PEÑOLES

Facing **challenges** with discipline and capitalizing on **opportunities**

2024
Annual Report

We face challenges with discipline and continuously strive to improve efficiency and sustainability in our operations.

This year we capitalized on the benefits of a favorable price cycle and improved our performance and financial metrics, thanks to the transformation we have undertaken.

Grupo BAL is a cluster of state-of-the-art companies that incorporates a diversified group of businesses: Profuturo (an Afore pension fund), Grupo Nacional Provincial (insurance company), Peñoles (mining, metallurgical, and chemicals industries), Fresnillo plc (mining), Grupo Palacio de Hierro (department stores), TANE (jewelry stores), Solvimás (financial services), Valores Mexicanos (brokerage house), Crédito Afianzador (bonds), AgroBal (farming businesses), Médica Móvil (pre-hospitalization care), Instituto Tecnológico Autónomo de México (education), and ElectroBal (power generation). Each of these companies strives to be at the top of their corresponding industry in terms of profitability. As a whole, the goal of the conglomerate is to create great value for its stakeholders by offering exceptional products and services to clients, supporting the personal and professional growth of employees, and contributing to the development of Mexico.

Contents

In our 2024 Annual Report, we address the actions implemented to overcome the major challenges we face.

The following symbols are used throughout this report:

CO_2 = carbon dioxide
g/t = grams per metric ton
GWh = gigawatts per hour
k = thousand
koz = thousand ounces
kt = thousand metric tons
kWh = kilowatts per hour
lb = pounds
Ml = million liters
Mlb = million pounds
Mm^3 = million cubic meters
Moz = million ounces
Mt = million tons
MW = Megawatts
MXN = Mexican pesos
oz = ounce
t = metric tons
tCO_2e = tons of carbon dioxide equivalent
US$ = US dollars
US¢ = US cents
US¢/lb = US cents per pound
US¢/lbe = US cents per pound equivalent
US$ M = million US dollars
US$/oz = US dollars per ounce
US$/t = US dollars per ton

PE&OLES

Company **overview**

We continue to align our goals and actions with the company's strategic pillars to consolidate our Vision.

Corporate profile

Founded in 1887, Peñoles is a mining group with integrated operations for smelting and refining non-ferrous metals and manufacturing chemical products. Peñoles is world's top producer of refined silver, the leading producer in Latin America of refined gold and lead, and one of the top global producers of refined zinc and sodium sulfate.

Peñoles shares have been trading on the Mexican Stock Exchange since 1968 under ticker symbol PE&OLES.

VISION

To be a global company of excellence with extraordinary results, leading the sector with safe and sustainable operations, driven by agility and a capacity for transformation, in harmony with the environment and society.

MISSION

To generate value from non-renewable natural resources in a sustainable manner.

VALUES

Our actions are guided by the values of Confidence, Responsibility, Respect, Integrity, and Loyalty.

STAKEHOLDERS

Our purpose is to generate opportunities and well-being by providing essential resources in a sustainable manner.

At Peñoles our goals are:

Employees

To be the best employment option—one that is a source of pride and dignity—and to offer opportunities for growth, respect, and recognition in a safe and collaborative workplace.

Communities

To have communities committed to their development and to the organization; that thrive and take ownership of their destiny, that value and feel proud of their neighborhood and collaboration with Peñoles.

Authorities

To establish collaborative, mutually beneficial and institutional relationships by promoting an open dialogue with representatives of local, state, and federal governments for the common good.

Clients

To be a strategic partner that offers comprehensive solutions and inspires the trust needed to establish long-term business relationships.

Shareholders

To be the best investment option for the mid -and long-term, with competitive costs, growth, and profitability, while ensuring the company's continuity.

Suppliers

To be a strategic partner, whose business relationships are based on best commercial practices and a deep ethical commitment, which enables us to establish mutually beneficial long-term relationships.

Corporate structure* Industrias Peñoles, S.A.B. de C.V.

75%

Fresnillo plc[1]

- Minera Fresnillo (100%)
- Minera Penmont (100%)
- Minera Mexicana La Ciénega (100%)
- Minera Saucito (100%)
- Minera San Julián (100%)
- Minera Juanicipio (56%)
- Comercializadora de Metales Fresnillo (100%)
- Exploraciones Mineras Parreña (100%)

100%

Minas Peñoles

- Minera Roble (Velardeña) (100%)
- Cía. Minera Sabinas (100%)
- Minera Tizapa (51%)
- Minera Capela (100%)
- Cía. Minera La Parreña (Milpillas) (100%)
- Exploraciones Mineras Peñoles (100%)
- Minera Peñoles del Perú (100%)
- Minera Peñoles de Chile (100%)

100%

Química Magna

- Metalúrgica Met-Mex Peñoles (100%)
- Química del Rey (100%)
- Fertirey (100%)

100%

Infraestructura Peñoles

- Fuerza Eólica del Istmo (100%)
- Termoeléctrica Peñoles[2]
- Eólica de Coahuila[2]
- Eólica Mesa La Paz[2]
- Exploraciones Mineras Parreña (100%)

Other

- Bal Holdings (100%)
- Línea Coahuila-Durango (50%)
- Servicios Administrativos Peñoles (100%)

* Includes the main subsidiaries.
1 Fresnillo plc is independently listed on the London Stock Exchange (LSE) and the Mexican Stock Exchange (BMV), and has its own management team, management structure, and corporate governance bodies (for more information visit www.fresnilloplc.com).
2 Operated by third parties; they supply electricity under long-term supply agreements.

Location of our **operations**

Peñoles, a proudly Mexican company with an international presence, generates growth and creates opportunities in the regions where it has been operating for 13 decades.

Mining operations

Base metals

1 Velardeña
2 Sabinas
3 Tizapa
4 Capela
5 Milpillas
6 Naica*

Precious metals

7 Herradura
8 Ciénega
9 Fresnillo
10 Soledad-Dipolos*
11 Saucito
12 San Julián
13 Juanicipio

Metallurgical operations

14 Metalúrgica Met-Mex
15 Bermejillo
16 Aleazin

Infrastructure

17 Línea Coahuila-Durango
18 Termoeléctrica Peñoles
19 Termimar
20 Fuerza Eólica del Istmo
21 Eólica de Coahuila
22 Eólica Mesa La Paz

Chemical operations

23 Química del Rey
24 Fertirey
25 Industrias Magnelec

Headquarters

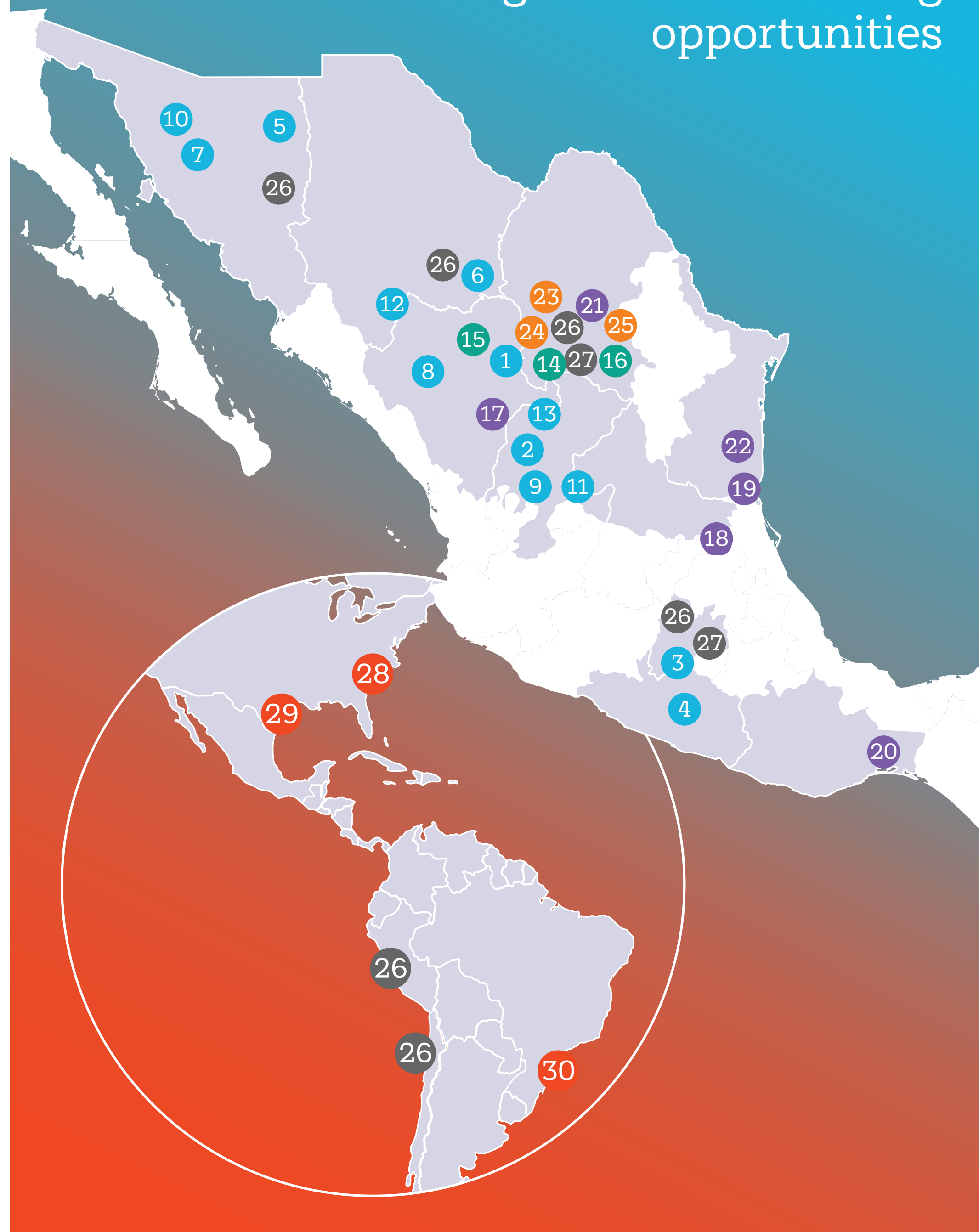
26 Exploration
27 Corporate headquarters

Commercial headquarters

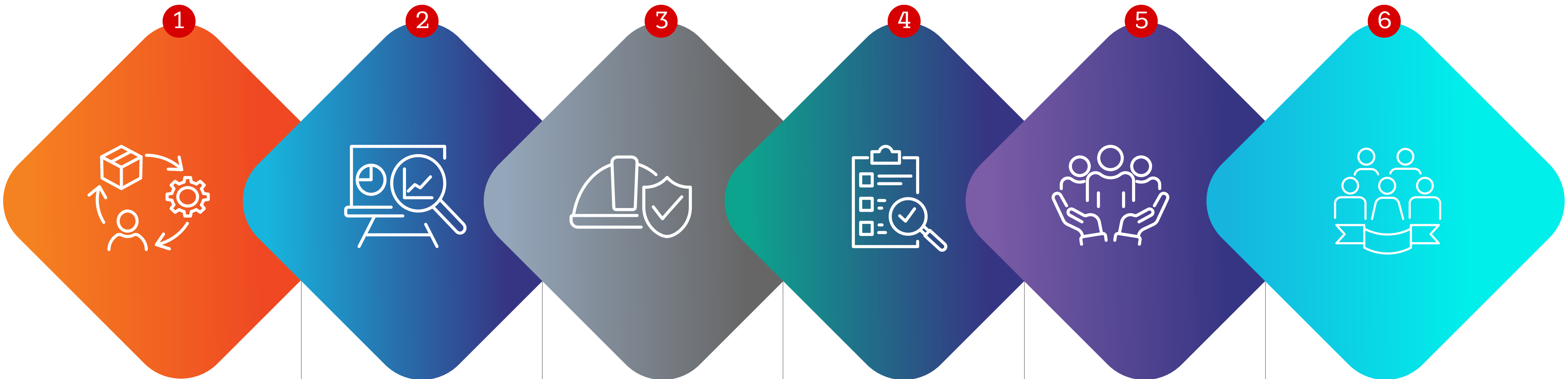
28 Bal Holdings
29 Wideco
30 Quirey do Brasil

* Operations for these units are currently suspended.

137 years generating growth and creating opportunities



Strategic plan



Efficiency and operational focus

Ensure operations reach their design capacity and maximum efficiency and profitability through:

1. Strict control over processes and costs.
2. Flawless streamlining and execution of investments.
3. Optimization of working capital.
4. Fully leveraging the group's synergies in a work environment that is safe, healthy, and socially and environmentally friendly.

Growth

Ensure business continuity and sustainable growth by dynamically identifying and seizing strategic business opportunities with an efficiently managed portfolio of attractive projects.

Environment, safety, and health

All our operations are committed to excelling in terms of their environmental, safety, and health performance by remaining at the forefront of compliance with all internal and industry guidelines that have been adopted by our organization and are based on the most rigorous industry standards.

Risk management and regulatory compliance

Strengthen our risk management and compliance system, supported by i) a management system that ensures effective mitigation actions; ii) an action framework that strengthens responsibility and accountability; and iii) governance for analyzing and monitoring critical risk mitigation and regulatory compliance.

Community engagement and government relations

Ensure that our actions and relationships with communities and governments are carried out within a framework of respect, ethics, and empathy in an environment that promotes the development of our business and generates value for all our stakeholders.

Focus on people and leadership

Foster competent, safe, and healthy leaders, employees (unionized and non-unionized), and contractors, all of whom exert their maximum potential to fulfill their responsibilities in an agile, disciplined manner and with the knowledge and expertise required to achieve extraordinary results in an environment of comprehensive well-being for all.

Highlights

The financial results and cash flow generation for the period improved, driven by the recovery in metal prices, increased operational efficiency, and cost reduction.

Financial **highlights**

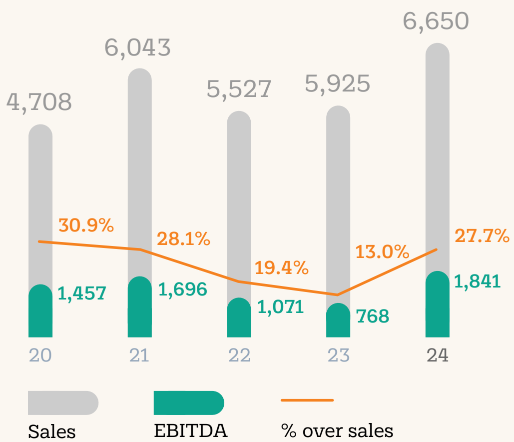
US$ M	2024	2023	Chg. %	2022	2021	2020
Net sales[1]	**6,650.1**	5,929.0	12.2	5,523.4	5,971.8	4,673.3
Gross profit	**1,756.5**	808.2	117.3	1,032.5	1,555.8	1,249.0
Exploration expenses	**212.2**	232.7	-8.8	217.1	170.9	141.0
EBITDA [2,3]	**1,841.1**	768.2	139.7	1,070.9	1,695.8	1,456.7
Operating income [3]	**1,054.4**	77.6	1,258.7	380.3	971.0	742.6
Financial and exchange result	**145.1**	149.8	-3.2	158.4	152.8	283.8
Controlling interest in net income (loss)	**73.3**	147.1	-50.2	183.4	391.3	-34.4
Capital expenditures	**446.2**	596.0	-25.1	747.5	762.1	563.1
Dividends paid to majority shareholders	**-**	-	-	-	49.9	-
Cash and investments [4]	**1,866.8**	1,040.2	79.5	1,468.9	1,817.1	1,592.7
Property, plant and equipment, net	**4,219.1**	4,660.2	-9.5	4,710.7	4,707.3	4,671.6
Total assets	**10,269.3**	9,979.3	2.9	10,042.5	9,793.3	9,250.4
Financial debt	**3,005.2**	2,758.8	8.9	2,908.0	2,936.8	2,901.6
Deferred taxes	**-696.8**	-1,106.3	-163.0	-570.2	-196.0	-47.7
Total liabilities	**4,637.0**	4,473.5	3.7	4,754.2	4,769.4	4,719.9
Total shareholders' equity	**5,632.3**	5,505.8	2.3	5,288.3	5,023.9	4,530.5

Figures prepared in accordance with International Financial Reporting Standards (IFRS).

1 Include hedging results.
2 Earnings Before Interest, Taxes, Depreciation and Amortization.
3 Does not include other income, expense and impairment loss.
4 Includes cash, cash equivalents and short-term investments.

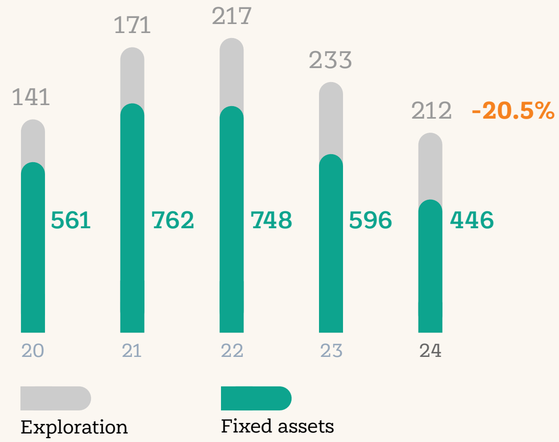
Financial indicators

Sales* / EBITDA
(US$ M)

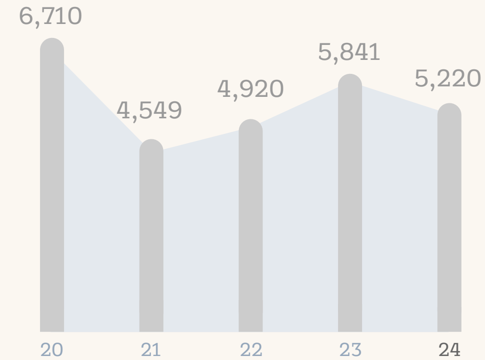


* Does not include hedging results

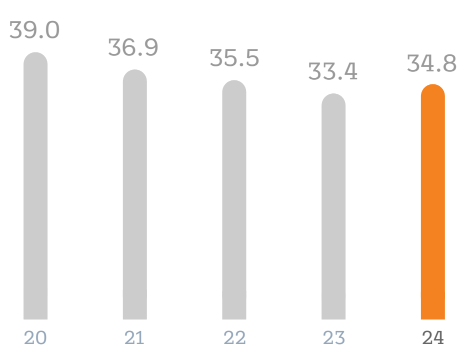
Investments
(US$ M)



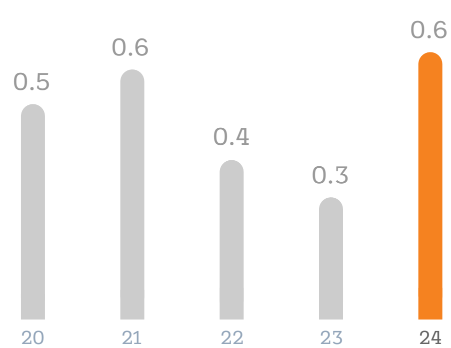
Market capitalization
(US$ M)



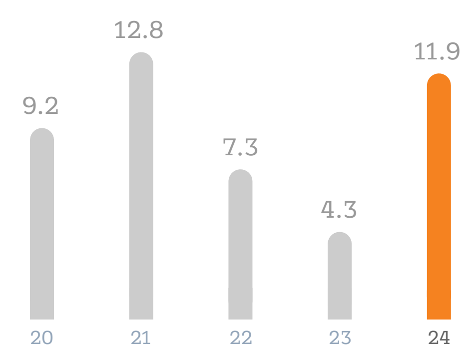
Total debt / Capitalization
(%)



EBITDA / Total debt
(Times)

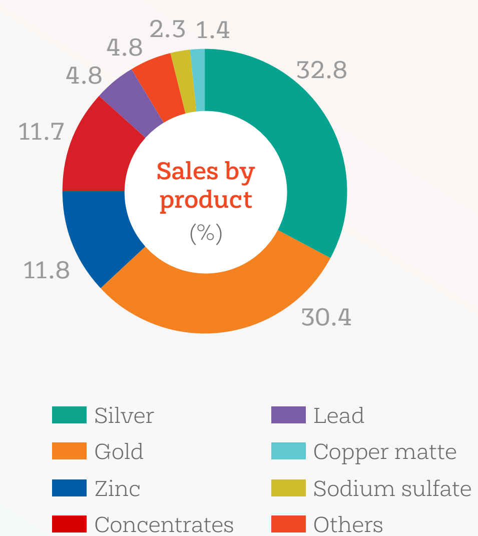


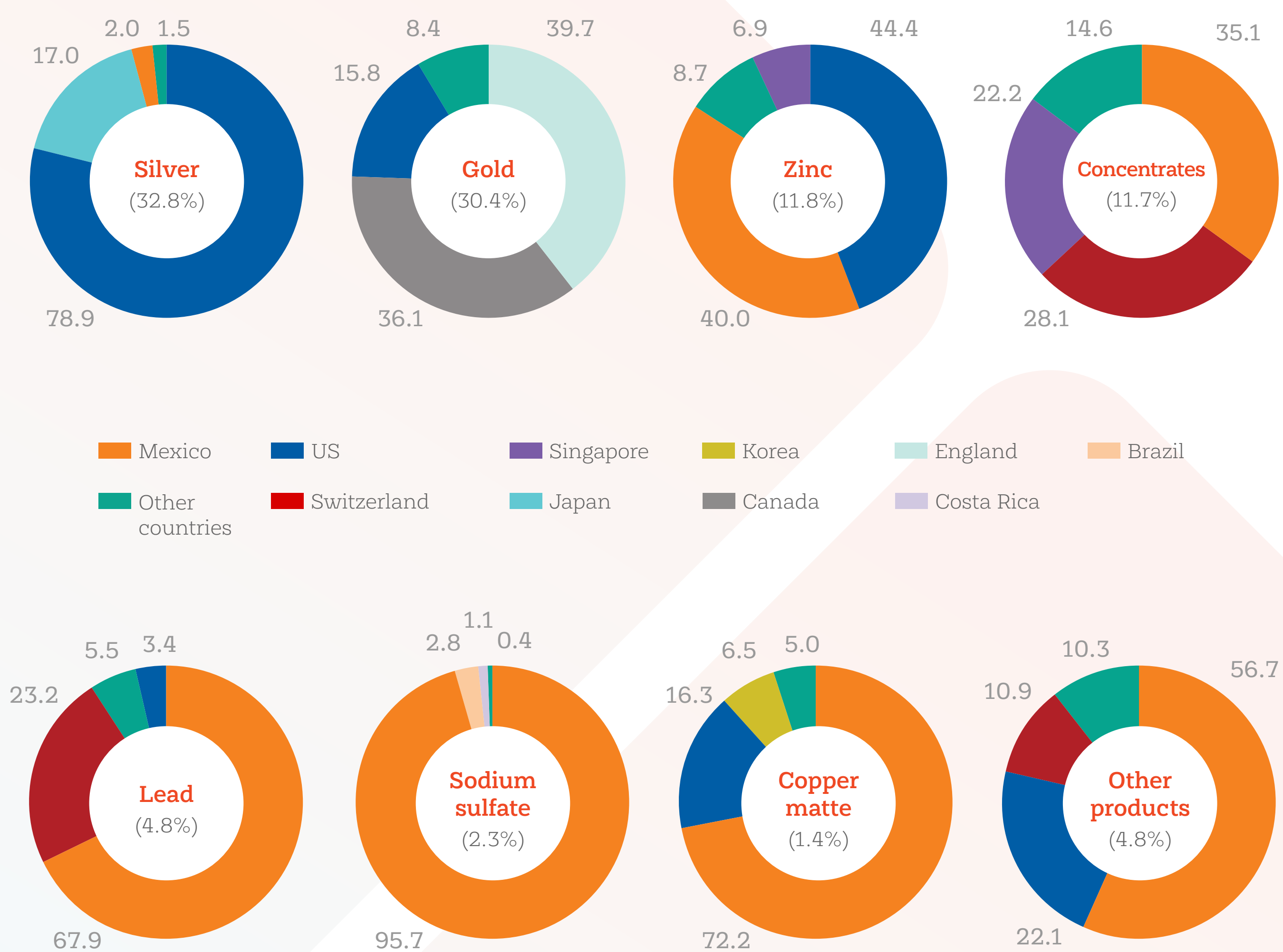
EBITDA / Interests
(Times)

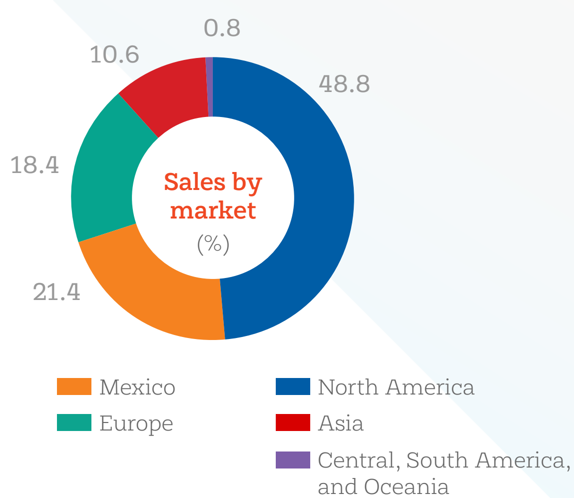


Sales by **product and market**

Net sales were **US$ 6,650.1 M**, of which 78.6% were exports.

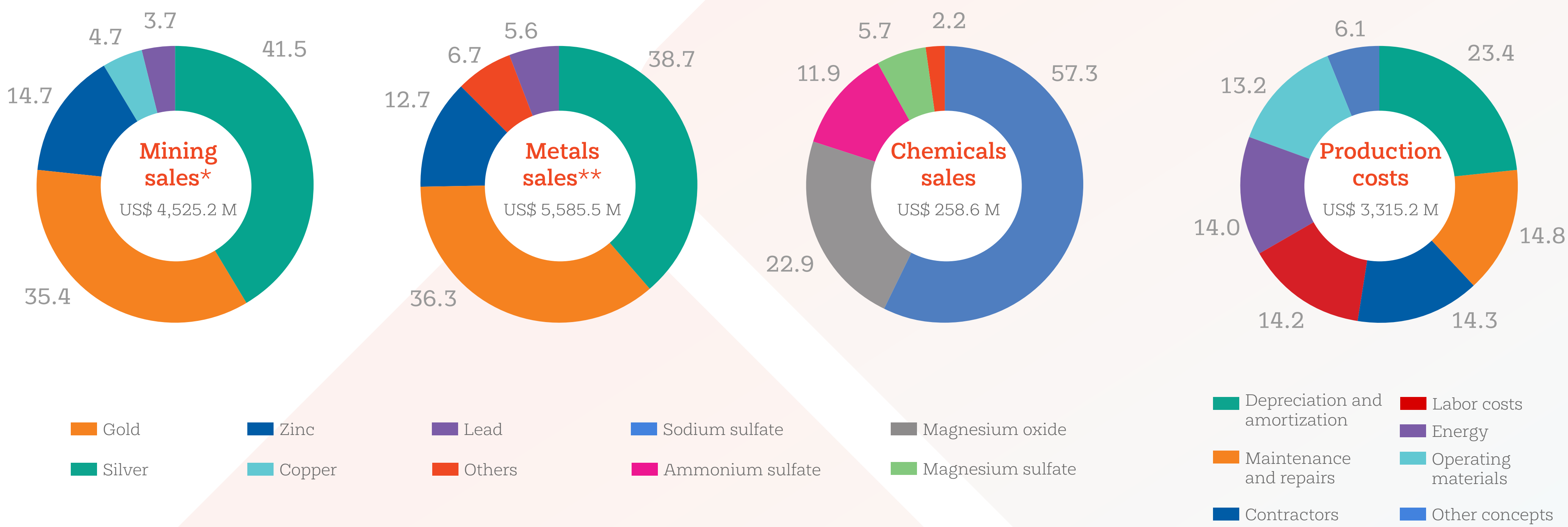






Sales by **division and production costs**

(%)



*Does not include hedging results, treatment charges, penalties, or service revenue. Copper includes cathodes.

**Does not include Bal Holdings

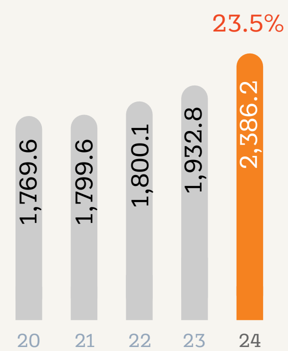
Production and sales volume

PRODUCTION (k):							
PRODUCT	Unit	**2024**	2023	Chg.%	2022	2021	2020
Metallic content (mining operations)							
Gold	oz	**680.6**	675.8	0.7	704.0	812.0	824.1
Silver	oz	**70,586.0**	72,397.6	-2.5	66,969.8	64,440.8	62,551.0
Lead	t	**89.7**	85.4	4.9	78.2	78.8	86.4
Zinc	t	**270.8**	282.1	-4.0	269.3	274.0	288.1
Copper	t	**10.7**	9.3	15.4	9.9	11.3	9.0
Copper cathodes	t	**12.9**	13.7	-5.9	5.5	3.1	12.4
Refined metals and other materials							
Gold	oz	**877.9**	973.7	-9.8	1,013.2	1,118.2	957.2
Silver	oz	**76,316.8**	77,834.7	-2.0	73,818.2	75,230.4	70,634.4
Lead	t	**114.9**	119.8	-4.1	109.1	120.4	111.5
Zinc	t	**241.2**	251.8	-4.2	237.1	264.4	260.9
Copper	t	**4.4**	5.2	-16.5	5.0	5.2	5.0
Cadmium	t	**0.7**	0.1	978.5	0.0	0.0	0.0
Lead bullion	t	**135.7**	138.7	-2.1	129.2	144.8	134.5
Chemical products							
Sodium sulfate	t	**725.8**	699.3	3.8	764.1	761.9	745.9
Magnesium oxide (1)	t	**67.1**	64.1	4.7	94.4	82.5	57.2
Ammonium sulfate (2)	t	**105.9**	159.0	-33.4	167.8	178.9	192.3
Magnesium sulfate	t	**65.9**	63.8	3.2	66.5	64.2	62.6
SALES (k):							
PRODUCT	Unit	**2024**	2023	Chg.%	2022	2021	2020
Gold	oz	**882.9**	962.9	-8.3	1,015.9	1,126.2	939.1
Silver	oz	**77,318.0**	76,466.2	1.1	71,876.0	73,249.3	69,869.2
Lead	t	**125.3**	115.7	8.3	119.9	122.2	122.0
Zinc	t	**257.2**	229.2	12.2	230.9	279.1	256.3
Sodium sulfate	t	**731.5**	718.0	1.9	762.4	801.3	763.4
Magnesium oxide (1)	t	**59.0**	58.3	1.3	72.0	76.0	49.7
Ammonium sulfate (2)	t	**132.2**	132.9	-0.6	90.4	133.5	207.1
Magnesium sulfate	t	**60.8**	61.0	-0.4	66.1	64.4	63.1
Lead concentrates	t	**67.7**	57.8	17.2	60.5	61.2	37.0
Zinc concentrates	t	**169.8**	190.0	-10.6	57.5	82.2	122.0
Copper concentrates	t	**60.9**	50.4	20.9	49.5	55.7	42.5

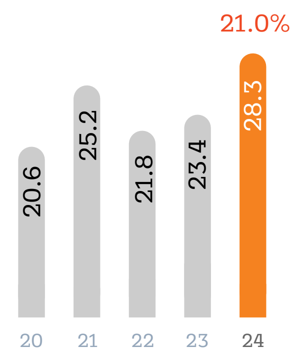
(1) Includes refractory, caustic, electrical, electro fused, and hydroxide grades.
(2) Does not include manufactured granules.

Metal prices and uses

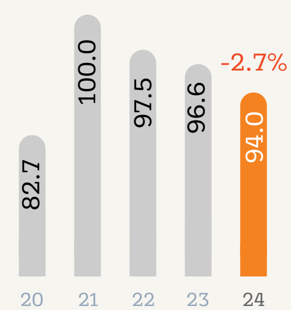
Gold (London)
(US$/oz)



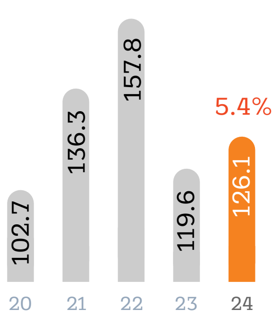
Silver (Comex)
(US$/oz)



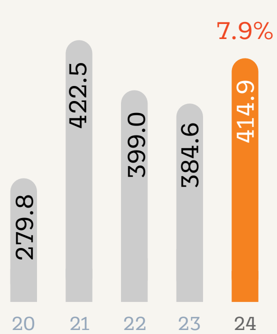
Lead (LME)
(US¢/lb)



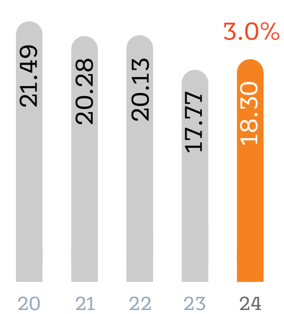
Zinc (LME SHG)
(US¢/lb)

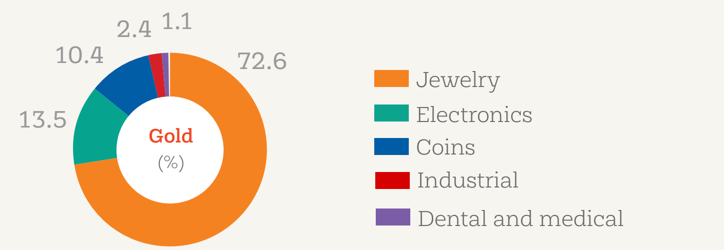


Cooper (LME)
(US¢/lb)

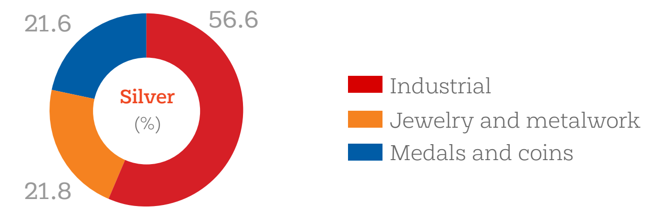


Average exchange rate
(MXN/US$)

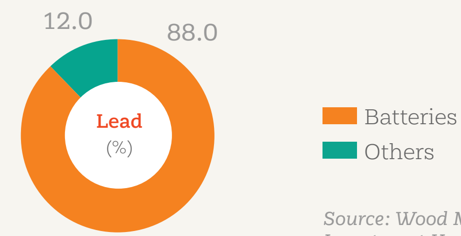




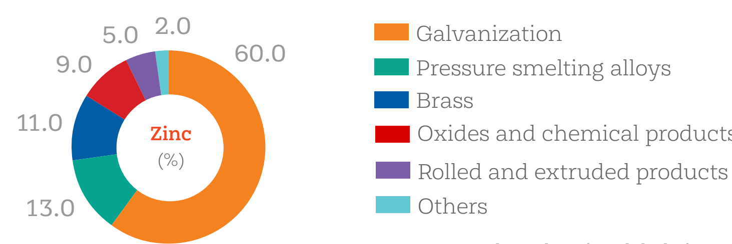
Source: GFMS by Refinitiv Gold 2023



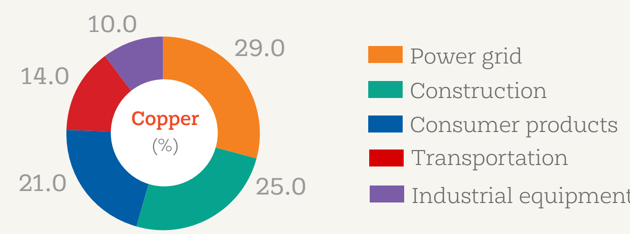
Source: GFMS by Refinitiv Silver 2023



Source: Wood Mackenzie, Global Lead Investment Horizon Outlook Q4 2024



Source: Wood Mackenzie, Global Zinc Investment Horizon Outlook Q4 2024



Source: Wood Mackenzie, Global Copper Investment Horizon Outlook Q4 2024

Management reports

In an environment marked by uncertainty and ongoing challenges for our sector, we remain committed to addressing each one with discipline and determination. We will continue to capitalize on opportunities to advance our transformation strategy and strengthen our efforts in safety, health, and environmental performance.

