reserves estimation were completed; and so was the update of the majority of the costs, geohydrology, ventilation, and geotechnical elements that have been refined over the last year. The latter data will be incorporated in the improved reserve estimation process to begin in 3Q21.

The Exploration division drilled a total of 99,973 meters, 75% of which were dedicated to brownfield exploration, mainly at the Fresnillo and San Julián districts, obtaining good results that are expected to increase inferred and indicated resources at these sites. The remaining 25% was spent on greenfield projects in Guanajuato, Mexico, and in the Capricornio and Condoriaco projects in Chile, where interesting results have also been obtained and are being followed up with additional drilling.

Geological mapping and geochemical sampling were intensified in the Fresnillo, Herradura and San Julián districts, as well as in Guanajuato and other projects in Peru and Chile, where new drill targets are being developed. All of our exploration efforts are being implemented under strict sanitary protocols with respect to the Covid-19 pandemic.

In the first six months, US$60.9 million of exploration expenses were recorded in the income statement, an increase of 20.0% over 1H20.

Total risk capital expected to be invested in exploration for the full year 2021 remains at approximately US$160 million.

Related party transactions

Details of related party transactions that have taken place in the first six months of the current financial year are detailed in note 16 of the interim consolidated financial statements.

Health and safety, environment and community relations

Covid-19 remains a threat to lives and a challenge to the livelihoods of everyone. Throughout the Covid-19 outbreak we have kept the health of our people our number one priority, implementing measures to protect our people and collaborate with our communities.

Health & Covid-19

We strive to keep our people healthy and to prevent occupational diseases. We maintain a comprehensive strategy to protect employees and contractors in our mining operations from Covid-19. Some of the key measures we have implemented include; 1) education and awareness; 2) social distancing in the workplace; 3) hygiene and sanitation of our facilities; 4) access control and; 5) testing, monitoring and contagion traceability. We have engaged our workforce on the benefits of vaccinations and have collaborated with Mexican authorities, including the hosting of vaccination centres at some of our mines so as to serve our communities and our people.

Our workforce

Our workforce is a key stakeholder. The case for board-level engagement is not only based on fairness but on the strategic opportunity to give voices to the people that have first-hand knowledge of the Company and the environment in which the Company operates. Bringing worker's voices to the Boardroom is essential in order to incorporate their perspective into the strategic discussions and decision making. In June and July this year, our Designated Non-Executive Director (NED) for workforce engagement held two online town hall meetings with unionised and non-unionised employees. During these sessions, our NED raised some strategic issues for discussion, while also encouraging participants to freely discuss other relevant topics, with the intention of gaining further insights and ultimately providing feedback to the board. Strategic topics discussed included: Health, Safety, Covid-19, Ethical Culture, Inclusion, and Gender Equality. We have conducted a comprehensive organisational cultural assessment to identify gaps and opportunities to align our culture and strategy.

In the first half of 2021, our workforce totalled 19,333 (18,475 in the first half of 2020), of which 4,327 were unionised employees, 1,431 were non-unionised employees and the remainder were contractors. We continue to make progress in developing an inclusive culture and increasing the participation of women in our workforce. The total percentage of women increased to 10.6% (9.7% in 2020) while our percentage of non-unionised and unionised women increased to 12.4% from 11.3% in 2020. Voluntary labour turnover increased in 1H21 to 5.0% (4.0% in 2020), however total turnover decreased to 8.3% from

9.6% in 2020. We are conducting a diversity survey while holding focus groups to help better identify gaps and opportunities within the Group to foster the inclusion of women in mining.

On 23 April 2021, the Mexican Government published new regulations (the "New Regulations") prohibiting the sub-contracting of services (also known as "outsourcing"), except for qualified specialised services or works that are not encompassed within the main business purpose of the contracting entity. Initially, a three-month transition period expiring on 1 August 2021 was granted to allow employers to implement necessary arrangements in order to comply with the tax, labour and social security provisions. On 30 July 2021, Mexico's two houses of Congress granted an extension to the transition period until 1 September 2021. Based on the Group's analysis of possible arrangements, the New Regulations are not expected to materially impact production or costs in the second half of 2021.

Safety

Our goal is to instil a safety culture based on caring for our people. We continue to make progress with the implementation of the "I Care, We Care" programme that enables the organisation to embrace ongoing innovation and continuous improvement regarding safety practices, risk assessments and controls, and emergency preparedness.

The programme is based on four key components; 1) Leadership; 2) Accountability; 3) Risk Proficiency: behaviours and systems and; 4) Learning environment and now complemented with management of high potential accidents and near misses as well as critical controls. The Group's leadership team attended a workshop to enhance their understanding of the programme and strengthen its implementation.

Although our Total Recordable and Lost Time Injury Frequency Rates improved compared to 2020 from 13.893 injuries for every 1,000,000 hours worked (mhw) (2020) to 9.328 mhw (1H21) and 6.188 mhw (2020) to 4.687 mhw (1H21) respectively, we recognise the long road ahead to mature our safety culture.

Environment

Our Independent Tailings Review Panel (ITRP) has been successfully operating online, providing guidance and recommendations for the safe design, construction and operation of our Tailings Storage Facilities (TSF). We have Master Services Agreements with several recognised consultancies and, through them, named Engineers of Record (EoRs) for our TSF.

Community Relations

The communities where we operate are strategic stakeholders. We work with our communities to develop a purposeful social investment portfolio aligned with the relevant United Nations Sustainable Development Goals (UN SDGs). Over the years, we have increased our partnerships with civil society organisations in order to build capacity in the communities where we operate.

Sustainable Development Goal 3 "Good Health and Wellbeing"

We collaborated with the Ministry of Public Welfare (Secretaría del Bienestar) to help roll out Mexico's vaccination programme within the Caborca Region (Penmont Mining

District). A regional vaccination centre was set up at the community of "La Y Griega" where 5,360 vaccine doses were administered, benefiting 30 communities. In addition, vaccinations were administered at our Herradura mine, where 2,500 vaccine doses were administered benefiting our workforce and nearby communities. We have also worked alongside authorities to set up a vaccination centre at our San Julián Mine for the benefit of our workforce, local communities and the indigenous people.

Sustainable Development Goal 4 "Quality Education"

Covid-19 has had a considerable impact on education due to the closure of schools. Communities with little or no access to the internet have been disproportionally affected. To bridge the gap, we launched a pilot project of educational Internet (WIFI with educational content) in some remote communities of the San Julián and Penmont mines. We expect that this technology will be particularly useful for teachers and parents in the forthcoming school reopening. In the Fresnillo District, we pursued efforts in the support of STEM education with a virtual tour to the Peñoles metal museum benefiting 13 schools. In addition, we ran the UNESCO pilot project "I explore my world and take care of my body" with the support of INNOVEC in the community of Desemboque (Caborca Region). This is an educational module developed by UNESCO Mexico in conjunction with the Siemens Stiftung Foundation. The programme is a journey into the understanding of the human body and the five senses that enhance well-being of children between ages 3 to 8, raising awareness of emotions and promoting a gender perspective of equity and inclusion.

Sustainable Development Goal 8 "Decent Work and Economic Growth"

We continued with our entrepreneurial programme with training for women of the communities of La Ciénega. At Juanicipio, together with our communities, we developed the "Nopal Forrajero" (Nopal fodder for livestock), vegetable gardens and backyard poultry programmes, benefiting a total of 57 families.

Our Environment, Social and Governance (ESG) performance was once again recognised by the inclusion of Fresnillo plc in the FTSE4Good Index and Ethisphere's world most ethical companies.

FINANCIAL REVIEW

The interim consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the IASB and as adopted by UK. All comparisons refer to the first halves of 2021 and 2020, unless otherwise noted. The financial information and half year on half year variations are presented in US dollars, except where indicated. Management recommends reading this section in conjunction with the Interim Financial Statements and their accompanying Notes.

INCOME STATEMENT

	1H 2021 US$ million	1H 2020 US$ million	Amount Change US$ million	Change %
Adjusted revenue [10]	1,543.1	1,125.1	418.0	37.1
Total revenue	1,466.8	1,054.2	412.7	39.1
Cost of sales	(860.1)	(733.0)	(127.1)	17.3
Gross profit	606.8	321.2	285.6	88.9
Exploration expenses	60.9	50.7	(10.2)	(20.0)
Operating profit	471.9	216.9	255.0	117.6
EBITDA [11]	747.0	469.9	277.1	59.0
Income tax expense including special mining rights	136.9	71.4	65.5	91.7
Profit for the period	308.4	56.5	251.9	445.8
Profit for the period, excluding post-tax Silverstream effects	311.2	78.8	232.4	294.9
Basic and diluted earnings per share (US$/share) [5]	0.410	0.088	0.322	365.9
Basic and diluted earnings per share, excluding post-tax Silverstream effects (US$/share)	0.414	0.118	0.296	250.8

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

METALS PRICES

The average realised silver price increased 57.3% from US$16.8 per ounce in 1H20 to US$26.4 per ounce in 1H21, while the average realised gold price rose 6.7%, from US$1,676.8 per ounce in 1H20 to US$1,789.2 per ounce in 1H21. Further, the average realised lead and zinc by-product prices increased 22.9% and 43.8% against their corresponding periods, to US$0.96 and US$1.31 per pound, respectively.

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

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

MX$/US$ EXCHANGE RATE

The Mexican peso/US dollar spot exchange rate at 30 June 2021 was $19.80 per US dollar, compared to the exchange rate at 31 December 2020 of $19.95 per US dollar. The 0.73% spot revaluation had a limited positive effect on the net monetary peso asset position, which contributed to the US$2.9 million foreign exchange gain recognised in the income statement.

The average spot Mexican peso/US dollar exchange rate appreciated by 6.6% from $21.61 per US dollar in 1H20 to $20.18 per US dollar in 1H21. As a result, there was an adverse effect of US$19.5 million on the Group's costs denominated in Mexican pesos (approximately 45% of total costs) when converted to US dollars.

COST INFLATION

In 1H21, cost inflation was 8.56%. The main components of our cost inflation basket are listed below:

Labour

Unionised employees received on average a 6.5% increase in wages in Mexican pesos, while non-unionised employees received on average a 4.0% increase in wages in Mexican pesos; when converted to US dollars, this resulted in a weighted average labour inflation of 13.1%.

Energy

Electricity

The weighted average cost of electricity in US dollars increased 18.3% from US$7.45 cents per kw in 1H20 to US$8.82 cents per kw in the same period of 2021, reflecting an increase due to the higher average generating cost of the Comisión Federal de Electricidad (CFE), the national utility.

Diesel

The weighted average cost of diesel in US dollars increased 25.3% to 89.6 US cents per litre in 1H21, compared to 71.5 US cents per litre in 1H20. This resulted mainly from the global economic recovery following the sharp slowdown in trade in 1H20 due to the Covid-19 pandemic.

Operating materials

	Half on half change in unit price %
Other reagents	4.5
Steel balls for milling	3.3
Steel for drilling	2.8
Sodium cyanide	1.7
Lubricants	0.8
Tyres	0.8
Explosives	(1.2)
Weighted average of all operating materials	1.1

Unit prices of the majority key operating materials increased in US dollar terms primarily driven by the higher demand for some of these products as global mining activity recovered following the adverse impact by Covid-19 as several mines and projects worldwide continued to ramp up production. This was partly mitigated by a decrease in the unit price of explosives. As a result, the weighted average unit prices of all operating materials over the half increased by 1.1%.

Contractors
Agreements are signed individually with each contractor company and include specific terms and conditions that cover not only labour, but also operating materials, equipment and maintenance, amongst others. Contractor costs are mainly denominated in Mexican pesos and are an important component of our total production costs. In 1H21, increases per unit (i.e. per metre developed/ per tonne hauled) granted to contractors, whose agreements were due for review during the period, resulted in a weighted average increase of 6.1% in US dollars, after considering the revaluation of the Mexican peso vs. US dollar.

Maintenance
Unit prices of spare parts for maintenance increased by 4.2% on average in US dollar terms.

Other costs
Other cost components include freight which increased by an estimated 7.4% in US dollars, while insurance costs increased by 27.9% in US dollars mainly due to higher market premiums as a result of Covid-19 claims. The remaining cost inflation components experienced average deflation of 4.8% in US dollars over 1H20.

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

REVENUE

CONSOLIDATED REVENUE [1]

	1H 2021 US$ million	1H 2020 US$ million	Amount US$ million	Change %
Adjusted revenue [12]	1,543.1	1,125.1	418.0	37.2
Metals prices hedging	0.0	1.5	(1.5)	N/A
Treatment and refining charges	(76.2)	(72.4)	(3.8)	(5.3)
Total revenue	**1,466.8**	1,054.2	**412.7**	**39.1**

Adjusted revenue increased by US$418.0 million mainly as a result of the higher metal prices and increased volumes of all metals sold. As a result, total revenue rose to US$1,466.8 million, a 39.1% increase against 1H20.

ADJUSTED REVENUE [13] BY METAL

	1H 2021		1H 2020					
	US$ million	**%**	US$ million	%	Volume Variance US$ million	Price Variance US$ million	Total net change US$ million	%
Gold	720.0	46.7	611.9	54.4	65.0	43.1	108.1	17.7
Silver	629.1	40.8	383.0	34.0	21.8	224.4	246.1	64.3
Lead	62.1	4.0	47.4	4.2	3.6	11.2	14.8	31.0

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

Zinc	131.8	8.5	82.9	7.4	10.7	38.2	48.9	59.0
Total adjusted revenue	**1,543.1**	100.0	1,125.1	100.0	101.1	316.9	418.0	37.2

Higher gold volumes sold were primarily due to the increased volume of ore processed at Herradura and, to a lesser extent, a higher ore grade at Saucito, while the higher silver volumes were due to a higher ore grade at San Julián DOB and, to a lesser extent, the contribution of development ore from Juanicipio (for further detail, see 1H21 Operational Review).

