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2 August 2022

Fresnillo plc interim results for the six months to 30 June 2022

Octavio Alvídrez, Chief Executive Officer, commented:

"We have remained committed to our purpose during the year, with the safety and well-being of our people the key priority in every decision we make as a company. Though the impact of the pandemic has reduced over time, the recent fifth wave in Mexico highlights how we must continue to support our people and our communities, in particular as we face new uncertainties in these challenging times.

"We have proactively addressed these challenges and I am pleased to report a good financial performance in the first half. The actions we have taken to implement the Mexican labour reform have been effective. We are on track to complete the staffing process at Fresnillo and San Julián by the end of 3Q22, and at Ciénega and Saucito by year end, despite a tight labour market. The global supply chain bottlenecks that so many industries are facing, together with cost inflation will have some impact in the second half. However, we are confident in our ability to weather these short term challenges, without limiting our ambitious longer term growth plans. We look forward to achieving connection to the electricity grid at Juanicipio in the coming weeks, and rapidly ramping up production, while also continuing to develop the Rodeo and Orisyvo mining projects.

"We benefit from a consistent strategy, exceptional assets, an exciting growth pipeline and a very strong balance sheet. We are well placed to deliver on our objectives this year. We look forward with determination and confidence."

First half highlights

Financial highlights (1H22/1H21 comparisons)

- Adjusted Revenues[1] of US$1,349.0m, down 12.6%; 91% of this mainly due to lower gold volumes and 9% due to lower silver prices.
- Revenues of US$1,259.1m, down 14.2%.
- Gross profit and EBITDA[2] of US$365.9m and US$459.1m, down 39.7% and 38.5%, 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.

- Profit from continuing operations before net finance costs and income tax and profit before income tax of US$218.2m and US$155.2m, down 53.8% and 65.1%, respectively.
- Profit for the period of US$141.0m, down 54.3%.
- Basic and diluted EPS from continuing operations of US$15.9 cents per share, down 61.2%.
- Adjusted EPS[3] of US$19.4 cents per share, down 53.1%.
- Cash generated from operations, before changes in working capital, of US$459.5m, down 38.8%.
- Free cash flow[4] of US$93.5m in 1H22 (US$305.1m in 1H21).
- Strong balance sheet with cash and other liquid funds[5] as at 30 June 2022 of US$1,151.9m (31 December 2021: $1,235.3m); net debt/EBITDA of 0.02x[6] (31 December 2021: -0.06x).
- Interim dividend of 3.40 US cents per share, totaling US$25.1m (1H21: 73.0m).

Operational highlights (1H22/1H21 comparisons)
As disclosed in the 2Q22 production report on 27 July 2022:

- First half attributable silver production of 27.6 moz (including Silverstream), up 0.4% vs. 1H21.
- First half attributable gold production of 308.8 koz, down 27.9% vs. 1H21.
- We expect to complete the tie-in of the Juanicipio plant and Pyrites Plant at Fresnillo to the national electricity grid in the coming weeks. Commissioning of the Juanicipio plant will follow soon after with the ramp up of the plant beginning towards the end of the third quarter.
- Ongoing focus on costs control and productivity.

Covid-19 update

We saw a drop in Covid-related absenteeism across our operations from March onwards following the arrival of the fourth wave of Covid towards the end of 2021, and have seen a more limited impact on our operations during 2Q22. Despite continuing to implement strict protocols to limit the spread of the virus, a fifth wave has now reached Mexico and we are seeing a rise in positive cases in the country. Should this trend continue, we will see an increase in Covid-related absenteeism in the second half. The safety and well-being of our people is our priority, and we continue to closely monitor the spread of the virus and implement a range of safety measures across our business.

[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

Highlights for 1H22

US$ million unless stated	H1 22	H1 21	% change
Silver production (koz) *	27,632	27,530	0.4
Gold production (oz)	308,752	428,356	(27.9)
Total revenues	1,259.1	1,466.8	(14.2)
Adjusted revenues[1]	1,349.0	1,543.1	(12.6)
Cost of Sales	893.2	860.1	3.8
Exploration expenses	77.7	60.9	27.6
EBITDA[2]	459.1	747.0	(38.5)
Profit for the period	141.0	308.4	(54.3)
Cash generated by operations before changes in working capital	459.5	750.4	(38.8)
Basic and Diluted EPS (US$)[3]	0.159	0.410	(61.2)
Basic and Diluted EPS, excluding post-tax Silverstream revaluation effects (US$)	0.194	0.414	(53.1)
Dividend per ordinary share (US$)	0.034	0.099	(65.7)

* 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 2022 and H1 2021 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 27.6 moz (including Silverstream), in line with 1H21 as the expected lower ore grade at San Julián DOB and lower volume of ore processed at Saucito was offset by the increased contribution of ore from Juanicipio.

First half attributable gold production of 308.8 koz, down 27.9% vs. 1H21 primarily due to the expected decrease in the volume of ore processed and lower ore grades at Herradura and Saucito.

First half attributable by-product lead and zinc production decreased 15.6% and 5.7% vs. 1H21 respectively, primarily due to lower volumes of ore processed and ore grades at Saucito and a decrease in ore grades at San Julián DOB.

The safety and wellbeing of our people remains our absolute priority and we continue to nurture a strong safety culture across all our mines through the reinforcement of our safety training and the monitoring of the adherence to our safety policies. The 'I Care, We Care' programme continues to be rolled out across the business and is a central aspect of all operations and new development projects.

Financial results

Total revenues decreased 14.2% to US$1,259.1 million in 1H22, due mainly to the lower volume of gold sold and a decrease in silver price, mitigated by higher zinc and gold prices.

The average realised silver price decreased 13.8% from US$26.4 per ounce in 1H21 to US$22.8 per ounce in 1H22, while the average realised gold price rose 4.6%, from US$1,789.2 per ounce in 1H21 to US$1,871.1 per ounce in 1H22. Further, the average realised lead and zinc by-product prices increased 2.8% and 33.1% against their corresponding periods, to US$98.3 and US$173.8 per pound, respectively.

Adjusted production costs[7] increased by 7.9% to US$659.3 million in 1H22. The US$48.2 million increase resulted mainly from: i) cost inflation, including the Mexican peso vs. US dollar devaluation effect (US$44.1 million); ii) costs from the start-up of operations at Juanicipio (US$43.1 million); iii) increase in the use of infrastructure contractors, and maintenance (electric and mechanical) (US$24.5 million); iv) higher volume of ore processed at Fresnillo and San Julián DOB (US$7.1 million); v) and others (US$9.2 million). These adverse effects were mitigated by lower stripping to cost at Herradura (-US$47.7 million); and a decreased volume of ore processed at Saucito, Ciénega, San Julián (Veins) and the Pyrites plant (-US$32.2 million).

Additionally, the variation in the change in inventories and others had a negative effect of US$19.5 million versus 1H21.

Depreciation decreased half on half. This is mainly due to decreased amortisation of capitalised mining works and lower depletion factors at all of the mines except for Fresnillo and Juanicipio

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

The higher adjusted production costs and the variation in change in work in progress at Herradura, mitigated by the decrease in depreciation and lower profit sharing resulted in a 3.9% increase in cost of sales compared with 1H21.

The lower total revenues combined with the increase in cost of sales, resulted in a 39.7% decrease in gross profit to US$365.9 million in 1H22.

Administrative and corporate expenses decreased 4.1% from US$51.2 million in 1H21 to US$49.1 million in 1H22, mainly due to a decrease in fees paid to advisors (legal, labour, tax and technical).

Exploration expenses increased, as expected, by 27.6% from US$60.9 million in 1H21 to US$77.7 million in 1H22, 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$16.8 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.

Driven by a decrease in gross profit, EBITDA decreased by 38.5%, with EBITDA margin decreasing from 50.9% in 1H21 to 36.5% in 1H22. Similarly, profit from continuing operations before net finance costs and income tax decreased from US$471.9 million in 1H21 to US$218.2 million in 1H22, a decrease of 53.8%.

The net Silverstream effect recorded in the 1H22 income statement was a loss of US$36.3 million (US$20.3 million amortisation profit and US$56.6 million revaluation loss), which compared negatively to the net loss of US$4.0 million registered in 1H21. The negative revaluation was mainly driven by the increase in the LIBOR reference rate; and a decrease in the forward silver price curve; partially compensated by a new mine plan, which considers an increase in silver reserves.

Net finance costs of US$27.9 million remained at similar levels to the US$25.4 million recorded in 1H21. Financial expenses in 1H22 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.

We recorded a foreign exchange gain of US$1.2 million in the income statement as a result of the 2.91% revaluation of the Mexican peso against the US dollar over the period. This was similar to the US$2.9 million gain in 1H21.

The decrease in profit from continuing operations, together with the net Silverstream loss, resulted in a 65.1% decrease in profit from continuing operations before income tax from US$445.4 million in 1H21 to US$155.2 million in 1H22.

Income tax expense for the period was US$6.8 million, which compared favourably vs. US$111.1 million in 1H21. The effective tax rate, excluding the special mining rights, was 4.4%, 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 inflation rate (Mexican Consumer Price Index), which impacted the inflationary uplift of the tax base for assets and liabilities; and ii) the benefit from the lower border zone tax which applied to Herradura and Noche Buena operations.

Profit for the period decreased from US$308.4 million in 1H21 to US$141.0, a 54.3% decrease period-on-period.

Profit due to non-controlling interests was US$23.6 million reflecting the profit generated at Juanicipio, where MAG Silver owns 44% of the outstanding shares. Accordingly, profit attributable to equity shareholders of the Group was US$117.4 million.

Cash generated by operations before changes in working capital decreased by 38.8% to US$459.5 million, mainly as a result of the lower profits generated in the year.

Capital expenditure in 1H22 totalled US$299.0 million, a 16.4% increase over 1H21. Investments during the period included mine development and stripping, 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$141.2 million (US$253.5 million in 1H21) and dividends paid of US$176.9 million (US$172.6 million in 1H21).

Fresnillo plc continued to maintain a solid financial position during the period with cash and other liquid funds of US$1,151.9 million as of 30 June 2022, decreasing 6.8% versus 31 December 2021 and 4.2% versus 30 June 2021. Taking into account the cash and other liquid funds of US$1,151.9 million and the US$1,167.8 million outstanding Senior Notes, Fresnillo plc's net debt is US$15.9 million as at 30 June 2022. This compares to the net cash position of US$67.5 million as at 31 December 2021. Considering these variations, the balance sheet at 30 June 2022 remains strong, with a net debt / EBITDA ratio of 0.02x[8].

Interim Dividend

The Board of Directors has declared an interim dividend of 3.40 US cents per Ordinary Share totalling US$25.1 million, which will be paid on 14 September 2022 to shareholders on the register on 12 August 2022. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. This interim dividend is lower than the previous period due to the decrease in profit in 1H22, 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% (including to foreign nationals) relating to the payment of dividends, which are paid using the Net Tax Profit Account (CUFIN) generated from 2014 onward. The 2022 interim dividend will be subject to this withholding obligation.

Growth

We expect to complete the tie-in of the Juanicipio plant and Pyrites Plant at Fresnillo to the national electricity grid in the coming weeks. Commissioning of the Juanicipio plant will follow soon after with the ramp up of the plant beginning towards the end of the third quarter.

Development ore from Juanicipio continued to be processed through the Fresnillo and Saucito flotation plants during the half. On an attributable basis, 2,672 koz of silver and 6,412 oz of gold were produced.

[8] 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

Outlook

We remain on track to meet our 2022 full year guidance of 50.5 to 56.5 moz of attributable silver (including Silverstream) and 600 to 650 koz of attributable gold production.

The labour reform in Mexico which restricts subcontracting of labour came into effect from 1st September 2021 resulting in the requirement to internalise a high proportion of our contractor workforce. The actions we announced to address this short term challenge, including recruitment campaigns, training and investment in new equipment, are on-going. We expect to complete the staffing process at Fresnillo and San Julián by the end of 3Q22, and at Ciénega and Saucito by year end, and as previously reported, our open pit mines are now fully staffed. The challenges set out at the beginning of the year including a tight labour market, global supply chain bottlenecks and cost inflation remain and these will have some impact in the second half of the year.

Exploration expenses are expected to remain around US$180 million, of which approximately US$10 million is anticipated to be capitalised.

Analyst Presentation

Management will host a webcast for analysts and investors today at 9am UK. Registration and access will be provided on the homepage of Fresnillo's website and directly via this link:
https://kvgo.com/IJLO/Fresnillo_1H22_Interim_Results

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

Mexico Toll Free: 00 1 866 966 8830
UK-Wide: +44 (0) 33 0551 0200
UK Toll Free: 0808 109 0700
USA Toll Free: 1 866 966 5335

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 Las Casas Rosario & Cluster Cebollitas), Herradura, Soledad-Dipolos[1], Noche Buena and San Julián (Veins and Disseminated Ore Body), two development projects - the Pyrites Plant at Fresnillo and Juanicipio, both of which have been completed and are awaiting tie-ins of the plants to the national electricity grid in the coming weeks, and three advanced exploration projects – Orisyvo, Rodeo 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 2022	H1 2021	% change
Silver (koz)	26,192	25,931	1.0
Silverstream prod'n (koz)	1,440	1,599	(9.9)
Total Silver prod'n (koz)	27,632	27,530	0.4
Gold (oz)	308,752	428,356	(27.9)
Lead (t)	26,779	31,726	(15.6)
Zinc (t)	50,533	53,568	(5.7)

First half attributable silver production of 27.6 moz (including Silverstream), in line with 1H21 as the expected lower ore grade at San Julián DOB and lower volume of ore processed at Saucito was mitigated by the increased contribution of ore from Juanicipio.

First half attributable gold production of 308.8 koz, down 27.9% vs. 1H21 primarily due to a decrease in volume of ore processed and lower ore grade at Herradura and Saucito.

First half attributable by-product lead and zinc production decreased 15.6% and 5.7% vs. 1H21 respectively, primarily due to lower volumes of ore processed and ore grades at Saucito and a decrease in ore grades at San Julián DOB.

Fresnillo mine production

	H1 2022	H1 2021	% change
Ore Processed (t)	1,194,359	1,141,223	4.7
Production			
Silver (koz)	6,609	6,608	0.0
Gold (oz)	18,148	17,112	6.1
Lead (t)	10,432	9,367	11.4
Zinc (t)	20,139	15,546	29.5
Ore Grades			
Silver (g/t)	189	202	(6.5)
Gold (g/t)	0.67	0.69	(3.3)
Lead (%)	1.04	0.97	7.8
Zinc (%)	2.35	1.95	20.5

First half silver production remained in line with. 1H21 due to a lower ore grade, mitigated by a higher volume of ore processed.