Annual report from the **Board of Directors to the Shareholders Meeting**

For fiscal year 2024

To our shareholders:

In my capacity as Chairman of the Board of Directors of Industrias Peñoles, S.A.B. de C.V. (the "company"), and on its behalf, I hereby present this report, based on an analysis of the information provided by the Chief Executive Officer in his Annual Report, on the company's performance and its financial and operational results for fiscal year 2024. This report also covers relevant aspects of safety, health, and the environment; our engagement with the communities where we operate; and our corporate governance practices, along with a summary of the Board of Directors' main activities.

In 2024, the global economic environment remained uncertain. Although central banks lowered interest rates in response to easing inflationary pressures, the economic slowdown in China and ongoing geopolitical conflicts continued to weigh on global growth projections.

Additionally, the US president has expressed his intention to impose tariffs on the country's trade partners, which could disrupt global trade flows and supply chains, ultimately harming global prosperity.

This international environment has been favorable for precious metal prices. Likewise, price outlook for industrial metals showed a slight improvement, mainly due to interest rate cuts, the strength of the US economy, and stimulus measures announced by China to reactivate its economy.

The increase in metal prices, along with our financial discipline and the measures taken to improve operational and administrative efficiencies, enabled us to achieve significant improvements in our financial results and cash flow generation in 2024. We will remain focused on controlling costs and expenses, streamlining investments, and optimizing working capital to ensure sustained profitability and financial health.

An uptick in revenue, along with reductions in costs and expenses, had a significant positive impact on EBITDA, reaching US$1,841 million—its highest level in the past 14 years.

In 2024, we invested US$212 million in exploration, an 8.9% decrease compared to the previous year. Nonetheless, our exploration programs progressed as planned and remained aligned with our long-term growth objectives. Results were positive, both in mine drilling and their adjacent zones, as well as in our portfolio of domestic and international projects and prospects.

Investment in fixed assets totaled US$446 million (25.1% lower year-over-year) and was primarily directed toward sustaining operations, developing mining infrastructure, and replacing critical assets.

Metal content production at the mines showed mixed results. Gold mining production reached 681,000 ounces, up 0.7% from 2023; silver production decreased by 2.5%, to 71 million ounces; lead production totaled 90,000 tons, reflecting a 4.9% increase; zinc production declined by 4.0%, to 271,000 tons; and copper concentrate production rose by 15.4%. Finally, copper cathode production at Milpillas decreased by 5.9%.

During the period, metallurgical operations faced a series of operational and industry-related challenges, including a sharp decline in international charges for treating zinc concentrates and refining silver. However, cost-efficiency measures, higher metal prices, and, to a lesser extent, the depreciation of the Mexican peso against the US dollar contributed to improved margins for this business. Annual refined gold production totaled 878,000 ounces, a 9.8% decrease from 2023, while refined silver volume fell by 2.0% to 76 million ounces. Refined lead and zinc production totaled 115,000 tons and 241,000 tons, respectively—down 4.1% and 4.2% compared to the previous year.

On the other hand, inorganic chemicals recorded higher production levels as a result of recovering demand, but logistics issues beyond the company's control affected this business's financial performance.

In financial terms (in millions of US dollars), net sales rose to US$ 6,650, representing 12.2% growth over 2023. This increase in revenue, combined with lower costs and expenses, had a significant positive impact on EBITDA, reaching US$ 1,841 million—the highest level in the past 14 years. Net income for 2024 was US$ 73 million, down 50.2%, primarily due to a disproportionate provision of deferred taxes. The net debt-to-EBITDA ratio improved from 2.2 times in 2023 to 0.6 times in 2024, and the company's financial position remained solid and conservative.

We reaffirm our commitment to sustainability and environmental stewardship and reinforce industrial safety through a preventive approach.

At Industrias Peñoles, we reaffirm our commitment to sustainable operations and environmental care. In 2024, we advanced our decarbonization program and began a rigorous assessment to identify and incorporate the levers with the greatest potential impact to meet our strategic plan. We also continued to strengthen the responsible management of tailings storage facilities by applying international best practices and standards.

At the same time, we reinforced industrial safety through a preventive approach, as the health and well-being of our people remain our top priority. We also maintained cordial and constructive relationships with our communities by actively supporting their development, well-being, and prosperity. In 2024, we invested US$ 17 million in social initiatives.

The Board of Directors adheres to solid corporate governance practices. To fulfill its responsibilities, the Board relies on the support of several committees and operates in alignment with the recommendations of the Code of Principles and Best Practices in Corporate Governance (Código de Principios y Mejores Prácticas de Gobierno Corporativo). In 2024, the Board met four times. The most important topics discussed and approved during these meetings included the following:

1. Reinforcing occupational safety and environmental programs.
2. Monitoring compliance with operational objectives.
3. Implementing measures to improve efficiency and financial discipline.
4. Advancing the strategic plan and decarbonization strategy.
5. Updating and monitoring the risk matrix.
6. Reviewing the metals and foreign exchange hedging program.
7. Analyzing investment and financing programs, as well as financial projections.
8. Reviewing the 2024 budget and setting up the 2025 budget.
9. Evaluating the organizational restructuring.
10. Reviewing the cybersecurity incident.

The following are the most relevant activities carried out by the committees, whose members are listed in the Corporate Governance section of this Annual Report:

The Executive Committee reviewed the budget, along with the operational and financial performance of all business units, including matters related to safety and environmental stewardship. It validated the progress of the strategic plan and approved the corresponding adjustments, as well as the implementation of the environmental, social, and corporate governance (ESG) strategy.

The Audit and Corporate Governance Committee reviewed performance on internal control, operational and financial results, performance metrics, and the internal audit and compliance plans. It also evaluated external audit services, confirmed compliance with regulatory requirements, and reviewed the risk matrix, accounting policies, and related-party transactions. Additionally, the committee monitored key legal matters reported by management.

The Finance and Planning Committee monitored financial projections, the implementation of cost-reduction measures, and the company's overall financial position.

The Nominations, Evaluation and Compensation Committee conducted its annual performance evaluation of senior management in accordance with company policies and approved salary and benefit adjustments. The compensation package for senior management includes a base salary, all legally mandated benefits, and additional components in line with common practice in the national industrial sector.

In accordance with the provisions of the Mexican Securities Market Law (Ley del Mercado de Valores), the Audit and Corporate Governance Committee prepared its Annual Report, which is presented at this Shareholders Meeting.

The Board of Directors reports to the Meeting on the accounting policies and criteria used to prepare the financial statements. These include, among others, the basis of presentation and consolidation, the most significant accounting policies, and new accounting standards reviewed by the external auditors, all of which form an integral part of this Report. The company's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

In the opinion of the Board of Directors, the report presented by the Chief Executive Officer to this Shareholders Meeting reasonably reflects the company's financial position, results, and key developments during 2024.

At Peñoles, we face challenges with discipline and remain committed to improving efficiency and sustainability across our operations—despite the current challenges in our industry. This year, we capitalized on a favorable pricing cycle and strengthened both our performance and the financial indicators resulting from our ongoing transformation. We will continue to foster productive and harmonious relationships with our stakeholders.

I would like to express my sincere appreciation to the members of the Board of Directors for their dedication and commitment. I also extend my gratitude to all our employees, whose effort and dedication were essential to achieving the company's goals. To you, ladies and gentlemen shareholders, I extend my deepest appreciation for the trust you have always placed in us.

Alejandro Baillères
Chairman of the Board of Directors

We will continue to foster productive and harmonious relationships with our stakeholders.

Report on the company's performance by the **Chief Executive Officer** to the **Board of Directors,**

For fiscal year 2024

Mr. Chairman,
members of the Board of Directors:

In my capacity as Chief Executive Officer of Industrias Peñoles, S.A.B. de C.V. (the "company"), and in accordance with the provisions of the Mexican Securities Market Law, I hereby submit for your consideration the Annual Report on the company's performance and results for fiscal year 2024. This includes the consolidated financial statements and the accompanying explanatory notes, which outline the principal accounting and reporting policies and criteria applied in the preparation of the financial information presented herein.

In 2024, the global economy grew at a moderate pace, impacted by the slowdown in China and ongoing geopolitical conflicts. Major central banks adopted more flexible monetary policies in response to declining inflation, leading to lower interest rates. However, financial market volatility persisted, fueled by global uncertainty and elections in several countries. In the final quarter of the year, the Chinese government introduced a stimulus package aimed at reactivating its economy, which helped support the value of financial assets and raw materials.

Mexico's Gross Domestic Product (GDP) grew by 1.5% in 2024, down from 3.3% in 2023, mainly due to slower activity in the construction and manufacturing sectors. In response, the Mexican Central Bank (Banco de México) lowered its benchmark interest rate, while annual inflation declined from 4.66% to 4.21%. Meanwhile, the Mexican peso weakened against the US dollar, particularly in the second half of the year. The average exchange rate was $18.30 pesos per dollar—3.0% higher than the 2023 average—while the end-of-year rate reflected a 20.0% annual depreciation.

The average price of gold was US$ 2,386.20 per ounce in 2024, representing a 23.5% increase over the 2023 average, which translated into the highest annual profit since 2010. This was driven by purchases by central banks, the Federal Reserve's monetary flexibility in the US, and gold's traditional role as a safe-haven asset. Silver also benefited from the surge in gold prices and growing demand linked to increased solar panel production. It averaged US$ 28.29 per ounce, representing a 21.0% year-over-year increase. Base metal prices were supported by China's stimulus policies and improved industrial activity prospects due to monetary easing and lower inflation. In dollar terms per pound, the average price of zinc was US$ 1.26, up 5.4% from the prior year, while copper rose to US$ 4.15, a 7.9% increase over the 2023 average. In contrast, the price of lead declined slightly to US$ 0.94 per pound (–2.7%), due to weaker demand in the automotive sector and higher inventories.

The recovery in metal prices, along with efforts to improve efficiency and reduce costs and expenses, had a positive impact on the company's results in 2024. Promoting greater operational discipline and furthering the financial health program—both implemented a couple of years ago and still in effect—enabled us to reduce and control costs and expenses, streamline investments, and optimize the use of resources in working capital.

In terms of safety, we strengthened the High Potential Strategy to expand risk identification and critical controls related to production processes across all business units. Reinforcing visible leadership in the field remains key to the success of this process. We also developed the Safety, Occupational Health, and Environment Management Standard for contractors, which establishes the requirements to be met from the contracting phase through operational control and contract closure.

The following are the highlights of our operating and financial results for 2024, including key actions taken and the main year-over-year percentage changes compared to 2023. Financial figures are stated in millions of US dollars (US$), unless otherwise indicated.

Investments in fixed assets totaled US$ 446, a 25.1% decrease from the previous year. Most of these resources were allocated to sustaining operations—primarily for infrastructure development and mine preparation, the expansion or construction of tailings deposits, and the acquisition of critical equipment.

Exploration activities totaled an investment of US$ 212, representing an 8.9% decrease compared to 2023. Efforts were primarily focused on the districts surrounding Fresnillo plc's gold and silver operating mines, as well as on a portfolio of priority advanced projects—Tajitos (Sonora), Orisyvo (Chihuahua), and Guanajuato—where work continued metallurgical research and updating the economic models. In the

Promoting better operational discipline and furthering the financial health program—both of which were implemented a couple of years ago—enabled us to reduce and control costs and expenses, streamline investments, and optimize the use of resources in our working capital.

Exploration of base metals focused on the most promising advanced-stage projects. At Reina del Cobre, estimated resources increased to 25.2 million tons of ore with a copper equivalent grade of 2.15%.

international precious metals projects, exploration progressed at Capricornio and Pencahue in Chile. In Peru, drilling resumed at the La Pampa project, an achievement made possible by strengthened community engagement efforts.

Exploration efforts for base metals focused on advanced projects with the highest potential, as well as on the area of influence surrounding the Tizapa mine. There, we completed an initial estimate of inferred resources totaling 782,000 tons of mineralization with a 15.9% zinc equivalent, while new drilling targets are being defined to continue work in 2025. At Reina del Cobre—a polymetallic project near the Velardeña unit—drilling continued on new targets, allowing us to increase current resource estimates to 25.2 million tons of ore with a 2.15% copper equivalent. We also conducted drilling at the Flobar and Los Humos copper projects, both located in Sonora.

In our portfolio of international projects, we continued activities at the Racaycocha copper-gold project in Peru, conducting drilling at two promising new prospects with mineralized intersections; assay results are still pending. We also carried out a third parametric drilling campaign at the Yastai copper-gold project in Chile, which delivered favorable results and led to the identification of new drilling targets that expand the project's potential.

In mining operations, the volume of ore deposited in leaching pads decreased by 5.3%, totaling 18.7 million tons. This was mainly due to the planned cessation of mining at the Noche Buena pit, following the depletion of ore reserves in May 2023. The decline was partially offset by higher deposition volumes at Herradura and Milpillas.

At the Sabinas unit, operations were temporarily halted to transition the mining method from horizontal to semi-vertical, aiming to reduce dilution caused by narrower mineralized veins. However, the implementation of this new method was delayed due to a lack of available equipment for backfill drilling in the zone with higher silver grades, as well as instability in the stopes with better grades and employee absenteeism. As a result, both ore extraction and metal production were lower than in 2023.

The volume of ore milled at the mining plants totaled 21.7 million tons, a slight increase of 0.5% compared to the previous year. This was driven by higher processing volumes at the direct leaching plants at Herradura and at the beneficiation plants at Saucito, San Julián (veins), and Juanicipio. These gains offset reduced processing at San Julián (disseminated ore body), which is nearing the end of its useful life; at Tizapa, where operations were suspended due to a workers' strike that began on August 30; and at Fresnillo, Sabinas, and, to a lesser extent, Velardeña.

Annual gold production totaled 680,647 ounces, representing a marginal increase of 0.7% compared to the previous year. This was primarily driven by higher ore grades at Fresnillo, La Ciénega, San Julián (veins), and Saucito; increased ore processing volumes at San Julián and Saucito; and a higher volume of ore deposited at Herradura. These factors offset production shortfalls at Noche Buena and Tizapa, as well as lower ore grades in the sulfide material at Herradura, which resulted in reduced recovery rates.

Silver production totaled 70.6 million ounces; a 2.5% decrease compared to 2023. This decline was primarily due to lower extraction activity, lower ore grades, and lower recoveries at San Julián (disseminated ore body), as well as a lower volume of processed ore and ore grades at Fresnillo. At Fresnillo, ore was hauled via ramps while work continued to connect the sections of the deepened San Carlos shaft, leading to the exploitation of narrower veins and adjustments to the mining plan. Processed volumes also declined at Sabinas, Tizapa, and Capela, accompanied by lower grades and recoveries. These decreases were partially offset by increased production at Juanicipio, driven by higher ore processing volumes and improved recoveries. Similarly, San Julián (veins) reported growth due to higher processed volumes of processed ore, better ore grades, and stronger metallurgical recoveries. Ciénega, Saucito, and Velardeña also contributed positively with better ore grades; Saucito and Velardeña had higher ore processing and improvements in metallurgic recovery, respectively. Additionally, the tailings flotation plant at Fresnillo (Pyrites II), which began operations in 2023, increased its contribution to annual silver production by recovering values from tailings at the mining unit.

In industrial metal mining, lead production in concentrates increased by 4.9%, reaching 89,652 tons, driven by higher ore processing volumes with better grades and recoveries at Juanicipio and Saucito, along with better ore grades and recoveries at Fresnillo, and, to a lesser extent, improved ore grades at Velardeña. These gains offset declines in lead production at San Julián (disseminated ore body), Tizapa, and Capela—due to lower processed volumes, ore grades, and recoveries—as well as at Sabinas, where both the volume of ore beneficiated and lead grades were lower. Zinc production declined by 4.0%, totaling 270,847 tons. The downturn was mainly due to reduced processing volumes at Tizapa and lower ore volumes, grades, and recoveries at Sabinas and Capela, as well as decreased ore processing at San Julián (disseminated ore body). However, these shortfalls were partially offset by increased processing volumes at Juanicipio—where both ore grade and recovery improved—and at Fresnillo, which benefited from a higher ore grade. Saucito also contributed positively, with a greater volume of processed ore and improved recoveries.

Mining production showed mixed results year-over-year. Gold remained stable, while lead and copper volumes increased. Silver production declined due to the anticipated depletion of the San Julián disseminated ore body, and zinc production decreased as a result of lower output at Tizapa.

Copper produced in concentrates increased by 15.4%, totaling 10,673 tons. This growth was driven by improved recovery and higher ore grades at Capela, which offset declines at Sabinas, Tizapa, and Velardeña, mainly caused by lower ore processing volumes. In contrast, copper cathode production at Milpillas declined by 5.9%, due to reduced recovery rates. However, this was partially offset by a higher volume of ore deposited in the leaching pads.

Strategic investments in 2024 focused on expanding existing tailings deposits and developing new facilities to ensure operational continuity. Of the nine projects executed, the work carried out at Sabinas, Velardeña, and Ciénega was particularly noteworthy. We also began updating the conceptual mine closure plans for the Saucito, Juanicipio, and San Julián units—a process that will later be extended to all remaining mining units. In addition, we revised the cost projections for the closure of all sites.

We continued to implement state-of-the-art technologies to automate processes, enhance productivity, and improve safety across our mining operations—aligned with our Smart Mine vision. During the year, we consolidated key solutions such as proximity alert systems to prevent collisions, remote blasting, vehicular telemetry, and real-time monitoring of ore hauling maneuvers. We also upgraded the advanced control system at the Capela beneficiation plant, significantly improving copper recovery. In addition, we tested high-impact emerging technologies—including LTE/5G hyperconnectivity, augmented reality, and artificial intelligence—for their application in mining processes.

During the period, among other challenges in the metallurgical business, treatment charges—determined based on international standards—experienced sharp declines, particularly for zinc concentrates.

In the silver circuit, several shutdowns were carried out to implement corrective measures resulting from the root cause analysis of the accidents. These stoppages affected the volume of material processed, as well as the production and treatment of bullion, leading to an increase in in-process metal inventories. Despite this, we continued our inventory reduction program and reinforced it by incorporating the recovery of secondary materials throughout the circuit. As a result, refined silver production totaled 76.3 million ounces, and refined lead reached 114,933 tons, representing year-over-year decreases of 2.0% and 4.1%, respectively. Refined gold production amounted to 877,923 ounces, a 9.8% decline, primarily due to the cessation of operations at Noche Buena, lower grades in concentrate mixtures, and reduced purchases of rich materials from third-party shippers.

We continued to incorporate state-of-the-art technology to automate processes, enhance productivity, and strengthen safety across our mining operations, in line with our Smart Mine vision.

Metallurgical operations faced several challenges; however, efforts to improve cost efficiency, reduce inventories, and capitalize on higher metal prices, among other actions, contributed to stronger margins for this business.

In the zinc circuit, a decision was made in the third quarter of 2023 to temporarily reduce the nominal capacity of the leaching process to 270,000 tons per year in order to optimize energy consumption in the electrolysis stage. This was achieved by operating only two of the three electrolysis modules, significantly reducing operating costs. While this adjustment led to greater operational stability in 2024, equipment failures and delays in cleaning and conditioning the electrolysis cells caused corrective stoppages. Despite these issues, the volume of treated concentrates increased year-over-year, and zinc recovery improved slightly—from 93% to 94%. As a result, refined zinc production totaled 241,216 tons, a 4.2% decrease compared to 2023. On the other hand, we produced 6 million ounces of silver contained in cements, reaching the process' design capacity with an effective recovery rate of 90%. We also continued the program to reduce concentrate inventories, contributing to more efficient use of working capital.

Production of inorganic chemicals improved compared to 2023. Annual sodium sulfate output increased by 3.8%, reaching 725,825 tons. However, challenges persisted in rail logistics and due to reduced national demand from the detergent sector. Although magnesium oxide and magnesium sulfate faced competitive pressure from Chinese imports, we implemented targeted market strategies to maintain sales volumes. As a result, magnesium oxide production totaled 67,066 tons, a 4.7% increase, while magnesium sulfate production rose by 3.2%, reaching 65,880 tons.

In 2024, we consolidated several initiatives launched in previous years, including the migration of certain operations to the Wholesale Electric Power Market (WPM) and the optimization of energy reallocation between self-supply and market operations. As a result, 62.2% of our energy consumption was sourced from the WPM, allowing us to allocate 100% of the energy generated by Eólica Mesa La Paz (EMLP) that is committed under contract, compared to just 40.3% the previous year. Electricity purchases from CFE declined from 18.4% to 10.1%, while WPM purchases represented 20.5% of our total annual consumption, which grew slightly (0.6%) compared to 2023. The Termoeléctrica Peñoles power plant migrated from the legacy regime to the WPM and generated less electricity, as it is now subject to market delivery rules. As a result, electricity generation from our portfolio covered 72% of our total consumption. The share of renewable energy in our consumption decreased slightly to 47.5%, compared to 48% in 2023. We continued to monitor emerging zero-emission technologies—such as green hydrogen and ammonia—as well as potential substitutes for conventional fuels, including biofuels, to reduce emissions from vehicles, processes, and equipment. We also evaluated other clean technology–based solutions for power generation.

The unit cost of our electricity consumption in 2024 was US₵ 8.11 per kWh, 17.1% lower than the previous year. This reduction was primarily driven by increased consumption of WPM energy at more competitive prices, the allocation of energy from our power generation portfolio to operations, and reduced reliance on electricity from CFE—along with the favorable effect of the depreciation of the Mexican peso against the US dollar.

Financial results for 2024, expressed in millions of US dollars (US$), were as follows:

Invoiced sales—excluding hedging results—increased by 12.2% compared to 2023, totaling US$ 6,650. This growth was primarily driven by higher gold and silver prices, as well as increased sales volumes of zinc, lead, silver, and concentrates, which offset lower gold volumes and lower prices for zinc and lead. There was no significant hedging result related to metal prices or exchange rates in 2024, compared to a gain of US$ 4 in 2023.

Cost of sales decreased by 4.4%, from US$ 5,121 in 2023 to US$ 4,894 in 2024, primarily due to lower production costs driven by the following factors: (i) the favorable effect of the peso's appreciation against the US dollar on peso-denominated costs (which represent approximately 50% of total production costs); (ii) lower inflation in the basket of operating inputs; (iii) reduced energy costs, particularly from electricity and natural gas; (iv) decreased consumption of materials in operations; (v) lower maintenance expenses; and (vi) the absence of costs incurred in 2023 related to the closure of operations at the Noche Buena mine. Additionally, the cost of metal decreased due to lower volumes of materials acquired by the metallurgical operations from third-party shippers. This was partially offset by the impact of higher metal prices and increased costs related to inventory movements.

We consolidated the energy-related measures implemented in previous years, resulting in a 17.1% reduction in the unit cost of energy consumption.

Sales revenue increased by 12.2%, while lower costs and expenses contributed positively to our financial results. However, the depreciation of the peso against the US dollar led to a higher provision for deferred taxes during the year.

As a result, gross profit for 2024 increased by 117%, reaching US$ 1,756, while general expenses declined by 3.9%, primarily due to a slowdown in exploration activities—partially offset by higher market expenses. EBITDA totaled US$ 1,841, up 139.7% from the previous year, and EBIT reached US$ 1,054, a 1,258.4% increase year-over-year. Net financial costs decreased by 3.1%, to US$ 145, mainly reflecting lower interest payments on financial debt. Other net revenue totaled US$ 20, slightly above the US$ 18 recorded in 2023, driven by increased revenue from the sale of Fuentes de Energía Peñoles energy and lower remediation expenses.

Annual income tax provision totaled US$ 588, an unfavorable comparison to the US$ 379 provision in 2023. This increase was due to higher taxable income for the year, as well as a disproportionate adjustment to deferred taxes resulting from the depreciation of the exchange rate on the company's net monetary assets. The provision for special mining rights rose to US$ 139, compared to US$ 36 in the previous year. As a result, net income for 2024 was US$ 73, a 50.2% decrease from the US$ 147 recorded in 2023.

To improve operational efficiency and reduce costs and expenses, we approved an organizational restructuring effective June 1, 2024. As part of this change, the areas providing technical and administrative services now report directly to the CEO and CFO, respectively.

At Industrias Peñoles, we promote harmonious relationships and open, transparent, and collaborative dialogue with authorities at all levels of government, as well as with the communities where we operate. Our approach is grounded in mutual trust and a shared commitment to social well-being. To this end, we work closely with both authorities and communities to strengthen the social fabric by promoting sports, supporting education, and advancing health initiatives. We also carry out environmental awareness campaigns—all within a framework of respect for human rights and cultural diversity.

In 2024, we experienced a cybersecurity incident involving unauthorized access to certain equipment. Our protection and rapid response protocols were immediately activated, allowing us to restore systems without any material impact on the company's operations, compliance obligations, assets, or financial position. In response, we strengthened our controls, adopted stricter policies, and accelerated the migration to cloud-based applications.

At Peñoles, we have an integrity framework in place to foster a culture aligned with our Vision, Values, Code of Ethics and Conduct, and all applicable regulations. We promote adherence to this culture among our employees and the third parties with whom we do business through dedicated training and communication programs. As part of these efforts, we updated the Code of Ethics and Conduct for Third Parties in 2024.

We also advanced our climate change strategy, with the ESG Committee reviewing the results of the decarbonization project developed in collaboration with external advisors. The project identified the levers with the greatest potential impact on our operations and assessed their feasibility to set realistic decarbonization goals and integrate them into the strategic plan.

In an environment marked by uncertainty and ongoing challenges for our sector, we will continue to face each obstacle with discipline and determination, seizing opportunities to advance our transformation strategy and reinforce our commitments to safety, health, and environmental stewardship.

I wish to express my sincere gratitude to the Chairman and members of the Board of Directors for their trust, leadership, and invaluable support. I also extend my heartfelt recognition to our employees, who embody our values and demonstrate unwavering commitment to the company's goals.

Rafael Rebollar González
Chief Executive Officer

The climate strategy advanced through the ESG Committee's evaluation of the decarbonization project, identifying key levers and their feasibility to define achievable targets and integrate them into the strategic plan.

Audit and Corporate Governance Committee

ANNUAL REPORT

Mexico City, March 3rd, 2025.

To the Board of Directors of
Industrias Peñoles, S.A.B. de C.V.
Present.

Dear Board Members:

On behalf of the Audit and Corporate Governance Committee (the "Committee") of Industrias Peñoles, S.A.B. de C.V. (the "Company") and in my capacity as its Chairman, I am pleased to present the following report on the most relevant activities undertaken by this Committee during the fiscal year 2024, in accordance with Article 43 of the Securities Market Law (hereinafter, the "Law").

During this fiscal year, the Committee members met on four occasions with Company officials and independent experts to:

Assess the external audit firm responsible for the audit of the basic financial statements, the independent external auditor, their work team, and the additional services provided, ensuring that they maintained professional and personal independence requirements throughout the fiscal year, as established in the General Regulations Applicable to the Public Companies Supervised by the National Banking and Securities Commission that hire External Audit Services of Basic Financial Statements (*Disposiciones de Carácter General Aplicables a las Emisoras Supervisadas por la Comisión Nacional Bancaria y de Valores que Contratan Servicios de Auditoría Externa de Estados Financieros Básicos*) (hereinafter referred to as the “Regulations”), reviewing that the audit firm’s quality control system complied with the provisions and professional standards governing its performance, concluding that they satisfactorily fulfilled their assigned work, both regarding the audit opinion on the financial statements and the additional services for which they were engaged.

Approve and follow up the internal auditor’s annual plan, including the scope, nature, and timing of audit procedures, the key processes assessed, the identified risks and significant matters, and the strategy for evaluating them. Additionally, we reviewed reports on significant aspects of the Company's internal control system, including those that were rectified during the year and those still pending resolution.

Analyze the external auditors' communication as required under Article 35 of the Regulations, covering the materiality and tolerable error applied in their review, the significant processes evaluated, the nature and amount of audit adjustments, and the conclusion of their assessment, with no material issues to report.

Review the individual and consolidated financial statements of the Company for the fiscal year 2024, as prepared by management, the declaration referred to in Article 32 of the Regulations concerning the statements made by responsible officers, and the unqualified audit opinion issued by the external auditors on these financial statements.

Analyze the main risks to which the Company is exposed, with special emphasis in cybersecurity risks, the way in which the Company is managing them as well as the review of compliance with the most relevant legal provisions applicable to the Company. We were informed of a cybersecurity incident that occurred, the way it was resolved, and the results of an independent third-party evaluation of the maturity level of the Company’s cybersecurity processes.

Verify compliance with the Code of Ethics and Conduct, including the handling of reports submitted through the mechanisms for disclosing improper conduct and whistleblower protection outlined in the Code, with no unresolved breaches requiring attention.

Assist in preparing the Board of Directors' Annual Report for submission to the Shareholders' Meeting.

Therefore, based on the above, the Committee recommends that the Board of Directors approve the individual and consolidated financial statements for the fiscal year 2024, as well as the accounting policies and criteria applied in the preparation of the Company's financial information, in accordance with Article 42, Section II, Subsection e) of the Law.

Furthermore, regarding the evaluation of the report presented by the Company's Chief Executive Officer, we conclude that:

i. The accounting and financial reporting policies and criteria applied by the Company in the preparation of its financial information, as detailed in the notes to the audited financial statements, are appropriate and sufficient considering the Company's specific circumstances;

ii. These policies and criteria have been consistently applied in the information presented in the Chief Executive Officer's Report; and

iii. The financial statements reasonably reflect the Company's financial position and results.

According to the certification issued by the Secretary of the Board of Directors, follow-up was conducted on the resolutions of the Shareholders' Meeting and the Board of Directors, as well as on the activities in which the Board was involved. Additionally, it was confirmed that no waivers were granted in 2024 for any Director, Key Executive, or individual with Decision-Making Authority to take advantage of business opportunities that should have belonged to the Company.

Based on the report from the Nomination, Evaluation, and Compensation Committee regarding the performance of Key Executives, it is confirmed that the compensation packages for the Chief Executive Officer and Key Executives adhere to the policy approved by the Board of Directors.

During the fiscal year 2024, the Committee was not made aware of any observations from Shareholders, Directors, Key Executives, employees, or third parties regarding accounting matters, internal controls, internal or external audits, or reports of irregularities in management.

Based on the information provided by management, the most significant transactions conducted with related parties during the 2024 fiscal year included the sale of metals, treatment fees, purchase of concentrates, purchase of energy, royalty payments, provision of services, and income derived from financial instruments. It was noted that these transactions were conducted at market prices and were supported by transfer pricing studies prepared by independent specialists.

On behalf of the Audit and Corporate Governance Committee,

Mr. Ernesto Vega Velasco
Chairman of the Audit and Corporate Governance Committee.
Industrias Peñoles, S.A.B. de C.V.

Operating performance

Although mining and metallurgical production declined, we remained disciplined in our operations and cost management. As a result—along with the uptick in metal prices—we improved our margins and strengthened cash flow generation.

Exploration

The goal of Peñoles is to identify new resources in gold, silver, copper, and polymetallic mineral deposits through exploration, with the aim of assessing and justifying the development of future mining projects in Mexico and South America, where the company holds concessions covering 2.8 million hectares.

We also develop drilling programs in neighboring areas to expand the mineral reserves of our current mining operations. Our portfolio of proprietary projects and prospects is extensive and spans various stages of development. In addition, we evaluate early-stage acquisition opportunities to form partnerships or participate in high-potential projects with other mining companies.

Consolidated exploration investment in 2024 totaled US$ 211.9 million, representing an 8.9% decrease compared to 2023. However, this amount was sufficient to advance our exploration programs as planned. Of the total, US$43.4 million were allocated to new base metals projects, US$7.7 million to mine exploration for these metals aimed at replenishing and increasing reserves, and the remainder was invested in mine operations and precious metals projects at Fresnillo plc.

During this period, base metals exploration focused on four high-potential projects and the area of influence of the Tizapa mining unit. This approach allowed us to optimize resources in line with the company's financial health plan and to prioritize key exploration efforts. We drilled a total of 67,062 meters, mainly across five mining districts. The exploration work—encompassing geology, geochemistry, and geophysics—monitored 35 potential targets and prospects to support and justify test drilling. As part of these efforts, we also evaluated 14 relevant external prospects for potential acquisition or collaboration opportunities.

The most significant progress was achieved in the following projects:

Reina del Cobre (polymetallic)
Location: Cuencamé, Durango
This polymetallic skarn project is located 20 kilometers from the Velardeña mining unit. By year-end 2024, we had identified resources —mostly inferred— totaling 25.5 million tons with a copper equivalent grade of 2.15%. Based on the findings of the preliminary economic study, we determined that it was justified to expand the drilling program along the corridor extending from Reina del Cobre to the San Joaquín area. In addition, we are considering the use of the existing sinkhole—currently undergoing advanced rehabilitation—for underground drilling. The objective is to increase the current base of mineral resources and explore deeper zones of the main Reina del Cobre body. We believe that we will be able to identify a sufficient volume of inferred resources in 2025.

Fortuna del Cobre (copper)
Location: Pitiquito, Sonora
At this disseminated copper deposit, we completed the parametric drilling phase in 2022 and determined there are 62.5 million metric tons of inferred resources with a copper equivalent grade of 0.48%. The upper portion of the deposit contains leachable ore. Metallurgical studies are currently being updated and will be followed by economic evaluations to assess feasibility.

