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4 August 2015

Fresnillo plc interim results for the six months to 30 June 2015

Highlights (H1 2015/H1 2014 comparisons)

- Silver production of 23.8 moz (including Silverstream), up 10.6% due to increased production resulting from the start of operations at Saucito II, which offset lower production at Fresnillo
- Gold production of 364 koz, up 37.0% mainly due to Herradura being fully operational post the temporary explosives permit suspension which affected 1H14 production, and the dynamic leaching plant at the mine being in operation for the full half year post its start-up in March 2014, together with increased contributions from Saucito and Noche Buena
- Significantly lower realised commodity prices (silver US$16.61 per oz, down 18.0%; gold US$1,206.10 per oz, down 7.4%) impacting financial performance
- Profit for the period of US$76.4m, a decrease of 44.3%
- Basic and diluted EPS US$10.4 cents per share, down 41.2%
- Cash generation from operations remains significant at US$314.9m, down 6.5%
- Strong balance sheet maintained - cash, cash equivalents and short term investments of US$475.7m
- Interim dividend of US$15.5m (2.1 US cents per share) declared reflecting Board's confidence in the Company's financial position and outlook; no change to previously stated policy
- Stage 1 of the San Julián project now expected to be commissioned in 1Q16 (vs. previous expectation of 4Q15). Pyrites project remains on track for production to commence in 2017
- Capital expenditure for the full year 2015 now expected to be in the region of US$570m (vs. previous expectation of c. US$700m)
- Positive drill results at Ciénega and Juanicipio projects will result in an increase in inferred resources
- 2015 gold production guidance raised to 715-730 koz from 670-685 koz (+6.6%); full year silver production remains on track (45-47 moz, including Silverstream)

Highlights for 1H15

US$ million unless stated	H1 15	H1 14	% change
Silver Production (koz) *	23,771	21,490	10.6
Gold Production (oz) *	364,020	265,670	37.0
Total Revenue	752.3	677.1	11.1
Adjusted revenue[1]	822.4	750.4	9.6
Exploration expenses	75.4	69.0	9.3
EBITDA[2]	317.9	324.5	-2.0
Profit for the period	76.4	137.1	-44.3
Cash generated by operations before changes in working capital	314.9	336.7	-6.5
Basic and Diluted EPS (US$)[3]	0.104	0.177	-41.2
Dividend per ordinary share (US$)	0.0210	0.0500	-58.0

* Silver production includes volumes realised under the Silverstream Contract. All figures include 100% of production from the Penmont mines (Herradura, Noche Buena and Soledad-Dipolos)

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

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

3 The weighted average number of shares H1 2015 was 736.9m (736.9m in H1 2014). See Note 8 in the Interim Consolidated Financial Statements.

Octavio Alvídrez, Chief Executive Officer of Fresnillo plc, said:

"We have had a solid first half operationally, with silver and gold production up 11% and 37% respectively. Saucito drove the increase in silver production, with the ramp up of Saucito II achieved well ahead of the three year timeframe initially anticipated. The increase in gold production was driven by Herradura and its dynamic leaching plant being fully operational throughout the period. We continue to advance development rates at Fresnillo, which should result in increased production by the year end, and we remain on track to reach steady state production at Herradura in the fourth quarter. I am confident that we are well-placed to meet our 2015 production guidance of 45-47 million ounces of silver (including the Silverstream) and our increased 2015 gold production guidance of 715-730 thousand ounces.

We have made good progress at our near-term development projects in the first half. Although we experienced some delays at San Julián, we are confident that stage 1 of the project will be commissioned early next year, and our Pyrites project remains on track to commence operations in 2017. Our advanced exploration projects are all progressing according to plan, with good exploration results achieved at Juanicipio and Centauro Deep, and a preliminary economic assessment underway for Orisyvo.

The pricing environment remains challenging, with ongoing precious metals price volatility. Our strategic objectives remain unchanged and we continue to take a long-term view, but we will also take into account the effect of market dynamics on our operating assumptions, if necessary deferring expenditures without compromising the profitable growth we continue to deliver, as evidenced by our reduced capital expenditure estimate for the full year 2015.

We are fortunate to have both the financial and operational flexibility to adapt to market conditions as needed. Our high quality, low cost assets and significant quality growth pipeline, combined with our balance sheet strength, leave us in a strong position even in challenging market circumstances."

Commentary on the Group's results

Fresnillo plc's operating results were driven by a strong performance at Saucito due to the start up and successful ramp up of Saucito II, and Herradura and its dynamic leaching plant ("DLP") being fully operational post the temporary explosives permit suspension that affected 1H14 production. Increased gold production from Noche Buena due to an increase in ore processed also contributed to this performance. Silver production from Fresnillo decreased as a result of a lower ore grade and a decrease in ore volumes processed due to the instability of some stopes and the previously announced development delays. We have taken actions to solve these issues, which should allow us to stabilise ore grades and volumes processed in 3Q15 and therefore begin to see an improvement in 4Q15 grades and production. Ciénega saw a decrease in gold production resulting from the expected decrease in gold ore grade mainly due to the depletion of richer wider veins, however silver production from the mine increased on better grades.

The increased volumes produced and sold at Saucito and Herradura positively impacted adjusted revenues. However, the significant decrease in gold and silver prices, together with the temporary operational challenges encountered at the Fresnillo mine, continued to negatively impact the Group's financial results in the first half of 2015.

Adjusted revenues increased 9.6% to US$822.4 million as a result of the increase in volumes produced and sold, partially offset by the negative effect of the lower average realised silver and gold prices, which decreased by 18.0% and 7.4% respectively when compared to the same period of 2014.

Cost of sales increased by 25.3% over the first half of 2014. Adjusted production costs in absolute terms increased by 8.5% when compared to the first half of 2014 mainly as a result of the increased production volumes at Saucito, Noche Buena and Herradura and its DLP. This was partly mitigated by the 15.2% devaluation of the average Mexican peso / US dollar exchange rate, the decrease in production volumes at Fresnillo and Ciénega and lower diesel and electricity prices.

The higher depreciation associated with an increased asset base following the commissioning of Saucito II in December 2014 and higher depletion factors related to the increase in production volumes at several mines also contributed to increased cost of sales. Furthermore, the variation in change in work in progress also had an adverse effect on cost of sales given the smaller increase in inventories in the first half of 2015 compared to the same period in 2014 when the Group started to build up gold inventories on Herradura's leaching pads after the disruption in operations. In addition, the Mexican peso/US dollar hedging programme to mitigate the foreign exchange risk associated with costs incurred in Mexican pesos further increased cost of sales by US$10.2 million.

Cost per tonne across all our mines benefited from the devaluation of the average Mexican peso/US dollar exchange rate and a decrease in electricity and diesel prices. Additional factors affecting cost per tonne at each mine are described below.

Cost per tonne decreased at Saucito, reflecting the economies of scale achieved following the successful ramp up of Saucito II, and at Noche Buena as a result of the economies of scale and cost reduction initiatives which included mining higher benches to reduce haulage distances.

Cost per tonne at Herradura increased, reflecting the move towards more typical cost levels at the mine, whereas in the first half of 2014 certain costs were reclassified as unproductive due to the temporary disruption of operations. Should these costs have been included within the adjusted production costs in the first half of 2014, cost per tonne would have decreased by 3.9%.

Cost per tonne at Fresnillo increased due to the lower volume of ore processed resulting from the instability of some stopes and delay in the development activities in the San Carlos and San Alberto areas.

Cost per tonne at Ciénega decreased slightly as the lower volumes of ore processed were offset by the positive effects of a decrease in contractor costs.

The increase in cost of sales more than offset the increase in revenues in the period, resulting in a 7.3% decrease in gross profit to US$273.6 million in the first half 2015.

Administrative expenses increased by 12.1% due to an increase in the cost of third party services and the additional administrative personnel hired.

Although the exploration budget for 2015 was set at a lower level than in 2014, exploration expenses recorded in the income statement increased by 9.3% to US$75.4 million as a result of a faster pace of drilling in this period compared to the first half 2014.

EBITDA decreased by 2.0% over the first half of 2014 as a result of the lower gross profit and increased administrative and exploration expenses, mitigated by higher depreciation, which is added back. The EBITDA margin decreased to 42.3% from 47.9% in the first half of 2014.

In the first half of 2015 there was a minor positive revaluation of the Silverstream (US$1.8 million) due to the updating of assumptions used to value the Silverstream contract, most significantly the unwinding of the discount and the difference between payments received during the six months ended 30 June 2015 and estimated payments in the valuation model at 31 December 2014. This was mostly offset by the increase in the US dollar exchange rate against the Mexican peso, an increase in the reference discount rate (LIBOR) and the forward silver price which was lower than expected given the cyclical nature of prices. However, the revaluation in the first half of 2015 compared negatively to the US$47.3 million revaluation recorded in the first half of 2014.

The 5.8% spot devaluation of the Mexican peso against the US dollar in the six months to 30 June 2015 had an adverse effect on the value of peso-denominated net current assets when converted to US dollars, resulting in a foreign exchange loss of US$15.6 million in the first half of 2015.

Net finance costs totalled US$2.9 million as a result of the interest recognised in the income statement in relation to the US$800 million debt facility raised in November 2013 (US$18.7 million) and the unwinding of the discount on provisions, which was mostly offset by the non-cash finance gain recognised in respect of the gold hedging programme put in place to protect the investment made in the acquisition of the 44% stake of Newmont in Penmont.

Profit from continuing operations before income tax decreased by 34.6% from US$208.2 million to US$136.1 million in the first half of 2015.

Income tax expense declined by 16.3% to US$48.6 million as a result of lower profits generated in the first half of 2015. The effective tax rate, excluding the special mining right, was 35.7%, and 43.9% including the effects of the special mining right.

Net profit for the period was US$76.4 million, a 44.3% decrease when compared to the first half 2014.

Cash flow generated by operations, before changes in working capital, decreased by 6.5% to US$314.9 million in the first half of 2015 as a result of lower profits. The increase in working capital of US$18.0 million resulted mainly from the increase in inventories on the leaching pads at Herradura and Noche Buena, and to a lesser extent, an increase in trade and other receivables to Met-Mex, which was partly mitigated by a decrease in prepayments and an increase in trade and other payables. This figure compared favourably to the US$71.5 increase in working capital in the first half of 2014.

Capital expenditures totalled US$229.1 million, an increase of 8.1% over the first half of 2014. Investments included construction at the San Julián project, leaching pads at Herradura and Noche Buena, development at Fresnillo and Ciénega, purchase of components for mobile equipment at Herradura and Ciénega and purchase of equipment for the expansion of the Merrill Crowe plant at Herradura.

The Group maintained a strong balance sheet. Cash, cash equivalents and short term investments (together defined as “short term funds”) as at 30 June 2015 amounted to US$475.7 million, a 5.9% increase over the year-end 2014 (US$449.3 million), but a 59.1% decrease when compared to the US$1,164.3 million in short term funds at the end of June 2014. Taking into account the short term funds of US$475.7 million and the US$796.5 million bond, Fresnillo plc’s net debt was US$320.8 million as at 30 June 2015.

The Board of Directors has declared an interim dividend of 2.1 US cents per share totalling US$15.5 million which will be paid on 10 September 2015 to shareholders on the register on 14 August 2015. This decision was made after a comprehensive review of the Company’s and Group’s financial situation, assuring that the Group is well placed to meet its current and future financial requirements, including its development and exploration projects. Fresnillo plc’s existing dividend policy, which takes into account the profitability of the business and underlying earnings, as well as our capital requirements and cash flows while maintaining an appropriate level of dividend cover, remains in place. To reiterate the policy, a total dividend of between 33 and 50 percent of profit after tax is paid out each year in the approximate proportion of one-third to be paid as an interim dividend, two-thirds to be paid as a final dividend.

Growth

Fresnillo plc remains committed to disciplined and sustainable profitability. Our high quality growth pipeline allows us to focus on projects that have the potential to be developed into world class low-cost mines.

We have continued to progress our San Julián project, with mining works at the main ramp now concluded and further advancements made on the plant infrastructure.

However, delays in permitting, weather-related issues and a high rotation of contractor personnel due to the project’s remote location, together resulted in execution delays. The San Julián leaching plant, which will process ore from the veins (stage 1) is now expected to be commissioned in 1H16. The flotation plant to process ore from the disseminated ore body (stage 2) remains on track, with commissioning expected in 4Q16.

We also advanced our Pyrites project, which is expected to increase silver and gold recovery rates by processing tailings, both historical and ongoing, from the Fresnillo and Saucito mines. Detailed engineering works continue and this project remains on track to commence operations in 2017.

Positive drill results were achieved at Ciénega and Juanicipio, which will result in an increase in inferred resources, and good grades continued to be discovered at depth at Centauro Deep, whilst further encouraging results were achieved at Guanajuato, Rodeo and Pilarica in Peru. Preliminary economic assessments studies were advanced at Orisyvo and Lucerito.

Outlook

Our proven strategy remains consistent: we invest through the cycle, balancing growth with returns. Our operating mines provide a solid platform for growth, which we are set to deliver through our development projects and our investment in exploration to extend our growth pipeline. This is achieved within the context of a maturing sustainability framework.

Volatility in precious metals prices is expected to remain, driven by the likelihood of the US Federal Reserve increasing interest rates in the near term, geopolitical risk and concerns around the stability of the Eurozone.

However, we are well placed to address these cyclical uncertainties. The strength of our balance sheet, the quality of our assets, the low cost nature of our operations, and the attractive returns generated on our growth projects set Fresnillo apart, and provide us with the flexibility to take market conditions into account whilst continuing to invest through the cycle. As a result of our ongoing aim to control expenditures without sacrificing the optimal timing of our growth projects, the Board has evaluated our capital expenditure requirements for the remainder of 2015 and concluded that we are able to defer around US$130 million of the planned US$700 million until 2016. Capital expenditure for the full year 2015 is therefore likely to be in the region of US$570 million, a decrease of around 19% compared to previous expectations for this year, but an increase of around 34% on FY 2014.

We remain on track to meet our 2018 production targets of 65 million ounces of silver and 750 thousand ounces of gold.

Presentation for Analysts

Octavio Alvídrez, Chief Executive Officer, Mario Arreguín, Chief Financial Officer, Roberto Díaz, Chief Operating Officer, and David Giles, Vice President, Exploration will host a presentation for analysts on Tuesday 4th August at 9am (BST) at Bank of America Merrill Lynch, 2 King Edward St, London EC1A 1HQ

For analysts unable to attend dial in details are:

Dial-in number: +44 (0) 20 3427 0503

Conference ID: 7023610

A replay of the conference call will be available for 7 days after the call at:

Dial in number: +44 (0) 20 3427 0598

Conference ID: 7023610

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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 and Mexican Stock Exchanges under the symbol FRES.