Changes in the contribution by metal were the result of the relative changes in metal prices and volumes produced. Gold decreased its contribution to total adjusted revenues from 54.4% in 1H20 to 46.7% in 1H21, while silver increased its contribution from 34.0% in 1H20 to 40.8% in 1H21.

ADJUSTED REVENUE BY MINE

Herradura continued to be the greatest contributor to Adjusted revenue, representing 29.1% (1H20: 31.1%) primarily due to the higher volume of gold sold, in addition to the higher gold price. Saucito's contribution remained broadly unchanged, increasing to 22.0% in 1H21 (1H20: 21.1%) driven by the higher silver price and increased volumes of gold, lead and zinc sold at higher prices, partly offset by the lower volume of silver sold. Fresnillo remained the third most important contributor to Adjusted revenue, decreasing its share to 15.9% (1H20: 16.1%). The contribution to the Group's Adjusted revenue from the San Julián mine increased to 18.5% in 1H21 (1H20: 14.8%) primarily reflecting the increase in volumes of silver sold as a result of the higher silver ore grade at the Disseminated Ore Body. Ciénega's contribution to the Group's Adjusted revenue decreased to 7.9% (1H20: 9.7%) as a result of the lower gold and silver volumes sold, mitigated by the higher metal prices. As expected, Noche Buena's contribution continued to decrease from 7.2% in 1H20 to 4.9% in 1H21, primarily reflecting the gradual depletion of the mine as it approaches the end of its life. Now that Juanicipio is processing development ore through the Fresnillo beneficiation plant, it is contributing to Adjusted revenue for the first time, representing 1.5% of the Groups total.

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

ADJUSTED REVENUE[14] BY MINE

	1H 2021		1H 2020	
	(US$ million)	**%**	(US$ million)	%
Herradura	449.7	29.1	349.5	31.1
Saucito	338.9	22.0	237.8	21.1
Fresnillo	245.9	15.9	181.7	16.1
San Julián (DOB)	187.2	12.1	81.0	7.2
Ciénega	121.9	7.9	109.0	9.7
San Julián (Veins)	99.0	6.4	85.2	7.6
Noche Buena	75.4	4.9	81.0	7.2

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

Juanicipio	25.1	1.6	0.0	0.0
Total	1,543.1	100	1,125.1	100

VOLUMES OF METAL SOLD

	1H 2021	% contribution of each mine	1H 2020	% contribution of each mine	% change
Silver (koz)					
Fresnillo	6,163	25.9%	6,234	27.3%	(1.1)
Saucito	5,966	25.0%	6,885	30.2%	(13.3)
San Julián (DOB)	5,680	23.8%	3,527	15.5%	61.0%
Ciénega	2,449	10.3%	2,668	11.7%	(8.2)
San Julián (Veins)	1,934	8.1%	2,017	8.8%	(4.1)
Juanicipio	785	3.3%	0.0	0.0%	N/A
Herradura	502	2.1%	808	3.5%	(37.9)
Pyrites Plant at Saucito	332	1.4%	654	2.9%	(49.2)
Noche Buena	8	0.0%	13	0.1%	(38.5)
Total silver (koz)	**23,817**		**22,806**		4.4
Gold (oz)					
Herradura	243,857	60.6%	201,820	55.3%	20.8
Saucito	46,714	11.6%	34,177	9.4%	36.7
Noche Buena	41,845	10.4%	47,789	13.1%	(12.4)
San Julián (Veins)	26,766	6.7%	30,013	8.2%	(10.8)
Ciénega	24,593	6.1%	29,954	8.2%	(17.9)
Fresnillo	14,881	3.7%	16,984	4.7%	(12.4)
Pyrites Plant at Saucito	1,330	0.3%	2,467	0.7%	(46.1)
Juanicipio	1,273	0.3%	0.0	0.0%	N/A
San Julián (DOB)	1,147	0.3%	579	0.2%	98.1
Total gold (oz)	**402,405**		**364,879**		10.3
Lead (t)					
Saucito	14,199	48.2%	10,783	39.0%	31.7
Fresnillo	8,638	29.3%	10,659	38.6%	(19.0)
San Julián (DOB)	4,350	14.8%	3,207	11.6%	35.6

Ciénega	2,017	6.8%	2,968	10.7%	(32.0)
Juanicipio	272	0.9%	0.0	0.0%	N/A
Total lead (t)	**29,477**		**27,615**		6.7%
Zinc (t)					
Saucito	20,055	43.8%	14,585	35.2%	37.5
Fresnillo	13,509	29.5%	15,199	36.7%	(11.1)
San Julián (DOB)	8,757	19.1%	7,493	18.1%	16.9
Ciénega	3,085	6.7%	4,123	10.0%	(25.2)
Juanicipio	399	0.9%	0.0	0.0%	N/A
Total zinc (t)	**45,806**		**41,400**		10.6

HEDGING

In the current period we entered into a hedging programme executed for a total volume of 1,800,000 ounces of silver with monthly settlements throughout 2021 until February of 2022. Similar to last year's transaction, this was structured as a collar with an average floor price of US$22 per ounce, and an average price ceiling of US$50.33 per ounce.

Additionally, a portion of our expected by-product zinc production for the remainder of 2021 and the first quarter of 2022 was hedged using a similar financial structure as with silver.

The table below illustrates the expired structures, their results and the outstanding volume as of June 30th 2021.

Concept	**As of June 30th 2021**	**As of June 30th 2021**
	Silver[1]	**Zinc[2]**
Weighted Floor	20.44 usd/oz	2,491 usd/tonne
Weighted Cap	49.73 usd/oz	3,125 usd/tonne
Expired volume	2,724,000 oz	5,500 tonne
Profit/Loss (US$ dollars)	0	0
Total outstanding volume	3,324,000 oz	17,420 tonne

[1]Monthly settlements until February 2022

[2]Monthly settlements until April 2022

TREATMENT AND REFINING CHARGES

Similar to previous years, the 2021 treatment and refining charges[15] (TRCs) per tonne and per ounce are currently being negotiated with Met-Mex (Peñoles' smelter and refinery) in accordance with international benchmarks and will apply retrospectively from January 2021. We expect these negotiations to conclude by October 2021. However, we accrued US$17.8 million decrease to the charge (1H20: US$9.8 million increase to the charge) for an expected change in treatment and refining charges in these Interim Financial Statements to reflect current market conditions which are expected to materialise once negotiations are concluded.

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

Treatment charges per tonne of lead concentrate for the first half increased in dollar terms by 29.0%, while zinc concentrate treatment charges decreased in dollar terms by 28.5%. Furthermore, silver refining charges increased by 9.0% over the corresponding period in 2020. Through a combination of higher treatment charges per tonne of lead and silver refining charges, combined with the higher volumes of lead and zinc concentrates shipped from our mines to Met-Mex, resulted in a 5.3% increase in treatment and refining charges set out in the income statement in absolute terms when compared to 1H20.

COST OF SALES

Concept	**1H 2021 US$ million**	1H 2020 US$ million	Amount US$ million	Change %
Adjusted production costs [16]	**611.1**	506.6	104.5	20.6
Depreciation	**265.4**	251.7	13.7	5.4
Profit sharing	**12.3**	7.8	4.5	57.5
Hedging	**(3.8)**	(0.1)	(3.7)	>100
Change in work in progress	**(25.8)**	(38.3)	12.5	(32.6)
Unproductive costs including inventory reversal and unabsorbed production costs[17]	**0.8**	5.2	(4.3)	(83.7)
Cost of sales	**860.1**	733.0	127.1	17.3

Cost of sales increased 17.3% to US$860.1 million in 1H21. The US$127.1 million increase is explained by the following combination of factors:

- An increase in Adjusted production costs (US$104.5 million). This was primarily due to: i) a higher volume of ore processed at Herradura following Covid-19 operational restrictions in 1H20 (US$52.8 million); ii) increased development and infrastructure works at our underground mines, except for San Julián DOB (US$24.9 million); iii) cost inflation, excluding the Mexican peso vs. US dollar revaluation effect (US$21.3 million); iv) the adverse effect of the revaluation of the Mexican peso vs. US dollar (US$19.5 million)[18] and; v) costs from the start-up of operations at Juanicipio (US$4.3 million). These adverse effects were mitigated by a decreased volume of ore processed at Saucito, San Julián (Veins and DOB) and Fresnillo (-US$14.3 million); and others (-US$3.9 million).
- The variation in the change in work in progress had a negative effect of US$12.5 million versus 1H20. This resulted mainly from recognising a smaller favourable effect from the reassessment of recoverable gold inventories at the leaching pads in 1H21 compared to the one recorded in 1H20, US$14.6 million in 1H21 vs. US$62.2 million in 1H20.

[16] Adjusted production costs are calculated as cost of sales less depreciation, profit sharing, hedging, change in inventories and unproductive costs. The Company considers this a useful additional measure to help understand underlying factors driving production costs in terms of the different stages involved in the mining and plant processes, including efficiencies and inefficiencies as the case may be and other factors outside the Company's control such as cost inflation or changes in accounting criteria.
[17] Unproductive costs primarily include unabsorbed production costs such as fixed production cost (labour cost and depreciation) incurred in Minera San Julián due to a shortfall in electricity in February 2021 and fixed costs incurred in Minera Penmont during the temporary suspension of mining activities at the beginning of the COVID-19 pandemic and other costs related to the subsequent ramp-up of operations and the underutilisation of production capacity once mining activity was resumed. Unproductive costs are recognised within cost of sales but excluded from adjusted production costs.
[18] Cost inflation of 8.6% (including the effect of the Mexican peso revaluation) had an adverse effect of US$40.8 million (the sum of iii and iv).

- Depreciation (+US$13.7 million). This is mainly due to increased amortisation of capitalised mining works and increased depletion factors at Fresnillo and San Julián, in addition to the higher depreciation at Herradura and Noche Buena as some equipment was not in use during the preventive measures related to Covid-19 in 1H20.
- Profit sharing (+US$4.5 million).

These negative effects were mitigated by:

- Mexican peso/US dollar hedging (-US$3.7 million). As part of our programme to manage our exposure to foreign exchange risk associated with costs incurred in Mexican pesos, last year we entered into a combination of put and call options structured at zero cost (collars). These derivatives had their last expiration in March of 2021 and they generated a positive result of US$3.8 million during the first quarter of 2021. As of June 30th 2021 there is no further outstanding position.

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

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

Cost per tonne		**1H 2021**	1H 2020	% change
Fresnillo	US$/tonne milled	79.95	65.60	21.9
Saucito	US$/tonne milled	76.27	70.34	8.4
San Julián (Veins)	US$/tonne milled	78.73	70.03	12.4
San Julián (DOB)	US$/tonne milled	39.81	37.89	5.1
Ciénega	US$/tonne milled	83.52	72.98	14.4
Herradura	US$/tonne deposited	19.47	18.54	5.0
Herradura	US$/tonne hauled	3.36	2.86	17.5
Noche Buena	US$/tonne deposited	11.27	13.74	(18.0)
Noche Buena	US$/tonne hauled	3.15	2.91	8.2

Fresnillo: Cost per tonne increased 21.9% to US$80.0 in 1H21, mainly driven by an increase in development costs. Additionally, cost inflation of 11.5%, including the adverse effect of the revaluation of the Mexican peso vs. the US dollar, drove the cost per tonne higher period-on-period.

Saucito: Cost per tonne increased 8.4% to US$76.3, mainly due to an increase in development and maintenance costs, cost inflation of 6.3%, including the adverse effect of the revaluation of the Mexican peso vs. the US dollar. This was mitigated by the decrease in consumption of operating materials at the pyrites plant.

San Julián Veins: Cost per tonne increased 12.4% to US$78.7, mainly due to the increase in contractor costs to advance mine infrastructure and cost inflation of 5.3%, including the adverse effect of the revaluation of the Mexican peso vs. the US dollar.

San Julián (DOB): Cost per tonne increased 5.1% to $39.8, mainly due to cost inflation of 5.3%, including the adverse effect of the revaluation of the Mexican peso vs. the US dollar.

Ciénega: Cost per tonne increased 14.4% to US$83.5 driven by an increase in development costs. Additionally, cost inflation of 7.6%, including the adverse effect of the revaluation of the Mexican peso vs. the US dollar.

Herradura: Cost per tonne of ore deposited increased by 5.0% to $19.5, primarily due to a cost inflation of 10.3, including the adverse effect of the revaluation of the Mexican peso vs. the US dollar, and the adverse effect of recognising unproductive costs within cost of sales but excluded from adjusted production costs during the temporary suspension of mining activities at the beginning of the COVID-19 pandemic in 1H20. This was mitigated by the increased volume of ore processed and recaptured economies of scale half-on-half.

Noche Buena: Cost per tonne at this mine decreased 18.0% to US$11.3 in 1H21, due to the lower consumption of explosives, in addition to the lower equipment maintenance and repair work. This was partially offset by cost inflation of 8.3%, including the adverse effect of the revaluation of the Mexican peso vs. the US dollar and the adverse effect of recognising unproductive costs from the suspension of mining activities at the beginning of the COVID-19 pandemic within cost of sales but excluded from adjusted production costs in 1H20.

