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31 July 2012

Fresnillo plc interim results
for the six months to 30 June 2012

Financial highlights (H1 2012/H1 2011 comparisons)

- Average realised silver price US$30.97 per oz, down 13.3%
- Average realised gold price US$1,645.50 per oz, up 12.5%
- Adjusted Revenue[1] of US$1,141.7m, up 2.5%
- Gross Profit of US$705.4m, down 8.9%
- EBITDA[2] decreased by 9.2% to US$684.4m with strong EBITDA margin of 63.1%
- Profit attributable to equity shareholders of the Company, excluding Silverstream revaluation effects, decreased by 19.3% to US$340.6m (post-tax Silverstream revaluation effects: US$26.0m)
- Cash generated by operations before changes in working capital US$715.8m, down 10.3%
- EPS decreased by 25.0% to US$0.511 per share
- Interim dividend 15.5 US cents per share

Operational highlights

- Record attributable gold production of 248,795 ounces, up 20.5%
- Gold production profile strengthened due to the start-up of Noche Buena
- Silver production, including Silverstream, decreased by 6.5% as a result of the expected lower ore grade at Fresnillo
- On track to achieve full year production targets of 41moz of silver (including Silverstream) and 460,000oz of attributable gold
- Construction of the dynamic leaching plant at Herradura on track for start-up in 3Q13
- On track to complete the San Julián pre-feasibility study by 2H12

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

- Completion of the pre-feasibility study of Juanicipio on a stand-alone basis
- Encouraging exploration results with gold reserves increasing at Noche Buena
- Construction of ramps to conduct additional drilling and metallurgical tests at San Julián, Orisyvo and Centauro Deep projects continued

Highlights for 1H12

US$ million unless stated	H1 12	H1 11	% change
Silver Production (koz) – Attributable*	20,072	21,460	-6.5
Gold Production (oz) - Attributable	248,795	206,477	20.5
Total Revenue	1,085.2	1,056.9	2.7
Adjusted Revenue[1]	1,141.7	1,114.1	2.5
Exploration expenses	104.0	62.0	67.8
EBITDA[2]	684.4	753.7	-9.2
Attributable Profit	366.7	488.7	-25.0
Cash generated by operations before changes in working capital	715.8	798.2	-10.3
Basic and Diluted EPS (US$)[3]	0.511	0.681	-25.0
Dividend per ordinary share (US$)	0.1550	0.2100	-26.2

* Silver production includes volumes realised under the Silverstream Contract.

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

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

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

"Fresnillo plc has continued to deliver on its strategy in the first half of this year and I am pleased to report a strong operational performance. We have achieved record gold production while silver production has been in line with the targets we set out six months ago. While the economic climate has been challenging, Fresnillo plc continues to build a solid platform for future growth.

In the first half of the year, renewed economic concerns placed downward pressure on silver prices and, to a lesser extent, gold prices. Despite this trend, the average price of gold during the period was higher than during the first half of 2011, benefitting group revenues. However, this was offset by the decline in the silver price, which had a negative effect on our financial results.

Notwithstanding, I am pleased to report that our solid performance has resulted in us maintaining high profit margins. This was achieved through the start-up of commercial production at the new Noche Buena gold mine and successful ramp-up at Saucito. These factors, coupled with the favourable effect of higher gold production at the Ciénega and Herradura Districts and the change in gold/silver price ratio, resulted in gold revenues topping 50% of total group revenues for the first time.

Our robust operational progress is also underpinned by our strategy to consolidate mining districts. This was demonstrated by the efficiency achieved during the construction phase at Noche Buena and the synergies created at our business units in the Herradura District. The increased volumes of ore processed at the Ciénega mine resulted from the additional contribution of the San Ramón satellite mine. This favourable effect will also be reflected at the Fresnillo District, where ramp-up at Saucito is expected to compensate for the lower ore grade at Fresnillo.

We are particularly satisfied with the results of our exploration programme, with an increased resource base at Noche Buena indicating potential for a future expansion. New veins have also been found at the Fresnillo district with a further ore-shoot discovered at San Ramón. The completion of the Juanicipio pre-feasibility study represented the next step in the development of this potential new standalone mine, while the preparation of the pre-feasibility study for San Julián continued to progress and will be delivered in the second half of 2012.

We reiterate our commitment to achieve our production targets for the full year, while continuing to invest in the sustainable growth of the Group. These efforts will contribute to the delivery of a strong set of results in 2012 and will ensure that we have a strong foundation to endure further economic volatility."

Commentary on the Group's results

In the first half of the year, the Group continued to deliver solid operating results with gold production achieving a new record of 248,795 attributable ounces and silver production being in line with the Company's expectations. This was the result of the start-up of the Noche Buena gold mine, the successful ramp-up of production at Saucito and solid performances at our other mines.

Similarly to other mining companies, the Group's profit margins were impacted by the global economic conditions. However, our EBITDA margins are at a very healthy 63%. The commodities and equity markets faced challenging months in the first half of 2012 as political tensions continued in the Middle East and concerns returned surrounding economic growth rates in the Eurozone and the US.

Silver and gold were not immune to these factors, reflecting the tensions prevailing in the financial markets. As a result, the average price of silver decreased by 13.3% to US$30.97 per ounce, whilst the average price of gold continued to rise to US$1,645.5 per ounce, which represented an increase of 12.5% compared to the first half of 2011.

At Fresnillo plc, the favourable effect of the higher price of gold, coupled with record production of this precious metal, more than compensated for the decline in the price of silver and the adverse impact of the expected lower ore grade at the Fresnillo mine. This was reflected in the 2.5% increase in adjusted revenues to US$1,141.7 million.

However our cost of sales rose by 34.5% compared to the first half of 2011. This was explained by higher adjusted production costs which resulted from: i) costs related to the new Noche Buena mine; ii) the additional three months of operations in the first half of 2012 at Saucito; iii) the increased volumes of ore processed at all our mines; iv) additional activities conducted to reinforce safety conditions; and v) higher labour and operating materials unit costs. The second most important factor impacting cost of sales was the higher depreciation resulting from our increased asset base and intensified use of equipment.

Costs per tonne increased at all our mines except for Soledad-Dipolos. The increase in unit fees charged by contractors and the 6.5% wage increase in Mexican pesos for our unionised workers impacted cost per tonne. In addition, increased shotcreting and rock bolting activities, together with the haulage of ore and waste material over longer distances and deeper pits, increased consumption of diesel and lubricants, while a 6.4% increase in the unit cost of operating materials further affected cost per tonne.

These cost pressures were mitigated in part by the 11.4% devaluation of the Mexican peso/US dollar exchange rate, which lowered costs in Mexican pesos when converted to US dollars. Moreover, improved efficiency at the mines and the expansion of capacity at Ciénega and Soledad-Dipolos increased the volume of ore processed, further benefiting from economies of scale.

Consolidated gross profit decreased by 8.9% from US$774.6 million to US$705.4 million in the first half of 2012. As described above, the expected lower ore grades at some mines, together with the decline in silver price and higher cost of sales, were the main drivers. However, the positive aspects such as the increased volumes of ore processed at the mines, the higher price of gold and devaluation of the Mexican peso/US dollar exchange rate offset some of these pressures. The gross profit generated by the new Noche Buena gold mine, and by the additional three months of operations at Saucito, further mitigated the negative factors.

To continue expanding our resource base and foster the Group's organic growth, US$104.0 million was recognised as exploration expenses in the income statement. Furthermore, an additional US$36.5 million relating to the construction of ramps and exploration expenses at advanced exploration projects was capitalised. These figures are in line with the authorised annual budget of US$360.4 million for risk capital invested in exploration.

The intensive drilling programme at our mines has also yielded good results, with additional high grade resources found at deeper zones of the Fresnillo mine and a new ore-shoot discovered at the San Ramón satellite mine in Ciénega. At Herradura, ore with economic gold values was identified in the areas surrounding the Centauro pit, while at Noche Buena additional resources were confirmed with infill drilling. These results are encouraging enough to evaluate possible expansions in the future at the Herradura District.

The lower gross profit together with the increase in exploration expenses resulted in a 9.2% decrease in EBITDA, and while EBITDA margins remained comparatively strong, they declined from 71.3% in the first half of 2011 to 63.1% in the same period of 2012.

The Silverstream contract increased in value by US$36.4 million, versus the US$93.6 million unrealised gain recorded in the first half of 2011.

Income tax expense declined by 24.4% to US$168.5 million, reflecting the lower profits obtained during this period. The effective tax rate was 27.9%.

Net profit for the period declined by 21.4% to US$434.7 million in the first half of 2012. The Group's attributable profit of US$366.7 million represented a 25.0% decrease compared to the same period of 2011. Profit attributable to equity shareholders of the Group, excluding the Silverstream effects, declined by 19.3% to US$340.6 million in the first six months of 2012.

Cash flow generated by operations before changes in working capital of US$715.8 million decreased by 10.3% compared to the first half of 2011 as a result of the lower profits mentioned above. Capital expenditures totaled US$239.6 million, which were used to finance mine development works, purchase surface land and equipment at the mines;

construction of the dynamic leaching plant and pads at the Herradura District and ramps and underground workings at advanced exploration projects.

In the first half of the year, the Group started to implement the 2012-2016 Action Plan to fully integrate the Health, Safety, Environment and Community Relations System across the entire organisation and reinforce the effectiveness of our corporate responsibility programme. Progress has been made, but it is with deep regret that Fresnillo plc has recorded two fatal accidents to contractors so far this year, both of which were the result of breaches to Fresnillo plc's Safety Action plan. Both incidents have been the subject of thorough analysis and these results were reported to the management team and presented to the Health, Safety, Environment and Community Relations Committee. Further information on Fresnillo plc's Health and Safety activities can be found on page 12 of this report.

The Directors have recommended an interim dividend of 15.5 US cents per share amounting to US$111.16 million which is scheduled to be paid on 11 September 2012 and in accordance with the Company's stated dividend policy.

Growth

The Noche Buena gold mine began operations in March 2012, consolidating the Group's position as a significant gold producer in its own right. In addition, the San Ramón satellite mine at Ciénega also became fully operational.

The pre-feasibility study of the Juanicipio project, owned through the association of Fresnillo plc 56% and Mag Silver 44%, was completed. We continued intensifying the drilling programme and preparing the pre-feasibility study at the San Julián project, while construction of ramps to conduct additional exploration at Orisyvo and Centauro Deep remained as planned.

At Herradura, the site for the dynamic leaching plant was relocated with no significant delays as a possible expansion of the Centauro pit is under consideration. The capital expenditure for the construction of this facility was reviewed and increased to US$116.0 million. This project is expected to produce 51,000 ounces of gold per year from 2013 through 2019 by increasing recoveries of high-grade ore from the Centauro and Soledad-Dipolos pits.

Outlook

We consider the global economic climate will remain uncertain as a number of developed countries continue to display signs of recession. We believe markets will reflect the financial concerns arising from sovereign risk in Europe, and potential slowdowns in the US and China. All these aspects are expected to increase volatility and generate further pressure on silver and gold prices. However, we remain committed to delivering on the Group's production and growth programme by investing in productivity, efficiency and exploration. Furthermore, we will continue to reinforce our safety policies and procedures and contribute to development of the communities where we operate. We believe these actions will give us the solid foundations we need to remain as the largest silver producer worldwide and an important producer of gold.