Fresnillo plc has six operating mines, all of them in Mexico - Fresnillo, Saucito, Ciénega (including the San Ramón satellite mine), Herradura, Soledad-Dipolos[1] and Noche Buena, two development projects - San Julián and the Pyrites plant, and four advanced exploration prospects – Orisyvo, Juanicipio, Las Casas Rosario & Cluster Cebollitas and Centauro Deep, as well as a number of other long term exploration prospects. In total, Fresnillo plc has mining concessions covering approximately 2 million hectares in Mexico.

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

Fresnillo plc's goal is to maintain the Group's position as the world's largest primary silver company, producing 65 million ounces of silver and 750,000 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.

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

Operational Review

Production*

Production	H1 2015	H1 2014	% change
Silver (koz)	21,630	19,288	12.1
Silverstream prod'n (koz)	2,141	2,202	-2.8
Total Silver prod'n (koz)	23,771	21,490	10.6
Gold (oz)	364,020	265,670	37.0
Lead (t)	19,259	12,143	58.6
Zinc (t)	20,438	13,795	48.2

* All figures include 100% of production from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena)

Silver production for the first half of 2015 (including Silverstream) increased 10.6% on 1H14 due to higher ore throughput at Saucito resulting from the ramp up of Saucito II, milling efficiencies at the Saucito plant and higher ore grades at Saucito. These factors more than offset the lower ore grade and decrease in ore volumes processed at Fresnillo due to the instability of some stopes and the previously announced development delays. We have taken actions to solve these issues. Currently the development rate has reached over 4,000 m/month vs 3,300 m/month in 1H14 and 2,900 m/month in 1H13. We have put a team in place with specialised equipment to carry out preventive measures to protect our workers from rock instability whilst allowing for efficient development work. We believe that the measures taken will allow us to stabilise ore grades and volumes processed at Fresnillo in 3Q15 and begin to see an improvement in grades and production volumes in 4Q15.

First half 2015 gold production increased 37.0% on 1H14, mainly due to: i) an increase in ore processed at Herradura resulting from the mine being fully operational whilst the temporary explosives permit suspension affected production in 1H14; ii) the DLP at Herradura being operational for the full half following its start-up in March 2014, which resulted in an increase in ore processed and higher ore grades; and iii) a higher overall speed of recovery at the Herradura leaching pads. In addition, higher ore throughput at Saucito and an increase in both ore deposited and irrigation areas at Noche Buena also contributed to the increased gold production. These factors more than offset the expected lower gold ore grade at Ciénega due to the depletion of richer veins.

First half 2015 by-product lead production increased 58.6% over 1H14 as a result of an increase in the volume of ore processed and a higher ore grade at Saucito, and higher ore grades at Fresnillo and Ciénega.

First half 2015 by-product zinc production increased 48.2% on 1H14 due to increased ore volumes processed and a higher ore grade at Saucito and a higher ore grade at Fresnillo, which more than offset the decrease in the volume of ore processed and a lower recovery rate at Ciénega.

As a result of our strong first half gold production results and our confidence in second half performance we have raised our full year 2015 gold production guidance to 715-730 koz from 670-685 koz (+6.6%). We remain on track to meet our 2015 silver production guidance of 45-47 moz (including 3.5 million from the Silverstream).

Fresnillo mine production

	H1 2015	H1 2014	% change
Ore Processed (t)	1,206,441	1,382,347	-12.7
Production			
Silver (koz)	7,831	10,547	-25.8
Gold (oz)	15,092	15,879	-5.0
Lead (t)	7,005	6,672	5.0
Zinc (t)	8,206	7,409	10.8
Ore Grades			
Silver (g/t)	220	258	-14.9
Gold (g/t)	0.50	0.46	10.0
Lead (%)	0.65	0.54	19.5
Zinc (%)	1.04	0.92	13.4

First half 2015 silver production decreased 25.8% on 1H14. This was mainly as a result of a lower silver ore grade reflecting limited access to higher ore grade areas, and lower ore volumes processed due to the instability of some stopes and the previously announced development delays at the San Carlos and San Alberto areas and the subsequent ramp-up.

During the first half we advanced development rates to reach 4,150 m/month in June, helped by enhanced supervision of contractors and additional contractors being introduced, as well as measures to manage development on the less stable stopes. These factors will allow us to maintain development rates at around 4,000 m/month, advancing declines in order to access higher grade veins at lower levels and regain flexibility at our operating stopes, thus helping to stabilise ore grades and volumes processed in 3Q15 and begin to see an improvement in grades and production volumes in 4Q15. Silver ore grades are expected to move towards the reserve grade once operating stope flexibility has been regained.

First half 2015 by-product gold production decreased on 1H14 as a result of the decrease in ore processed, partly offset by a higher gold ore grade.

First half 2015 by-product lead production increased on 1H14 due to a higher ore grade which more than offset the effect of the decrease in ore volume processed.

First half 2015 by-product zinc production increased on 1H14 as a result of a higher ore grade and higher recovery rates.

Saucito mine production

	H1 2015	H1 2014	% change
Ore Processed (t)	1,158,786	661,737	75.1
Production			
Silver (koz)	11,389	6,315	80.3
Gold (oz)	44,673	26,823	66.5
Lead (t)	9,638	3,084	212.5
Zinc (t)	9,432	3,427	175.2
Ore Grades			
Silver (g/t)	341	321	6.3
Gold (g/t)	1.50	1.49	0.6
Lead (%)	0.96	0.55	73.9
Zinc (%)	1.55	0.98	57.6

First half 2015 silver production increased 80.3% on 1H14 mainly as a result of an increase in the volume of ore processed due to the start of operations at Saucito II, a higher silver ore grade resulting from increased ore throughput from the West and Central Jarillas higher ore grade veins, as well as improved control of dilution, and milling efficiencies.

We have successfully ramped up the Saucito II plant, significantly ahead of the three year timeframe initially anticipated, and now Saucito I and II are operating at full capacity. In 1H16 we expect to optimise the capacity of the Saucito II plant by installing vibrating screens similar to those installed at the Saucito I plant in 1Q15. The total nominal capacity of Saucito is expected to increase to 7,200 tonnes per day following the installation of the screens (compared to the capacity of 6,000 tonnes per day originally planned).

Ore grade and volumes processed were unusually high in 1H15 and are not expected to remain at these levels going forward. We will continue to process ore from development and production stopes in 2H15 and expect the silver ore grade to average between 270-300 g/t in the second half.

First half 2015 by-product gold production increased on 1H14 due to the increase in ore volumes processed, however, this was partly offset by lower recovery rates.

First half 2015 by-product lead and zinc production both increased on 1H14 as a result of an increased volume of ore processed and higher ore grades.

Ciénega mine production

	H1 2015	H1 2014	% change
Ore Processed (t)	653,583	663,365	-1.5
Production			
Gold (oz)	45,745	53,984	-15.3
Silver (koz)	2,148	2,072	3.7
Lead (t)	2,616	2,387	9.6
Zinc (t)	2,800	2,959	-5.4
Ore Grades			
Gold (g/t)	2.25	2.62	-14.0
Silver (g/t)	117	111	5.2
Lead (%)	0.59	0.55	8.6
Zinc (%)	0.75	0.73	3.5

First half 2015 gold production decreased 15.3% on 1H14 mainly as a result of the expected lower ore grade due to the depletion of higher gold ore grade areas with wider veins at the Ciénega main mine. A decrease in ore volume processed due to plant maintenance delays in June during which a mill engine was replaced also contributed to the lower production.

First half 2015 silver production increased 3.7% as a result of the expected higher silver ore grade due to richer veins at San Ramón satellite mine, slightly offset by a decrease in volumes of ore processed.

In the second half of 2015 we expect an average gold ore grade of around 2 g/t and an average silver ore grade of around 120 g/t.

First half 2015 by-product lead production increased on 1H14 due to higher ore grades and recovery rates which more than offset the lower volumes of ore processed.

First half 2015 by-product zinc production decreased on 1H14 mainly due to lower recovery rates.

Herradura total mine production (100%)*

	H1 2015	H1 2014	% change
Ore Processed (t)	10,937,571	9,075,963	20.5
Total Volume Hauled (t)	57,661,169	53,219,929	8.3
Production			
Gold (oz)	188,050	104,521	79.9
Silver (koz)	219	304	-28.1
Ore Grades			
Gold (g/t)	0.74	0.71	3.2
Silver (g/t)	1.26	1.38	-8.7

* All figures include 100% of production from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena)

First half gold production increased 79.9% on 1H14 due to: i) an increase in ore processed resulting from the mine being fully operational whilst the temporary explosives permit suspension affected production in 1H14; ii) the DLP being operational for the full half following its start-up in March 2014, which resulted in an increase in ore processed and higher ore grades; iii) a higher overall average speed of recovery at the leaching pads; and iv) an increase in the gold ore grade.

We are controlling the planned increase in inventory levels at the pads appropriately given the temporary solution processing constraints reported in previous quarters, which will be resolved by 4Q15. We have determined that gold inventory levels of around 170,000 ounces (vs. 200,000 ounces originally planned) at Herradura would allow us to optimise the balance between the efficiency of the leaching process and production costs. Gold inventory levels on the leaching pads at Herradura are expected to move towards this level in the second half, once steady state is reached.

In the second half of 2015 we expect an average gold ore grade of around 0.7 g/t.

Noche Buena total mine production (100%)*

	H1 2015	H1 2014	% change
Ore Processed (t)	8,690,540	7,462,553	16.5
Total Volume Hauled (t)	42,281,912	45,123,306	-6.3
Production			
Gold (oz)	70,460	64,462	9.3
Silver (koz)	43	50	-14.5
Ore Grades			
Gold (g/t)	0.48	0.54	-11.0
Silver (g/t)	0.26	0.38	-29.9

* All figures include 100% of production from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena)

First half gold production increased 9.3% on 1H14 due to a higher volume of gold recovered, driven by an increased irrigation area and higher volumes of ore deposited on the leaching pads resulting from a lower than expected stripping ratio at the mined areas. These factors were partly offset by a lower ore grade as ore was deposited from higher benches to reduce haulage costs as planned, rather than deeper higher ore grade areas.

In the second half of 2015 we expect an average gold ore grade of around 0.45 g/t.

Soledad-Dipolos total mine production (100%)

As previously announced, operations at the mine remain suspended as a result of the court ruling to vacate the area at the site of the Soledad-Dipolos mine.

Growth Projects

As a result of our ongoing aim to control expenditures without sacrificing the optimal timing of our growth projects, the Board has evaluated our capital expenditure requirements for the remainder of 2015 and concluded that we are able to defer around US$130 million of the planned US$700 million until 2016. Capital expenditure for the full year 2015 is therefore likely to be in the region of US$570 million, a decrease of around

19% compared to previous expectations for this year, but an increase of around 34% on FY 2014. Below we provide an update on each of our growth projects.

San Julián

Mining works at the main ramp have been concluded, further progress has been made on the construction of the crushing and milling areas, agitator tanks, water tanks, foundations for rich solution tanks at the Merrill Crowe plant and electric infrastructure, and training for the San Julián leaching plant personnel has taken place.

However, delays in permitting, weather-related issues and a high rotation of contractor personnel due to the project's remote location together resulted in execution delays. The San Julián leaching plant, which will process ore from the veins (stage 1) is now expected to be commissioned in 1H16. The flotation plant to process ore from the disseminated ore body (stage 2) remains on track, with commissioning expected in 4Q16.

This US$515 million silver-gold project has an expected average production of 10.3 million ounces of silver and 44,000 ounces of gold per year once at full capacity in 2017.

Pyrites Plant at the Saucito mine

During the first half, we continued detailed engineering works for this project, which is expected to increase silver and gold recovery rates by processing tailings, both historical and ongoing, from the Fresnillo and Saucito mines.

This US$155 million project remains on track to commence operations in 2017, with annual production expected to total 3.5 million ounces of silver and 13,000 ounces of gold.

Below we provide an update on other projects which are expected to contribute to our medium and long term growth, but have not yet been approved by the Board.

Optimisation projects

Fresnillo optimisation project

During the first half we analysed alternative options for the Fresnillo optimisation project. We now plan a smaller expansion to 9,000 tonnes per day (from the 10,000 tonnes per day previously anticipated), which we expect to achieve with less than one-third of the previously anticipated capital expenditure requirement (US$30 million vs US$100 million previously). This revised project is now expected to produce an annual average of an additional 3 million ounces of silver upon commissioning expected in 2017.

Ciénega optimisation project

Following the positive results of our exploration campaign in 2014 and the potential seen at the Cebollitas cluster, alternative options for the Ciénega optimisation project are being evaluated, involving increasing the milling capacity to levels between 5,000 and 6,000 tonnes per day. The project is currently expected to be commissioned in early 2018.

We are intensifying exploration efforts at areas of influence around Ciénega such as the Cebollitas cluster, which are expected to contribute to Ciénega's future production as satellite mines.

Advanced exploration projects

Orisyvo

During the first half, preliminary economic assessments for Orisyvo were commenced, after confirmation of grade continuity both in the oxide and sulphide zones and conversion of inferred resources into the indicated category last year. The assessments are based on an 8,000 tonnes per day mine with a DLP, focusing on the higher grade zones of the total 8.7 million ounces of gold resources. This US$350 million project is currently expected to commence production in 2018.

Juanicipio

During the first half, mining works continued and drilling showed positive results which will result in an increase in inferred resources. The US$300 million joint venture with MAG Silver Corp. (Fresnillo plc: 56%) is expected to be commissioned in 2018, and to produce an annual average of 10 million ounces of silver and 30 thousand ounces of gold. As previously mentioned, this project will be developed on a stand-alone basis.

Centauro extension (previously Mega Centauro)

The extension of the Centauro pit at Herradura is now considered to be the natural evolution of this mine. During the first half we progressed development of the optimal pit design which we continue to evaluate. This US$155 million project is expected to commence production in 2019, and to produce an additional annual average of 200 thousand ounces of gold.

Centauro Deep

During the first half, further progress was made on the mining works at the project. Good grades continued to be discovered at depth, where the geological model is being refined from relogging core, channel sampling, and mapping in the underground development, with the aim of allowing us to determine more accurately the ore bodies. This US$365 million project is expected to commence production in 2020, and to produce an annual average of 225 thousand ounces of gold.

Exploration

In the first half of 2015, US$75.4 million of exploration expenses were recorded in the income statement and US$5.8 million were capitalised.

Exploration at our operating mines is advancing according to schedule. At Herradura good grades continued to be discovered at depth at Centauro Deep, at Fresnillo drilling continues in several locations around the District, while at Ciénega, exploration is focusing in the Cebollitas vein cluster.

Resources are expected to increase in a number of projects, with good results at Guanajuato and Rodeo in Mexico, and at Pilarica in Peru. Exploration drilling was restarted at San Julián, focusing on veins in the southern part of the District, and at Juanicipio drilling showed positive results which will result in an increase in inferred resources. Preliminary economic assessments studies were advanced at Orisyvo and Lucerito.