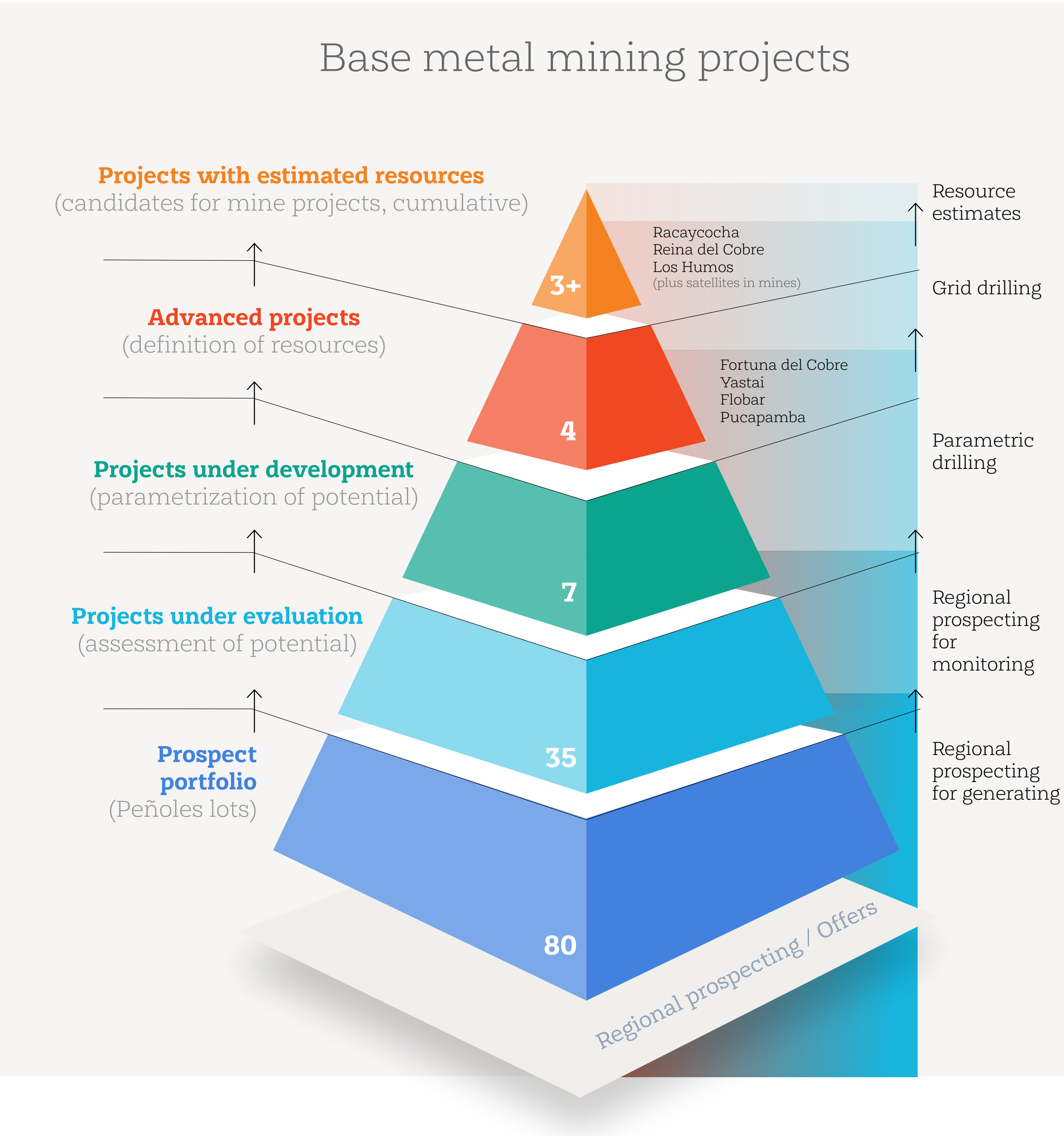
Flobar (copper)
Location: Nacozari, Sonora
This early, porphyry-type copper project contains deep-lying, low-grade resources, and over 2.5 million metric tons of fine copper equivalent (including copper, molybdenum, and zinc). In the immediate adjacent areas, five potential, shallow deposits were identified through geological, geophysical, and geochemical studies. These targets were drilled and include both low-grade disseminated bodies and discrete high-grade zones. Drilling intercepted extensions with promising copper-equivalent mineralization, which will be evaluated and incorporated into the resource estimate in early 2025. We will also continue drilling new targets, particularly in shallow areas, to further increase the resource base.

Tizapa (polymetallic)
Location: Zacazonapan, Estado de México
At this mining unit, a drilling campaign covering 4,550 meters was carried out to explore the extension of the current mineralized mantles. As a result—building on work completed in 2023—we identified three new mineralized zones near the deposit and within the scope of existing mining works. Estimates for two of these areas indicate inferred resources totaling 782,000 tons with a zinc equivalent grade of 15.9%. Exploratory drilling will continue in 2025, aiming to help replenish ore reserves at this mining unit and extend the operation's useful life.

International exploration

Among our international priorities, the Racaycocha copper-gold-molybdenum project in Peru stands out. In 2024, we drilled 7,946 meters across the Pucajirca, Santa Rosa, and Pucapampa areas of the project, yielding several promising intersections. We began updating the potential resources identified in 2023 at Pucajirca and Santa Rosa, with results expected in the first quarter of 2025. At Pucapampa, we drilled 3,163 meters and encountered disseminated ore, with assay results forthcoming.

At the Yastai copper-gold project in Chile, we completed a third parametric drilling campaign and began a fourth, totaling 9,211 meters drilled. These efforts improved the quality of existing resources and revealed two new targets with disseminated mineralization, expanding the deposit's potential and supporting the continuation of our exploration activities. Geological and geochemical studies are ongoing, along with permitting procedures to drill targets adjacent to the extensions of the deposit, with plans to begin drilling in the first four months of 2025.



In the exploration at Fresnillo plc—which focuses on its gold and silver mines and projects—an intensive drilling program was carried out in coordination with the exploration and operations teams. A total of 742,945 meters were drilled, representing a 20% decrease compared to the previous year.

We maintained a strong focus on brownfield exploration, which accounted for 88% of total drilling activity. The Fresnillo and San Julián districts stood out, followed by Herradura and Ciénega. Results were positive and aligned with the key objectives, including converting resources from the inferred to the indicated category; conducting infill drilling within reserves to confirm mineralized widths and grades to support short- to medium-term planning; and exploring extensions of known mineralized bodies as well as new areas of interest.

In greenfield exploration, the advanced projects at Tajitos and Guanajuato were prioritized, achieving good results. We also allocated secondary meters to advance other projects currently at earlier stages. Pre-feasibility studies continued at Orisyvo, while at Rodeo an agreement with local communities was reached to resume exploration activities in 2025.

In the international arena, exploration activities continued at the Capricornio project and parametric drilling began at Pencahue; both efforts will continue in 2025. Additionally, community engagement was strengthened in projects in Peru, allowing to resume drilling at La Pampa project.

Prospecting brigades evaluated the concessions and analyzed selected opportunities, allowing to streamline the portfolio and establish new projects. These projects are now in the detailing phase to define drilling targets across all three countries where we operate.

Mining

At Peñoles, we operate five underground mining units in Mexico. Four of these produce zinc, lead, and copper concentrates: Velardeña in Durango, Sabinas in Zacatecas, Capela in Guerrero—all 100% owned by the company—and Tizapa in Estado de México, in which we hold a 51% ownership stake. We also operate the Milpillas unit in Sonora, fully owned by the company, which produces copper cathodes. Additionally, we consolidate the production of Fresnillo plc—a subsidiary in which we hold a 74.99% equity interest—which produces gold and silver in lead and zinc concentrates, dorés, precipitates, and other materials at its operating mines: Fresnillo, Saucito, and Juanicipio in Zacatecas; San Julián in Chihuahua; and Ciénega in Durango—all underground mines—as well as Herradura, an open-pit mine located in Sonora.

Our consolidated mining production places us among the leading producers of zinc and lead metal content in Mexico. Together with our subsidiary Fresnillo plc, we remain the world's top silver mining producer and the leading gold producer in the country. In 2024, investments in the Mining Division totaled US$411.9 million, primarily allocated to infrastructure development, capitalization of mining works, acquisition and refurbishment of mining equipment, and the construction of tailings storage facilities and a leaching yard at Herradura.

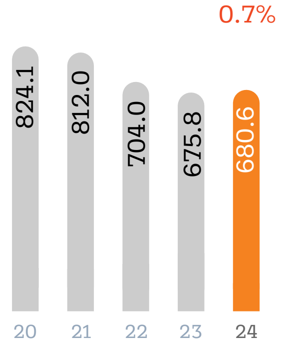
PRODUCTION AND PERFORMANCE

Consolidated mining production—including 100% of the payable production from Fresnillo plc—and the year-over-year change was as follows:

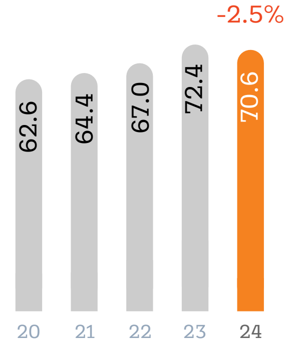
	2024	2023	% Chg.
Milled and deposited ore (Mt)	**40.4**	41.4	-2.3
Gold (oz)	**680,647**	675,844	0.7
Silver (koz)	**70,586**	72,398	-2.5
Lead (t)	**89,652**	85,428	4.9
Zinc (t)	**270,847**	282,093	-4.0
Copper (t)	**10,673**	9,250	15.4
Copper cathodes (t)	**12,866**	13,676	-5.9

Mining

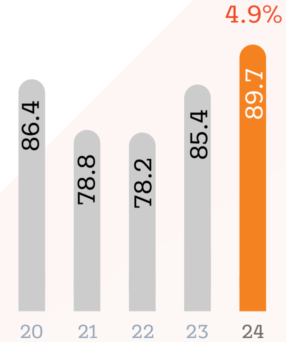
Gold
koz



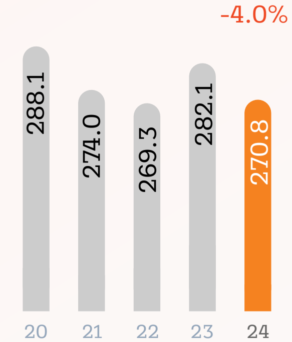
Silver
Moz



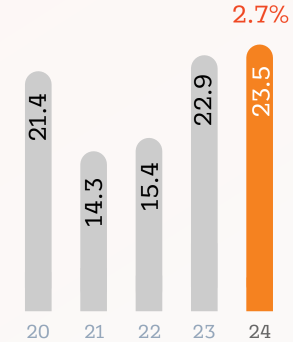
Lead
kt



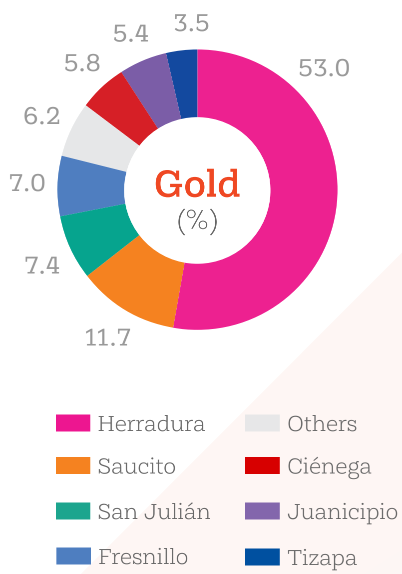
Zinc
kt

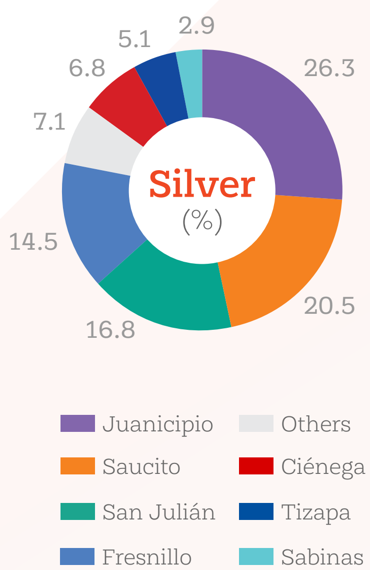


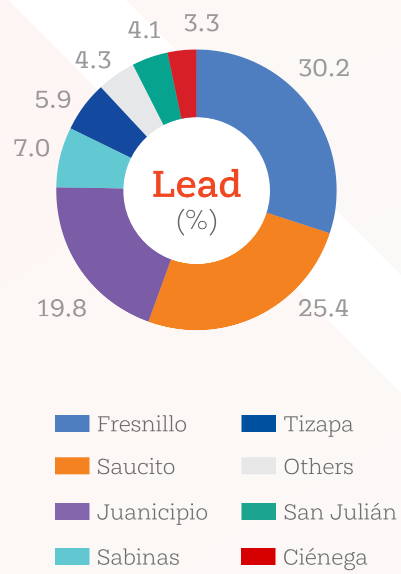
Copper*
kt

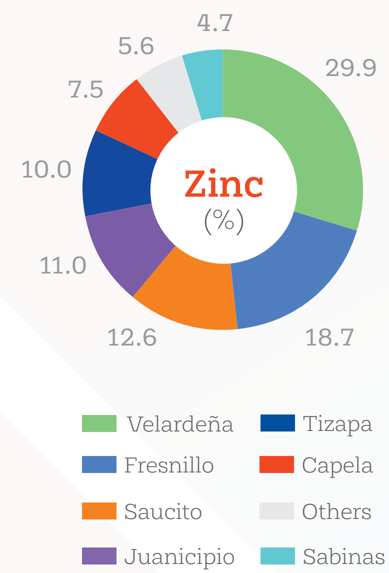


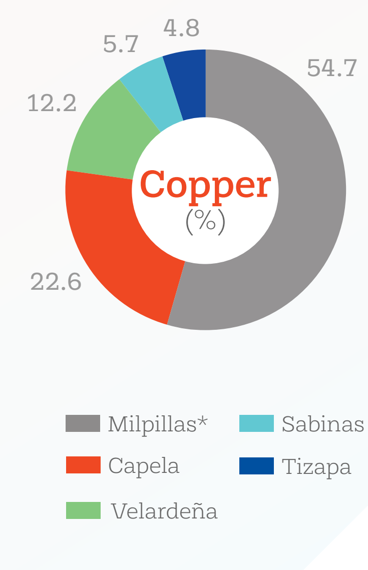
*Includes copper cathodes







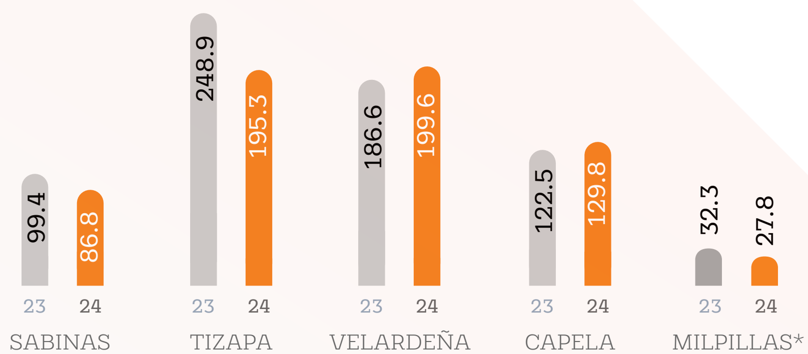




*Includes copper cathodes

Pounds equivalent[1,2]

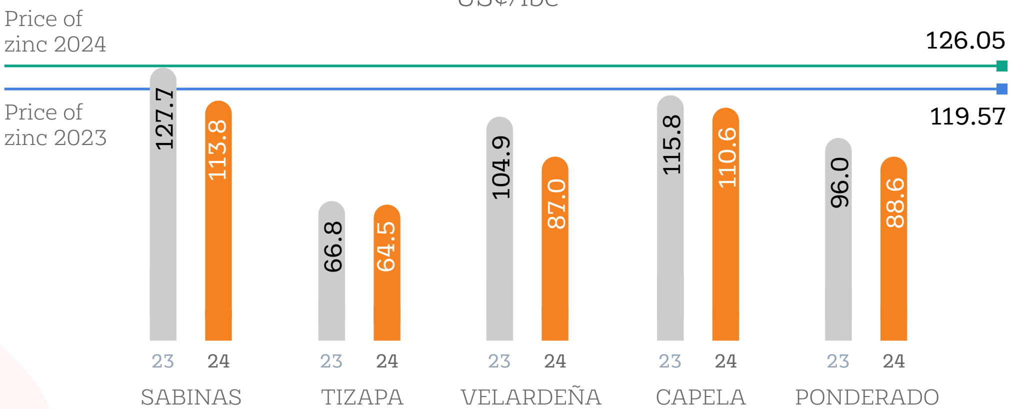
Mlb of zinc/copper*



[1] Pounds equivalent of zinc: total gross sales / average zinc price.
[2] Pounds equivalent of copper: total gross sales / average copper price.
* Includes copper cathodes

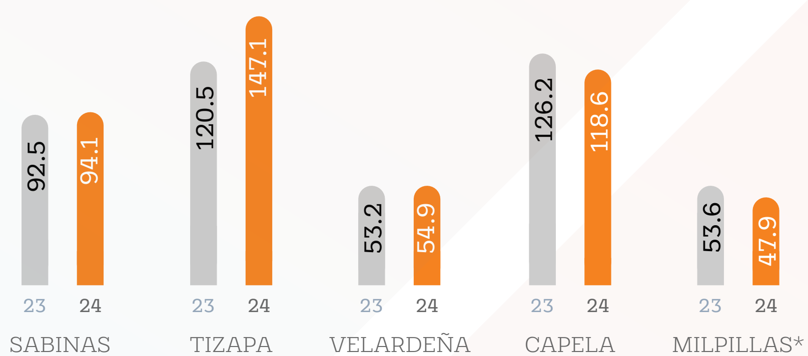
Cash cost C1 (zinc)[3]

US¢/lbe



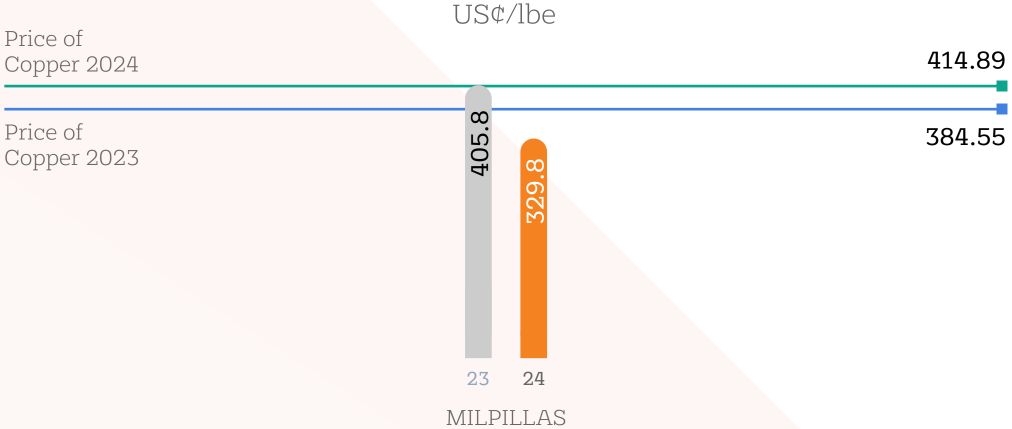
Unit prices

US$/t



Cash cost C1 (copper)[3]

US¢/lbe



[3] *Cash cost* = [Cost of goods sold (production cost – depreciation + - variation in inventories) + sales expense (treatment charges, freights, and deductions, extraordinary mining rights)] / pounds equivalent of zinc or copper.

Gold production remained stable, while silver production saw a slight decrease due to the depletion of the disseminated ore body at San Julián and lower extraction at Sabinas, where a technical stoppage was required to change the mining method and reduce dilution.

The ore volume processed during the year by the mining units registered a slight 2.3% decrease compared to 2023, totaling 40.4 million tons, of which 18.7 million tons corresponded to ore deposited in leaching yards—down 5.3%. This decline was mainly due to the conclusion of mining activities at the Noche Buena pit in May 2023, following the depletion of its ore reserves, as expected. This reduction was partially offset by increased ore deposits at the leaching yards at Herradura and, to a lesser extent, at Milpillas.

On the other hand, the volume of beneficiated and processed ore at the plants showed a slight increase of 0.5%, reaching 21.7 million tons. This was driven by higher processing volumes at the direct leaching plants at Herradura—which had experienced technical difficulties in 2023—and at the beneficiation plants at Saucito, San Julián (veins), and, to a lesser extent, Juanicipio. These increases offset reductions in beneficiated volumes at San Julián (disseminated ore body), where mining activity ceased in November 2024 as the deposit reached the end of its useful life. Additional decreases were recorded at Tizapa, where operations were halted indefinitely due to a workers' strike that began on August 30. There were also reductions in ore volumes processed at Fresnillo and Sabinas, and to a lesser extent, at Velardeña.

Annual gold production totaled 680,647 ounces, reflecting a marginal year-over-year increase of 0.7%, mainly due to higher processed ore grades at the Fresnillo mine. Notable contributions also came from Saucito and San Julián (veins), where both the volume of processed ore and grades improved. Herradura contributed positively as well, with increased ore deposit and processing volumes offsetting the decline in ore grade. Ciénega and Juanicipio also recorded slight increases in gold production. These gains helped offset the decline in output from Noche Buena, where gold recovery decreased following the cessation of ore extraction in May 2023. Lower production levels at Tizapa, San Julián (disseminated ore body), and Capela were also offset.

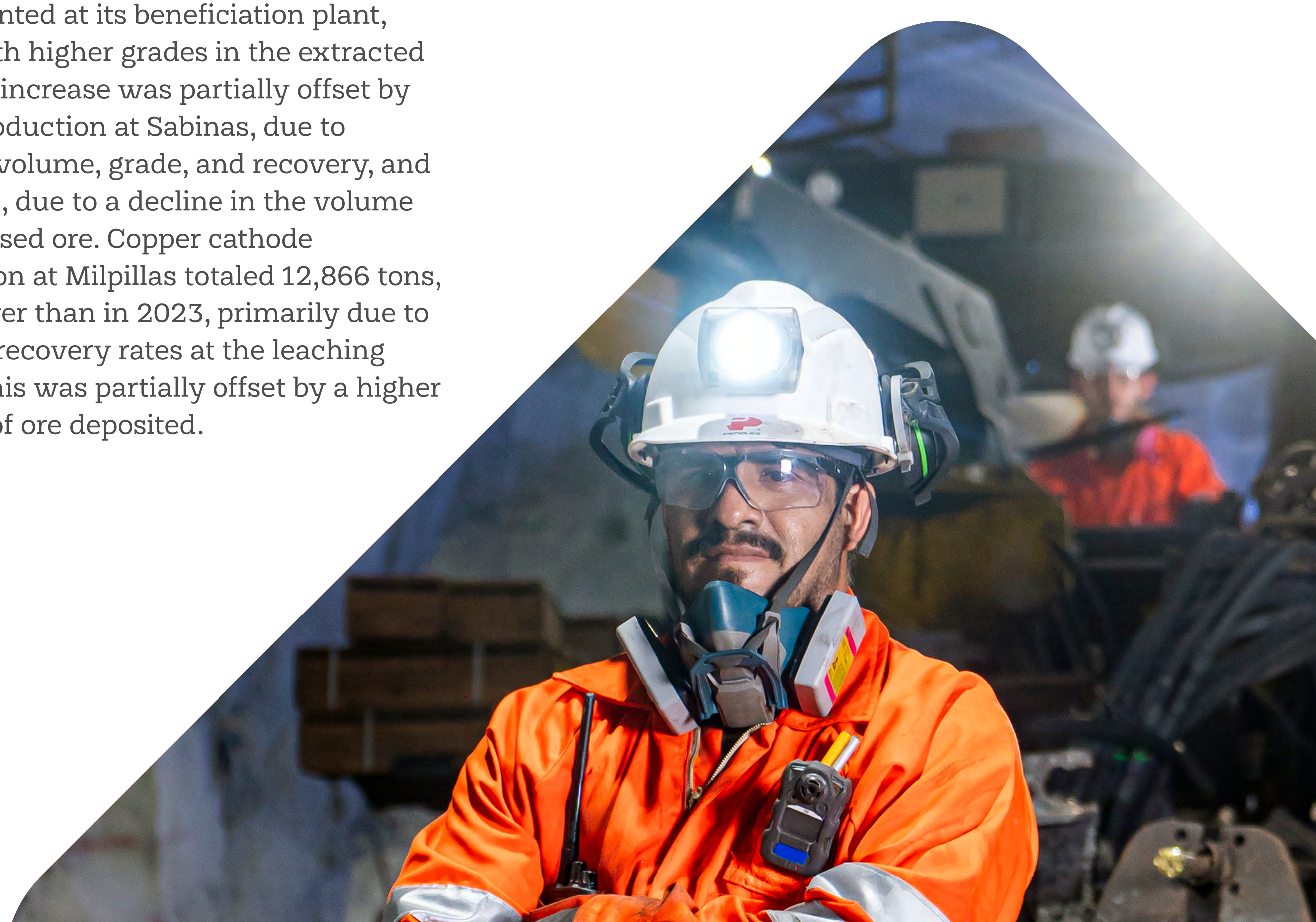
Silver production totaled 70.6 million ounces, a 2.5% decrease compared to 2023, primarily due to lower volumes of processed ore with reduced grades at San Julián (disseminated ore body) and Fresnillo, as well as the suspension of operations at Tizapa, as previously noted. Sabinas also registered a decline in silver production due to a technical stoppage aimed at transitioning the mining method from horizontal to semi-vertical, intended to reduce dilution and increase productivity in response to increasingly narrow mineralized veins. However, the process faced delays caused by equipment shortages and employee absenteeism, which limited both ore extraction and processing. At Capela, silver production declined as well, mainly due to lower ore grades. These reductions were partially offset by higher production from the vein systems at San Julián and Saucito, driven by increased volumes of processed ore with improved ore grades, as well as continued contributions from Juanicipio, whose beneficiation plant completed its first full year of operation. Additional support came from improved values in Fresnillo tailings processed at the iron concentrate flotation plant (Pyrites II), and from better ore grades at Ciénega and Velardeña.

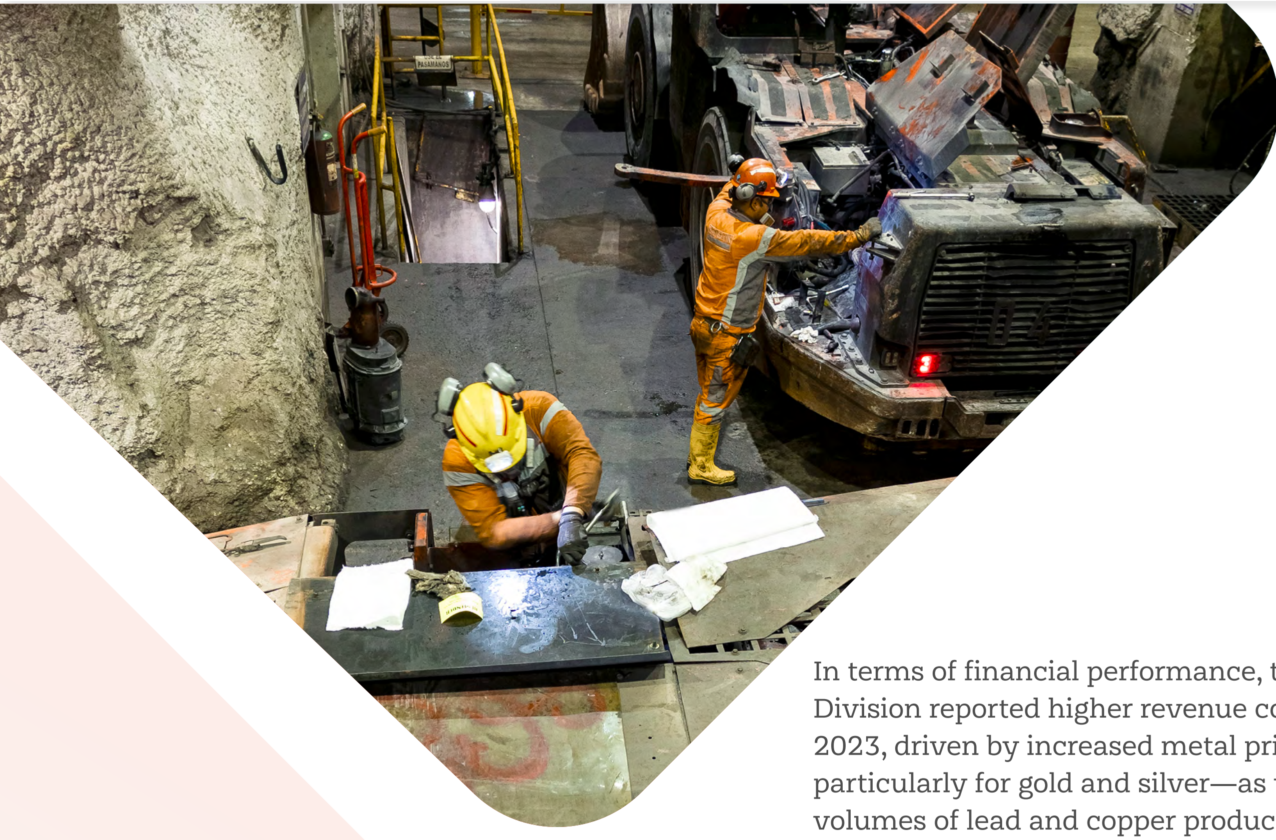
In contrast, production of lead concentrates increased by 4.9%, reaching 89,652 tons, driven by improved ore grades and metallurgical recoveries at Fresnillo, Juanicipio, and Saucito. At Juanicipio and Saucito, the increase was also supported by higher volumes of ore processing, while at Velardeña, a slight improvement in ore grade contributed to the result. These gains offset the decline in production at Tizapa, San Julián (disseminated ore body), and Sabinas, due to the previously mentioned factors, as well as lower output at Capela, resulting from reduced ore grade and metallurgical recovery.

Zinc production totaled 270,847 tons in 2024, a 4.0% decrease compared to the previous year. This decline was primarily due to the halt in operations at Tizapa, followed by lower production at Capela and Sabinas, where reduced volumes of milled and beneficiated ore—with lower grades and recoveries—impacted output. Milling also declined at San Julián (disseminated ore body). These reductions were partially offset by increased production at Fresnillo and Juanicipio, driven by improved ore grades, and at Saucito, due to a higher volume of ore processed.

Copper production in concentrates increased by 15.4%, reaching 10,673 tons, driven by higher metallurgical recovery at Capela following improvements implemented at its beneficiation plant, along with higher grades in the extracted ore. This increase was partially offset by lower production at Sabinas, due to reduced volume, grade, and recovery, and at Tizapa, due to a decline in the volume of processed ore. Copper cathode production at Milpillas totaled 12,866 tons, 5.9% lower than in 2023, primarily due to reduced recovery rates at the leaching yards. This was partially offset by a higher volume of ore deposited.

The indefinite halt of operations at Tizapa, resulting from a workers' strike, had a negative impact on the production of metallic contents, particularly zinc.





In terms of financial performance, the Mining Division reported higher revenue compared to 2023, driven by increased metal prices—particularly for gold and silver—as well as higher volumes of lead and copper produced in concentrates. Revenue also benefited from lower treatment charges for zinc and lead concentrates in the metallurgical business. On the cost side, production expenses recorded a slight increase, mainly due to higher depreciation charges related to the depletion of the San Julián (disseminated ore body) and the first full year of operations at Juanicipio. Additional cost also came from higher labor expenses, reflecting productivity bonuses and benefits, and inflationary impacts on the operations' input basket. These effects were partially offset by the favorable depreciation of the Mexican peso against the US dollar on peso-denominated costs, along with a lower volume of processed ore. The most notable cost reductions came from contractors, maintenance, and repairs—due to efficiency measures and the absence of extraordinary work carried out the previous year at the tailings storage facilities—and energy, due to lower diesel consumption and reduced electricity prices. Likewise, cost of sales was lower due to inventory consumption, as materials stockpiled for the startup of Juanicipio were used in 2023, and additional gold inventories were drawn down at the Noche Buena leaching yards. As a result, cost of sales remained similar to the previous year, with favorable profit margins, primarily driven by higher revenue.

We continued implementing the High Potential Management program across all mining units to identify and prioritize critical risks and reinforce the corresponding controls. By year-end, 11 critical risks had been identified as part of the implementation process, with a goal of increasing this number to 14 in 2025. In collaboration with the leadership teams at each operation, we made progress in incorporating these risks into preventive indicators, including near-miss incidents, leadership practices, high-potential accidents, operational discipline, and the communication of lessons learned and best practices. Additionally, we began defining the minimum cross-functional requirements for each critical risk to strengthen the safety culture at our operations. Further details on this topic are available in the Health and Safety section of this report.

Highlights of the mining units

VELARDEÑA

Zinc

Ownership	100% Peñoles
In operation	Since 2013
Location	Cuencamé, Durango
Type of operation	Underground mine and beneficiation plant
Installed capacity	milling 2.8 Mt/year
Reserves (proven and expected)	9 years
2024 Investment	US$ 12.3 M

Production	2024	2023	% Chg.
Milled ore (kt)	**2,677**	2,801	-4.4
Content			
Gold (oz)	**4,816**	4,494	7.2
Silver (koz)	**724**	591	22.5
Lead (t)	**2,877**	2,595	10.9
Zinc (t)	**80,941**	81,066	-0.2
Copper (t)	**2,877**	2,923	-1.6
Ore grade			
Gold (g/t)	**0.14**	0.14	3.7
Silver (g/t)	**12.23**	10.63	15.1
Lead (%)	**0.16**	0.14	18.5
Zinc (%)	**3.34**	3.23	3.5
Copper (%)	**0.17**	0.17	4.4
Costs			
Cost per metric ton milled (US$/t)	**54.9**	53.2	3.1
Pounds equivalent sold (millions)	**199.6**	186.6	7.0
Cash cost (US¢/lbe zinc)	**87.0**	104.9	-17.1

In 2024, the total volume of milled and processed ore at Velardeña decreased by 4.4% compared to 2023, primarily due to staffing shortages during the second quarter. This led to a reconfiguration of responsibilities within mine operations, which allowed for the partial recovery of the lost ore volume.

During the period, preparation and ore contribution from the Antares Sur body increased, offsetting the depletion of reserves in the Santa María body. Along with the extraction of high-grade stopes in the Antares Norte body, this allowed for an improvement in the zinc grade, rising from 3.23% in 2023 to 3.34% in 2024. We also continued developing La Industria body, which holds estimated reserves of 742 kt of ore with average grades of 119.8 g/t silver and 1.46% lead. This body contributed 68 kt of development ore—double the volume from the previous year—and led to improvements in average ore grades for silver, from 10.63 g/t to 12.23 g/t, and for lead, from 0.14% to 0.16%, between 2023 and 2024. Ramp deepening and development to access the base of the estimated reserves at this body will continue in 2025. At the same time, efforts to increase ore contribution through long-hole drilling in the Antares Norte and Antares Sur bodies will continue, supporting zinc production.

At the beneficiation plant, we optimized the milling process and modified the lead-copper and zinc flotation circuits to reduce the generation of fine particles and improve metallurgical recoveries. As a result of these measures, year-over-year recoveries improved for silver (from 61.8% to 68.7%), zinc (from 89.7% to 90.6%), and gold (from 36.1% to 39.0%). Lead and copper recoveries registered slight declines, from 66.7% to 65.3% and from 62.3% to 61.5%, respectively.

As a result, production of silver, lead, and gold increased compared to the previous year, while zinc and copper production registered slight declines. Gross sales for the year totaled US$251.5 million—a 12.2% increase over 2023—driven primarily by higher metal content in sold concentrates and overall price improvements, with the exception of lead. Revenue distribution was as follows: 76% from zinc, 10% from copper, 8% from silver, with the remainder from lead and gold. Selling expenses were lower due to reduced treatment charges for zinc concentrates, while production costs remained largely unchanged compared to 2023. The unit cost per milled ton was US$54.9, representing a 3.1% increase, mainly due to a lower volume of processed ore. However, the number of pounds of zinc equivalent sold rose by 3.1%, which contributed to a 17.1% reduction in cash cost. Investments in 2024 totaled US$12.3 million and were allocated to: (i) reserve preparation at the Antares Sur Profundo and Norte Profundo bodies; (ii) development of mining works to deepen La Industria; (iii) engineering, permitting, and preparatory activities for the construction of a new tailings storage facility to ensure operational continuity; (iv) infrastructure development and the start of operations of diamond drilling stations for the Reina del Cobre project; and (v) the purchase and refurbishment of equipment to maintain the productivity of the underground diesel fleet.