Mine development rates remained at similar levels quarter on quarter averaging 2,900m per month in 2Q22 (1Q22: 2,866m per month). We remain confident that we can maintain a rate of 2,900 to 3,100m per month on average as previously stated over the coming months.

First half by-product gold production increased 6.1% vs. 1H21 due to a higher volume of ore processed and a higher recovery rate.

The silver ore grade in 2022 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.

The deepening of the San Carlos shaft continued to progress with completion expected by the end of September. This project is expected to support a decrease in haulage costs and lower greenhouse gas emissions, while providing access to reserves in the medium term.

Saucito mine production

	H1 2022	H1 2021	% change
Ore Processed (t)	1,008,158	1,310,923	(23.1)
Production			
Silver (koz)	5,781	6,602	(12.4)
Gold (oz)	33,172	51,578	(35.7)
Lead (t)	9,444	15,490	(39.0)
Zinc (t)	15,665	23,570	(33.5)
Ore Grades			
Silver (g/t)	199	184	8.4
Gold (g/t)	1.30	1.58	(17.9)
Lead (%)	1.09	1.38	(21.1)
Zinc (%)	1.97	2.45	(19.7)

First half silver production decreased 12.4% vs. 1H21 due to a lower volume of ore processed driven by the residual impact of the labour reform in Mexico and the localised seismicity in certain areas of the mine. This was mitigated by the higher ore grade due to improved dilution control, as well as successfully regaining access in 2Q22 to certain areas with higher ore grade, which were impacted by the seismicity in previous quarters.

We continued our recruitment and training campaigns with the target of gradually reducing the shortage of personnel through the second half of the year. However, as explained in the prior quarters, we continue to expect some variability in the ore grade and volumes of ore processed in 2022 driven by the need for additional development of the mine in order to recapture operational flexibility following high levels of localised seismicity and shortages of personnel reported last year.

First half by-product gold production decreased 35.7% vs. 1H21 due to a lower volume of ore processed and ore grade for reasons explained above.

Full year 2022 silver ore grade is expected to remain between 175-195 g/t, while the gold ore grade is estimated to remain around 1.10-1.20 g/t.

The third party review of the short term planning cycle was completed in 1H22, concluding that the optimal run rate of the beneficiation plant should be 7,000 tpd. The medium and long term planning cycle continues to be under review.

PYRITES PLANT (PHASE I)

	H1 2022	H1 2021	% change
Pyrite Concentrates Processed (t)	65,690	90,283	(27.2)
Production			
Silver (koz)	277	304	(9.0)
Gold (oz)	932	1,399	(33.3)
Ore Grades			
Silver (g/t)	176	145	21.4
Gold (g/t)	1.40	1.60	(12.6)

First half silver production decreased vs. 1H21 primarily due to a lower volume of pyrite concentrates processed, mitigated by a higher ore grade and recovery rate.

First half gold production decreased vs. 1H21 primarily due to a lower volume of pyrite concentrates processed and lower ore grade, mitigated by a higher recovery rate.

In 2022, we continue to estimate silver production from the Pyrites plant at Saucito to be in the range of 700 to 750 koz while gold production is estimated to remain in the range of 1.5 to 2.5 koz.

We expect to complete the tie-in of the plant to the national electricity grid in the coming weeks followed by the ramp up of the plant soon after.

Ciénega mine production

	H1 2022	H1 2021	% change
Ore Processed (t)	563,094	660,123	(14.7)
Production			
Gold (oz)	18,907	26,696	(29.2)
Silver (koz)	2,485	2,723	(8.7)
Lead (t)	1,684	2,191	(23.1)
Zinc (t)	2,596	3,642	(28.7)
Ore Grades			
Gold (g/t)	1.14	1.34	(15.4)
Silver (g/t)	159	150	5.9
Lead (%)	0.47	0.54	(13.3)
Zinc (%)	0.82	0.99	(16.9)

First half gold production decreased 29.2% vs. 1H21, due to the lower ore grade year-on-year, and lower volume of ore processed given the continued impact of the labour reform in Mexico. First half silver production decreased 8.7% vs. 1H21 due to a lower volume of ore processed, mitigated by a higher ore grade.

The gold and silver ore grades for 2022 are expected to remain in the range of 1.20-1.40 g/t and 145-155 g/t respectively.

San Julián mine production

	H1 2022	**H1 2021**	**% change**
Ore Processed Veins (t)	583,966	591,148	(1.2)
Ore Processed DOB(t)	1,076,326	1,003,728	7.2
Total production at San Julián			
Gold (oz)	23,433	29,346	(20.1)
Silver (koz)	7,968	8,649	(7.9)
Production Veins			
Gold (oz)	21,710	27,147	(20.0)
Silver (koz)	2,235	1,992	12.2
Production DOB			
Gold (oz)	1,723	2,199	(21.7)
Silver (koz)	5,733	6,657	(13.9)
Lead (t)	3,933	4,507	(12.7)
Zinc (t)	10,093	10,533	(4.2)
Ore Grades Veins			
Gold (g/t)	1.22	1.52	(19.7)
Silver (g/t)	131	115	13.7
Ore Grades DOB			
Gold (g/t)	0.08	0.12	(29.2)
Silver (g/t)	193	240	(19.8)
Lead (%)	0.45	0.55	(18.4)
Zinc (%)	1.20	1.38	(13.0)

San Julián Veins

First half gold production decreased 20.0% vs. 1H21 mainly as a result of a lower ore grade driven by an operational decision to adjust the mine plan to prioritise extraction from wider veins of the mine with higher silver content but a lower gold ore grade.

First half silver production increased 12.2% vs. 1H21 due to a higher ore grade for reasons explained above.

We continue to expect the 2022 silver and gold ore grades to average 120-130 g/t and 1.35-1.55 g/t, respectively.

San Julián Disseminated Ore Body

First half silver production decreased 13.9% vs. 1H21 as a result of the expected lower ore grade following the higher than anticipated ore grade in 2Q21 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 set out at the time. This adverse effect was mitigated by a higher volume of ore processed.

We continue to expect the 2022 silver ore grade to be in the range of 150-170 g/t as we advance towards the lower grade areas in the periphery of the ore body.

Herradura mine production

	H1 2022	**H1 2021**	**% change**
Ore Processed (t)	9,518,276	11,494,407	(17.2)
Total Volume Hauled (t)	64,333,382	66,655,154	(3.5)
Production			
Gold (oz)	160,644	258,165	(37.8)
Silver (koz)	387	530	(27.0)
Ore Grades			
Gold (g/t)	0.68	0.81	(16.3)
Silver (g/t)	1.83	2.03	(9.9)

First half gold production decreased 37.8% vs. 1H21 due to an expected lower volume of ore processed and ore grade, in line with the mine plan.

The gold ore grade in 2022 is expected to remain in the range of 0.65-0.75 g/t.

Noche Buena mine production

	H1 2022	**H1 2021**	**% change**
Ore Processed (t)	4,384,077	3,703,923	18.4
Total Volume Hauled (t)	13,283,655	13,248,211	0.3
Production			
Gold (oz)	47,103	43,228	9.0
Silver (koz)	14	12	14.6
Ore Grades			
Gold (g/t)	0.57	0.52	10.3
Silver (g/t)	0.26	0.19	38.6

First half gold production increased 9.0% vs. 1H21 due to a higher volume of ore deposited as a result of a lower stripping ratio, decreasing the waste material moved, in addition to a higher ore grade, partially offset by a lower recovery rate.

The expected gold ore grade in 2022 is expected to remain in the range of 0.40-0.50 g/t.

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 was delayed late last year.

We expect to complete the tie-in of the plant to the national electricity grid in the coming weeks followed by the ramp up of the plant soon after.

Juanicipio

The construction of the Juanicipio project was concluded on schedule in 4Q21. Ore from the Juanicipio mine was processed through the Fresnillo and Saucito flotation plants during the half. However, the beneficiation plant at Juanicipio has not started operations as it is awaiting the tie-in to the national electricity grid in the coming weeks. As a result, the Group considered that commercial production at the Juanicipio mine started from 1st January 2022, while the plant is still in the commissioning process. Ramp up of commercial production to 85-90% of nameplate capacity remains within reach by year end.

On an attributable basis, 2,672 koz of silver and 6,412 oz of gold were produced in 1H22. The average ore grade processed in 1H22 was 582 g/t of silver and 1.5 g/t of gold.

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 2022 approved capex and exploration budget.

Advanced exploration projects

Rodeo

Negotiations to acquire the right to access the land while engaging with the surrounding communities continued to advance at this gold silver project located in Durango. The water rights for 2.8 million cubic meters were acquired and a scoping study is being developed. Indicated and inferred resources amounted to 1.3 million ounces of gold and 13.8 million ounces of silver as of 31st of May 2021.

Orisyvo

Preliminary stage of the metallurgical research was concluded and further work began investigating optimal recovery techniques. Our 6,000m geotechnical drilling programme was concluded and we are in the process of preparing the geotechnical model with the aim of concluding the conceptual study before then updating the pre-feasibility study, due to be completed in 2023. Acquisition of land for the construction of the tailings dam, water dam and industrial area are on-going.

Guanajuato

Guanajuato is a large historic silver-gold mining district with Fresnillo's holdings 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. Exploration activities continued in 1H22 with 25,082m drilled. At the end of 2021, indicated and inferred resources at this project totaled 1.7 million ounces of gold and around 101 million ounces of silver.

Exploration

Significant progress was made during the first half of 2022 by both the mines and the exploration division teams, drilling a total of 475,592m.

71% of this was completed by the mine teams, focused in improving the confidence of the grade distribution in the reserves, converting inferred resources into the indicated category and finding additional mineralisation; information gathered will be included in an updated resources and reserves estimation scheduled for the end of the year. 96,114m of drilling were completed by the exploration division focused on brownfield targets, in particular at the Fresnillo, San Julián and Herradura districts. All three programmes delivered positive results.

Exploration at advanced and priority early stage projects in Mexico and Chile continued at a good pace, drilling 47,500m, following the strategy of accelerating the development plans at several favourable locations. Good results were obtained at the Guanajuato, San Juan and Capricornio projects with drilling scheduled to continue for the rest of the year.

An intensive field-based programme is being carried out at several promising prospects in Mexico, Peru, and Chile, where teams of our geologists are advancing mapping and geochemical surveys at a regional level, followed up by detailed analysis of targets identified using remote sensing and geophysical techniques. Drilling is scheduled at some of these projects in the second half of 2022 and during 2023, confirming our commitment to continuously strengthening our asset portfolio across metal price cycles using a disciplined "milestone completion"-based approach for budget allocation.

To ensure that our teams are able to complete the exploration programmes, a strengthened team of environmental and safety professionals has been deployed across all of our projects in the countries where we operate, taking special care of the health of our people and the communities surrounding our projects following a strict Covid-related sanitary protocol.

In the first six months, US$77.7 million of exploration expenses were recorded in the income statement, an increase of 27.6% over 1H21. Total risk capital expected to be invested in exploration for the full year 2022 remains at approximately US$180 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

We are committed to our Purpose: "Contribute to the wellbeing of people through the sustainable mining of silver and gold". This commitment underlines the importance of deeply integrating responsible business practices into our business model while understanding the factors that affect stakeholders at all critical decision-making levels. This commitment was once again highlighted through the recognition of our Environment, Social and Governance (ESG) performance by the inclusion of Fresnillo plc in the FTSE4Good Index and Ethisphere's world most ethical companies.

Covid-19

Throughout the Covid-19 outbreak we have made the health and wellbeing of our people our priority. We saw a drop in Covid-related absenteeism across our operations from March onwards following the arrival of the fourth wave of Covid towards the end of 2021, and have seen a more limited impact on our operations during 2Q22. Despite continuing to implement strict protocols to limit the spread of the virus, a fifth wave has now reached Mexico and we are seeing a rise in positive cases in the country. We have maintained our comprehensive strategy to protect our employees and contractors in our mining operations, development and exploration projects through the following measures:

1. Senior Management oversight of the Covid-19 strategy and performance
2. Raising awareness on preventive measures and the benefits of vaccination
3. Mandatory use of masks and social distancing in the workplace and transport
4. Supporting and monitoring the progress of vaccination
5. Partnering with authorities to vaccinate, especially in remote locations for the benefit of our workforce and local communities
6. Hand washing, antibacterial gel and sanitisation of work areas, accommodation and transportation
7. Sanitary filters supported by rapid testing
8. Testing, monitoring and contagion tracing
9. Daily monitoring and psychological support for active cases

Mexico implements a two dose vaccination scheme with a third dose as booster. A fourth dose is being administered to the vulnerable population. We have encouraged and supported vaccination of our workforce and communities, collaborating with health authorities to make vaccines available in the remote locations where we operate. Close to 90% of our workforce have been fully vaccinated (two doses) and 45% have received the booster. We have, and will continue to implement testing campaigns across our operations, development and exploration projects and corporate offices.

Our People

Our workforce is fundamental to our purpose, contributing to the wellbeing of people through the sustainable mining of silver and gold. Their health and safety have always been our top priority. We engage unions to build trust through continuous dialogue, leadership development programmes, wellbeing activities and continuous improvement projects. We seek to attract, develop and retain the best people, and engage them over the long term. Our harassment prevention, women development, and cultural evolution initiatives seek to develop a fair, respectful and inclusive workplace.

In 2022, Mexico pursued the implementation of the 2019 Labour reform resulting from the United States-Mexico-Canada Agreement (USMCA), which includes the ratification of Collective Bargain Agreements (CBA) by a majority of workers. To date, six out of seven CBA's have been ratified with over 95% approval rates, contributing to labour certainty and trust. To date in 2022, we have supported the training of 206 union representatives. These leaders were freely elected to represent unionised workers at the local union committees of our mining operations.

We engage with the most prestigious Earth Sciences and Engineering universities in Mexico to secure our talent pipeline. Our 'Engineers in Training' programme recruited 43 new earth science and engineering professionals during the year. We continue to implement the 'Leaders with Vision' programme to develop our pipeline of managers. The seventh generation of the 'Leaders with Vision' programme have now graduated, and we have since begun the eighth generation, with an average of 20 participants.