In the regional programme, new ground was acquired in Santo Domingo, Peru, and systematic evaluation of outside projects proceeds in Mexico, Peru, Chile, and Argentina.

We expect total risk capital invested in exploration in 2015 of around US$162 million, down 6% compared to our original budget of US$172 million and down 12% compared to US$184.5 million spent in 2014.

Resource and reserve estimates will be updated and audited by SRK at year end.

Health and safety, human resources, environment and community relations

Health and wellbeing

The health and wellbeing of our employees is a key component of our social licence to operate. No new cases of occupational diseases occurred in the first half of 2015. Preventive care and healthier lifestyles are part of our efforts to limit certain chronic diseases and enhance the overall wellness and fitness at work. During the first half, our health team has engaged contractors across our operations to adopt our indicators, procedures and training requirements for occupational health.

Safety

Safety remains our number one priority. No fatal accidents occurred in the first half of 2015. However, our Total Recordable Injury Frequency rate (TRIF) increased to 4.51 injuries per 200,000 hours (3.77 in FY 2014) and the Lost Time Injury Frequency Rate (LTIFR) rose to 1.32 injuries per 200,000 hours (0.66 in FY 2014). In the second quarter we adopted a "back to basics" mindset in our "no more accidents" programme to address this trend. In addition, Dupont's "Safe Start" project has been deployed in Ciénega and Fresnillo to address the human factors that are involved in the majority of incidents and injuries.

Our people

Our people are our most important asset. Engaging and developing our people for the long term is a clear objective for us. We have introduced a talent assessment programme considering leadership potential and performance evaluation, the outcomes of which will serve as a foundation for our succession plans. In addition, we have launched an online campus to develop key competencies identified in the annual performance evaluations. In the first half of 2015, Fresnillo plc's workforce totalled 3,461 employees (3,501 in FY 2014) and 4,168 contractors (3,589 in FY 2014). Total and voluntary turnover rates are at 12.08% (7.77% in FY 2014) and 6.41% (5.48% in FY 2014) respectively. The percentages of female employees and executives are 9.25% (9.40% in FY 2014) and 3.81% (3.85% in FY 2014) respectively. Fresnillo plc was recognised as a Great Place to Work in Mexico and currently ranks 17th among companies with more than 5,000 employees.

Environment

Minimising the negative impact of our activities on the environment, and being accountable and transparent regarding our environmental footprint, are key priorities for

Fresnillo plc. As part of our water stewardship efforts, we adopted Aqueduct, a global measuring and mapping water risk tool developed by the World Resources Institute (WRI). Present and future scenarios were modelled to increase our understanding of the physical, regulatory and reputational water risk. Our energy intensity, considering electricity and fuels, increased to reach 0.051 MWh equivalent per tonne of mineral processed (0.050 in FY 2014). However, the carbon intensity decreased to reach 0.018 tonnes of CO2 equivalent per tonne of mineral processed (0.019 in 2014). In the first half, Fresnillo plc formally introduced its renewables portfolio, securing an annual supply of 150 GW of wind energy. This initiative is expected to reduce emissions by 75,000 tonnes of CO2 equivalent per year. We disclosed our environmental performance in the water and climate change programmes of the CDP (formerly known as the Carbon Disclosure Project).

Community Relations

Our communities are strategic partners. Having their trust requires effectively engaging them and being accountable for our impacts. During the first half of 2015, a portfolio of institutional projects and alliances with Non-governmental organizations (NGO's) has been presented to the executive committee. The evaluation of the projects and their implementation at the business unit level will be conducted by regional committees. Moreover, the community relations and land acquisition teams have enhanced collaboration at key mines and projects such as Saucito and San Julián to bring social expertise to this critical process. During the first half of 2015 we organised 238 activities with communities across our operations and exploration projects and supported 456 requests for contributions from communities.

HSECR system

We continue to make progress on the implementation of the Health, Safety, Environment and Community Relations (HSECR) System. The next independent assessment will be conducted in August by PricewaterhouseCoopers (PwC) and results will be analysed in the second half of 2015.

ESG index inclusion

In the first half of 2015, Fresnillo became part of the "Euronext-Vigeo EM 70" Environment, Social and Governance (ESG) Index. This index distinguishes 70 companies from a universe of 900 listed companies in emerging markets which have the highest performances in corporate responsibility based on their ratings by Vigeo.

Related party transactions

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

Financial Review

The interim consolidated financial statements of Fresnillo plc for the first halves of 2015 and 2014 have been prepared in accordance with IAS 34 “Interim Financial Statements” as adopted by the European Union. Management recommends reading this section in conjunction with the Interim Financial Statements and their accompanying Notes.

Income Statement

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

	H1 2015	H1 2014	% change
Adjusted revenue[1]	822.4	750.4	9.6
Lead and zinc hedging	0.8	0.0	N/A
Treatment & refining charges	-70.9	-73.3	-3.2
Total revenues	752.3	677.1	11.1
Cost of sales	478.7	382.0	25.3
Gross Profit	273.6	295.1	-7.3
Exploration expenses	75.4	69.0	9.3
EBITDA[2]	317.9	324.5	-2.0
Profit before income tax	136.1	208.2	-34.6
Mining right	11.2	13.1	-14.5
Income tax expense	48.6	58.1	-16.3
Profit for the period	76.4	137.1	-44.3
Profit for the period, excluding post-tax Silverstream revaluation effects	75.1	104.0	-27.8
Attributable profit	76.5	130.1	-41.2
Attributable profit, excluding post-tax Silverstream revaluation effects	75.3	97.0	-22.4
Basic and diluted earnings per share (US$/share) [3]	0.104	0.177	-41.2
Basic and diluted Earnings per share, excluding post-tax Silverstream revaluation effects (US$/share)	0.102	0.132	-22.7

[1] Adjusted revenue is the revenue shown in the income statement adjusted to add back treatment and refining costs and lead and zinc hedging. The Company considers this is a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices.
[2] Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative, selling and exploration expenses.
[3] The weighted average number of shares H1 2015 was 736.9m (H1 2014: 736.9m). See Note 8 in the Consolidated Financial Statements.

Fresnillo plc’s financial results are highly dependent on operational performance, asset quality, skilled personnel and management’s execution capabilities. However, there are certain variables affecting the financial results which are beyond the Group’s control. A description of these variables is provided below.

Precious metal prices

Gold and silver prices remained under pressure in the first half of 2015 on dollar strength resulting from the expectation that the Fed will increase interest rates in the near future and that inflation levels will remain low; and demand for higher-yielding assets. The average realised silver price decreased by 18.0% from US$20.26 per ounce in the first half of 2014 to US$16.61 per ounce and the average realised gold price decreased by 7.4% to US$1,206.10 per ounce.

In addition, lead prices decreased by 10.9% when compared to the first half 2014, whilst zinc prices slightly increased by 2.1% half on half.

Hedging

Fresnillo plc's hedging policy has been to provide shareholders with full exposure to gold and silver prices. However, in the second half of 2014, Fresnillo plc initiated a one-off hedging programme to protect the value of the investment made in the Penmont acquisition. The hedging programme was executed for a total volume of 1,559,689 oz of gold with monthly maturities until December 2019.

The table below illustrates the expired structures and the outstanding hedged position as of 30th June.

Concept	1H 2015	As of 30 June 2015
Weighted Floor (usd/tonne)	1,100	1,100
Weighted Cap (usd/tonne)	1,431	1,427
Expired volume	133,380	--
Outstanding volume		1,390,896

In addition, the Group hedged a portion of its zinc and lead by-product production, the chart below illustrates the expired structures, results in 1H15 and the outstanding hedged position as of 30 June 2015.

Concept	1H15		As of 30 June 2015	
	Zinc	Lead	Zinc*	Lead*
Weighted Floor (usd/tonne)	2,088	2,100	2,204	1,990
Weighted Cap (usd/tonne)	2,527	2,496	2,548	2,274
Expired volume (tonne)	3,328	1,938		
Profit (US$ dollars)	390,815	433,204		
Total outstanding volume (tonne)			7,753	6,731

* Monthlysettlements until Dec. 2016

Fresnillo plc has also entered into derivative contracts to hedge foreign exchange exposure, which are discussed in the cost of sales section.

Foreign exchange rates

The average spot Mexican peso/US dollar exchange rate devalued by 15.2% from $13.12 per US dollar in the first half of 2014 to $15.12 per US dollar in the first half of 2015. This devaluation resulted in a favourable effect estimated at US$15.9 million on the Group's production costs as costs denominated in Mexican pesos (approximately two thirds of total costs) were lower when converted to US dollars.

The Mexican peso/US dollar spot exchange rate at 30 June 2015 was $15.57 per US dollar, compared to the exchange rate at 31 December 2014 of $14.72 per US dollar. The 5.8%

spot devaluation had an adverse effect on the net asset monetary peso position. As a result, a foreign exchange loss was recognised in the income statement.

The weakening of the Mexican peso against the US dollar also caused an increase in the difference between accounting values of assets and liabilities in US dollars under IFRS and tax values in Mexican pesos for these same items under Mexican tax legislation. As a result, additional deferred tax charges arose in the income statement, thus increasing the effective tax rate under IFRS.

Fresnillo plc entered into derivative contracts to hedge foreign exchange exposure. The results from these activities are further explained in the cost of sales section and in the Notes to the Financial Statements.

Cost Inflation

To calculate cost inflation for the period, we estimate the unit price increase for each component of the adjusted production costs and calculate the weighted average. In the first half of 2015, there was an estimated deflation of 6.8% including the favourable effect of the 15.2% devaluation of the Mexican peso/US dollar exchange rate.

Labour

In the first half of 2015, unionised personnel received a 5.5% increase in wages in Mexican pesos and administrative employees at the mines received a 4.5% increase. Taking into consideration the 15.2% devaluation of the Mexican peso against the US dollar, personnel costs showed an 8.5% deflation in US dollar terms.

Deflation of key operating materials in US$ terms

Key operating materials	**1H 15 VS 1H14**
Steel balls for milling	-7.0%
Tyres	-4.7%
Lubricants	-4.4%
Explosives	-1.3%
Steel for drilling	0.5%
Sodium cyanide	2.3%
Other reagents	6.8%
Weighted average of all operating materials	-2.1%

Unit prices of the majority of key operating materials continued to decrease period on period due to lower demand, resulting in a net weighted average decrease of 2.1%.

Electricity

The weighted average cost of electricity decreased 31.3% from US$11.3 cents per kw in the first six months of 2014 to US$7.8 cents per kw in the same period of 2015. Electricity rates were decreased by the national utility, Comisión Federal de Electricidad (CFE), to reflect the lower average generating cost following the decrease in fuel prices.

Diesel

The weighted average cost of diesel in US dollars for the first six months of 2015 decreased by 5.9% to US$77.6 cents per litre from US$82.4 cents per litre in the first half of 2014. Diesel prices (denominated in Mexican pesos) are controlled by Petróleos Mexicanos (PEMEX), the national oil company, and have therefore not reflected the decrease in international fuel prices, but given the devaluation of the Mexican peso are not expected to increase in dollar terms for the remainder of the year.

Contractors

Contractor costs, which include costs largely relating to operating materials, equipment and labour, are an important component of the Company's total costs denominated in Mexican pesos. In the first half of 2015, increases granted to contractors in Mexican pesos, whose agreement was due for review during the period, ranged from 1.9% to 14.5%. However, these increases turned into decreases (equivalent to -0.6% to -11.6%) when converted to US dollars, reflecting the 15.2% devaluation of the average Mexican peso/US dollar exchange rate. The weighted average decrease in contractor costs was 5.7%.

Maintenance

Unit prices of spare parts to provide maintenance decreased by approximately 4.8% in US dollars in the first half of 2015.

Others

Other cost line items included a 5.0% decline in insurance premium per unit and an average deflation of 3.0% for the remaining components over the first half of 2014.

Treatment and Refining charges

The 2015 treatment and refining charges (TRCs) per tonne and per ounce are being negotiated with Met-Mex in accordance with international benchmarks and will apply retrospectively from January 2015. Treatment and Refining Charges in these accounts were assumed to be the same as those which were negotiated for the full year 2014, a consistent approach taken to that in the comparative period.

Refining charges per ounce of silver for the first half of 2015 decreased by 26.6%; which was partly compensated by the 5.3% increase in treatment charges for lead concentrates. Treatment charges for zinc remained flat half on half.

Revenues

Consolidated Revenues
(US$ millions)

	H1 2015	H1 2014	Amount	%Change
Adjusted revenue[1]	822.4	750.4	72.0	9.6
Hedging	0.8	0.0	0.8	N/A
Treatment and refining charges	-70.9	-73.3	2.4	-3.2
Total Revenues	752.3	677.1	75.2	11.1

[1] Adjusted revenue is the revenue shown in the income statement adjusted to add back treatment and refining costs and lead and zinc hedging. The Company considers this is a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices.

Adjusted revenues of US$822.4 million increased 9.6% over the first half of 2014 as a result of a higher volume of gold, silver, lead and zinc sold. This favourable effect estimated at US$173.8 million was partially offset by the lower gold, silver and lead prices, which had an estimated negative impact of US$101.7 million on adjusted revenues.

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

	H1 2015		H1 2014		Volume Variance	Price Variance	Total	%
Silver	332.7	40%	373.3	50%	29.5	-70.2	-40.7	-10.9
Gold	421.8	51%	331.5	44%	119.3	-29.0	90.3	27.2
Lead	31.8	4%	21.8	3%	13.2	-3.2	10.0	45.9
Zinc	36.1	5%	23.7	3%	11.8	0.6	12.4	52.3
Total revenue	822.4	100%	750.4	100%	173.8	-101.7	72.1	9.6

[1] Adjusted revenue is the revenue shown in the income statement adjusted to add back treatment and refining costs and lead and zinc hedging. The Company considers this is a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices

Gold contribution to adjusted revenues increased from 44% to 51% in the first half of 2015, reflecting the increased volumes produced at the Herradura District; whilst silver contribution decreased from 50% in the first half 2014 to 40% in the same period of 2015 as a result of the decrease in silver price. By-product lead and zinc sales represented the remaining 9% of the Group's adjusted revenues.

The successful ramp-up of the Saucito II plant to full capacity has resulted in the Saucito mine becoming the main contributor to silver adjusted revenues with a 52.8% share in the first half of 2015. Fresnillo's contribution to silver adjusted revenues decreased from 55.4% to 37.1% in the first half of 2015 due to the limited access to higher ore grade areas which resulted in reduced volumes of silver produced. Similarly, Ciénega's contribution decreased to 8.9% from 9.6% in the first half of 2014.