Two critical risks were added to the High Potential Management program: hoisting maneuvers and contact with hazardous substances, bringing the total number of risks managed under this methodology to eight. In addition, we began integrating two more risks: handling explosives and detonators, and entrapment by moving parts. Regarding performance indicators, the Total Recordable Injury Frequency Rate (TRIFR) slightly decreased from 4.65 to 4.63, while the Lost Time Injury Frequency Rate (LTIFR) increased from 2.33 to 2.85.

SABINAS

Polymetallic: zinc-silver-lead-copper

Ownership	100% Peñoles
In operation	Under the control of Peñoles since 1995
Location	Sombrerete, Zacatecas
Type of operation	Underground mine and two beneficiation plants
Installed capacity	milling 1.3 Mt/year
Reserves (proven and expected)	7 years
2024 Investment	US$ 11.1 M

Production	2024	2023	% Chg.
Milled ore (kt)	**1,081**	1,251	-13.6
Content			
Silver (koz)	**2,047**	2,828	-27.6
Lead (t)	**6,296**	7,110	-11.5
Zinc (t)	**12,848**	16,236	-20.9
Copper (t)	**1,339**	2,529	-47.1
Ore grade			
Silver (g/t)	**67.99**	79.24	-14.2
Lead (%)	**0.81**	0.87	-6.9
Zinc (%)	**1.58**	1.67	-5.5
Copper (%)	**0.23**	0.34	-30.6
Costs			
Cost per metric ton milled (US$/t)	**94.1**	92.5	1.8
Pounds equivalent sold (millions)	**86.8**	99.4	-12.6
Cash cost (US¢/lbe zinc)	**113.8**	127.7	-10.9

In 2024, Sabinas faced several challenges that impacted its performance. Of particular note was the presence of narrower mineralized structures supplying Beneficiation Plant 1. To address this and reduce dilution from the exploitation of narrower veins, a technical stoppage was carried out to transition the mining method from horizontal to semi-vertical. However, the implementation of this change was delayed due to equipment shortages and employee absenteeism. Stopes were gradually reconfigured, with 18 now ready for extraction, and specialized equipment was introduced to enable more selective mining. Additionally, the 2024 mining plan included the preparation of the APZ body, which holds estimated reserves of 2.3 million tons of ore with grades of 97 g/t silver, 2.2% zinc, and 1.03% lead. This body is mined using the long-hole

drilling method, which is more productive. Although extraction was originally planned to begin in the last quarter of 2024, the aforementioned issues delayed backfill drilling work. Operations are now expected to start in April 2025.

On the other hand, efforts to optimize the efficient processing of ore at the beneficiation plants continued. At Plant 2, improvements in pH adjustment and feeding controls within the circuit led to an increase in overall lead recovery, rising from 65.3% in 2023 to 71.9% in 2024. However, lower grades in the processed ore negatively affected the recovery of other elements: silver recovery decreased from 88.8% to 86.6%, zinc from 77.6% to 75.2%, and copper from 60.3% to 53.3%. Combined with a 13.6% reduction in the volume of processed ore, these factors resulted in lower production of metallic contents during the period.

Gross sales for 2024 totaled US$109.4 million, representing an 8.1% decrease compared to 2023, primarily due to lower production of all metal contents in concentrates. This decline was partially offset by higher sales prices, except in the case of lead. Revenue distribution by element was as follows: silver 48%, zinc 28%, copper 13%, and lead 11%. Pounds of zinc equivalent sold also decreased, from 99.5 million to 86.8 million, due to lower production and the impact of higher zinc prices.

Although production costs decreased by 13.9% year over year, the unit cost per milled ton increased by 1.8% due to a lower volume of beneficiated ore. The most significant cost reductions were in operating materials and energy, reflecting lower ore extraction and processing; in contractor expenses, following the completion of reinforcement works at the tailings storage facilities that had elevated costs in the previous year; and in maintenance and repairs, primarily due to the cancellation of a reserve for major repairs. Additional reductions resulted from the favorable effect of the peso depreciation and lower treatment charges for zinc concentrates. Cash costs for 2024 decreased by 10.9% compared to the previous year, driven by lower production costs, although partially offset by the reduced volume of zinc equivalent pounds sold.

Total investment for the year amounted to US$11.1 million, primarily allocated to the acquisition and refurbishment of diesel equipment, development of mining infrastructure, and the expansion of the edge of Tailings Deposit #4 to ensure operational continuity.

In terms of safety performance, we increased the number of critical risks managed under the High Potential Management program from five to seven, with the inclusion of risks related to handling explosives/detonators and contact with hazardous materials. We also began the deployment of two additional identified risks. Indicators for the High Potential Management program were not favorable: the LTIFR rose from 3.27 to 7.02, and the TRIFR increased from 9.10 to 21.06. In an effort to reverse the negative trend in these indicators, we reinforced operational discipline and launched monthly safety and risk prevention campaigns. We also strengthened the implementation of the STOP® methodology.

TIZAPA

Polymetallic: zinc-silver-gold-lead-copper

Ownership	51% Peñoles, 39% Dowa Mining, and 10% Sumitomo Corporation
In operation	Since 1994
Location	Zacazonapan, Estado de México
Type of operation	Underground mine and beneficiation plant
Installed capacity	milling 980 kt/year
Reserves (proven and expected)	6 years
2024 Investment	US$ 6.7 M

Production	2024	2023	% Chg.
Milled ore (kt)	**627**	960	-34.7
Content			
Gold (oz)	**23,500**	37,824	-37.9
Silver (koz)	**3,570**	5,894	-39.4
Lead (t)	**5,268**	8,821	-40.3
Zinc (t)	**26,935**	41,463	-35.0
Copper (t)	**1,133**	1,332	-14.9
Ore grade			
Gold (g/t)	**1.41**	1.45	-2.7
Silver (g/t)	**193.45**	206.13	-6.2
Lead (%)	**1.15**	1.24	-7.5
Zinc (%)	**5.16**	5.25	-1.7
Copper (%)	**0.35**	0.30	16.3
Costs			
Cost per metric ton milled (US$/t)	**147.1**	120.5	22.0
Pounds equivalent sold (millions)	**195.3**	248.9	-21.5
Cash cost (US¢/lbe zinc)	**64.5**	66.8	-3.5

Tizapa maintained a good production pace during the first eight months of the year. In accordance with the mining plan, ore grades were lower—except for copper—due to the narrow structures in the deeper areas of the mine. Additionally, we increased the contribution of backfill drilling material from the surface, using a materials bank designated for this purpose, which currently represents a considerable volume and will continue to grow as established in the backfill drilling circuit project. At the beneficiation plant, the flotation circuit optimization carried out in 2023 contributed to an increase in zinc recovery from 82.3% to 83.2%, and copper recovery from 45.5% to 51.0%.

However, as we informed the public through a relevant event announcement, operations were halted for an indefinite period due to a strike that began on August 30, promoted by the mining union known as the Sindicato Nacional de Trabajadores Mineros, Metalúrgicos, Siderúrgicos y Similares de la República Mexicana, which has held the collective bargaining agreement since April 18, 2024. This had a negative impact on our annual results compared to the previous year. For the remainder of the year, we carried out conservation and maintenance work on critical equipment and facilities.

Gross sales, at US$246.1 million, were 17.7% lower, as the negative impact of lower production was partially offset by higher metal prices. Sales breakdown as follows: 38% silver, 34% zinc, 20% gold, 4% lead, and 4% copper. Zinc equivalent pounds sold decreased by 21.5%, from 248.9 million to 195.3 million. Production costs were 23.8% lower across all components except depreciation, while the unit cost per milled ton increased by 22.0%. Lower sales of zinc equivalent pounds, combined with reduced costs, resulted in a 3.5% decrease in cash cost.

Investments for 2024 totaled US$6.7 million. These were allocated to the replacement and refurbishment of diesel equipment inside the mine to maintain fleet availability; the development of mining infrastructure, which was limited due to the strike; and the implementation of projects aligned with the Smart Mine vision to maintain productivity and ensure safe processes.

In terms of safety, high-potential accidents at Tizapa continued their downward trend, driven by the management and implementation of five critical risks, with three additional risks incorporated: handling of explosives/detonators, contact with hazardous substances, and ventilation. We also significantly strengthened safety training for non-unionized workers. These efforts resulted in improvements to our indicators: the LTIFR dropped from 4.93 to 2.83, and the TRIFR decreased from 14.8 to 13.35.

Production	2024	2023	% Chg.
Milled ore (kt)	**1,204**	1,216	-1.0
Content			
Gold (oz)	**13,355**	14,420	-7.4
Silver (koz)	**1,813**	2,234	-18.8
Lead (t)	**989**	3,411	-71.0
Zinc (t)	**20,327**	26,691	-23.8
Copper (t)	**5,324**	2,467	115.8
Ore grade			
Gold (g/t)	**0.89**	1.16	-23.0
Silver (g/t)	**79.70**	95.83	-16.8
Lead (%)	**0.49**	0.60	-19.0
Zinc (%)	**2.45**	2.85	-14.1
Copper (%)	**0.79**	0.57	39.2
Costs			
Cost per metric ton milled (US$/t)	**118.6**	126.2	-5.9
Pounds equivalent sold (millions)	**129.8**	122.5	6.0
Cash cost (US¢/lbe zinc)	**110.6**	115.8	-4.5

CAPELA

Polymetallic: zinc-silver-copper-gold-lead

Ownership	100% Peñoles
In operation	Since 2020
Location	Teloloapan, Guerrero
Type of operation	Underground mine and beneficiation plant
Installed capacity	milling 1.48 Mt/year
Reserves (proven and expected)	11 years
2024 Investment	US$ 7.5 M

At Capela, we recorded an unfortunate fatal accident inside the mine in early 2024, related to the critical risk of handling explosives and detonators. Established protocols were immediately activated, and a detailed investigation was conducted using the ACR and ICAM methodologies. Lessons learned were communicated, and training on prevention was strongly reinforced. As a result of the incident, the use of explosives was suspended for 48 days while all requirements from the relevant authority were fulfilled. This, along with high staff turnover, impacted the mining pace and production for much of the year. We implemented a special program for recruiting, hiring, and training personnel, which allowed us to rebuild the workforce and recover the extraction pace in the final quarter of the year. By year-end, extraction and milling volumes were nearly equivalent to those of 2023.

Ore grades were lower for all elements except copper, which increased due to ore contribution from long-hole stopes with higher metal grades.

At the beneficiation plant, we implemented additional technologies to improve metallurgical recoveries and optimize concentrate quality. Key improvements included the installation of a second gravimetric concentrator to increase gold recovery, the addition of devices to enhance efficiency in the flotation cells, and the optimization of advanced control systems in the flotation circuits. Metallurgical research efforts continued, aimed at establishing strategies to streamline operating parameters, including the use of alternative reagents or flotation methods for the current mineralization. As a result of these efforts, gold recovery improved from 31.8% in 2023 to 38.6% in 2024, and copper recovery increased from 35.6% to 55.7%. Silver recovery remained relatively stable at 58.8%, compared to 59.6% the previous year. Recoveries for lead and zinc were lower, mainly due to reduced ore grades; in the case of lead, this was specifically attributed to the lead-copper relationship within the flotation circuit.

During this period, rainfall in the region increased, which, along with efficient water recovery from the high-density thickener and optimized use in processes, enabled the beneficiation plant to operate without interruptions due to water scarcity. As we have stored water and improved recovery efficiencies, we expect to maintain operational stability through 2025. At the same time, we will continue efforts to secure reliable and sustainable water sourcing over the medium and long term.

The hike in metal sales prices and the increase in copper concentrate production offset the decline in production and sales of other metal contents, resulting in a positive impact on gross sales, which rose to US$ 163.5 million—an 11.1% increase over the previous year. Revenue was distributed as follows: 28% copper, 28% zinc, 25% silver, 18% gold, and 1% lead. In terms of zinc-equivalent pounds, sales increased 6.0%, reaching 129.8 million, driven by the aforementioned factors combined with lower production costs. Production costs fell by 10.5%, mainly due to reduced contractor activity—particularly less work on the tailings storage facilities— and from depreciation. In line with the company's accounting policies, an assessment of Capela's assets resulted in an impairmente charge of US$ 17.0 million. The depreciation of the Mexican peso against the US dollar also had a favorable effect on peso-denominated production costs. As a result, the unit cost per milled ton and cash cost indicators declined by 5.9% and 4.5%, respectively.

Investments for the period totaled US$ 7.5 million and were allocated to: expanding Tailings Deposit 1 and advancing the engineering of a new deposit to ensure business continuity; installing and starting up a second gravimetric concentrator and foam collection devices in the flotation cells to improve recoveries at the beneficiation plant; developing mining works to open new production areas; and refurbishing diesel equipment used inside the mine.

In terms of safety management, and under the High Potential Management program, we incorporated three critical risks: handling explosives/detonators, hoisting maneuvers, and contact with moving parts. The annual LTIFR improved slightly, from 4.84 to 4.24, while the TRIFR increased from 11.90 to 14.48.

MILPILLAS

Copper

Ownership	100% Peñoles
In operation	From 2006 to 2020, and re-initiated operations in 2022
Location	Santa Cruz, Sonora
Type of operation	Underground mine, leaching yards, and electrolytic plan
Installed capacity	45 kt/year of cathodic copper
Reserves (proven and expected)	2 years
2024 Investment	US$ 0.2 M

Production	2024	2023	% Chg.
Deposited ore (kt)	**2,214**	2,062	7.4
Content			
Copper cathodes (t)	**12,866**	13,676	-5.9
Ore grade			
Copper (%)	**0.73**	0.73	-0.2
Costs			
Cost per metric ton milled (US$/t)	**47.9**	53.6	-10.5
Pounds equivalent sold (millions)	**27.8**	32.3	-14.0
Cash cost (US¢/lbe copper)	**329.8**	405.8	-18.7

The volume of ore deposited in leaching yards increased by 7.4% compared to 2023, driven by the extraction of 14 stopes—10 containing sulfide ore and 4 with oxide ore—under the reserve depletion program outlined in the 2022 reactivation plan. The average copper grade was slightly lower. The mining plan anticipates continued operation through 2025, based on the current reserves model.

Likewise, given the continued favorable outlook for copper prices, we are evaluating a business case to assess the feasibility of conducting exploration through diamond-bit drilling. This would allow us to reclassify resources located near currently exploited areas, thereby extending the mine's useful life beyond the period originally defined in the reactivation plan.

Copper recovery was 80.1%, down from 91.3% the previous year, due to slow leaching kinetics in the deposited ore and an atypically heavy rainy season that disrupted the irrigation process. This led to a lower grade and reduced flow of rich solution to the electrolysis train. Additionally, the electrolysis plant experienced several disruptions affecting operational continuity, caused by issues in cathode quality during the first quarter, which were resolved by the third quarter. As a result, copper cathode production was 5.9% lower than in 2023.

Since the recovery in copper prices was not enough to fully offset the decline in production, gross sales fell 8.6% to US$114.9 million. Production costs decreased 4.4%, mainly due to reduced contractor expenses stemming from fewer development works at the mine—these had been intensified the previous year to prepare extraction stopes—as well as the favorable impact of the Mexican peso's depreciation against the US dollar on peso-denominated costs. Pounds of copper equivalent sold declined from 32.3 to 27.8 million, and the cash cost dropped 18.7%, driven by lower production costs.

In terms of safety, the inclusion of contact with hazardous materials in the High Potential Management program brought the number of critical risks managed at Milpillas from seven to eight. By year-end, implementation began for the hoisting maneuvers critical risk. Unfortunately, a fatal accident occurred related to the falling rocks risk. An investigation was carried out using the ICAM methodology, and several corrective and preventive measures were implemented across all mining units. As for safety indicators, TRIFR decreased from 12.31 in 2023 to 5.88 in 2024, while LTIFR dropped from 7.13 to 2.61.

VALUE CREATION PROJECTS

In order to optimize our processes, every year multidisciplinary teams develop Value Creation Projects (VCP) at the mining units, managed with the Six Sigma methodology. The objective of these projects is to address the most pressing challenges at every unit, which are identified using tools such as the Comprehensive Management System, the Strategic and Operational Plan, developing budgets, analyzing competitiveness, and benchmarking, among others.

Two coordinators (non-unionized workers) are assigned to each project, and they develop and apply leadership capabilities, in collaboration with the work team, to reach the goals established at the beginning of the year. During the period, through the Leadership Teams at each unit, 43 VCP were established, among which the following projects stand out and will move on to the evaluation phase for a possible recognition:

Milpillas
Improve the quality of the copper cathode, re-engineer operational discipline, and improve efficiencies in the mining process.

Capela
Reduce operational damage to mobile equipment, optimize rock stability, improve metallurgical recovery, improve cost controls, and modernize labor, efficiencies in mining planning, and engagement.

Sabinas
Cost reductions, implement the Smart Mine, optimize equipment availability, control dilution, and develop long drilling.

Velardeña
Optimize the mine, improve production based on the value of ore, recover zinc, develop strategic and priority projects, strengthen the High Potential Management program, and optimize equipment availability.

Tizapa
Implement a circuit of backfill drilling from the surface, comply with pounds equivalents of zinc, optimize the lead-copper circuits and gravimetric concentration, manage resources and reserves, rock mechanics, safety, and grow the edge of the tailings storage facilities.

Engineering and planning to streamline processes (Apolo Team)

Notably, in 2024 a team of engineers specialized in mining processes joined the Mining Division to collaboratively study, analyze, and optimize productivity in units that are facing significant challenges. Activities carried out at Velardeña and Sabinas stand out.

At Velardeña we analyzed the ore availability extraction processes as well as the equipment that is available. In collaboration with the operating staff, we established strategies to increase productivity. At year-end, progress for priority measures was at 70%, which contributed significantly to operating results for the period.

At Sabinas, activities were focused on the challenges identified by the Leadership Team at the mining unit. We prioritized optimizing drilling with jumbos and simbas. Simultaneously, an engineering study was performed to assess production capacity under the current framework of the roles workers play inside the mine, and to suggest measures aimed at increasing productivity.

INTELLIGENT MINE

In line with our strategy to operate the most technologically advanced mines, we made significant progress in deploying and evaluating new technologies that add value to our mining processes. The most relevant developments are described below.

Streamlining the blasting process

Remote blasting systems have been fully installed at Capela, Tizapa, and Sabinas. Implementation began at Velardeña and is scheduled for completion in 2025.

Assessing and implementing LTE/5G technology

During 2023 and 2024, we conducted tests to evaluate the feasibility of integrating LTE/5G technologies into our operations. The results confirmed their viability, demonstrating stronger device connectivity and significant improvements in transmission latency. Following these successful tests, we began the acquisition process for the technology, with the goal of starting operations at the Velardeña unit in the first quarter of 2025. This represents a strategic step forward in achieving hyperconnectivity and technological optimization across our operating units.

Advanced control at beneficiation plants

At the beneficiation plant at Capela, we implemented an Advanced Control System in the lead-copper (bulk) flotation circuit to improve recoveries. While copper recovery has improved significantly since the system's implementation, its overall impact remains under evaluation. We also began deploying advanced control systems in the zinc flotation circuit.

Control systems

This year, we completed the migration of the control system at Velardeña from version 8.0 to version 9.1, enhancing the safety of operational systems and aligning them with the company's technological standards. Additionally, a comprehensive restructuring of cybersecurity policies was also carried out to ensure controlled access to control systems across all units. These measures significantly strengthen internal access security and represent a key step in safeguarding our operational systems against emerging risks.

Consolidation of the collision alert technology

In 2024, we consolidated the collision alert technology designed to reduce the risk of accidents involving interactions between vehicles and between vehicles and personnel. This technology was successfully deployed at Sabinas and Tizapa, making a significant contribution to improving operational safety.

We plan to integrate this technology at Velardeña in 2025, reaffirming the company's commitment to safety and accident prevention.

Automation in the ore hauling process

As part of our efforts to strengthen the ore hauling process, we automated the weighing of transportation vehicles at Sabinas. This improvement will enable us to accurately identify the source area of the ore, minimize human error, and enhance traceability and operational efficiency.

FRESNILLO PLC

Attributable production*	**2024**	2023	% Chg.
Milled and deposited ore (Mt) [1]	**32.0**	32.5	-1.3
Content			
Gold (oz)	**631,573**	610,646	3.4
Silver (koz)	**54,260**	53,454	1.5
Silversteam silver (koz) [2]	**2,047**	2,828	-27.6
Lead (t)	**66,400**	57,833	14.8
Zinc (t)	**116,646**	107,705	8.3

*Attributable production includes 56% of Juanicipio's output, as reported by Fresnillo plc.
1 Excludes tailings processed at the Fresnillo pyrites plant.
2 Under the Silverstream agreement, Fresnillo plc is entitled to receive revenue—prior to treatment and refining charges, less US$5.0 per ounce (adjusted for inflation since 2013)—from the payable silver produced at Sabinas.

Fresnillo plc, a subsidiary in which Peñoles holds a 74.99% stake, is independently listed on both the London and Mexican stock exchanges. It operates eight mines in Mexico, primarily producing gold and silver. Fresnillo is the world’s leading primary silver producer and one of the top gold producers in Mexico.

The volume of ore deposited in the leaching yards and processed in the dynamic leaching plants at Herradura reached 22.7 million tons— 12.5% more than in 2023. This increase resulted from equipment optimization efforts in 2024 and from the fact that operations in the previous year were affected by a temporary illegal stoppage and electrical issues at the dynamic leaching plants, which limited operational capacity. This year's higher volume offset the absence of ore production at Noche Buena, where mining at the pit was suspended in May 2023 and the closure process began, as planned, due to the depletion of reserves.

On the other hand, the volume of milled and beneficiated ore in the underground mining plants (attributable) decreased by 4.9%, to 9 million tons. This was partially due to the gradual decline in extraction at the disseminated ore body of San Julián throughout 2024, which was finalized in November as it reached the end of its useful life. Additionally, at the Fresnillo mine, extraction was temporarily reduced as ore had to be transported via ramps while the two sections of the deepened San Carlos shaft were connected and brought into operation. These shortfalls were partially offset by higher processed volumes at Saucito—driven by improved productivity and equipment availability—and at San Julián (veins), where the timely preparation of stopes and an operational optimization program increased processing capacity at the beneficiation plant.

Attributable gold production grew by 3.4%, mainly due to higher ore grades at Fresnillo and increased ore processing and improved grades at Saucito and San Julián (veins), along with a higher volume of processed ore at Herradura and better ore grades at Ciénega. This growth was partially offset by lower gold recovery at the Noche Buena leaching yards, following the suspension of mining activity in May 2023, and, to a lesser extent, by reduced mining activity at San Julián (disseminated ore body).

Attributable silver production—excluding that from the Silverstream contract—registered a slight increase of 1.5%. This was mainly due to higher ore grades and increased volumes of processed ore at San Julián (veins) and Saucito, as well as, to a lesser extent, the greater contribution from Juanicipio after completing its first full year of operations at the beneficiation plant, and the improved ore grade at Ciénega. These gains offset the decline in production at San Julián (disseminated ore body) as it approached the end of its useful life, and the lower volume and grade of processed ore at Fresnillo. The latter resulted from the extraction of stopes in areas with lower silver grades but higher gold and base metal contents, as well as narrower veins and increased dilution.

The new Pyrites plant (Phase II) in Fresnillo also contributed to increase silver production by recovering values from historical tailings.

In terms of annual attributable production of base metals—which are byproducts of Fresnillo plc—lead and zinc increased by 14.8% and 8.3%, respectively, compared to 2023. This was mainly driven by better ore grades at Fresnillo and Juanicipio, as well as a higher volume of processed ore with improved grades at Saucito. These gains were partially offset by the lower contribution from San Julián (disseminated ore body).

RESERVES

To provide greater certainty for proven reserve blocks and identify new ore resources to ensure operational continuity, in 2024 we conducted 58,378 meters of diamond drilling across the mines operated by Peñoles.

Ore resource and reserve estimates were completed in January 2024 to support the year's budget and operational plans. To ensure greater certainty, resources were estimated following industry best practices and in line with the guidelines of the Joint Ore Reserves Committee (JORC, 2012 edition). Additionally, the Datamine Mineable Shape Optimizer (MSO) system was used to estimate reserves, allowing for more precise identification of economically mineable blocks. All process calculations were audited by both an independent external consultant and Peñoles' Internal Audit Division.

The price assumptions used for the estimate reflect the company's long-term projections at the beginning of the estimation process and are higher than those applied in 2023, except for zinc. The assumptions were as follows: gold at US$1,700.00 per ounce (+14.7%), silver at US$22.00 per ounce (+15.9%), lead at US¢95.00 per pound (+5.3%), and zinc at US¢1.20 per pound (unchanged). Based on these premises, the estimate concluded that we have 28 years of resources and 14 years of reserves, at the projected production pace for the next five years—compared to 30 and 14 years, respectively, in the 2023 estimates.

The estimation of proven and probable reserves showed a year-over-year decrease of 18.5 million tons of ore—or 10.7 million tons excluding the ore processed during the year—mainly due to projected increases in operational costs at the mining units and a higher cut-off grade (except at Capela). These effects were offset by an average reduction in treatment charges —except for copper concentrates— and higher prices for gold, silver, lead, and copper.

As a result, the volume of economic blocks decreased, but the value of the ore in the reserves increased, improving the financial outlook for operations. By mining unit, Milpillas maintained its ore reserve volume, while the rest registered decreases (in millions of tons): 5.9 at Velardeña, due to the removal of reserve blocks left as an inaccessible lateral pillars with low zinc grade, and the optimization of the geological model; 4.8 at Capela, which, despite a reduction in projected costs, reflects the depletion of long drilling stopes; and 1.4 at Tizapa, due to reserve depletion.

At Sabinas, we applied stricter criteria to estimate reserves by incorporating operational and sustaining expenses into the projected production costs. This led to a reduction of 9.2 million tons of ore, as non-economic blocks were excluded.

The metallic contents and year-over-year variation in Peñoles's proven and probable reserves, including those of Fresnillo plc, were as follows:

	2024	2023	% Chg.
Gold (koz)	**8,142**	8,237	-1.2
Silver (koz)	**523,356**	604,014	-13.4
Lead (kt)	**1,405**	1,512	-7.0
Zinc (kt)	**4,394**	4,860	-9.6
Copper (kt)	**255**	353	-27.8

* Includes 56% of the reserves of the Juanicipio mine. Does not include the San Julián reserves (disseminated ore body) in 2024 because of the closing of operations.

A detailed table with ore reserves estimates is included on page 57 of this Annual Report.

Proven and probable reserves

Fresnillo plc Reserves

Mine	Share (%)	Processed ore (kt)		Total reserves (kt)		Ore reserves grade 2024			
		2023	2024	2023	2024	Gold (g/ton)	Silver (g/ton)	Lead (%)	Zinc (%)
PRECIOUS METALS									
Underground									
Minera Fresnillo (1)(3)	75	2,619	2,334	12,139	13,712	0.60	237.09	1.17	2.56
Ciénega (1)(3)	75	1,065	1,059	2,693	2,917	1.30	147.25	0.45	0.49
Saucito (1)(3)	75	2,164	2,364	10,056	14,579	1.10	237.99	1.16	1.96
San Julián Vetas (1)(3)	75	1,142	1,237	4,311	3,423	1.16	250.39		
San Julián Diseminado (1)(3)	75	2,074	1,554	2,208					
Juanicipio (2)(3)	42	1,269	1,328	8,599	10,378	1.58	221.00	2.25	4.08
Open pit									
Herradura (1)(3)	75	20,224	22,742	205,872	213,124	0.83			

(1) As of June 30, 2024. Proven and expected reserves in thousand tons over the 100% basis. Audited figures.
(2) As of June 30, 2024. Proven and expected reserves in thousand tons over the 56% basis. Audited figures.
(3) To estimate the 2024 reserves, the following prices were used: gold US$/oz 1,750.00, silver US$/oz 23, lead US¢/lb 95, and zinc US$/lb 1.15.

Peñoles reserves

Mine	Share (%)	Processed ore (kt)		Total reserves (kt)		Ore reserves grade 2024				
		2023	2024	2023	2024	Gold (g/ton)	Silver (g/ton)	Lead (%)	Zinc (%)	Copper (%)
BASE METALS										
Underground										
Velardeña (4)(5)	100	2,801	2,677	31,004	25,025	0.12	11.23	0.16	3.15	0.16
Sabinas (4)(5)	100	1,251	1,081	18,007	8,796		136.16	1.53	2.36	0.42
Tizapa (4)(5)	51	960	627	7,005	5,554	1.20	194.63	1.17	4.65	0.21
Capela (4)(5)	100	1,216	1,204	20,819	16,044	1.16	106.33	0.72	2.99	0.77
Milpillas (4)(5)	100	2,062	2,214	3,594	3,534					0.79
Naica (4)(5)(6)	100			12,530	15,454		110.46	3.06	10.26	0.09

(4) As of January 31, 2024. Proven and expected reserves in thousand tons over the 100% basis.
(5) To estimate reserves, the following prices were used: gold US$/oz 1,700, silver US$/oz 22, lead US¢/lb 95, and zinc US$/lb 3.75.
(6) Operations are currently halted.

Tailings deposits

2024 TAILINGS STORAGE MANAGEMENT

The Tailings Management System underwent significant changes to align with the company's evolving needs and expectations, building on the maturity and strength gained from the actions we have taken.

GOVERNANCE

We revised the scope of the Tailings Management System to focus exclusively on the management of tailings and their deposits, allowing for more effective allocation of resources and attention to this objective. Leaching yards, water dams, and deposits of other ore and metallurgical residues—such as slag, jarosite, and gypsum—will continue to operate with a commitment to zero harm, in compliance with applicable regulations and best practices.

Another relevant change was the transfer of engineers responsible for tailings deposits from the Corporate Tailings Management division to the mining units, strengthening governance and enhancing operational performance. The responsibility for corporate governance development, improvement, and management, as well as the Tailings Management System, remain underthe Corporate Tailings team.

The Independent Panel to Review Tailings Storage Facilities completed all inspections scheduled for 2024, covering six operational sites and one project, as outlined in the annual plan. A key highlight was the sharp reduction in the number of recommendations issued—down from 138 in 2023 to 37 in 2024. Priority 1 recommendations, the highest level of priority, fell from 13 in 2023 to just two in the reports received as of October 2024. A total of 457 recommendations were satisfactorily addressed during the year, bringing the overall resolution rate of recommendations accumulated since 2019 to 77%, up from 45% in 2023.

We continued implementing the Tailings Management System across all operating units. This included annual Dam Safety Inspections (DSI), risk assessment and management using Dam Break Analysis (DBA) of the edge breaking point, Potential Failure Mode Assessments (PFMA), operational maintenance and oversight manuals, emergency response and preparedness plans, as well as emergency drills and community representative visits to our deposits.

OPERATION

Through studies and research, we gained a deeper understanding of the construction and stability conditions of our tailings storage facilities, enabling the design and construction of expansions at Sabinas, Velardeña and Ciénega with secured tailings storage capacity at a low cost per ton. At both Sabinas and Velardeña, we continued using tailings as backfill inside the mine and as construction material for deposit expansions.

In 2024, we had nine projects in the execution phase with an investment of US$54.6 million, and six projects in earlier phases—pre-feasibility or feasibility—with an investment of US$7.3 million. All projects were carried out in alignment with the principles of our Tailings Management System and Capital Project Management System, ensuring that designs were based on the classification of both the site and the tailings and met all quality requirements. Each design was validated by a specialized designer or engineer, who also verified that the appropriate project documentation was in place.

2024 PERMIT MANAGEMENT

In 2024, we established a strategy for the comprehensive management of all required permits to ensure that every phase of the project life cycle—construction, operation, and closure—complies with all applicable regulations. This strategy is supported by a solid corporate governance structure that clearly defines roles, competencies, and responsibilities.

New regulations posed challenges for obtaining the permits required to build and operate a mine. Despite these obstacles, we successfully secured the permit needed to build in a federal zone for the Juanicipio project, ensuring operational continuity and compliance with our economic and labor commitments in the region. Additionally, we established a Permit Management division to support the company in managing federal, state, and municipal authorizations.

2024 INTEGRATED MINE CLOSURE MANAGEMENT

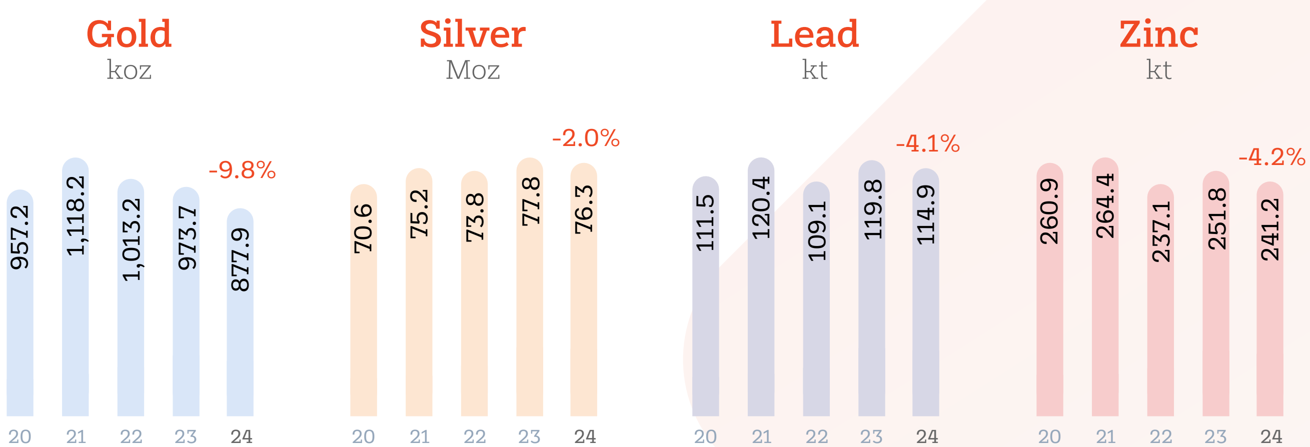
To strengthen our expertise and planning for integrated mine closures at our projects and mining units—and in line with our strong commitment to leaving a positive legacy for people and the environment—we updated the conceptual closure plans for Saucito, Juanicipio, and San Julián. We also revised the closure cost estimates for all the group's mines, factoring in inflation, exchange rates, and the impact footprint of each project.

We made significant progress in the progressive closure programs for the Bismark and Noche Buena mining units. As part of these efforts, we reforested 168 hectares, achieving a survival rate of over 80%, which helped restore wildlife habitats, reduce soil erosion, and retain humidity. In compliance with the Mining Law (Ley Minera), we submitted rehabilitation, closure, and post-closure programs to the Mexican Ministry of the Environment (Secretaría del Medio Ambiente y Recursos Naturales) for the companies holding mining concessions granted by the Ministry of the Economy (Secretaría de Economía) for ore exploration and extraction.