We have increased the participation of women in our workforce. We see the increasing participation and inclusion of women as the first step in the journey to making diversity a competitive advantage. Our two strategic objectives are to enhance the contribution of women to the success of the Company and have a positive impact on female employees. The percentage of unionised and non-unionised women reached 13.65% in the first half of the year (12.66 % in 2021) while our overall total workforce, including contractors, reached 11.79% in 1H22 (11.01% in 2021). We are making consistent progress to meet our target of 12% in 2025. Our "Mom with a Miner's M" accompanies and supports women during pregnancy through providing counselling and flexibility in working hours, temporary transfer of their working area, special assignments or working from home. We launched the 'Women for Women Mentoring Programme' to develop leadership and support networks. The programme has identified mentees and is currently training mentors. A key outcome of our strategy is the appointment of more women to superintendent positions across our operations.

Our Harassment Prevention Programme launched a communication campaign to raise awareness on structural violence and discrimination. We delivered awareness workshops for new personnel across our mining operations and introduced a best practice framework for our exploration and development teams, encompassing a total of 803 people (229 non-unionised employees, 480 unionised employees and 94 contractors). In addition, we delivered an online training for 277 non-unionised employees on bullying and harassment prevention.

We further launched a culture evolution initiative to foster accountability, co-creation, agility and collaboration. We identified and trained 36 senior managers as culture champions. Additionally, 136 non-unionised employees, including 65 members of the operating units' management, attended culture workshops.

In the following tables we summarise the composition of our workforce and turnover throughout the period:

Table 1. Workforce composition

	As at 30 June 2022	As at 31 December 2021	% Change
Unionised employees	6,291	5,826	*7.98*
Non-unionised employees	1,580	1,533	*3.07*
Total unionised and non-unionised employees	**7,871**	**7,359**	***6.94***
Unionised and non-unionised women (%)	*13.65*	*12.66*	-
Contractors	13,201	12,757	*3.48*
Total workforce	**21,072**	**20,116**	***4.75***
Total women (%)	*11.79*	*11.01*	-

Table 2. Turnover

	1H 2022	1H 2021
Voluntary turnover (%)	*4.14*	*2.44*
Total turnover (%)	*6.45*	*4.06*

Board level workforce engagement

The insights gained following the dialogue of our Designated Non-Executive Director (NED) with the workforce has been used by the Company to improve current initiatives and launch new ones. The Company implemented a communication campaign across the Group, updating the workforce on the progress to date for our initiatives stemming from their feedback on health & safety, wellbeing, ethics culture, diversity, equity and inclusion, harassment prevention and leadership.

Occupational Health

Our approach aims to pre-emptively identify and manage the health risks to which our workforce is exposed. Preventive care and the promotion of healthier lifestyles can limit certain chronic diseases and enhance overall wellness and fitness for work. While our focus is on prevention, emergency response is a core competence of all our health teams.

We continue to implement measures in our business units to mitigate psychosocial risk factors and promote wellbeing programmes to shape a working environment aligned with our aspiration of organisational culture. Additionally, we are working towards the ‘Safe and Healthy Workplace Environments’ certification for all our business units by the Mexican Social Security Institute, a voluntary programme to implement strategies and measures to improve health, safety and well-being of workers, as well as productivity and quality in the workplace.

Safety

Our goal is zero harm. Our 'I Care, We Care' programme focuses on leadership, accountability, safety culture, high potential incidents management, engineering systems and lessons learnt. In 2022 we have focused our efforts on the implementation of critical controls and visible leadership practices across our mining operations.

We have focused our efforts on empowering our people to effectively use the Hazard Identification and Risk Assessment and Critical Risk Verification Tools. An Operational Committee has been formalised to ensure the effective implementation of critical risk management and incident management across our mining operations.

We have reinforced leadership practices for senior management and the management teams at the operations as well as workshops with our employees, contractors and service providers. As part of our commitment to the programme, our Senior Operations Managers and Executives gathered in the Fresnillo District to strengthen our four leadership practices: i) Planning and communication, ii) Field verification, iii) Generation, review and improvement of action plans and iv) Recognition and accountability. The group verified the critical risks found at both the Fresnillo and Saucito mines, as well as the Juanicipio project, with data taken from incident analysis, including: rock fall, loss of vehicle control, explosives handling and uncontrolled release of energy.

Our performance of Total Recordable Injury Frequency Rates (TRIFR) and Lost Time Injury Frequency Rates (LTIFR) per million hours worked, decreased to 9.53 (10.42 in 2021) and 5.04 (5.76 in 2021) in 1H22, respectively. Despite the sustained improvement in injury frequency, we deeply regret the one fatal accident at the beginning of 2022. This is a sober reminder of the work ahead to achieve our goal of zero harm.

Table 3. TRIFR and LTIFR*

	1H 2022	**2021**	**% Change**
Total Recordable Injury Frequency Rates (TRIFR)	9.53	10.42	*-8.5*
Lost Time Injury Frequency Rates (LTIFR)	5.04	5.76	*-12.5*

* Frequencies for every 1,000,000 hours worked

As part of the workforce engagement feedback, we conducted an assessment of transport services to improve quality and safety. Workshops and campaigns were organised to promote road safety and encourage safer driving. We provided group coaching to strengthen leadership and effective communication skills for the management teams across our mining operations.

Tailings Storage Facilities

We implement best practise governance and engineering to manage our Tailings Storage Facilities (TSF). Our governance framework considers:

- The Board and the HSECR Committee establishing the mandate and relying on management to implement.
- The Technical Review Committee being accountable for oversight.
- The CEO (Accountable Executive), Senior Management of Operations and Mine Managers (Risk Owners) being accountable for operating in compliance with the policies and governance.
- Peñoles' Technical Services Co-CEO (Accountable Executive), Assistant VP of Infrastructure and Engineering Corporate Tailings Specialists and Managers also being accountable for the governance.
- TSF Operators, Regional TSF Superintendents and Managers, and Engineers of Record (EOR) being responsible of Operation, Control and assurance.
- Independent Tailings Review Panel (ITRP) and Independent Inspectors providing independent verification.

The Independent Reviews of our ITRF continues with virtual and in person site visits, providing recommendations that guide our implementation plans. We are developing our Emergency and Response Plans and maturing our Tailings Management System along with a dashboard with key indicators for every level of involvement and responsibility. We have made good progress in our recruitment and training programmes.

Among our key accomplishments, Juanicipio became our first TSF that fully met Canadian Dam Association (CDA), Mining Association of Canada (MAC), International Commission on Large Dams (ICOLD) and International Council on Mining and Metals (ICMM) Principles from the initiation of its development, design and construction. Knight Piésold, a global consulting firm providing specialised services to the mining industry, officially accepted the role as Engineer of Record for our San Carlos (Fresnillo Mine) TSF. San Carlos became our first TSF designed and constructed by a third-party consultant under our old standards that has been certified to comply with all the requirements established by a new competent international consultant for their formal assumption of the role of Engineer of Record.

Environmental Management

We launched an initiative to increase the use of the municipal wastewater in the Fresnillo District to reduce the consumption of in-mine groundwater for our mining and mineral processing activities. We've also held reforestation campaigns across our units and projects in collaboration with volunteers from our workforce, communities and business partners, capitalising on these experiences to instil an environmental-prone culture in our stakeholders.

We are committed to biodiversity conservation. During the period, we pioneered the natural breeding of a golden eagle pair as well as caring for scarlet macaws and toucans as part of our Environmental Management Unit in the Fresnillo District. San Julián designated a 20 – hectare area as a conservation zone at the launch of our Wildlife Conservation Management Unit, promoting the conservation and non-extractive use of the Pinabete Pseudotsuga tree, a species declared endangered by Mexican environmental authorities. Finally, we also inaugurated our forestry nursery at Penmont, specialising in 23 endemic species, with a capacity of 150 thousand saplings per year, and whose facilities will be open to the public for educational purposes.

Climate Change

We continue to mature our capabilities to disclose climate-related financial information, considering the risks of climate change. We have joined the TCFD Consortium in Mexico to share best practices and participated in the Financial Reporting Council's (FRC) Lab research project "Net-zero disclosures". We launched a Climate Modelling project with the University of Arizona to generate future climate projections under different scenarios, to support the development of our adaptation strategy.

Community Relations

We earn and maintain the trust of our communities through meaningful engagement and by being accountable for our actions. Our community strategy, which embraces all phases of the mining lifecycle, aims to build mutual understanding between our operations and local communities, ensuring that we engage, develop and grow together. Our grievance mechanism is intended to provide a fair way to respond to concerns and resolve disputes. We recognise the strategic importance of going beyond maintaining our social licence to operate – supporting the issues that matter to our communities and working with them for the long term.

Sustainable Development Goal 3 "Good Health and Wellbeing"
Throughout the Covid-19 pandemic, we've collaborated with Mexican authorities to support the logistics of vaccination for our workforce and communities as well as offering free testing. In the Fresnillo District, we organised a Health Week to serve the communities of Fresnillo, Saucito and Juanicipio. To this end, we partnered with the National University Foundation (UNAM Foundation), the Mexican Institute of Social Security (IMSS) and Zacatecas' Health Ministry, providing free dental and eye care, general medicine, physiotherapy, as well as chronic diseases, reproductive health and gynaecological consultations, benefiting 14 neighbouring communities. Our "Leaders on the horizon" football league at Penmont develops social cohesion, promoting respect, joy, responsibility, and teamwork through games and sports.

Sustainable Development Goal 4 "Quality Education"
We sponsored teams from our communities to compete at the Laguna Regional FIRST Robotics Competition. This programme aims to develop the talent and skills of high school children by promoting teamwork, leadership and project management. Additionally, graduates of our four teams compete for 100% scholarships in partnership with LaSalle University Laguna. We support schools with hygiene equipment, masks, and school furniture in San Julián and we supported school improvements of classrooms, restrooms and sports areas at Juanicipio. We further continued our support though the donation of 3,000 Larousse books at Penmont and San Julián.

Sustainable Development Goal 8 "Decent Work and Economic Growth"
We continued with our entrepreneurial programmes to promote capacity building, micro-enterprises and productive project such as the Vegetable Gardens, Backyard Poultry and Sustainable Carpentry Workshop at Juanicipio, entrepreneurial programmes in partnership with Proempleo CDMX and CEDO at the Penmont and Fresnillo Districts, and the Masks, Uniforms and Equipment sewing workshops at San Julián and Juanicipio, among others.

FINANCIAL REVIEW

The interim consolidated financial statements of the Group for the six months ended 30 June 2022 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 2022 and 2021, 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 2022 US$ million	1H 2021 US$ million	Amount Change US$ million	Change %
Adjusted revenue [9]	1,349.0	1,543.1	(194.1)	(12.6)
Total revenue	1,259.1	1,466.8	(207.8)	(14.2)
Cost of sales	893.2	860.1	33.2	3.8
Gross profit	365.9	606.8	(240.9)	(39.7)
Exploration expenses	77.7	60.9	16.8	27.6
Operating profit	218.2	471.9	(253.7)	(53.8)
EBITDA [10]	459.1	747.0	(287.9)	(38.5)
Income tax expense including special mining rights	14.2	136.9	(122.7)	(89.6)
Profit for the period	141.0	308.4	(167.4)	(54.3)
Profit for the period, excluding post-tax Silverstream effects	166.3	311.2	(144.9)	(46.6)
Basic and diluted earnings per share (US$/share) [5]	0.159	0.410	(0.251)	(61.2)
Basic and diluted earnings per share, excluding post-tax Silverstream effects (US$/share)	0.194	0.414	(0.220)	(53.1)

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 decreased 13.8% from US$26.4 per ounce in 1H21 to US$22.8 per ounce in 1H22, while the average realised gold price rose 4.6%, from US$1,789.2 per ounce in 1H21 to US$1,871.1 per ounce in 1H22. Further, the average realised lead and zinc by-product prices increased 2.8% and 33.1% against their corresponding periods, to US$98.3 and US$173.8 per pound, respectively.

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

[10] 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), plus 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 2022 was $19.98 per US dollar, compared to the exchange rate at 31 December 2021 of $20.58 per US dollar. The 2.91% spot revaluation had a limited positive effect on the net monetary peso asset position, which contributed to the US$1.2 million foreign exchange gain recognised in the income statement.

The average spot Mexican peso/US dollar exchange rate remained relatively unchanged at $20.28 per US dollar in 1H22 ($20.18 per US dollar in 1H21), thus having an immaterial effect on the Group's costs denominated in Mexican pesos (approximately 45% of total costs) when converted to US dollars.

COST INFLATION

In 1H22, cost inflation considering Fresnillo plc's basket of goods and services was 7.57%. The main components of our cost inflation basket are listed below:

Labour

Unionised employees received on average a 6.8% increase in wages in Mexican pesos, while non-unionised employees received on average a 5.5% increase in wages in Mexican pesos; when converted to US dollars, this resulted in a weighted average labour inflation of 6.3%.

Energy

Electricity

The weighted average cost of electricity in US dollars slightly increased 0.7% from US$8.82 cents per kw in 1H21 to US$8.88 cents per kw in the same period of 2022, reflecting the average generating cost of the Comisión Federal de Electricidad (CFE), the national utility, remaining flat period on period.

Diesel

The weighted average cost of diesel in US dollars decreased 1.1% to 88.59 US cents per litre in 1H22, compared to 89.61 US cents per litre in 1H21. This resulted from the Mexican Government's fuel tax relief, subsidising the cost of diesel and gasoline in Mexico, looking to insulate consumers from the increase in global oil prices.

Operating materials

	Half on half change in unit price %
Sodium cyanide	50.3
Explosives	31.3
Other reagents	25.8
Steel balls for milling	24.1
Steel for drilling	11.9
Lubricants	8.2
Tyres	1.3
Weighted average of all operating materials	18.9

Unit prices of the majority of key operating materials significantly increased in US dollar terms primarily reflecting global inflationary pressures and supply disruptions resulting from Covid-19 lockdowns in China and the impact of the invasion of Ukraine by Russia. As a result, the weighted average unit prices of all operating materials over the half increased by 18.9%.

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 1H22, increases per unit (i.e. per metre developed/ per tonne hauled) granted to contractors, resulted in a weighted average increase of 6.9% in US dollars, after considering the devaluation of the Mexican peso vs. US dollar.

Maintenance
Unit prices of spare parts for maintenance increased by 1.8% on average in US dollar terms.

Other costs
Other cost components include freight which increased by an estimated 11.9% in US dollars, while insurance costs increased by 5.5% in US dollars mainly due to higher market premiums as a result of Covid-19 claims. The remaining cost inflation components experienced average inflation of 11.4% in US dollars over 1H21.

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

	1H 2022 US$ million	1H 2021 US$ million	Amount US$ million	Change %
Adjusted revenue [11]	1,349.0	1,543.1	(194.1)	(12.6)
Metals prices hedging	(3.8)	0.0	(3.8)	N/A
Treatment and refining charges	(86.2)	(76.2)	(10.0)	(13.1)
Total revenue	**1,259.1**	**1,466.8**	**(207.8)**	**(14.2)**

Adjusted revenue decreased by US$194.0 million mainly due to the lower volume of gold sold and to a lesser extent, the decrease in silver price. As a result, total revenue decreased by 14.2% to US$1,259.1 million in 1H22.