Presentation for Analysts

Jaime Lomelín, Chief Executive Officer, and Mario Arreguín, Chief Financial Officer, will host a presentation for analysts on Tuesday 31 July at 9am (BST) at JP Morgan, 60 Victoria Embankment London EC4Y 0JP

For analysts unable to attend dial in details are:
Dial-in number: +44 (0)1452 568 061
Conference ID: 13098125

A replay of the conference call will be available for 7 days after the call at:
Dial in number: +44 (0)1452 550 000
Conference ID: 13098125#

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About Fresnillo plc

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

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

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

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

Forward-looking statements

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

Operational Review

In the first half of the year, the start-up of Noche Buena expanded the Group's gold production profile, highlighting the efficiency of our strategy to consolidate mining districts. Production at Saucito was successfully ramped up, which mitigated the expected lower ore grade at Fresnillo. Soledad-Dipolos and Ciénega continued to capitalise on the expansions of capacity that took place in 2011. Furthermore, production at the San Ramón satellite mine began, boosting volumes processed at Ciénega beyond its expected capacity. In total, the Group has expanded its portfolio from three mines in 2008 to six and a satellite mine in the first half of 2012.

Our resource base was also increased through our aggressive exploration programme and we expect these results to be confirmed by the end of the year. Construction of the dynamic leaching plant at Herradura began and this is expected to start operations in 2013.

Production

Production	H1 2012	H1 2011	% change
Silver (kOz) - attributable	17,912	19,544	-8.4
Silverstream prod'n (koz)	2,160	1,916	12.7
Total Silver prod'n (koz)	20,072	21,460	-6.5
Gold (Oz) - attributable	248,795	206,477	20.5
Lead (t)	12,844	10,602	21.1
Zinc (t)	13,565	11,429	18.7

Attributable silver production for the first six months of 2012 decreased by 8.4% compared to the same period of 2011 as a result of the expected natural decline in silver grades at the Fresnillo mine, which was partially offset by the ramp-up at Saucito.

Under the Silverstream Contract, 2.1 million ounces of silver were produced at the Sabinas mine, a 12.7% increase compared to the first half of 2011 due to better ore grades.

Attributable gold production reached a new record high at 248,795 ounces, which represented a 20.5% increase over the first six months of 2011. The start-up of Noche Buena and higher volumes of gold produced at Saucito and Ciénega were the main reasons benefiting attributable gold production.

By-product lead and zinc production increased by 21.1% and 18.7% respectively half over half as a result of higher ore grades and increased mill throughput at Fresnillo and Saucito.

Production of all metals was in line with our expectations and the Group remains on track to achieve its full year target of 41 million ounces of silver, including Silverstream, and 460,000 ounces of gold.

Fresnillo mine production

Production	H1 2012	H1 2011	% change
Silver (kOz)	13,366	16,865	-20.7
Gold (Oz)	15,880	12,485	27.2
Lead (t)	8,702	6,739	29.1
Zinc (t)	8,309	6,579	26.3

Silver production at the Fresnillo mine was 13.4 million ounces, a 20.7% decrease when compared to the first half of 2011. This reduction was caused by the expected decline in silver ore grade towards the average of the reserve base. Specifically, the 23.6% decrease in ore grade to 333 g/t in the first half of 2012 was explained by the depletion of high grade stopes at the San Alberto zone. However, the technical expertise of our workers and efficient operation at the Fresnillo beneficiation plant contributed to an increase in the volume of ore milled, mitigating the adverse effect of the lower ore grade. Ore grades are expected to remain stable throughout the rest of this year.

We continue evaluating the expansion of milling capacity from 8,000 to 10,000 tonnes per day to maintain annual silver production within a range of 26 to 28 million ounces at this mine. Development activities were accelerated from an average of 3,000 metres to 4,000 metres per month to ensure the availability of sufficient production stopes to feed the mill at the expanded capacity. We are investigating further ways in which to improve recovery rates at the Fresnillo District. A pyrite plant is an option and we have begun initial engineering work to determine if this is viable.

Production of by-product gold, lead and zinc increased over the first half of 2011 as the result of the natural increase in ore grades at this mine.

The San Carlos shaft began operations and further haulage savings are expected in the second half of the year as preparation of closer stopes is concluded and ore from these zones is hoisted through this shaft.

Saucito mine production

Production	H1 2012	H1 2011*	% change
Silver (kOz)	3,248	1,932	68.1
Gold (Oz)	21,720	9,130	137.9
Lead (t)	1,146	559	105.0
Zinc (t)	711	290	145.2

* YTD11 figure: includes ore processed in 1Q11 from initial tests during the commissioning of Saucito and then commercial production since April 2011.

In the first half of the year, the ramp-up at Saucito progressed well and the mine remains on track to reach our full year target of 6.7 million ounces of silver for 2012. We believe comparison of production figures at this mine could be misleading as a result of the six months of operations reflected in the first half of 2012, compared to the three months in 2011 as Saucito start-up took place in April 2011. In addition, ore exclusively from the production stopes was processed this year whereas stock piled ore from the construction phase with lower ore grade was also milled in 2011.

The construction of the Jarillas shaft remained on track for start-up in the second half of this year. This facility will have a capacity of 5,000 tonnes per day and will contribute to a further ramp up in production at the mine while reducing haulage and hoisting costs.

Ciénega mine production

Production	H1 2012	H1 2011	% change
Gold (Oz)	65,331	53,377	22.4
Silver (kOz)	1,190	576	106.6
Lead (t)	2,997	3,304	-9.3
Zinc (t)	4,545	4,560	-0.3

Gold production increased by 22.4% over the corresponding period in 2011 due to higher ore throughput at this mine. The current milling capacity has surpassed the 930,000 tonnes per year expected from the expansion. Our new target this year is to reach a milling rate equivalent to a one million tonne capacity. In addition, San Ramón started commercial operations and has already achieved 1,000 tonnes per day.

Silver production at this mine doubled in the first six months of the year due to the higher silver ore grade processed from San Ramón. Given the characteristics of the mineral, this trend is expected to remain in the second half of the year.

Lead production decreased by 9.3% when compared to the first half of 2011 as a result of the lower ore grade, while zinc production remained stable at 4,545 tonnes.

Herradura mine production - Attributable

Production	H1 2012	H1 2011	% change
Gold (Oz)	94,394	88,226	7.0
Silver (kOz)	84	142	-40.8

Attributable gold production reached a new record level at 94,394 ounces as a result of the 10.8% increase in ore deposited on the leaching pads and improved recovery rates. These factors enable us to continue mining lower grade ore while maintaining, or even exceeding production volumes, thus maximising the value of our current operations.

Soledad-Dipolos mine production - Attributable

Production	H1 2012	H1 2011	% change
Gold (Oz)	38,864	43,260	-10.2
Silver (kOz)	21	28	-25.0

Attributable gold production decreased by 10.2% to 38,864 ounces in the first half of 2011 as a result of the expected lower ore grades and recovery rates. Similar to Herradura, our decision to process lower grade ore which is profitable at current prices is expected to optimise production and maximise profit levels.

Noche Buena mine production - Attributable

Production	H1 2012	H1 2011	% change
Gold (Oz)	12,606	-	N/A
Silver (kOz)	4	-	N/A

Construction of the Noche Buena gold mine was concluded on time and within budget. Since commercial production started in March, 12,606 attributable gold ounces were produced, achieving a contribution of 5.1% to the Group's attributable gold production.

Production is expected to continue ramping up to the estimated capacity of 42,000 attributable gold ounces per year. With this level of production, the anticipated mine life at this open pit mine is five years. However, additional resources have been found at this open pit mine indicating potential for a future expansion.

Growth Projects

Dynamic leaching plant at Herradura

The construction of the dynamic leaching plant to process high grade ore from the Herradura and Soledad-Dipolos pits, and at a later time, to treat the ore from Centauro Deep, remained on track to be concluded in 2013. However, in the first half of the year, a possible expansion of the Centauro pit was evaluated under different price scenarios. As a result, the site of the dynamic leaching plant was relocated and the capital expenditure was reviewed and increased from US$106.8 million to US$116.0 million. This project is expected to increase gold production by an average of 51,000 ounces per year over the 2013-2020 period.

In-mine exploration

The Group's strategy is supported by continuous investments in exploration aimed at replenishing reserves and increasing resources at our operating mines. In the first half of the year, encouraging results were obtained through our intensive exploration programme. Notwithstanding, additional drilling will be conducted in the following months and final results will be audited at year-end to be released in early 2013.

Exploration

The 2012 budget was increased to US$360.4 million and during 1H2012 expenditure totalled US$140.5 million. This was principally invested in geology/diamond drilling and mining works. Some 65 rigs were employed to drill 340,000 metres on 22 properties (Centauro Deep, Noche Buena, Choya, Tajitos in Sonora; San Julián, Orisyvo, Candameña in Chihuahua; San Ramón, Las Casas, Manzanillas, Lucerito, Cairo in Durango; Fresnillo, Saucito, Minera Juanicipio, Guachichil, Tocayos in Zacatecas; Guanajuato; Yesca in Jalisco; Cebadillas in Nayarit; and Amata, Pilarica in Perú). Exploration ramps and crosscuts were extended at the Centauro Deep, San Julián and Orisyvo projects. Ore reserves and resources will be updated and audited in December, and the figures published in early 2013.

In the Herradura District good intersections of gold-bearing veins continued to be found at Centauro Deep to over 1,400 metres below the main pit. Infill drilling at the new Noche Buena operation has increased the gold reserves and an extension of mineralization was discovered 1 km to the east of the pit.

At the Fresnillo District two veins with silver values were discovered south of the mine area and drilling is planned to test these structures at greater depth. Infill drilling is in progress at Saucito to upgrade resources to the indicated category for mine planning.

Positive results have been obtained at the San Ramón satellite operation in the Ciénega District, where a new ore-shoot is being delineated east of the main ore body along the Porvenir vein. Infill drilling continues at the Las Casas veins immediately north of the mine area.

Drilling has been initiated at the Guachichil gold project in Zacatecas next to Goldcorp's Camino Rojo project, and at the Pilarica silver project in Peru. Good progress was also made on the San Julián advanced project with gold-silver mineralization discovered on the Shalom, Todos Santos and San Emiliano veins; and the Group expects to complete the pre-feasibility study in the second half of the year. At Orisyvo drilling is defining the extent of the higher grade gold-bearing sulfide core zone that bears underground potential. New targets were identified at both Lucerito and Guanajuato.

An agreement was signed with the community with respect to the Coneto prospect, a joint-venture with Orex, and environmental permitting is in progress. Claims were purchased to consolidate the company's ground position at the Petlacala gold prospect in the San Nicolas del Oro District, Guerrero and at the Santo Domingo silver-gold project in Peru. Holdings presently total 2.1 million hectares in Mexico and 79,000 hectares in Peru.

Health and safety, human resources, environment and community relations

In the first half of the year, the Group started to implement the 2012-2016 Action Plan to fully integrate the Health, Safety, Environment and Community Relations System across the entire organisation and reinforce the effectiveness of our corporate responsibility programme. Progress over the period included increased communication of our Sustainable Development policy, clear descriptions of roles and responsibilities for HSECR leaders and definition of metrics, including KPI's and KRI's. We will continue working to advance our Action Plan in the following months and a follow-up review will be held in the second half of the year.

It is with deep regret that Fresnillo plc has recorded two fatal accidents to contractors so far this year, both of which were the result of breaches to Fresnillo plc's Safety Action plan. One of these fatalities occurred in January and the most recent in July. Both incidents have been the subject of thorough analysis and the results were reported to the management team and presented to the Health, Safety, Environment and Community Relations Committee. The Company extends its sincere condolences to the families of our colleagues.

The Group remains committed to improve its safety performance and achieve its zero fatal accidents target. To do so, we continue to implement a broad and permanent safety awareness campaign at all business units, increase training hours and reinforce our existing programmes such as *STOP* and *Rules that save lives*.

Fresnillo plc also initiated, in collaboration with the Mexican Secretariat of Labour, a new programme to analyse safety risks and prevent accidents. Furthermore, an external safety expert visited our mines for a second time and recognised significant improvements at Ciénega and Fresnillo.