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

Cash cost per ounce		**1H 2021**	1H 2019	% change
Fresnillo	US$ per silver ounce	6.41	4.86	31.89
Saucito	US$ per silver ounce	-4.37	1.19	N/A
San Julián (Veins)	US$ per silver ounce	-0.48	-2.67	82.02
San Julián (DOB)	US$ per silver ounce	4.66	8.65	-46.13
Ciénega	US$ per gold ounce	-606.99	-84.59	617.57
Herradura	US$ per gold ounce	756.42	573.04	32.0
Noche Buena	US$ per gold ounce	1,235.33	1,100.81	12.2

Fresnillo: Cash cost per silver ounce increased to US$6.4 (1H20: US$4.9 per silver ounce) principally due to higher cost per tonne, mitigated by the higher by-product credits and to a lesser extent, higher silver ore grade.

Saucito: Cash cost per silver ounce decreased to -US$4.4 per ounce (1H20: US$1.2 per silver ounce) mainly as a result of higher gold, lead and zinc by-product credits per silver ounce. This was partially offset by a lower silver ore grade, an increase in cost per tonne and higher treatment and refining charges.

San Julián Veins: Cash cost per ounce of silver increased mainly due to the higher cost per tonne and lower ore grade.

San Julián (DOB): Cash cost decreased 46.1% to US$4.7 per ounce of silver driven by a higher silver ore grade, partially offset by the higher cost per tonne and increased special mining rights.

Ciénega: The decrease in cash cost per gold ounce from –US$84.6 per ounce in 1H20 to –US$607.0 per ounce in 1H21 was primarily due to an increase in silver, zinc and lead by-product credits. This was partly offset by a lower gold ore grade and higher treatment and refining charges.

Herradura: Cash cost per gold ounce increased to US$756.4 per ounce of gold mainly as a result of: i) recognising a smaller favourable effect from the reassessment of recoverable gold inventories at the leaching pads in 1H21 compared to the one recorded in 1H20, thus resulting in a higher cost per ounce; ii) a lower speed of recovery; and to a lesser extent, iii) higher cost per tonne..

Noche Buena: Cash cost per gold ounce increased by 12.2% to US$1,235.33, mainly due to a lower gold ore grade. This was mitigated by a lower cost per tonne.

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

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

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

ALL-IN SUSTAINING COST (AISC)

AISC		**1H 2021**	1H 2020	% change
Fresnillo	US$ per silver ounce	14.45	11.14	29.7
Saucito	US$ per silver ounce	3.46	6.07	(43.0)
San Julián (Veins)	US$ per silver ounce	11.48	5.19	121.4
San Julián (DOB)	US$ per silver ounce	6.01	10.10	(40.5)
Ciénega	US$ per gold ounce	405.67	613.93	(33.9)
Herradura	US$ per gold ounce	874.4	664.74	31.5
Noche Buena	US$ per gold ounce	1,497.08	1,148.11	30.4

Fresnillo: All-in sustaining cost increased 29.7% over 1H20 to US$14.5, explained by a higher cash cost and higher sustaining capex per ounce.

Saucito: All-in sustaining cost decreased to US$3.5 per ounce due to the lower cash cost, partly offset by the higher sustaining capex per ounce and higher freights, third parties and mining rights.

San Julián Veins: All in sustaining cost at San Julián veins increased to US$11.5 per ounce due to higher capitalised mine development and, to a lesser extent, an increase in cash cost .

San Julián DOB: The 40.5% decrease in all in sustaining cost was mainly driven by the lower cash cost.

Ciénega: The US$208.3 per ounce decrease in all in sustaining cost was primarily driven by the lower cash cost, partly offset by the higher sustaining capex per ounce.

Herradura: All-in sustaining cost increased by US$209.7 per ounce (+31.5%) mainly due to the higher cash cost and higher sustaining capex per ounce.

Noche Buena: The US$349.0 per ounce increase in all-in sustaining cost was the result of the higher cash cost, and to a lesser extent, higher capitalised stripping.

GROSS PROFIT

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

Total gross profit, including hedging gains and losses, increased by 88.9% from US$321.2 million in 1H20 to US$606.8 million in 1H21.

The US$285.6 million increase in gross profit was mainly explained by: i) the favourable effect of higher average realised gold, silver, lead and zinc prices (US$316.9 million); ii) net effect of higher ore grades (US$91.5 million); iii) the positive effect from processing development ore from our new Juanicipio mine (US$16.4 million) and; iv) net effect of higher volumes processed (US$6.3 million). These positive effects were partially offset by: i) the smaller favourable effect from the reassessment of recoverable gold inventories at the leaching pads in 1H21 compared to the one recorded in 1H20 (-US$49.7 million); ii) an increase in cost related to development works at Ciénega, Saucito, and Fresnillo (-US$22.6 million); iii) cost inflation (-US$21.3 million); iv) the adverse effect of the revaluation of the Mexican peso vs. US dollar (-US$19.5 million); v) higher depreciation (-US$13.7 million); vi) the adverse effect of the variation of change in inventories at Noche Buena, San Julián and Saucito (-US$11.7 million) and; vii)) others (-US$6.9 million).

With the exception of Noche Buena, gross profit increased half-on-half at all mines. Herradura remained the largest contributor to the Group's consolidated gross profit despite recording a decrease in its percentage share from 56.0% in 1H20 to 35.0% in 1H21. Gross profit at Saucito and Fresnillo experienced triple digit increases; with their percentage shares increasing to 25.1% and 14.7% in 1H21 respectively as a result of their relative weighting. The higher grades at San Julián (DOB) together with the higher precious metals prices resulted in a US$110.2 million gross profit in 1H21, representing the largest percentage share increase of the Group's total gross profit across all mines, increasing from 0.8% in 1H20 to 19.0% in 1H21. Ciénega's share of the Group's total gross profit decreased to 5.1% in 1H21, while Noche Buena's contribution continued to decrease as it approaches the end of its mine life. Notwithstanding, Noche Buena generated an EBITDA and cash flow from operating activities of US$21.0 million and US$19.5 million, respectively, recording a US$6.7 million gross profit.

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

	1H 2021		1H 2020		Change	
	US$ million	**%**	US$ million	%	US$ million	%
Herradura	203.6	35.0	179.3	56.0	24.3	13.6
Saucito	145.9	25.1	59.1	18.5	86.8	146.9
San Julián	110.2	19.0	2.5	0.8	107.7	4,308.0
Fresnillo	85.3	14.7	36.2	11.3	49.1	135.6
Ciénega	29.5	5.1	22.8	7.1	6.7	29.4
Noche Buena	6.7	1.1	20.0	6.3	(13.3)	(66.5)
Total for operating mines	581.2	100	319.9	100	261.3	81.6

Metal hedging and other subsidiaries	25.6	1.2	24.4	2,033.3
Total Fresnillo plc	606.8	321.2	285.6	88.9

ADMINISTRATIVE AND CORPORATE EXPENSES

Administrative and corporate expenses increased 22.5% from US$41.8 million in 1H20 to US$51.2 million in 1H21, due to an increase in fees paid to advisors (legal, labour, tax and technical), the increase in non-recurring corporate services provided by Servicios Industriales Peñoles S.A.B. de C.V. and the adverse effect of the revaluation of the Mexican peso vs. the US dollar.

EXPLORATION EXPENSES

Business unit/project (US$ million)	**Exploration expenses 1H 2021**	Exploration expenses 1H 2020	**Capitalised expenses 1H 2021**	Capitalised expenses 1H 2020
Ciénega	2.6	3.0	-	-
Fresnillo	3.0	3.3	-	-
Herradura	3.0	4.0	-	-
Saucito	4.7	7.4	-	-
Noche Buena	0.4	0.0	-	-
San Julián	11.1	6.6	-	-
Orisyvo	1.6	1.6	0.1	-
Centauro Deep	0.0	0.0	-	4.5
Guanajuato	3.1	2.3	0.3	-
Juanicipio	0.0	0.0	2.7	1.8
San Ramón	0.3	0.0	-	-
Others	31.0	22.5	0.2	-
Total	**60.9**	**50.7**	3.3	6.3

Exploration expenses increased, as expected, by 20.0% from US$50.7 million in 1H20 to US$60.9 million in 1H21, in line with the budget for this year and our strategy to focus exploration on specific targets, mainly at our Fresnillo and San Julián districts. The increase of US$10.2 million seen period-on-period was due to our intensified exploration activities aimed at increasing the resource base, converting resources into reserves and improving the confidence of the grade distribution in reserves. An additional US$3.3 million was capitalised, mainly relating to exploration expenses at the Juanicipio project. As a result, risk capital invested in exploration totalled US$64.2 million in 1H21, while in 1H20, US$6.3 million was capitalised, totalling US$57.1 million in risk capital invested in exploration, a 12.4% increase over 1H20. For the remainder of 2021, total invested in exploration is expected to remain within the range of US$175-US$180 million, of which approximately US$15 million is expected to be capitalised.

EBITDA

	1H 2021 US$ million	1H 2020 US$ million	Amount US$ million	Change %
Profit from continuing operations before income tax	**445.4**	127.9	317.5	248.3
- Finance income	**(5.6)**	(9.5)	3.9	(41.0)
+ Finance costs	**31.0**	25.7	5.3	20.6
– Revaluation effects of Silverstream contract	**4.0**	31.8	(27.8)	(87.4)
– Foreign exchange gain (loss), net	**(2.9)**	41.0	(43.9)	N/A
– Other operating income	**(2.8)**	(5.7)	2.9	50.9
+ Other operating expense	**12.5**	7.1	5.4	76.1
+ Depreciation	**265.4**	251.7	13.7	5.4
EBITDA	**747.0**	469.9	277.1	59.0
EBITDA margin	**50.9%**	44.6%		

EBITDA is a gauge of the Group's financial performance and a key indicator to measure debt capacity. It is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain / (loss), less the net Silverstream effects and other operating income plus other operating expenses and depreciation. In 2021, EBITDA increased 59.0% to US$747.0 million primarily driven by the higher gross profit and, partly offset by higher exploration and administrative expenses. As a result, EBITDA margin expressed as a percentage of revenue increased, from 44.6% in 1H20 to 50.9% in 1H21.

OTHER OPERATING INCOME AND EXPENSE
In 1H21, a net loss of US$9.8 million was recognised in the income statement mainly as a result remediation work at Saucito following the presence of high temperature water in an underground production area in 2Q21, maintenance costs of closed mines and remediation works for a tailings facility at Fresnillo.

SILVERSTREAM EFFECTS
The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. The net Silverstream effect recorded in the 1H21 income statement was a loss of US$4.0 million (US$21.1 million amortisation profit and US$25.1 million revaluation loss), which compared positively to the net loss of US$31.8 million registered in 1H20. The negative revaluation was mainly driven by the increase in the LIBOR reference rate; and a decrease in the production plan due to silver resources update; partially compensated by inflation and exchange rate forecasts and a slight increase in the forward silver price curve.

Since the IPO, cumulative cash received has been US$709.8 million vs. US$350 million initially paid. The Group expects that further unrealised gains or losses related to the valuation of the Silverstream will be taken to the income statement in accordance with silver price cyclicality or changes in the variables considered in valuing this contract. Further information related to the Silverstream contract is provided in the balance sheet section in notes 10 and 18 to the consolidated financial statements.

NET FINANCE COSTS
Net finance costs of US$25.4 million compared unfavourably to the US$16.2 million recorded in 1H20. Financial expenses in 1H21 included mainly: i) interest paid on the outstanding US$317.9 million from the US$800 million Senior Notes due 2023, and ii) interest paid on the 4.250% Senior

Notes due 2050. In 1H20, financial expenses mainly reflected the interest paid on the US$800 million Senior Notes due 2023.

FOREIGN EXCHANGE
A foreign exchange gain of US$2.9 million was recorded as a result of the 0.73% revaluation of the Mexican peso against the US dollar over the period. This compared favourably to the US$41.0 million loss in 1H20.

The Group also enters into certain exchange rate derivative instruments as part of a program to manage its exposure to foreign exchange risk associated with the purchase of equipment denominated in Euro (EUR) and Swedish krona (SEK). As of June 30th 2021, the total EUR and SEK outstanding net forward position was EUR 9.46 million and SEK 5.05 million with maturity dates through March 2022. Volumes that expired during the first half of 2021 were EUR 2.52 million with a weighted average strike of 1.1960 USD/EUR and SEK 15.26 million with a weighted average strike of 8.6605 SEK/USD, which have generated a marginal result in the period of US$0.088 million.

TAXATION
Income tax expense for the period was US$111.1 million, which compared unfavourably vs. US$62.0 million in 1H20. The effective tax rate, excluding the special mining rights, was 24.9%, which was below the 30% statutory tax rate. The reason for the lower effective tax rate was the significant permanent differences between the tax and the accounting treatment related mainly to: i) the revaluation of the Mexican peso, which had an important impact on the tax value of assets and liabilities that are denominated in Mexican pesos; ii) the inflation rate (Mexican Consumer Price Index), which impacted the inflationary uplift of the tax base for assets and liabilities; and iii) the benefit from the lower border zone tax which applied to Herradura and Noche Buena operations.

The effective tax rate in 1H20 was 48.5% mainly due to the devaluation of the Mexican peso, which had an important impact on the tax value of assets and liabilities denominated in Mexican pesos.