ADJUSTED REVENUE BY METAL

	1H 2022		1H 2021					
	US$ million	**%**	US$ million	%	Volume Variance US$ million	Price Variance US$ million	Total net change US$ million	%
Gold	**555.9**	41.2	720.0	46.7	(192.8)	28.6	(164.2)	(22.8)
Silver	**576.8**	42.8	629.1	40.8	37.4	(89.7)	(52.3)	(8.3)
Lead	**54.2**	4.0	62.1	4.0	(9.5)	1.6	(7.9)	(12.7)
Zinc	**162.2**	12.0	131.8	8.5	(11.7)	42.0	30.3	23.1
Total adjusted revenue	**1,349.0**	100	1,543.1	100.0	(176.6)	(17.5)	(194.1)	(12.6)

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

Lower gold volumes sold were primarily due to the decreased volume of ore processed and lower ore grade at Herradura and Saucito, while the higher silver volumes were due to the ore processed from Juanicipio at Fresnillo and Saucito's beneficiation plants (for further detail, see 1H22 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 46.7% in 1H21 to 41.2% in 1H22, while silver increased its contribution from 40.8% in 1H21 to 42.8% in 1H22. Zinc also increased its contribution from 8.5% in 1H21 to 12.0% in 1H22. Lead's contribution to total adjusted revenues remained flat period-on-period.

ADJUSTED REVENUE[12] BY MINE

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.

	1H 2022		1H 2021	
	(US$ million)	**%**	(US$ million)	%
Herradura	302.9	22.4	449.7	29.1
Saucito	250.8	18.6	338.9	22.0
Fresnillo	243.6	18.1	245.9	15.9
San Julián (DOB)	148.0	11.0	187.2	12.1
Juanicipio	140.1	10.4	25.1	1.6
Ciénega	98.6	7.3	121.9	7.9
Noche Buena	86.4	6.4	75.4	4.9
San Julián (Veins)	78.8	5.8	99.0	6.4
Total	1,349.0	100	1,543.1	100

VOLUMES OF METAL SOLD

	1H 2022	% contribution of each mine	1H 2021	% contribution of each mine	% change
Silver (koz)					
Fresnillo	5,943	23.5%	6,163	25.9%	(3.6)
Saucito	5,138	20.3%	5,966	25.0%	(13.9)
San Julián (DOB)	4,759	18.8%	5,680	23.8%	(16.2)
Juanicipio	4,494	17.7%	785	3.3%	472.5

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

Ciénega	2,311	9.1%	2,449	10.3%	(5.6)
San Julián (Veins)	1,878	7.4%	1,934	8.1%	(2.9)
Pyrites Plant at Saucito	423	1.7%	332	1.4%	27.4
Herradura	389	1.5%	502	2.1%	(22.5)
Noche Buena	5	0.0%	8	0.0%	(37.5)
Total silver (koz)	**25,340**		**23,817**		6.4
Gold (oz)					
Herradura	162,404	54.7%	243,857	60.6%	(33.4)
Noche Buena	40,671	13.7%	41,845	10.4%	(2.8)
Saucito	29,360	9.9%	46,714	11.6%	(37.1)
San Julián (Veins)	18,980	6.4%	26,766	6.7%	(29.1)
Ciénega	17,875	6.0%	24,593	6.1%	(27.3)
Fresnillo	15,235	5.1%	14,881	3.7%	2.4
Juanicipio	10,464	3.5%	1,273	0.3%	722.0
Pyrites Plant at Saucito	1,264	0.4%	1,330	0.3%	(5.0)
San Julián (DOB)	740	0.3%	1,147	0.3%	(35.5)
Total gold (oz)	**296,993**		**402,405**		(26.2)
Lead (t)					
Fresnillo	9,358	37.4%	8,638	29.3%	8.3%
Saucito	8,382	33.5%	14,199	48.2%	(41.0)
San Julián (DOB)	3,642	14.6%	4,350	14.8%	(16.3)
Juanicipio	2,082	8.3%	272	0.9%	665.4
Ciénega	1,556	6.2%	2,017	6.8%	(22.9)
Total lead (t)	**25,020**		**29,477**		(15.1)
Zinc (t)					
Fresnillo	16,063	38.0%	13,509	29.5%	18.9
Saucito	12,798	30.2%	20,055	43.8%	(36.2)
San Julián (DOB)	8,241	19.5%	8,757	19.1%	(5.9)
Ciénega	2,170	5.1%	3,085	6.7%	(29.7)
Juanicipio	3,047	7.2%	399	0.9%	663.7
Total zinc (t)	**42,318**		**45,806**		(7.6)

METALS PRICE HEDGING

The hedging programme we entered into for a total volume of 1,800,000 ounces of silver had its last expiration in February of 2022. This transaction 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 was hedged from May 2021 through April 2022 using a similar financial structure as with silver.

The table below illustrates the expired structures and their results.

Concept	As of June 30th 2022	As of June 30th 2022
	Silver[1]	**Zinc[2]**
Weighted Floor	22 usd/oz	2,491 usd/ton
Weighted Cap	50.33 usd/oz	3,134 usd/ton
Expired volume	300,000 oz	5,960 ton
Profit/Loss (US$ dollars)	0	-3,770,174
Total outstanding volume	0	0

[1]Monthly settlements until February 2022

[2]Monthly settlements until April 2022

There are no outstanding hedging positions as of June 30th 2022.

TREATMENT AND REFINING CHARGES

Similar to previous years, the 2022 treatment and refining charges[13] (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 2022. We expect these negotiations to conclude by October 2022. However, we accrued a US$12.4 million increase to the charge (1H21: US$17.8 million decrease 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.

The combination of higher treatment charges per tonne of zinc and lead refining charges, mitigated by the lower volumes of lead and zinc concentrates shipped from our mines to Met-Mex, resulted in a 13.1% increase in treatment and refining charges set out in the income statement in absolute terms when compared to 1H21.

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

COST OF SALES

Concept	**1H 2022 US$ million**	1H 2021 US$ million	Amount US$ million	Change %
Adjusted production costs [14]	**659.3**	611.1	48.2	7.9
Depreciation	**233.7**	265.4	(31.6)	(11.9)
Profit sharing	**5.6**	12.3	(6.7)	(54.5)
Hedging	**0.0**	(3.8)	3.8	N/A
Change in inventory and unproductive costs[15]	**(5.5)**	(25.0)	19.5	(78.0)
Cost of sales	**893.2**	860.1	33.2	3.9

Cost of sales increased 3.9% to US$893.2 million in 1H22. The US$33.2 million increase is explained by the following combination of factors:

- An increase in Adjusted production costs (US$48.2 million). This was primarily due to: i) cost inflation in US dollars (US$44.1 million); ii) costs from the start-up of operations at Juanicipio (US$43.1 million); iii) increase in the use of infrastructure contractors, maintenance (electric and mechanical) and internalisation process at Saucito (US$24.5 million); iv) higher volume of ore processed at Fresnillo and San Julián DOB (US$7.1 million); v) and others (US$9.2 million). These adverse effects were mitigated by lower stripping to cost at Herradura (-US$47.7 million); and a decreased volume of ore processed at Saucito, Ciénega, San Julián (Veins) and the Pyrites plant (-US$32.2 million).
- The variation in the change in inventories and others had a negative effect of US$19.5 million versus 1H21.
- Mexican peso/US dollar hedging (US$3.8 million).

These negative effects were offset by:

- Depreciation (-US$31.6 million). This is mainly due to decreased amortisation of capitalised mining works and lower depletion factors at all of the mines except for Fresnillo and Juanicipio.
- Profit sharing (-US$6.7 million) due to lower profits at the operating mines.

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.

[14] 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.

[15] Unproductive costs primarily include unabsorbed production costs such as fixed costs incurred in Juanicipio plant activities in 1H22 and fixed production cost (labour cost and depreciation) incurred in Minera San Julián due to a shortfall in electricity in February 2021. Unproductive costs are recognised within cost of sales but excluded from adjusted production costs.

Cost per tonne		**1H 2022**	**1H 2021**	% change
Fresnillo	US$/tonne milled	87.23	79.95	9.1
Saucito	US$/tonne milled	116.22	76.27	52.4
San Julián (Veins)	US$/tonne milled	89.12	78.73	13.2
San Julián (DOB)	US$/tonne milled	41.23	39.81	3.6
Ciénega	US$/tonne milled	105.80	83.52	26.7
Herradura	US$/tonne deposited	20.02	19.47	2.8
Herradura	US$/tonne hauled	5.04	3.36	50.1
Noche Buena	US$/tonne deposited	9.72	11.27	(13.8)
Noche Buena	US$/tonne hauled	3.21	3.15	1.9

Fresnillo: Cost per tonne increased 9.1% to US$87.2 in 1H22, driven by cost inflation and an increase in maintenance costs. This was mitigated by the increased volume of ore milled.

Saucito: Cost per tonne increased 52.4% to US$116.2, mainly driven by an increase in the use of infrastructure contractors and maintenance, cost inflation, and a decrease in the volume of ore milled.

San Julián Veins: Cost per tonne increased 13.2% to US$89.1, primarily driven by cost inflation and an increase in the use of maintenance.

San Julián (DOB): Cost per tonne increased 3.6% to US$41.2, mainly driven by a cost inflation, mitigated by the increased volume of ore processed and a decrease in the use of contractors.

Ciénega: Cost per tonne increased 26.7% to US$105.8 mainly driven by cost inflation and an increase in the use of maintenance. Additionally, a lower volume of ore milled also drove the cost per tonne higher period-on-period.

Herradura: Cost per tonne of ore deposited increased by 2.8% to US$20.0 primarily driven by a decrease in the volume of ore processed and cost inflation of 8.0%. This was offset by a decrease in stripping charged to cost.

Noche Buena: Cost per tonne decreased 13.8% to US$9.7 in 1H22, primarily driven by a decrease in the use of maintenance and spare parts and, to a lesser extent, a higher volume of ore processed. This was partially offset by cost inflation and a higher stripping cost.

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 2022**	**1H 2021**	% change
Fresnillo	US$ per silver ounce	3.53	6.41	(45.0)
Saucito	US$ per silver ounce	2.52	(4.37)	N/A
San Julián (Veins)	US$ per silver ounce	5.41	(0.48)	N/A
San Julián (DOB)	US$ per silver ounce	4.45	4.66	(4.5)
Ciénega	US$ per gold ounce	84.00	(606.99)	N/A
Herradura	US$ per gold ounce	1,248.08	756.42	65.0
Noche Buena	US$ per gold ounce	1,098.34	1,235.33	(11.1)

Fresnillo: Cash cost per silver ounce decreased to US$3.5 (1H21: US$6.4 per silver ounce) mainly due to the higher gold, lead and zinc by-product credits and lower mining rights, partially offset by a lower ore grade, higher treatment and refining charges and a higher cost per tonne.

Saucito: Cash cost per silver ounce increased to US$2.5 per ounce (1H21: -US$4.4 per silver ounce) as a result of a higher cost per tonne and lower gold, lead and zinc by-product credits per silver ounce. This was mitigated by a higher silver ore grade and lower mining rights.

San Julián Veins: Cash cost per ounce of silver increased by US$5.41 per ounce mainly due to the lower gold by-product credits per silver ounce and higher cost per tonne, mitigated by lower mining rights.

San Julián (DOB): Cash cost remained flat half on half at US$4.5 per ounce of silver driven by higher zinc by-product credits per silver ounce and lower mining rights, offset by a lower ore grade and higher treatment and refining charges.

Ciénega: The increase in cash cost per gold ounce from -US$607.0 per ounce in 1H21 to US$84.0 per ounce in 1H22 was primarily due to a higher cost per tonne, lower gold ore grade and higher treatment and refining charges. This was mitigated by higher silver, zinc and lead by-product credits per gold ounce and lower mining rights.

Herradura: Cash cost per gold ounce increased to US$1,248.1 mainly due to the lower gold ore grade and the variation in the change of inventories, which resulted from the decrease in the inventory volume (-6.7%) in 1H22 combined with the increase in the value of the inventories in 1H21 mainly caused by the effect of the reassessment of recoverable gold inventories at the leaching pads in 2020.

Noche Buena: Cash cost per gold ounce decreased by 11.1% to US$1,098.3 per ounce mainly due to higher gold ore grade, offset by the variation in the change of inventories, which resulted from the decrease in the cost per ounce and a decrease in the volume of inventory in 1H22 combined with the increase in volume of inventory in 1H21.

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 2022**	**1H 2021**	% change
Fresnillo	US$ per silver ounce	12.52	14.45	(13.4)
Saucito	US$ per silver ounce	14.20	3.46	310.8
San Julián (Veins)	US$ per silver ounce	16.39	11.48	42.8
San Julián (DOB)	US$ per silver ounce	6.40	6.01	6.4
Ciénega	US$ per gold ounce	1,302.58	405.67	221.1
Herradura	US$ per gold ounce	1,755.78	874.36	100.8
Noche Buena	US$ per gold ounce	1,154.23	1,497.08	(22.9)

Fresnillo: All-in sustaining cost decreased 13.4% over 1H21 to US$12.5 per ounce, explained by a lower cash cost, partially offset by higher capitalised mine development per ounce.

Saucito: All-in sustaining cost increased to US$14.2 per ounce due to higher cash cost, increased sustaining capex and higher capitalised mine development per ounce.

San Julián Veins: All-in sustaining cost increased to US$16.4 per ounce due to a higher cash cost and higher sustaining capex, mitigated by lower capitalised mine development.

San Julián DOB: The 6.4% increase in all-in sustaining cost was mainly driven by the higher sustaining capex.

Ciénega: The increase in all-in sustaining cost was primarily driven by the higher cash cost.

Herradura: All-in sustaining cost increased by 100.8% mainly due to the increase in capitalised stripping and higher cash cost.

Noche Buena: The US$342.9 per ounce decrease in all-in sustaining cost was the result of the lower capitalised stripping and lower cash cost.

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, decreased by 39.7% from US$606.8 million in 1H21 to US$365.9 million in 1H22.