With regards to health, we are implementing a comprehensive awareness campaign called "Promoting life" and continued our nutritional and preventive health programmes at all mines and exploration projects. For the first time, one of our contractors inaugurated its first medical unit, for which the Family Responsible Company Award was granted by Mexican Secretariat of Labour.

In the period under review, the group had zero environmental incidents. Notwithstanding, we remain proactive by i) participating in the Carbon Disclosure Project and the Mexican Greenhouse Gas Programme, ii) promoting a recycling culture together with Mexican Secretariat of the Environment and 20 contractors, iii) maintaining our restoration efforts and iv) installing solar panels at some of our business units to promote the use of alternative sources of energy.

As at 30 June 2012, Fresnillo plc's workforce totaled 1,084 employees, 2,441 unionised workers and 2,878 contractors. We concluded the annual wage negotiations with the mining union, agreeing a 6.5% wage increase in Mexican pesos.

We continue to develop our recruitment, selection, retention and professional development programmes. In April, a recognised global firm helped us to conduct our employee satisfaction survey and the results are being analysed to identify areas of opportunity. We remain confident that these activities will improve the relationship with our employees and will maintain Fresnillo plc as the employer of choice.

We continued building a long-term relationship with our local communities. We carried out the biannual Group's perception survey and results will be released by the end of the year. We celebrated World Water Day and World Environment Day at all our business units and participated in local festivities at Herradura, Ciénega and Saucito. In addition, we continued investing in training for local suppliers and promoting education in earth sciences, while investments in social infrastructure for the first six months of the year included the restoration of the high school and recreational areas at Fresnillo.

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 15 of the financial statements.

Financial Review

The interim consolidated financial statements of Fresnillo plc for the first half of 2012 and 2011 have been prepared in accordance with IAS 34 “Interim Financial Statements” as adopted by the European Union. The financial information is presented in US dollars, and all values in this commentary are expressed in millions except where indicated. Management recommends reading this section in conjunction with the Interim Financial Statements and their accompanying Notes.

Commentary on financial performance

In the first half of 2012, the profit metrics of Fresnillo plc declined, with gross profit, EBITDA and profit from continuing operations decreasing by 8.9%, 9.2% and 16.6%, respectively.

Adjusted revenues increased slightly by 2.5% over the first half of 2011. The higher prices and volumes of gold sold were broadly offset by the lower silver grades at Fresnillo. Furthermore, the silver pricing environment was weaker than in the prior year, with the average silver price decreasing by 13.3% compared to the first half of 2011.

The modest benefit of the higher revenues was more than offset by the increase in cost of sales, with adjusted production costs rising by 37.3% over the first half of 2011. This increase was mainly caused by the higher cost of contractors, operating materials and diesel related to the additional volumes of ore processed, the additional mine development works and the intensive rock bolting and shotcreting carried out to improve safety conditions at our mines. Costs in absolute terms were further increased by the start-up of the new Noche Buena gold mine and the full six months of production reflected for the Saucito mine in the first half of 2012, whereas in 2011, only three months were recorded as cost after its start-up in April.

These adverse effects were partly mitigated by the beneficial effect of the devaluation of the average Mexican peso/US dollar exchange rate, which reduced costs denominated in Mexican pesos when converted to US dollars at a higher exchange rate. In addition, Fresnillo plc continued to optimise consumption of key inputs and investing in efficiency projects aimed at containing costs.

Exploration expenses increased significantly over the period as part of our strategy to extend the Group’s resource base and grow organically.

As a result of this, our EBITDA margin decreased from 71.3% in the first half of 2011 to 63.1% in the first half of this year, though we consider that we remain within the lowest quartile of the cost curve.

A revaluation gain related to the Silverstream Contract was recorded mainly as a result of the financial gain resulting from higher silver prices and production volumes from the Sabinas mine during the first half of 2012 than estimated at 31 December 2011, and the unwinding of the discount in the Silverstream valuation. However this US$36.4 million gain was 61.1% lower compared to the figure recognised in the first half of 2011, with profits before income tax decreasing by 22.3% to US$603.3 million when compared to the first six months of 2011.

Income tax of US$168.5 million decreased by 24.4% compared to the first half of last year due to lower profit levels. Notwithstanding, the effective tax rate was 27.9%.

The combination of all the factors mentioned above resulted in a decrease of 21.4% in profit for the period when compared to the first half of 2011.

Income Statement

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

	H1 2012	H1 2011	% change
Adjusted Revenue[1]	1,141.7	1,114.1	2.5
Treatment & Refining charges	-56.5	-57.2	-1.2
Total Revenues	1,085.2	1,056.9	2.7
Cost of sales	379.8	282.4	34.5
Gross Profit	705.4	774.6	-8.9
Exploration expenses	104.0	62.0	67.8
EBITDA[2]	684.4	753.7	-9.2
Profit before income tax	603.3	776.1	-22.3
Income tax expense	168.5	222.9	-24.4
Profit for the period	434.7	553.2	-21.4
Profit for the period, excluding post-tax Silverstream revaluation effects	408.7	486.6	-16.0
Attributable profit	366.7	488.7	-25.0
Attributable profit, excluding post-tax Silverstream revaluation effects	340.6	422.0	-19.3
Basic and diluted Earnings per share (US$/share) [3]	0.511	0.681	-25.0
Basic and diluted Earnings per share, excluding post-tax Silverstream revaluation effects (US$/share)	0.475	0.588	-19.2

[1] Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges.
[2] Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative, selling and exploration expenses.
[3] The weighed average number of shares was 717,160,159. See Note 7 in the Consolidated Financial Statements.

The Group's financial results are highly dependent on the quality and performance of our assets, the talent of our personnel and management's execution capabilities. However, there are certain variables which are beyond the Group's control that have a significant impact on its financial statements. A description of these external factors is provided below.

Precious metal prices

Perceived increased sovereign risk in Europe, the US economic slowdown and continued geopolitical tensions in the Middle East at the beginning of the year had a broad impact on the financial markets during the period. Gold and silver prices for the first six months of the year reflected this volatility. The average realised silver price decreased by 13.3% from the previous record level of US$35.74 per ounce in the first half of 2011 to US$30.97 per ounce in the same period of 2012. In contrast, the average realised gold price increased by 12.5% over the first half of 2011 to US$1,645.50 per ounce. The benefit of the higher gold price was exceeded by the adverse effect of the lower silver price. In addition, lead and zinc prices decreased by 20.4% and 14.3% respectively, when compared to the first half of 2011.

Hedging

The Group maintains a policy to remain fully exposed to volatility in precious metal prices and does not hedge silver and gold production. The Group did not enter any new derivative contracts to hedge the price of lead and zinc by-products during the period. However, the Group did enter into derivatives to hedge foreign exchange exposure.

Foreign exchange rates

The average spot Mexican peso/US dollar exchange rate devalued by 11.4% from $11.91 per US dollar in the first half of 2011 to $13.26 per US dollar during the same period of 2012. This devaluation generated a favourable effect estimated at US$12.5 million in the Group's production costs as costs denominated in Mexican pesos (approximately 2/3 of total costs) were lower when converted to US dollars.

Despite high volatility experienced over the period, the Mexican peso/US dollar spot exchange rate of $13.65 per US dollar at 30 June 2012 was lower compared to the prevailing spot exchange rate at the beginning of the year ($13.98 per US dollar). As a result, there was an adverse effect on the peso value of US-dollar denominated net monetary asset position, which is used for calculating taxes payable in accordance with Mexican legislation.

Inflation of key operating materials

Key operating materials	**HALF OVER HALF CHANGES**
Steel balls for milling	-0.9%
Steel for drilling	3.3%
Explosives	14.5%
Tyres	4.9%
Sodium cyanide	21.5%
Other reagents	-2.4%
Lubricants	1.5%
Weighted average of all operating materials	6.4%

Unit prices of key operating materials continued to rise, although not at the pace observed in the past two years. This was reflected in the 6.4% increase in the net weighted average unit prices of operating materials over the first half of 2011. As shown in the table above, the cost of several inputs such as lubricants, steel balls for milling and reagents remained stable during the period. However, the unit price of steel for drilling was inflated by soaring demand coming from drilling activities in the oil and gas industry and the revitalized demand for vehicles. The limited availability of ammonium nitrate, which is used as a component to produce explosives, increased the unit cost of this input by approximately 14.5%. Finally, the high price of gold has caused a significant increase in the demand for sodium cyanide, boosting its price by 21.5% when compared to the first half of 2011.

Electricity

In the first half of 2012, the Group's weighted average cost of electricity remained steady at US$10.1 cents per kw when compared to the same period of 2011. Electricity rates are set by the Comisión Federal de Electricidad (CFE), the national utility.

Diesel

The weighted average cost of diesel in US dollars was US$62.4 cents per litre, which represented a decrease of 4.1% compared to US$65.0 cents in the first half of 2011. The Mexican Government continued adjusting fuel and diesel prices to international rates. However, the devaluation of the Mexican peso/US dollar exchange rate benefited the unit cost of diesel when converted to US dollars.

Treatment and Refining charges

The 2012 treatment and refining charges per tonne and per ounces are still being negotiated and will apply retrospectively from January. For this half year, we are accounting for treatment and refining charges assuming that they will remain at similar levels to last year.

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

Revenues

Consolidated Revenues
(US$ millions)

	H1 2012	H1 2011	Amount	%Change
Adjusted Revenue[1]	1,141.7	1,114.1	27.6	2.5
Treatment and refining charges	-56.5	-57.2	0.7	-1.2
Total Revenues	1,085.2	1,056.9	28.2	2.7

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

Adjusted revenues for the first six months of 2012 reflected a small increase of 2.5% over the first half of 2011, which was sufficient to reach a new record high at US$1,141.7 million. As shown in the table below, the increased sales volumes of gold and higher price of this precious metal resulted in a total favourable effect of US$149.3 million. Notwithstanding, this benefit was largely offset by the US$121.8 million adverse effect of the lower average realised silver price and reduced volumes of silver sold from the Fresnillo mine. The combination of these variables resulted in a positive net effect of US$27.6 million in adjusted revenues.

In terms of the total metal price effect in the Group's adjusted revenues, the negative impact of the lower silver price outweighed the benefit of the higher price of gold, which together with the lower zinc and lead prices, resulted in an adverse effect estimated at US$31.4 million. However, once volumes are taken into account, the positive effect of the higher sales volumes of both gold and by-products lead and zinc exceeded the decline in silver ounces sold, causing a favourable effect of US$59.0 million.

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

	H1 2012		H1 2011		Volume* Variance	Price* Variance	Total	%

Silver	516.8	45%	638.6	57%	-39.5	-82.3	-121.8	-19.1
Gold	580.8	51%	431.6	39%	89.9	59.4	149.3	34.6
Lead	21.9	2%	22.6	2%	4.3	-5.1	-0.8	-3.4
Zinc	22.2	2%	21.3	2%	4.3	-3.4	0.9	4.1
Total Revenues	1,141.7	100%	1,114.1	100%	59.0	-31.4	27.6	2.5

*Estimated

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

The Noche Buena gold mine began operations in March and sold 22,326 ounces of gold and 7,297 ounces of silver in the period. This new mine, together with the higher volumes of gold sold by Ciénega and Saucito and the changes in relative prices, further strengthened our gold profile. As a result, the contribution of gold to adjusted revenues was boosted from 38.8% in the first half of 2011 to 50.9% in the same period of this year. Meanwhile the contribution from silver decreased from 57.3% to 45.3% in the first half of 2012, mainly due to the lower sales volumes and price of this precious metal. Notwithstanding, the balance between gold and silver participation will continuously be changing as our recently opened mines ramp up and new projects become operational and the volatility of the relative gold and silver prices persists.