Mining rights for the first half of the year were US$25.8 million compared to US$9.4 million charged in 1H20 due to higher profit levels

PROFIT FOR THE PERIOD
Profit for the period increased from US$56.5 million in 1H20 to US$308.4 million in 1H21, a 445.8% increase period-on-period as a result of the factors described above.

Excluding the effects of the Silverstream contract, profit for the year increased from US$78.8 million to US$311.2 million, a 294.9% increase.

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

	1H 2021 US$ million	1H 2020 US$ million	Amount US$ million	Change %
Cash generated by operations before changes in working capital	750.4	456.2	294.2	64.5
Decrease in working capital	15.1	37.3	(22.2)	(59.5)
Taxes and employee profit sharing paid	(253.5)	(71.0)	(182.5)	256.9
Net cash from operating activities	512.0	422.5	89.5	21.2
Proceeds from the layback agreement	25.0	0.0	25.0	100

Silverstream contract	22.5	13.1	9.3	70.9
Purchase of property, plant and equipment	(256.8)	(182.0)	(74.8)	41.1
Dividends paid to shareholders of the Company	(172.6)	(87.7)	(84.9)	96.7
Financial expenses and foreign exchange effects	(18.2)	(8.4)	(9.7)	115.4
Net increase in cash during the period after foreign exchange differences	132.5	178.1	(45.6)	(25.6)
Cash and other liquid funds at 30 June [19]	1,202.9	514.7	688.2	133.7

Cash generated by operations before changes in working capital increased by 64.5% to US$750.4 million, mainly as a result of the higher profits generated in the year. Working capital decreased US$15.1 million, mainly due to: i) an increase in accounts payable of US$28.3 million; ii) a US$9.3 million decrease in trade and other receivables; and iii) a US$2.0 million decrease in prepayments; partially offset by an increase in inventories of US$24.5 million.

Taxes and employee profit sharing paid increased 256.9% over 1H20 to US$253.5 million mainly due to: i) an increase in provisional tax payments resulting from the higher profit factor determined to calculate the estimated taxable income; ii) higher final income tax paid in 1H21, net of provisional taxes paid (corresponding to the 2020 tax fiscal year); iii) an increase in mining rights; and iv) higher profit sharing paid.

As a result of the above factors, net cash from operating activities increased 21.2% from US$422.5 million in 1H20 to US$512.0 million in 1H21.

The Group received other sources of cash including; i) note payable by minority shareholders in subsidiaries of US$23.7 million and; ii) the proceeds of the Silverstream contract of US$22.5 million.

Furthermore, in December 2020, the Group entered into multiple contracts with Orla Mining Ltd., granting Orla the right to expand the Camino Rojo oxide pit onto Fresnillo's mineral concession. The effectiveness of the agreement was subject to the approval of the Mexican Federal Competition Commission (COFECE), which was granted in February 2021, at which time, a payment of US$25.0 million was made to Fresnillo plc (See note 2 to the consolidated financial statements).

Main uses of funds were:

i) the purchase of property, plant and equipment for a total of US$256.8 million, a 41.1% increase over 1H20. The Group has reduced its estimated capex from US$680 million to approximately US$580 million to reflect the lower rate of capital deployment at our different mines and projects. Capital expenditures for 1H21 are described below:

PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	1H 2021 US$ million	
Fresnillo mine	43.7	Mine development and mining works, purchase of in-mine equipment, deepening of the San Carlos shaft and tailings dam.
Saucito mine	36.5	Mine development, purchase of in-mine equipment,

[19] Cash and other liquid funds are disclosed in note 18(c) to the consolidated financial statements.

		deepening of the Jarillas shaft and tailings dam.
San Julián Veins and DOB	20.2	Mining works and purchase of in-mine equipment.
Ciénega mine	20.5	Mining works, purchase of in-mine equipment and construction of tailings dam.
Herradura mine	27.7	Construction of leaching pad and purchase of equipment for dynamic leaching plants.
Noche Buena mine	0.3	Sustaining capex and capitalised stripping
Juanicipio project	85.9	Mine development and construction of beneficiation plant
Other	22.0	Minera Bermejal.
Total purchase of property, plant and equipment	256.8	

ii) Dividends paid to shareholders of the Group in 1H21 totalled US$172.6 million, a 96.7% increase over 1H20 as a result of the 2020 final dividend of 23.5 cents per share paid in June 2021, in line with our dividend policy.

iii) Financial expenses and foreign exchange effects of US$18.2 million increased US$9.7 million period-on-period. Financial expenses in 1H21 included: i) interest paid on the outstanding US$317.9 million from the US$800 million Senior Notes due 2023, and ii) interest paid on the 4.250% Senior Notes due 2050. In 1H20, financial expenses mainly reflected the interest paid on the US$800 million Senior Notes due 2023.

The sources and uses of funds described above resulted in an increase in net cash of US$132.5 million (net increase in cash and other liquid assets), which combined with the US$1,070.4 million balance at the beginning of the year resulted in cash and other liquid assets of US$1,202.9 million at the end of June 2021.

BALANCE SHEET

Fresnillo plc continued to maintain a solid financial position during the period with cash and other liquid funds[20] of US$1,202.9 million as of 30 June 2021, increasing 12.4% versus 31 December 2020 and 133.7% versus 30 June 2020. Taking into account the cash and other liquid funds of US$1,202.9 million and the US$1,167.8 million outstanding Senior Notes, Fresnillo plc's net cash was US$35.1 million as at 30 June 2021. This compares to the net debt position of US$97.4 million as at 31 December 2020. Considering these variations, the balance sheet at 30 June 2021 remains strong, with a net debt / EBITDA ratio of -0.02x[21]

Inventories remained broadly unchanged at US$444.1 million.

Trade and other receivables increased 6.0% to US$543.9 million.

The change in the value of the Silverstream derivative from US$576.1 million at the end of the 2020 to US$549.5 million as of 30 June 2021 reflects proceeds of US$22.5 million in the period (US$14.8

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[20] Cash and other liquid funds are disclosed in note 18(c) to the consolidated financial statements.

[21] Net debt is calculated as debt at 30 June 2020 less Cash and other liquid funds at 30 June 2020 divided by the EBITDA generated in the last 12 months.

million in cash and US$7.8 million in accounts receivables) and the Silverstream revaluation effect in the income statement of US$4.0 million.

The net book value of property, plant and equipment was US$2,696.8 million at the end of June, representing a 0.4% decrease over 31 December 2020. The US$11.4 million decrease was mainly due to increased depreciation.

The Group's total equity was US$3,750.2 million as of 30 June 2021, a 3.8% increase over 31 December 2020. This was mainly explained by the increase in retained earnings, reflecting the 1H21 profit.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above in the Operational Review, with further detail in the Annual Report 2020. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review. In addition, the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk were set out in the Annual Report 2020. Details of its financial instruments and hedging activities as at 30 June 2021 are set out in note 18 to the interim report.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecasts for the period to 31st December 2022. In addition, they reviewed a more conservative cash flow scenario with reduced silver and gold prices of US$21.1 and US$1,568 respectively throughout this period, whilst maintaining current budgeted expenditure while only considering projects approved by the Executive Committee. This resulted in our current cash balances reducing over time but maintaining sufficient liquidity throughout the period.

The Directors have further calculated prices (US$11.6 and US$823 for silver and gold respectively), which should they prevail to the end of 2022 would result in cash balances decreasing to minimal levels by the end of 2022, without applying mitigations.

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

Additionally, the Directors reviewed scenarios that incorporated an estimated potential impact of the same severe but plausible Covid-19 restrictions that were considered in the 2020 year end going concern assessment (Covid Overlay). Further detail about this overlay is set out in the going concern statement and viability assessment disclosure in the 2020 Annual Report.

After reviewing all of the above considerations, the Directors have a reasonable expectation that management have sufficient flexibility in adverse circumstances to maintain adequate resources to continue in operational existence for the next eighteen months. The Directors, therefore, continue to adopt the going concern basis of accounting in preparing the annual financial statements.

DIVIDENDS

The Board of Directors has declared an interim dividend of 9.90 US cents per Ordinary Share totalling US$73.0 million, which will be paid on 15 September 2021 to shareholders on the register on 13 August 2021. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. This interim dividend is higher than the previous period due to the higher profit in 1H21, and remains in line with the Group's dividend policy. This decision was made after a comprehensive review of the Group's financial situation, assuring that the Group is well placed to meet its current and future financial requirements, including its development and exploration projects.

As previously disclosed, the corporate income tax reform introduced in Mexico in 2014 created a withholding tax obligation of 10% relating to the payment of dividends, including to foreign nationals.

Historically the Company has been making dividend payments out of retained earnings generated before the tax reform came into force and no withholding tax has therefore been applied. Dividend payments relating to 2021 and future years will attract the withholding obligation. However, foreign shareholders may be able to recover such tax depending on their tax residence and the existence of double taxation agreements.

MANAGING OUR RISKS AND OPPORTUNITIES WITH RESILIENCE

Managing risks and uncertainty is an integral part of successfully delivering on our strategic objectives. We have embedded a global risk management framework across Fresnillo which aims to ensure consistency and the application of the appropriate level of oversight at all times.

I. How we manage risk.

As we explained in our 2020 Annual Report, the Company ended 2020 having made good progress in risk management, including implementing actions that mitigated our most important risks. In parallel, the Enterprise Risk Management (ERM) team developed a training programme focused on identifying and mitigating emerging risks and our TCFD framework, which was rolled out across the business to raise awareness of our risk culture. During this current year, we are continuing to enhance our risk framework by increasing the use of metrics and scenarios to more precisely articulate the risk appetite and tolerance limits within which we wish to operate.

During the first part of 2021, our risk team focused its efforts on identifying and assessing emerging risks, business continuity risks and climate change risks according to the TCFD criteria. For the second part of the year, we will be assessing fraud, compliance and internal control risks.

II. Assessment of Principal Risks for the first half of the year 2021.

Due to the continuing impact of the global COVID-19 pandemic, it was necessary to re-evaluate the Principal Risks set out in the 2020 Annual Report, to rethink their relative importance, probability and impact and to re-assess the corresponding mitigation actions.

As a result of this analysis, the ERM team recommended that the impact of COVID-19 continues to be recognised on Fresnillo's existing 12 Principal Risks and not as a standalone risk.

Consistent with the 2020 year end, the Principal Risks most exposed during the first half of the year are as follows: 1) "**Potential actions by the Government**", 2) "**Impact of metals prices and global macroeconomic developments**" and 3) "**Security**".

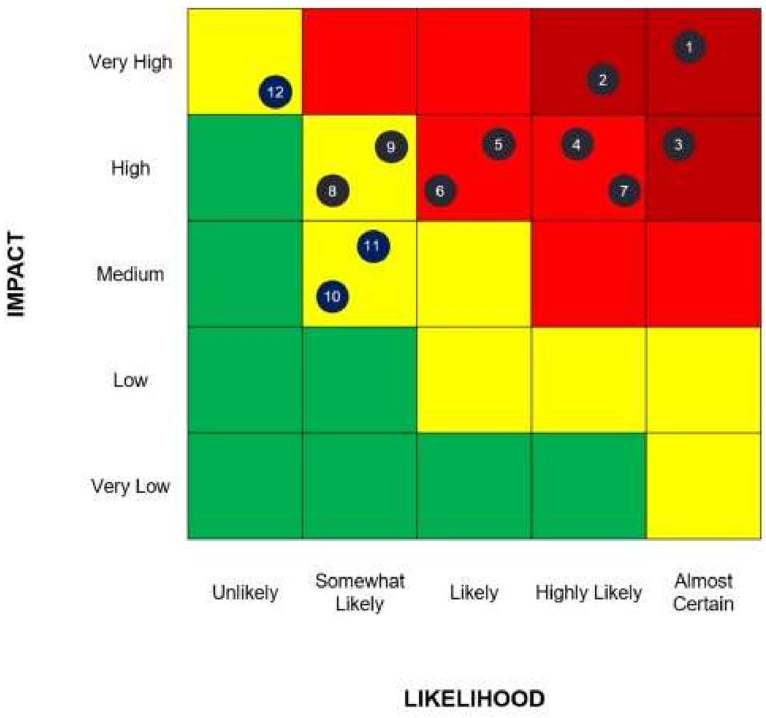
Principal risks	Risk description	Factors contributing to risk	Mitigation actions
Potential actions by the Government	Regulatory actions can have an adverse impact on the Company. These could include stricter environmental regulations, forms of procurement or explosives, more challenging permit processes, more onerous tax compliance obligations for us and our contractors, as well as more frequent reviews by tax authorities. The right of indigenous communities to be consulted regarding mining concessions could potentially affect the granting of new concessions in Mexico.	**-Labour Subcontracting Reform which prevents outsourcing, thus complicating: i) the relationship with contractors and ii) the hiring of specialised technicians to advise on the development of projects and the assimilation of new technologies** **-The United States-Mexico-Canada Agreement (USMCA or TMEC) with new labour dispositions.** **-The implementation of policies by the Government that support the emission of coal into the atmosphere and reduce the development of renewable energies.**	-Commitment to constant communication with all levels of government. -Increased monitoring of the processes being implemented at the Ministry of Labour and Economy. -We are in the process of carrying out an analysis of the Group's current structure and operating model vs. the new requirements to identify any changes that would be deemed necessary and assessing