The US$240.9 million decrease in gross profit was mainly explained by: i) the lower ore grade mostly at Herradura, and also at San Julian (DOB), Saucito, San Julián (Veins) and Ciénega (-US$208.3 million); ii) lower silver price (-US$89.8 million); iii) lower volumes processed at our underground and open pit operations (-US$84.9); iv) cost inflation including the MXP/USD devaluation effect (-$44.1 million); v) increase in the use of infrastructure contractors and maintenance (electric and mechanical) (-US$25.1 million); vi) the variation in change of inventories (-US$19.8); vii) higher treatment and refining charges (-US$10.0 million) and; others (-US$8.9 million).These negative effects were mitigated by: i) the new Juanicipio operation (US$77.7 million); ii) higher gold, lead and zinc prices (US$72.3 million); iii) lower stripping to cost at Herradura (US$47.7 million); iv) lower depreciation (US$31.6 million); and v) a higher volume of ore processed at San Julián (DOB), Noche Buena and Fresnillo (US$20.6 million).

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

	1H 2022		1H 2021		Change	
	US$ million	**%**	US$ million	%	US$ million	%
Fresnillo	69.3	18.8	85.3	14.7	(16.0)	(18.8)
Herradura	65.3	17.7	203.6	35.0	(138.3)	(67.9)
Saucito	62.8	17.1	145.9	25.1	(83.1)	(57.0)
San Julián	60.2	16.3	110.2	19.0	(50.0)	(45.4)
Noche Buena	20.9	5.7	6.7	1.1	(14.2)	211.9
Ciénega	6.8	1.9	29.5	5.1	(22.7)	(76.9)
Juanicipio	82.9	22.5	0.0	0.0	82.9	100.0
Total for operating mines	368.2	100	581.2	100	(213.0)	(36.6)
Metal hedging and other subsidiaries	(2.3)		25.6		(27.9)	N/A
Total Fresnillo plc	**365.9**		606.8		(240.9)	(39.7)

ADMINISTRATIVE AND CORPORATE EXPENSES

Administrative and corporate expenses decreased 4.1% from US$51.2 million in 1H21 to US$49.1 million in 1H22, mainly due to a decrease in fees paid to advisors (legal, labour, tax and technical).

EXPLORATION EXPENSES

Business unit/project (US$ million)	**Exploration expenses 1H 2022**	Exploration expenses 1H 2021	**Capitalised expenses 1H 2022**	Capitalised expenses 1H 2021
Ciénega	3.4	2.6	-	-
Fresnillo	6.1	3.0	-	-
Herradura	2.4	3.0	-	-
Saucito	6.1	4.7	-	-
Noche Buena	0.4	0.4	-	-
San Julián	11.3	11.1	-	-

Orisyvo	2.2	1.6	0.6	0.1
Centauro Deep	0.2	0.0	-	-
Guanajuato	4.0	3.1	1.3	0.3
Juanicipio	5.6	0.0	-	2.7
Others	36.0	31.3	0.4	0.2
Total	**77.7**	**60.9**	2.2	3.3

Exploration expenses increased, as expected, by 27.6% from US$60.9 million in 1H21 to US$77.7 million in 1H22, 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$16.8 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$2.2 million was capitalised, mainly relating to exploration expenses at the Guanajuato project. As a result, risk capital invested in exploration totalled US$79.9 million in 1H22, while in 1H21, US$3.3 million was capitalised, totalling US$64.2 million in risk capital invested in exploration, a 24.5% increase over 1H21. For the remainder of 2022, total invested in exploration is expected to remain at US$180 million, of which approximately US$10 million is expected to be capitalised.

EBITDA

	1H 2022 US$ million	1H 2021 US$ million	Amount US$ million	Change %
Profit from continuing operations before income tax	**155.2**	**445.4**	(290.1)	(65.1)
- Finance income	**(7.0)**	**(5.6)**	(1.4)	25.0
+ Finance costs	**34.9**	**31.0**	3.9	12.6
+ Revaluation effects of Silverstream contract	**36.3**	**4.0**	32.3	807.5
– Foreign exchange gain (loss), net	**(1.2)**	**(2.9)**	1.7	(58.6)
– Other operating income	**(2.2)**	**(2.8)**	0.6	(21.4)
+ Other operating expense	**9.4**	**12.5**	(3.1)	(24.8)
+ Depreciation	**233.7**	**265.4**	(31.6)	(11.9)
EBITDA	**459.1**	**747.0**	(287.9)	(38.5)
EBITDA margin	**36.5%**	**50.9%**		

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), plus the net Silverstream effects and other operating income plus other operating expenses and depreciation. In 1H22, EBITDA decreased 38.5% to US$459.1 million primarily driven by the lower gross profit and, to a lesser extent, a higher exploration expense. As a result, EBITDA margin expressed as a percentage of revenue decreased, from 50.9% in 1H21 to 36.5% in 1H22.

OTHER OPERATING INCOME AND EXPENSE

In 1H22, a net loss of US$7.2 million was recognised in the income statement mainly as a result of maintenance costs of closed mines.

SILVERSTREAM EFFECTS

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. The net Silverstream effect recorded in the 1H22 income statement was a loss of US$36.3 million (US$20.3 million amortisation profit and US$56.6 million revaluation loss), which compared negatively to the net loss of US$4.0 million registered in 1H21. The negative revaluation was mainly driven by the increase in the LIBOR reference rate; and a decrease in the forward silver price curve; partially mitigated by a new mine plan, which considers an increase in silver reserves.

Since the IPO, cumulative cash received has been US$754.6 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$27.9 million remained at similar levels to the US$25.4 million recorded in 1H21. Financial expenses in 1H22 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.

FOREIGN EXCHANGE

A foreign exchange gain of US$1.2 million was recorded as a result of the 2.91% revaluation of the Mexican peso against the US dollar over the period. This was similar to the US$2.9 million gain in 1H21.

The Group also enters into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with the purchase of equipment denominated in Euro (EUR) and Swedish krona (SEK). As of June 30th 2022, the total EUR and SEK outstanding net forward position was EUR 29.70 million with maturity dates through December 2023. Volumes that expired during the first half of 2022 were EUR 3.51 million with a weighted average strike of 1.1119 USD/EUR and SEK 5.05 million with a weighted average strike of 10.2124 SEK/USD, which have generated a marginal result in the period of -US$1.842 million.

TAXATION

Income tax expense for the period was US$6.8 million, which compared favourably vs. US$111.1 million in 1H21. The effective tax rate, excluding the special mining rights, was 4.4%, 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 inflation rate (Mexican Consumer Price Index), which impacted the inflationary uplift of the tax base for assets and liabilities; and ii) the benefit from the lower border zone tax which applied to Herradura and Noche Buena operations. The effective tax rate, including mining rights, was 9.1% in 1H22.

The effective tax rate, excluding mining rights, in 1H21 was 24.9%.

Mining rights for the first half of the year were US$7.4 million compared to US$25.8 million charged in 1H21 due to lower profit levels.

PROFIT FOR THE PERIOD

Profit for the period decreased from US$308.4 million in 1H21 to US$141.0, a 54.3% decrease period-on-period as a result of the factors described above. Profit due to non-controlling interests was US$23.6 million reflecting the profit generated at Juanicipio, where MAG Silver owns 44% of the outstanding shares. Accordingly, profit attributable to equity shareholders of the Group was US$117.4 million.

Excluding the effects of the Silverstream contract, profit for the year decreased from US$311.2 million to US$166.3 million, a 46.6% decrease.

CASH FLOW

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

	1H 2022 US$ million	1H 2021 US$ million	Amount US$ million	Change %
Cash generated by operations before changes in working capital	459.5	750.4	(290.9)	(38.8)
Decrease in working capital	76.8	15.1	61.7	407.7
Taxes and employee profit sharing paid	(141.2)	(253.5)	112.3	(44.3)
Net cash from operating activities	395.1	512.0	(116.9)	(22.8)
Proceeds from the layback agreement	0.0	25.0	(25.0)	N/A
Silverstream contract	18.3	22.5	(4.2)	(18.7)
Purchase of property, plant and equipment	(299.0)	(256.8)	(42.2)	16.4
Dividends paid to shareholders of the Company	(176.9)	(172.6)	(4.3)	(2.5)
Financial expenses and foreign exchange effects	(29.0)	(18.2)	(10.9)	(59.7)
Net (decrease)/increase in cash during the period after foreign exchange differences	(83.4)	132.5	(215.9)	N/A
Cash and other liquid funds at 30 June [16]	1,151.9	1,202.9	(51.0)	(4.2)

Cash generated by operations before changes in working capital decreased by 38.8% to US$459.5 million, mainly as a result of the lower profits generated in the year. Working capital decreased US$76.8 million, mainly due to: i) a decrease in trade and other receivables of US$70.3 million mainly due to VAT recovered; and ii) an US$26.9 million increase in accounts payable; partially offset by iii) a US$12.4 million increase in inventories; and iv) an increase in prepayments of US$8.0 million.

Taxes and employee profit sharing paid decreased 44.3% over 1H21 to US$141.2 million mainly due to: i) a decrease in provisional tax payments resulting from the lower profit factor determined to calculate the estimated taxable income and lower revenue; and ii) lower final income tax paid in 1H22, net of provisional taxes paid (corresponding to the 2021 tax fiscal year.

As a result of the above factors, net cash from operating activities decreased 22.8% from US$512.0 million in 1H21 to US$395.1 million in 1H22.

The Group received other sources of cash including; i) the proceeds of the Silverstream contract of US$18.3 million and; ii) note payable by minority shareholders in subsidiaries of US$10.1 million.

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

Main uses of funds were:

i) the purchase of property, plant and equipment for a total of US$299.0 million, a 16.4% increase over 1H21. Capital expenditures for 1H22 are described below:

PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	1H 2022 US$ million	
Herradura mine	75.4	Stripping, construction of leaching pad 14 and purchase of mine equipment.
Fresnillo mine	45.5	Mine development and mining works, purchase of in-mine equipment, deepening of the San Carlos shaft and tailings dam.
Saucito mine	45.0	Mine development, purchase of in-mine equipment, deepening of the Jarillas shaft and tailings dam.
San Julián Veins and DOB	28.0	Mining works, tailings dam and purchase of in-mine equipment.
Ciénega mine	19.1	Mining works, purchase of in-mine equipment and construction of tailings dam.
Noche Buena mine	0.1	Sustaining capex
Juanicipio project	82.9	Mine development and construction of beneficiation plant
Other	3.0	Minera Bermejal.
Total purchase of property, plant and equipment	299.0	

ii) Dividends paid to shareholders of the Group in 1H22 totalled US$176.9 million, a 2.5% increase over 1H21 as a result of the 2021 final dividend of 24.0 cents per share paid in May 2022, in line with our dividend policy.

iii) Financial expenses and foreign exchange effects of US$29.0 million increased US$10.9 million period-on-period. Financial expenses in 1H22 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.

The sources and uses of funds described above resulted in a net decrease in cash of US$83.4 million (net decrease in cash and other liquid assets), which combined with the US$1,235.3 million balance at the beginning of the year resulted in cash and other liquid assets of US$1,151.9 million at the end of June 2022.

BALANCE SHEET

Fresnillo plc continued to maintain a solid financial position during the period with cash and other liquid funds[17] of US$1,151.9 million as of 30 June 2022, decreasing 6.8% versus 31 December 2021 and 4.2% versus 30 June 2021. Taking into account the cash and other liquid funds of US$1,151.9 million and the US$1,167.8 million outstanding Senior Notes, Fresnillo plc's net debt is US$15.9

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

million as at 30 June 2022. This compares to the net cash position of US$67.5 million as at 31 December 2021. Considering these variations, the balance sheet at 30 June 2022 remains strong, with a net debt / EBITDA ratio of 0.02x[18]

Inventories increased 2.5% to US$500.2 million mainly as a result of inventory of operating materials and spare parts.

Trade and other receivables decreased 12.3% to US$332.6 million mainly as a result of a decrease in value added tax receivables and reduced receivables to Met-Mex.

The change in the value of the Silverstream derivative from US$529.5 million at the end of the 2021 to US$474.5 million as of 30 June 2022 reflects proceeds of US$18.8 million in the period (US$13.4 million in cash and US$5.4 million in accounts receivables) and the Silverstream revaluation effect in the income statement of US$36.3 million.

The net book value of property, plant and equipment was US$2,865.7 million at the end of June, representing a 2.4% increase over 31 December 2021. The US$55.3 million increase was mainly due to capitalised mine development and stripping and purchase of in-mine equipment.

The Group's total equity was US$3,751.2 million as of 30 June 2022, a 1.4% decrease over 31 December 2021. This was mainly explained by the decrease in retained earnings, reflecting the 1H22 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 2021. 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; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk were set out in the Annual Report 2021.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecasts for the period to 31 December 2023. In addition, they reviewed a more conservative cash flow scenario with reduced silver and gold prices of US$19.9 and US$1,712 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$14.7 and US$1,211 for silver and gold respectively), which should they prevail to the end of 2023 would result in cash balances decreasing to minimal levels by the end of 2023, 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.

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[18] Net debt is calculated as debt at 30 June 2022 less Cash and other liquid funds at 30 June 2022 divided by the EBITDA generated in the last 12 months.

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.

DIVIDENDS

The Board of Directors has declared an interim dividend of 3.40 US cents per Ordinary Share totalling US$25.1 million, which will be paid on 14 September 2022 to shareholders on the register on 12 August 2022. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. This interim dividend is lower than the previous period due to the decrease in profit in 1H22, 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% (including to foreign nationals) relating to the payment of dividends, which are paid using the Net Tax Profit Account (CUFIN) generated from 2014 onward. The 2022 interim dividend will be subject to this withholding obligation.

MANAGING OUR RISKS AND OPPORTUNITIES WITH RESILIENCE

Effective risk management is an essential part of our culture and strategy. The accurate and timely identification, assessment and management of principal and emerging risks provide a clear understanding of the actions required to achieve our objectives. We have embedded a global risk management framework across Fresnillo plc which aims to ensure consistency and the application of the appropriate level of oversight at all times.

Key elements of integrated risk management:

- **We recognise that risks are inherent to our business:** *Only through adequate risk management can internal stakeholders be effectively supported in making key strategic decisions and implementing our strategy.*
- **Exposure to risks must be consistent with our risk appetite:** *The Board defines and regularly reviews the acceptable level of exposure to emerging and principal risks: Risks are aligned with our risk appetite, taking into consideration the balance between threats and opportunities.*
- **We are all responsible for managing risks:** *Each business activity carries out risk evaluations to ensure the sound identification, management, monitoring and reporting of risks that could impact the achievement of our goals.*
- **Risk is analysed using a consistent framework:** *Our risk management methodology is applied to all our operations, projects, exploration activities and support areas, so that we have a comprehensive view of the uncertainties that could affect us in achieving our strategic goals.*
- **We are committed to continuous improvement:** *Lessons learned, and best practices are incorporated into our procedures to protect and unlock value sustainably.*

I. How we manage risk.

As we explained in our 2021 Annual Report, the Company ended 2021 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, tailings dams 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 2022, 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, cybersecurity and safety risks.