Our vision for integrated mine closures is aligned with our Sustainability Policy, which is grounded in the following principles:

- **Embed sustainability in our organizational culture.**
- **Operate in harmony with society and the environment.**
- **Share benefits with our stakeholders.**

Metals



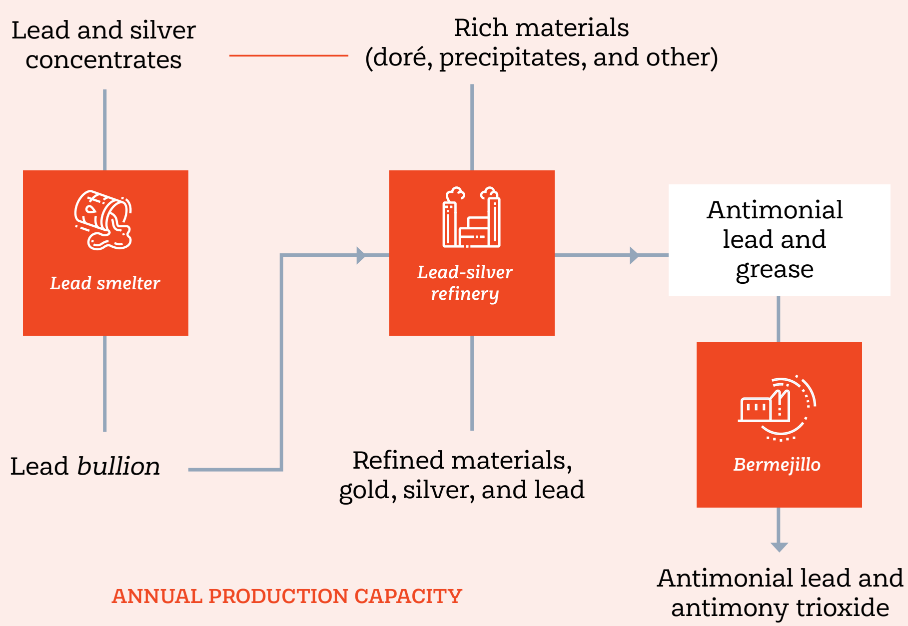
The Metals Division produces high-purity, high-quality gold, silver, lead, and zinc at the metallurgical complex in Torreón, Coahuila. These metals are processed from complex concentrates and other materials sourced from our own mines, subsidiaries, and various third-party mining suppliers. The Bermejillo plant, located in Durango, processes byproducts from these operations to produce copper sulfate, zinc sulfate, and antimony trioxide. Meanwhile, the Aleazin plant in Ramos Arizpe, Coahuila, manufactures special zinc alloys. Together, these facilities form the Met-Mex Peñoles (Met-Mex) subsidiary, which represents the final link in our metals production chain.

Today, Met-Mex is the world's top producer of refined silver. It is also the leading producer of refined (primary) gold and lead in Latin America and ranks as the fifteenth-largest producer of refined zinc globally.

Met-Mex has two main circuits:

Smelter-refinery circuit

The operation consists of the smelter—where lead-silver concentrates are processed to produce lead *bullion*—and the lead-silver refinery, which refines this *bullion* along with doré, precipitates, and other rich metal-content materials to produce refined gold, silver, and lead.



ANNUAL PRODUCTION CAPACITY

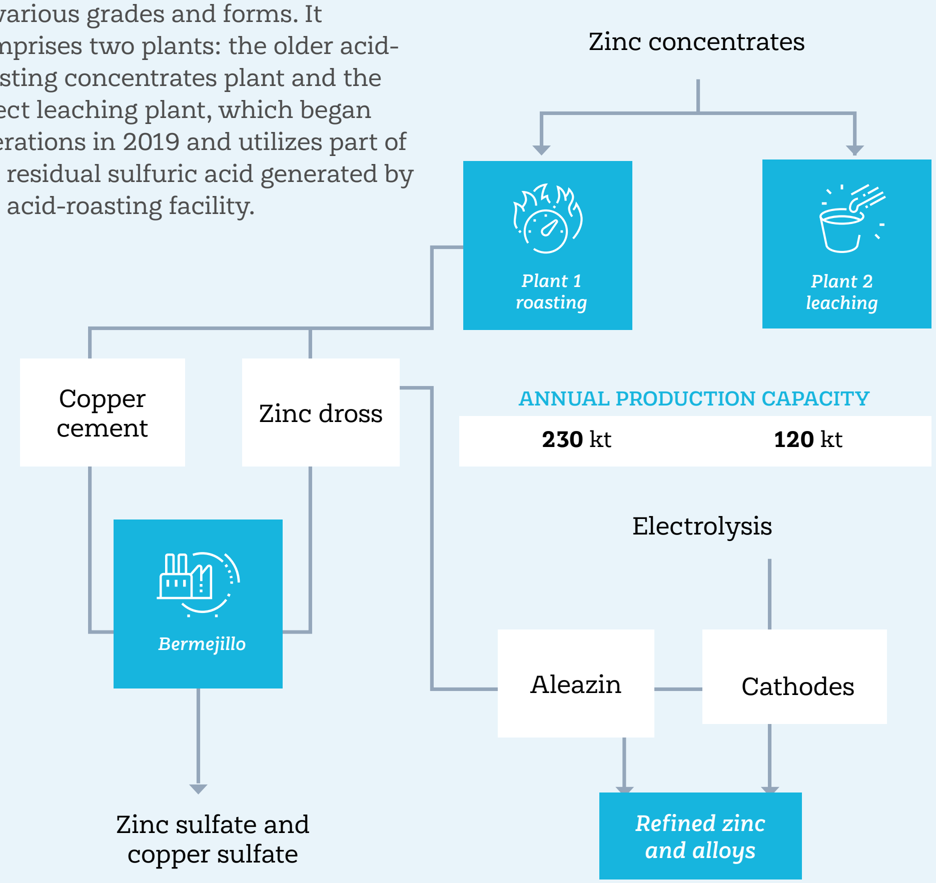
180 kt *lead*	**118** Moz *silver*	**1.8** Moz *gold*

ANNUAL PRODUCTION CAPACITY

864 t *Antimony trioxide*

Zinc circuit

The zinc circuit is supplied with zinc concentrates and uses an electrolytic process to produce refined zinc in various grades and forms. It comprises two plants: the older acid-roasting concentrates plant and the direct leaching plant, which began operations in 2019 and utilizes part of the residual sulfuric acid generated by the acid-roasting facility.



ANNUAL PRODUCTION CAPACITY

9 kt *zinc sulfate*	**8** kt *copper sulfate*

PRODUCTION AND PERFORMANCE

Production of the main refined metals and the year-over-year variation was as follows:

	2024	2023	% Chg.
Gold (oz)	**877,923**	973,651	-9.8
Silver (koz)	**76,317**	77,835	-2.0
Lead (t)	**114,933**	119,793	-4.1
Zinc (t)	**241,216**	251,754	-4.2

In the metallurgical business, we faced several challenges over the period. In the silver circuit, various unscheduled stoppages were required to implement corrective measures stemming from the root cause analysis of accidents and issues in the refinery's blast furnaces. These events negatively affected the volume treated by the lead smelter, as well as the production and treatment of *bullion* at the refinery and led to an increase in in-process inventory. To mitigate this, we implemented a program to reduce inventories and sell byproducts and concentrates, strengthened with the recovery of secondary materials across the circuit. Accordingly, production of refined silver, at 76.3 million ounces, and refined lead, at 114,933 tons, declined by 2.0% and 4.1%, respectively, compared to the previous year. Refined gold production, at 877,923 ounces, was also down 9.8%, due to the lack of production at the Noche Buena mine, lower grades in the concentrate mixtures, and a decrease in the purchase of rich materials from third-party suppliers.

Within the zinc circuit, as reported last year, following a detailed analysis of the production processes at the zinc plant and its expansion, we made the decision to temporarily reduce design capacity—from 350,000 to 270,000 tons of refined zinc annually—beginning in September 2023. Since then, we have been operating with only two of the three electrolysis modules, which has allowed us to improve energy efficiency and reduce operating and maintenance costs. Although this adjustment led to greater operational stability in 2024, we experienced some failures of the roasters at the old plant, which limited our capacity to treat concentrates and reduced the availability of calcine; in addition to delays in cleaning and conditioning the electrolysis cells. These problems required corrective stoppages, although they were less frequent and shorter than in previous years. As a result of the measures implemented, the volume of treated concentrates increased year over year, and zinc recoveries improved slightly. However, lower grades in the treated concentrates affected refined zinc output, which totaled 241,216 tons, a 4.2% decrease compared to the previous year.

In terms of economic performance, treatment charges—which are revised annually in accordance with international benchmarks —declined, with the most significant drop occurring in zinc concentrates. However, this decrease was offset by higher revenue from free metals and, in the case of the zinc circuit, by a greater volume of processed concentrates. Production costs decreased due to the depreciation of the Mexican peso against the US dollar, which benefited costs incurred in local currency. A notable reduction in electricity costs also contributed, driven by the migration of operations to the Wholesale Electricity Market (WPM). Additionally, costs related to operating materials, maintenance, repairs, and labor were lower. The combination of these factors positively impacted the operating margins of the metallurgical division compared to the previous year.

Investments in the Metals Division totaled US$22.2 million and were directed toward sustaining, replacing, and refurbishing critical equipment to maintain operational continuity, enhance efficiency, implement technological upgrades, improve environmental performance, and reduce risks to personnel. Noteworthy projects included the replacement of one of the reverberatory furnaces at the smelter, which required an investment of US$1.4 million, and the automation of the overhead crane in the silver refinery.

We continued to apply High Potential Management at our metallurgical operations to identify critical risks, strengthen controls, and reduce accidents. An intensive employee training campaign was carried out, focusing on procedures for risk analysis in specific tasks, working in confined spaces, and controlling hazardous energy. In addition, we conducted work sessions and assessment visits across our plants to identify risks, perform evaluations, and reinforce controls using the Workplace Risk Assessment & Control (WRAC) methodology. We also promoted visible leadership among both internal staff and contractors and distributed the new Safety, Occupational Health, and Environment Management Standard for contractors. As a result, the Total Recordable Injury Frequency Rate (TRIFR) improved from 26.03 in 2023 to 24.88 in 2024, while the Lost Time Injury Frequency Rate (LTIFR) decreased from 13.51 to 13.34.

SMELTER-REFINERY CIRCUIT

Volume received (t)	**2024**	2023	% Chg.
Concentrates (Smelter)	**306,950**	286,114	7.3
Direct materials (Refinery)	**1,639**	1,243	31.9
Total raw materials	**308,589**	287,356	7.4
Own*	**202,455**	189,270	7.0
% of total	**65.6**	65.9	
Third Parties	**106,134**	98,086	8.2
% of total	**34.4**	34.1	

Share in raw materials content (%)	Gold	Silver	Lead
Own*	65.5	69.2	54.4
Third Parties	34.5	30.8	45.6

*From the Peñoles and Fresnillo plc mines

The volume of material load treated at the smelter totaled 320,462 tons, representing a 1.6% decrease compared to 2023. Throughout the year, several unscheduled stoppages occurred at the plant. The most significant was carried out to implement corrective measures following the root cause analysis of an accident that unfortunately resulted in two fatalities. Other interruptions were due to low furnace efficiencies, and operational continuity at the facilities was fully restored by the third quarter of the year.

To offset the increase in process inventories caused by these stoppages, we opted to sell lower-quality concentrates and reinforced the recovery of secondary materials throughout the circuit. Additionally, we imported concentrates with higher lead grades, which helped improve silver recoveries and supported the balance of concentrate mixtures fed to the blast furnaces.

To avoid impacting the sintering process or the recovery of silver in concentrates, we continued processing a controlled volume of high-grade lead-silver cements from the recovery process at the zinc plant. As a result of these actions, the annual volume of *bullion* produced by the smelter totaled 135,748 tons, a 2.1% decrease compared to the previous year.

At the silver refinery, the lower volume of *bullion* received—combined with lower silver grades—was offset by receipts of doré and carbons from Herradura, as well as precipitates from San Julián, Saucito, and Ciénega. However, receipts of silver-rich materials from third-party shippers were lower. As a result, production of refined silver totaled 76.3 million ounces, and refined lead reached 114,933 tons, representing decreases of 2.0% and 4.1%, respectively, compared to 2023. Refined gold production declined by 9.8%, primarily due to lower doré production at Noche Buena following the depletion of the mine, and to lower grades in the treated concentrates. This decline was further impacted by an increase in in-process inventory, which was partially offset by higher doré and other direct material production at Herradura.

Revenue per ton treated in the smelter-refinery circuit declined by 4.5% on average compared to the previous year. This decrease was primarily due to lower processed volumes, reduced base treatment and refining charges, and a decrease in the volume of free gold metal. This decrease was partially offset by lower expenses related to concentrate imports, as well as higher volumes and improved prices for free silver and copper metals. Average unit production costs were 5.5% lower, largely due to the favorable exchange rate of the peso against the dollar in peso-denominated expenses. Lower operating materials costs—particularly the reduced consumption of rich alloy smelting pans in the refinery, as a result of efforts to extend their useful life—and lower energy prices also contributed to the reduction.

These savings, however, were partially offset by higher labor costs and corrective maintenance activities.

ZINC CIRCUIT

	2024	2023	% Chg.
Concentrates received (t)	**619,961**	611,584	1.4
Own*	**506,674**	488,438	3.7
% of total	**81.7**	79.9	
Third Parties	**113,287**	123,146	-8.0
% of total	**18.3**	20.1	

Share of concentrates contents (%)

	Zinc
Own*	81.7
Third Parties	18.3

*From the Peñoles and Fresnillo plc mines

The volume of concentrates received during 2024 was similar to that of 2023 and came mostly from our own mines. As mentioned earlier, the zinc circuit was more stable operationally, despite several corrective stoppages.

Treated load totaled 482,748 tons, 3.5% higher than the previous year. However, refined zinc production declined by 4.2% due to lower grades in the processed mixtures. As part of the inventory optimization program, we continued selling concentrates to reduce investment in working capital. Zinc recovery improved to 93.6%, up from 93.1% the previous year. In terms of electrolysis module performance, current efficiency also increased—from 78% to an average of 83%—which, along with more competitive electricity prices following the migration to the WPM, contributed favorably to reducing costs in this business.

In the zinc circuit, the silver recovery process yielded 6.0 million ounces of silver in cements. Of this total, 4.3 million ounces were sent to the smelter; part of the volume was sold to domestic clients, while the rest was sent to the Saucito leaching plant for treatment and subsequently returned to the smelter as precipitates. As a result of adjustments made to process parameters, silver recovery in cements reached its designed capacity, achieving 90.2% efficiency in zinc concentrates, up from 84.2% in 2023.

Average revenue per treated ton increased by 9.6%, driven by several factors. Although basic treatment charges were lower, this was offset by a higher revenue of free zinc metal — both from better recovery and price increase. Revenue from lead-silver cements sent to the lead smelter for refining and to Saucito, as well as sales of copper cements and other byproducts, also increased. Unit production costs decreased by 21.3% on average, mainly due to lower electricity and labor costs, the latter resulting from workforce adjustments made in 2023 following the shutdown of one electrolysis module. Consumption of operating materials, such as cathodes and anodes, also declined, as the replacement program for these materials was completed last year, leading to reduced maintenance and repair expenses. The favorable exchange rate for peso-denominated costs further contributed to the improvement. Altogether, these factors resulted in a significant enhancement in the financial performance of the zinc circuit.

MARKETING AND BUSINESS DEVELOPMENT

Physical demand for gold and silver in the international market remained strong, driven by ongoing uncertainty around global economic growth and geopolitical tensions. These factors, along with interest rate cuts by the Federal Reserve, provided additional support for both metals' prices. In addition to its role as an investment asset, silver demand saw a notable increase due to its industrial applications—particularly in the solar energy sector. Over the course of the year, exports accounted for 91.5% of gold sales and 97.3% of silver sales. In the domestic market, consumption declined slightly, affected by high metal prices and the depreciation of the peso.

We obtained the Good Delivery recertification for gold and silver from the London Bullion Market Association (LBMA), which endorses Peñoles' ethical conduct in the sale of precious metals and enables continued access to international markets. We also maintained our Responsible Silver & Gold certification, also granted by the LBMA, which confirms that the supply chain for our refined products remains conflict-free.

Peñoles adhered to the Gold Bar Integrity (GBI) database, an initiative by the LBMA aimed at enhancing transparency, security, and stability in the exchange of market information. This database will serve as the cornerstone for an accurate and timely flow of information, providing a secure and efficient platform for refineries and LBMA members to share data with the organization.

In terms of base metals, the strength of the Asian market—particularly China—led to significant shifts in London Metal Exchange (LME) inventories, which in turn affected the dynamics of the speculative market.

In the US and Canada, reduced availability from certain zinc producers led major consumers to seek alternative suppliers, including those in Asia. This shift caused regional premiums to remain above those in the European and Asian markets. In Mexico, zinc consumption remained stable, with an optimistic outlook driven by key projects scheduled for 2025 and 2026. We continue to be the main supplier of zinc for the country's top consumers and successfully ensured supply for our key clients in both Mexico and the US.

The domestic lead market showed irregular behavior due to a contraction in demand for replacement batteries during the first half of the year, driven by the global economic environment. Despite this, we maintained our position as a strategic supplier to the two largest consumers in Mexico and preserved our presence in other key markets, including Japan, South America, and the US. As part of our commercial strategy—and by capitalizing on market conditions—we completed several spot sales to Asia and continued diversifying our trade portfolio.

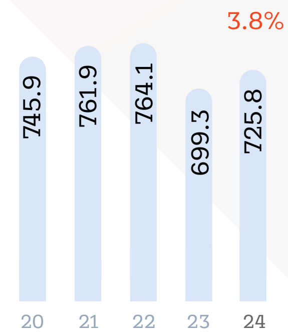
Chemicals

The Chemicals division manufactures value-added products derived from natural brine and salts. These resources are extracted from the subsoil through hydraulic mining at the Química del Rey plant, located in Laguna del Rey, in the municipality of Ocampo, Coahuila.

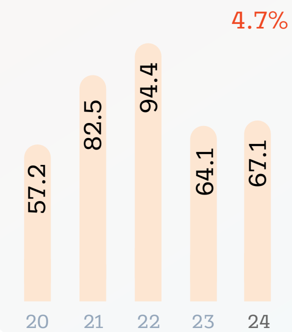
Sodium sulfate, the division's main product, generates more than 60% of its revenue. It is a key input for the detergents, glass, paper, and textile industries, and we are the leading supplier in the domestic market. Química del Rey is the largest producer of sodium sulfate outside of China, with an annual production capacity of 780,000 tons.

The second most important chemical product is magnesium oxide, produced from residual brine generated during sodium sulfate production and from dolomite ore extracted from La Esmeralda mine near Laguna del Rey, also in Coahuila. It is manufactured in various grades: refractory, used to make bricks that line high-temperature kilns in the steel and cement industries; caustic, used in animal feed and fertilizers; hydroxide, used as a flame retardant; and electrical grade, employed as insulation and in the production of electrical resistors.

Sodium sulfate
kt



Magnesium oxide*
kt



* Includes refractory, caustic, electrical, electrofused, and hydroxide grades

Magnesium sulfate
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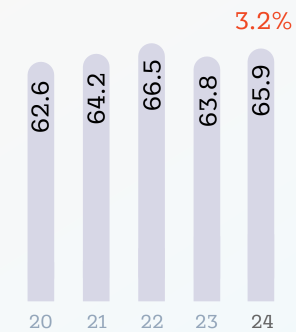
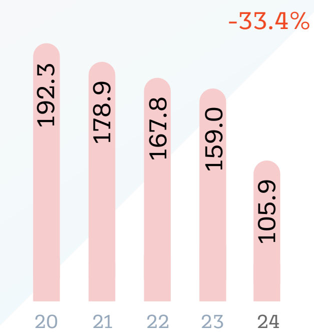
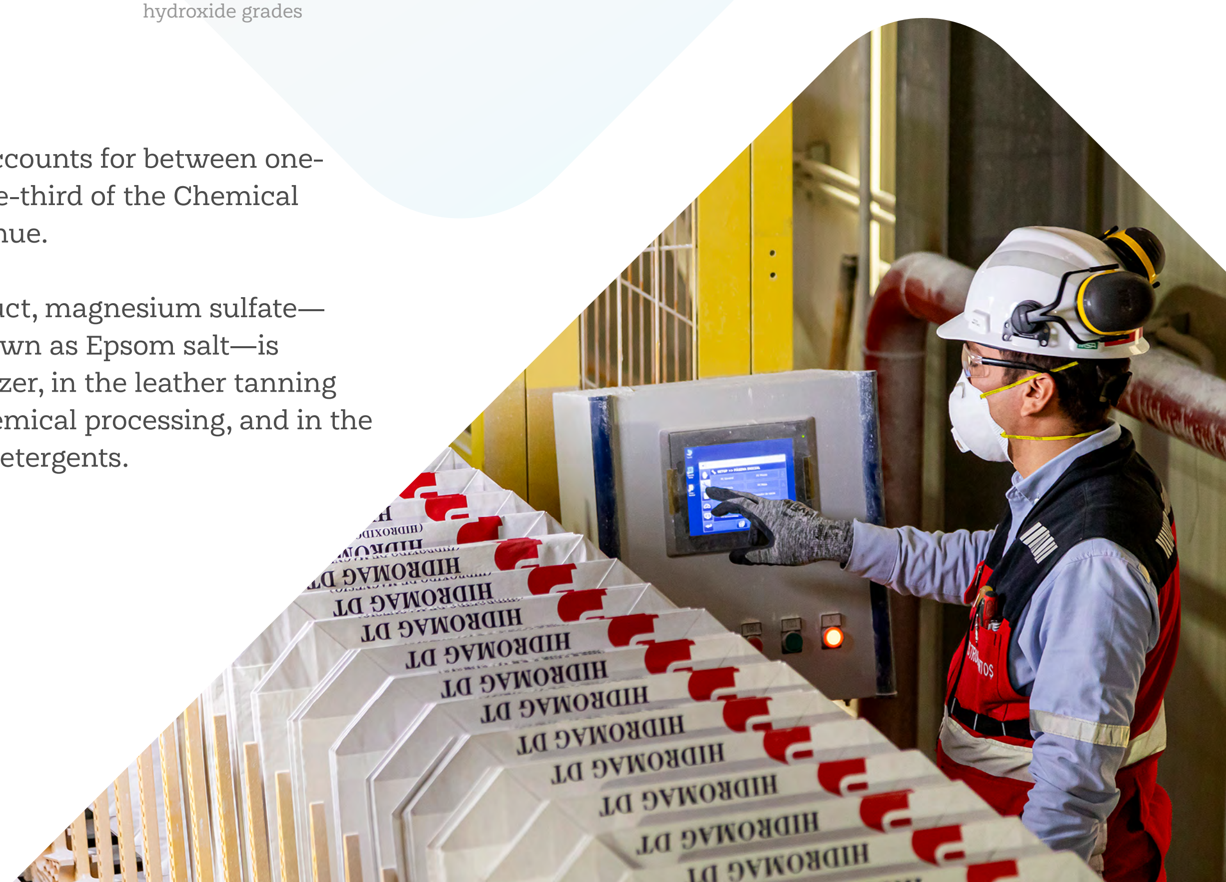


Ammonium sulfate
kt



This product accounts for between one-quarter and one-third of the Chemical Division's revenue.

The third product, magnesium sulfate—commonly known as Epsom salt—is used as a fertilizer, in the leather tanning industry, in chemical processing, and in the production of detergents.



Additionally, residual sulfuric acid from lead smelter is used to produce ammonium sulfate, a fertilizer byproduct, and ammonium bisulfite, a reagent used in beneficiation plants at the Fertirey facility, located adjacent to the metallurgical complex in Torreón, Coahuila.

PRODUCTION AND PERFORMANCE

Operating performance in the Chemicals division improved over 2023. Sodium sulfate production rose by 3.8%, reaching 725,825 tons, primarily due to the distribution issues experienced the previous year, which were caused by a shortage of railroad hoppers for bulk shipments. Although logistical challenges in rail distribution persisted in 2024, their impact was less significant, allowing for a steady flow of product.

Starting in the second half of the year, several domestic clients in the powder detergents sector reduced their consumption. This was offset by increased sales to the glass industry—where our sodium sulfate serves as a sustainable raw material—and by higher sales volumes in Central America. As a result, total sales reached 731,479 tons, a 1.9% increase over the previous year.

Energy efficiency initiatives were particularly noteworthy, including improvements in temperature controls for the dryers and in the feed system for the centrifuge process. These efforts allowed us to optimize natural gas consumption at sodium sulfate plants 1 and 2. Additionally, new equipment was installed in the evaporation system, enhancing process efficiency.

In dollar terms, the gross margin per ton of sodium sulfate produced was slightly lower than in 2023, due to a decline in the average sales price. This decrease was partially offset by a reduction in the unit production cost, primarily driven by lower energy consumption. The improvement was the result of reduced natural gas use— resulting from the energy efficiency initiatives mentioned earlier—lower gas prices, and decreased electricity consumption. These gains were mostly offset by increased maintenance and repair costs in electrical infrastructure to support operational continuity.

We continued strengthening the geological and hydrogeochemical model of the Química del Rey lagoon, which serves as the basis for estimating resources under current conditions and various production scenarios. The goal is to optimize brine extraction and ensure the long-term sustainability of the deposit. Throughout the year, we worked with technological consultants to keep our resource estimation tools up to date. We also completed the implementation of a digital application that provides access to critical production variables, supporting timely decision-making related to equipment performance, productivity improvements, and efficiency gains.

Sales of magnesium oxide were impacted by the global economic slowdown. However, demand increased for certain product grades, despite the challenging market environment caused by oversupply from China and Brazil at low prices, which affected our competitiveness. In response, we strengthened relationships with our clients by focusing on efficient service, high product quality, and improved delivery times. As a result, production of the main grades of magnesium oxide rose by 4.7% compared to 2023, reaching 67,066 tons, while sales volume increased by 1.3%.

In the Asian and US markets, we strengthened the positioning of our caustic magnesium oxide used in various chemical applications, allowing production and sales volumes to increase by 30% and 20%, respectively, compared to 2023.

Demand for refractory-grade magnesium oxide increased in the steel and cement sectors. Mexico and the US were our main markets, accounting for 48% of total volume sold, although sales were still below the previous year. In the case of magnesium oxide for electrical applications, despite strong competition, sales volume grew by 2%, mainly in the US, Mexico, and Canada, which together represented 87% of total sales. Furthermore, to meet evolving industry requirements, we developed a new product aligned with the updated US UL858 electrical regulation. Production and sales of magnesium hydroxide remained at similar levels to the previous year. Although fluctuations in the exchange rate affected our competitiveness, we successfully graded our products for new applications—such as flame retardants in polymers of higher value—the benefits of which will begin to materialize in 2025. We also consolidated our presence in the flame-retardant segment for roofing membranes and diversified our trade portfolio in this sector, expanding our participation in polymer applications.

The average sales price for our mix of magnesium-derived products declined due to intense competition and challenging market conditions. This drop was partially offset by a reduction in unit production costs, driven by currency depreciation and lower prices for operating materials. Notably, packing material costs decreased because developing new suppliers offered more competitive prices, along with reduced energy costs. Although gross margin was down year-over-year, in line with our commercial strategy, we continued to focus on diversifying our portfolio of magnesium specialties by developing new products and expanding into new markets.

Imported products, including magnesium sulfate, intensified competition, with sales prices pressured by fertilizer imports from China. In response, we implemented a commercial strategy focused on developing new domestic clients and boosting operational efficiency in crystallization, dam, and drying processes. These actions allowed us to streamline production during periods of higher solar evaporation, resulting in reduced sulfuric acid consumption. As a result, annual production volume rose by 3.2%, reaching 65,880 tons, while sales remained stable at 60,782 tons. However, lower sales prices negatively impacted the unit profit margin of magnesium sulfate.

Production and sales volumes of ammonium sulfate, a byproduct, declined in 2024. As previously reported, we have been scaling back its production due to its low market price and the high cost of ammonia. In pursuit of more sustainable and profitable uses for sulfuric acid from the smelting operations, and following industrial testing conducted in 2023, we began producing and marketing ammonium bisulfite in 2024. This product is used in processes for cyanide destruction and mineral flotation.

In High Potential Management, we advanced our strategy focused on managing critical risks at Química del Rey. Key actions included implementing verification formats for critical controls and promoting visible leadership in the field—from technical advisers to team leaders. Follow-up is conducted using a mobile digital tool that streamlines the registration and monitoring of key variables. Notably, the four High Performance Teams continued to demonstrate exceptional safety performance, maintaining a record of more than 15 years without accidents. Regarding safety indicators, the Total Recordable Injury Frequency Rate (TRIFR) was 11.17, up from 7.92 the previous year, while the Lost Time Injury Frequency Rate (LTIFR) rose to 4.02 from 3.75.

Investments in the Chemicals Division totaled US$11.9 million and were directed toward sustaining and replacing critical equipment to ensure operational continuity. Key projects included: i) replacing the recirculation pumps in the magnesium sulfate plants to enhance the efficiency of the evaporation process; ii) acquiring an auxiliary transformer for the main substation at Química del Rey and reinforcing aerial circuits; and iii) initiating construction of a 1,000 m^3 storage tank for ammonium bisulfite at the Fertirey plant.

Financial **highlights by division**

	2020	2021	2022	2023	**2024**
MINES					
Net sales	3,424	4,063	3,550	3,777	**4,653**
Gross profit	1,138	1,407	862	644	**1,492**
% over sales	33.2	34.6	24.3	17.0	**32.1**
EBITDA	1,483	1,706	1,056	757	**1,779**
% over sales	43.3	42.0	29.7	20.0	**38.2**
Operating income	860	1,077	484	214	**1,100**
% over sales	25.1	26.5	13.6	5.7	**23.6**
METALS					
Net sales	4,179	5,244	4,852	4,986	**5,617**
Gross profit	201	89	-154	-180	**32**
% over sales	4.8	1.7	-3.2	-3.6	**0.6**
EBITDA	249	139	-107	-138	**67**
% over sales	6.0	2.6	-2.2	-2.8	**1.2**
Operating income	168	49	-196	-227	**-21**
% over sales	4.0	0.9	-4.0	-4.6	**-0.4**
CHEMICALS					
Net sales	218	232	299	292	**258**
Gross profit	83	70	113	115	**97**
% over sales	38.1	30.1	37.7	39.3	**37.5**
EBITDA	70	64	98	99	**84**
% over sales	32.3	27.7	32.9	34.0	**32.4**
Operating income	56	40	78	78	**61**
% over sales	25.7	17.3	26.0	26.6	**23.5**

Non-audited financial figures expressed in millions of US dollars.
Figures represent the sum of the separate financial statements of the operating companies for each division, excluding corporate fees.

Management **discussion** and **analysis**

The rebound in metal prices, combined with financial discipline and measures to improve operational and administrative efficiency, contributed to our substantial improvements in financial results and cash flow generation in 2024.

This analysis and discussion of the results obtained by Industrias Peñoles, S.A.B. de C.V. and its Subsidiaries (“Peñoles” or “the Company”) for the fiscal year 2024 is based on the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). In accordance with IAS 21, it is necessary to identify the functional currency for each of the consolidated entities, based on the currency of the primary economic environment in which the entity operates. For all subsidiaries, except for certain entities that are not in operation, as well as some service companies, the functional currency is the U.S. dollar.

This analysis of the consolidated financial results is presented in U.S. dollars, the functional and presentation currency of the Company. The 2024 results are compared with those of 2023 in millions of U.S. dollars, unless otherwise indicated. The term “US$” refers to United States dollars.

It is recommended to read this section in conjunction with the consolidated financial statements and the accompanying notes.

Peñoles is a publicly traded company, with its shares listed on the Mexican Stock Exchange (BMV) since 1968 under the ticker PE&OLES.

Peñoles primarily operates in the following sectors:

Exploration

Mining

Metals (smelting and refining)

Inorganic chemicals

PRICES AND MACROECONOMIC VARIABLES

The main variables that influenced Peñoles’ results are:

1.
Metal prices:
In U.S. dollar terms, average prices increased for gold (+23.5%), silver (+21.0%), zinc (+5.4%), and copper (+7.9%), and decreased for lead (-2.7%).

2.
Treatment charges:
The base treatment charges per ton decreased, on average, by 58.2% for zinc concentrates and 14.4% for lead concentrates.

3.
Exchange rate (peso-U.S. dollar):

	2024	2023	% Chg.
Close	20.2683	16.8935	-20.0
Average	18.2997	17.7665	-3.0

4.
Consumer Inflation (%)*:

	2024	2023
Annual	4.21	4.66

*According to National Price Consumer Index (NPCI) in Mexico

CONSOLIDATED RESULTS

Global growth in 2024 was modest and was affected by the slowdown in China and the geopolitical conflicts in Ukraine and the Middle East, compounded by uncertainty due to electoral processes in several countries, notably in the United States. Central banks adopted flexible monetary policies, reducing interest rates due to more controlled inflation, although volatility in financial markets persisted due to global uncertainty. In the last quarter of the year, China introduced a stimulus package to reactivate its economy.

Amid these conditions, the prices of the metals produced and sold by the Company rose relative to the previous year, except for lead. The demand for precious metals as safe-haven assets drove the prices of gold, which was also supported by purchases from central banks, and silver, which saw increased demand for solar panel manufacturing. The announcement by the Chinese government and the monetary easing improved the outlook for industrial activity, benefiting copper and zinc. On the other hand, the price of lead was affected by lower consumption in the automotive sector and high inventory levels.

Mexico's GDP grew by 1.5% (down from 3.3% in 2023) due to lower dynamism in construction and manufacturing. The Bank of Mexico followed the global trend of monetary easing by reducing the reference interest rate due to lower inflation. Meanwhile, the Mexican peso weakened against the U.S. dollar, especially from the second half of the year, depreciating by 3.0%, on average, during 2024. This had a moderately favorable effect on our costs and operating expenses denominated in local currency (which represent approximately 50% of production costs and 55% of operating expenses), while more than 95% of our sales were made in U.S. dollars.

Mining production showed a mixed performance. Due to the strike that began at Tizapa on August 30, the production of metal contents was affected compared to the previous year, mainly zinc. The gold volume remained stable due to higher production at Herradura, Fresnillo, and Saucito, which offset the decline at Noche Buena—currently in the process of closing since May 2023 due to depletion. Silver production experienced a slight decline due to the depletion of San Julián (disseminated ore body), while lead production increased due to higher volumes of ore processed and better grades at Juanicipio and Saucito. Copper in concentrates increased thanks to better recovery and higher ore grade at Capela. In contrast, cathodic copper decreased due to lower recovery in the leaching pads at Milpillas. In the metallurgical business, refined metal production was lower for gold, silver, and lead due to the lower volume of concentrates and materials processed in the silver circuit. This was due to stoppages at the smelter to implement corrective measures following a root cause analysis of accidents and to repair some furnace failures. There was also lower production of refined zinc, although greater operational stability was achieved in the zinc circuit, along with a cost reduction, following the decision to temporarily limit production capacity from 350,000 to 270,000 annual tons starting in September 2023. Regarding inorganic chemicals, volumes increased, although prices were lower due to market conditions.

Sales revenues rose compared to the previous year, largely driven by higher metal prices, especially gold and silver. The cost of sales decreased as a result of several factors, most notably the reduction in the cost of metal sold due to lower purchases of concentrates and materials with metal contents from third-party suppliers for processing in the metallurgical business. Additionally, production costs incurred in pesos were favorably impacted by the depreciation of the peso against the U.S. dollar, as well as by lower consumption resulting from reduced volumes of ore processed at mining units and lower metallurgical production, in addition to the implementation of efficiency and cost control initiatives. Among these, the migration of electricity supply for some operations to the Wholesale Electricity Market stands out, which allowed access to more competitive prices for electricity consumption. Annual inflation in our input basket for operations was 1.6% in dollar terms, favorable compared to 6.7% in the previous year, primarily due to the depreciation of the peso against the dollar and the decrease in energy prices.