With lower prices and decreased production of silver at the Fresnillo mine, it was expected that its contribution to the consolidated adjusted revenues would decline, accounting for 37.9% in the first half of 2012. After completing one year of commercial production, Saucito has increased its contribution from 6.3% to 11.5% in the period, while Noche Buena accounted for a modest 3.2% of the Group's adjusted revenues. However this figure is expected to increase as this gold mine reaches full capacity.

Adjusted Revenues by metal

	H1 12	**H1 11**
Gold	50.9%	38.8%
Silver	45.3%	57.3%
Zinc	1.9%	1.9%
Lead	1.9%	2.0%
TOTAL	100%	100%

Adjusted Revenues by mine

	H1 12	**H1 11**
Fresnillo	37.9%	53.2%
Herradura	24.4%	20.8%
Ciénega	13.0%	9.7%
Saucito	11.5%	6.3%
Soledad-Dipolos	10.0%	10.0%
Noche Buena	3.2%	N/A
TOTAL	100%	100%

Volumes of metal in products sold
Six months ended 30 June

	H1 12	H1 11	% change
SILVER (kOz)			
Fresnillo	12,352	15,471	-20.2

Ciénega	1,064	502	+112.0
Herradura	147	243	-39.5
Soledad-Dipolos	36	49	-26.5
Saucito	3,079	1,604	91.9
Noche Buena	7	-	N/A
Total Silver (kOz)	16,685	17,869	-6.6
GOLD (kOz)			
Fresnillo	13	10	30.0
Ciénega	63	50	26.0
Herradura	167	153	9.2
Soledad-Dipolos	68	75	-9.3
Saucito	20	8	150.0
Noche Buena	22	-	N/A
Total Gold (kOz)	353	296	19.3
LEAD (MT)			
Fresnillo	7,531	5,650	33.3
Ciénega	2,670	3,129	-14.7
Saucito	894	362	147.0
Total Lead (MT)	11,095	9,141	21.4
ZINC (MT)			
Fresnillo	6,766	5,291	27.9
Ciénega	3,883	3,870	0.3
Saucito	596	94	534.0
Total Zinc (MT)	11,245	9,255	21.5

Cost of sales

			Change	
	H112	**H111**	**Amount**	**%**
Adjusted production costs[4]	263.1	191.6	71.6	37.3
Depreciation	113.3	69.8	43.6	62.4
Change in work in progress	-23.9	-15.6	-8.3	52.7
Profit Sharing	25.5	41.3	-15.8	-38.2
Hedging	1.8	-4.7	6.4	N/A
Cost of Sales	**379.8**	**282.4**	**97.5**	**34.5**

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

Cost of sales totalled US$379.8 million, an increase of 34.5% over the first half of 2011. The US$97.5 million increase is explained by the following factors:

- Adjusted production costs amounted to US$263.1 million, representing a 37.3% increase when compared to the first half of 2011. Of the total US$71.6 million increase, 26.4% or US$18.9 million was related to the adjusted production costs incurred at the new Noche Buena mine in its first months of commercial production. The additional three months of production at Saucito in 2012 following commencement of operations in April 2011 added to adjusted production costs by an estimated US$13.2 million, representing 18.4% of the total increase. Notwithstanding, the 11.4% devaluation of the average Mexican peso/US dollar spot exchange rate resulted in an estimated US$12.5 million favourable effect when converting peso-denominated costs to US dollars. The factors described above were factored out from each category to reflect the underlying operational and dollar-denominated unit cost changes, resulting in the effects discussed below:

- Contractor costs rose by US$36.4 million as a result of: i) an increase in unit fees charged by contractors, which include the annual rise in labour cost, depreciation of contractors' equipment and operating materials to perform drilling activities; ii) an overall increase in contractors to haul higher volumes of ore and waste material over longer distances at Herradura, Saucito and Soledad-Dipolos, iii) backfilling, shotcreting and additional rock bolting carried out to secure safety conditions mainly at the Fresnillo mine; iv) a higher number of contractors at Ciénega for the San Ramón satellite mine; v) an increase in development works at all our operating mines to ensure continuous operation; and vi) increased mine services which are normally conducted by contractors such as road maintenance, personnel transportation and surveillance.
- The cost of operating materials increased by US$8.8 million, mainly explained by: i) increased throughput at our operating mines; ii) the 6.4% weighted average increase in the unit price of operating materials; and iii) higher consumption of steel for drilling, explosives, anchors and tyres associated with the additional rock bolting and shotcreting activities performed to improve safety conditions at our operating mines.
- Personnel costs, excluding profit sharing, rose by US$2.9 million mainly due to: i) a 6.5% increase in wages in Mexican pesos; ii) the additional personnel hired at Herradura and Soledad-Dipolos to increase volumes of ore deposited; and iii) additional hours of training to improve safety.
- The cost of energy increased by US$2.7 million mainly due to the increased consumption of diesel and electricity directly associated with higher production volumes. Longer haulage distances and deeper pits, mainly at Herradura and Soledad-Dipolos, added to the amount of diesel consumed.
- Other costs increased by US$0.6 million mainly due to higher freight costs, additional equipment insured and information technology to support mining operations.
- The cost of maintenance rose by US$0.5 million due to i) maintenance provided to in-mine equipment and pumps at Saucito, whereas in 2011 these assets were new and no significant maintenance was required; ii) additional maintenance on the fire detection systems at Fresnillo; and iii) increased in-mine equipment at Ciénega.

- Depreciation increased by US$43.6 million mainly due to the additional asset base relating to Noche Buena and the full six months of depreciation reflected for Saucito, as compared to three months in the first half of 2011 after its start up in April. Furthermore, additional mining works were capitalised and depreciated in accordance with the estimated useful lives of the assets, whilst higher production volumes affected the depletion factor, thus increasing depreciation over the period.
- Profit sharing decreased by US$15.8 million due to lower profits mainly at the Fresnillo mine.
- The US$8.3 million increase in change in work in progress principally resulted from the increase in ore inventories at the Noche Buena pads.
- The Group enters into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with costs incurred in Mexican pesos. In the first half of 2012, forward dollar sales for US$38.5 million at an average rate of $12.51 matured, resulting in a US$1.0 million loss

recognised in the income statement. The outstanding net forward position as of 30 June 2012 was US$11.5 million with maturity dates throughout 2012.

Additionally, the Group entered into a combination of put and call options structured at zero cost (collars). In the first half of 2012, these derivatives were used to hedge US$19.0 million of costs denominated in Mexican pesos with average floor and cap exchange rates of $12.68 and $13.71 per US dollar respectively, resulting in a US$0.7 million loss recorded in the income statement. The total outstanding position using collar structures as of 30 June 2012 was US$137.0 million with maturity dates throughout the second half of this year and 2013. These instruments guarantee a minimum exchange rate should the market fall below the floor exchange rate. Between the floor and cap exchange rates the Group sells US dollars at the market rate, and when the Mexican peso per US dollar exchange rate goes above the cap rate, the Company is obliged to sell US dollars at the contract rate.

Cost per tonne and cash cost per ounce

In the first half of 2012, cost per tonne continued to be closely monitored by management to evaluate the effects of mining inflation and the efficiency of the Group's cost controls. This key indicator, calculated as total production costs less depreciation, profit sharing and exchange rate hedging effects, changed over the first half of 2011 as shown in the table below.

COST PER TONNE**				
				%
		H112	H111	Change
Fresnillo	US$/TONNE MILLED	43.51	42.27	2.9%
Ciénega	US$/TONNE MILLED	74.15	70.06	5.8%
Herradura	US$/TONNE DEPOSITED	6.33	5.52	14.6%
Soledad-Dipolos	US$/TONNE DEPOSITED	5.90	6.14	-3.9%
Saucito	US$/TONNE MILLED	60.92	N/A	N/A

**Cost per tonne at Noche Buena is not included as it started operations in March 2012 and is not comparable to other mines

There were several common factors affecting cost per tonne across the Group: i) the 6.4% increase in the weighted average unit cost of operating materials; ii) the 6.5% rise in wages in Mexican pesos for unionised workers; and iii) higher unit fees charged by contractors. These adverse effects were mitigated by: i) the 11.4% devaluation of the Mexican peso against the US dollar; and ii) the benefits obtained from the economies of scale which resulted from the increase in the volume of ore processed at all our operating mines. The specific factors impacting cost per tonne at each individual mine are further described below.

Cost per tonne at the Fresnillo mine was impacted by higher contractor costs linked to the additional shotcreting, rock bolting and backfilling carried out to improve safety conditions. These activities also increased consumption of diesel and certain operating materials such as steel for drilling, anchors, tyres and explosives. Other aspects increasing cost per tonne were the higher cost of insurance, information technologies, surveillance and maintenance of fire detection systems.

Cost per tonne at the Ciénega mine was impacted by higher contractors and diesel costs, which increased due to the longer haulage distances from the new San Ramón satellite mine. Other factors affecting this indicator were increased freight costs, training of new engineers and higher investment in community programmes.

Cost per tonne at the Herradura mine was negatively impacted by: i) a higher number of contractors hired to accelerate the preparation of production banks and to carry out road maintenance and surveillance; ii) increased consumption of diesel and lubricants as a result of hauling waste material through longer distances and a deeper pit; and iii) the existence of water at deeper banks which required more expensive explosives that do not dilute in water.

Cost per tonne at the Soledad-Dipolos mine decreased due to economies of scale which resulted from the 37.4% increase in ore deposited at the leaching pads, which more than compensated for the higher adjusted production costs. Specifically, cost per tonne was affected by: i) higher unit cost of contractors; ii) increase in waste material hauled to support the operations over the period; iii) cost of operating materials due to the higher consumption of tyres and lubricants related to the more intensive use of equipment; and iv) increased diesel consumption as a result of longer distances as the pit is deepened.

In the first half of the year, cost per tonne at Saucito amounted to US$60.9 per tonne. We expect to see lower cost per tonne at this mine as production continues to ramp-up and full capacity is reached. Most of the mineral processed at Saucito last year was sourced from the stock piled during the construction of the mine, moreover the mill operated only three months during the first half of 2011 as it started operations in April 2011, thus cost per tonne for that period is not comparable.

The above adverse effects were mitigated by the economies of scale associated with the increases in volume of ore processed at all the operating mines.

CASH COST PER OUNCE[7] **

		H1 12	H1 11	% Change
Fresnillo	US$ per silver ounce	5.09	5.53	-8.0%
Ciénega	US$ per gold ounce	60.75	91.27	-33.4%
Herradura	US$ per gold ounce	448.45	306.75	46.2%
Soledad-Dipolos	US$ per gold ounce	557.57	447.03	24.7%
Saucito	US$ per silver ounce	0.48	N/A	N/A

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

**Cash Cost at Noche Buena is not included as it started operations in March 2012 and is not comparable to other mines

The particular variations in cash cost for each mine are explained as follows:

Despite the 23.6% decrease in ore grade at Fresnillo, cash cost per silver ounce decreased by only 8.0% compared to the first half of 2011. This was mainly due to the lower profit sharing and higher by-product revenues.

Cash cost per gold ounce at Ciénega declined by 33.4% as a result of higher silver revenues credited to costs, which represented 21.6% of Ciénega's total sales as compared to 16.7% last year. In addition, cash cost also benefited by higher gold ore grade.

Cash cost per gold ounce at Herradura increased by 46.2% as a result of the expected lower ore grade (-12.3%) together with the 14.6% increase in the cost per tonne explained above.

Cash cost per gold ounce at Soledad-Dipolos increased by 24.7% mainly due to the 18.7% decline in ore grade related to the Group's decision to increase production by processing additional economic low-grade ore.

Cash cost for the first half of 2012 at Saucito was US$0.48 per silver ounce. This figure reflected the favourable effect of the high by-product revenues, with gold representing 25.2% of Saucito's total income.

Gross profit

Gross profit is a key financial indicator to measure profitability at each business unit and at the Fresnillo Group as a whole.