In terms of gold adjusted revenues, Herradura's contribution increased to 53.4% reflecting full operations at the mine and its DLP throughout the first half. This in turn affected Noche Buena and Ciénega's contribution to gold adjusted revenues which decreased to 20.0% and 11.4% respectively in the first six months of 2015. Saucito's contribution to gold adjusted revenues slightly increased from 9.7% to 11.3%.

The contribution by metal and by mine to the adjusted revenues is expected to change further over future periods as new projects are incorporated to the Group's operations and precious metal prices fluctuate.

Gold Adjusted revenues by mine

	H1 15	**H1 14**
Herradura	53.4%	40.6%
Noche Buena	20.0%	25.0%
Ciénega (and San Ramón)	11.4%	19.2%
Saucito	11.3%	9.7%
Fresnillo	3.9%	5.5%
Soledad-Dipolos	0.0%	0.0%
TOTAL	100%	100%

Silver Adjusted revenues by mine

	H1 15	**H1 14**
Saucito	52.8%	33.2%
Fresnillo	37.1%	55.4%
Ciénega (and San Ramón)	8.9%	9.6%
Herradura	1.1%	1.6%
Noche Buena	0.1%	0.2%
Soledad-Dipolos	0.0%	0.0%
TOTAL	100%	100%

Adjusted revenues by mine

	H1 15	**H1 14**
Saucito	31.1%	22.3%
Herradura	27.8%	18.7%
Fresnillo	20.2%	33.3%
Ciénega	10.5%	14.5%
Noche Buena	10.4%	11.2%
Soledad-Dipolos	N/A	N/A
TOTAL	100%	100%

Volumes of metal in products sold
Six months ended 30 June

	H1 15	H1 14	% change
SILVER (kOz)			
Fresnillo	7,412	10,214	-27.4
Ciénega	1,784	1,760	1.4
Herradura	218	302	-27.9
Soledad-Dipolos	-	-	-
Saucito	10,575	6,103	73.3
Noche Buena	41	48	-14.6
Total Silver (kOz)	20,030	18,427	8.7
GOLD (kOz)			
Fresnillo	14	14	0
Ciénega	40	49	-18.3
Herradura	188	104	80.8
Soledad-Dipolos	-	-	-
Saucito	40	24	66.7
Noche Buena	68	64	6.3
Total Gold (kOz)	350	255	37.4
LEAD (MT)			
Fresnillo	6,629	5,958	11.3
Ciénega	1,980	1,879	5.4
Saucito	8,688	2,721	219.3
Total Lead (MT)	17,297	10,558	63.8
ZINC (MT)			
Fresnillo	6,765	6,046	11.9
Ciénega	2,490	2,667	-6.7
Saucito	7,826	2,750	184.6
Total Zinc (MT)	17,081	11,463	49.0

Cost of sales

			Change	
	H1 15	**H1 14**	**Amount**	**%**
Adjusted production costs[4]	316.16	291.33	24.83	8.5
Depreciation and amortisation	159.73	133.33	26.40	19.8
Change in work in progress	-13.14	-60.78	47.64	-78.4
Unproductive Cost	-0.23	9.24	-9.47	N/A
Profit Sharing	5.95	8.63	-2.68	-31.1
Hedging	10.19	0.24	9.95	N/A
Cost of Sales	**478.67**	**381.99**	**96.68**	**25.3**

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

Cost of sales of US$478.7 million increased by 25.3% over the first half 2014. The main factors that resulted in this US$96.7 million increase are described below:

- Adjusted production costs of US$316.2 million increased 8.5% over the same period of 2014. The US$24.8 million increase was largely driven by i) the additional production costs from the Saucito II start-up estimated at US$28.1 million; ii) the costs associated with increased production at Noche Buena estimated at US$10.9 million; iii) the increased variable costs at Herradura as a result of the mine being fully operational in the period, estimated at US$9.4 million, whereas production was disrupted in 1Q14; and iv) additional production costs at the DLP as a result of the first six months being fully operational compared to the first half of 2014 when it started operations in March of approximately US$7.4 million. This was partly offset by the positive effect of the 15.2% devaluation of the average Mexican peso/US dollar spot exchange rate estimated at US$15.9 million; the decrease in costs as a result of lower production at Fresnillo and Ciénega estimated at US$8.6 million and the efficiencies achieved at some of our mines estimated at US$3.2 million. In addition, each production cost component was affected by the below cost inflation:

- Contractor costs rose by US$2.6 million as a result of the contract adjustments recorded during the first half; up 1.9%-14.5% in Mexican pesos
- Personnel costs, excluding profit sharing, increased by US$1.8 million as a result of the 5.5% increase in wages in Mexican pesos
- Cost of operating materials slightly increased by US$0.1 million
- Cost of energy decreased by US$4.6 million due to lower unit prices of electricity (-31.3%) and diesel (-5.9%)
- Other costs decreased by US$1.9 million mainly due to a reduction in insurance premium per unit
- Cost of maintenance decreased by US$1.1 million

- Depreciation increased by US$26.4 million mainly as a result of: i) the increased asset base due to start-up of the Saucito II and DLP projects; and ii) a higher depletion factor at Saucito, Noche Buena and Herradura resulting from the higher production volumes.
- The variation in change in work in progress was US$47.6 million. Change in work in progress increased US$13.1 million in the first half of 2015, compared to US$60.8 million in the same period of 2014. Both movements are explained by the increase in inventories on the leaching pads at Herradura as part of the process to normalise production at this mine following the suspension of explosives permits, albeit at a lower rate in 2015 as Herradura approaches steady state and the balance between the efficiency of the leaching process and production costs is optimised.
- Profit sharing decreased by US$2.7 million due to the lower profits generated.
- Unproductive costs decreased US$9.5 million due to the fixed costs incurred at Minera Penmont to maintain equipment and personnel during the disrupted operations in 1Q14.
- Mexican peso/US dollar hedging in production costs: 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. The Group entered into a combination of put and call options structured at zero cost (collars) to hedge US$115.0 million of costs and expenses denominated in Mexican pesos with average floor and cap exchange rates of $13.29 and $15.30 per US dollar respectively, resulting in a US$10.2 million loss recorded in the income statement. The total outstanding position using collar structures as of 30 June 2015 was US$327.5 million with maturity dates throughout July 2015 to July 2016 (monthly settled) with average floor and cap exchange rates of $14.10 and $16.48 per US dollar respectively. These instruments guarantee a minimum exchange rate should the market fall below the floor exchange rate. Between the floor and cap exchange rates the Group sells US dollars at the market rate, and when the Mexican peso per US dollar

exchange rate goes above the cap rate, the Company is obliged to sell US dollars at the contract rate.

Cost per tonne and cash cost per ounce

Cost per tonne is a key indicator to measure the effects of mining inflation and cost control performance at each mine. This indicator is calculated as total production costs, plus ordinary mining rights less depreciation, profit sharing and exchange rate hedging effects, divided by total tonnage processed.

COST PER TONNE				
				%
		H1 15	H1 14	Change
Fresnillo	US$/TONNE MILLED	48.53	45.02	7.8
Saucito	US$/TONNE MILLED	42.65	62.09	-31.3
Ciénega	US$/TONNE MILLED	66.66	67.61	-1.4
Herradura	US$/TONNE DEPOSITED	8.71	8.03	8.5
Noche Buena	US$/TONNE DEPOSITED	8.16	8.89	-8.2
Soledad-Dipolos	US$/TONNE DEPOSITED	-	-	-

The 15.2% devaluation of the average Mexican peso against the US dollar and the lower unit prices of electricity (31.3%) and diesel (5.9%) benefitted cost per tonne across the Group. These positive effects were mitigated by the 5.5% increase in wages in Mexican pesos for unionised workers. Additional factors affecting cost per tonne at each mine are described below:

Fresnillo

Cost per tonne milled increased by 7.8% over the first half of 2014 mainly due to the diseconomies of scale associated with lower volume of ore processed (-12.7%).

Saucito

Cost per tonne decreased by 31.3% to US$42.7 as a result of the additional economies of scale achieved from the increased ore throughput following the start of operations at Saucito II in the first half of 2015 and milling efficiencies at the Saucito I beneficiation plant.

Ciénega

Cost per tonne milled at Ciénega slightly decreased 1.4% to US$66.7 as the negative effect of the lower volume of ore processed was offset by lower contractor costs due to reduced haulage distances.

Herradura

Cost per tonne increased by 8.5% to US$8.7, reflecting the move towards more typical cost levels at the mine, whereas in the first half of 2014 certain costs were reclassified as unproductive costs due to the temporary disruption in operations. Had these costs been included within the adjusted production costs in the first half of 2014, cost per tonne would have decreased by 3.9%.

Noche Buena

Cost per tonne decreased by 8.2% to US$8.2 mainly due to the economies of scale achieved as a result of the higher ore volumes deposited and our cost reduction initiatives which included mining higher benches to reduce haulage distances, together with the favourable effect of the average Mexican peso devaluation.

Soledad-Dipolos

There was no indicator due to the suspended operations at this mine following the court ruling to vacate the area as part of the legal proceedings surrounding the Ejido "El Bajío" litigation process.

CASH COST PER OUNCE[5]

		H1 15	H1 14	% Change
Fresnillo	US$ per silver ounce	5.75	6.13	-6.2
Saucito	US$ per silver ounce	0.64	3.36	-81.1
Ciénega	US$ per gold ounce	296.99	180.64	64.4
Herradura	US$ per gold ounce	490.18	403.74	21.4
Noche Buena	US$ per gold ounce	897.91	737.27	21.8
Soledad-Dipolos	US$ per gold ounce	-	-	N/A

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

Fresnillo: US$5.75/oz (1H15) vs US$6.13/oz (1H14), (-US$0.38/oz; -6.2%)

The decrease in cash cost per ounce, despite the increase in cost per tonne, was primarily driven by higher by-product credits (zinc, lead and gold) and lower treatment and refining charges. This was partly offset by the lower ore grade and higher cost per tonne.

Saucito: US$0.64/oz (1H15) vs US$3.36/oz (1H14), (-US$2.73/oz; -81.1%)

Cash cost per silver ounce decreased due to lower cost per tonne, higher by-product credits and lower treatment and refining charges.

Ciénega: US$296.99/oz (1H14) vs US$180.64/oz (1H14), (+US$116.35/oz; +64.4%)

Cash cost increased mainly as a result of the expected lower ore grade. This was partly mitigated by higher by-product credits per gold ounce, lower cost per tonne and a decrease in profit sharing.

Herradura: US$490.18/oz (1H15) vs US$403.74/oz (1H14), (+US$86.43/oz; +21.4%)

The increase in cash cost per ounce was explained by the higher cost per tonne, increased consumption of gold inventory on the leaching pads at a higher cost and lower silver by-product credits. These adverse effects were partly offset by the elimination of unproductive costs (reflecting the resumption of operations at Herradura), lower profit sharing, a higher ore grade and lower treatment and refining charges.

Noche Buena: US$897.91/oz (1H15) vs US$737.27/oz (1H14), (+US$160.64/oz; +21.8%)

The increase in cash cost was driven by the consumption of inventory at a higher cost, the expected lower ore grade, and to a lesser extent, lower by-product credits. This was partly mitigated by the lower cost per tonne, profit sharing and treatment and refining charges.

Soledad-Dipolos:

There was no comparable cash cost for these periods as a result of the suspended operations at this mine.

All in sustaining cost

		H1 15	H1 14	Change %	Estimated Life of mine Weighted average
Fresnillo	US$ per silver ounce	11.05	9.93	11.3	6.20 (2023)
Saucito	US$ per silver ounce	5.95	7.66	-22.3	6.00 (2021)
Ciénega	US$ per gold ounce	649.97	594.58	9.3	803.12 (2026)
Herradura	US$ per gold ounce	873.23	839.51	4.0	716.95 (2019)
Noche Buena	US$ per gold ounce	940.87	969.02	-2.9	1,124.49 (2019)
Soledad-Dipolos	US$ per gold ounce	-	-	N/A	N/A

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

In addition to the variations in cash cost, the changes in all-in sustaining costs at each mine are explained as follows:

Fresnillo: All-in sustaining cost rose due to an increase in capitalised mine development works and higher general and administrative costs.

Saucito: All-in sustaining cost declined due to lower cash cost and lowergeneral and administrative costs.

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

Herradura: All-in sustaining cost increased due to the increase in capitalised stripping.

Noche Buena: A decrease in capital expenditure caused the decline in all-in sustaining cost.

Soledad-Dipolos: There were no comparable figures in these periods due to the suspended operations.

All-in sustaining costs are affected by ad hoc expenses recorded in each particular year, but might significantly vary year on year. To give a more accurate idea of the expected average all-in sustaining costs throughout the life of the mine, the Group estimates the life of mine weighted average all-in sustaining cost.

Gross profit

Total gross profit, excluding hedging gains and losses, decreased by 7.3% to US$273.6 million in the first half of 2015. The US$21.5 million decrease resulted from: i) the significant decrease in silver, gold and lead prices estimated at US$102.1 million; ii) an increase in depreciation of US$26.4 million; iii) the lower ore grades and decrease in volumes processed at Fresnillo, which had an estimated adverse impact of US$41.2 million; iv) the US$12.7 million negative effect of the lower gold grades at Noche Buena; v) the lower ore grades and volumes processed at Ciénega estimated at US$9.2 million; vi) the adverse effect of cost inflation estimated at US$1.3 million; and others of US$2.9 million.

The above factors were partially mitigated by: i) the positive effect of the increased volumes processed at Saucito with the start of operations at Saucito II, estimated at US$95.7 million; ii) the US$53.4 million estimated positive effect of the resumed operations at Herradura; iii) the US$15.9 million benefit of the Mexican peso/US dollar exchange rate devaluation; and iv) the favourable impact of the successful ramp-up at the dynamic leaching plant estimated at US$ 9.3 million.

On a per mine basis, Saucito's contribution to the Group's gross profit, excluding hedging effects, increased significantly from 27.2% to 45.6% in the first half of 2015, reflecting the successful start and ramp-up of operations at Saucito II and resulting in Saucito being the main contributor to the Group's consolidated gross profit. In contrast, the lower metal prices, combined with the challenges faced at the Fresnillo mine decreased gross profit by 57.2%, significantly reducing its share to the Group's consolidated gross profit from 37.5% to 18.0% in the first half of 2015. The resumed operations at Herradura resulted in a 56.3% increase in gross profit to US$93.6 million, which represented 33.6% of the Group's consolidated gross profit. Cienega's share decreased from 9.1% to 3.7% as a result of the lower gold ore grades and decrease in precious metals prices. Similarly, Noche Buena's contribution to the Group's consolidated gross profit decreased from 8.6% to 0.4% in the first half of 2015 due to the lower ore grades.