	The federal government aims to discourage the generation of energy based on clean sources and to encourage that from fuel oil and coal. The government could demand the shutdown of operations in Zacatecas and Sonora due to increase in COVID-19 cases. We paid special attention to the following aspects: •Government actions that negatively impact the mining industry. •Regulatory changes to mining rights and adverse fiscal changes. •Increase in the frequency of the reviews by the tax authorities with special focus on the mining industry. •Inability to obtain necessary water concessions because of government control or private interests. •Failures/delays in obtaining the required environmental permits.	**-The federal government recently purchased a refinery to produce gasoline and diesel in Houston, USA. This acquisition reinforces the strategy of encouraging the consumption of fossil fuels and not promoting the consumption of clean or green energies.** **-New taxes and discrepancies in the criteria used in audits carried out by the tax authority.** **-The restriction on the granting of new mining concessions.** **-Potential adverse actions resulting from a change in government in the states of Zacatecas, Sonora and Chihuahua.** **-Increase in the frequency of the reviews by the tax authorities with special focus on the mining industry.** **-As the population does not consistently follow the measures to prevent COVID-19 and the health authorities may fail to effectively implement the COVID-19 vaccine programme, further waves of COVID-19 could lead to mine closures materially impacting our productivity.**	their impact on the Group's operating and financial performance. -We remain alert to the changes proposed by the authorities, including energy and mining tax initiatives, so that we can respond in a timely and relevant manner. -We continue to collaborate with other members of the mining community through the Mexican Mining Chamber to lobby against any new harmful taxes, royalties or regulations. We also support industry lobbying efforts to improve the general public's understanding of the mining industry. -Follow-up and timely compliance with all suggestions of the health authorities about the pandemic of COVID-19. -We maintain a register and control of vaccinated staff, and encourage all staff to be vaccinated as soon as possible.
Impact of metals prices and global macroeconomic developments	The COVID-19 pandemic negatively impacted economies across the world, including in Mexico, due to personnel being instructed to isolate and disruptions to supply chains. Globally, economies came close to a complete standstill for more than five months. Our operations, costs, sales and profits, and potentially the economic viability of projects could be affected as a result of: •A possible decrease in precious metals prices, which is the main driver of risk. The average price of gold increased year-on-year (+6.7% compared to 2020), while the average price of silver increased by 57.3%.	**-A severe international economic slowdown, including negative economic growth forecasts for Mexico.** **-In 2021, the market performance of gold and silver prices has been volatile due to the slow progress in COVID-19 vaccination worldwide and the global macroeconomic slowdown.** **-Disruptions in the value chain of critical inputs for our operations such as spare parts (primarily delivered by land transport from the US and maritime transport from China and Europe); maintenance teams/contractors to conduct necessary repairs and the officials not being able to travel and inspect our growth projects resulting in delays to commencement.** **-Increased operating costs due to higher prices for critical inputs such as steel, cyanide, copper, diesel, haulage equipment, oxygen and truck tyres.**	-We constantly review the price performance of precious metals such as gold and silver in order to react and take action. -We constantly seek to maintain a broad supplier base to ensure a range of options for purchasing critical inputs and to reduce the likelihood of shortages. -We focus on cost, efficiencies and capital discipline to deliver competitive all-in sustaining cost. -We enhance cost competitiveness by improving the quality of the portfolio.

	•General inflation in Mexico. This was 5.8% in terms of Mexican peso for the first half of 2021.	-	
Security	Our employees, contractors and suppliers face the risk of theft, kidnapping, extortion or damage due to insecurity in some of the regions where we operate. The influence and dispute of territories by drug cartels, other criminal elements and general anarchy in some of the regions where we operate, combined with our exploration activities and projects in certain areas of drug deposit, transfer or cultivation, makes working in these areas a particular risk to us. The Federal Government created the Secretariat of Citizen Security and Protection as part of the comprehensive strategy to reduce insecurity. It also created the National Guard, mostly comprising military personnel, with the aim of combating organised crime and drug cartels. Unfortunately, in most states the state or local police are unprepared and ill-equipped to combat organised crime, have low wages and are sometimes infiltrated by criminal elements.	**-Increased presence of organised crime in the vicinities of mining units, particularly in Fresnillo, Saucito, Juanicipio and Penmont.** **-A severe increase in the number of high impact crimes (homicide, kidnapping, extortion) in the regions where our mining units are located.** **-Consumption and sale of drugs at the mining units, particularly in Saucito.** **-Theft of assets in mining units and/or during transfer.** **-Roadblocks or blockages on the roads and/or highways near the mining units.**	-Our property security teams closely monitor the security situation, maintaining clear internal communications and coordinating work in areas of greater insecurity. -We have adopted the following practices to manage our security risks and prevent and treat possible incidents: -Close and constant communication with federal and state security authorities. -Regular interactions and meetings with the National Guard. -An increase in the number of anti-doping tests at the start of the day in the mining units. -Frequent inspections inside the mines to verify that drugs are not consumed and sold. -Drug consumption prevention campaigns, with a focus on employees. -An increase in logistical controls in order to reduce the potential for theft of mineral concentrate. These controls include the use of real-time tracking technology; surveillance cameras to identify alterations in the transported material; protection and support services on distribution routes; reduction in the number of authorised stops in order to optimise delivery times and minimise exposure of trucks transporting ore concentrates or doré.

Our risk matrix.

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



Relative position		Risk	Risk Appetite	Focus
IH'21	ARA'20			
1	1	Potential Government Actions	Low	Strategic, Economic, ESG
2	2	Impact of metal prices and global macroeconomic developments	High	Economic
3	3	Security	Low	Operational, ESG
4	6	Projects (performance risk)	Medium	Strategic, Operational
5	5	Union Relations	Low	Operational, ESG
6	4	Human Resources	Medium	Operational, ESG
7	7	Access to Land	Medium	Economic, Operational
8	8	Cybersecurity	Low	Operational
9	9	Tailings and Environmental Incidents	Low	Operational, ESG
10	10	License to Operate	Low	ESG
11	11	Safety	Low	Operational, ESG
12	12	Climate change	Low	Operational, Strategic, ESG

1. Strategic – risks arising from uncertainties that may impact our ability to achieve our strategic objectives.
2. Economic – risks that directly impact financial performance and realisation of future economic benefits.
3. Operational – risks arising from our business that have the potential to impact people, environment, community and operational performance including our supply chain.
4. Environment – risks arising from our business that have the potential to impact on air, land, water, ecosystems and human health.
5. Social – risks arising from our business that have the potential to impact on society, including health and safety.
6. Governance – risks arising from our workplace culture, business conduct and governance.

III. Emerging Risks.

We define an emerging risk as a new manifestation of risk that cannot yet be fully assessed, a risk that is known to some degree but is not likely to materialise or have an impact for several years, or a risk that the company is not aware of but that could, due to emerging macro trends in the mid or long-term future, have significant implications for the achievement of our strategic plan. Furthermore, we consider emerging risks in the context of longer-term impact and shorter-term risk velocity. We have therefore defined emerging risks as those risks captured on a risk register that: (I) are likely to be of significant scale beyond a five-year timeframe; or (II) have the velocity to significantly increase in severity within the five-year period.
To strengthen our emerging risks management framework, during 2021 we carried out activities to: (I) identify new emerging risks; II) re-assess emerging risks identified in 2020; (III) deploy effective monitoring mechanisms; (IV) carry out horizon scanning to consider disruptive scenarios, and; (V) implement mitigating control actions and enhance our risk awareness culture. This process involved workshops, surveys and meetings with the Executive Committee, business unit leaders, support and corporate areas, as well as suppliers, contractors and customers. We also consulted third party information from global risk reports, academic publications, risk consulting experts and industry benchmarks.
Our risk management standards promote communication of up-to-date information on the Company and industry risks, trends and emerging risks. This year's emerging risk assessment determined the two most exposed emerging risks to be: "**Water Crisis**" and "**Technological Disruption**" and identified two new emerging risks: "**Transition to a low-carbon future**" in connection with Climate Change Principal Risk and "**Increasing societal and investor expectations**"

Statement of directors' responsibilities

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

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board IASB and as adopted by UK and gives a true and fair view of the assets, liabilities, financial position and profit and loss account of the Fresnillo Group as required by DTR 4.2.4; and

- the interim management report includes a fair review of the information required by
    - DTR 4.2.7 (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principle risks and uncertainties for the remaining six months of the year); and
    - DTR 4.2.8 (being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period and changes since the last annual report).

On behalf of the board of directors of Fresnillo plc

Octavio Alvídrez
Chief Executive Officer

INDEPENDENT REVIEW REPORT TO FRESNILLO PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated balance sheet, the interim consolidated statement of cash flows, the interim consolidated statement of changes in equity and related notes to 1 to 18. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting" and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Responsibilities of the **directors**

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

Auditor's Responsibilities for the review of the financial information

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

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK 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.

Ernst & Young LLP
London

3 August 2021

Interim Consolidated Income Statement

	Notes	*For the six months ended 30 June*					
		2021 (Unaudited)			*2020 (Unaudited)*		
		(in thousands of US dollars)					
		Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
Continuing operations:							
Revenues	4	1,466,840		1,466,840	1,054,183		1,054,183
Cost of sales	5	(860,051)		(860,051)	(732,999)		(732,999)
Gross profit		**606,789**		**606,789**	**321,184**		**321,184**
Administrative expenses		(51,213)		(51,213)	(41,751)		(41,751)
Exploration expenses		(60,900)		(60,900)	(50,737)		(50,737)
Selling expenses		(13,056)		(13,056)	(10,486)		(10,486)
Other operating income		2,768		2,768	5,719		5,719
Other operating expenses		(12,538)		(12,538)	(7,052)		(7,052)
Profit from continuing operations before net finance costs and income tax		**471,850**		**471,850**	**216,877**		**216,877**
Finance income	6	5,565		5,565	9,494		9,494
Finance costs	6	(30,960)		(30,960)	(25,652)		(25,652)
Revaluation effects of Silverstream contract	10		(4,023)	(4,023)		(31,824)	(31,824)
Foreign exchange gain/(loss)		2,921		2,921	(41,014)		(41,014)
Profit from continuing operations before income tax		**449,376**	**(4,023)**	**445,353**	**159,705**	**(31,824)**	**127,881**
Corporate income tax	7	(112,355)	1,207	(111,148)	(71,502)	9,547	(61,955)
Special mining right	7	(25,842)		(25,842)	(9,425)		(9,425)
Income tax (expense)/credit	7	(138,197)	1,207	(136,990)	(80,927)	9,547	(71,380)
Profit for the period from continuing operations		**311,179**	**(2,816)**	**308,363**	**78,778**	**(22,277)**	**56,501**
Attributable to:							
Equity shareholders of the Company		304,942	(2,816)	302,126	86,802	(22,277)	64,525
Non-controlling interests		6,237		6,237	(8,024)		(8,024)
		311,179	**(2,816)**	**308,363**	**78,778**	**(22,277)**	**56,501**
Earnings per share: (US$)							
Basic and diluted earnings per ordinary share from continuing operations	8	-		0.410	-		0.088
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per ordinary share from continuing operations	8	0.414		-	0.118		-

Interim Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2021	*2020*
	(Unaudited)	*(Unaudited)*
	(in thousands of US dollars)	
Profit for the period	**308,363**	**56,501**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of cash flow hedges	-	1,396
Gain on cost of hedging recycled to income statement	(3,827)	(1,556)
Changes in the fair value of cost of hedges	(3,873)	2,064
Total effect of cash flow hedges	(7,700)	1,904
Foreign currency translation	24	(1,526)
Income tax effect on items that may be reclassified subsequently to profit or loss	2,310	(571)
Net other comprehensive loss that may be reclassified subsequently to profit or loss	**(5,366)**	**(193)**
Items that will not be reclassified to profit or loss:		
Changes in the fair value of cash flow hedges	(434)	172
Total effect of cash flow hedges	(434)	172
Changes in the fair value of equity investments at FVOCI	8,577	20,100
Income tax effect on items that will not be reclassified to profit or loss	(2,443)	(6,082)
Net other comprehensive profit that will not be reclassified to profit or loss	**5,700**	**14,190**
Other comprehensive income, net of tax	**334**	**13,997**
Total comprehensive income, net of tax	**308,697**	**70,498**
Attributable to:		
Equity shareholders of the Company	302,531	78,534
Non-controlling interests	6,166	(8,036)
	308,697	**70,498**

Interim Consolidated Balance Sheet

	Notes	As of 30 June 2021 (Unaudited)	As of 31 December 2020 (Audited)
		(in thousands of US dollars)	
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,696,784	2,708,195
Equity instruments at FVOCI	18	221,153	212,576
Silverstream contract	10,18	507,761	534,697
Deferred tax asset		168,437	120,676
Inventories	11	91,620	91,620
Other receivables	12	39,595	-
Other assets		3,450	3,429
		3,728,800	3,671,193
Current assets			
Inventories	11	376,123	351,587
Trade and other receivables	12	504,300	512,927
Prepayments		16,149	18,207
Derivative financial instruments	18	323	6,290
Silverstream contract	10,18	41,759	41,443
Cash and cash equivalents	13	1,202,898	1,070,415
		2,141,552	2,000,869
Total assets		**5,870,352**	**5,672,062**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital		368,546	368,546
Share premium		1,153,817	1,153,817
Capital reserve		(526,910)	(526,910)
Hedging reserve[1]		442	3,292
Cost of hedging reserve[1]		(1,639)	1,072
Fair value reserve of financial assets at FVOCI		123,424	117,420
Foreign currency translation reserve		(1,443)	(1,467)
Retained earnings		2,492,227	2,363,275
		3,608,464	3,479,045
Non-controlling interests		141,756	135,559
Total equity		**3,750,220**	**3,614,604**
Non-current liabilities			
Interest-bearing loans		1,156,330	1,156,670
Lease liabilities		7,021	7,697
Provision for mine closure cost		252,338	245,688
Provision for pensions and other post-employment benefit plans		13,077	11,977
Deferred tax liability		261,493	295,595
		1,690,259	1,717,627

1 The amounts recognised in hedging reserve and cost of hedging reserve at 31 December 2020 have been amended to reflect the nature of the components of the valuation of certain derivatives at that date.