In the first half of 2012, total gross profit for operating mines, excluding hedging gains and losses, totalled US$697.6 million, a 9.5% decrease when compared with the same period of last year.

The main adverse effects driving the US$73.4 million decline in gross profit were: i) the lower ore grades at Fresnillo, Herradura and Soledad-Dipolos, which we estimate reduced profit by US$179.9 million; ii) the fall in silver prices, with an estimated negative effect of US$81.6 million, iii) higher adjusted production costs of US$51.9 million before Mexican peso/US dollar exchange rate effects and new operations, which is described above; and iv) higher depreciation related to an increased asset base.

However, the above unfavourable factors were mitigated by: i) the increased ore volumes processed at Fresnillo, Herradura and Soledad-Dipolos, with an economic benefit estimated at US$94.4 million, ii) higher gold prices which increased gross profit by approximately US$58.1 million; iii) the start-up of the Noche Buena mine which contributed US$20.0 million (new operation); iv) the benefit of increased production volumes at Ciénega and Saucito of US$45.4 million; and v) the additional contribution of Saucito corresponding to the additional three months of operations reflected in the first half of 2012, an estimated effect of US$32.4 million.

The contribution by mine to the Group's gross profit, excluding hedging effects, continued changing over the period. The participation of Fresnillo decreased 58.6% to 43.8% in the first half of 2012 as a result of the factors discussed above. Notwithstanding, our flagship mine remains the largest contributor to the consolidated gross profit, followed by Herradura and Ciénega with shares of 23.1% and 11.5%, respectively. Gross profit at Saucito increased by 47.0% over the same period of 2011, due to the benefit of additional three months of operations in the first half of 2012. This positive effect boosted its contribution to the Group's gross profit from 6.0% to 9.7% in the first half of 2012. Finally, the Noche Buena gold mine contributed with a modest 2.9% to the consolidated gross profit. Notwithstanding, this participation is expected to increase in the following months as Noche Buena reaches full capacity.

CONTRIBUTION BY MINE TO CONSOLIDATED GROSS PROFIT EXCLUDING HEDGING GAINS AND LOSSES						
(US$ millions)					Change	
	H112		H111		Amount	%
Fresnillo	305.5	43.8%	451.7	58.6%	-146.3	-32.4
Herradura	161.2	23.1%	150.9	19.6%	10.3	6.8
Ciénega	80.5	11.5%	54.0	7.0%	26.5	49.1

Saucito	67.9	9.7%	46.2	6.0%	21.7	47.0
Soledad-Dipolos	62.6	9.0%	68.2	8.8%	-5.6	-8.2
Noche Buena	20.0	2.9%	-	-	20.0	N/A
Total for operating mines	**697.6**	100.0%	**771.0**	100.0%	**-73.4**	**-9.5**
MXP/USD exchange rate hedging (losses) and gains	(1.8)		4.7		-6.4	N/A
Other subsidiaries	9.5		-1.1		10.6	N/A
Total Fresnillo plc	**705.4**		**774.6**		**-69.2**	**-8.9**

Administrative expenses

Administrative expenses for the first half of 2012 increased to US$27.1 million, 6.7% higher than the same period of 2011. The increase was explained by the additional administrative personnel hired to service a larger number of mines and projects. In addition, higher legal and advisory fees related to the Bribery Act and to evaluating the performance of the Board further increased administrative expenses.

Exploration expenses

BUSINESS UNIT / PROJECT (US$ millions)	**Exploration expenses**	**Capitalised expenses**
Ciénega	7.6	0.0
Fresnillo	8.3	0.0
Herradura	19.1	0.0
Soledad-Dipolos	5.1	0.0
Saucito	2.0	0.0
Noche Buena	11.2	0.0
San Ramón	2.5	0.0
San Julián	8.2	31.6
Orisyvo	4.4	0.0
Nuevo Corredor Herradura	2.7	0.0
Centauro Profundo	3.3	0.0
San Juan	2.3	0.0
Lucerito	2.5	0.0
Candameña	2.3	0.0
Guachichil	1.7	0.0
Guanajuato	1.6	0.0
Perú	2.4	0.0
Manzanillas	2.4	0.0
Juanicipio	0.0	2.8
Others	14.4	2.1
TOTAL	**104.0**	**36.5**

In the first half of 2012, exploration expenses recorded in the Group's income statement totalled US$104.0 million, representing a 67.8% increase over the same period of 2011. This figure remained in line with our strategy to expand the resource and reserve base aimed at ensuring the long-term growth of the Group. Exploration activities were intensified on the Herradura and Fresnillo Districts and San Julián, Candameña, San Juan, Juanicipio and Guanajuato projects. In addition, US$36.5 million associated with the San Julián and Juanicipio projects was capitalised. The total investment in exploration was US$140.5 million in the period. Notwithstanding, over the second half of the year we are expecting to reach our 2012 approved budget US$360.4 million.

EBITDA

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

	H1 2012	H1 2011	% change
Gross Profit	705.4	774.6	-8.9
+ Depreciation	113.3	69.8	62.4
- Administrative Expenses	-27.1	-25.4	6.7
- Exploration Expenses	-104.0	-62.0	67.8
- Selling Expenses	-3.2	-3.3	-3.0
EBITDA	684.4	753.7	-9.2
EBITDA Margin	63.1%	71.3%	

EBITDA, which is calculated as gross profit plus depreciation, less administrative, selling and exploration expenses is another key indicator of the Group's financial performance. In the first six months of 2012, EBITDA decreased by 9.2% to US$684.4 million mainly due to the adverse effect of the lower gross profit and the increased exploration expenses. The EBITDA margin declined accordingly from 71.3% in the first half of 2011 to 63.1% in the first half of 2012.

Silverstream revaluation effects

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. The US$36.4 million revaluation of the Silverstream resulted mainly from: i) the financial gain resulting from higher silver prices and production volumes from the Sabinas mine during the first half of 2012 than estimated at 31 December 2011; and ii) the unwinding of the discount in the Silverstream valuation. The aggregate impact from changes in the estimated price of silver, inflation rate, exchange rate and discount rate were immaterial.

Since the IPO, total non-cash revaluation gains of US$407.5 million have been taken to income. However, it was anticipated that the Group would expect further unrealised gains or losses taken to the income statement in accordance with the cyclical behaviour of the silver price or changes in the variables considered in valuing this contract. Further information related to the Silverstream contract is provided in the Balance Sheet section below and in notes 9 and 17 to the Consolidated Financial Statements.

Foreign exchange

In the first half of 2012, the revaluation of the Mexican peso/US dollar exchange rate had an adverse effect over the value of peso-denominated net liabilities when converted to US dollars. As a result, a foreign exchange loss of US$8.7 million was recorded in the first half of the year, which compared negatively to the US$4.4 million loss recognised in the same period of 2011.

Taxation

As a result of the lower profits earned during the first half of 2012, the income tax expense decreased by 24.4% to US$168.5 million. The Group's effective tax rate was 27.9%. The factors that have reduced this rate from the statutory rate of 30% include principally the effects of foreign exchange and inflationary adjustments.

Profit for the period

Profit for the period decreased by 21.4% to US$434.7 million due to the factors discussed above. Profits due to non-controlling interests of US$68.0 million increased by 5.4% compared to the equivalent period of 2011 as a result of the profits generated at Noche Buena, where Newmont owns 44% of the outstanding shares. Accordingly, profit attributable to equity shareholders of the Group reduced by 25.0% from US$488.7 million to US$366.7 million in the first half of 2012.

Excluding the favourable effects of the revaluation of the Silverstream Contract in the first half of each year, profit for the period decreased by 16.0% from US$486.6 million to US$408.7 million in the first six months of the year. Similarly, profit attributable to equity shareholders of the Group, excluding the Silverstream revaluation effects, declined by 19.3%.

Cash Flow

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

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

	H1 12	H1 11	(US $)	(%)
Cash generated by operations before changes in working capital	715.8	798.2	-82.4	-10.3
(Increase)/decrease in working capital	-70.5	-42.6	-27.9	65.5
Taxes and Employee Profit Sharing paid	-352.8	-166.2	-186.6	112.3
Net cash from operating activities	292.5	589.4	-296.9	-50.4
Purchase of property, plant & equipment	-239.6	-201.2	-38.4	19.1
Silverstream contract	53.2	56.3	-3.1	-5.5
Dividends paid	-312.6	-290.0	-22.7	7.8
Net increase/(decrease) in cash during the period before foreign exchange differences	-194.1	159.1	-353.3	N/A
Cash at 30 June	490.8	717.9	-227.1	-31.6

In the first half of 2012, cash generated by operations before changes in working capital decreased by 10.3% to US$715.8 million, reflecting the drop in profits generated at some of our mines. Moreover, a US$70.5 million increase in working capital affected the Group's cash flow mainly as a result of:

- A US$37.0 million increase in ore inventories resulting from the ore deposited at the leaching pads of Noche Buena, a slight increase in ore inventories at Herradura and Soledad-Dipolos and critical spare parts stored to secure operating continuity.
- Trade and other receivables which rose by US$25.7 million due to: i) higher receivables resulting from the increased volumes of ore sold and higher gold prices; ii) increased recoverable value added tax; and iii) equipment sold to contractors on credit.

The higher profits generated throughout the previous year increased the 2011 final income tax that was paid in the first months of 2012 in accordance with Mexican regulations. In addition, provisional payments for the first half of 2012 increased significantly compared to the first half of 2011 as the higher profit levels from 2011 affected the factor used to calculate these in 2012. Notwithstanding, this effect will be adjusted in the annual declaration of 2012 to reflect the actual income tax generated in accordance to the profit levels achieved over the year. Similar to the income tax, profit sharing from 2011 paid to employees in this period was higher than that paid in May 2011.

As a result of the above factors, net cash from operating activities of US$292.5 million decreased by 50.4% when compared to the corresponding figure of 2011.

In the first half of the 2012, the Group received proceeds totalling US$53.2 million under the Silverstream Contract. This figure represented a 5.5% decrease when compared to the US$56.3 million recorded in the corresponding period of 2011 due to the lower price of silver. However, this adverse effect was mitigated by the increased ounces of silver sold compared to 2011 (1.8 million ounces in H1 2012 vs 1.5 million ounces in H1 2011).

The Group purchased property plant and equipment for a total of US$239.6 million, which represented a 19.1% increase when compared to the first half of 2011. Capital expenditures for the first six months of 2012 are further described below:

Purchase of property, plant and equipment		
(US$ millions)		
	H112	
Ciénega mine	34.5	Development, mining works, purchase of surface land and acquisition of new equipment.
Saucito mine	21.8	Development, mining works and construction of tailings dam.
Herradura mine	38.5	Construction of dynamic cyanidation plant, mining works, purchase of surface land, construction of leaching pads, and acquisition of additional equipment for Centauro Deep.
Soledad-Dipolos mine	6.6	Stripping and construction of leaching pads.
Fresnillo mine	40.3	Mine development and shotcreting and acquisition and replacement of in-mine equipment.
Noche Buena	23.4	Stripping, construction of leaching pads and purchase of mobile equipment to support the operations.
San Julián	31.6	Construction of ramps and mining works.
Juanicipio project	2.4	Exploration expenses.
Bermejal	10.7	Trucks and loaders.
Other	29.8	Equipment for contractors.
Total Purchase of property, plant and equip.	239.6	

Dividends paid in the first half of 2012 totalled US$312.6 million, which represented a 7.8% increase compared to the same period in 2011. This figure included: i) the final 2011 dividend of US$286.4 million; and ii) dividends paid to Newmont, the minority shareholders in Penmont, of US$26.2 million.

The Group ended the first half of 2012 with US$490.8 million in cash and cash equivalents, which resulted in a net decrease of US$194.1 million after considering all the sources and uses of funds described above.