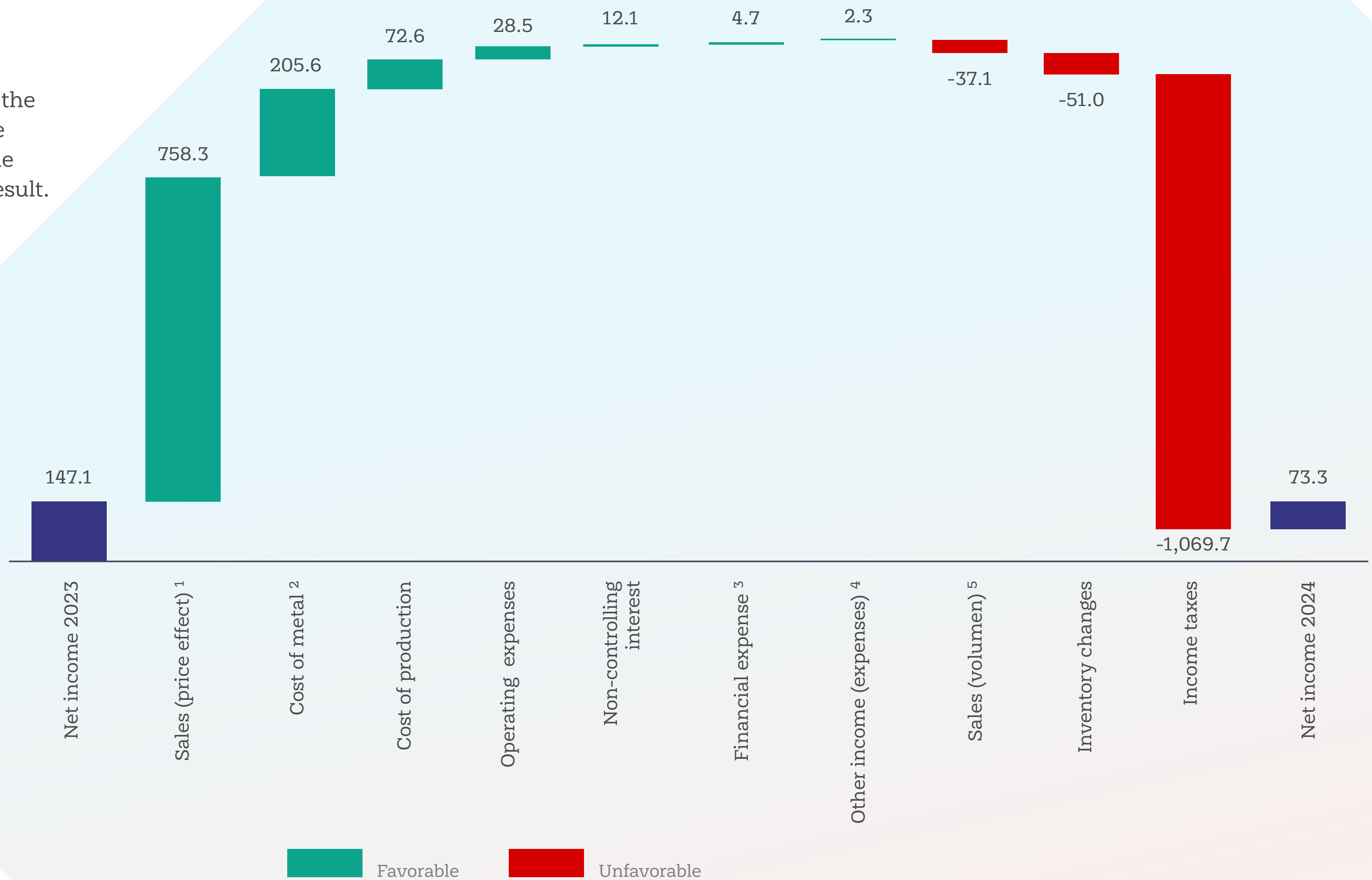
Operating expenses were lower due to the exchange rate depreciation and the slower pace of exploration activities, as well as lower administrative expenses, which were offset by higher freight and transportation costs and the payment of extraordinary mining rights. Additionally, net other income was higher than in 2023, although an impairment loss was recognized on long-lived assets at the Capela mining unit. The lower financial expense from debt interest was offset by lower financial income from investments, exchange rate losses, and other items.

Finally, the income tax provision was unfavorable due to the higher result for the year and a substantial increase in the deferred tax provision, as a result of the exchange rate depreciation of the peso against the dollar as of the date of the financial statements (which was 20.0% from December 31, 2023, to December 31, 2024) on the Company's fiscal assets.

Due to the aforementioned factors, the financial results for the fiscal year 2024 and their variation compared to 2023 were as follows: net sales US$ 6,650.1 (+12.3%), gross profit US$ 1,756.5 (+117.3%), EBITDA US$ 1,841.2 (+139.7%), operating income—excluding other expenses and income or impairment loss—US$ 1,054.4 (+1,258.7%), and net income of the controlling interest US$ 73.2, unfavorable compared to US$ 147.1 in 2023.

INCOME STATEMENT

The following chart shows the variation by category of the results and its impact on the change in the annual net result.



1 Include hedging results.
2 Cost of metal is presented net of treatment charges, inventory gains and other items.
3 Financial expense includes exchange result.
4 Other income (expenses) include impairment of long- lived assets.
5 Include variation from the sale of other products and services.

The variations in the 2024 vs 2023 performance are analyzed below:

Net sales totaled US$ 6,650.1, of which 78.6% were destined for the export market. The variation of +US$ 725.5 (+12.3%) compared to 2023 sales is explained as follows:

- An increase of +US$ 762.7 due to higher prices of gold, silver, copper, and concentrates, which offset the lower realized prices of zinc, lead, and chemical products. This was partially offset by an unfavorable variation in metal price hedging operations of -US$ 4.4.
- A decrease of -US$ 15.7 due to lower sales volumes of gold, copper, and by-products (copper matte and ammonium sulfate), mitigated by higher sales volumes of silver, zinc, lead, chemical products, and untreated concentrates.
- A decrease of -US$ 21.4 due to lower revenues from the sale of other products and services.

Cost of sales, amounting to US$ 4,893.6, decreased US$ 227.1 (-4.4%) due to the following reasons:

Lower **cost of metal sold** (-US$ 205.6, -11.9%), driven by the following factors:
- A decrease of -US$ 249.5 due to a lower volume of purchases of concentrates and materials from third parties for processing at the metallurgical plants, which was offset by higher metal prices.
- An increase of +US$ 48.0 due to sales of untreated concentrates in metallurgical operations and lower metallurgical recovery.
- A decrease of -US$ 4.1 due to higher treatment revenues — which is recorded as a credit to the cost of metal.

Lower **production cost** in -US$ 72.6 (-2.1%), mainly due to: (i) lower volume of ore extraction and processing in mining operations due to the closure of Noche Buena, the strike at Tizapa, and reduced production at San Julián (disseminated ore body); (ii) efficiency measures and cost reductions in contractor and maintenance works; (iii) lower operating costs at the metallurgical plants, especially in the zinc circuit, as a result of taking the electrolysis module 2 out of operation due to temporary capacity reduction; (iv) lower electricity costs due to the migration of operations to the Wholesale Electricity Market; and (v) a favorable effect from the depreciation of the Mexican peso against the U.S. dollar. These factors were offset by a higher depreciation charge. The cost variations by item were as follows:

- Contractors (-US$ 67.2, -12.4%) due to efficiencies and optimization of work at Saucito, Juanicipio, Ciénega, and San Julián, as well as reduced work carried out at Tizapa, Milpillas, Capela, and Sabinas. In the last two, reinforcement work on tailings deposits was completed in 2023. Additionally, there was a cost reduction due to the closure of Noche Buena in May 2023 because of depletion, and a favorable impact from currency depreciation. These benefits were partially offset by higher ore hauling costs at Herradura and Fresnillo.
- Operating materials (-US$ 35.2, -7.5%) due to lower consumption resulting from the closure of Noche Buena, the strike at Tizapa, and the lower volume of ore processed at San Julián (disseminated ore body), as well as reduced production at the metallurgical operations. Notable reductions were seen in construction materials, aluminum for cathodes, and reagents.
- Energy (-US$ 33.1, -6.7%) thanks to the migration of operations to the Wholesale Electricity Market, which enabled access to more competitive prices in electricity, and reductions in the cost of natural gas, fuels, and lubricants. These savings were offset by higher diesel and liquefied gas costs at Herradura, due to increased hauling distances.
- Maintenance and repairs (-US$ 31.2, -6.0%) mainly at the metallurgical complex and in the mining units of Fresnillo plc, particularly Herradura, San Julián, and Noche Buena.
- Low-value leases (-US$ 14.6, -16.8%) due to lower machinery and equipment rental costs, mainly at Saucito, San Julián, Sabinas, and Fresnillo.

- Depreciation and amortization (+US$ 97.1, +14.4%) resulting from a higher asset base at Juanicipio and the depletion of San Julián (disseminated ore body) as it neared the end of its useful life.
- Human capital (+US$ 7.1, +1.5%) due to increased salaries and benefits, as well as higher employee profit sharing, primarily at Fresnillo plc's mines. This was partially offset by the favorable effect of currency depreciation.
- Other cost items (+US$ 4.6, +3.5%) due to a lower credit from the transfer of by-products and higher costs for water rights and mining concessions, which were partially offset by lower costs and consumption of ammonia and reduced expenses in security and transportation equipment, among others.

Due to **inventory movement** a charge to cost of sales amounted to US$ 56.6 (+US$ 51.0 more than the previous year), mainly due to the sale of Bal-Holdings' inventories and because a credit was recorded in the previous year related to the revaluation of gold inventories at the Herradura leaching pads.

Thanks to the increase in sales and the decrease in cost of sales, **gross profit** rose to US$ 1,756.5, an increase of 117.3% (+US$ 948.3) compared to 2023. As a result, the **gross profit margin over net sales** reached 26.4%, significantly higher than the 13.6% recorded the previous year.

Operating expenses (excluding other income and expenses and impairment of assets) totaled US$ 702.1, a 3.9% decrease (-US$ 28.5) compared to 2023. This variation is explained as follows:

- Lower **administrative and general expenses** (-US$ 17.1, -5.1%) mainly due to the depreciation of the Mexican peso against the U.S. dollar, especially in the human capital category. There were also lower fees and commissions, as well as reduced low-value lease expenses, although these savings were partially offset by higher IT-related expenses.
- Lower **exploration and geological expenses** (-US$ 20.4, -8.8%), stemming from fieldwork focused on the portfolio of priority projects. Reductions were seen in contractor services, human capital, and concession rights, offset by higher spending on assays and other related costs.
- Higher **selling expenses** (+US$ 9.1, +5.4%), attributable to increased freight and land transportation costs, as well as a rise in the payment of extraordinary mining rights.

EBITDA for the period amounted to US$ 1,841.2, registering an increase of +US$ 1,073.0 (+139.7%); the **EBITDA margin on net sales**, was 27.7%, favorable compared to 13.0% recorded in 2023. Similarly, **operating income** of US$ 1,054.4 increased by +US$ 976.8 (+1,258.7%), and the **operating margin on net sales** improved from 1.3% to 15.9%.

The concept of **other net income (expenses)**, amounting to US$ 20.1, was favorable compared to other income of US$ 17.8 (+US$ 2.3), which was derived from the following:

i. **Lower income** -US$ 44.2, mainly because in 2023, income was recognized from the cancellation of accounting reserves related to an excess in energy transmission costs, totaling US$ 75.6, as a result of favorable court rulings, while in 2024, income amounted to US$ 14.4 for the same reason. Additionally, in 2023, income was recorded for the recovery of surplus resources in retirement funds amounting to US$ 21.1, which was not received in 2024. This was mitigated by income from an assignment agreement +US$ 24.1 and from the sale of other products and services +US$ 1.4.

ii. **Lower expenses** -US$ 63.5, resulting from reduced remediation expenses in mining units -US$ 16.9, and lower insurance claims -US$ 8.2. Additionally, in 2023, the following expenses were recorded, which were not incurred in 2024: losses from the sale of other products and services of -US$ 10.4 and from fixed assets -US$ 12.4, as well as a write-off of inventories of -US$ 21.9 due to illegal gold extraction in the Soledad and Dipolos yards. The above was countered by higher expenses for donations in 2024 +US$ 2.6 and for other items +US$ 2.9.

iii. **An impairment charge of long-lived assets** of +US$ 17.0 from the Capela unit, as a result of the evaluation carried out in accordance with the Company's accounting policies.

The **financial income (expense) including exchange rate result**, net of -US$ 145.1, was lower (-US$ 4.7, -3.2%) compared to -US$ 149.8 recorded in 2023, and was composed of the following:

- **Financial income** of US$ 78.3, lower than the US$ 100.8 from the previous year (-US$ 22.5), due to lower interest earned on investments and customer receivables, as well as lower income from derivative financial instruments. These reductions were offset by higher income from the update in tax refunds.
- **Financial expenses** of -US$ 219.8, lower than the -US$ 251.9 (-US$ 32.2), resulting from accrued interest on financial debt, bank fees, interest on defined benefit pension plans, lease liabilities, and the financial cost of the ecological reserve.
- **Exchange loss** of US$ 3.6, unfavorable compared to the exchange gain of +US$ 1.4 in 2023. This item comes from the conversion at the exchange rate on the date of each balance sheet of monetary assets and liabilities in currencies other than the U.S. dollar, including the Mexican peso. In 2024, the peso depreciated by 20.0% against the dollar compared to the close of 2023.

The **share in results of associated companies**, was a loss of -US$ 5.5, whereas in the previous year, a gain of +US$ 1.8 was reported, representing a variation of -US$ 7.3.

As a result, **income before taxes** of US$ 934.9 was favorable, increasing by +US$ 991.0 when compared to the loss before taxes of -US$ 56.1 recorded in the previous year.

The **income tax provision** of US$ 727.1, was significantly higher compared to the provision of -US$ 342.6 in 2023 (+US$ 1,069.7), which is attributed to the following factors:

- Higher income tax of +US$ 109.9 (US$ 239.8 vs. US$ 129.9), resulting from the higher taxable income for the period. In addition, there was a significant increase (+US$ 853.8) in the deferred tax provision related to the creation and reversal of temporary differences (US$ 348.2 vs. -US$ 505.7), principally due to the effect of the exchange rate of the peso and the U.S. dollar on the Company's tax values for assets and liabilities, where the depreciation in 2024 contrasts with the appreciation in 2023. Furthermore, a smaller inflation credit was recorded for the period.
- Higher provision for special mining rights of +US$ 102.7 (US$ 139.2 compared to US$ 36.4 in the previous year), both due to higher rights accrued (+US$ 42.6) and higher deferred rights (+US$ 60.0).
- An unfavorable variation of +US$ 3.3, due to the benefit of the special tax on production and services (IEPS) for diesel consumed by operations, credited in that amount in 2023.

Due to the aforementioned factors, the **consolidated net income** achieved by Peñoles in 2024, amounting to US$ 207.9, was lower by -US$ 78.7 compared to the US$ 286.5 income recorded in 2023. Of this result, when comparing 2024 vs. 2023, US$ 73.3 corresponds to the **controlling interest in net income** —unfavorable by -US$ 73.8 compared to the income of US$ 147.1— and US$ 134.6 corresponds to the **non-controlling interest in net income** —lower by -US$ 4.8 compared to the income of US$ 139.4.

CASH FLOW STATEMENT

As of December 31, 2024, the Company had **cash and cash equivalents** of US$ 1,679.4, representing an increase in cash of +US$ 639.1 compared to US$ 1,040.2 at the close of 2023, including -US$ 16.6 from to currency translation effects. Below are the most relevant items for the period:

1. **Net cash flows from operating activities** 1) of +US$ 1,300.3. This category includes items directly related to operations, excluding non-cash items such as depreciation and amortization; income tax provisions; impairment of assets; and unrealized interest. It also includes changes in working capital.
2. **Net cash flows from investing activities** of -US$ 552.9 in the following items:

   a. Acquisition of property, plant, and equipment for -US$ 446.2 — including capitalized interest — primarily for the maintenance of operational units. The main investments are detailed below:

Company/Unit	US$ M	Concept
Fresnillo plc	361.7	Mining works Capitalizable mining equipment Tailings deposits and leaching pads Deepening of Jarillas shaft and San Carlos shaft
Met-Mex	22.2	Replacements and additions of fixed assets and critical equipment Reverberatory furnace
Velardeña	12.3	Mining works Purchase and reconstruction of machinery and equipment
Peñoles Tecnología	12.1	Technological software (ERP Oracle Project)
Química del Rey	11.9	Electric infrastructure Replacement of critical equipment
Sabinas	11.1	Mining works Machinery and equipment Purchase and reconstruction of machinery and equipment
Capela	7.5	Mining works Purchase and reconstruction of machinery and equipment
Tizapa	6.7	Mining works Replacement and reconstruction of machinery and equipment
Other companies	0.7	

b. Investments in short-term financial instruments -US$ 187.4.
c. Collection of loans granted and interest +US$ 83.3.
d. Proceeds from the sale of property, plant, and equipment +US$ 4.0.
e. Other items -US$ 6.8, related to the purchase and sale of equity instruments, the assignment of mining concessions, and the acquisition of intangible assets.

3. **Net cash flows from financing activities** -US$ 91.7, arising from:

   a. Obtaining and repaying loans to finance working capital needs and the repayment of long-term loans +US$ 252.6.
   b. Interest paid on financial debt and other loans -US$ 155.3.
   c. Repayment of loans from non-controlling interest partners -US$ 92.4
   d. Dividends paid to non-controlling interests -US$ 74.2.
   e. Payments for leases and other items -US$ 22.4.

Our people

At Peñoles, our people are our most valuable resource. That’s why we remain firmly committed to their comprehensive well-being, health, and safety—promoting a work environment that is safe, inclusive, and productive.

We promote visible, on-the-ground leadership to identify areas for improvement, motivate our teams, and reinforce safety-focused behaviors.

We foster a culture of professional and personal growth, enabling each person to reach their full potential while contributing to the achievement of our strategic objectives.

Our commitment to the Ten Principles of the United Nations Global Compact—covering human rights, labor rights, environmental protection, and the fight against corruption—is unwavering. We also contribute to the advancement of the UN Sustainable Development Goals.

We have a Code of Ethics and Conduct, a Code of Conduct for Third Parties, and our Ethics Line (Línea Correcta) reporting program to prevent practices that go against our values.

TALENT MANAGEMENT

Through our talent management efforts, we ensure the organization has the right people, equipped with the necessary training and capabilities to meet current and future challenges. One of the main challenges this year was the implementation of the new ERP system, Oracle Fusion Cloud Human Capital Management (HCM), which will streamline our talent management processes. We also used artificial intelligence to develop job descriptions, enabling us to update, standardize, and optimize how roles and responsibilities are defined across the company.

The following outlines the components of the system and the most relevant milestones achieved during the period:

Process	Goal	Actions	Results
Attraction, recruitment, and selection	Ensure that talent attraction and hiring are aligned with the organization's strategic challenges and needs.	We have strategic agreements in place with universities, aligned with key areas of our business.	In 2024, we hired 417 people.
		We offer internship opportunities and an Engineer-in-Training program.	In 2024, 232 people participated in the Internship Program, primarily in the areas of mining, geology, and metallurgy.
			Since its launch in 2003, the Engineer-in-Training Program has completed 103 cohorts and integrated 2,596 professionals into the company.
			The Recruitment and Selection model was implemented within the HCM system.
Performance reviews	Measure and align employee performance with strategic and operational goals.	We set clear, measurable goals aligned with the organizational strategy.	We updated the performance evaluation methodology to align it with our strategic plan.
		We provide structured feedback through dedicated tools.	The Career and Performance module was implemented within the HCM system.
		We recognize outstanding performance and implement actions that drive continuous improvement.	
Compensation	Ensure that the remuneration system is fair, transparent, and competitive, and that it motivates employees performance and commitment to the company.	We use a pay scale aligned with market benchmarks and individual performance.	The lowest salary at the company is 1.9 times higher than the legal minimum wage and exceeds the threshold considered as a living wage.
		We offer benefits that go beyond those required by law (savings fund, major medical insurance, a pension plan, among others.)	We leveraged artificial intelligence to optimize job descriptions.
Training	Develop key competencies in employees to help them effectively face current and future challenges.	We offer training programs aligned with our strategic objectives and focused on identifying and addressing areas for improvement.	We offered 1.4 million training hours, averaging 44.9 hours per employee, including contractor staff.
		We strengthen technical, administrative, and interpersonal competencies.	
Development and retention	Promote the professional growth and retention of key employees through development and recognition strategies.	We prioritize internal promotion by posting vacancies in advance within the organization.	In 2024, we promoted 559 people.
			We awarded 2,000 seniority recognitions for service ranging from 5 to 45 years.
		We recognize employee loyalty.	The Talent Groups module was implemented within the HCM system.

Our labor relationships are based on mutual trust and benefit. We prioritize ongoing dialogue and respect the right to freedom of association.

OUR LABOR STRATEGY

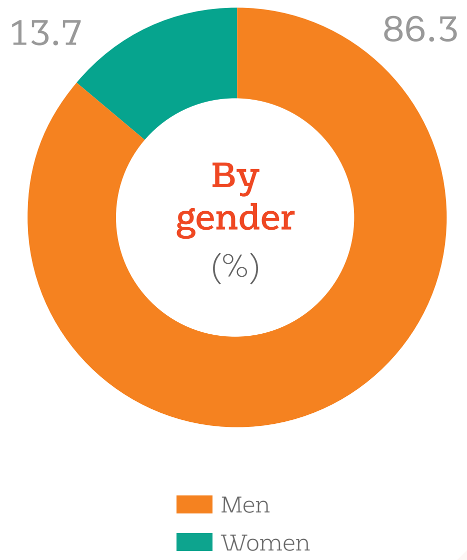
In 2024, we continued implementing our Labor Modernization System to promote ethical, safe, and productive work focused on achieving our established goals. This system contributes to labor stability, the safeguarding of employment, and the comprehensive well-being of our employees.

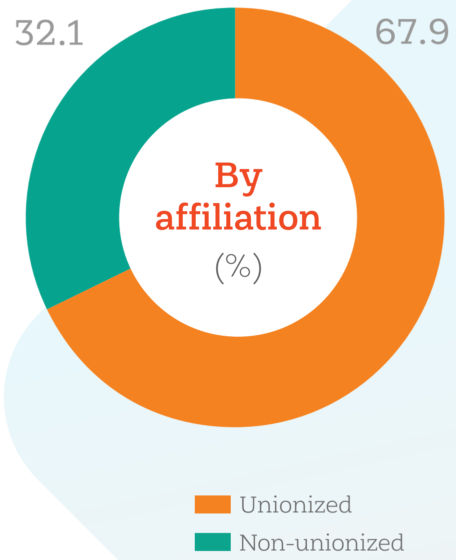
At Peñoles, we respect the rights to freedom of association and collective bargaining, in accordance with local legislation as well as international treaties and conventions. Our labor relationships are based on mutual trust and benefit. To strengthen them, we maintain a truthful and open relationship with unions and our unionized workers, emphasizing ongoing dialogue and mutual understanding to co-create a better future. In compliance with labor legislation, the unions with which we have collective relationships validated their contracts within the time frame established under national law.

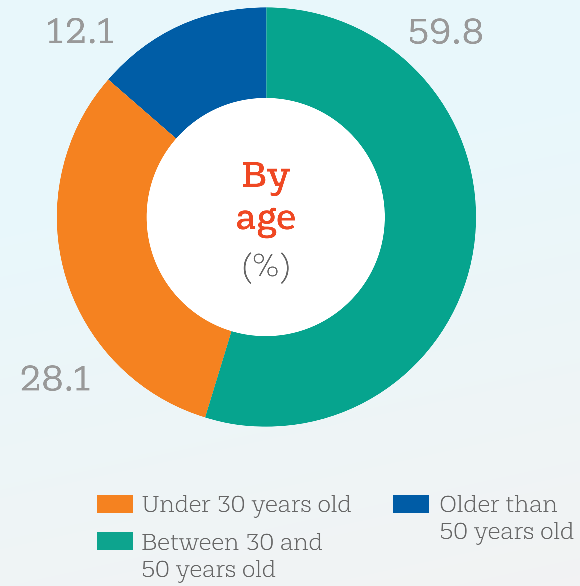
At the Tizapa mining business unit, a strike was initiated on August 30, 2024, following a call made on July 26 by the mining union known as "Sindicato Nacional de Trabajadores Mineros, Metalúrgicos, Siderúrgicos y Similares de la República Mexicana", which has represented the collective bargaining agreement since April 2024. The union alleges violations of the collective agreement, including a profit-sharing payment higher than that established by applicable law. The company reaffirms that it fully complies with all obligations set forth in the collective agreement, the Mexican Labor Law ("Ley Federal del Trabajo"), and all applicable regulations, and will rely on legal and administrative proceedings to resolve this conflict.

COMPOSITION OF OUR WORKFORCE AND GENDER INCLUSION AND DIVERSITY

At the end of 2024, Peñoles and its subsidiaries had 15,762 employees—excluding contractor personnel—distributed as shown in the following graphs:







Our Equality and Non-Discrimination Policy establishes our commitment to creating a work environment that is fair, inclusive, respectful of human dignity, and offers equal opportunities—where all employees feel valued and inspired to contribute at their full potential. The policy is available on our website: www.penoles.com.mx.

Additionally, through the Grupo BAL initiative BAL Without Barriers (BAL sin Barreras), we promote diversity, equity, and inclusion as part of our organizational culture. We also carry out communication campaigns, mentorship programs for women, and inclusive leadership training, among other actions.

In 2024, women accounted for 13.7% of our workforce. In some of our units, female participation is higher than the company-wide average—particularly at Servicios Administrativos Peñoles (41.8%), Minera Capela (24.1%), and Velardeña (15.5%). According to figures from the Mexican Mining Chamber (Camimex), the national average for women working in the mining and metallurgical industry was 17.9% at the end of 2023.

HEALTH AND SAFETY

We promote a preventive culture of safety and health based on the core value of love for life.

Our Sustainability Policy guides our health and safety governance, reaffirming our commitment to safe operations based on a culture of prevention, hazard elimination, and risk reduction—with the active participation of employees and third parties.

The Central Environment, Health, and Safety Committee oversees compliance with all standards, evaluates operational performance, and promotes best practices. Division managers, led by the VP of Health, Safety, and Environment, are responsible for implementing key programs to prevent fatal accidents and reduce incidents, in coordination with the VPs of Operations, Exploration, and Projects. Safety progress, indicators, and results are regularly reviewed by the managing committees and during Executive Committee meetings.

This year, we continued to strengthen the High Potential in Safety Strategy, aimed at ensuring safe, accident-free working environments. The strategy focuses on three key dimensions: i) risk management and critical controls; ii) behavior management and leadership practices; and iii) incident management. We are working to consolidate the portfolio of risks and critical controls in order to define minimum management requirements by designing the necessary controls, performance standards, and field verification tools.

We have identified 15 critical risks across our operating units; those relevant to each specific unit have been incorporated into their High Potential Management plans. Each business unit sets its own goals for critical controls, performance criteria, and reporting mechanisms. Every critical control must include a clear accountability process, as well as assessment and monitoring tools to ensure effective on-site implementation.

We also developed the Safety, Occupational Health, and Environment Management Standard for contractors, which establishes the requirements to be met from the contracting phase through operational control and contract closure.

We foster a preventive culture among our people, guided by our Leadership Standard. We promote visible leadership in the field to identify areas for improvement, motivate personnel, and reinforce safety-oriented behaviors.

Managing incidents and situations that could have resulted in an accident allows us to identify which critical controls were missing or failed—and could have led to a high-risk event. Every worker has the right to say NO to any activity that does not meet mandatory safety standards. This empowers individual accountability and strengthens our preventive safety culture.

If a significant event occurs, we analyze it first using the Root Cause Analysis (RCA) methodology. We then apply the Incident Cause Analysis Method (ICAM) and share the lessons learned across the organization. We provide training on this methodology to coaches and facilitators and conduct workshops to reinforce the commitment and accountability of leaders in incident investigation, as well as in the follow-up and control of preventive measures.

This year, we deeply regret to report eight fatal accidents: two in our metallurgical operations, two in our base metals mining division, two in exploration projects, and two in Fresnillo plc. Following detailed investigations of each accident, we shared the lessons learned across all business units and implemented corrective actions to prevent recurrence. We continue to strengthen strategies aimed at achieving the zero-fatality standard.

Safety indicators

Indicator	**2024**	2023
Hours of risk exposure	**77,278,508**	83,948,544
Lost time injuries	**424**	615
Total recordable injuries	**836**	1103
TRIFR	**10.82**	13.14
LTIFR	**5.49**	7.33
Fatal accidents	**8**	4

*Recordable injuries: Fatal accidents + lost time injuries + restricted work injuries + injuries requiring medical attention per 1,000,000 hours worked.
*Lost time injuries: Number of lost time injuries per 1,000,000 hours worked.

Safety indicators are described in greater detail in our 2024 Sustainable Development Report.

At the same time, we continued implementing the High-Potential in Occupational Health Strategy. This strategy is aligned with the Health and Safety Critical Control Management: Good Practice Guide and Implementation Guidance published by the International Council on Mining and Metals (ICMM).

Occupational hygiene initiatives aim to minimize exposure to hazardous agents in the workplace by identifying, evaluating, controlling, and monitoring sources such as gases, dust, and noise. The current action plan focuses on critical areas and on-site risk assessments, including hygiene standards, medical supervision, and case management. The controls applied include aptitude assessments, engineering measures (such as dust suppression), the use of personal protective equipment (such as face masks), and administrative strategies to limit exposure.

Occupational health programs focus on preventing and monitoring work-related illnesses based on the specific conditions of each position. Through medical supervision, we assess job aptitude, detect early symptoms, and identify risk factors that may increase vulnerability. This supervision guides case management, training, and hygiene control. Additionally, we promote employee participation through awareness campaigns and preventive health training.

We once again renewed the Safe and Healthy Workplace Environments Distinction (Entornos Laborales Seguros y Saludables – ELSSA) at the company's work centers. Additionally, five work centers are ISO 45001 certified: two Peñoles mines, two Fresnillo plc mines, and one work center from the Chemicals Division.

At the end of 2024, we had 195 active occupational illness cases, the most frequent being hypoacusis (hearing loss) and silicosis (respiratory disease), along with accident-related side effects and musculoskeletal disorders. All cases have been monitored, and the corresponding medical attention has been provided. Monitoring lead, as part of our occupational health standards, is critically important to our processes. For this reason, we have a strategic hygiene and medical oversight program aligned with our zero-harm approach, which has enabled us to prevent and control exposure. No occupational illnesses caused by elevated blood lead levels have been reported in the past five years.

COMPREHENSIVE WELL-BEING

The well-being program Living in Balance (Vive en Balance), an initiative of the Grupo BAL companies, is designed to promote the comprehensive well-being of our employees and their families under the guidance of specialists in wellness-related fields. To strengthen this program, we conducted a survey to measure overall well-being levels among our employees. A total of 2,545 unionized and non-unionized employees voluntarily participated in the survey, which assessed seven dimensions of wellness through self-administered questionnaires. Participants received confidential, individualized feedback that allowed them to understand their personal status in each health and risk area. Based on the results, tailored recommendations were provided to help employees improve their quality of life. A wellness program will be developed and monitored monthly throughout 2025. We also launched a campaign that included webinars on lifestyle changes, nutrition, and physical activity, along with infographics and video capsules on the same topics, all made available to employees and their families.

We promote healthy lifestyles to support the comprehensive well-being of our employees and their families through events, sports facilities, and webinars.

Through sports events and facilities, we promote healthy lifestyles. In recent years and based on lessons learned during the COVID-19 pandemic, we have implemented a series of pilot initiatives, including workshops on psychological first aid and post-traumatic stress management, individual psychological sessions, and group workshops focused on stress management. We also have twelve breastfeeding rooms across our facilities, which support work-life balance and help promote the continued participation of women in the organization.

Energy

We made considerable progress in our energy strategy, driven by a series of actions aimed at optimizing energy reallocation for both self-supply and market operations.

In 2024, we made considerable progress in our energy strategy, driven by a series of actions aimed at optimizing energy reallocation for both self-supply and market operations. An important development was the successful migration of the Termoeléctrica Peñoles (TEP) power plant from its legacy operating regime to the legal framework of the Electric Industry Law ("Ley de la Industria Eléctrica"), leading to more competitive electricity costs.

With the change in federal administration in October, Mexico's energy policy underwent significant transformations. One of the most relevant changes was a constitutional reform that reconfigured the Comisión Federal de Electricidad (CFE) and Petróleos Mexicanos (Pemex), which ceased to be productive state enterprises and became strategic state enterprises. This means they are no longer required to operate under competition principles and are now governed by public law instead of civil law.

Peñoles actively participates in industry associations, chambers, and the electricity sector, promoting constructive dialogue with federal and state governments—particularly in light of the openness shown by the newly elected federal administration. The goal is to contribute to the definition of a more stable regulatory and legal framework, with a long-term vision that enables the development of new energy sources needed to meet future demand.

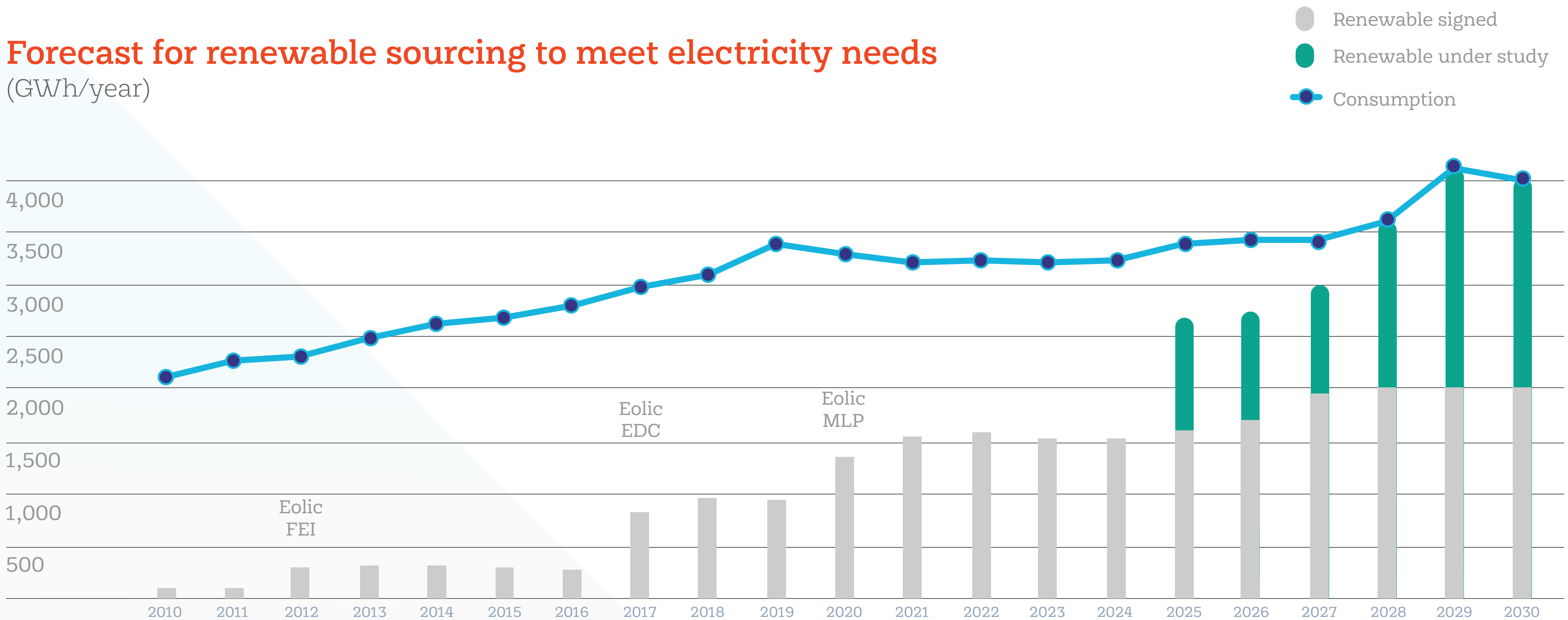
The new energy policy contemplates reactivating private participation in the electricity sector. Specific rules for this openness will be defined in the secondary laws scheduled for discussion and approval during the first quarter of 2025.