Current liabilities			
Trade and other payables		339,109	225,208
Income tax payable		70,876	88,066
Derivative financial instruments	18	2,135	-
Lease liabilities		4,546	5,048
Employee profit sharing		13,207	21,509
		429,873	339,831
Total liabilities		**2,120,132**	**2,057,458**
Total equity and liabilities		**5,870,352**	**5,672,062**

Interim Consolidated Statement of Cash Flows

	Notes	*For the six months ended 30 June* 2021 *(Unaudited)*	2020 *(Unaudited)*
		(in thousands of US dollars)	
Net cash from operating activities	17	**512,035**	**422,518**
Cash flows from investing activities			
Purchase of property, plant and equipment		(256,794)	(181,958)
Proceeds from the sale of property, plant and equipment and other assets		162	144
Silverstream contract	10	22,453	13,135
Interest received		4,866	9,493
Proceeds from the layback agreement	2c	25,000	-
Net cash used in investing activities		**(204,313)**	**(159,186)**
Cash flows from financing activities			
Proceeds from notes payable[1]		23,625	23,145
Principal elements of lease payment	1	(3,327)	(2,796)
Dividends paid to shareholders of the Company		(172,620)	(87,737)
Capital contribution		31	27
Interest paid[2]		(24,837)	(19,723)
Net cash used in financing activities		**(177,128)**	**(87,084)**
Net increase in cash and cash equivalents during the period		130,594	176,248
Effect of exchange rate on cash and cash equivalents		1,889	1,835
Cash and cash equivalents at 1 January	13	1,070,415	336,576
Cash and cash equivalents at 30 June	13	**1,202,898**	**514,659**

[1] Corresponds to a short-term interest-bearing note payable received from Minera los Lagartos, S.A. de C.V. which holds a non-controlling interest in Juanicipio project. As of 30 June 2021, the balance amounted US$88.9 million (30 June 2020: US$23.3 million) and is presented within trade and other payables in the balance sheet.

[2] Total interest paid during the six months ended 30 June 2021 less amounts capitalised totalling US$4.1 million (30 June 2020: US$4.4 million) which is included within the caption Purchase of property, plant and equipment.

Interim Consolidated Statement of Changes in Equity

	Notes	*Share capital*	*Share premium*	*Capital reserve*	*Hedging Reserve*[1]	*Cost of hedging reserve*[1]	*Fair value reserve of financial assets at FVOCI*	*Foreign currency translation reserve*	*Retained earnings*	*Total attributable to shareholders of the Company*	*Non-controlling interests*	*Total equity*
					(in thousands of US dollars)							
Balance at 1 January 2020 (*Audited)*		**368,546**	**1,153,817**	**(526,910)**	**139**	**918**	**54,734**	**(250)**	**2,093,666**	**3,144,660**	**134,059**	**3,278,719**
Profit for the period		-	-	-	-	-	-	-	64,525	64,525	(8,024)	56,501
Other comprehensive income, net of tax		-	-	-	1,109	356	14,070	(1,526)	-	14,009	(12)	13,997
Total comprehensive income for the period		-	-	-	1,109	356	14,070	(1,526)	64,525	78,534	(8,036)	70,498
Hedging loss transferred to the carrying value of PPE purchased during the period		-	-	-	(143)	-	-	-	-	(143)	3	(140)
Capital contribution		-	-	-	-	-	-	-	-	-	27	27
Dividends paid	14	-	-	-	-	-	-	-	(87,690)	(87,690)	-	(87,690)
Balance at 30 June 2020 *(Unaudited)*		**368,546**	**1,153,817**	**(526,910)**	**1,105**	**1,274**	**68,804**	**(1,776)**	**2,070,501**	**3,135,361**	**126,053**	**3,261,414**
Balance at 1 January 2021 (*Audited)*		**368,546**	**1,153,817**	**(526,910)**	**3,292**	**1,072**	**117,420**	**(1,467)**	**2,363,275**	**3,479,045**	**135,559**	**3,614,604**
Profit for the period		-	-	-	-	-	-	-	302,126	302,126	6,237	308,363
Other comprehensive income, net of tax		-	-	-	(2,912)	(2,711)	6,004	24	-	405	(71)	334
Total comprehensive income for the period		-	-	-	(2,912)	(2,711)	6,004	24	302,126	302,531	6,166	308,697
Hedging loss transferred to the carrying value of PPE purchased during the period	18(c)	-	-	-	62	-	-	-	-	62	-	62
Capital contribution		-	-	-	-	-	-	-	-	-	31	31
Dividends paid	14	-	-	-	-	-	-	-	(173,174)	(173,174)	-	(173,174)
Balance at 30 June 2021 *(Unaudited)*		**368,546**	**1,153,817**	**(526,910)**	**442**	**(1,639)**	**123,424**	**(1,443)**	**2,492,227**	**3,608,464**	**141,756**	**3,750,220**

1 The amounts recognised in hedging reserve and cost of hedging reserve at 31 December 2020 have been amended to reflect the nature of the components of the valuation of certain derivatives at that date.

Notes to the Interim Condensed Consolidated Financial Statements

1 Corporate Information

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

Industrias Peñoles S.A.B. de C.V. ("Peñoles") currently owns 75 percent of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. The registered address of Peñoles is Calzada Legaria 549, Mexico City 11250. Copies of Peñoles' accounts can be obtained from www.penoles.com.mx. Further information on related party balances and transactions with Peñoles group companies is disclosed in Note 16.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 ("interim consolidated financial statements") were authorised for issue by the Board of Directors of Fresnillo plc on 2 August 2021.

The Group's principal business is the mining and beneficiation of non-ferrous minerals, and the sale of related production. The primary contents of this production are silver, gold, lead and zinc. Further information about the Group's operating mines and its principal activities is disclosed in Note 3.

2 Significant accounting policies

(a) Basis of preparation and statement of compliance

The interim consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board IASB and as adopted by UK. For reporting periods beginning on or after 1 January 2021, the Company's annual financial statements will be and these interim statements are prepared in accordance with UK- adopted international accounting standards which were established as a result of the UK's exit from the European Union. As applied to the Company there are not material differences from International Financial Reporting Standards as issued by the IASB. Except for the application of UK- adopted international accounting standards these Interim Statements have been prepared on the basis of the same accounting principles as those used in the Annual Report (Pages 204 to 214) for the year ended 31 December 2020.

These interim consolidated financial statements do not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2020 has been delivered to the Register of Companies. The auditor's report in accordance with Chapter 3 of Part 16 of the Companies Act 2006 in relation to those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 498(2) or section 498(3) of the UK Companies Act 2006.

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

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

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

On 23 April 2021, the Mexican Government published new regulations (the "New Regulations") prohibiting the sub-contracting of services (also known as "outsourcing"), except for qualified specialized services or works that are not encompassed within the main business purpose of the contracting entity. Initially, a three-month transition period expiring on 1 August 2021 was granted to allow employers to implement necessary arrangements in order to comply with the tax, labour and social security provisions. On 30 July 2021, Mexico's two houses of Congress granted an extension to the transition period until 1 September 2021. Based on the Group's analysis of possible arrangements, the New Regulations are not expected to materially impact production or costs in the second half of 2021.

(b) Basis of consolidation

The interim consolidated financial statements set out the Group's financial position as of 30 June 2021 and 31 December 2020, and its operations and cash flows for the six-month periods ended 30 June 2021 and 30 June 2020.

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 2020.

(c) Changes in accounting policies and presentation

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2020.

New standards, amendments and interpretations as adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Impact of standards issued but not yet applied by the Group

The IASB has issued other amendments resulting from improvements to IFRSs that management considers do not have any impact on the accounting policies, financial position or performance of the Group. The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

Significant accounting judgments, estimates and assumptions

Significant accounting judgments, estimates and assumptions are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020.

Additionally, as discussed in next section, the Group has evaluated the impact of the COVID-19 pandemic implications in the evaluation of significant judgements as of 30 June 2021 resulted in no changes required.

Layback agreement

In December 2020, the Group entered into multiple contracts with Orla Mining Ltd. and its Mexican Subsidiary, Minera Camino Rojo, S.A. de C.V. (together herein referred to as "Orla"), granting Orla the right to expand the Camino Rojo oxide pit onto Fresnillo's "Guachichil D1" mineral concession. Based on the terms of the contracts, the Group will transfer the legal rights to access and mine the mineral concession to Orla.

Due to the fact that the contracts were negotiated together, the Group has considered the layback contracts as a single agreement (Layback Agreement) for the purpose of determining the accounting implications of the transaction. The Group determined that the transaction should be accounted for as the sale of a single intangible asset. As such, it is relevant to consider the point at which control transfers in accordance with the requirements of IFRS 15 regarding when a performance obligation is satisfied and in light of the continuing performance obligations on the part of the Group.

The effectiveness of the agreement was subject to the approval of the Mexican Federal Competition Commission (COFECE), which was granted in February 2021. The consideration includes three payments: US$25.0 million that was paid upon the approval of COFECE, US$15.0 million that will be paid no later than 1 December 2022, US$22.8 million no later than 1 December 2023. The future amounts due bear interest at an annual rate of 5%. Upon notification of approval by COFECE, the Group recognised the fair value of consideration set out in the contract (US$67.2 million, being the cash flows set out above discounted at the risk-free rate).

As set out in the Layback Agreement, the Group continues to provide support to Orla in respect of other negotiations relevant to their acquisition of the rights to access from the local ejido, thus the Company has recognized the total value of the agreement as deferred income. Based on the expected time of complete the remaining performance obligations the Company the deferred income is classified as current.

The ongoing support does not affect the Group's contractual right to the payments set out above. As such, the fair value of the amount receivable has been recognised in full (US$42.2 million).

(d) Effect of COVID-19

The Company continues to actively monitor the impact of the COVID-19 pandemic, including the impact on economic activity and financial reporting. Throughout the pandemic, the Company has taken a number of measures to safeguard the health of its employees and their local communities while continuing to operate safely and responsibly. In the first half of 2021, the Company incurred $2.5 million of COVID-19 related costs mainly associated with community support, the acquisition of additional personal protective equipment and higher transportation costs. As the pandemic continues to progress and evolve, it is difficult to predict the full extent and duration of resulting operational and economic impacts for the Company, but these may impact a number of reporting periods. This uncertainty impacts judgements made by the Company, including those relating to determining the recoverable values of the Company's non-current assets.

(e) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above in the Operational Review, with further detail in the Annual Report 2020. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review. In addition, the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk were set out in the Annual Report 2020. Details of its financial instruments and hedging activities as at 30 June 2021 are set out in note 18 to the interim report.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecasts for the period to 31st December 2022. In addition, they reviewed a more conservative cash flow scenario with reduced silver and gold prices of US$21.1 and US$1,568 respectively throughout this period, whilst maintaining current budgeted expenditure while only considering projects approved by the Executive Committee. This resulted in our current cash balances reducing over time but maintaining sufficient liquidity throughout the period.

The Directors have further calculated prices (US$11.6 and US$823 for silver and gold respectively), which should they prevail to the end of 2022 would result in cash balances decreasing to minimal levels by the end of 2022, without applying mitigations.

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

Additionally, the Directors reviewed scenarios that incorporated an estimated potential impact of the same severe but plausible Covid-19 restrictions that were considered in the 2020 year end going concern assessment (Covid Overlay). Further detail about this overlay is set out in the going concern statement and viability assessment disclosure in the 2020 Annual Report.

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

3 Segment reporting

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

At 30 June 2021 the Group has six reportable operating segments represented by six producing mines as follows:

The Fresnillo mine, located in the State of Zacatecas, an underground silver mine;
The Saucito mine, located in the State of Zacatecas, an underground silver mine;
The Cienega mine, located in the State of Durango, an underground gold mine;
The Herradura mine, located in the State of Sonora, a surface gold mine;
The Noche Buena mine, located in the State of Sonora, a surface gold mine; and
The San Julian mine, located on the border of Chihuahua / Durango states, an underground silver-gold mine.

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

In the six months ended 30 June 2021 and 2020, all revenue was derived from customers based in Mexico.

Management monitors the results of its operating segments separately for the purpose of performance assessment and making decisions about resource allocation. Segment performance is evaluated without taking into account certain adjustments included in revenue as reported in the interim consolidated income statements, and certain costs included within cost of sales and gross profit which are considered to be outside of the control of the operating management of the mines. The table below provides a reconciliation from segment profit to gross profit as per the interim consolidated income statement. Other income and expenses included in the interim consolidated income statement are not allocated to operating segments. Transactions between reportable segments are accounted for on an arm's length basis similar to transactions with third parties.

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2021 and 2020, respectively. Revenues for the six months ended 30 June 2021 and 30 June 2020 include those derived from contracts with costumers and other revenues, as showed in note 4.