(US$ millions)			Change	
	H1 15	H1 14	Amount	%
Fresnillo	50.2	117.4	-67.2	-57.2
Saucito	127.2	85.0	42.2	49.6
Herradura	93.6	59.9	33.7	56.3
Ciénega	10.3	28.6	-18.3	-64.0
Noche Buena	1.1	26.9	-25.8	-95.9
Soledad-Dipolos	(3.6)	-5.0	1.4	N/A
Total for operating mines	**278.8**	**312.7**	**-33.9**	**-10.8**
MXP/USD exchange rate hedging (losses) and gains	-10.2	-0.2	-9.9	N/A
Other subsidiaries	5.0	-17.4	22.4	N/A
Total Fresnillo plc	**273.6**	**295.1**	**-21.5**	**-7.3**

Administrative expenses

Administrative expenses of US$33.4 million increased by 12.1% over the first half of 2014 as a result of an increase in the cost of services provided by third parties and the additional administrative personnel hired. Furthermore, increased non-recurring engineering and construction services provided by Servicios Industriales Peñoles, S.A.B de C.V. also contributed to the increase in administrative expenses.

Exploration expenses

BUSINESS UNIT / PROJECT (US$ millions)	Exploration expenses	Capitalised expenses
Ciénega	8.5	
Fresnillo	5.0	
Herradura	6.9	
Guazaparez	0.7	
Saucito	3.4	
Noche Buena	2.7	
San Ramón	2.5	
San Julián	1.1	
Orisyvo	5.4	0.1
Nuevo Corredor Herradura	0.4	
Centauro Deep	15.3	0.6
Pilarica	1.9	
Rodeo	2.7	
Candameña	0.4	
Guachichil	1.0	
Guanajuato	1.1	
Perú	1.2	
Tajitos	0.6	
Juanicipio	0.0	4.8
Others	14.6	0.3
TOTAL	**75.4**	**5.8**

Exploration expenses for the first half of 2015 totalled US$75.4 million, a 9.3% increase over the first half of 2014. This resulted from a faster pace of drilling in the first six months of this year, albeit with the Group having reduced the exploration budget for this year in light of more challenging precious metals market conditions. An additional US$5.8 million was capitalised related to the Juanicipio, Centauro Deep and Orisyvo projects.

EBITDA

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

	H1 2015	H1 2014	% change
Gross Profit	273.6	295.1	-7.3
+ Depreciation and amortisation	159.7	133.3	19.8
- Administrative Expenses	-33.4	-29.8	12.1
- Exploration Expenses	-75.4	-69.0	9.3
- Selling Expenses	-6.7	-5.1	31.9
EBITDA	317.9	324.5	-2.0
EBITDA Margin	42.3%	47.9%	

A key indicator of the Group's financial performance is EBITDA, which is calculated as gross profit plus depreciation, less administrative, selling and exploration expenses. This indicator decreased by 2.0% to US$317.9 million in the first half of 2015 as a result of the lower gross profit and increased administrative, exploration and selling expenses; partly offset by higher depreciation (which is added back). Likewise, the EBITDA margin declined to 42.3% from 47.9% in the first half of 2014.

Silverstream revaluation effects

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. In the first half of 2015 there was a US$1.8 million revaluation of the Silverstream as a result of updating the assumptions used to value the Silverstream contract, most significantly the unwinding of the discount and the difference between payments received during the six months ended 30 June 2015 and estimated payments in the valuation model at 31 December 2014. This was mostly offset by the increase in the US dollar exchange rate against the Mexican peso, the increase of the reference discount rate (LIBOR) and the forward silver price which was lower than expected given the cyclical nature of prices. However, the revaluation in the first half of 2015 compared negatively to the US$47.3 million revaluation recorded in the first half of 2014.

The non-cash revaluation gains that have been recognised in the income statement since 2008 increased to US$513.8 million; whilst cumulative cash received or receivable at the end of the first half 2015 from the Silverstream contract totalled US$485.3 million.

It is expected that the Group will record further unrealised gains or losses in the income statement in accordance with the cyclical behaviour of the silver price or changes in the assumptions used when valuing this contract. Further information related to the Silverstream contract is provided in the Balance Sheet section below and in notes 10 and 18 to the Consolidated Financial Statements.

Net finance costs

In the first half 2015, net finance costs totalled US$2.9 million, compared with the US$24.5 million expense recorded in the same period of 2014. The decrease was explained by the non-cash finance gain generated by the mark-to-market time value of the outstanding gold hedging programme put in place to protect the investment made in the acquisition of the 44% stake of Newmont in Penmont, which mostly offset the interest recognised in the income statement as a result of the debt issuance of US$800 million of 5.500% Senior Notes and the unwinding of discount on provisions.

Foreign exchange

In the first half of 2015, a foreign exchange loss of US$15.6 million was recorded in the income statement as a result of the adverse effect of the 5.8% spot devaluation of the Mexican peso against the US dollar in the six months ended 30 June 2015 on the value of peso-denominated net monetary assets. This compared negatively to the US$2.0 million gain recorded in the first half of 2014.

Taxation

Income tax expense declined by 16.3% to US$48.6 million as a result of a decrease in profit generated in the first half 2015. The effective tax rate, excluding the special mining rights, was 35.7% which was above the 30% statutory tax rate. This was explained by the devaluation of the Mexican peso against the US dollar that increased the deferred income taxes generated due to the higher differences arising between the carrying amount of assets and liabilities (denominated in US dollars) and their tax bases (denominated in Mexican pesos). Including the effect of new mining rights, the effective tax rate was 43.9%.

Profit for the period

Profit for the period was US$76.4 million, a 44.3% decrease when compared to the same period of 2014 as a result of the factors discussed above.

Excluding the effects of the Silverstream valuation, profit for the period decreased by 27.7% to US$75.1 million in the first six months of 2015, whilst profit attributable to equity shareholders of the Group, declined by 22.4% to US$75.3 million.

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 14	H1 14	(US $)	(%)
Cash generated by operations before changes in working capital	314.9	336.7	-21.8	-6.5
Increase in working capital	-18.0	-71.5	-53.5	-74.8
Taxes and Employee Profit Sharing paid	-33.5	-110.5	77.0	-69.7
Net cash from operating activities	263.4	154.7	108.7	70.3
Silverstream contract	22.7	31.4	-8.7	-27.6
Purchase of property, plant & equipment	-229.1	-212.0	17.1	8.1
Dividends paid	-22.1	-50.1	28.1	-56.0
Net increase/(decrease) in cash during the period before foreign exchange differences	26.0	-85.9	111.9	-130.2
Cash, cash equivalents and short term investments at 30 June	475.7	1,164.3	-688.5	-59.1

In the first half of 2015, cash generated by operations before changes in working capital decreased by 6.5% to US$314.9 million mainly as a result of the decrease in profit generated. In addition, working capital increased by US$18.0 million as a result of the following factors:

- A US$16.1 million increase in ore inventories mainly as a result of increased volumes of ore deposited on the leaching pads at Herradura as part of the ramp up to steady state, and to a lesser extent at Noche Buena
- A US$2.2 million increase in trade and other receivables which resulted mainly from an increase in the volume of lead and zinc concentrates sold to Met-Mex
- A US$2.6 million decrease in prepayments and other assets
- An increase in trade and other payables of US$2.4 million

Taxes and employee profit sharing paid of US$33.5 million decreased by 69.7% over the first half 2014 due to lower profits generated but most importantly due to cash recovered from provisional taxes paid in excess of actual income tax in 2014.

As a result of the above factors, net cash from operating activities for the first six months of 2015 increased by 70.3% to US$263.4 million.

The Group also received proceeds of US$22.7 million from the Silverstream Contract.

The Group purchased property plant and equipment for a total of US$229.1 million, which represented an 8.1% increase over the first half of 2014, and was in line with our strategy of continuing to invest through the cycle. Capital expenditures for the first six months of 2015 are further described below:

Purchase of property, plant and equipment*		
(US$ millions)		
	H1 15	
Herradura mine	57.9	Construction of leaching pads, purchase of equipment for the expansion of the Merrill Crowe plant and of major components for trucks and shovels
Saucito mine	58.1	Development works
Ciénega mine	11.8	Development works and purchase of in-mine equipment and components
Fresnillo mine	23.2	Mine development, civil works and purchase of in-mine equipment.
Noche Buena	0.8	Construction of leaching pads
San Julián	72.2	Construction of dynamic leaching plant, mining works and engineering works
Juanicipio project	4.8	Exploration expenses
Other	0.3	Exploraciones Mineras Parreña and SAFSA.
Total Purchase of property, plant and equip.	229.1	

*In addition to purchases of property, plant and equipment above, additions to property, plant and equipment on the balance sheet include the re-assessment of the mine closure provision (US$8.0 million) and capitalised depreciation (US$5.2 million).

Dividends paid to shareholders in the first half 2015 totalled US$22.1 million as a result of the final dividend of 3.0 US cents per share paid in May 2015. Other uses of funds included the US$18.7 million interest paid in the first half of 2015.

The sources and uses of funds described above resulted in a net increase of US$26.0 million in short term funds, which combined with the US$449.3 million balance at the beginning of the year and the favourable effect of the exchange rate (US$0.4 million), resulted in short term funds of US$475.7 million as at 30 June 2015.

As disclosed in the Interim Consolidated Cash Flow Statement, cash and cash equivalents at 30 June 2015 totalled US$255.7 million and short-term investment held in fixed-term bank deposits amounted US$220 million. In the first half of 2014, cash and cash equivalents at 30 June 2014 accounted for US$414.3 million and short-term investments amounted to US$750.0 million.

Balance Sheet

Fresnillo plc maintained its solid financial position with short term funds increasing to US$475.7 million as of 30 June 2015 from US$449.3 million at the beginning of the year. However, this is lower compared to the short term funds of US$1,164.3 million as of 30 June 2014, reflecting the acquisition of the 44% stake of Newmont in Penmont in the second half of 2014 and other uses of funds, mainly the purchase of property, plant and equipment and dividends paid.

Trade and other receivables decreased from US$456.1 million as of 31 December 2014 to US$430.7 million mainly as a result of a decrease in recoverable taxes in the first half of 2015.

In the first six months of 2015, inventories totalled US$321.7 million, a 5.3% increase over the 2014 year-end figure due to the higher gold inventories deposited on the leaching pads of Herradura and Noche Buena.

The change in the value of the Silverstream derivative from US$392.3 million at the beginning of the year to US$373.6 million as of 30 June 2015 reflects proceeds of US$20.5 million, (US$15.8 million in cash received in respect of the period and US$4.7 million receivable) and the revaluation effects of US$1.8 million in the Group's income statement.

The net book value of property, plant and equipment was US$2,047.8 million at 30 June 2015, an increase of 4.0% over the US$1,969.4 million recorded at 31 December 2014. The US$78.4 million increase is explained by the addition of Saucito II to the asset base, development works at the underground mines, purchase of in-mine equipment, additional pads constructed in the Herradura District and the San Julián project. The mine closure provision also contributed to the increase in property, plant and equipment.

Fresnillo plc's total equity for the first half of 2015 was US$2,358.9 million, an increase of 2.5% when compared to the figure at the beginning of the year, which reflected retained earnings from the previous year.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above in the Operational Review, with further detail in the Annual Report 2014. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review. In addition, the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk were set out in the Annual Report 2014. Details of its financial instruments and hedging activities as at 30 June 2015 are set out in note 18 to the interim report.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecasts for the period to 31 December 2016 as at July 2015. In addition, they reviewed a more conservative cash flow scenario with silver and gold prices reduced below current expectations, whilst maintaining current budgeted expenditure, which resulted in our current cash balances reducing over time to a small but adequate margin of liquidity towards the end of 2016.

The Directors have reviewed management's evaluation of three particular mitigating actions that they could implement, if required. First, management have identified specific elements of exploration and capital expenditure which could be deferred without adversely affecting production profiles. Second, the Directors could delay the implementation of two new projects, which may moderately affect the production profiles, but are not expected to affect Fresnillo's ability to reach its 2018 production goals. Finally, management could amend the mining plans to concentrate on production with a higher margin to accelerate cash generation without affecting the integrity of the mine plans.

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

Dividends

The Board of Directors has declared an interim dividend of 2.1 US cents per share totalling US$15.5 million which will be paid on 10 September 2015 to shareholders on the register on 14 August 2015. This decision was made after a comprehensive review of the Company's and Group's financial situation, assuring that the group is well placed to meet its current and future financial requirements, including its development and exploration projects.

Fresnillo's existing dividend policy remains in place, which takes into account the profitability of the business and underlying earnings of the group, as well as its capital requirements and cash flows whilst maintaining an appropriate level of dividend cover. To reiterate the policy, a total dividend of between 33 and 50 percent of profit after tax is paid out each year in the approximate proportion of one-third to be paid as an interim dividend, two-thirds to be paid as a final dividend.

The interim dividend will be paid in UK pounds sterling to shareholders, unless a shareholder elects to receive dividends in US dollars. The interim dividend will be paid in UK pounds sterling with the dividend being converted into UK pounds sterling on or around 17 August 2015.

Risks and uncertainties

In the first half of 2015, the Board and the Executive Committee continued to monitor Fresnillo plc's principal risks as part of the operation of the risk management framework and execution towards achieving long-term objectives. During this period, we have continued to formally gather and report on Key Risk Indicators (KRIs) for our principal risks in order to detect and analyse trends.

Fresnillo plc currently monitors eleven principal risks and these have not changed from those set out in the Strategy section of the Strategic Report of the Annual Report for the year ended 31 December 2014 (published in April 2015). A copy of the Fresnillo plc's 2014 Annual Report is available at the Company's website at www.fresnilloplc.com.

The principal risks are shown below:

- *Impact of global macroeconomic developments*
- *Access to land*
- *Security*
- *Potential actions by the Government (e.g. taxes, more stringent regulations)*
- *Public perception against mining*
- *Projects (performance risk)*
- *Safety*
- *Exploration*
- *Union relations*
- *Human Resources*
- *Environmental incidents*

Directors

The names and functions of the current directors and senior management team of Fresnillo plc are shown on the Group's website: www.fresnilloplc.com

Statement of directors' responsibilities

The Directors of the Company 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 gives a true and fair view of the assets, liabilities, financial position and profit and loss account of the Fresnillo Group as required by DTR 4.2.4; and

(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.

Octavio Alvídrez
Chief Executive Officer

INDEPENDENT REVIEW REPORT TO FRESNILLO PLC

Introduction

We have been engaged by the Company to review the interim condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 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 18. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim condensed consolidated 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 Conduct 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 interim condensed consolidated 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 interim condensed consolidated 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 interim condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 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 Conduct Authority.