II. Assessment of Principal Risks for the first half of 2022.

Due to the continued impact of the global COVID-19 pandemic, Russia's invasion of Ukraine, some increased insecurity in the regions surrounding our mining operations, disruptions to critical input supply chains and higher inflation leading to higher operating costs, it has been necessary to reevaluate the Principal Risks set out in the 2021 Annual Report, to rethink their relative importance, probability and impact, and to re-assess the corresponding mitigation actions.

The following is a description of the principal risks with the greatest change in impact and likelihood during the first half of the year:

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. The federal government aims to discourage the generation of energy based on clean sources and to encourage that from fuel oil and coal. 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 restriction on the granting of new mining concessions. - Labour reform prohibiting outsourcing, mainly leading to complications in the relationship with contractors. - The new mining law, which mainly regulates lithium but could have an impact on gold and silver. -The Government implementation of policies that support the emission of coal and reduce the development of renewable energy sources. -New taxes and discrepancies in the criteria used in audits carried out by the tax authority. -Increase in the frequency of reviews by the tax authorities with special focus on the mining industry. -The United States-Mexico-Canada Agreement (USMCA or TMEC) with new labour dispositions.	-Commitment to constant communication with all levels of government. -Increased monitoring of the processes being implemented at the Ministry of Labour and Economy. -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.

Principal risks	Risk description	Factors contributing to risk	Mitigation actions
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 operations. -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 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.

Principal risks	Risk description	Factors contributing to risk	Mitigation actions
Impact of metals prices and global macroeconomic developments	Metal price performance for both gold and silver, has not been affected for the time being. Even the price of gold has reached record levels. We see this risk as stable with no threat in the short term. On the other hand, during the first half of 2022, driven by global macroeconomic developments, we saw increases in operating costs and greater inflationary pressures, together with a shortage of critical inputs and equipment. We expect this situation to continue during the second half of the year and into 2023. This has the potential to have an adverse impact on our operations, costs, sales and profitability, and potentially on the economic viability of projects.	- The impact of the pandemic on supply chains has been global, prolonged, and comprised a series of major shocks to companies' logistical systems. - 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). Disruptions also include reduced availability of maintenance teams/contractors to resolve issues, as well as travel restrictions leading to officials not being able to travel and inspect projects, resulting in delays. - Increased operating costs due to higher prices for critical inputs such as steel, cyanide, copper, diesel, haulage equipment, oxygen and truck tyres. - In terms of inflation, we experienced an increase in two of our main energy inputs compared to the previous year, with diesel (USD per litre) increasing by 21% and electricity (USD per kWh) rising by 12%. - Appearance of a new COVID-19 variant. Some countries have re-introduced lockdown measures and there is a possibility that Mexico will follow suit.	-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.

III. 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		Principal Risks	Risk Appetite	Risk Level		Risk Velocity	Impact by COVID-19	Focus	
1H´22	ARA´21			1H´22	v. ARA´21				
1	1	Potential actions by the government (*political, legal and regulatory*)	Low		Stable	High	Severe	Strategic, Economic, ESG	(V)
2	2	Security	Low		Increasing	High	Medium	Operational, ESG	(V)
3	3	Impact of metal prices and global macroeconomic developments	High		Increasing	Medium	High	Economic	(V)
4	4	Access to Land	Medium		Stable	Medium	Low	Economic, Operational	(V)
5	5	License to Operate (*community relations*)	Low		Stable	Medium	Medium	ESG	
6	9	Cybersecurity	Low		Increasing	High	High	Operational	
7	8	Union Relations (*labour relations*)	Low		Increasing	Medium	Medium	Operational, ESG	
8	6	Human Resources (*attract and retain requisite skilled people*)	Low		Decreace	Medium	High	Operational, ESG	
9	7	Projects (*performance risk*)	Medium		Decreace	High	High	Strategic, Operational	
10	10	Safety	Low		Stable	High	Low	Operational, ESG	(V)
11	11	Tailings and Environmental Incidents	Low		Stable	High	Low	Operational, ESG	(V)
12	12	Climate change	Low		Stable	Low	Low	Operational, Strategic, ESG	(V)
13	13	Exploration (*new ore resources*)	Medium		Stable	Low	Low	Strategic, ESG	

Risk Appetite
Determined by the Board in 2012

Risk Velocity
High: Impact within 6 months of risk occurring
Medium: Impact between 6 and 12 months of risk occurring
Low: Impact after more than 12 months of risk occurring
Rating obtained with the owners of the risks

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

(V) Risks that were considered for the viability assessment

IV. 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.

Therefore, emerging risks include those in our 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 the first half of 2022 we carried out activities to: (I) identify new emerging risks; II) re-assess emerging risks identified in 2021; (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 stress and drought**" and "**Technological Disruption**" and identified 3 new emerging risks: "**Impact of geopolitical tensions**", **"Replacement on depletion of ore reserves"** and **"Future of the workforce".**

Emerging Risk		Description	Impact	Mitigations	Time Scale
1	**Geopolitical tensions**	Current global geopolitical tensions, such as the war between Russia and Ukraine, tensions between Taiwan and China, U.S. and Chinese tariffs, all have the potential to impact our operations and projects.	Disruptions in the supply chain of critical operating inputs such as cyanide, ammonia, spare parts, equipment parts, etc. and rising prices of key inputs such as steel, diesel, cement, etc.	Inventory control in the mining units to plan purchases in a timely manner and maintain sufficient stock to guarantee operational continuity. Strict control of operating costs to avoid increases.	< 5 Years
2	**Water stress (chronic risk) and drought (acute risk)** *(Linked to Climate Change Principal Risk)*	Lack of sufficient water resources to meet the water consumption demands in a region, along with strong heat waves in desert regions.	Water is critical to mining processes. Without this natural resource, we cannot extract gold and silver.	Strict control and monitoring of water concessions is maintained and actions are envisaged to ensure water for the following years.	> 5 Years

3	**Transition to a low-carbon future** *(Linked to Climate Change Principal Risk)*	The transition to a low-carbon future is a "transition risk" according to the TCFD and presents challenges and opportunities for our portfolio in the short and long term. It is considered within the climate change principal risk mitigation strategy. However, we consider this risk to be an emerging risk due to the speed of potential new climate change regulations and the obstacles that government may place in the way of supporting investment in clean energy.	Key areas of uncertainty include future climate change regulation and policies, the development of low-carbon technology solutions and the pace of transition across our value chains, in particular the decarbonisation pathways across the steel sector.	We have introduced new sources of information to help us identify the impacts of climate change. These include industry reports and guides, energy scenarios, and Global Circulation Models (GCM) under several Representative Concentration Pathways (RCP). We have used a well-below two-degree decarbonisation pathway to evaluate the flexibility of the Group's energy strategy.	> 5 Years
4	**Technological disruption**	Failure to identify, invest in, or adopt technological and operational productivity innovations that significantly replace or optimise a process through new systems with recognisably superior attributes.	Obsolete or outdated mining processes impact productivity and efficiency levels and impact sales and profits.	Technological advances in the mining industry are constantly monitored (particularly in mine operations) by the Technology and Development team of Baluarte Minero to adopt the most appropriate best practices and new technology.	> 5 Years
5	**Infectious diseases (pandemics)**	The regional or global spread of a new disease (bacteria or virus) against which most people do not have immunity.	Another virus such as SARS-CoV-2 coronavirus (COVID-19) may affect the health of employees and stop the Company's activities.	Mine and project personnel are continuously monitored by the medical team and receive medical examinations to ensure that there are no outbreaks of contagion.	< 5 Years
6	**Increasing societal and investor expectations**	We continued to see increasing expectations and focus on social equality, fairness and sustainability. Financial institutions are also placing greater emphasis on environmental, social and governance (ESG) considerations when making investment decisions.	The increasing focus on ESG has the potential to shape the future of the mining industry, supply cost structures, demand for global commodities and capital markets. While this presents us with opportunities for portfolio and product differentiation, it has the potential to impact how we operate.	We respond to investor and societal requests and comments and promote action plans to meet their expectations. A number of initiatives demonstrate our progress. For example, our ESG performance was recognised by our inclusion in the FTSE4Good Index. We were also listed among the world's most ethical companies by Ethisphere and placed second in the Corporate Integrity Ranking in Mexico.	< 5 Years
7	**Replacement on depletion of ore reserves** *(Linked to Exploration Principal Risk)*	The inability to replace depletion of ore reserves in key business units through exploration, projects or acquisitions.	By not replacing ore reserves with new discoveries, the company's production capacity and eventually its operation would be diminished.	Projects such as Orisyvo, Rodeo and Guanajuato could replace the mineral reserves that are currently being exploited. There are also several exploration offices located across Mexico, Peru and Chile that are searching for new discoveries.	> 5 Years

8	**Future of the workforce** *(Linked to Human Resources Principal Risk)*	Failure to create an inclusive culture, empowering talent to be confident while providing a clear career path in order to generate a future-ready workforce.	Absent specific action, a lack of talent may arise in planning, maintenance, safety and other departments. There is a need to develop personnel to fill these positions in the future. Otherwise, we will not have people prepared to operate the mines.	The Human Resources department has a highly specialized training programme in the strategic areas of the operation. It also has a training programme for developing personnel focused on filling vacant positions.	> 5 Years

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).

As mentioned in the Annual Report 2021, the Directors of the Company are:

Alejandro Baillères	Chairman
Juan Bordes	Non-executive director
Arturo Fernández	Non-executive director
Fernando Ruiz	Non-executive director
Eduardo Cepeda	Non-executive director
Charlie Jacobs	Senior Independent non-executive director
Bárbara Garza Lagüera	Independent non-executive director
Georgina Kessel	Independent non-executive director
Dame Judith Macgregor	Independent non-executive director
Alberto Tiburcio	Independent non-executive director
Guadalupe de la Vega	Independent non-executive director
Héctor Rangel	Independent non-executive director

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 2022 which comprises Interim Consolidated Income Statement, Interim Consolidated Statement of Comprehensive Income, Interim Consolidated Balance Sheet, Interim Consolidated Statement of Cash Flows and the related notes 1 to 18. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the 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 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 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) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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 are prepared in accordance with UK adopted international accounting standards. 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".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council, however future events or conditions may cause the entity to cease to continue as a going concern.

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.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are 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) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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
2 August 2022

Interim Consolidated Income Statement

	Notes	For the six months ended 30 June					
		2022 (Unaudited)			2021 (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	1,259,062		1,259,062	1,466,840		1,466,840
Cost of sales	5	(893,203)		(893,203)	(860,051)		(860,051)
Gross profit		**365,859**		**365,859**	**606,789**		**606,789**
Administrative expenses		(49,114)		(49,114)	(51,213)		(51,213)
Exploration expenses		(77,699)		(77,699)	(60,900)		(60,900)
Selling expenses		(13,718)		(13,718)	(13,056)		(13,056)
Other operating income		2,220		2,220	2,768		2,768
Other operating expenses		(9,396)		(9,396)	(12,538)		(12,538)
Profit from continuing operations before net finance costs and income tax		**218,152**		**218,152**	**471,850**		**471,850**
Finance income	6	7,008		7,008	5,565		5,565
Finance costs	6	(34,913)		(34,913)	(30,960)		(30,960)
Revaluation effects of Silverstream contract	10		(36,259)	(36,259)		(4,023)	(4,023)
Foreign exchange gain		1,238		1,238	2,921		2,921
Profit from continuing operations before income tax		**191,485**	**(36,259)**	**155,226**	**449,376**	**(4,023)**	**445,353**
Corporate income tax	7	(17,714)	10,878	(6,836)	(112,355)	1,207	(111,148)
Special mining right	7	(7,426)		(7,426)	(25,842)		(25,842)
Income tax (expense)/credit	7	(25,140)	10,878	(14,262)	(138,197)	1,207	(136,990)
Profit for the period from continuing operations		**166,345**	**(25,381)**	**140,964**	**311,179**	**(2,816)**	**308,363**
Attributable to:							
Equity shareholders of the Company		142,753	(25,381)	117,372	304,942	(2,816)	302,126
Non-controlling interests		23,592		23,592	6,237		6,237
		166,345	(25,381)	**140,964**	**311,179**	**(2,816)**	**308,363**
Earnings per share: (US$)							
Basic and diluted earnings per ordinary share from continuing operations	8			0.159	-		0.410
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per ordinary share from continuing operations	8	0.194			0.414		-

Interim Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2022	*2021*
	(Unaudited)	*(Unaudited)*
	(in thousands of US dollars)	
Profit for the period	**140,964**	**308,363**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Loss on cash flow hedges recycled to income statement	3,771	-
Gain on cost of hedging recycled to income statement	-	(3,827)
Changes in the fair value of cost of hedges	194	(3,873)
Total effect of cash flow hedges	3,965	(7,700)
Foreign currency translation	348	24
Income tax effect on items that may be reclassified subsequently to loss or profit	(1,189)	2,310
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	**3,124**	**(5,366)**
Items that will not be reclassified to profit or loss:		
Changes in the fair value of cash flow hedges	(1,532)	(434)
Total effect of cash flow hedges	(1,532)	(434)
Changes in the fair value of equity investments at FVOCI	(38,076)	8,577
Income tax effect on items that will not be reclassified to profit or loss	11,883	(2,443)
Net other comprehensive (loss)/profit that will not be reclassified to loss or profit	**(27,725)**	**5,700**
Other comprehensive (loss)/profit, net of tax	**(24,601)**	**334**
Total comprehensive income, net of tax	**116,363**	**308,697**
Attributable to:		
Equity shareholders of the Company	93,918	302,531
Non-controlling interests	22,445	6,166
	116,363	**308,697**