This improves our prospects regarding safety goals and the quality of an energy supply—both electric and thermal— supporting operational continuity, sustainability, and cost competitiveness. We remain firmly committed to the efficient use of energy.

Additionally, we continuously monitor emerging emissions-free technologies such as green hydrogen and ammonia, along with alternatives to conventional fuels, including biogas and other biofuels. We expect that, in the coming years, these options will achieve significant economic gains, making them increasingly viable.

Our current decarbonization roadmap also considers the potential substitution of diesel-powered mining vehicles and equipment with electric models. This transition would significantly increase electricity demand across our operations.

Forecast for renewable sourcing to meet electricity needs
(GWh/year)



Power generation from the plants in our contracted portfolio accounted for 72.0% of total consumption, as TEP had to reduce its output due to market dispatch rules. Fortunately, we were able to acquire the remaining energy through the Wholesale Power Market (WPM) under more competitive conditions than those the plant could offer. However, keeping TEP available to participate in the market ensures significant coverage of energy and power for the company, protecting it from volatility.

In 2024, 62.2% of our operations sourced their energy consumption from the WPM, which allowed us to allocate 100% of the contracted energy production from Eólica Mesa La Paz (EMLP), up from 40.3% the previous year.

We also purchased 328.3 GWh of electricity from CFE Suministro Básico (CFE), representing 10.1% of total consumption, down from 18.4% the previous year. Additionally, we purchased 661.6 GWh from the WPM, accounting for 20.5% of total consumption.

During 2024, the group's plants generated a total of 2,331.1 GWh, as follows:

ELECTRIC POWER GENERATION BY SOURCE (%)

Source	Description	2024	2023
Termoeléctrica Peñoles (TEP)	Located in Tamuín, San Luis Potosí, with a 230 MW capacity. Operated by a third-party; electricity is supplied under a contract that expires in 2027.	33.1	48.5
Eólica Mesa La Paz (MLP)	Located in Llera de Canales, Tamaulipas, with a 306 MW capacity. Operated by a third-party; with its supply committed under an energy coverage contract expiring in 2045.	31.1	24.0
Eólica de Coahuila (EDC)	Located in General Cepeda, Coahuila, with a 199.5 MW capacity. Operated by a third-party; electricity is supplied under a contract that expires in 2042.	30.3	21.8
Fuerza Eólica del Istmo (FEI)	Located in El Espinal, Oaxaca. Operated by Peñoles, with an installed capacity of 80 MW.	5.5	5.3
Cogeneration in Met-Mex	A 7 MW-turbogenerator that uses excess steam from the roasting area of the electrolytic zinc plant.	0.0	0.4
Generation from our own sources		100.0	100.0
Ratio of generation vs. consumption		72.0	101.6

Our renewable energy generation totaled 1,560.1 GWh, avoiding emissions of 692,683 tCO_2eq.

We continue working to ensure a reliable supply of electricity for the mid- to long-term (2028–2047). In this context, in 2024 we began preparing a competitive process to identify new electricity sources that will allow us to meet growing demand, replace fossil fuels with renewable sources, and substitute supplier contracts nearing expiration. This effort is aligned with our goal of decarbonizing operations and maintaining competitive long-term costs.

CONSUMPTION

In 2024, our operations consumed 3,238.4 GWh of electricity, a 0.6% increase over the previous year. This represents an average supply of 368.7 MW, driven by a slight increase in consumption at the Met-Mex zinc plant, a full year of operations at the iron ore flotation plant in Fresnillo, and higher demand at the Juanicipio mine.

Renewable electricity accounted for 47.5% of our total electricity consumption, slightly down from 48.0% the previous year.

Each plant's contribution to the total consumption of Peñoles is described in the following table:

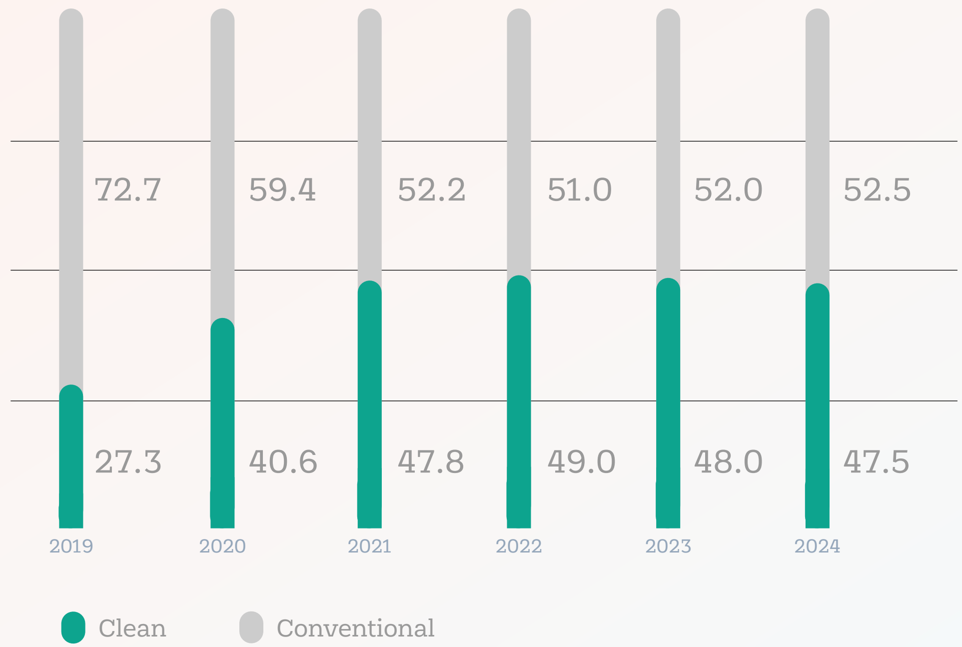
CONTRIBUTION OF EACH SOURCE OF ELECTRIC POWER TO CONSUMPTION (%)

Source	**2024**	2023
Termoeléctrica Peñoles (TEP)	**21.9**	41.8
Eólica de Coahuila (EDC)	**23.5**	21.2
Fuerza Eólica del Istmo (FEI)	**1.6**	1.9
Cogeneration	**0.0**	0.4
Eólica Mesa La Paz (MLP)	**22.4**	9.9
Total supplied by our own sources	**69.4**	75.2
Energy acquired from CFE	**10.1**	18.4
Energy acquired from WPM	**20.5**	6.4
Total Peñoles consumption	**100.0**	100.0
Energy from MLP delivered to WPM	**-**	14.5
Energy from TEP delivered to WPM	**0.7**	-
Availability of our own sources for Peñoles	**70.2**	89.8

Consumption generated from clean sources	**47.5%**	48.0%

Electricity consumption by type of technology

(%)



*In 2020, 2021, 2022, and 2023, the percentage represented the generation of clean energy with respect to total consumption, of which 15.6%, 20.1%, 20.8%, and 14.5%, respectively, correspond to MLP energy that was sold to WPM.

ENERGY COST

The unit price of electricity consumed in 2024 was US₵8.11 per kWh, 17.1% lower than in 2023. This decrease was primarily due to the consolidation of our operational strategy at the WPM and the optimization of energy allocation from our power generation plants.

OTHER RELEVANT EVENTS

During the period, we acquired the full amount of Clean Energy Certificates (CEL) required by the Mexican Ministry of Energy (Secretaría de Energía), in full compliance with applicable regulations.

Fuentes de Energía Peñoles (FEP) , a supplier of qualified users, completed its fifth year of operation in the WPM, selling in 2024 a total of 2,038.2 GWh of energy and 246.25 MW of power. Additionally, it sold 641,621 CEL that MLP had in excess after meeting its own energy needs.

Regarding the use of other energy sources in our mines and plants, diesel consumption was reduced by 3.8%, in line with its gradual replacement by liquefied natural gas—a shift that will help reduce greenhouse gas emissions and operating costs.

Fuel	Unit	2024	2023	% Chg.
Liquefied natural gas	Ml	**32.2**	22.5	42.6
Natural gas	M m^3	**188.3**	191.6	-1.7
Diesel	Ml	**166.6**	173.3	-3.8

Identifying opportunities within our mid- to long-term decarbonization roadmap has underscored the importance of continuing to increase the share of renewable energy in our electricity supply and thermal requirements at certain operations. The adoption of emerging technologies is also noteworthy, such as the electrification of vehicles and mining equipment, as well as battery storage—key enablers for achieving carbon neutrality by 2050.

We expect that the competitive process we have undertaken will enable us during 2025 to identify robust options to support energy sourcing decisions for the future.

Corporate governance

The ESG Committee, supported by external advisers, advanced the decarbonization program by rigorously assessing the most impactful and feasible levers. This assessment will help set targets and incorporate them into the strategic plan.

Board structure and responsibilities

EXECUTIVE COMMITTEE

7 members elected by the Board from among its members

- Reviews, approves, and monitors operational, financial, and strategic performance, including safety and environmental stewardship.
- Recommends changes to the corporate and business strategy.

Periodically review the management of economic, operational, product-related, social, environmental, human development, and safety matters—including associated risks and opportunities.

BOARD OF DIRECTORS

11 Proprietary Directors and 10 Alternate Directors

- Establishes the company's vision and strategy and monitors their implementation.
- Defines policies and guidelines.
- Validates and monitors the risk matrix.
- Approves the budget and financial results.

Secretary

Chief Executive Officer and management team

Responsible for managing, leading, and executing the company's business operations.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

3 Independent Directors

- Reviews compliance with internal control policies and accounting practices.
- Monitors internal control systems, auditing, and the implementation of due diligence processes.
- Evaluates the performance of the external auditor.

FINANCE AND PLANNING COMMITTEE

7 Directors

- Reviews financial policies and projections.
- Evaluates investment projects and financing.

NOMINATION, EVALUATION, AND COMPENSATION COMMITTEE

3 Directors

- Reviews the organizational structure.
- Validates the capabilities and experience of Board Members and recommends their compensation.
- Evaluates the performance of relevant executives, based on company policies, and authorizes salary and benefit increases.
- Defines the overall compensation policy and succession plans.

The Board met four times in 2024, maintaining a notably high quorum at each meeting, with over 95% of directors in attendance.

The company adheres to the recommendations of the Code of Corporate Principles and Best Practices. Committees met regularly and reported on their activities to the Board. Their reports and recommendations were included in the minutes of the Board of Directors meetings.

The Annual Ordinary Shareholders Meeting held on April 29, 2024, approved a remuneration of $142,000 pesos for each Board Member per meeting attended, $98,700 pesos for each member of the Audit and Corporate Governance Committee per meeting attended, and $119,700 pesos for the Chairman of that Committee.

In 2024, total compensation for senior management amounted to $223 million pesos, of which 91% corresponded to salaries and bonuses, and the remaining 9% to benefits.

The composition of the Board of Directors, as well as detailed profiles of its members, is available on our website www.penoles.com.mx.

Members of the **Board of Directors**

PROPRIETARY DIRECTORS						
Name	**Category**	**Position**	**Education**	**Member since**	**Committees**	**Experience****
Alejandro Baillères Gual	4	Chairman Grupo BAL and Chairman of the Board of Directors of Industrias Peñoles, Fresnillo plc, Grupo Palacio de Hierro, Grupo Profuturo, Profuturo Afore and Profuturo Pensiones	Stanford Executive Program (Stanford University)	1989	(A) (B) (C)	Financials, Materials, Industrials, Information Technology, Utilities
Juan Bordes Aznar	3	Executive Director Grupo BAL	Stanford Executive Program (Stanford University)	1980	(A) (B) (C)	Financials, Energy, Materials, Industrials, Information Technology, Utilities
Arturo Manuel Fernández Pérez	3	Dean, Instituto Tecnológico Autónomo de México	PhD in Economics (The University of Chicago)	1993	(A) (B) (C)	Financials, Energy, Materials, Industrials
José Antonio Fernández Carbajal	1	Executive Chairman of the Board, Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) and Chairman of the Board, Coca-Cola FEMSA	MBA (Tecnológico de Monterrey)	2001		Financials, Materials, Industrials, Information Technology
Eduardo Cepeda Fernández	3	Financial Advisor Grupo BAL	MBA (University of Southern California, Los Angeles)	2021	(A) (C)	Financials, Materials, Industrials, Energy
Juan Francisco Beckmann Vidal	1	Honorary Life Chairman Becle, S.A.B. de C.V.	MBA (Stanford University)	2009		Financials, Industrials
Jaime Lomelín Guillén	3	Executive Director Grupo BAL	Chemical Engineer (UNAM)	1986		Financials, Industrials, Energy, Utilities, Materials
Tomás Lozano Molina	1	Notary Public Num. 10, Mexico City	Law Degree	2002	(D)	Financials, Industrials
José Octavio Figueroa García	3	Executive Director Grupo BAL	Executive Management Program (IPADE)	2009		Financials, Industrials, Materials
Ernesto Vega Velasco	1	Board Member and member of the Audit and Corporate Practices Committee Industrias Peñoles, S.A.B. de C.V.	Executive Management Program (IPADE)	2003	(D)	Financials, Industrials, Information Technology
Juan Pablo Baillères Gual	4	Executive Director Grupo BAL	MBA (Arizona State University under an agreement with ITAM)	1995		Financials, Materials, Utilities, Energy

Board Secretary:
Gerardo Carreto Chávez

The Board is composed of **11 proprietary directors**, four of whom are independent—representing 36% of the Board, above the 25% minimum required by the Mexican Securities Market Law—and **10 alternate directors**, who hold the same level of responsibility and independence as their corresponding proprietary directors. One of the independent directors is a woman.

CATEGORIES:
1 **Independent Director***: A director whose characteristics allow them to perform their duties free from conflicts of interest and without being subject to personal, financial, or economic ties. In addition, the individual must not be disqualified by any of the restrictions set forth in Article 26 of the Mexican Securities Market Law.
2 **Proprietary Director***: A director who holds a direct ownership stake of 1% (one percent) or more in the company's capital stock.
3 **Related Director***: A director who is neither independent nor proprietary. Related directors include, among others: executives at any level within the company or its subsidiaries; executives at companies that are part of the Grupo BAL consortium; and individuals related by blood to other directors up to the fourth degree, including their spouses or individuals in a common-law relationship.
4 **Related Proprietary Director***: A director who, in addition to being related to the company, directly holds 1% or more of the company's capital stock.

* As established by the corporate policy for determining director classifications.
** Experience as defined by the The Global Industry Classification Standard (GICS®) framework, which recognizes 11 sectors.

COMMITTEES:
(A) Executive Committee
(B) Nominations, Evaluation, and Compensation Committee
(C) Finance and Planning Committee
(D) Audit and Corporate Governance Committee

ALTERNATE DIRECTORS

Name	Category	Position	Education	Member since	Committees	Experience**
Alejandro Díaz de León Carrillo	3	Executive Director Grupo BAL	Master's degree in Economics (Yale Universtity)	2025	(A) (C)	Financials
Gabriel Eugenio Kuri Labarthe	3	Chief Financial Officer Servicios Corporativos BAL	Actuary (Universidad Anáhuac)	2010		Financials Industrials
Alejandro Hernández Delgado	3	Deputy Dean, Instituto Tecnológico Autónomo de México (ITAM)	Master's degree and PhD in Economics (University of Rochester)	2008		Financials
Francisco Javier Fernández Carbajal	1	Chief Executive Officer Servicios Administrativos Contry, S.A. de C.V	MBA (Harvard Business School)	2014		Financials Materials Industrials
Diego Cristóbal Hernández Cabrera	3	Executive Director Grupo BAL	Civil Engineer in Mining (École Nationale Supérieure des Mines de Paris and Universidad de Chile)	2025	(A) (C)	Materials
Raúl Carlos Obregón del Corral	1	Managing Director Alianzas, Estrategia y Gobierno Corporativo	Master's in Science in Industrial Engineering and Planning (Stanford University)	1991	(D)	Financials
Francisco Javier Simón Havaux	1	Chairman Formas para Negocios, Formas y Sistemas Mexicanos, Compañía Litográfica y Tipográfica América, and Servisim	Bachelor's degree in Business Administration (Universidad Anáhuac)	2023		Financials Industrials Information Technology
Roberto Palacios Prieto	3	Executive Director Grupo BAL	MBA (Stanford University)	2018	(A) (C)	Financials Industrials Information Technology
Dolores Alicia Martin Cartmel	1	Member of the Board	Bachelor's degree in Economics (Universidad Iberoamericana)	2005		Financials
Rafael Rebollar González	3	Chief Executive Officer Industrias Peñoles, S.A.B. de C.V.	Stanford Executive Program (Stanford University)	2021		Financials Industrials Materials

CATEGORIES:
1 **Independent Director***: A director whose characteristics allow them to perform their duties free from conflicts of interest and without being subject to personal, financial, or economic ties. In addition, the individual must not be disqualified by any of the restrictions set forth in Article 26 of the Mexican Securities Market Law.
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3 **Related Director***: A director who is neither independent nor proprietary. Related directors include, among others: executives at any level within the company or its subsidiaries; executives at companies that are part of the Grupo BAL consortium; and individuals related by blood to other directors up to the fourth degree, including their spouses or individuals in a common-law relationship.
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COMMITTEES:
(A) Executive Committee
(B) Nominations, Evaluation, and Compensation Committee
(C) Finance and Planning Committee
(D) Audit and Corporate Governance Committee

Structure as of April 1, 2025

Peñoles management team

Rafael Rebollar González
Chief Executive Officer

Álvaro Soto González
VP Law

Karla Castillo Estada
AVP Corporate Law

Isaac Evangelista García
AVP Legal, Litigation

Herman Dittmar Charles
VP Projects and Construction

Humberto Aldana Martínez
AVP Infrastructure

Mario Esteban Hernández
AVP Project Control

Mauricio Iván García Torres
VP Finance, Administration and CFO

Manuel Eugenio Medina Pegram
VP Commercial

Juan Manuel Martínez González
AVP Commercial Metals

Luis Ernesto Ibarra Ortiz
AVP Commercial Chemicals

Arturo Miguel Tronco Guadiana
VP Chemicals

Jeremy Donald Gillis
VP Metal Operations

Isaías Almaguer Guzmán
AVP Technical Metals

Luis Humberto Vázquez San Miguel
VP Mining

Francisco Javier Berumen Muro
AVP Southern Operations

Miguel Eduardo Muñoz Pérez
AVP Northern Operations

José Luis Cervantes Segura
AVP Planning

Daniel Ortiz Aguilar
AVP Technology and Innovation

Benito Noguez Alcántara
VP Exploration

Felipe Ortigoza Cruz
AVP Exploration

Erika María Cabriada Martínez
VP Compliance

María Nancy Acosta Jáuregui
VP Internal Auditing

Daniel Torres Guerrero
AVP New Projects

Roberto Velasco Cuevas
AVP Human Resources, Labor, and Communications

Christopher Ávila Mier
AVP Government and Institutional Relations

Sebastián Trejos Saldaña
AVP Safety, Occupational Health, and Environment

Oscar Luévano Ovalle
AVP Raw Materials

Luis Carlos Navarro Figueroa
AVP Financial Planning and Investor Relations

Gerardo Rojas Favela
AVP Operations Comptroller

Jorge Aurelio Calderón Buendía
AVP Treasury and Financing

Demetrio Juárez Martínez
AVP Procurement

Leopoldo Rodríguez Olive
AVP Energy

Martín Arreola Coronel
AVP Administrative Services

Gerardo Saucedo Ortega
Comptroller

Luis Antonio Andrade León
AVP Fiscal

José Von Bertrab Saracho
AVP ERP Implementation

Aldo Bolívar Escarpita
AVP IT

Exequiel Rolón Michel
AVP Sustainability and Community Engagement

Information for **shareholders**

CORPORATE HEADQUARTERS
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Calzada Legaria 549, Torre 2. Col. 10 de abril
11250 Mexico City, Mexico
Phone: +52 (55) 5279 3000
www.penoles.com.mx

STOCK MARKET
Bolsa Mexicana de Valores (BMV):
ticker PE&OLES

AUDITOR
Mancera, S.C.
(Member of Ernst & Young Global Limited)

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Investor_Relations@penoles.com.mx

SHARE INFORMATION
Share price (pesos) in 2024:
Close $266.20
High $335.93
Low $207.74

Market capitalization at year-end:
US$5,220 million
Outstanding shares as of December 31st, 2024:
397,475,747

For more information on Fresnillo plc please visit:
www.fresnilloplc.com

FINANCIAL CALENDAR
2024 Annual Shareholders Meeting:
April 28, 2025
*1Q2025 Results: April 30, 2025**
*2Q2025 Results: July 28, 2025**
*3Q2025 Results: October 28, 2025**
*4Q2025 Results: February 27, 2026**
*Preliminary dates

SPANISH VERSION:
For a Spanish version of this report, please visit our website:
https://www.penoles.com.mx/es/

Contact:
Investor_Relations@penoles.com.mx
Tel: +52 (55) 5279 3294

Consolidated financial statements

Consolidated Financial Statements
as of December 31, 2024 and 2023
with Independent Auditor's Report

PEÑOLES

PE&OLES

Contents:

Independent Auditor's Report

To the Shareholders Meeting
of Industrias Peñoles, S.A.B. de C.V.

Opinion

We have audited the accompanying consolidated financial statements of Industrias Peñoles, S.A.B. de C.V. and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as of December 31, 2024, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Industrias Peñoles, S.A.B. de C.V. and its subsidiaries as of December 31, 2024, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We have carried out our audit in accordance with International Auditing Standards (IAS). Our responsibilities under these standards are further described in the "Auditor's Responsibilities in relation to the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the "International Code of Ethics for Professional Accountants (Including International Independence Standards)" ("IESBA Code of Ethics") in conjunction with the ethical requirements applicable to our audit of the consolidated financial statements in Mexico by the "Professional Ethics Code of the Mexican Institute of Public Accountants" ("IMCP Code of Ethics") and we have fulfilled other ethical responsibilities in accordance with those requirements and the IESBA Code of Ethics. We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion."

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, including those related to the key audit matters. Consequently, our audit included the application of procedures designed to respond to our assessment of the risks of material misstatement of the attached consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverable value of long-lived assets

Description and why it was considered a key audit matter

We have considered the evaluation of the Company's indications of impairment of depreciable and amortizable assets, which consist of long-lived assets, as a key audit matter due to the complexity of the methodology used to estimate the recoverable value of the assets of each cash-generating unit (CGU), as well as the high level of judgment used by management in the assumptions employed and their consistency with other accounting estimates determined by the Company in the consolidated financial statements. These assumptions include estimates of mineral reserves and resources, related production levels, projections of capital and operating expenses, future metal prices in the markets, discount rates, and associated exchange rates. The methodology used by the Company to evaluate indications of impairment is complex because it considers certain economic and market factors, which require estimates with a high degree of uncertainty, as well as the various characteristics of each of the mining CGUs.

In Note 6, section k) "Impairment of non-financial long-lived assets" of the attached consolidated financial statements, further details can be found regarding the accounting policy and the criteria that the Company considered for the impairment evaluation described above.

How our audit addressed the matter

We evaluated the reasonableness of the methodology used by the Company to identify its cash-generating units (CGUs) considering the applicable accounting criteria, as well as the reasonableness of the assumptions used to estimate the recoverable value of each CGU, such as the estimation of mineral reserves and resources, related production levels, projections of capital and operating expenses, future metal prices in the markets, discount rates, and associated exchange rates. Additionally, we compared these assumptions with market information and analyzed their consistency with the assumptions used in other accounting estimates determined by the Company in the attached consolidated financial statements; we assessed the objectivity and competence of the Company's external advisors to validate the reserves and resources used in the projections. Finally, we received assistance from external geological specialists in auditing the reserves and resources reports and also from our internal valuation specialists in auditing the projections.

We also evaluated the adequacy of the disclosures related to the assessment of indications of impairment in long-lived assets, which were made in the attached consolidated financial statements as of December 31, 2024.

Estimation of mineral reserves and resources

Description and why it was considered a key audit matter

We have considered the Company's estimation of mineral reserves and resources as a key audit matter, due to the significant judgments and estimates required, as well as the impact that such judgments may have on the value of property, plant, and equipment (PPE) and on the amount of the liability for obligations associated with site restoration. Mineral reserves and resources are used to determine the economic life of the Company's cash-generating units (CGUs) and to determine the recoverable values of the assets associated with those CGUs, as well as to discount the future obligation for restoring the affected location during production activities. The Company's reserves and resources are determined by internal management specialists.

In Note 4 a) of the attached consolidated financial statements, further details can be found regarding the accounting policy and the criteria that the Company considered for the evaluation of the estimation of mineral reserves and resources described above.

How our audit addressed the matter

We evaluated the competence, experience, and independence of the Company's internal specialists, including direct discussions with these specialists, and assessed the scope of their work; additionally, with the support of our specialist, we analyzed the report from the Company's internal specialists and evaluated the changes in the estimates of reserves and resources that occurred during the year. We also assessed the consistency of the criteria applied across all subsidiaries.

We analyzed the reconciliation of the opening and closing balances of reserves and resources and compared this reconciliation with the clarifications provided by management and, where applicable, the supporting documentation that explains the reasons for significant movements in the balances of reserves and resources. We also evaluated the market, financial, and operational assumptions used by management in the calculations of the estimates of reserves and resources.

We also assessed the adequacy of the disclosures related to the estimates of material reserves and resources, which were made in the attached consolidated financial statements as of December 31, 2024.

Deferred income tax

Description and why it was considered a key audit matter

We have considered the area of deferred income tax as a key audit matter due to the complexity of the tax legislation applicable to the industry in which the Company operates, and the application of significant judgment in the analyses performed by management regarding aspects such as the assessment of the probability of asset recovery, the reconciliation of the effective tax rate, and special industry considerations related to the special mining right, among other issues. We also focused on this area due to the use of assumptions with various uncertainties, as they depend on the occurrence of future events specific to the mining industry and the risk of compliance with financial and tax results.

In Note 6 p) and Note 21 of the attached consolidated financial statements as of December 31, 2024, the accounting policies regarding the recognition of deferred income tax, as well as the corresponding figures, are described.

How our audit addressed the matter

We analyzed the significant assumptions used by management for the recognition of current and deferred income tax assets and liabilities, evaluated the effective tax rate determined by the Company and analyzed the reconciliations prepared for the current and deferred income tax items. We involved our tax specialists to assist us in analyzing the applicable tax aspects for the Company, evaluating projections of expected future taxable profits, and assessing the adequacy of the calculation procedure used by management for determining the reconciliation of the effective tax rate for the period. Additionally, we arithmetically recalculated the projections used for determining the recovery of deferred tax assets.

We analyzed the disclosures related to the recognition of incurred and deferred tax assets and liabilities in the consolidated financial statements as of December 31, 2024.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report filed with the National Banking and Securities Commission (the CNBV) and the annual report submitted to the shareholders but does not include the consolidated financial statements and our auditor's report thereon.

We expect to obtain the other information after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read and consider the other information when we have access to it and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read and consider the Annual Report filed with the CNBV, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to issue a statement on the Annual Report required by the CNBV that contains a description of the matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or thevoverride of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is the undersigned.

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited

C.P.C. Sergio Mora González

Our audit opinion and the accompanying financial statements and footnotes have been translated from Spanish version into English for convenience purposes only.

Monterrey, Nuevo León,
March 3, 2025.

INDUSTRIAS PEÑOLES, S.A.B. DE C.V. AND SUBSIDIARIAS

Consolidated Statements of Financial Position

(Amounts in thousands of U.S. dollars)

	Note	As of December 31 **2024**	2023
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	8	**$ 1,679,354**	$ 1,040,222
Short-term investments	8	**187,403**	-
Trade and other accounts receivable, net	9	**656,487**	553,871
Recoverable income tax		**69,538**	141,662
Other financial assets	10	**25,141**	31,347
Inventories	11	**2,119,246**	1,798,453
Prepaid expenses		**27,922**	40,206
Total current assets		**4,765,091**	3,605,761
Non-current assets classified as held for sale	39	**21,362**	21,362
NON-CURRENT ASSETS:			
Trade and other accounts receivable, net	9	**5,264**	43,528
Other financial assets	10	**3,723**	5,818
Inventories	11	**69,760**	69,760
Financial assets in equity instruments	12	**147,926**	114,625
Property, plant and equipment, net	13	**4,219,125**	4,660,208
Equity investments in associates	14	**74,750**	81,215
Right-of-use assets	15	**83,830**	93,595
Deferred income tax	21	**873,035**	1,278,154
Other assets		**5,465**	5,230
Total non-current assets		**5,482,878**	6,352,133
Total assets		**$ 10,269,331**	$ 9,979,256

The accompanying notes are an integral part of these consolidated financial statements.

INDUSTRIAS PEÑOLES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Financial Position

(Amounts in thousands of U.S. dollars)

	Note	As of December 31 **2024**	2023
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Suppliers and other accounts payable	16	**$ 533,002**	$ 648,106
Other financial liabilities	17	**11,398**	24,308
Financial debt	18	**489,592**	235,528
Employee benefits	19	**64,931**	55,704
Lease liabilities	15	**12,858**	14,882
Provisions	20	**11,781**	11,849
Income tax payable		**220,488**	99,391
Total current liabilities		**1,344,050**	1,089,768
Liabilities directly associated with non-current assets classified as held for sale	39	**37,563**	39,287
NON-CURRENT LIABILITIES:			
Financial debt	18	**2,515,585**	2,523,257
Employee benefits	19	**54,072**	49,690
Other financial liabilities	17	**-**	22,726
Lease liabilities	15	**86,144**	95,563
Provisions	20	**423,317**	481,298
Deferred income tax	21	**176,274**	171,879
Total liabilities		**4,637,005**	4,473,468
EQUITY:			
Share capital	22	**401,399**	401,399
Legal reserve	38	**52,304**	52,304
Retained earnings		**3,855,973**	3,782,467
Other comprehensive loss items	22	**(34,522)**	(26,144)
Equity attributable to equity holders of the parent		**4,275,154**	4,210,026
Non-controlling interests	3	**1,357,172**	1,295,762
Total equity		**5,632,326**	5,505,788
Total liabilities and equity		**$ 10,269,331**	$ 9,979,256

INDUSTRIAS PEÑOLES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Profit or Loss

(Amounts in thousands of U.S. dollars)

	Note	For the years ended December 31 2024	2023
Sales	25	$ 6,650,079	$ 5,928,965
Cost of sales	26	4,893,615	5,120,766
GROSS PROFIT		1,756,464	808,199
Administrative expenses	27	315,058	332,170
Exploration expenses	28	212,234	232,691
Selling expenses	29	174,788	165,737
Impairment in the value of long-lived assets	13	17,000	-
Other expenses	31	15,517	79,001
Other income	31	(52,635)	(96,847)
		681,962	712,752
OPERATING PROFIT		1,074,502	95,447
Finance income	32	(78,292)	(100,797)
Finance costs	33	219,770	251,947
Foreign exchange loss (gain), net		3,606	(1,357)
Share of (profit) loss of associates	14	(5,528)	1,767
PROFIT (LOSS) BEFORE INCOME TAX		934,946	(56,113)
Income tax	21	727,084	(342,649)
CONSOLIDATED NET PROFIT		$ 207,862	$ 286,536
Attributable to:			
EQUITY HOLDERS OF THE PARENT		$ 73,253	$ 147,090
NON-CONTROLLING INTERESTS	3	134,609	139,446
		$ 207,862	$ 286,536
BASIC AND DILUTED EARNINGS PER SHARE (in U.S. dollars)	23	$ 0.18	$ 0.37

The accompanying notes are an integral part of these consolidated financial statements.

INDUSTRIAS PEÑOLES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Other Comprehensive Income

(Amounts in thousands of U.S. dollars)

	Note	For the years ended December 31 2024	2023
CONSOLIDATED NET PROFIT		$ 207,862	$ 286,536
OTHER COMPREHENSIVE INCOME (LOSS) ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS			
Unrealized gain/loss on valuation of hedges:			
Gain reclassified to profit or loss	37	63,148	85,483
Deferred income tax	21 and 37	(18,944)	(25,645)
Changes in the fair value of hedging instruments	37	(55,336)	(98,829)
Deferred income tax	21 and 37	16,600	29,649
Net effect of unrealized gain on valuation of hedges		5,468	(9,342)
Share of profit (loss) of associates	14	(11,993)	10,801
Foreign currency translation reserve		(16,673)	3,761
Other comprehensive income items to be reclassified to profit or loss		(23,198)	5,220
OTHER COMPREHENSIVE INCOME (LOSS) ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Unrealized gain on valuation of employee benefits:			
Actuarial (loss) gain	19	(10,277)	13,019
Deferred income tax	21	1,634	(2,070)
		(8,643)	10,949
Unrealized gain (loss) on valuation of financial assets in equity instruments	12	36,933	(54,811)
Deferred income tax	21	(11,080)	16,443
		25,853	(38,368)
Other comprehensive income (loss) items that will not be reclassified to profit or loss		17,210	(27,419)
TOTAL OTHER COMPREHENSIVE LOSS ITEMS		(5,988)	(22,199)
COMPREHENSIVE INCOME		$ 201,874	$ 264,337
Attributable to:			
EQUITY HOLDERS OF THE PARENT		$ 65,409	$ 135,727
NON-CONTROLLING INTERESTS		136,465	128,610
		$ 201,874	$ 264,337

INDUSTRIAS PEÑOLES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December, 2024 and 2023

(Amounts in thousands of U.S. dollars)

	Note	Share capital	Legal reserve	Retained Earnings: Undistributed earnings	Retained Earnings: Net profit for the year	Retained Earnings: Total retained earnings	Other comprehensive loss items	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance as of December 31, 2022		$ 401,399	$ 52,304	$ 3,452,014	$ 183,363	$ 3,635,377	$ (14,781)	$ 4,074,299	$ 1,213,977	$ 5,288,276
Consolidated net profit for the year					147,090	147,090		147,090	139,446	286,536
Other comprehensive income items							(11,363)	(11,363)	(10,836)	(22,199)
Comprehensive income					147,090	147,090	(11,363)	135,727	128,610	264,337
Shareholders resolutions:										
Allocation of net income from prior year				183,363	(183,363)					
Increase in non-controlling interests	3								9,667	9,667
Dividends declared									(56,492)	(56,492)
Balance as of December 31, 2023		401,399	52,304	3,635,377	147,090	3,782,467	(26,144)	4,210,026	1,295,762	5,505,788
Consolidated net profit for the year					**73,253**	**73,253**		**73,253**	**134,609**	**207,862**
Other comprehensive income items							**(7,844)**	**(7,844)**	**1,856**	**(5,988)**
Comprehensive income					**73,253**	**73,253**	**(7,844)**	**65,409**	**136,465**	**201,874**
Shareholders resolutions:										
Allocation of net income from prior year				**147,090**	**(147,090)**					
Transfer of the gain from the sale of financial assets in equity instruments				**534**		**534**	**(534)**			
Transaction between shareholders of the controlling entity and non-controlling interest.				**(281)**		**(281)**		**(281)**	**281**	
Dividends declared									**(75,336)**	**(75,336)**
Balance as of December 31, 2024		**$ 401,399**	**$ 52,304**	**$ 3,782,720**	**$ 73,253**	**$ 3,855,973**	**$ (34,522)**	**$ 4,275,154**	**$ 1,357,172**	**$ 5,632,326**

The accompanying notes are an integral part of these consolidated financial statements.