Ernst & Young LLP
London
4 August 2015

Interim Consolidated Income Statement

	Notes	*For the six months ended 30 June*					
		2015 (Unaudited)			*2014 (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	752,308		752,308	677,075		677,075
Cost of sales	5	(478,670)		(478,670)	(381,986)		(381,986)
Gross profit		**273,638**		**273,638**	**295,089**		**295,089**
Administrative expenses		(33,436)		(33,436)	(29,840)		(29,840)
Exploration expenses		(75,379)		(75,379)	(68,971)		(68,971)
Selling expenses		(6,689)		(6,689)	(5,070)		(5,070)
Other operating income		38		38	663		663
Other operating expenses		(5,321)		(5,321)	(8,449)		(8,449)
Profit from continuing operations before net finance costs and income tax		**152,851**		**152,851**	**183,422**		**183,422**
Finance income	6	21,177		21,177	3,767		3,767
Finance costs	6	(24,077)		(24,077)	(28,253)		(28,253)
Revaluation effects of Silverstream contract	10		1,761	1,761		47,298	47,298
Foreign exchange (loss)/gain		(15,572)		(15,572)	2,008		2,008
Profit from continuing operations before income tax		**134,379**	**1,761**	**136,140**	**160,944**	**47,298**	**208,242**
Corporate income tax	7	(48,064)	(529)	(48,593)	(43,888)	(14,189)	(58,077)
Special mining right	7	(11,179)		(11,179)	(13,082)		(13,082)
Income tax expense	7	(59,243)	(529)	(59,772)	(56,970)	(14,189)	(71,159)
Profit for the period from continuing operations		**75,136**	**1,232**	**76,368**	**103,974**	**33,109**	**137,083**
Attributable to:							
Equity shareholders of the Company		75,267	1,232	76,499	97,022	33,109	130,131
Non-controlling interests		(131)		(131)	6,952		6,952
		75,136	**1,232**	**76,368**	**103,974**	**33,109**	**137,083**
Earnings per share: (US$)							
Basic and diluted earnings per ordinary share from continuing operations	8			0.104			0.177
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per ordinary share from continuing operations	8	0.102			0.132		

Interim Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2015	*2014*
	(Unaudited)	*(Unaudited)*
	(in thousands of US dollars)	
Profit for the period	**76,368**	**137,083**
Other comprehensive income/(expense)		
Items to be reclassified to profit or loss in subsequent periods:		
Net gain/(losses) on cash flow hedges recycled to income statement	9,361	(397)
Income tax effect	(2,809)	119
Net unrealised (losses)/gains on cash flow hedges	(5,675)	4,154
Income tax effect	1,703	(1,246)
Net effect of cash flow hedges	**2,580**	**2,630**
Fair value (loss)/gain on available-for-sale financial assets	(4,846)	46,139
Income tax effect	1,454	(13,842)
Impairment of available-for-sale financial assets	761	-
Income tax effect	(228)	-
Net effect of available- for- sale financial assets	**(2,859)**	**32,297**
Foreign currency translation	**(26)**	**12**
Other comprehensive (loss)/gain, net of tax	**(305)**	**34,939**
Total comprehensive income, net of tax	**76,063**	**172,022**
Attributable to:		
Equity shareholders of the Company	76,194	165,070
Non-controlling interests	(131)	6,952
	76,063	**172,022**

Interim Consolidated Balance Sheet

	Notes	*As of 30 June 2015 (Unaudited)*	*As of 31 December 2014 (Audited)*
		(in thousands of US dollars)	
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,047,776	1,969,418
Available-for-sale financial assets		81,232	86,078
Silverstream contract	10,18	342,972	358,965
Deferred tax asset		47,391	57,705
Inventories	11	84,412	84,412
Other receivables	12	3,372	3,853
Other assets		2,907	3,872
		2,610,062	2,564,303
Current assets			
Inventories	11	237,278	221,200
Trade and other receivables	12	307,405	287,595
Income tax recoverable		123,342	168,498
Prepayments		1,679	3,356
Derivative financial instruments	18	27,914	14,551
Silverstream contract	10,18	30,647	33,311
Short-term investments	13	220,000	295,000
Cash and cash equivalents	13	255,748	154,340
		1,204,013	1,177,851
Total assets		**3,814,075**	**3,742,154**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital		368,546	368,546
Share premium		1,153,817	1,153,817
Capital reserve		(526,910)	(526,910)
Net unrealised losses on cash flow hedges		(7,366)	(9,946)
Net unrealised gains on available-for-sale financial assets		21,656	24,515
Foreign currency translation reserve		(623)	(597)
Retained earnings		1,320,269	1,265,877
		2,329,389	2,275,302
Non-controlling interests		29,488	26,539
Total equity		**2,358,877**	**2,301,841**
Non-current liabilities			
Interest-bearing loans		796,507	796,160
Provision for mine closure cost		165,766	153,802
Provision for pensions and other post-employment benefit plans		13,940	13,838
Deferred tax liability		353,519	336,751
		1,329,732	1,300,551

Current liabilities			
Trade and other payables		102,153	100,351
Derivative financial instruments	18	17,079	27,033
Income tax		-	814
Employee profit sharing		6,234	11,564
		125,466	139,762
Total liabilities		**1,455,198**	**1,440,313**
Total equity and liabilities		**3,814,075**	**3,742,154**

Interim Consolidated Cash Flow Statement

	Notes	For the six months ended 30 June 2015 (Unaudited)	2014 (Unaudited)
		(in thousands of US dollars)	
Net cash from operating activities	17	**263,415**	**154,660**
Cash flows from investing activities			
Purchase of property, plant and equipment		(229,125)	(211,956)
Proceeds from the sale of property, plant and equipment and other assets		4,305	5,259
Repayments of loans granted to contractors		767	2,585
Short-term investments	13	74,730	(750,000)
Silverstream contract	10	22,727	31,408
Interest received		1,623	3,767
Net cash used in investing activities		**(124,973)**	**(918,937)**
Cash flows from financing activities			
Dividends paid to shareholders of the Company		(22,054)	(50,108)
Capital contribution		3,080	1,628
Interest paid[1]		(18,763)	(23,149)
Net cash used in financing activities		**(37,737)**	**(71,629)**
Net increase/ (decrease) in cash and cash equivalents during the period		100,705	(835,906)
Effect of exchange rate on cash and cash equivalents		703	(1,512)
Cash and cash equivalents at 1 January	13	154,340	1,251,694
Cash and cash equivalents at 30 June	13	**255,748**	**414,276**

[1]Total interest paid during the six months ended 30 June 2015 including amounts capitalised as part of fixed assets projects totalling US$23.1 million (30 June 2014: US$23.1 million).

Interim Consolidated Statement of Changes in Equity

	Notes	*Share capital*	*Share premium*	*Capital reserve*	*Net unrealised gains on revaluation of cash flow hedges*	*Net unrealised gain on available-for-sale financial assets*	*Foreign currency translation reserve*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
						(in thousands of US dollars)					
Balance at 1 January 2014 (*Audited*)		**368,546**	**1,153,817**	**(526,910)**	**721**	**7,845**	**(363)**	**1,269,781**	**2,273,437**	**398,534**	**2,671,971**
Profit for the period		-	-	-	-	-	-	130,131	130,131	6,952	137,083
Other comprehensive income, net of tax		-	-	-	2,630	32,297	12	-	34,939	-	34,939
Total comprehensive income for the period		-	-	-	2,630	32,297	12	130,131	165,070	6,952	172,022
Capital contribution		-	-	-	-	-	-	-	-	1,628	1,628
Dividends paid	14	-	-	-	-	-	-	(50,109)	(50,109)	-	(50,109)
Balance at 30 June 2014 (*Unaudited*)		**368,546**	**1,153,817**	**(526,910)**	**3,351**	**40,142**	**(351)**	**1,349,803**	**2,388,398**	**407,114**	**2,795,512**
Balance at 1 January 2015 (*Audited*)		**368,546**	**1,153,817**	**(526,910)**	**(9,946)**	**24,515**	**(597)**	**1,265,877**	**2,275,302**	**26,539**	**2,301,841**
Profit for the period		-	-	-	-	-	-	76,499	76,499	(131)	76,368
Other comprehensive income, net of tax		-	-	-	2,580	(2,859)	(26)	-	(305)	-	(305)
Total comprehensive income for the period		-	-	-	2,580	(2,859)	(26)	76,499	76,194	(131)	76,063
Capital contribution		-	-	-	-	-	-	-	-	3,080	3,080
Dividends paid	14	-	-	-	-	-	-	(22,107)	(22,107)	-	(22,107)
Balance at 30 June 2015 (*Unaudited*)		**368,546**	**1,153,817**	**(526,910)**	**(7,366)**	**21,656**	**(623)**	**1,320,269**	**2,329,389**	**29,488**	**2,358,877**

Notes to the Interim Condensed Consolidated Financial Statements

1 Corporate Information

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

Industrias Peñoles S.A.B. de C.V. (ñPeñolesò) currently owns 74.99 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 Peñoles group companies is disclosed in note 16.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 (ñinterim consolidated financial statementsò), were authorised for issue by the Board of Directors of Fresnillo plc on 03 August 2015.

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

2 Significant accounting policies

(a) Basis of preparation and statement of compliance

The interim consolidated financial statements of the Group for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU). 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 Groupôs annual consolidated financial statements for the year ended 31 December 2014 as published in the Annual Report 2014.

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 2014. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU up to 31 December 2014, has been delivered to the Register of Companies. The auditorsô 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 assets and defined benefit pension scheme assets which have been measured at fair value.

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

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

(b) Basis of consolidation

The interim consolidated financial statements set out the Groupôs financial position as of 30 June 2015 and 31 December 2014, and its operations and cash flows for the periods ended 30 June 2015 and 30 June 2014.

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 2014.

(c) Changes in accounting policies and presentation rules

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2014.

New standards and interpretations as adopted by the Group

There was no significant accounting standards or interpretations or any consequential amendments, required for the Group to adopt effective January 1, 2015.

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

3 Segment reporting

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

At 30 June 2015 the Group has six reportable operating segments which consist of the Groupôs six producing mines as follows:

ï The Fresnillo mine, located in the State of Zacatecas, the worldôs largest primary silver mine;
ï The Saucito mine, located in the State of Zacatecas, an underground silver mine;
ï The Cienega mine, located in the State of Durango, an underground gold mine; including the San Ramon satellite mine;
ï The Herradura mine, located in the State of Sonora, a surface gold mine;
ï The Soledad-Dipolos mine, located in the State of Sonora, a surface gold mine; and
ï The Noche Buena mine, located in State of Sonora, a surface 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.

All revenues were derived from operations based in Mexico.

Management monitors the results of its operating segments separately for the purpose of performance assessment and making decisions about resource allocation. Segment performance is evaluated without taking into account certain adjustments included in Revenue as reported in the interim consolidated income statements, and certain costs included within Cost of Sales and Gross Profit which are considered to be outside of the control of the operating management of the mines. The table below provides a reconciliation from segment profit to Gross Profit as per the interim consolidated income statement. Other income and expenses included in the interim consolidated income statement are not allocated to operating segments. Transactions between reportable segments are accounted for on an armôs 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 2015 and 2014, respectively.

Six months ended 30 June 2015									
US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Soledad-Dipolos [1]**	**Saucito**	**Noche Buena**	**Other**	**Adjustments and eliminations**	**Total**
Revenues:									
Third party	140,405	230,045	79,449	-	218,895	82,690	-		751,484
Hedging								824	824
Inter-Segment [2]							34,509	(34,509)	-
Segment revenues	**140,405**	**230,045**	**79,449**	**-**	**218,895**	**82,690**	**34,509**	**(33,685)**	**752,308**
Segment profit	**82,901**	**120,762**	**37,034**	**-**	**170,792**	**19,845**	**16,592**	**1,581**	**449,507**
Hedging									(10,186)
Depreciation									(159,733)
Employee profit sharing									(5,950)
Gross profit as per the income statement									**273,638**
Capital expenditure[3]	95,422	57,902	11,788	-	58,092	846	5,075	-	**229,125**

[1] Operations at Soledad-Dipolos were suspended in 2H 2013 as a result of the dispute disclosed in Note 15.
[2] Inter-segment revenues include leasing services provided by Minera Bermejal, S.A. de C.V.
[3] See note 9 for a description of the main capital expenditures.

Six months ended 30 June 2014									
US$ thousands	**Fresnillo**	**Herradura**	**Cienega**	**Soledad-Dipolos [1]**	**Saucito**	**Noche Buena**	**Other**	**Adjustments and eliminations**	**Total**
Revenues:									
Third party	209,050	139,972	100,717	-	143,858	83,469	-	-	677,066
Hedging	-	-	-	-	-	-	-	9	9
Inter-Segment [2]	-	-	-	-	-	-	35,257	(35,257)	-
Segment revenues	**209,050**	**139,972**	**100,717**	**-**	**143,858**	**83,469**	**35,257**	**(35,246)**	**677,075**
Segment profit [4]	**149,401**	**80,203**	**56,099**	**(384)**	**104,551**	**28,825**	**19,257**	**(1,068)**	**436,884**
Hedging									(240)
Depreciation									(132,929)
Employee profit sharing									(8,626)
Gross profit as per the income statement									**295,089**
Capital expenditure[3]	71,737	43,928	17,414	-	62,221	12,389	4,267	-	**211,956**

[1] Operations at Soledad-Dipolos were suspended in 2H 2013 as a result of the dispute disclosed in Note 15.
[2] Inter-segment revenues include leasing services provided by Minera Bermejal, S.A. de C.V.
[3] See note 9 for a description of the main capital expenditures.
[4] Other segment profit and adjustments and eliminations have been amended in order to be consistent with 2015 disclosure.

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	
	2015	*2014*
	(in thousands of US dollars)	
Lead concentrates (containing silver, gold, lead and by-products)	371,867	389,025
Doré and slag (containing gold, silver and by-products)	312,734	223,441
Zinc concentrates (containing zinc, silver and by-products)	43,602	32,307
Precipitates (containing gold and silver)	24,105	32,302
	752,308	**677,075**

All lead and zinc concentrates, precipitates, doré and slag, were sold to Peñolesô 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	
	2015	*2014*
	(in thousands of US dollars)	
Silver	332,652	373,304
Gold	421,748	331,470
Zinc	36,540	23,748
Lead	32,283	21,841
Value of metal content in products sold	823,223	750,363
Adjustment for treatment and refining charges	(70,915)	(73,288)
Total revenues	**752,308**	**677,075**

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

	Six months ended 30 June	
	2015	*2014*
	(in US dollars per ounce)	
Gold	1,206.10	1,302.07
Silver	16.61	20.26

5 Cost of sales

	Six months ended 30 June	
	2015	*2014*
	(in thousands of US dollars)	
Depreciation and amortisation (note 9)	159,733	133,326
Personnel expenses[1]	37,875	41,226
Maintenance and repairs	45,452	38,908
Operating materials	67,502	61,247
Energy	57,643	57,772
Contractors	93,229	91,086
Mining concessions rights and contributions	5,041	4,931
Freight	5,076	5,133
Insurance	2,585	3,829
Other	7,485	8,774
Cost of production	481,621	446,232
Losses on foreign currency hedges	10,186	240
Change in work in progress and finished goods (ore inventories)	(13,137)	(64,486)
Cost of sales	**478,670**	**381,986**

[1] Personnel expenses include employees´ profit sharing of US$5.9 million for the six months ended 30 June 2015 (six months ended 30 June 2014: US$8.6 million).