Going concern

In making this assessment the Directors have considered the Group budget and cash flow forecasts for the period to December 2013, including exploration and capital expenditure plans. The cash flow forecasts are most sensitive to movements in metal prices and sensitivities around these have been considered. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements of the Group.

Balance Sheet

In the first half of 2012, Fresnillo plc continued to maintain a solid financial position with no bank debt.

Cash and cash equivalents as of 30 June 2012 of US$490.8 million decreased by 28.3% compared to the cash position at year-end 2011, and 31.6% when compared to the cash position as of 30 June 2011.

Trade and other receivables of US$279.2 million increased during the period mainly due to: i) higher recoverable taxes related to value added tax generated by the increased purchases of operating materials and additional services contracted; ii) the higher price of gold and volumes sold; and iii) equipment sold to contractors.

The change in the value of the Silverstream derivative from US$478.1 million at the beginning of the year to US$463.8 million as of 30 June 2012 reflects proceeds of US$50.7 million, (US$39.6 million in cash and US$11.1 million receivable) and a revaluation of US$36.4 million, which is a non-cash gain reflected in the Group's income statement.

The net book value of property, plant and equipment was US$1,294.8 million at 30 June 2012, representing an 8.4% increase when compared to the US$1,194.4 at 30 June 2011. The US$100.4 million increase was mainly explained by the intensified mining works at all our operating mines and at the San Julián advance exploration project, acquisition of additional in-mine equipment and purchase of surface land and mining concessions. The construction of the dynamic leaching plant and of additional leaching pads at the Herradura District also contributed to the rise in fixed assets.

The Group's total equity was US$2,288.4 million as of 30 June 2012, a 6.5% increase compared to the figure at the beginning of the year.

Dividends

The Directors have declared an interim dividend of 15.5 US cents per share totaling US$111.16 million which is scheduled to be paid on 11 September 2012. This dividend was recommended in line with the Group's dividend policy which takes into account the profitability of the business, underlying growth in earnings and the capital and cash flows requirements to support future production and expansions. Interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

The interim dividend will be paid in UK pounds sterling to shareholders on the register on 17 August 2012. Whilst the dividends are declared in US dollars, unless a shareholder elects to receive dividends in US dollars, they will be paid in UK pound sterling with the declared dividend being converted into UK pound sterling on or around 21st August 2012.

Risks and uncertainties

Fresnillo plc continued to strengthen its risk management framework to ensure strategy is executed and the long-term objectives reached. In the first half of 2012, the Board and Executive Committee continued to monitor the Group's principal risks and their alignment with the appetite set up by the Board for each risk. For this purpose, the Executive Committee developed action plans to maintain the principal risks within the level of tolerance accepted and started to cascade these practices to the entire universe of risks at a business unit level as part of the continuous training in the risk management framework.

Due to the recent increased pressure from NGO's and other social groups against the mining industry, not only in Mexico but globally, the Executive Committee proposed to the Board the inclusion of a new risk to be comprised within the principal risks that should be closely monitored. The new risk was approved and described below.

Social activism against the mining industry from Non-Governmental Organizations and other social groups including: banning of mining activities, demands for more stringent regulations; obstructing mining companies from obtaining the social license to operate.

The other principal risks and uncertainties that could have a material impact on the Group's performance over the remainder of the financial year have not changed from those which are set out within the Business Review section of the Annual Report for the year ended 31 December 2011. A copy of the Fresnillo's Group 2011 Annual Report is available at the Company's website at www.fresnilloplc.com. Nonetheless, the principal risks are shown below:

- *Impact of global macroeconomic developments*
- *Access to land*
- *Safety*
- *Security*
- *Projects*
- *Human Resources*
- *Exploration*
- *Environmental incidents*
- *Potential actions by the Government*

- *Social activism against mining industry from NGOs*

Directors

The names and functions of the current directors and senior management team of Fresnillo plc are as listed in the Fresnillo Group's Annual Report for 2011. A list of current directors is maintained on the Group website: www.fresnilloplc.com

Statement of directors' responsibilities

The Directors of the Company as listed on pages 92 to 94 of the Fresnillo plc 2011 Annual Report, along with Alejandro Baillères and María Asunción Aramburuzabala, who were appointed to the Board on the 16th April 2012, hereby confirm that to the best of their knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Fresnillo Group as required by DTR 4.2.4; and

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

On behalf of the board of directors of Fresnillo plc.

Jaime Lomelín
Chief Executive Officer

INDEPENDENT REVIEW REPORT TO FRESNILLO PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated balance sheet, the interim consolidated cash flow statement, the interim consolidated statement of changes in equity and the related notes 1 to 17. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2a, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

London

30 July 2012

Interim Consolidated Income Statement

	Notes	Six months ended 30 June 2012 (Unaudited)			Six months ended 30 June 2011 (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	1,085,182		1,085,182	1,056,949		1,056,949
Cost of sales	5	(379,831)		(379,831)	(282,368)		(282,368)
Gross profit		**705,351**		**705,351**	**774,581**		**774,581**
Administrative expenses		(27,075)		(27,075)	(25,381)		(25,381)
Exploration expenses		(103,956)		(103,956)	(61,959)		(61,959)
Selling expenses		(3,208)		(3,208)	(3,268)		(3,268)
Other income		3,270		3,270	4,961		4,961
Other expenses		(3,791)		(3,791)	(4,722)		(4,722)
Profit from continuing operations before net finance costs and income tax		**570,591**		**570,591**	**684,212**		**684,212**
Finance income		6,893		6,893	4,293		4,293
Finance costs		(1,887)		(1,887)	(1,647)		(1,647)
Revaluation effects of Silverstream contract	9	-	36,374	36,374	-	93,607	93,607
Foreign exchange loss		(8,691)		(8,691)	(4,366)		(4,366)
Profit from continuing operations before income tax		**566,906**		**603,280**	**682,492**	**93,607**	**776,099**
Income tax expense	6	(158,215)	(10,324)	(168,539)	(195,933)	(26,921)	(222,854)
Profit for the period from continuing operations		**408,691**	**26,050**	**434,741**	**486,559**	**66,686**	**553,245**
Attributable to:							
Equity shareholders of the Company		340,645	26,050	366,695	421,972	66,686	488,658
Non-controlling interests		68,046	-	68,046	64,587	-	64,587
		408,691	**26,050**	**434,741**	**486,559**	**66,686**	**553,245**
Earnings per share: (US$)							
Basic and diluted earnings per ordinary share from continuing operations	7	-		0.511	-		0.681
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per ordinary share from continuing operations	7	0.475		-	0.588		-

Interim Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2012	*2011*
	(Unaudited)	*(Unaudited)*
	(in thousands of US dollars)	
Profit for the period	**434,741**	**553,245**
Net loss/(gain) on cash flow hedges recycled to income statement	1,756	(4,686)
Tax effect of cash flow hedges recycled to income statement	(527)	1,406
Loss on cash flow hedges reclassified to the value of other assets	141	-
Tax effect of cash flow hedge reclassified to the value of other assets	(42)	-
Net unrealised loss on cash flow hedges	4,919	7,141
Tax effect of unrealised loss on cash flow hedges	(1,476)	(2,143)
Net effect of cash flow hedges	**4,771**	**1,718**
Fair value gain/(loss) on available for sale financial assets	15,241	(17,947)
Tax effect of fair value gain/(loss) on available for sale financial assets	(4,267)	5,026
Net effect of available for sale financial assets	**10,974**	**(12,921)**
Foreign currency translation	**(39)**	**(17)**
Other comprehensive income/(loss) for the period, net of tax	**15,706**	**(11,220)**
Total comprehensive income for the period, net of tax	**450,447**	**542,025**
Attributable to:		
Equity shareholders of the Company	382,312	477,429
Non-controlling interests	68,135	64,596
	450,447	**542,025**

Interim Consolidated Balance Sheet

	Notes	*As of 30 June 2012 (Unaudited)*	*As of 31 December 2011 (Audited)*
		(in thousands of US dollars)	
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,294,845	1,194,445
Available-for-sale financial assets		112,106	94,861
Silverstream contract	9	404,249	414,842
Deferred tax asset		44,859	40,425
Other receivables	10	19,992	13,125
Other assets		3,038	963
		1,879,089	1,758,661
Current assets			
Inventories		136,814	99,836
Trade and other receivables	10	279,153	249,281
Prepayments		8,072	3,226
Derivative financial instruments		1,271	217
Silverstream contract	9	59,547	63,241
Cash and cash equivalents	11	490,793	684,922
		975,650	1,100,723
Total assets		**2,854,739**	**2,859,384**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital		358,680	358,680
Share premium		818,597	818,597
Capital reserve		(526,910)	(526,910)
Net unrealised losses on cash flow hedges		(990)	(5,672)
Net unrealised gains on available for sale financial assets		42,267	31,293
Foreign currency translation reserve		(521)	(482)
Retained earnings		1,272,146	1,192,315
		1,963,269	1,867,821
Non-controlling interests		325,153	281,562
Total equity		**2,288,422**	**2,149,383**
Non-current liabilities			
Provision for mine closure cost		53,905	50,754
Provision for pensions and other post-employment benefit plans		10,148	9,240
Derivative financial instruments		69	693
Deferred tax liability		370,101	357,989
		434,223	418,676

Current liabilities		
Trade and other payables	84,468	88,726
Derivative financial instruments	4,711	13,069
Income tax	16,354	128,441
Employee profit sharing	26,561	61,089
	132,094	291,325
Total liabilities	**566,317**	**710,001**
Total equity and liabilities	**2,854,739**	**2,859,384**

Interim Consolidated Cash Flow Statement

	Notes	*For the six months ended 30 June* 2012 (Unaudited)	2011 (Unaudited)
		(in thousands of US dollars)	
Net cash from operating activities	16	**292,537**	**589,443**
Cash flows from investing activities			
Purchase of property, plant and equipment		(239,618)	(201,198)
Proceeds from the sale of mine equipment		5,443	2,574
Purchase of available for sale financial assets		(2,004)	-
Proceeds from mines under development		-	3,941
Loans granted to contractors		(1,128)	(10,719)
Repayments of loans granted to contractors		5,178	4,067
Silverstream contract	9	53,207	56,319
Interest received		3,672	3,856
Other proceeds		66	-
Net cash used in investing activities		**(175,184)**	**(141,160)**
Cash flows from financing activities			
Capital contribution		1,669	836
Dividends paid to shareholders of the Company		(286,418)	(254,852)
Dividends paid to non-controlling interest		(26,213)	(35,126)
Payments of financing leases		(529)	-
Interest paid		-	(20)
Net cash used in financing activities		**(311,491)**	**(289,162)**
Net increase in cash and cash equivalents during the period		(194,138)	159,121
Effect of exchange rate on cash and cash equivalents		9	(790)
Cash and cash equivalents at 1 January	11	684,922	559,537
Cash and cash equivalents at 30 June	11	**490,793**	**717,868**

Interim Consolidated Statement of Changes in Equity

	Notes	Share capital	Share premium	Capital reserve	Net unrealised gains/(losses) on revaluation of cash flow hedges	Net unrealised gains on available-for sale financial assets	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company									
						(in thousands of US dollars)					
Balance at 1 January 2011 *(Audited)*		**358,680**	**818,597**	**(526,910)**	**2,172**	**65,072**	**(555)**	**996,658**	**1,713,714**	**205,554**	**1,919,268**
Profit for the period		–	–	–	–	–	–	488,658	488,658	64,587	553,245
Other comprehensive income, net of tax		–	–	–	1,709	(12,921)	(17)	–	(11,229)	9	(11,220)
Total comprehensive income for the period		–	–	–	1,709	(12,921)	(17)	488,658	477,429	64,596	542,025
Capital contribution		–	–	–	–	–	–	–	–	836	836
Dividend paid	12	–	–	–	–	–	–	(255,309)	(255,309)	(35,126)	(290,435)
Balance at 30 June 2011 *(Unaudited)*		**358,680**	**818,597**	**(526,910)**	**3,881**	**52,151**	**(572)**	**1,230,007**	**1,935,834**	**235,860**	**2,171,694**
Balance at 1 January 2012 *(Audited)*		**358,680**	**818,597**	**(526,910)**	(5,672)	31,293	(482)	1,192,315	1,867,821	281,562	2,149,383
Profit for the period								366,695	366,695	68,046	434,741
Other comprehensive income, net of tax					4,682	10,974	(39)		15,617	89	15,706
Total comprehensive income for the period					4,682	10,974	(39)	366,695	382,312	68,135	450,447
Capital contribution										1,669	1,669
Dividend paid	12							(286,864)	(286,864)	(26,213)	(313,077)
Balance at 30 June 2012 *(Unaudited)*		**358,680**	**818,597**	**(526,910)**	**(990)**	42,267	(521)	1,272,146	1,963,269	325,153	2,288,422

Notes to the Interim Condensed Consolidated Financial Statements

1 Corporate Information

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

Industrias Peñoles S.A.B. de C.V.("Peñoles") currently owns 77 percent of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. Copies of Peñoles accounts can be obtained from www.penoles.com.mx. Further information on related party balances and transactions with Penoles group companies is disclosed in note 15.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012 ("interim consolidated financial statements"), were authorised for issue by the Board of Directors of Fresnillo plc on 30 July 2012.