Six months ended 30 June 2021

US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Saucito**	**Noche Buena**	**San Julian**	**Other[4]**	**Adjustments and eliminations**	**Total**
Revenues:									
Third party[1]	246,170	449,062	115,542	309,613	74,883	271,570	-	-	1,466,840
Inter-Segment	-	-	-	-	-	-	75,416	(75,416)	-
Segment revenues	**246,170**	**449,062**	**115,542**	**309,613**	**74,883**	**271,570**	**75,416**	**(75,416)**	**1,466,840**
Segment profit[2]	**129,318**	**223,548**	**60,718**	**203,534**	**20,787**	**182,866**	**60,984**	**(1,082)**	**880,673**
Foreign exchange hedging gains									3,827
Depreciation and amortisation									(265,366)
Employee profit sharing									(12,345)
Gross profit as per the income statement									**606,789**
Capital expenditure[3]	43,662	27,730	20,485	36,510	278	20,185	107,945	-	**256,795**

[1]Total third party revenues include treatment and refining charges amounting US$76.2 million. Adjustments and eliminations correspond to hedging gains (note 4).
[2] Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing.
[3] Capital expenditure represents the cash outflow in respect of additions to property, plant and equipment, including mine development, construction of leaching pads, and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include the facilities of the Juanicipio development project (included in other) and mine development.
[4] Other inter-segment revenue corresponds to leasing services provided by Minera Bermejal, S.A. de C.V; capital expenditure corresponds to Minera Juanicipio S.A de C.V.

Six months ended 30 June 2020

US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Saucito**	**Noche Buena**	**San Julian**	**Other[4]**	**Adjustments and eliminations**	**Total**
Revenues:									
Third party[1]	156,496	348,711	101,109	211,463	80,347	154,588		1,469	1,054,183
Inter-Segment	-	-	-	-	-	-	86,395	(86,395)	-
Segment revenues	**156,496**	**348,711**	**101,109**	**211,463**	**80,347**	**154,588**	**86,395**	**(84,926)**	**1,054,183**
Segment profit[2]	**75,973**	**192,671**	**54,289**	**118,590**	**24,898**	**70,045**	**45,092**	**(915)**	**580,643**
Foreign exchange hedging gains									87
Depreciation and amortisation									(251,707)
Employee profit sharing									(7,839)
Gross profit as per the income statement									**321,184**
Capital expenditure[3]	50,203	14,941	12,273	30,293	1,358	17,531	55,359		**181,958**

[1]Total third party revenues include treatment and refining charges amounting US$72.4 million. Adjustments and eliminations correspond to hedging gains (note 4).
[2] Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing.
[3] Capital expenditure represents the cash outflow in respect of additions to property, plant and equipment, including mine development, construction of leaching pads, and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include the construction of the leaching plant at Fresnillo and the facilities of the Juanicipio development project (included in other).
[4] Other inter-segment revenue corresponds to leasing services provided by Minera Bermejal, S.A. de C.V; capital expenditure corresponds to Minera Juanicipio S.A de C.V.

4 Revenues

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

(a) Revenues

	Six months ended 30 June	
	2021	*2020*
	(in thousands of US dollars)	
Revenues from contracts with customers	1,481,812	1,051,796
Revenues from other sources		
Provisional pricing adjustment on products sold	(14,972)	918
Hedging gain on sales	-	1,469
	1,466,840	**1,054,183**

(b) Revenues by product sold

	Six months ended 30 June	
	2021	*2020*
	(in thousands of US dollars)	
Lead concentrates (containing silver, gold, lead and by-products)	629,775	408,017
Doré and slag (containing gold, silver and by-products)	459,668	367,359
Zinc concentrates (containing zinc, silver and by-products)	178,441	94,414
Precipitates (containing gold and silver)	134,679	122,694
Activated carbon (containing gold, silver and by-products)	64,277	61,699
	1,466,840	**1,054,183**

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

(c) Value of metal content in products sold

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	
	2021	*2020*
	(in thousands of US dollars)	
Silver	629,096	382,961
Gold	720,042	611,961
Zinc	131,805	82,869
Lead	62,135	48,844
Value of metal content in products sold	1,543,078	1,126,635
Adjustment for treatment and refining charges	(76,238)	(72,452)
Total revenues[1]	**1,466,840**	**1,054,183**

[1] Includes provisional price adjustments which represent changes in the fair value of trade receivables resulting in a loss of US$15.0 million (2020: gain of US$1.0 million). During the period ended 30 June 2021 there were no hedging effects on revenues (2020: gain of US$1.47 million).

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

	Six months ended 30 June	
	2021	2020
	(in US dollars per ounce)	
Gold[2]	1,789.24	1,676.80
Silver[2]	26.41	16.79

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

5 Cost of sales

	Six months ended 30 June	
	2021	2020
	(in thousands of US dollars)	
Depreciation and amortisation (Note 9)	265,366	251,707
Personnel expenses[1]	68,081	55,351
Maintenance and repairs	93,958	83,520
Operating materials	106,983	97,145
Energy	117,505	89,667
Contractors	200,637	169,115
Mining concession rights and contributions	9,885	5,102
Freight	4,417	3,788
Surveillance	4,044	3,206
Insurance	4,580	2,991
Other	13,259	3,645
Cost of production	888,715	765,237
Unabsorbed production costs[2]	956	6,122
Gain on foreign currency hedges	(3,827)	(87)
Change in work in progress and finished goods (ore inventories)[3]	(25,793)	(38,273)
Cost of sales	**860,051**	**732,999**

[1] Personnel expenses include employees' profit sharing of US$8.9 million for the six months ended 30 June 2021 (six months ended 30 June 2020: US$7.8 million).
[2] Corresponds to fixed production cost (labour cost and depreciation) incurred in Minera San Julian due to a power outage (2020: fixed production cost (labour cost and depreciation) incurred in Penmont during the lockdown period related to COVID-19).
[3] Refer to 2020 Consolidated Financial Statements for more detail related to change in work in progress inventories for the six months ended 30 June 2020 following a change in estimation.

6 Finance income and finance costs

	Six months ended 30 June	
	2021	2020
	(in thousands of US dollars)	
Finance income:		
Interest on short term deposits and investments	2,551	2,709
Interest on tax receivables	2,316	6,784
Other	698	1
	5,565	**9,494**
Finance costs:		
Interest on interest-bearing loans	23,764	19,409
Interest on lease liabilities	288	341
Unwinding of discount on provisions	6,460	5,363
Other	448	539
	30,960	**25,652**

7 Income tax expense

	Six months ended 30 June	
	2021	*2020*
	(in thousands of US dollars)	
Current corporate income tax:		
Income tax charge	178,812	117,156
Amounts under /(over) provided in previous periods	6,430	(8,425)
	185,242	108,731
Deferred corporate income tax:		
Origination and reversal of temporary differences	(72,887)	(37,229)
Revaluation effects of Silverstream contract	(1,207)	(9,547)
	(74,094)	(46,776)
Corporate income tax	**111,148**	**61,955**
Current special mining right:		
Special mining right charge[1]	33,771	7,899
	33,771	7,899
Deferred special mining right:		
Origination and reversal of temporary differences	(7,929)	1,526
Special mining right	**25,842**	**9,425**
Income tax expense as reported in the income statement	**136,990**	**71,380**

[1] The special mining right allows the deduction of payments for mining concession rights up to the amount of the special mining right payable within the same legal entity. In the six months ended 30 June 2021, the Group credited US$5.7 million (2020: US$7.9 million) of mining concession rights against the special mining right. Prior to credits permitted under the special mining right regime, the current special mining right charge would have been US38.8 million (2020: US$16.8).

The total mining concession rights paid during the six-month period were US$11.4 million (2020: US$11.3 million) and have been recognised in the income statement within cost of sales and exploration expenses. Mining concessions rights paid in excess of the special mining right cannot be credited to special mining rights in future fiscal periods, and therefore, no deferred tax asset has been recognised in relation to the excess.

Tax charged within the six-month period ended 30 June 2021 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the period ended 31 December 2021using rates substantively enacted by 30 June 2021 as required by IAS 34 Interim Financial Reporting.

The effective tax rate for corporate income tax for the six months ended 30 June 2021 is 24.96% (six months ended 30 June 2020: 48.45%) and 30.76% including the special mining right (six months ended 30 June 2020: 55.82%). The main factors that decrease the effective tax rate for corporate income tax below 30% are the foreign exchange effect on tax value of assets and liabilities net of the deductible effect of foreign exchange loss of the period.

8 Earnings per share

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

The Company has no dilutive potential ordinary shares.

For the six months ended 30 June 2021 and 30 June 2020, earnings per share have been calculated as follows:

	Six months ended 30 June	
	2021	*2020*
	(in thousands of US dollars)	
Earnings:		
Profit from continuing operations attributable to equity holders of the Company	302,126	64,525
Adjusted profit from continuing operations attributable to equity holders of the Company	304,942	86,802

Adjusted profit is profit as disclosed in the Interim Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$4.0 million loss (US$2.8 million net of tax) (2020: US$31.8 million gain and US$22.2 million net of tax).

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

	Six months ended 30 June	
	2021	*2020*
Number of shares:		
Weighted average number of ordinary shares in issue ('000)	736,894	736,894

	Six months ended 30 June	
	2021	*2020*
Earnings per share:		
Basic and diluted earnings per ordinary share from continuing operations (US$)	0.410	0.088
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.414	0.118

9 Property, plant and equipment

The changes in property, plant and equipment, including right-of-use assets, during the six months ended 30 June 2021 are principally additions of US$256.8 million (six months ended 30 June 2020: US$142.6 million) and depreciation and amortisation of US$267.2 million, of which US$1.1 million was capitalised as a part of the cost of other fixed assets (six months ended 30 June 2020: US$252.4 million, of which US$1.4 million was capitalised). Significant additions include the development of Juanicipio project as well as plant equipment and mine development in underground and open pit mines.

As of 30 June 2021, the Group has contractual commitments related to the construction and acquisition of property, plant and equipment of US$ 216.5 million (30 June 2020: US$180.9 million).

10 Silverstream contract

On 31 December 2007, the Group entered into an agreement with Peñoles through which it is entitled to receive the proceeds received by the Peñoles Group in respect of the refined silver sold from the Sabinas Mine ('Sabinas'), a 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 one to five and $5.00 thereafter (subject to an inflationary adjustment that commenced from 31 December 2013) is payable to Peñoles. The cash payment per ounce for the period ended 30 June was $5.43 per ounce (30 June 2020: $5.37 per ounce). Under the contract, the Group has the option to receive a net cash settlement from Peñoles attributable to the silver produced and sold from Sabinas, to take delivery of an equivalent amount of refined silver or to receive settlement in the form of both cash and silver. If, by 31 December 2032, the amount of silver produced by Sabinas is less than 60 million ounces, a further payment is due from Peñoles of US$1.00 per ounce of shortfall. At 30 June 2021 the weighted average rate applied for the purposes of the valuation model calculated with reference to annual undiscounted cash flow was 7.83% (30 June 2020: 7.08%).

In the six months ended 30 June 2021, total proceeds received in cash were US$22.5 million (2020: US$13.1 million) of which, US$76 million was in respect of proceeds receivable as at 31 December 2020 (2019: US$5.2 million). Cash received in respect of the period of US$14.8 million (six months ended 30 June 2020: US$7.8 million) corresponds to 1.09 million ounces of payable silver (six months ended 30 June 2020: 1.19 million ounces). As at 30 June 2021, a further US$7.8 million (30 June 2020: US$4.0 million) of cash corresponding to 383,179 ounces of silver is due (30 June 2020: 324,569 ounces).

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

	2021	*2020*
	(in thousands of US dollars)	
Balance at 1 January:	576,140	541,254
Cash received in respect of the period	(14,804)	(7,851)
Cash receivable	(7,793)	(4,048)
Remeasurement loss recognised in profit or loss	(4,023)	(31,824)
Balance at 30 June	**549,520**	**497,531**
Less - Current portion	41,759	24,874
Non-current portion	507,761	472,657

The US$4.0 million unrealised loss recorded in the income statement (30 June 2020: US$31.8 million loss) resulted mainly from the increase in the LIBOR reference rate and a decrease in the production plan due to silver resources update. These effects were partially compensated by inflation and exchange rate forecasts and a slight increase in the forward silver price curve.

11 Inventories

	As at 30 June 2021	As at 31 December 2020
	(in thousands of US dollars)	
Finished goods[1]	46,779	28,925
Work in progress[2]	313,827	305,888
Ore stockpile[3]	193	414
Operating materials and spare parts	112,306	113,111
Inventories at lower of cost and net realisable value	473,105	448,338
Allowance for obsolete and slow-moving inventories	(5,362)	(5,131)
Balance at lower of cost and net realisable value	467,743	443,207
Less - Current portion	376,123	351,587
Non-current portion[4]	91,620	91,620

[1] Finished goods include metals contained in concentrates and doré bars, and concentrates on hand or in transit to a smelter or refinery.
[2] Work in progress includes metals contained in ores on leaching pads. Refer to 2020 Consolidated Financial Statements for more detail related to change in work in progress inventories for the six months ended 30 June 2020 following a change in estimation.
[3] Ore stockpile includes ore mineral obtained during the development phase at Juanicipio.
[4] Non-current inventories relate to ore in leaching pads where the leaching process has stopped and is not expected to restart within twelve months.