Interim Consolidated Balance Sheet

	Notes	*As of 30 June 2022 (Unaudited)*	*As of 31 December 2021 (Audited)*
		(in thousands of US dollars)	
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,865,721	2,799,075
Equity instruments at fair value through other comprehensive income (FVOCI)	18	126,449	164,525
Silverstream contract	10,18	443,031	494,392
Derivative financial instruments	18	197	-
Deferred tax asset	7	119,767	67,300
Inventories	11	91,620	91,620
Other receivables	12	61,871	58,548
Other assets		3,561	3,587
		3,712,217	3,679,047
Current assets			
Inventories	11	408,582	396,184
Trade and other receivables	12	332,638	401,424
Prepayments		28,334	20,282
Derivative financial instruments	18	424	96
Silverstream contract	10,18	31,468	35,152
Cash and cash equivalents	13	1,151,894	1,235,282
		1,953,340	2,088,420
Total assets		**5,665,557**	**5,767,467**
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		(1,108)	(2,042)
Cost of hedging reserve		-	(38)
Fair value reserve of financial assets at FVOCI		57,131	83,784
Foreign currency translation reserve		(1,772)	(2,120)
Retained earnings		2,483,605	2,543,087
		3,533,309	3,618,124
Non-controlling interests		217,889	184,548
Total equity		**3,751,198**	**3,802,672**
Non-current liabilities			
Interest-bearing loans		1,157,991	1,157,545
Notes payable		8,814	-
Lease liabilities		6,784	6,146
Derivative financial instruments	18	597	-
Provision for mine closure cost		269,187	256,956
Provision for pensions and other post-employment benefit plans		7,563	6,506
Deferred tax liability	7	10,334	68,745
		1,461,270	1,495,898

Current liabilities			
Trade and other payables		292,178	270,317
Notes Payable		90,036	107,918
Income tax payable		53,993	62,287
Derivative financial instruments	18	2,452	3,885
Lease liabilities		4,872	4,681
Provision for mine closure cost		3,351	3,351
Employee profit sharing		6,207	16,458
		453,089	468,897
Total liabilities		**1,914,359**	**1,964,795**
Total equity and liabilities		**5,665,557**	**5,767,467**

Interim Consolidated Statement of Cash Flows

	Notes	*For the six months ended 30 June*	
		2022	*2021*
		(Unaudited)	*(Unaudited)*
		(in thousands of US dollars)	
Net cash from operating activities	17	**395,143**	**512,035**
Cash flows from investing activities			
Purchase of property, plant and equipment		(299,026)	(256,794)
Proceeds from the sale of property, plant and equipment and other assets		660	162
Silverstream contract	10	18,257	22,453
Interest received		7,923	4,866
Proceeds from the layback agreement		-	25,000
Net cash used in investing activities		**(272,186)**	**(204,313)**
Cash flows from financing activities			
Proceeds from notes payable[1]		-	23,625
Payment of notes payable		(9,941)	-
Principal elements of lease payment	1	(2,641)	(3,327)
Dividends paid to shareholders of the Company[2]		(176,875)	(172,620)
Capital contribution[3]		10,120	31
Interest paid[4]		(27,448)	(24,837)
Net cash used in financing activities		**(206,785)**	**(177,128)**
Net increase in cash and cash equivalents during the period		(83,828)	130,594
Effect of exchange rate on cash and cash equivalents		440	1,889
Cash and cash equivalents at 1 January	13	1,235,282	1,070,415
Cash and cash equivalents at 30 June	13	**1,151,894**	**1,202,898**

[1] Corresponds to interest-bearing notes payable received from Minera los Lagartos, S.A. de C.V. which holds a non-controlling interest in Juanicipio project.

[2] Includes the effect of hedging of dividend payments made in currencies other than US dollar (note 14).

[3] Corresponds to capital contributions provided by Minera los Lagartos, S.A. de C.V.

[4] Total interest paid during the six months ended 30 June 2022 less amounts capitalised totalling US$4.3 million (30 June 2021: US$4.1 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*	*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 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		-	-	-	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**
Balance at 1 January 2022 (*Audited*)		**368,546**	**1,153,817**	**(526,910)**	**(2,042)**	**(38)**	**83,784**	**(2,120)**	**2,543,087**	**3,618,124**	**184,548**	**3,802,672**
Profit for the period									117,372	117,372	23,592	140,964
Other comprehensive income, net of tax		-	-	-	2,813	38	(26,653)	348	-	(23,454)	(1,147)	(24,601)
Total comprehensive income for the period		-	-	-	2,813	38	(26,653)	348	117,372	93,918	22,445	116,363
Hedging gain transferred to the carrying value of PPE purchased during the period		-	-	-	(1,879)	-	-	-	-	(1,879)	776	(1,103)
Capital contribution		-	-	-	-	-	-	-	-	-	10,120	10,120
Dividends paid	14	-	-	-	-	-	-	-	(176,854)	(176,854)	-	(176,854)
Balance at 30 June 2022 *(Unaudited)*		**368,546**	**1,153,817**	**(526,910)**	**(1,108)**	**-**	**57,131**	**(1,772)**	**2,483,605**	**3,533,309**	**217,889**	**3,751,198**

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 2022 ("interim consolidated financial statements") were authorised for issue by the Board of Directors of Fresnillo plc on 1 August 2022.

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 2022 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.

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 2021 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.

(b) Basis of consolidation

The interim consolidated financial statements set out the Group's financial position as of 30 June 2022 and 31 December 2021, and its operations and cash flows for the six-month periods ended 30 June 2022 and 30 June 2021.

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 2021.

(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 2021, except for the adoption of some amendment and the consideration of new transactions:

- Proceeds deducted from the cost of Property, plant and equipment

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. This resulted in a change to the group's accounting policies.

Ore generated as part of the development stage may be processed and sold, giving rise to revenue before the commencement of commercial production. Prior to 1 January 2022, where such processing was necessary to bring mining assets into the condition required for their intended use (for example, in testing the plants at the mining unit in development), revenues from metals recovered from such activities were credited to mining properties and development costs. From 1 January 2022, such revenue is recognised in profit or loss and cost of sales is measured based on expected operating cost once commercial production has been initiated.

- Leases

In the current year, the Group entered into a new type of lease transaction. The accounting policy in respect of leases has been clarified to include that variable lease payments that are not linked to price changes due to changes in a market rate or the value of an index and are linked to future performance or use of an underlying asset are not included in the measurement of the lease liability. Such cost are recognized in profit and loss as incurred.

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 2021.

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 2022 resulted in no changes required.

Juanicipio project

The Group assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the nature of each mine project, considering its complexity, location and other relevant factors.

The criteria to assess this date considers the level of capital expenditure compared with the estimated construction cost, the availability of ore reserves to sustain ongoing extraction, the extraction of ore from production areas, and the production feasibility considering the operating resources available.

When production phase is considered to have commenced, all related costs are reclassified from "Construction in progress" to the relevant class of "Property, plant and equipment". At this stage, the capitalisation of development costs ceases, depreciation commences, and additional costs are either recognised as costs of inventories or expenses, except for those that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development.

During 2021 the Group finalised the construction of the Juanicipio project. As of 1st January 2022 the mine started commercial production, while the plant commissioning activities are expected to commence during the second half of the year due to delays in the tie-in of the plant to the national electricity grid. Consequently, the Group assessed the production start date separately for the mine and the plant. As a result, the Group determined that the Juanicipio mine started operations from 1st January 2022, while the plant facilities continue the commissioning process.

(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 2022, the Company incurred US$1.1 million (2021: US$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 2021. 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; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk were set out in the Annual Report 2021.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecasts for the period to 31 December 2023. In addition, they reviewed a more conservative cash flow scenario with reduced silver and gold prices of US$19.9 and US$1,712 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$14.7 and US$1,211 for silver and gold respectively), which should they prevail to the end of 2023 would result in cash balances decreasing to minimal levels by the end of 2023, 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.

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 2022 the Group has seven reportable operating segments represented by seven 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
The San Julian mine, located on the border of Chihuahua / Durango states, an underground silver-gold mine; and
The Juanicipio mine, in the State of Zacatecas, an underground silver 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 2022 and 2021, 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 2022 and 2021, respectively. Revenues for the six months ended 30 June 2022 and 30 June 2021 include those derived from contracts with costumers and other revenues, as showed in note 4.

Six months ended 30 June 2022

US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Saucito**	**Noche Buena**	**San Julian**	**Juanicipio**[4]	**Other**[5]	**Adjustments and eliminations**	**Total**
Revenues:										
Third party[1]	266,353	302,679	92,533	303,507	85,898	211,870	-	-	(3,778)	1,259,062
Inter-Segment	-	-	-	-	-	-	120,140	92,235	(212,375)	-
Segment revenues	**266,353**	**302,679**	**92,533**	**303,507**	**85,898**	**211,870**	**120,140**	**92,235**	**(216,153)**	**1,259,062**
Segment profit[2]	**113,514**	**47,971**	**32,668**	**111,533**	**28,341**	**125,661**	**92,533**	**73,179**	**(20,188)**	**605,212**
Depreciation and amortisation										(233,735)
Employee profit sharing										(5,618)
Gross profit as per the income statement										**365,859**
Capital expenditure[3]	45,500	75,443	19,125	44,995	53	28,010	82,919	2,981	-	**299,026**

[1]Total third party revenues include treatment and refining charges amounting US$86.2 million. Adjustments and eliminations correspond to hedging loss (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 striping cost, mine development and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include striping cost at Herradura mine and purchase of mobile equipment at Saucito.
[4]The ore production of Juanicipio mine has been processed through Fresnillo and Saucito facilities.
[5]Other inter-segment revenue corresponds to leasing services provided by Minera Bermejal, S.A. de C.V; capital expenditure mainly corresponds to Minera Bermejal, S. de R.L. de C.V.

Six months ended 30 June 2021

US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Saucito**	**Noche Buena**	**San Julian**	**Juanicipio**[4]	**Other**[5]	**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	-	-	-	-	-	-	21,341	54,075	(75,416)	-
Segment revenues	**246,170**	**449,062**	**115,542**	**309,613**	**74,883**	**271,570**	**21,341**	54,075	**(75,416)**	**1,466,840**
Segment profit[2]	**129,318**	**223,548**	**60,718**	**203,534**	**20,787**	**182,866**	**17,082**	**43,902**	**(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	100,765	7,180	-	**256,795**

[1]Total third party revenues include treatment and refining charges amounting US$76.2 million.
[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.
[4]The development ore of Juanicipio mine has been processed through Fresnillo facilities.
[5]Other inter-segment revenue corresponds to leasing services provided by Minera Bermejal, S.A. de C.V; capital expenditure mainly corresponds to Minera Bermejal, S. de R.L. 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	
	2022	*2021*
	(in thousands of US dollars)	
Revenues from contracts with customers	1,278,721	1,481,812
Revenues from other sources		
Provisional pricing adjustment on products sold	(15,888)	(14,972)
Hedging loss on sales	(3,771)	-
	1,259,062	**1,466,840**

(b) Revenues by product sold

	Six months ended 30 June	
	2022	*2021*
	(in thousands of US dollars)	
Lead concentrates (containing silver, gold, lead and by-products)	572,337	629,775
Doré and slag (containing gold, silver and by-products)	312,802	459,668
Zinc concentrates (containing zinc, silver and by-products)	186,503	178,441
Precipitates (containing gold and silver)	111,645	134,679
Activated carbon (containing gold, silver and by-products)	75,775	64,277
	1,259,062	**1,466,840**

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	
	2022	*2021*
	(in thousands of US dollars)	
Silver	576,885	629,096
Gold	555,702	720,042
Zinc	158,445	131,805
Lead	54,243	62,135
Value of metal content in products sold	1,345,275	1,543,078
Adjustment for treatment and refining charges	(86,213)	(76,238)
Total revenues[1]	**1,259,062**	**1,466,840**

[1] Includes provisional price adjustments which represent changes in the fair value of trade receivables resulting in a loss of US$15.9 million (2021: loss of US$15.0 million) and hedging loss of US$3.8 million (2021: nil).

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	
	2022	*2021*
	(in US dollars per ounce)	
Gold[2]	1,871.08	1,789.24
Silver[2]	22.77	26.41

[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	
	2022	*2021*
	(in thousands of US dollars)	
Depreciation and amortisation (Note 9)	233,735	265,366
Contractors	180,513	200,637
Operating materials	123,590	106,983
Maintenance and repairs	111,629	93,958
Energy	100,034	117,505
Personnel expenses[1]	79,016	68,081
Mine equipment leased	16,423	-
Mining concession rights and contributions	10,355	9,885
Surveillance	8,703	4,044
Freight	5,460	4,417
Insurance	5,457	4,580
Other	23,770	13,259
Cost of production	898,685	888,715
Unabsorbed production costs[2]	500	956
Gain on foreign currency hedges	-	(3,827)
Change in work in progress and finished goods (ore inventories)	(5,982)	(25,793)
Cost of sales	**893,203**	**860,051**

[1] Personnel expenses include employees' profit sharing of US$5.6 million for the six months ended 30 June 2022 (six months ended 30 June 2021: US$8.9 million).
[2] Corresponds to fixed costs incurred in Juanicipio plant activities (2021: fixed production cost (labour cost and depreciation) incurred in Minera San Julian due to a power outage).

6 Finance income and finance costs

	Six months ended 30 June	
	2022	*2021*
	(in thousands of US dollars)	
Finance income:		
Interest on short-term deposits and investments	4,202	2,551
Interest on tax receivables	2,656	2,316
Other	150	698
	7,008	**5,565**
Finance costs:		
Interest on interest-bearing loans and notes payables	24,597	23,764
Interest on lease liabilities	276	288
Unwinding of discount on provisions	7,551	6,460
Other	2,489	448
	34,913	**30,960**

7 Income tax expense

	Six months ended 30 June 2022	2021
	(in thousands of US dollars)	
Current corporate income tax:		
Income tax charge	93,705	178,812
Amounts (over)/under provided in previous periods	(5,100)	6,430
	88,605	185,242
Deferred corporate income tax:		
Origination and reversal of temporary differences	(70,891)	(72,887)
Revaluation effects of Silverstream contract	(10,878)	(1,207)
	(81,769)	(74,094)
Corporate income tax	**6,836**	**111,148**
Current special mining right:		
Special mining right charge[1]	24,582	33,771
	24,582	33,771
Deferred special mining right:		
Origination and reversal of temporary differences	(17,156)	(7,929)
Special mining right	**7,426**	**25,842**
Income tax expense as reported in the income statement	**14,262**	**136,990**

[1] Until 2021 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 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 in 2021 would have been US$38.8.
The total mining concession rights paid during the six-month period were US$12.5 million (2021: US$11.4 million) and have been recognised in the income statement within cost of sales and exploration expenses.

Tax charged within the six-month period ended 30 June 2022 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the period ended 31 December 2022 using rates substantively enacted by 30 June 2022 as required by IAS 34 Interim Financial Reporting.

The effective tax rate for corporate income tax for the six months ended 30 June 2022 is 4.40% (six months ended 30 June 2021: 24.96%) and 9.19% including the special mining right (six months ended 30 June 2021: 30.76%). 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 and the uplift of tax values corresponding to fixed assets. The net deferred tax asset increased to US$109.4 million (31 December 2021: net deferred tax liability of US$1.4 million) primarily due to the increase in tax losses and the reduction of deferred tax liabilities in respect of fixed assets, derivatives including the Silverstream contract and equity instruments at FVOCI.