The Group's principal business is the mining and beneficiation of non-ferrous minerals, and the sale of related production. The primary contents of this production are silver, gold, lead and zinc. The Group has six fully developed operating mines: Fresnillo, Herradura, Ciénega, Soledad-Dipolos, Saucito and Noche Buena, the latter having started production in March 2012. Further information about segments 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 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all the information required for full annual financial statements for the Group, and therefore, should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2011 as published in the 2011 Annual Report.

These interim consolidated financial statements do not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the full year is based on the statutory accounts for the financial year ended 31 December 2011. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union up to 31 December 2011, has been delivered to the Register of Companies. The auditors' report in accordance with Chapter 3 of Part 16 of the Companies Act 2006 in relation to those accounts was unqualified.

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

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

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

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

2 Significant Accounting Policies continued

(b) Basis of consolidation

The interim consolidated financial statements set out the Group's financial position as of 30 June 2012 and 31 December 2011, and its operations and cash flows for the periods ended 30 June 2012 and 30 June 2011.

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 2011.

(c) Changes in accounting policies and presentation rules

The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2011.

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

3 Segment Reporting

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

At 31 December 2011 the Group had five reportable operating segments following the successful conclusion of the development of the Saucito mine in March 2011 and commercial production starting in April 2011.

In March 2012, the development of the Noche Buena mine was successfully concluded and commercial production commenced.

At 30 June 2012, the Group's six producing mines are as follows:

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

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

The exploration services provided by Exploraciones Mineras Parreña, S.A. de C.V and projects under development have been aggregated into the Other segment below.

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

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2012 and 2011, respectively.

Six months ended 30 June 2012 (in thousands of US dollars)									
	Fresnillo	Herradura	Cienega	Soledad-Dipolos	Saucito	Noche Buena	Other	Adjustments and eliminations	Total
Revenues:									
Third party	434,289	277,915	141,678	113,211	82,097	35,992	-	-	1,085,182
Inter-Segment	-	-	-	-	39,062	-	41,100	(80,162)	-
Segment revenues	434,289	277,915	141,678	113,211	121,159	35,992	41,100	(80,162)	1,085,182
Segment Profit	335,786	193,842	102,189	78,333	94,133	29,138	40,051	(27,537)	845,935
Hedging									(1,756)
Depreciation									(113,332)
Employee profit sharing									(25,496)
Gross profit as per the income statement									705,351

Six months ended 30 June 2011 (in thousands of US dollars)									
	Fresnillo	Herradura	Cienega	Soledad-Dipolos	Saucito	Noche Buena1	Other	Adjustments and eliminations	Total
Revenues:									
Third party	549,783	231,270	100,638	111,065	64,193	-	-	-	1,056,949
Inter-Segment	-	-	-	-	843	-	28,710	(29,553)	-
Segment revenues	549,783	231,270	100,638	111,065	65,036	-	28,710	(29,553)	1,056,949
Segment Profit	495,109	181,840	69,971	79,949	51,646	-	27,504	(25,016)	881,003
Hedging									4,686
Depreciation									(69,774)
Employee profit sharing									(41,334)
Gross profit as per the income statement									774,581

(1) *Noche Buena was not a producing mine, and therefore not an operating segment, as at 30 June 2011; however, the mine has been included in comparative information to conform with the current period's presentation.*

4 Revenues

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

a) Revenues by product sold

	Six months ended 30 June	
	2012	2011
	(in thousands of US dollars)	
Lead concentrates (containing silver, gold, lead and by-products)	569,093	641,178
Doré and slag (containing gold, silver and by-products)	427,118	342,336
Zinc concentrates (containing zinc, silver and by-products)	39,646	42,315
Precipitates (containing gold and silver)	49,325	31,120
	1,085,182	**1,056,949**

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

b) Value of metal content in products sold

For products other than refined silver and gold, invoiced revenues are derived from the value of metal content adjusted by treatment and refining charges incurred by the metallurgical complex of the customer. The value of the metal content of the products sold, before treatment and refining charges is as follows:

	Six months ended 30 June	
	2012	2011
	(in thousands of US dollars)	
Silver	516,803	638,589
Gold	580,813	431,568
Zinc	21,901	21,308
Lead	22,183	22,665
Value of metal content in products sold	1,141,700	1,114,130
Adjustment for treatment and refining charges	(56,518)	(57,181)
Total revenues	**1,085,182**	**1,056,949**

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

	Six months ended 30 June	
	2012	2011
	(in US dollars per ounce)	
Gold	1,645.50	1,462.31
Silver	30.97	35.74

5 Cost of Sales

	Six months ended 30 June 2012	2011
	(in thousands of US dollars)	
Depreciation (note 8)	113,332	69,774
Personnel expenses[(1)]	53,032	66,617
Maintenance and repairs	35,515	34,664
Operating materials	54,727	39,874
Energy	44,624	38,434
Contractors	84,362	37,658
Mining rights and contributions	3,873	3,362
Loss/(gain) on foreign currency hedges	1,756	(4,686)
Other	12,511	12,319
Cost of production	403,732	298,016
Change in work in progress and finished goods (ore inventories)	(23,901)	(15,648)
Total Cost of sales	**379,831**	**282,368**

(1) Personnel expenses include employees´ profit sharing of US$25.5 million for the six months ended 30 June 2012 (six months ended 30 June 2011: US$41.3 million).

6 Income Tax Expense

	Six months ended 30 June 2012	2011
	(in thousands of US dollars)	
Current income tax:		
Current income tax charge	171,071	152,547
Amounts overprovided in previous years	49	(1,466)
	171,120	151,081
Deferred income tax:		
Origination and reversal of temporary differences	(12,905)	44,852
Revaluation effects of Silverstream contract	10,324	26,921
	(2,581)	71,773
Income tax expense reported in the income statement	**168,539**	**222,854**

The effective tax rate for the six months ended 30 June 2012 is 27.94% (six months ended 30 June 2011: 28.71%). The factors that have reduced this rate from the statutory rate of 30% include principally the effects of foreign exchange and inflationary adjustments.

7. Basic and Diluted Earnings per share

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

The Company has no dilutive potential ordinary shares.

As of 30 June 2012 and 30 June 2011, earnings per share have been calculated as follows:

	Six months ended 30 June	
	2012	*2011*
Earnings:		
Profit from continuing operations attributable to equity holders of the Company (*in thousands of US dollars*)	366,695	488,658
Adjusted profit from continuing operations attributable to equity holders of the Company (*in thousands of US dollars*)	340,645	421,972

Adjusted profit is profit as disclosed in the Interim Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$36.4 million gain (US$26.1 million net of tax) (2011: US$93.6 million gain and US$66.7 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	
	2012	*2011*
Number of shares:		
Weighted average number of ordinary shares in issue ('ooo)	717,160	717,160

	Six months ended 30 June	
	2012	*2011*
Earnings per share:		
Basic and diluted earnings per ordinary share from continuing operations (US$)	0.511	0.681
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.475	0.588

8 Property, Plant and Equipment

The significant changes in property, plant and equipment during the six months ended 30 June 2012 are additions of US$241.2 million (six months ended 30 June 2011: US$201.2 million) and depreciation of US$113.3 million (six months ended 30 June 2011: US$69.8 million). Additions consist of equipment such as trucks, trackdozers, graders, the purchase of land and mining concessions and mine development works.

9 Silverstream contract

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

The Silverstream contract represents a derivative financial instrument which has been recorded at fair value and classified within non-current and current assets as appropriate. Changes in the contract's fair value, other than those represented by the realisation of the asset through the receipt of either cash or refined silver, are charged or credited to the income statement. In the six months ended 30 June 2012 total proceeds received in cash were US$53.2 million (six months ended 30 June 2011: US$56.3 million). Of the US$53.2 million received in the period, US$13.6 million was in respect of proceeds receivable as at 31 December 2011. Cash received in respect of the period of US$39.6 million corresponds to 1.3 million ounces of payable silver (six months ended 30 June 2011: 1.5 million ounces). As at 30 June 2012, a further US$11.1 million (30 June 2011: US$9.9 million) of cash corresponding to 434,311 ounces of silver is due (30 June 2011: 303,925 ounces).

In the six months ended 30 June 2012, the most significant drivers of the US$36.4 million unrealised gain taken to income (six months ended 30 June 2011: US$93.6 million) were the financial gain resulting from higher silver prices and production volumes from the Sabinas mine during the first half of 2012 than estimated at 31 December 2011, and the unwinding of the discount in the Silverstream valuation. A future downturn in the forward price of silver, which may happen given the cyclical nature of prices, would result in recognising an unrealised loss in the income statement.

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

	2012	*2011*
	(in thousands of US dollars)	
Balance at 1 January:	478,083	427,681
Cash received in respect of the period	(39,592)	(49,124)
Cash receivable	(11,069)	(9,972)
Remeasurement gains recognised in profit and loss	36,374	93,607
Balance at 30 June	463,796	462,192
Less - Current portion	59,547	83,845
Non-current portion	404,249	378,347

10 Trade and Other Receivables

	As at 30 June 2012	*As at 31 December 2011*
	(in thousands of US dollars)	
Trade receivables from related parties (note 15)	195,652	183,988
Value Added Tax receivable	23,166	13,645
Advances to suppliers and contractors	8,613	5,687
Other receivables from related parties (note 15)	20,163	18,419
Loans granted to contractors	8,138	9,281
Other receivables arising on the sale of fixed assets	15,011	7,204
Other receivables	8,955	11,590
	279,698	249,814
Provision for impairment of "other receivables"	(545)	(533)
	279,153	249,281
Other receivables classified as non-current assets :		
Loans granted to contractors	6,442	9,349
Other receivables arising from the sale of fixed assets	13,550	3,776
	19,992	13,125
	299,145	**262,406**

11 Cash and Cash Equivalents

	As at 30 June 2012	*As at 31 December 2011*
	(in thousands of US dollars)	
Cash at bank and on hand	3,234	5,485
Short-term deposits	487,559	679,437
Cash and cash equivalents	**490,793**	**684,922**

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

12 Dividends paid

Dividends declared by the Company are as follows:

	Per share US Cents	Amounts $Million
Six months ended 30 June 2011		
Total dividends paid during the period [(1)]	35.6	255.3
Six months ended 30 June 2012		
Total dividends paid during the period [(2)]	40.0	286.9

(1) Final dividend for 2010 approved at the Annual General Meeting on 17 May 2011 and paid on 20 May 2011.
(2) Final dividend for 2011 approved at the Annual General Meeting on 18 May 2012 and paid on 23 May 2012.

