Fresnillo profits spike as strong gold and silver prices offset COVID-19 production shortfall

Precious metals miner Fresnillo Plc (LON:FRES) has reported a hike in profit and earnings for the first half of 2020 as strong prices offset lower volumes due to lockdown.

Underground production was unaffected by the coronavirus (COVID-19) pandemic but there was an impact from the six-week suspension of mining activities in the Herradura district.

Silver output amounted to 26.8mln ounces, down 2.7%, and gold production totalled 381,300 ounces, down 11.8%.

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Gross profit rose by 56% to US$321.2mln, while operating profit was up 232% marked at US$216.9mln. Earnings (EBITDA) was reported at US$469.9mln, up 52.6%.

Pre-tax profit amounted to US$127.9mln, up 136%.

The Mexican miner noted a 119,300-ounce increase in its gold inventory amid ongoing test work at the Herradura leaching pads, which results in a US$65.1mln boost to the income statement.

It noted a reduction in the exploration budget for 2020, down to US$120mln from US$135mln, which reflects the limitations operating in certain prospects due to travel restrictions. The overall capex budget meanwhile reduced to US$525mln from US$655mln as certain projects are deferred into 2021.

"The combination of higher commodity prices and lower costs has resulted in a significant rise in profitability during the first half," said Octavio Alvidrez, Fresnillo chief executive.

"Our performance improvement initiatives we have set out in previous reports are having a positive impact.

"We remain committed to delivering a sustainable improvement in our operating performance and maintaining the momentum in the improvement plan into the second half."

Alvidrez added: "We will continue to work closely with our stakeholders and believe that these partnerships will remain key to our ability to respond to whatever future challenges COVID-19 will present to our industry and our country."
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