6 Finance income and finance costs

	Six months ended 30 June	
	2015	*2014*
	(in thousands of US dollars)	
Finance income:		
Interest on short term deposits	889	2,626
Mark to market movements on derivatives[1]	19,733	-
Other	555	1,141
	21,177	**3,767**
Finance costs:		
Interest on interest-bearing loans	18,656	23,269
Unwinding of discount on provisions	4,968	3,420
Mark to market movements on derivatives	-	751
Other	453	813
	24,077	**28,253**

1 Principally relates to the time value associated with Gold commodity options- see note 18 for further detail.

7 Income tax expense

	Six months ended 30 June 2015	2014
	(in thousands of US dollars)	
Current corporate income tax:		
Current corporate income tax charge	88,377	78,389
Amounts (over)/underprovided in previous periods	(31,720)	4,715
	56,657	83,104
Deferred corporate income tax:		
Origination and reversal of temporary differences	(8,593)	(39,216)
Revaluation effects of Silverstream contract	529	14,189
	(8,064)	(25,027)
Corporate income tax	**48,593**	**58,077**
Current special mining right:		
Current special mining right charge[1]	4,914	-
	4,914	-
Deferred special mining right:		
Origination and reversal of temporary differences	6,265	13,082
Special mining right	**11,179**	**13,082**
Income tax expense as reported in the income statement	**59,772**	**71,159**

[1] The special mining right allows the deduction of payments for mining concession rights up to the amount of the special mining right payable within the same legal entity. In the six months ended 30 June 2015, the Group credited US$4.1 million (2014: US$3.9 million) of mining concession rights against the special mining right. Without regard to credits permitted under the special mining right regime, the current special mining right charge would have been US$9.0 million. (2014: US$3.9).

The total mining concession rights paid during the six month period were US$9 million (2014: US$8.3 million) and have been recognised in the income statement within cost of sales and exploration expenses. Mining concessions rights paid in excess of the special mining right cannot be credited to special mining rights in future fiscal periods, and therefore, no deferred tax asset has been recognised in relation to the excess.

The effective tax rate for corporate income tax for the six months ended 30 June 2015 is 35.69% (six months ended 30 June 2014: 27.89%). The main factor that has increased this rate from the statutory rate of 30% is the effect of foreign exchange rates as a result the appreciation of the US dollar against the Mexican peso.

The effective income tax rate, including the special mining right for the six months ended 30 June 2015 is 43.90% (six months ended 30 June 2014: 34.17%).

As part of the income tax reform in Mexico enacted at the end of 2013 and effective 1 January 2014, the tax law changed in respect of the treatment of certain mining related expenditure for tax purposes. As at 31 December 2014, there was uncertainty in relation to the tax treatment of certain expenditure incurred in the year. As a result, in calculating the tax provision as at 31 December 2014, the Group deducted only a portion of the total related expenditure incurred in the year. A deferred tax asset in respect of the remaining future tax benefit was also recognised. Subsequent to the approval of the Annual Report 2014, management performed further analysis of this expenditure ahead of submitting tax computations and concluded that this expenditure incurred in 2014 is deductible in full for tax purposes. The Group has submitted tax computations for 2014 on this basis. As a result, the Group has reflected a reduction of US$29.9 million in current tax in respect of previous periods. There is a corresponding increase in the deferred tax expense and, therefore, no impact on the total effective tax rate.

8 Earnings per share

Earnings per share (óEPSô) 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 2015 and 30 June 2014, earnings per share have been calculated as follows:

	Six months ended 30 June	
	2015	*2014*
Earnings:		
Profit from continuing operations attributable to equity holders of the Company (*in thousands of US dollars*)	76,499	130,131
Adjusted profit from continuing operations attributable to equity holders of the Company (*in thousands of US dollars*)	75,267	97,022

Adjusted profit is profit as disclosed in the Interim Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$1.8 million gain (US$1.2 million net of tax) (2014: US$47.3 million loss and US$33.1 million net of tax).

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

	Six months ended 30 June	
	2015	*2014*
Number of shares:		
Weighted average number of ordinary shares in issue (ó000)	736,894	736,894

	Six months ended 30 June	
	2015	*2014*
Earnings per share:		
Basic and diluted earnings per ordinary share from continuing operations (US$)	0.104	0.177
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.102	0.132

9 Property, plant and equipment

The significant changes in property, plant and equipment during the six months ended 30 June 2015 are additions of US$246.4 million (six months ended 30 June 2014: US$206 million) which includes a rehabilitation asset amounting US$8.0 million (six months ended 30 June 2014:nil) and depreciation and amortisation of US$166.7 million, of which US$5.2 million was capitalised as a part of the cost of other fixed assets (six months ended 30 June 2014: US$142.1 million, of which US$8.8 million was capitalised). Additions consist of mine development works at the underground mines, stripping activity at the surface mines, mine equipment such as scoops, trams and trucks, optimisation of milling facilities and installation of certain riddles, the purchase of land, the construction of employee camps at certain mine sites and the effect of changes in the mine closure provision. In the six months ended 30 June 2015 no write off on property, plant and equipment was recorded by the Group (30 June 2014: US$4.5 million).

As of 30 June 2015 the Group has contractual commitments related to the construction and acquisition of property, plant and equipment of US$163.9 million (31 December 2014: US$217.5 million)

10 Silverstream contract

On 31 December 2007, the Group entered into an agreement with Peñoles through which it is entitled to receive the proceeds received by the Peñoles Group in respect of the refined silver sold from the Sabinas Mine (ñSabinasò), a base metals mine owned and operated by the Peñoles Group, for an upfront payment of US$350 million. In addition, a per ounce cash payment of US$2.00 in years one to five and US$5.00 thereafter (subject to an inflationary adjustment commencing on 31 December 2013) is payable to Peñoles. The cash payment per ounce for the six months ended 30 June 2015 was US$5.10 (six months ended 30 June 2014 US$ 5.05 per ounce). Under the contract, the Group has the option to receive a net cash settlement from Peñoles attributable to the silver produced and sold from Sabinas, to take delivery of an equivalent amount of refined silver or to receive settlement in the form of both cash and silver. If, by 31 December 2032, the amount of silver produced by Sabinas is less than 60 million ounces, a further payment is due from Peñoles of US$1 per ounce of shortfall.

The Silverstream contract has been recorded as a derivative financial instrument at fair value and classified within non-current and current assets as appropriate. Changes in the contractôs 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 2015 total proceeds received in cash were US$22.7 million (six months ended 30 June 2014: US$31.4 million), of which US$6.9 million was in respect of proceeds receivable as at 31 December 2014 (six months ended 30 June 2014: US$8.1 million). Cash received in respect of the period of US$15.8 million (six months ended 30 June 2014: US$23.3 million) corresponds to 1.9 million ounces of payable silver (six months ended 30 June 2014: 2.1 million ounces). As at 30 June 2015, a further US$4.7 million (30 June 2014: US$7.5 million) of cash corresponding to 440,115 ounces of silver is due (30 June 2014: 473,272 ounces).

In the six months ended 30 June 2015, the most significant drivers of the US$1.8 million unrealised gain taken to income (six months ended 30 June 2014: gain of US$47.3 million) were the updating of assumptions utilised to value the Silverstream contract, most significantly the unwinding of the effect of discounting future cash flows, the difference between payments received during the six months ended 30 June 2015 and estimated payments in the valuation model at 31 December 2014, net of the increase in the US dollar exchange rate against the Mexican peso, the increase of the reference discount rate (LIBOR) and the forward silver price which was lower than expected given the cyclical nature of prices.

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

	2015	*2014*
	(in thousands of US dollars)	
Balance at 1 January:	392,276	372,846
Cash received in respect of the period	(15,753)	(23,281)
Cash receivable	(4,665)	(7,487)
Re-measurement gains recognised in profit or loss	1,761	47,298
Balance at 30 June	**373,619**	**389,376**
Less - Current portion	30,647	42,168
Non-current portion	342,972	347,208

11 Inventories

	As at 30 June 2015	*As at 31 December 2014*
	(in thousands of US dollars)	
Finished goods	3,944	2,094
Work in progress[1]	246,547	235,261
Operating materials[2]	71,199	68,257
Inventories at lower of cost and net realisable value	**321,690**	**305,612**
Less - Current portion	237,278	221,200
Non-current portion	84,412	84,412

[1] Includes an inventory write down of US$17.6 million to reduce the cost of inventory to net realizable value (December 2014: US$17.6 million).

[2] Includes an allowance for obsolete and slow-moving inventory of $2.7 million (31 December 2014: US$2.6 million).

12 Trade and other receivables

	As at 30 June 2015	*As at 31 December 2014*
	(in thousands of US dollars)	
Trade receivables from related parties (note 16)	122,835	139,620
Value added tax receivable	152,711	106,903
Advances to suppliers and contractors	12,290	13,734
Other receivables from related parties (note 16)	4,665	7,015
Loans granted to contractors	2,708	2,866
Other receivables arising on the sale of fixed assets	1,906	6,009
Other receivables	10,602	11,766
	307,717	287,913
Provision for impairment of other receivables	(312)	(318)
	307,405	287,595
Other receivables classified as non-current assets :		
Loans granted to contractors	3,236	3,853
Other receivables arising from the sale of fixed assets	136	-
	3,372	3,853
	310,777	**291,448**

13 Cash, cash equivalents and short term investments

	As at 30 June 2015	*As at 31 December 2014*
	(in thousands of US dollars)	
Cash at bank and on hand	5,239	3,979
Short-term deposits	250,509	150,361
Cash and cash equivalents	**255,748**	**154,340**

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 four months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short-term deposits can be withdrawn at short notice without any penalty or loss in value.

	As at 30 June 2015	*As at 31 December 2014*
	(in thousands of US dollars)	
Short-term investments	220,000	295,000

Short-term investments are made for fixed periods no longer than four months and earn interest at fixed rates without an option for early withdrawal. As at 30 June 2015 short-term investments are held in fixed-term bank deposits of US$220,000 (31 December 2014: US$295,000).

14 Dividends paid

Dividends declared by the Company are as follows:

	Per share US Cents	Amounts $Million
Six months ended 30 June 2014		
Total dividends paid during the period[1]	6.8	50.1
Six months ended 30 June 2015		
Total dividends paid during the period[2]	3.0	22.1

[1] Special dividend for 2013 approved at the Annual General Meeting on 16 May 2014 and paid on 22 May 2014.

[2] Final dividend for 2014 approved at the Annual General Meeting on 18 May 2015 and paid on 22 May 2015.

15 Contingencies

The contingencies in the Groupộs annual consolidated financial statements for the year ended 31 December 2014 as published in the 2014 Annual Report, are still applicable as of 30 June 2015, including the El Bajio agrarian community conflict as described below:

– As previously reported by the Company, the Unitarian Agrarian Court issued a procedural order in execution of its original agrarian ruling pertaining to the 1,824 hectares. Amongst other aspects, the Court determined that Minera Penmont (ñPenmontò) must remediate the lands to the same state that they were before Penmontộs occupation. Penmont had been conducting mining activities in approximately 300 hectares of these lands, where the Dipolos mine is located. Pursuant to such ruling, Penmont placed the entirety of the disputed lands at the disposition of the Magistrate in July 2013, who in turn placed them in deposit before a joint commission comprised of both the claimants and the Ejido assembly, pending remediation activities. In the opinion of the Company, this procedural order is excessive since such level of remediation was not considered as part of the original ruling and because the procedural order appears not to consider the fact that Penmont conducted its activities pursuant to valid mining concessions and environmental impact permits. The execution of the procedural order is subject to appeal.

- In addition, the claimants also presented other claims against occupation agreements they had entered into with Penmont, relating to land parcels separate from the land described above. As Penmont has had no significant mining operations or specific geological interest in these parcels, they are not considered strategic for Penmont. However, the Unitarian Agrarian Court has issued a ruling declaring such occupation agreements to be null and void and that Penmont must remediate these parcels to the same state that they were before Penmontõs occupation as well as return any minerals extracted from this area. The ruling also makes reference, in this same context, to the separate court case involving the 1,824 hectares mentioned above. Penmont has appealed this decision since it is the owner of the mining concessions and all mining activities were conducted in accordance with Mexican law. Any execution involving minerals regarding the lands where the Dipolos pit is located would be subject to additional appeals process.

- Various claims and counterclaims have been made between the relevant parties. There is significant uncertainty relating to the finalisation and ultimate result relating to these legal proceedings.

16 Related party balances and transactions

The Group had the following related party transactions during the six months ended 30 June 2015 and 30 June 2014 and balances as at 30 June 2015 and 31 December 2014.

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

(a) Related party accounts receivable and payable

	Accounts receivable		*Accounts payable*	
	As at 30 June 2015	*As at 31 Decembe r 2014*	*As at 30 June 2015*	*As at 31 Decembe r 2014*
	In thousands of US dollars			
Trade:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	122,780	139,620	55	619
Other:				
Industrias Peñoles, S.A.B. de C.V.	4,665	6,974	-	-
Servicios Administrativos Peñoles, S.A de C.V.	-	41	2,411	-
Servicios Especializados Peñoles, S.A. de C.V.	-	-	2,109	-
Fuerza Eólica del Istmo, S.A. de C.V.	-	-	1,771	-
Other	55	-	650	1,083
	127,500	146,635	6,996	1,702

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

Other balances with related parties:

	As at 30 June 2015	*As at 31 December 2014*
	(in thousands of US dollars)	
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	373,619	392,276

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

(b) Principal transactions with affiliates are as follows:

	Six months ended 30 June 2015	2014
	(in thousands of US dollars)	
***Income*:**		
Sales[1]:		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	751,484	677,066
Other income	375	558
Total income	**751,859**	**677,624**

[1] Figures do not include the results from hedging.