13 Commitments

Capital expenditure

A summary of capital expenditure commitments is as follows:

	As at 30 June 2012	*As at 31 December 2011*
	(in thousands of US dollars)	
Minera Fresnillo, S. A. de C.V.	164,307	165,479
Minera Penmont, S. de R.L. de C:V.	63,602	80,990
Minera Saucito, S.A. de C.V.	25,918	11,936
Minera Mexicana La Ciénega, S.A. de C.V.	14,270	15,786
Minera El Bermejal, S. de R.L. de C.V.	62,499	44,679
	330,596	**318,870**

14 Contingencies

The contingencies in the Group's annual consolidated financial statements for the year ended 31 December 2011 as published in the 2011 Annual Report, are still applicable as of 30 June 2012. No new contingencies have arisen during the six month period to 30 June 2012.

15 Related Party Balances and Transactions

(a) Related party accounts receivable and payable

The Group had the following related party transactions during the six months ended 30 June 2012 and 30 June 2011 and balances as at 30 June 2012 and 31 December 2011. Related parties are those entities owned or controlled by the ultimate controlling party, as well as those who have a minority participation in Group companies and key management personnel of the Group.

	Accounts receivable in thousands of US dollars		*Accounts payable in thousands of US dollars*	
	As at 30 June 2012	*As at 31 December 2011*	*As at 30 June 2012*	*As at 31 December 2011*
Trade:				
Met-Mex Peñoles, S.A. de C.V.	195,652	183,988	-	-
Other receivables:				
Industrias Peñoles, S.A.B. de C.V.	11,069	13,616	-	-
Grupo Nacional Provincial, S.A. B. de C.V.	8,991	4,779	-	-
Other payable:				
Servicios Administrativos Peñoles, S.A. de C.V.	-	-	3,427	-
Other	103	24	925	926
Sub-total	215,815	202,407	4,352	926
Less-Current portion	215,815	202,407	4,352	926
Non-current portion	-	-	-	-

15 Related Party Balances and Transactions continued

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

Other balances with related parties:

	As at 30 June 2012	As at 31 December 2011
	(in thousands of US dollars)	
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	463,796	478,083

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

(b) Principal transactions with affiliates are as follows:

	Six months ended 30 June 2012	2011
	(in thousands of US dollars)	
***Income*:**		
Sales[(1)]:		
Met-Mex Peñoles, S.A. de C.V.	1,080,810	1,050,720
Other income	216	162
Total income	**1,081,026**	**1,050,882**

(1) Figures do not include hedging losses.

	Six months ended 30 June 2012	2011
	(in thousands of US dollars)	
***Expenses*:**		
Services Agreement[(2)]:		
Servicios Administrativos Peñoles, S.A. de C.V.	16,603	16,307
Energy:		
Termoelectrica Peñoles, S. de R.L. de C.V.	14,630	14,856
Operating materials and spare parts:		
Wideco Inc	3,021	1,569
Equipment repairs:		
Serviminas, S.A. de C.V.	1,819	1,424
Insurance premiums:		
Grupo Nacional Provincial, S.A.B. de C.V.	6,560	734
Other expenses:	5,058	3,568
Total expenses	47,691	38,458

(2) From 1 November 2009 through 31 October 2012 the Group has a Service Agreement with Servicios Administrativos Peñoles, S.A. de C.V., ("SAPSA") a wholly owned Peñoles subsidiary which comprises administrative and non-administrative services for an annual fee of US$6.1 million and MX$277.5 million.

During the six months ended 30 June 2012, the Company incurred expenses of USD16.6 million under the above mentioned agreement (US$15.1 million for the six months ended 30 June 2011). Expenses include administrative expenses of US$13.1 million (2011: US$11.9 million), exploration expenses of US$0.6 million (2011: US$0.3 million) and US$2.9 million that were capitalised (2011: US$2.9 million). In the six months ended 30 June 2011, the Company paid US$1.2 million for additional non-recurring services from SAPSA.

15 Related Party Balances and Transactions continued

(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	
	2012	*2011*
	(in thousands of US dollars)	
Salaries and bonuses	2,126	2,651
Post-employment pension	32	33
Other benefits	262	274
Total compensation paid to key management personnel	2,420	2,958

16 Notes to the Consolidated Cash Flow Statement

	Notes	*Six months ended 30 June*	
		2012	*2011*
		(in thousands of US dollars)	
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the period		434,741	553,245
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation	5	113,332	69,774
Employee profit sharing		26,069	41,688
Deferred income tax	6	(2,581)	71,773
Current income tax	6	171,120	151,081
Loss/(gain) on the sale of property, plant and equipment and other assets		673	(139)
Other (gains)/losses		(154)	3,586
Net finance income		(1,785)	(2,209)
Foreign exchange loss		13,266	2,842
Difference between pension contributions paid and amounts recognised in the income statement		760	627
Non cash movement on derivatives		(3,221)	(437)
Changes in fair value of Silverstream	9	(36,374)	(93,607)
Working capital adjustments			
Increase in trade and other receivables		(25,670)	(22,694)
(Increase)/decrease in prepayments and other assets		(6,947)	1,078
Increase in inventories		(36,978)	(16,525)
Decrease in trade and other payables		(947)	(4,481)
Cash generated from operations		**645,304**	**755,602**
Income tax paid		(288,650)	(123,779)
Employee profit sharing paid		(64,117)	(42,380)
Net cash from operating activities		**292,537**	**589,443**

17 Financial Instruments

Fair value hierarchy

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

The financial assets and liabilities measured at fair value are categorised into the following fair value hierarchy as at 30 June 2012:

	As of 30 June 2012			
	Level 1	***Level 2***	***Level 3***	***Total***
	(in thousands of US dollars)			
Financial assets:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	1,271	-	1,271
Silverstream contract	-	-	463,796	463,796
		1,271	463,796	465,067
Financial investments available-for-sale:				
Quoted investments	112,106	-	-	112,106
	112,106	1,271	463,796	577,173
Financial liabilities:				
Derivative financial instruments:				
Embedded derivatives within sales contracts(1)	-	-	7,358	7,358
Options and forward foreign exchange contracts	-	4,780	-	4,780
	-	4,780	7,358	12,138

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

During the six month period ended 30 June 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. Movements in Level 3 fair value movements include an increase of US$36.4 million in the fair value of Silverstream contract, as disclosed in note 9, and a net decrease of US$7.1 in embedded derivatives within sales contracts since 31 December 2011, which have been recorded in the income statement. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

17 Financial Instruments continued

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

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

***Silverstream contract*:**

The fair value of the Silverstream contract is determined using a valuation model (for further information relating to Silverstream contract see note 9.

This derivative has a term of over 20 years and the valuation model utilises a number of inputs that are not based on observable market data due to the nature of these inputs and/or the duration of the contract. Inputs that have a significant effect on the recorded fair value are the estimated volume of silver that will be produced and sold from the Sabinas mine over the contract life, the future price of silver, future foreign exchange rates between the Mexican peso and US dollar, future inflation and the discount rate used to discount future cash flows.

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

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

Sales of concentrates, precipitates and doré bars are "provisionally priced" and revenue is initially recognised using this provisional price and the Group's best estimate of the contained metal. Revenue is subject to final price and metal content adjustments subsequent to the date of delivery. This price exposure is considered to be an embedded derivative and is separated from the sales contract.

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

At 30 June 2012 the fair value of embedded derivatives within sales contracts was US$7.4 million (31 December 2011: US$(14.5) million). The revaluation effects of embedded derivatives arising from these sales contracts are recorded as an adjustment to revenue.

17 Financial Instruments continued

Hedging activities-cash flow hedges

The Group enters into certain forward and option contracts in order to manage its exposure to foreign exchange risk associated with costs incurred in Mexican pesos and other currencies.

The Group entered into a number of forward derivative contracts to hedge its exposure to fluctuations in foreign exchange rates. The outstanding contracts as at 30 June 2012 are as follows:

As at 30 June 2012

	Term	*Currency*	*Contract value* *(in thousands)*	*Contract exchange rate*	*Fair Value* *US $ thousands*
Mexican peso denominated forward contracts	2012	US$	11,500	MX$13.07:US$1 to MX$13.16:US$1	(383)
Euro denominated forward contracts	2013	EUR	4,523	EUR 1.25: US$1 to EUR 1.41:US$1	(266)
Swedish krona denominated forward contracts	2014	SEK	291,154	SEK 6.49:US$1 to SEK 7.25:US$1	(746)

The Group's Mexican peso denominated forward contracts mature in December 2012 with a weighted average rate of MX$13.11: US$1. Euro denominated forward contracts mature over the period from September 2012 to June 2013 with a weighted average rate of US$1.34: €1. The Group's SEK-US dollar forward contracts mature over the period from September 2012 to March 2014 with a weighted average rate of SEK6.85: USD$1.

The Group also entered into a number of Mexican peso-US dollar collars to hedge its exposure to fluctuations in foreign exchange rates. These derivative instruments mature over the period from July 2012 to March 2013. The collar instruments hedge costs denominated in Mexican pesos amounting to US$137 million with a range of floor prices from MX$12.20 to MX$13.78:US$1 and a range of capped prices from MX$12.68 to MX$16.04:US$1. The fair value of the put options at 30 June 2012 was an asset of US$1.7 million, and the fair value of the call options at 30 June 2012 was a liability of US$3.4 million.

The Group also entered into euro-US dollar collars which mature in July 2012. The collar instruments hedge costs denominated in euros amounting to € 4.4 million with a range of floor prices from US$ 1.31 to US$1.37:€1 and a cap price of US$1.50:€1. The fair value of the put options at 30 June 2012 was a liability of US$ 0.4 million.

The outstanding contracts as at 31 December 2011 are as follows:

As at 31 December 2011

	Term	*Currency*	*Contract value (thousands)*	*Contract exchange rate*	*2011 Fair value (US$ thousands)*
Mexican Peso denominated forward contracts	2012	US$	38,500	MX$12.21:US$1 to MX$12.62:US$1	(4,188)
Euros denominated forward contracts	2012	EUR€	2,556	EUR€1.36:US$1 to EUR€1.42:US$1	(231)
Swedish krona denominated forward contracts	2012-2014	SEK	481,163	SEK6.42:US$1 to SEK7.07:US$1	(2,752)

The Group's Mexican peso denominated forward contracts mature over the period from February 2012 to May 2012 with a weighted average rate of MX$12.52: US$1. Euro denominated forward contracts mature over the period from June 2012 to September 2012 with a weighted average rate of US$1.41: €1. The Group's SEK-US dollar forward contracts mature over the period from March 2012 to March 2014 with a weighted average rate of SEK6.69: USD$1.

The Group also entered into Mexican peso-US dollar collars to hedge its exposure to fluctuations in foreign exchange rates. Collar derivative instruments mature over the period from April 2012 to November 2012. The collar instruments hedge costs denominated in Mexican peso amounting to US$82 million with a range of floor prices from MX$12.00 to MX$13.50:US$1 and a range of capped prices from MX$12.65 to MX$16.04:US$1. The fair value of the put options at 31 December 2011 was an asset of US$0.1 million, and the fair value of the call options at 31 December 2011 was a liability of US$6.2 million.

The Group also entered into euro-US dollar collars which mature in July 2012. The collar instruments hedge costs denominated in euros amounting to € 5 million with a range of floor prices from US$ 1.31 to US$ 1.37:€1 and a cap price of US$1.50:€1. The fair value of the put options at 31 December 2011 was a liability of US$ 0.5 million, and the fair value of the call options at 31 December 2011 was an asset of US$0.1 million.