12 Trade and other receivables

	As at 30 June 2021	As at 31 December 2020
	(in thousands of US dollars)	
Trade and other receivables from related parties (Note 16)[1]	313,446	326,833
Value added tax receivable	167,276	167,957
Other receivables from related parties (Note 16)	8,117	8,176
Other receivable from contractors	2,248	1,918
Other receivables arising from the layback agreement (Note 2c)	2,615	-
Other receivables	11,377	8,545
	505,079	513,429
Provision for credit impairment of other receivables	(779)	(502)
	504,300	512,927
Other receivables classified as non-current assets:		
Other receivables arising from the layback agreement (Note 2c)	39,595	-
	39,595	-
	543,895	512,927

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

Balances corresponding to Value Added Tax receivables and US$11.4 million within Other receivables (2020:US$8.5 million) are not financial assets.

13 Cash and cash equivalents

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

	As at 30 June 2021	*As at 31 December 2020*
	(in thousands of US dollars)	
Cash at bank and on hand	5,927	1,955
Short-term deposits	1,196,971	1,068,460
Cash and cash equivalents	**1,202,898**	**1,070,415**

Cash at bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short-term deposits can be withdrawn at short notice without any penalty or loss in value.

14 Dividends paid

Dividends declared by the Company are as follows:

	Per share US Cents	Amounts $Million
Six months ended 30 June 2021		
Total dividends paid during the period[1]	23.5	173.2
Six months ended 30 June 2020		
Total dividends paid during the period[2]	11.9	87.7

[1] Final dividend for 2020 approved at the Annual General Meeting on 24 June 2021 and paid on 28 June 2021.

[2] Final dividend for 2019 approved at the Annual General Meeting on 26 May 2020 and paid on 2 June 2020.

15 Contingencies

The contingencies in the Group's annual consolidated financial statements for the year ended 31 December 2020 as published in the 2020 Annual Report, are still applicable as of 30 June 2021, with the followings updates:

- With regards to tax audits, we summarise the status of on-going inspections:

  – On 13 February 2020, SAT initiated an audit of the income tax and mining rights computations of Desarrollos Mineros Fresne for the year 2014. On 3 February 2021, the SAT delivered its findings to which the company responded on March 2, 2021 and began before the PRODECON the procedure of a Conclusive Agreement. The findings relate to the tax treatments of capitalised stripping cost and exploration expenditure. On 29 June 2021 the Company provided additional documentation and information to the SAT through PRODECON and the SAT´s response is expected on 5 August 2021.

  It is not practical to determine the amount of any potential claims or the likelihood of any unfavourable outcome arising from this or any future inspections that may be initiated. However, management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

16 Related party balances and transactions

The Group had the following related party transactions during the six months ended 30 June 2021 and 30 June 2020 and balances as at 30 June 2021 and 31 December 2020.

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

(a) Related party accounts receivable and payable

	Accounts receivable		*Accounts payable*	
	As at 30 June 2021	*As at 31 December 2020*	*As at 30 June 2021*	*As at 31 December 2020*
	(in thousands of US dollars)			
Trade:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	313,446	326,833	384	170
Other:				
Industrias Peñoles, S.A.B. de C.V.	7,793	7,648	-	-
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	277	397	-	-
Serviminas, S.A. de C.V.	-	-	5,111	-
Servicios Administrativos Peñoles, S.A de C.V.	-	-	3,018	3,156
Servicios Especializados Peñoles, S.A. de C.V.	-	-	1,731	2,652
Fuentes de Energía Peñoles, S.A. de C.V.	-	-	764	568
Termoeléctrica Peñoles, S. de R.L. de C.V.	-	-	2,788	2,662
Eólica de Coahuila S.A. de C.V.	-	-	10,483	7,342
Other	47	131	1,374	3,079
	321,563	335,009	25,653	19,629

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

Other balances due from related parties:

	As at 30 June 2021	*As at 31 December 2020*
	(in thousands of US dollars)	
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	549,520	576,140

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

(b) Principal transactions with affiliates are as follows:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	(in thousands of US dollars)	
***Income*:**		
Sales[1]:		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	1,466,840	1,052,714
Other income	1,591	1,428
Total income	**1,468,431**	**1,054,142**

[1] Figures are net of treatment and refining charges of US$76.2 million (June 2020: US$72.4 million).

	Six months ended 30 June 2021	Six months ended 30 June 2020
	(in thousands of US dollars)	
***Expenses*:**		
Administrative Services:		
Servicios Administrativos Peñoles, S.A. de C.V.[2]	16,289	16,347
Servicios Especializados Peñoles, S.A. de C.V.[2]	9,623	8,225
	25,912	24,572
Energy:		
Fuentes de Energía Peñoles, S.A. de C.V.	2,202	1,752
Termoeléctrica Peñoles, S. de R.L. de C.V.	10,390	8,588
Eólica de Coahuila, S.A. de C.V.	19,214	18,233
	31,806	28,573
Operating materials and spare parts:		
Wideco Inc	1,758	2,378
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	5,081	3,126
	6,839	5,504
Equipment repairs and administrative services:		
Serviminas, S.A. de C.V.	3,966	1,949
Insurance premiums:		
Grupo Nacional Provincial, S.A.B. de C.V.	4,782	2,923
Other expenses	1,492	943
Total expenses	74,797	64,464

[2] Based on the Service Agreement with Servicios Administrativos Peñoles, S.A. de C.V., ("SAPSA") and Servicios Especializados Peñoles, S.A. de C.V. ("SEPSA"), both wholly owned Peñoles' subsidiaries, the companies provided administrative services during the six months ended 30 June 2021 for a total amount of US$25.6 million (US$24.6 million for the six months ended 30 June 2020). Of the total amount of these services, US$24 million (US$23.4 million for the six months ended 30 June 2020) were recognised in administrative expenses and US$1.9 million (US$1.2 million for six months ended 30 June 2020) were capitalised.

(c) Compensation of key management personnel of the Group

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

	Six months ended 30 June	
	2021	*2020*
	(in thousands of US dollars)	
Salaries and bonuses	1,812	1,627
Post-employment pension	126	129
Other benefits	150	127
Total compensation paid to key management personnel	2,088	1,883

17 Notes to the consolidated statement cash flows

	Notes	*Six months ended 30 June*	
		2021	*2020*
		(in thousands of US dollars)	
Reconciliation of profit for the period to net cash generated from operating activities			
Profit for the period		308,363	56,501
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation	9	265,979	252,411
Employee profit sharing		12,661	8,002
Deferred income tax credit	7	(82,023)	(45,250)
Current income tax expense	7	219,013	116,630
Gain on the sale of property, plant and equipment		(22)	(109)
Net finance costs		25,387	16,158
Foreign exchange (gain)/loss		(3,572)	19,819
Difference between pension contributions paid and amounts recognised in the income statement		608	517
Non-cash movement on derivatives		1	(259)
Changes in fair value of Silverstream	10	4,023	31,824
Working capital adjustments			
Decrease in trade and other receivables		9,341	71,323
Decrease in prepayments and other assets		2,037	1,996
Increase in inventories		(24,536)	(43,154)
Increase in trade and other payables		28,285	7,139
Cash generated from operations		**765,545**	**493,548**
Income tax paid[1]		(232,297)	(63,984)
Employee profit sharing paid		(21,213)	(7,046)
Net cash from operating activities		**512,035**	**422,518**

[1] Income tax paid includes US$204.3 million corresponding to corporate income tax (June 2020: US$61.4 million) and US$28 corresponding to special mining right (June 2020: US$2.2 million), for further information refer to note 7.

18 Financial instruments

a. Classification

As at 30 June 2021
US$ thousands

Financial assets:	Amortized cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables (Note 12[1])	43,677	-	-	321,563
Equity instruments at FVOCI	-	221,153	-	-
Silverstream contract	-	-	-	549,520
Derivative financial instruments	-	-	323	-

Financial liabilities:	Amortised Cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans	1,156,330	-	-
Trade and other payables	211,673	-	-
Derivative financial instruments	-	2,135	-

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

As at 31 December 2020
US$ thousands

Financial assets:	Amortized Cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables (Note 12[1])	1,944	-	-	334,482
Equity instruments at FVOCI	-	212,576	-	-
Silverstream contract	-	-	-	576,140
Derivative financial instruments	-	-	6,290	-

Financial liabilities:	Amortised Cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans	1,156,670	-	-
Trade and other payables	170,892	-	-

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

b. Fair value measurement

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: a) in the principal market for the asset or liability, or b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The value of financial assets and liabilities other than those measured at fair value are as follows:

	Carrying amount		Fair value	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	US$ thousands			
Financial assets:				
Trade and other receivables	43,677	1,944	43,677	1,944
Financial liabilities:				
Interest-bearing loans[1]	1,156,330	1,156,210	1,213,771	1,297,770
Trade and other payables	211,673	170,892	211,673	170,892

[1] Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.

The carrying amounts of all other financial instruments are measured at fair value.

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as follows:

As of 30 June 2021
Fair value measure using

	Quoted prices in active markets (Level 1)	Significant observable (Level 2)	Significant unobservable (Level 3)	Total
		US$ thousands		
Financial assets:				
Trade receivables (Note 12)[1]	-	-	321,563	321,563
Derivative financial instruments:				
Option commodity contracts	-	317	-	317
Option and forward foreign exchange contracts	-	5	-	5
Silverstream contract (Note 10)	-	-	549,520	549,520
Other financial assets:				
Equity instruments at FVOCI	221,153	-	-	221,153
	221,153	**323**	**871,083**	**1,092,559**
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	-	1,820	-	1,820
Option and forward foreign exchange contracts	-	315	-	315
	-	**2,135**	-	**2,135**

[1]Includes receivable corresponding Silverstream contract of US7.8 million.

As of 31 December 2020
Fair value measure using

	Quoted prices in active markets (Level 1)	Significant observable (Level 2)	Significant unobservable (Level 3)	Total
		US$ thousands		
Financial assets:				
Trade receivables (Note 12) [1]			334,482	334,482
Derivative financial instruments:				
Option commodity contracts	-	1,666	-	1,666
Option and forward foreign exchange contracts	-	4,624	-	4,624
Silverstream contract	-	-	576,140	576,140
Other financial assets:				
Equity instruments at FVOCI	212,576	-	-	212,576
	212,576	**6,290**	**910,622**	**1,129,488**

[1]Includes receivable corresponding Silverstream contract of US7.6 million.

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

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

	2021	2020
	US$ thousands	
Balance at 1 January	326,833	206,982
Sales	3,349,471	2,346,142
Cash collection	(3,347,886)	(2,335,450)
Changes in fair value[1]	(5,479)	11,324
Realised embedded derivatives during the year[1]	(9,493)	(10,406)
Balance at 30 June	**313,446**	**218,592**

1 Changes in fair value and realised embedded derivatives during the year are recognised in revenues.

Valuation techniques

The following valuation techniques were used to estimate the fair values:

Option commodity contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The Level 2 option commodity contracts are measured based on observable spot commodity prices, the yield curves of the respective commodity as well as the commodity basis spreads between the respective commodities. The option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot commodities price, interest rates and the volatility of the commodity.

Option and forward foreign exchange contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The Level 2 foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The foreign currency option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot exchange rates, interest rates and the volatility of the currency.

Silverstream contract (see note 10)

The fair value of the Silverstream contract is determined using a valuation model. The term of the derivative, which is based on Sabinas' life of mine, is currently 34 years and the valuation model utilises a number of inputs that are not based on observable market data due to the nature of these inputs and/or the duration of the contract. Inputs that have a significant effect on the recorded fair value are the volume of silver that will be produced and sold from the Sabinas mine over the contract life, the future price of silver, future foreign exchange rates between the Mexican peso and US dollar, future inflation and the discount rate used to discount future cash flows.

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

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

The following table demonstrates the sensitivity of the Silverstream contract valuation to reasonably possible changes in those inputs. There are no changes to equity other than those derived from the changes in profit before tax.

30 June 2021	Increase/ (decrease)	Effect on profit before tax: increase/ (decrease) *US$ thousands*
Silver price	10%	71,625
	(10%)	(71,625)
Interest rate	25 basis point	(12,609)
	(20 basis point)	10,454

31 December 2020	Increase/ (decrease)	Effect on profit before tax: increase/ (decrease) *US$ thousands*
Silver price	45%	338,484
	(45%)	(338,484)
Interest rate	25 basis point	(14,689)
	(20 basis point)	12,239

Equity investments

The fair value of equity investments is derived from quoted market prices in active markets.

Interest-bearing loans

The fair value of the Group's interest-bearing loan is derived from quoted market prices in active markets.

Receivables from provisional sales

Sales of concentrates, precipitates and doré bars are 'provisionally priced' and revenue is initially recognised using this provisional price and the Group's best estimate of the contained metal. Revenue is subject to final price and metal content adjustments subsequent to the date of delivery. This price exposure is considered to be an embedded derivative and therefore the entire related trade receivable is measured at fair value.

At each reporting date, the provisionally priced metal content is revalued based on the forward selling price for the quotational period stipulated in the relevant sales contract. The selling price of metals can be reliably measured as these metals are actively traded on international exchanges but the estimated metal content is a non-observable input to this valuation.

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c. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios that support its business and maximise shareholder value. Management considers capital to consist of equity and interest-bearing loans, including loans from related parties, as disclosed in the balance sheet, excluding net unrealised gains or losses on revaluation of cash flow hedges and debt instruments. In order to ensure an appropriate return for shareholder's capital invested in the Group management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive Committee before submission to the Board for ultimate approval, where applicable. The Group's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows, including cash flows from the Silverstream.

One of the Group's metrics of capital is cash and other liquid assets which as at 30 June 2021 and 2020 consisted of only cash and cash equivalents.