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 2022 and 30 June 2021, earnings per share have been calculated as follows:

	Six months ended 30 June	
	2022	*2021*
	(in thousands of US dollars)	
Earnings:		
Profit from continuing operations attributable to equity holders of the Company	117,372	302,126
Adjusted profit from continuing operations attributable to equity holders of the Company	142,753	304,942

Adjusted profit is profit as disclosed in the Interim Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$36.3million loss (US$25.4 million net of tax) (2021: US$4.0 million loss and US$2.8 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	
	2022	*2021*
Number of shares:		
Weighted average number of ordinary shares in issue ('000)	736,894	736,894

	Six months ended 30 June	
	2022	*2021*
Earnings per share:		
Basic and diluted earnings per ordinary share from continuing operations (US$)	0.159	0.410
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.194	0.414

9 Property, plant and equipment

The changes in property, plant and equipment, including right-of-use assets, during the six months ended 30 June 2022 are principally additions of US$310.6 million (six months ended 30 June 2021: US$256.8 million) and depreciation and amortisation of US$237.6 million, of which US$2.7 million was capitalised as a part of the cost of other fixed assets (six months ended 30 June 2021: US$267.2 million, of which US$1.1 million was capitalised). Significant additions include stripping cost at Herradura mine and purchase of mobile equipment at Saucito and Juanicipio mines.

As of 30 June 2022, the Group has contractual commitments related to the construction and acquisition of property, plant and equipment of US$219.0 million (30 June 2021: US$216.5 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 US$2.00 in years one to five and US$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 2022 was US$5.54 per ounce (30 June 2021: US$5.43 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 2022 the weighted average rate applied for the purposes of the valuation model calculated with reference to annual undiscounted cash flow was 9.38% (30 June 2021: 7.83%).

In the six months ended 30 June 2022, total proceeds received in cash were US$18.3 million (2021: US$22.5 million) of which, US$4.8 million was in respect of proceeds receivable as at 31 December 2021 (2020: US$7.6 million). Cash received in respect of the period of US$13.4 million (six months ended 30 June 2021: US$14.8 million) corresponds to 1.01 million ounces of payable silver (six months ended 30 June 2021: 1.09 million ounces). As at 30 June 2022, a further US$5.4 million (30 June 2021: US$7.8 million) of cash corresponding to 360,944 ounces of silver is due (30 June 2021: 383,179 ounces).

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

	2022	*2021*
	(in thousands of US dollars)	
Balance at 1 January:	529,544	576,140
Cash received in respect of the period	(13,415)	(14,804)
Cash receivable	(5,371)	(7,793)
Remeasurement loss recognised in profit or loss	(36,259)	(4,023)
Balance at 30 June	**474,499**	**549,520**
Less - Current portion	31,468	41,759
Non-current portion	443,031	507,761

The US$36.3 million unrealised loss recorded in the income statement (six months ended 30 June 2021: US$4.0 million loss) resulted mainly from the increase in LIBOR reference rate and a relevant decrease in the forward silver price curve. These effects were partially compensated by a new production mine plan which considers an increase in silver reserves.

As a result of the reforms mandated by the Financial Stability Board, benchmark InterBank Offered Rates (IBORs) such as LIBOR are being replaced by new 'official' benchmark rates, known as alternative Risk Free Rates (RFRs). Thus the US dollar LIBOR rate will cease on 30 June 2023. In order to determine the applicable discount rate to the Silverstream contract, Management is evaluating which RFR to apply from that date. Management expects that the discount rate using the new RFRs plus the applicable spread will not differ significantly from the discount rate using US dollar LIBOR plus the applicable spread.

11 Inventories

	As at 30 June 2022	As at 31 December 2021
	(in thousands of US dollars)	
Finished goods[1]	16,601	19,137
Work in progress[2]	341,608	344,805
Ore stockpile[3]	14,874	3,234
Operating materials and spare parts	132,448	125,824
Inventories at lower of cost and net realisable value	505,531	493,000
Allowance for obsolete and slow-moving inventories	(5,329)	(5,196)
Balance at lower of cost and net realisable value	500,202	487,804
Less - Current portion	408,582	396,184
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 and in stockpiles that will be processed in dynamic leaching plants (note 2(c)).
[3] Ore stockpile includes ore mineral obtained at Juanicipio (30 June 2021 ore 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 2022	As at 31 December 2021
	(in thousands of US dollars)	
Trade and other receivables from related parties (Note 16)[1]	244,635	265,473
Value added tax receivable	54,282	103,448
Other receivables from related parties (Note 16)	5,473	4,886
Other receivable from contractors	1,503	27
Other receivables	11,042	11,478
Other receivables arising from the layback agreement	16,413	16,684
	333,348	401,996
Expected credit loss of 'Other receivables'	(710)	(572)
	332,638	401,424
Other receivables classified as non-current assets:		
Other receivable from contractors	2,930	-
Value Added Tax receivable	35,671	34,634
Other receivables arising from the layback agreement	23,270	23,914
	61,871	58,548
	394,509	459,972

[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$11.0 million within Other receivables (2021:US$11.5 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 2022	*As at 31 December 2021*
	(in thousands of US dollars)	
Cash at bank and on hand	2,558	2,834
Short-term deposits	1,149,336	1,232,448
Cash and cash equivalents	**1,151,894**	**1,235,282**

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 2022		
Total dividends paid during the period[1]	24.0	176.9
Six months ended 30 June 2021		
Total dividends paid during the period[2]	23.5	173.2

[1] Final dividend for 2021 approved at the Annual General Meeting on 17 May 2022 and paid on 27 May 2022.
[2] Final dividend for 2020 approved at the Annual General Meeting on 24 June 2021 and paid on 28 June 2021.

A reconciliation between dividend declared, dividends affected to retained earnings and dividend presented in the cash flow statements is as follows:

	Six months ended 30 June	
	2022 US$ thousands	*2021 US$ thousands*
Dividends declared	176,854	173,170
Foreign exchange effect	-	4
Dividends recognised in retained earnings	**176,854**	**173,174**
Foreign exchange and hedging effect	21	(554)
Dividends paid	**176,875**	**172,620**

The directors have declared an interim dividend of US$3.40 cents per share and is not recognised as a liability as at 30 June 2022. Dividends paid from the profits generated from 1 January 2014 to residents in Mexico and to non-resident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Group.

15 Contingencies

The contingencies in the Group's annual consolidated financial statements for the year ended 31 December 2021 as published in the 2021 Annual Report, are still applicable as of 30 June 2022, with the followings updates:

- With regards to tax audits by the Mexican tax authorities (SAT, by its Spanish acronym), we summarise the status of on-going inspections:

  - On 10 June 2021, SAT initiated an audit of the income tax and mining rights computations of Desarrollos Mineros Fresne, S de R.L. de C.V. for the year 2016. The findings are similar to the 2014 and 2015 Tax Audit Findings, and relate to the tax treatments of capitalised stripping cost, exploration expenditure, in-period deduction of certain ore extraction services as an expense, and the VAT paid for those services. On 6 June 2022, the SAT delivered its findings to which the company responded and initiated a procedure with the Mexican Taxpayer Ombudsman (PRODECON) to procure a Conclusive Agreement with SAT in respect of these findings.

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 2022 and 30 June 2021 and balances as at 30 June 2022 and 31 December 2021.

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 2022	*As at 31 December 2021*	*As at 30 June 2022*	*As at 31 December 2021*
	(in thousands of US dollars)			
Trade:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	244,635	265,473	271	298
Other:				
Industrias Peñoles, S.A.B. de C.V.	5,371	4,842	-	-
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	2	6	-	-
Servicios Administrativos Peñoles, S.A de C.V.	-	-	8,658	4,519
Servicios Especializados Peñoles, S.A. de C.V.	-	-	6,543	179
Fuentes de Energía Peñoles, S.A. de C.V.	-	-	2,964	5,220
Termoeléctrica Peñoles, S. de R.L. de C.V.	-	-	1,216	2,154
Eólica de Coahuila S.A. de C.V.	-	-	17,255	13,589
Minera Capela, S.A. de C.V.	-	-	-	714
Other	100	38	4,341	4,257
	250,108	270,359	41,248	30,930

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

Other balances due from related parties:

	As at 30 June 2022	As at 31 December 2021
	(in thousands of US dollars)	
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	474,499	529,544

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 2022	2021
	(in thousands of US dollars)	
Income:		
Sales[1]:		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	1,262,832	1,466,840
Other income	884	1,591
Total income	**1,263,716**	**1,468,431**

[1] Figures are net of treatment and refining charges of US$86.2 million (June 2021: US$76.2 million).

	Six months ended 30 June 2022	2021
	(in thousands of US dollars)	
Expenses:		
Administrative Services:		
Servicios Administrativos Peñoles, S.A. de C.V.[2]	17,065	16,289
Servicios Especializados Peñoles, S.A. de C.V.[2]	13,289	9,623
	30,354	25,912
Energy:		
Fuentes de Energía Peñoles, S.A. de C.V.	1,529	2,202
Termoeléctrica Peñoles, S. de R.L. de C.V.	9,704	10,390
Eólica de Coahuila, S.A. de C.V.	15,722	19,214
	26,955	31,806
Operating materials and spare parts:		
Wideco Inc	3,159	1,758
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	4,686	5,081
	7,845	6,839
Equipment repairs and administrative services:		
Serviminas, S.A. de C.V.	3,791	3,966
Insurance premiums:		
Grupo Nacional Provincial, S.A.B. de C.V.	6,515	4,782
Other expenses	3,755	1,492
Total expenses	79,215	74,797

[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 2022 for a total amount of US$30.4 million (US$25.6 million for the six months ended 30 June 2021). During the period there were no administrative expenses capitalised (US$1.9 million for six months ended 30 June 2021).

(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	
	2022	*2021*
	(in thousands of US dollars)	
Salaries and bonuses	1,435	1,812
Post-employment pension	118	126
Other benefits	123	150
Total compensation paid to key management personnel	1,676	2,088

17 Notes to the consolidated statement cash flows

	Notes	*Six months ended 30 June*	
		2022	*2021*
		(in thousands of US dollars)	
Reconciliation of profit for the period to net cash generated from operating activities			
Profit for the period		140,964	308,363
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation	9	234,281	265,979
Employee profit sharing		5,809	12,661
Deferred income tax credit	7	(98,925)	(82,023)
Current income tax expense	7	113,187	219,013
Gain on the sale of property, plant and equipment		(102)	(22)
Net finance costs		27,875	25,387
Foreign exchange gain		(450)	(3,572)
Difference between pension contributions paid and amounts recognised in the income statement		601	608
Non-cash movement on derivatives		25	1
Changes in fair value of Silverstream	10	36,259	4,023
Working capital adjustments			
Decrease in trade and other receivables		70,285	9,341
(Increase)/decrease in prepayments and other assets		(8,027)	2,037
Increase in inventories		(12,399)	(24,536)
Increase in trade and other payables		26,940	28,285
Cash generated from operations		**536,323**	**765,545**
Income tax paid[1]		(125,008)	(232,297)
Employee profit sharing paid		(16,172)	(21,213)
Net cash from operating activities		**395,143**	**512,035**

[1] Income tax paid includes US$71.7 million corresponding to corporate income tax (June 2021: US$204.3 million) and US$53.3 million corresponding to special mining right (June 2021: US$28.0 million), for further information refer to note 7.

18 Financial instruments

a. Classification

As at 30 June 2022

US$ thousands

Financial assets:	Amortized cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables [1]	43,508	-	-	250,006
Equity instruments at FVOCI	-	126,449	-	-
Silverstream contract	-	-	-	474,499
Derivative financial instruments	-	-	621	-
Financial liabilities:		Amortised Cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans		1,157,991	-	-
Trade and other payables		122,794	-	-
Notes payable		98,850	-	-
Derivative financial instruments			3,049	-

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

As at 31 December 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 [1]	41,217	-	-	270,315
Equity instruments at FVOCI	-	164,525	-	-
Silverstream contract	-	-	-	529,544
Derivative financial instruments	-	-	96	-
Financial liabilities:		Amortised Cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans		1,157,545	-	-
Trade and other payables		161,117	-	-
Notes payable		107,918	-	-
Derivative financial instruments		-	3,885	-

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 2022	31 December 2021	30 June 2022	31 December 2021
	US$ thousands			
Financial assets:				
Trade and other receivables	43,508	41,217	65,653	41,217
Financial liabilities:				
Interest-bearing loans[1]	1,157,991	1,157,545	951,348	1,237,689
Trade and other payables	122,794	161,117	122,794	161,117
Note payable	98,850	107,918	98,850	107,918

[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 2022 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]	-	-	250,006	250,006
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	621	-	621
Silverstream contract (Note 10)	-	-	474,499	474,499
Other financial assets:				
Equity instruments at FVOCI	126,449	-	-	126,449
	126,449	**621**	**724,505**	**851,575**
Financial liabilities:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	3,049	-	3,049
	-	**3,049**	-	**3,049**

[1]Includes receivable corresponding Silverstream contract of US$4.8 million.

	As of 31 December 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]	-	-	270,315	270,315
Derivative financial instruments:				
Option commodity contracts	-	66	-	66
Option and forward foreign exchange contracts	-	30	-	30
Silverstream contract	-	-	529,544	529,544
Other financial assets:				
Equity instruments at FVOCI	164,525	-	-	164,525
	164,525	**96**	**799,859**	**964,480**
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	-	2,987	-	2,987
Option and forward foreign exchange contracts	-	898	-	898
	-	**3,885**	**-**	**3,885**

[1]Includes receivable corresponding Silverstream contract of US$7.6 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:

	2022	2021
	US$ thousands	
Balance at 1 January	265,473	326,833
Sales	3,028,144	3,349,471
Cash collection	(3,033,093)	(3,347,886)
Changes in fair value[1]	(16,924)	(5,479)
Realised embedded derivatives during the year[1]	1,034	(9,493)
Balance at 30 June	**244,634**	**313,446**

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 2022	Increase/ (decrease)	Effect on profit before tax: increase/ (decrease) *US$ thousands*
Silver price	15%	95,345
	(15%)	(95,345)
Interest rate	75 basis point	(31,912)

31 December 2021	Increase/ (decrease)	Effect on profit before tax: increase/ (decrease) *US$ thousands*
Silver price	15%	104,419
	(15%)	(104,419)
Interest rate	25 basis point	3,088

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 2022 and 2021 consisted of only cash and cash equivalents.