	Six months ended 30 June 2015	2014
	(in thousands of US dollars)	
***Expenses*:**		
Administrative Services:		
Servicios Administrativos Peñoles, S.A. de C.V.[2]	10,288	19,996
Servicios Especializados Peñoles, S.A. de C.V.[2]	9,042	-
Servicios de Exploración, S.A. de C.V.	-	141
	19,330	20,137
Energy:		
Fuerza Eólica del Istmo, S.A. de C.V.	1,863	-
Termoeléctrica Peñoles, S. de R.L. de C.V.	11,296	15,927
	13,159	15,927
Operating materials and spare parts:		
Wideco Inc	2,802	1,722
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	2,228	2,137
	5,030	3,859
Equipment repairs and administrative services:		
Serviminas, S.A. de C.V.	1,925	1,669
Insurance premiums:		
Grupo Nacional Provincial, S.A.B. de C.V.	2,624	2,284
Interest expense:		
Newmont Mining Corporation	-	531
Other expenses:	3,491	3,630
Total expenses	45,559	48,037

[2] Effective 1 January 2013, a new Service Agreement with Servicios Administrativos Peñoles, S.A. de C.V., (ñSAPSAò), a wholly owned Peñoles subsidiary, was signed. This Service Agreement comprises administrative and non-administrative services from 1 January 2013 through 31 December 2018, for an annual fee of US$7.4 million and MX$362.8 million. On 1 January 2014 Peñoles created a new legal entity named Servicios Especializados Peñoles, S.A. de C.V. to, along with SAPSA, provide the administrative services in accordance with the terms of the service agreement above mentioned.
During the six months ended 30 June 2015, the Company incurred expenses of US$19.3 million under the new above mentioned agreement (US$19.9 million for the six months ended 30 June 2014). Expenses include administrative expenses of US$15.9 million (US$14.4 million for the six months ended 30 June 2014), exploration expenses of nil (US$0.1 million for the six months ended 30 June 2014) and US$3.4 million that were capitalised exploration and development expenditure (US$5.4 million for six months ended 30 June 2014).

(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	
	2015	*2014*
	(in thousands of US dollars)	
Salaries and bonuses	1,894	1,717
Post-employment pension	129	72
Other benefits	125	302
Total compensation paid to key management personnel	2,148	2,091

17 Notes to the consolidated cash flow statement

	Notes	*Six months ended 30 June*	
		2015	*2014*
		(in thousands of US dollars)	
Reconciliation of profit for the period to net cash generated from operating activities			
Profit for the period		76,368	137,083
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation		159,733	132,929
Employee profit sharing		6,271	8,852
Deferred income tax	7	(1,799)	(11,945)
Current income tax expense	7	61,571	83,104
Loss/(gain) on the sale of property, plant and equipment and other assets		804	(63)
Other losses		1,424	160
Write off of property, plant and equipment and other assets		-	4,504
Impairment of available-for-sale financial assets		761	-
Net finance costs		22,633	23,735
Foreign exchange loss		8,200	4,412
Difference between pension contributions paid and amounts recognised in the income statement		420	462
Non cash movement on derivatives	6	(19,733)	751
Changes in fair value of Silverstream	10	(1,761)	(47,298)
Working capital adjustments			
Increase in trade and other receivables		(2,182)	(55,445)
Decrease in prepayments and other assets		2,608	3,895
Increase in inventories		(16,077)	(56,873)
(Decrease) increase in trade and other payables		(2,369)	36,875
Cash generated from operations		**296,872**	**265,138**
Income tax paid		(22,340)	(90,176)
Employee profit sharing paid		(11,117)	(20,302)
Net cash from operating activities		**263,415**	**154,660**

18 Financial instruments

a. Fair value category

As at 30 June 2015
US$ thousands

Financial assets:	At fair value through profit or loss	Available-for-sale investments at fair value through OCI	Loans and receivables	At fair value through OCI (cash flow hedges)
Trade and other receivables[1]	-	-	147,266	-
Short term investments (note 13)	-	-	220,000	-
Available-for-sale financial assets	-	81,233	-	-
Silverstream contract (note 10)	373,619	-	-	-
Derivative financial instruments	36	-	-	27,647
Financial liabilities:		At fair value through profit or loss	At amortised Cost	At fair value through OCI (cash flow hedges)
Interest-bearing loans		-	796,507	-
Trade and other payables		-	64,400	-
Embedded derivatives within sales contracts[1]		1,490	-	-
Derivative financial instruments		193	-	16,834

[1] Trade and other receivables and embedded derivatives within sales contracts are presented net in Trade and other receivables in the balance sheet.

As at 31 December 2014
US$ thousands

Financial assets:	At fair value through profit or loss	Available-for-sale investments at fair value through OCI	Loans and receivables	At fair value through OCI (cash flow hedges)
Trade and other receivables[1]	-	-	173,722	-
Short term investments (note 13)	-	-	295,000	-
Available-for-sale financial assets	-	86,078		-
Silverstream contract (note 10)	392,276	-	-	-
Derivative financial instruments	13,050	-	-	1,501
Financial liabilities:		At fair value through profit or loss	At amortised Cost	At fair value through OCI (cash flow hedges)
Interest-bearing loans		-	796,160	-
Trade and other payables		-	70,340	-
Embedded derivatives within sales contracts[1]		2,911	-	-
Derivative financial instruments		9,146	-	17,887

[1] Trade and other receivables and embedded derivatives within sales contracts are presented net in Trade and other receivables in the balance sheet.

b. Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, other than those with carrying amounts that are a reasonable approximation of their fair values, are as follows:

	Carrying amount		Fair value	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
		US$ thousands		
Financial liabilities:				
Interest-bearing loans[1]	796,507	796,160	846,984	795,128

[1] The fair value of interest-bearing loans is derived from quoted market prices in active markets (Level 1 of the fair value hierarchy).

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

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

	As of 30 June 2015 Fair value measure using			
	Quoted prices in active markets Level 1	Significant observable Level 2	Significant unobservable Level 3	Total
		US$ thousands		
Financial assets:				
Derivative financial instruments:				
Option commodity contracts	-	27,335	-	27,335
Option and forward foreign exchange contracts	-	579	-	579
Silverstream contract (note 10)	-	-	373,619	373,619
Financial assets available-for-sale:				
Quoted investments	81,233	-	-	81,233
	81,233	**27,914**	**373,619**	**482,766**
Financial liabilities:				
Derivative financial instruments:				
Embedded derivatives within sales contracts	-	-	1,490	1,490
Option commodity contracts	-	2,235	-	2,235
Option and forward foreign exchange contracts	-	14,844	-	14,844
	-	**17,079**	**1,490**	**18,569**

	As of 31 December 2014 Fair value measure using			
	Quoted prices in active markets Level 1	Significant observable Level 2	Significant unobservable Level 3	Total
		US$ thousands		
Financial assets:				
Derivative financial instruments:				
Option commodity contracts	-	14,229	-	14,229
Option and forward foreign exchange contracts	-	322	-	322
Silverstream contract (note 10)	-	-	392,276	392,276
Financial assets available-for-sale:				
Quoted investments	86,078	-	-	86,078
	86,078	**14,451**	**392,276**	**406,827**
Financial liabilities:				
Derivative financial instruments:				
Embedded derivatives within sales contracts	-	-	2,911	2,911
Option commodity contracts	-	8,704	-	8,704
Options and forward foreign exchange contracts	-	18,329	-	18,329
	-	**27,033**	**2,911**	**29,994**

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

A reconciliation of the opening balance to the closing balance for Level 3 financial instruments other than Silverstream (which is disclosed in note 10) is shown below:

	2015	2014
	US$ thousands	
Balance at 1 January	(2,911)	(1,154)
Changes in fair value	(2,250)	(3,835)
Realised embedded derivatives during the year	3,671	9,622
Balance at 30 June	**(1,490)**	**(4,633)**

Valuation techniques

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

Option commodity contracts

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

Option and forward foreign exchange contracts

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

Silverstream contract

The fair value of the Silverstream contract is determined using a valuation model (for further information relating to the Silverstream contract see note 10). 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 volume of silver that will be produced and sold from the Sabinas mine over the contract life, the future price of silver, future foreign exchange rates between the Mexican peso and US dollar, future inflation and the discount rate used to discount future cash flows.

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

Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs described above, and determines their impact on the total fair value. The significant unobservable inputs are not interrelated. The fair value of the Silverstream contract is not significantly sensitive to a reasonable change in future inflation, however, it is to a reasonable change in future silver price, future exchange rate and the discount rate used to discount future cash flows as explained in note 10.

The following table demonstrates the sensitivity of the Silverstream contract valuation to reasonably possible change in those inputs:

30 June 2015	Increase/ (decrease)	Effect on fair value: increase/ (decrease) *US$ thousands*
Future silver price	20%	99,008
	(20%)	(99,008)
Future exchange rate: strengthening/(weakening) of the US dollar against Mexican peso	15%	(2,926)
	(15%)	3,958
Interest rate	100 basis point	(27,166)
	(100 basis point)	30,520

31 December 2014	Increase/ (decrease)	Effect on fair value: increase/ (decrease) *US$ thousands*
Future silver price	20%	103,125
	(20%)	(103,125)
Future exchange rate: strengthening/(weakening) of the US dollar against Mexican peso	15%	(3,482)
	(15%)	4,711
Interest rate	100 basis point	(29,266)
	(100 basis point)	33,001

Quoted investments

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

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 metals are actively traded on international exchanges but the estimated metal content is a non-observable input to this valuation.

At 30 June 2015 the fair value of embedded derivatives within sales contracts was US$1.4 million (31 December 2014: US$2.9 million). The revaluation effects of embedded derivatives arising from these sales contracts are recorded as an adjustment to revenue.

c. Derivative financial instruments

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 also enters into option contracts to manage its exposure to commodity price risk.

Foreign exchange hedging

The Group has entered into a number of forward derivative contracts to hedge its exposure to fluctuations in foreign exchange rates. The outstanding forward derivative contracts as at 30 June 2015 are as follows:

					As at 30 June 2015
	Term	Currency	Contract value *(thousands)*	Contract exchange rate	2015 Fair value *(US$ thousands)*
US dollar denominated forward contracts	2015	USD	13,000	US$1:MX$15.50 to US1:MX$15.71	(118)
Euro denominated forward contracts	2015	EUR	1,166	EUR1.09:US$1 to EUR1.10:US$1	24
Swedish krona denominated forward contracts	2015	SEK	50,428	SKD$7.82:US$1 to SKD$8.25:US$1	(180)

The Group's US dollar- denominated forward derivative instruments matured on 17 July 2015 at a weighted average rate of US$1: MX$15.58. Euro-denominated forward derivative instruments mature on 11 December 2015 at a weighted average rate of US$1.10: ú1. SEK-US dollar forward contracts mature over a period from 11 September 2015 to 11 December 2015 with a weighted average rate of SKD$8.02:US$1.

The Group has 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 15 July 2015 to 13 July 2016. The collar instruments hedge costs denominated in Mexican peso amounting to US$327 million with a range of floor prices from MX$13.25 to MX$15.30:US$1 and a range of capped prices from MX$13.70 to MX$18.86:US$1. The fair value of the put options at 30 June 2015 was an asset of US$1.6 million, and the fair value of the call options at 30 June 2015 was a liability of US$15.5 million.

Forward derivative contracts that were outstanding as at 31 December 2014 were as follows:

	As at 31 December 2014				
	Term	Currency	Contract value *(thousands)*	Contract exchange rate	2014 Fair value *(US$ thousands)*
Euro denominated forward contracts	2015	EUR	869	EUR1:US$1.25 to EUR1:US$1.35	(121)
Swedish krona denominated forward contracts	2015	SEK	41,597	SKD$7.19:US$1 to SKD$7.62:US$1	(359)

The Groupôs euro-denominated forward derivative instruments matured on 13 March 2015 at a weighted average rate of US$1.35: ú1. The Group also entered into a number of SEK-US dollar forward contracts to hedge its exposure to fluctuations in foreign exchange rates. These derivative instruments mature over a period from 13 March 2015 to 12 June 2015 with a weighted average rate of SKD$7.27:US$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 12 January 2015 to 14 December 2015. The collar instruments hedge costs denominated in Mexican peso amounting to US$259.5 million with a range of floor prices from MX$13.09 to MX$14.00:US$1 and weighted average rate of US$13.45 and a range of capped prices from MX$13.50 to MX$18.13:US$1 and weighted average rate of US$14.19. The fair value of the put options at 31 December 2014 was an asset of US$1.2 million, and the fair value of the call options at 31 December 2014 was a liability of US$18.7 million.

Commodity price hedging

The Group has entered into collars to hedge its exposure to fluctuations in commodity price in gold, lead and zinc.

Gold

The gold collar derivative instruments outstanding at 30 June 2015 mature over the period from 31 July 2015 to 30 December 2019 (31 December 2014: 30 January 2015 to 30 December 2019) and hedge cash proceeds from the sales of gold production amounting to 1,390,896 ounces (31 December 2014: 1,524,276 ounces) with a floor price of US$1,100 per ounce (31 December 2014: US$1,100 per ounce) and a range of capped prices from US$1,375 to US$1,495 per ounce (31 December 2014:US$1,375 to US$1,495 per ounce). The weighted average call price was US$1,427 per ounce (31 December 2014: US$1,427 per ounce).

The fair value of the put options as at 30 June 2015 was an asset of US$110.4 million (31 December 2014: US$111.8 million), and the fair value of the call options at 30 June 2015 was a liability of US$89.1 million (31 December 2014: US$107.4 million). As at 30 June 2015 and 31 December 2014 the option contracts fair value corresponds entirely to time value, therefore the full change in fair value was recorded in the income statement.

Lead

The lead collar derivative instruments outstanding at 30 June 2015 mature over the period from 31 July 2015 to 30 December 2016 (31 December 2014: 30 January 2015 to 31 July 2015) and hedge cash proceeds from the sales of lead production amounting to 6,731 tonnes (31 December 2014: 2,261 tonnes) with a range of floor prices of US$1,984 to US$2,100 per tonne (31 December 2014:US$2,100 per tonne) and a range of capped prices from US$2,220 to US$2,550 per tonne (31 December 2014: US$2,450 to US$2,550 per tonne). The weighted average put price was US$1,990 per tonne (31 December 2014: US$2,100per tonne) and the weighted average call price was US$2,270 per tonne (31 December 2014: US$2,496 per tonne).

The fair value of the put options at 30 June 2015 was an asset of US$1.8 million (31 December 2014 US$0.6million), and the fair value of the call options at 30 June 2015 was a liability of US$0.1 million (31 December 2014: US$0.001 million).

Zinc

The zinc collar derivate instruments outstanding at 30 June 2015 mature over the period from 31 July 2015 to 30 December 2016 (31 December 2014: 30 January 2015 to 28 August 2015) and hedge zinc production amounting 7,753 tonnes (31 December 2014: 8,911 tonnes) with a range of floor prices of US$2,200 to US$2,205 per tonne (31 December 2014: US$1,900 to US$2,200 per tonne) and a range of capped prices from US$2,520 to US$2,650 per tonne (31 December 2014: US$2,400 to US$2,650 per tonne). The weighted average put price was US$2,204 tonne (31 December 2014: US$2,100 per tonne) and the weighted average call price was US$2,548 tonne (31 December 2014:US$2,534:1).

The fair value of the put options at 30 June 2015 was an asset of US1.9 million (31 December 2014: US$0.5 million), and the fair value of the call options at 30 June 2015 was a liability of US$0.1 million (31 December 2014: US$0.1 million).