INDUSTRIAS PEÑOLES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in thousands of U.S. dollars)

	Note	For the year ended December 31 **2024**	2023
OPERATING ACTIVITIES			
Net cash flows from operating activities	34	**$ 1,300,298**	$ 476,136
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(445,895)**	(591,860)
Short-term investments		**(187,403)**	-
Interest capitalized in property, plant and equipment	13 and 18	**(342)**	(4,133)
Purchase of intangible assets		**(138)**	(3,873)
Proceeds from sale of property, plant and equipment		**3,998**	4,952
Collection of loans granted to contractors		**5,620**	5,220
Interest received		**77,642**	75,004
Financial assets in equity instruments	12	**(1,466)**	(2,313)
Income from the sale of financial assets in equity instruments	12	**5,098**	-
Cash flows from mining concessions		**(10,000)**	22,800
Net cash flows used in investing activities		**(552,886)**	(494,203)
FINANCING ACTIVITIES			
Interest paid	18 and 24	**(155,339)**	(185,647)
Interest rate hedges of derivative financial instruments		**611**	20,943
Loans obtained	18	**5,200,061**	2,769,670
Repayment of loans	18	**(4,947,433)**	(2,943,627)
Principal and interest paid for leases	15	**(21,953)**	(22,261)
Credit line fee		**(1,154)**	-
Cash dividends paid to equity holders of the parent		**-**	(8)
Cash dividends paid to non controlling interest		**(74,151)**	(56,433)
Increase in non-controlling interests	3	**-**	9,667
Loans from partners in non-controlling investments	24	**-**	22,726
Payment of loans from partners in non-controlling investments	24	**(92,361)**	(32,965)
Net cash flows used in financing activities		**(91,719)**	(417,935)
Increase (decrease) in cash and cash equivalents		**655,693**	(436,002)
Net foreign exchange difference		**(16,561)**	7,306
Cash and cash equivalents at the beginning of the year		**1,040,222**	1,468,918
Cash and cash equivalents at the end of the year		**$ 1,679,354**	$ 1,040,222

The accompanying notes are an integral part of these consolidated financial statements.

I INDUSTRIAS PEÑOLES, S.A.B. DE C.V. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of the years ended December 31, 2024 and 2023
(Amounts in thousands of U.S. dollars)

1. Description of the business

Industrias Peñoles, S.A.B. de C.V. ("IPSAB"), is a company incorporated under the Mexican Corporations Act and the Mexican Securities Trading Act as a publicly traded variable capital corporation listed in Bolsa Mexicana de Valores, S.A.B. de C.V. (the Mexican Stock Exchange). Grupo Peñoles is the ultimate holding company. Its corporate offices are located in Mexico City at Calzada Legaria No. 549, Colonia 10 de Abril.

Industrias Peñoles, S.A.B. de C.V. and its subsidiaries (collectively, "Grupo Peñoles" or "the Company") are principally engaged in the exploration, extraction and sale of mineral concentrates and ore, as well as in the production and sale of nonferrous metals.

Grupo Peñoles is required to obtain government concessions for the exploration and exploitation of mineral deposits. Under the current legal and regulatory regime in Mexico, concessions for mining operations, development projects and exploration prospects may be cancelled by the Mexican government under certain circumstances, including where minimum expenditure levels are not achieved by Grupo Peñoles, if fees related to exploitation activities are not paid to the Mexican government or if environmental, health and safety standards are not observed.

Mining concessions grant rights upon all the minerals and substances, but do not grant rights upon the surface where the mines are located. In accordance with the new Mining Law that came into effect on May 9, 2023, the duration of mining concessions for exploitation was reduced from 50 to 30 years and will be granted as long as certain requirements are met and can be extended for an additional 25 years. In total, new concessions granted after the implementation of the new law will be for a maximum of 55 years.

2. Basis of presentation

The consolidated financial statements and their notes were authorized by the Managing Director, Finance Director, Director of Administrative Services, and Legal Director on March 3rd, 2025, in accordance with their respective roles for issuance and subsequent approval by the Board of Directors. Shareholders of Grupo Peñoles have the authority to approve or modify the consolidated financial statements.

The consolidated financial statements of Grupo Peñoles and all its subsidiaries were prepared in accordance with International Financial Reporting Standards (hereafter "IFRS") issued by the International Accounting Standards Board (hereafter "IASB").

The consolidated financial statements are presented in U.S. dollars (refer Note 6 a), which is the functional currency of Industrias Peñoles and most of the entities that comprise it. The amounts were rounded to thousands of U.S. dollars, unless otherwise indicated. Figures referred to in Mexican pesos (Ps) are expressed in thousands of Mexican pesos, unless otherwise indicated.

2. Basis of preparation (concludes)

The consolidated financial statements presented cover the following periods and dates:

- Statements of financial position as of December 31, 2024 and 2023.
- Statements of profit or loss for the years ended December 31, 2024 and 2023.
- Statements of other comprehensive income for the years ended December 31, 2024 and 2023.
- Statements of changes in equity for the years ended December 31, 2024 and 2023.
- Statements of cash flows for the years ended December 31, 2024 and 2023.

The consolidated financial statements were prepared on a historical cost basis, except for the following items which are valued at their fair value as of the reporting date of the consolidated statement of financial position:

- Derivative financial instruments.
- Financial assets in equity instruments.
- Certain inventories which are valued at their fair value.

Translation to English

The accompanying consolidated financial statements have been translated from Spanish into English for the convenience of readers.

3. Consolidation

The consolidated financial statements include the financial statements of Industrias Peñoles, S.A.B. de C.V. and its subsidiaries, prepared for the same reporting period as that of the parent company, applying uniform accounting policies.

Subsidiaries

Subsidiaries are understood as those entities over which Grupo Peñoles exercises effective control in order to govern the operating and financial policies and derive benefits from their activities, from the date it effectively gained control until the date it effectively ceded that control. The control of entities qualified as subsidiaries is evaluated based on the power it has and exercises through its shareholding of voting rights, exposure to its variable returns, and the ability to influence its returns.

The consolidated financial statements include all assets, liabilities, revenues, expenses, and cash flows, after eliminating intercompany balances and transactions. When shareholding in a subsidiary is less than 100%, therefore there is non-controlling interest in the net assets of the consolidated subsidiaries, it is identified in a separate line item in equity as non-controlling interest.

3. Consolidation (continued)

The accounting for business acquisitions is performed using the purchase method, which requires the acquired assets and assumed liabilities to be recognized at their fair value at the date of purchase; the results of the acquired businesses are recognized in the consolidated financial statements from the effective date of acquisition. The results of the businesses sold during the year are included in the consolidated financial statements up to the effective disposal date, and the gain or loss for their disposal is recognized in the statement of profit or loss, as the difference between the revenues obtained from the sales, net of related expenses, and the net assets attributable to the equity interest of the business that has been sold.

All intercompany balances and transactions, intra-group unrealized gains and losses, and dividends have been eliminated on consolidation.

Associates

Investments in associates are those in which Grupo Peñoles holds more than 20% of the issuer's voting shares, or over which it exercises significant influence but does not have control over the investee. Investments in associates are initially recognized at cost and later accounted for using the equity method, which consists of recognizing Grupo Peñoles' share in the changes in the issuer's equity from net profit or loss and other comprehensive income items generated after the acquisition date. Dividends received from the associated company are subtracted from the value of the investment. The consolidated statement of profit or loss reflects Grupo Peñoles' share of the associate's net profit or loss. In addition Grupo Peñoles recognizes its share in the associate's other comprehensive income items directly in equity under the caption corresponding to the type of other comprehensive income being recognized.

Gains and losses on transactions with associates are eliminated in the consolidated financial statements based on the equity interest held in each investee.

Significant subsidiaries

The significant subsidiaries are as follows:

Subsidiaries with total participation

			% Equity interest December	
Subsidiary	Country	Functional Currency (1)	**2024**	2023
Minas Peñoles, S.A. de C.V.	Mexico	USD	**100**	100
Química Magna, S.A. de C.V.	Mexico	USD	**100**	100
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	Mexico	USD	**100**	100
Química del Rey, S.A. de C.V.	Mexico	USD	**100**	100
Minera Ciprés, S.A. de C.V.	Mexico	USD	**100**	100
Compañía Minera Sabinas, S.A. de C.V.	Mexico	USD	**100**	100
Minera Capela, S.A. de C.V.	Mexico	USD	**100**	100
Arrendadora Mapimí, S.A. de C.V.	Mexico	USD	**100**	100
Servicios Administrativos Peñoles, S.A. de C.V.	Mexico	Peso	**100**	100
Servicios Especializados Peñoles, S.A. de C.V.	Mexico	Peso	**100**	100
Bal Holdings, Inc.	USA (2)	USD	**100**	100
Fuerza Eólica del Istmo, S.A. de C.V.	Mexico	USD	**100**	100

(1) "USD" refers to the U.S. dollar; "Peso", refers to the Mexican peso.
(2) United States of America.

3. Consolidation (continued)

Subsidiaries with non-controlling interests

Subsidiary	Country	Primary activity
Fresnillo plc	England	Holding company whose subsidiaries are primarily engaged in the extraction and processing of mineral concentrates containing mostly silver and gold in Mexico. The subsidiary was incorporated under the laws of the United Kingdom and is publicly traded on the London Stock Exchange. This company is a 75%-owned subsidiary of Grupo Peñoles, with the remaining 25% non-controlling interest publicly traded.
Minera Tizapa, S.A. de C.V.	Mexico	Primarily engaged in the extraction and processing of mineral concentrates of zinc and silver. This company is a 51%-owned subsidiary of Grupo Peñoles, with non-controlling interests held by Dowa Mining and Sumitomo Corporation of 49%.

An analysis of the Company's non-controlling interests in the net profit/(loss) and equity of its subsidiaries is as follows:

Subsidiary	2024 %	2023 %	Non-controlling interest in net profit for the year 2024	2023	Non-controlling interests in equity 2024	2023
Fresnillo plc	**25**	25	**$115,695**	$ 111,127	**$ 1,306,127**	$ 1,234,286
Minera Tizapa	**49**	49	**18,698**	28,163	**51,371**	62,076
Others			**216**	156	**(326)**	(600)
			$ 134,609	$ 139,446	**$ 1,357,172**	$ 1,295,762

For the year ended December 31, 2023, Equipos Chaparral, S.A de C.V. and Exploraciones y Desarrollos Mineros Coneto, S.A.P.I de C.V., both subsidiaries of Fresnillo plc, increased their share capital and their contributions from non-controlling interests. These transactions were recognized as an increase of $9,667 in the non-controlling interests line item in the consolidated statements of changes in equity. During 2024, there was no increase in the non-controlling interest.

The condensed financial information before eliminations as of December 31, 2024 and 2023, and for the years ended on those dates, of significant subsidiaries with non-controlling interests, is presented in the following tables:

Statement of financial position:

	2024 Fresnillo plc	2024 Minera Tizapa	2023 Fresnillo plc	2023 Minera Tizapa
Assets:				
Current assets	**$ 2,442,529**	**$ 64,994**	$ 1,539,018	$ 92,371
Non-current Assets	**3,437,929**	**89,339**	4,198,588	94,882
Total assets	**$ 5,880,458**	**$ 154,333**	$ 5,737,606	$ 187,253

3. Consolidation (concludes)

	2024 Fresnillo plc	2024 Minera Tizapa	2023 Fresnillo plc	2023 Minera Tizapa
Current liabilities	**$ 368,585**	**$ 27,268**	$ 372,024	$ 38,698
Non-current liabilities	**1,301,503**	**21,712**	1,298,385	21,871
Total liabilities	**1,670,088**	**48,980**	1,670,409	60,569
Equity	**4,210,370**	**105,353**	4,067,197	126,684
Total liabilities and equity	**$ 5,880,458**	**$ 154,333**	$ 5,737,606	$ 187,253
Dividends paid	**$ 104,556**	**$ 60,000**	$ 108,351	$ 59,999

Statement of other comprehensive income:

	2024 Fresnillo plc	2024 Minera Tizapa	2023 Fresnillo plc	2023 Minera Tizapa
Sales	**$ 3,496,385**	**$ 216,836**	$ 2,705,086	$ 258,390
Operating profit	**$ 945,820**	**$ 65,967**	$ 142,495	$ 83,153
Net profit	**$ 226,691**	**$ 38,676**	$ 288,300	$ 57,476
Other comprehensive (loss) income items	**$ 21,041**	**$ (7)**	$ (39,302)	$ 56
Comprehensive income	**$ 247,732**	**$ 38,669**	$ 248,998	$ 57,532

Statement of cash flows:

	2024 Fresnillo plc	2024 Minera Tizapa	2023 Fresnillo plc	2023 Minera Tizapa
Net cash flows used in operating activities	**$ 1,299,802**	**$ 72,649**	$ 425,922	$ 50,455
Net cash flows used in investing activities	**(465,460)**	**(68,502)**	(369,531)	(9,437)
Net cash flows used in financing activities	**(248,277)**	**(494)**	(495,834)	(59,999)
Increase (decrease) in cash and cash equivalents	**586,065**	**3,653**	(439,443)	(18,981)
Foreign exchange difference	**(10,232)**	**-**	4,963	-
Cash and cash equivalents at the beginning of the year	**534,580**	**50,187**	969,060	69,168
Cash and cash equivalents at end of the year	**$ 1,110,413**	**$ 53,840**	$ 534,580	$ 50,187

4. Significant accounting judgments, estimates and assumptions

The preparation of Grupo Peñoles consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, actual results could differ from these estimates. The areas involving a higher degree of judgment and complexity and areas where estimates and assumptions are significant to the financial statements are described as follows:

4. Significant accounting judgments, estimates and assumptions (continued)

Judgments

i) Rights over concession assets in Soledad-Dipolos

In 2009, five members of the El Bajío agricultural community in the state of Sonora, who claimed rights over certain land areas near the operations of the Subsidiary Minera Penmont ("Penmont"), filed a legal lawsuit with the Agrarian Unification Court (Tribunal Unitario Agrario) of Hermosillo, Sonora, to have Penmont vacate an area of this surface land. The land in dispute covered a portion of the surface where part of the Soledad & Dipolos mine operations are located. The litigation led to a final court order, which Penmont complied with by vacating 1,824 hectares of land, resulting in the suspension of Soledad & Dipolos operations. Although the claim and final court order did not affect the Group's legal title over the mining concession or the mineral currently located in the leaching yards near the mine site, access to the land at the mine site is required for the exploitation of the concession in Soledad & Dipolos.

Penmont is the legal and registered owner of the land where the leaching yards are located but has not yet been able to physically access these yards due to opposition from certain local individuals. This land was purchased by Penmont from the Federal Government of Mexico in accordance with legal procedures. Grupo Peñoles has a reasonable expectation that Penmont will eventually regain access to the Soledad & Dipolos assets and process the ore content in the Soledad & Dipolos leaching pads. This expectation considers different scenarios, including but not limited to the different legal processes that Minera Penmont has presented in order to regain access to the land, and other proceedings that members of the El Bajío agricultural community have presented seeking cancellation of Penmont's property deed over this area, which proceedings are pending final resolution. Therefore, Grupo Peñoles continues to recognise properties, plant and equipment, and inventories related to Soledad & Dipolos. Due to the fact that it is not yet certain when access can be granted so that the inventory can be processed, this inventory is classified as a non-current asset.

In regard to the inventory, during the first half of the year 2023, the Company identified certain suspicions of illegal extraction of gold content from its Soledad-Dipolos leaching pads. The Company estimates a loss of approximately 20,000 ounces of gold content and therefore recognised a write-off of $21,861 regarding the gold content of Soledad-Dipolos in inventory, which has been presented as other expenses in the statement of profit or loss. The Company took relevant actions with the support of diverse authorities to stop illegal extraction. During the visit of the authorities to the mine site, it was confirmed that there were no personnel carrying out any illegal mining activities at Soledad & Dipolos leaching pads. Therefore, the Company currently does not expect any further loss of this inventory.

The write-off of the inventory considered both the estimated recoverable quantity of gold existing on the leaching platform and the potential volume of solution being irrigated in the area believed to have been leached to date. However, the nature of the estimate means that actual results may differ from these estimates.

ii) Subsidiaries with non-controlling interests

For subsidiaries with non-controlling interests, Grupo Peñoles assesses different aspects of the investee to determine whether Grupo Peñoles has control over the investee and the power to direct its relevant activities, thus giving it the right to variable returns from its involvement with the investee.

iii) Climate Change

Grupo Peñoles set out its assessment of climate risks and opportunities. Grupo Peñoles recognizes that there may be potential implications on the consolidated financial statements in the future in regard to the mitigation and adaptation measures to the physical and transition risks. The potential effect of climate change would be in respect of assets and liabilities that are measured based on an estimate of future cash flows. Grupo Peñoles specifically considers the effect of climate change on the valuation of property, plant and equipment, deferred tax assets, and the provision for mine closure costs, which represent the main material accounting entries reflected as of the date of the consolidated financial statements. On the other hand, Grupo Peñoles does not have assets or liabilities for which measurement is directly linked to climate change performance (for example: Sustainability-linked Bonds).

4. Significant accounting judgments, estimates and assumptions (continued)

The main ways in which climate has affected the preparation of the consolidated financial statements are:

- Grupo Peñoles has already made certain climate-related strategic decisions, such as to focus on decarbonization and to increase wind energy. Where decisions have been approved by the Board of Directors, the effects were considered in the preparation of these consolidated financial statements by way of inclusion in future cash flow projections underpinning the estimation of the recoverable amount of property, plant and equipment and deferred tax assets, as relevant.

Grupo Peñoles strategy consists of mitigation and adaptation measures. To mitigate the impacts by and on climate change, Grupo Peñoles relies on renewable electricity, fuel replacement, and efficiency opportunities to reduce its carbon footprint. The approach to adaptation measures is based on climate models to produce actionable information for the design, construction, operation and closure of its mining assets, considering climate change. Future changes in Grupo Peñoles climate change strategy or signs of global decarbonization signposts may impact significant judgments and key estimates of Grupo Peñoles and result in material changes to financial results and the carrying values of certain assets and liabilities in future reporting periods.

iv) Uncertain tax positions

The current charge for income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates the positions taken in tax returns with respect to situations where the applicable tax regulations are subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances based on the most likely amount or expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

v) Strike due to labor conflict at Minera Tizapa

On July 26, 2024, the National Union of Mining, Metallurgical, Steel, and Similar Workers of the Mexican Republic, holder of the Collective Labor Agreement, initiated a strike notice at the Minera Tizapa business unit, which triggered an indefinite operational shutdown from August 30,2024. This notice argues violations of the collective labor agreement, including the distribution of employee’s profit sharing (PTU) for an amount exceeding that established in current legislation. Grupo Peñoles has determined that it fully complies with the obligations of the collective labor agreement, as well as all obligations arising from the Federal Labor Law and applicable regulations, and will adhere to the corresponding legal and administrative procedures to resolve this conflict.

Based on the above, Management assessed the various potential implications on its consolidated financial statements and, based on its professional judgment, determined the following:

- From the perspective of the going concern assessment, despite the ongoing uncertainty regarding the duration of the operational shutdown as of December 31, 2024, Minera Tizapa maintains a solvent financial position based on the results obtained prior to the start of the strike, allowing it to meet its short-term obligations over the next twelve months. Additionally, management believes that the conflict will be resolved and the business unit will resume operations.
- From the perspective of liquidity and access to financing, Minera Tizapa is not subject to obligations to do or not do, nor covenants that expose it to significant liquidity risk over the next twelve months from the reporting date.
- From the perspective of Management's plans to mitigate the effects of the labor stoppage, no present obligations have been identified that would require provisions to be recorded at the end of the period, nor issues related to contract renegotiations or seeking alternative sources of income.

4. Significant accounting judgments, estimates and assumptions (continued)

- From the perspective of assessing indications of impairment in the business assets, Management has determined that the solvency generated by the business, considering that the situation is expected to be resolved to continue operations at Minera Tizapa, has resulted in no impairment expense being recorded in the consolidated financial statements as of December 31, 2024.
- From the tax perspective, management has not identified any implications for current or deferred income taxes as of the reporting date.

Given the uncertainty represented by this event, Management continues to monitor the situation closely to ensure that all accounting and financial implications are adequately reflected in the consolidated financial statements.

A summary of the main estimates used is presented below:

a) Mineral reserves and resources

Grupo Peñoles applies judgments and makes estimates to calculate its mineral reserves and resources. These judgments and estimates are formulated using recognized mining industry methodologies and standards and the respective calculations are performed by qualified internal personnel and take into account Grupo Peñoles past experience in similar matters. The reports supporting these estimates are prepared periodically. Grupo Peñoles reviews these estimates periodically with the support of recognized independent experts to obtain certification of its mineral reserves.

There are a number of uncertainties inherent to estimating mineral reserves. Assumptions considered valid at the time the estimate is made may change significantly when new information becomes available. Changes in metal prices, exchange rates, production costs, metallurgical recovery provisions and discount rates could alter the value of a given mineral reserve and result in the need to restate such value.

Mineral reserves are used to determine production units for purposes of calculating the depreciation of certain mining properties, as well as to calculate the decommissioning provision and to analyze the impairment of mining units.

b) Estimation of recoverable mineral in leaching platforms

In the Group's open pit mines, certain mined ore is placed on leaching pads where a solution is applied to the surface of the heap to dissolve the gold and enable extraction. The determination of the amount of recoverable gold requires estimation with consideration of the quantities of ore placed on the pads, the grade of the ore (based on assay data) and the estimated recovery percentage (based on metallurgical studies and current technology).

The grades of ore placed on pads are regularly compared to the quantities of metal recovered through the leaching process to evaluate the appropriateness of the estimated recovery (metallurgical balancing).

The Group monitors the results of the metallurgical balancing process and recovery estimates are refined based on actual results over time and when new information becomes available.

c) Deferred income tax assets

The recognition of deferred tax assets, including those that arise from unused tax losses, requires Management to assess the probability that the Group will generate taxable profits in future periods, in order to be able to utilize the recognized deferred tax assets. Estimates of future taxable income are based on the forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the Group's ability to realize the net deferred tax assets recorded at the balance sheet date could be affected.

4. Significant accounting judgments, estimates and assumptions (continued)

d) Impairment

The carrying value of non-financial long-lived assets are tested for impairment when there are situations or changes in circumstances that indicate that the carrying value of a given asset is not recoverable. Whenever there are indicators of impairment, the carrying value of the asset is assessed to determine if it exceeds the recoverable amount, which is the higher of the cash generating unit's fair value less costs of disposal and the value in use of the asset, and if the asset is therefore impaired. For this impairment evaluation, assets are grouped into CGU and their recoverable amount is calculated as the present value of the future cash flows expected to be produced by the assets. When the recoverable amount of an asset or the cash generating unit to which it belongs is less than its net carrying amount, the difference is recognized as an impairment loss.

Grupo Peñoles allocates its mining units and metallurgical plants to CGU comprised of the different mining units, and metallurgical plant and estimates the projection periods for the cash flows. Subsequent changes in CGU allocations or changes in the assumptions used to estimate cash flows or the discount rate could affect the recoverable amounts and therefore the reported carrying amounts of the respective assets.

e) Property, plant and equipment

Depreciation of property, plant and equipment, except for certain mining properties, is determined based on the useful lives of the assets. Useful lives are determined based on technical studies performed by specialized internal personnel with the assistance of independent specialists. Grupo Peñoles useful lives are reviewed at least annually, and such analyses consider the current condition of the assets and the estimate of the period during which they will generate economic benefits for Grupo Peñoles. Changes in these estimated useful lives could prospectively alter depreciation amounts and the carrying amounts of property, plant and equipment.

f) Provision for asset decommissioning and rehabilitation

The estimated costs of closure of mining units derived from the legal and implied obligations required to restore operating locations are recognized at their present value in the period in which they are incurred. Estimated rehabilitation costs include the costs of decommissioning and removing structures, rehabilitating mines and tailings dams and decommissioning the processing plant and operating facilities, as well as the costs incurred for rehabilitation, reclamation, and re-vegetation of affected areas. Provisions for asset decommissioning and rehabilitation are recognized at present value at the time the obligation becomes known and provision amounts are calculated based on management's understanding of the related legal requirements and Grupo Peñoles corporate social responsibility policies.

Environmental costs are also estimated by Grupo Peñoles own internal specialists with the support of studies performed by independent experts. Generally speaking, management applies its judgment and experience to estimate decommissioning and rehabilitation costs over the life of each mine.

The costs incurred in future periods may be different from the amounts provided for. Also, the book value of the provision could eventually be affected by future changes in the applicable legislation and regulatory requirements, as well as changes to the estimated useful lives of Grupo Peñoles mines or the discount rates.

The assumptions on which the estimates of dismantling and restoration costs for mining units are determined are regularly reviewed. These estimates are based on internationally recognized standards that require the closure processes of operations. Additionally, the discount rate is reviewed to reflect the obligations for ecological restoration at their present value, in accordance with current market interest rate conditions.

4. Significant accounting judgments, estimates and assumptions (continued)

g) Retirement benefits

Assumptions are used to calculate Grupo Peñoles employee long term retirement benefits. Assumptions, as well as the estimates they give rise to, are determined together with independent actuaries. The assumptions cover demographical hypothesis, discount rates, expected salary increases, estimated working lives, and expected inflation rate, among other areas.

h) Mining project development

Grupo Peñoles evaluates the status of its various mine development projects, which covers exploration to locate new mineral deposits, and the development and construction of new mining units through the startup of commercial exploitation of the mines. Grupo Peñoles makes judgments and prepares estimates to determine when a project has completed the mineral exploration phase and entered the development phase, and when it has finally reached the production and exploitation phase.

The criteria and estimates used in this evaluation include the determination of a large enough mineral reserve to support the financial viability of a mining project, which represents the completion of the exploration phase and the beginning of the development stage, as well as the level of additional capital investment needed for the project, the amount of the investment already made in the project and the completion of the mine and processing plant testing periods, among other areas. Determining the completion of the different phases of a project has a significant impact on how development costs are accounted for, since during the exploration phase, these costs and expenses are recognized directly in the consolidated statement of profit or loss, during the development stage they are capitalized, and once the production phase is authorized, development costs and expenses are no longer capitalized. See Note 6r.

i) Contingencies

Given their nature, contingencies are only resolved when one or more future events or uncertain facts not entirely under Grupo Peñoles control either occur or do not occur. The evaluation of the existence of contingencies requires significant judgment and the use of estimates regarding the outcome of future events. Grupo Peñoles evaluates the probability of losing its on-going litigations based on the estimates of its legal advisors and these evaluations are reassessed periodically.

j) Leases

Grupo Peñoles (as lessee) determines the term as the non-cancellable term of the lease, together with any periods covered by an option to extend if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Grupo Peñoles has several lease contracts that include extension options. Grupo Peñoles applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew and to this end, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, Grupo Peñoles reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. Grupo Peñoles mainly included the renewal period as part of the lease term for certain plant and machinery.

4. Significant accounting judgments, estimates and assumptions (concludes)

When Grupo Peñoles cannot easily determine the implicit interest rate in leases, it uses the incremental borrowing rate to measure the related liabilities. The incremental borrowing rate is the interest rate that Grupo Peñoles would have to pay to obtain, with similar terms and guarantees, the funds necessary to purchase an asset of similar value to the right-of-use asset in a similar economic environment at the lease commencement date. Therefore, the incremental borrowing rate reflects what Peñoles 'would have to pay,' which requires estimation when no observable rates are available (such as for subsidiaries that do not engage in financing transactions) or when rates need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not denominated in the functional currency of a subsidiary). Grupo Peñoles estimates the incremental borrowing rate using observable variables (such as market interest rates) when available, and must make certain entity-specific estimates (such as the independent credit rating of a subsidiary).

The lease liability is measured at the present value of outstanding lease payments. The payments are discounted using the implicit interest rate in the lease if that rate can be easily determined. If that rate cannot be easily determined, the lessee's incremental borrowing rate is used. Subsequently, the liability is measured using the effective interest rate (EIR) method, it is increased to reflect interest on the lease liability and is discounted with the payments incurred. Like the right-of-use asset, the liability is remeasured when there are lease modifications or reevaluations. As of December 31, 2024, and 2023, the weighted-average incremental borrowing rate applied to the lease liabilities was 6.29% y 6.09%, respectively.

5. Changes in accounting policies

New standards, interpretations, and amendments

Grupo Peñoles applied certain standards and amendments for the first time, which are effective as of January 1, 2024 (unless otherwise stated). Grupo Peñoles has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

Amendment to IAS 12, International Tax Reform - Pillar Two Model Rules

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantially enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD).

The amendments introduce the following recognition and disclosure requirements:

- Disclosure of current tax
  Disclose the expense for current taxes related to the Pillar Two model in the periods when the legislation is in effect.

- Disclosure in periods prior to the enactment of tax reform
  In those legislations where the Pillar Two model has been enacted but is not yet effective, entities must disclose at the end of their reporting period quantitative and qualitative information about their exposure to income taxes related to the Pillar Two model.

- Disclosure of the application of the exception
  In May 2023, a mandatory exception was introduced in IAS 12 to not recognize and disclose deferred tax assets and liabilities related to income tax under Pillar Two. This exception allows entities to evaluate the accounting implications that will arise from the application of this amendment once there is adopted legislation in the jurisdictions where the entity operates.

5. Changes in accounting policies (concludes)

Since effective rules related to Pillar Two have not been enacted in the jurisdictions where Grupo Peñoles operates, there are no taxes incurred in the fiscal year that will be disclosed in the consolidated financial statements for 2024 and 2023. Additionally, Grupo Peñoles has taken the temporary exception of not recognizing or disclosing deferred taxes related to these rules, given the uncertainty that exists in the markets where it operates and the fact that the corresponding rules applicable to the entity have not been enacted. However, the Group's management is in the process of evaluating and monitoring the potential implications of the enactment of these rules in the jurisdictions where it maintains operations.

Amendments to IAS 1 - Classification of liabilities as current or non-current with covenants

The amendments to IAS 1 affect the presentation of liabilities in the balance sheet and include disclosure requirements.

The amendments clarify that the classification of liabilities as short-term or long-term is based on the rights that exist at the end of the reporting period; they align the wording of the "right" to defer settlement for at least 12 months and describe that only rights in effect at the end of the reporting period should affect the classification of a liability, not management's expectations.

Additionally, the concept of future covenants is introduced; an entity that is subject to compliance with future or subsequent covenants as of the reporting date has the right to defer the settlement of the liability even if it is not in compliance with such covenants at the reporting date.

Grupo Peñoles considers that it does not apply and had no impacts from the adoption of these amendments since the classification of liabilities is based on the rights that exist at the end of the reporting period, and there are no rights to defer settlements for at least 12 months, nor are there future covenants.

Measurement of a lease liability in a sale with a leaseback - Amendments to IFRS 16

The amendments specify the requirements that the seller-lessee will use in measuring the lease liability arising from a sale and leaseback transaction, to ensure that the lessee (seller) does not recognize the amount of the gain or loss related to the right of use retained.

There was no impact on Grupo Peñoles financial statements since it has not entered into sale and leaseback transactions.

Amendments to IAS 7 and IFRS 7 – Financing agreements with suppliers

In these agreements, one or more financial suppliers pay amounts that an entity owes to its suppliers (reverse factoring) while the entity agrees to settle those amounts with the financial suppliers according to the terms and conditions of the agreements.

The amendment introduces disclosure requirements for agreements with financial suppliers in liabilities and cash flows, including the terms and conditions of such agreements, as well as quantitative information about those agreements at the beginning and end of the period.

The modifications did not have a material impact on Grupo Peñoles financial statements as the Group has not entered into financing agreements with suppliers.

6. Material accounting policies

A summary of the accounting policies used in the preparation of the financial statements is found below. These polices have been applied consistently in all of the periods presented in the accompanying consolidated financial statements.

a) Foreign currency translation

Functional currency

The functional currency of each consolidated entity is determined based on the currency of the primary economic environment in which each entity operates. Except for certain subsidiaries that are currently not operating or are service providers, the functional currency of all of the entities of Grupo Peñoles is the U.S. dollar.

Translation to the reporting currency

The following methodology was used to translate the subsidiaries financial statements whose functional currency is different to Grupo Peñoles functional currency:

- Assets and liabilities, both monetary and non-monetary, are translated at the closing exchange rates as of the date of each consolidated statement of financial position presented.

- Revenue, cost, and expense items in the consolidated statement of profit or loss are converted at the average exchange rates for the period, unless those exchange rates fluctuated significantly during the period, in which case, transactions are translated at the prevailing exchange rates at the date of the transaction.

- Equity is translated at the historical exchange rates of the date when capital contributions were made or profits were generated.

- All differences arising from the translation are recognized as a separate component in equity and are recycled to the results of the period if the subsidiary is disposed of.

Foreign currency transactions

Transactions undertaken in currencies other than the entity's functional currency are translated using the exchange rate at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated using the exchange rate at the reporting date. These translation adjustments are carried directly in the consolidated statement of profit or loss.

The exchange rates used in the preparation of the accompanying consolidated financial statements were as follows:

	2024	2023
Exchange rate as of December 31 (Mexican pesos per U.S. dollar)	**20.27**	16.89
Average exchange rate (Mexican pesos per U.S. dollar)	**18.30**	17.76

b) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position include cash in hand, cash in banks and highly liquid investments with maturities of less than three months, which are easily convertible into cash, have a low exposure to risk of changes in their value and the cash amount to be received can be reliably known. Short-term deposits bear interest at market rates.

For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of the cash and cash equivalents defined above, net of bank overdrafts pending collection.

6. Material accounting policies (continued)

c) Financial assets

Initial recognition and measurement

Upon initial recognition, Grupo Peñoles values investments in financial instruments held for trading and in financial instruments to collect or sell at their fair value.

The classification of financial assets at initial recognition depends on the contractual characteristics of the cash flows of the financial asset and the business model of Grupo Peñoles to manage those assets. Except for receivables that do not contain a significant financing component, Grupo Peñoles initially values a financial asset at its fair value plus transaction costs, in the case of financial assets that are not measured at fair value through profit or loss. Accounts receivable that does not contain a significant financing component are valued at the transaction price determined in accordance with IFRS 15.

For a financial asset to be classified and measured at amortized cost or at fair value with changes in OCI, the asset must give rise to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal amount. This assessment is known as the financial instrument test for collecting principal and interest and is performed at the instrument level. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value with changes in profit or loss, regardless of the business model.

Grupo Peñoles business model for managing its financial assets refers to how it manages its financial assets to generate cash flows for the business by carrying out its activities and not with a particular intention of holding an instrument. The business model determines whether cash flows will be derived from obtaining contractual cash flows, from the sale of financial assets, or from both.

Purchases or sales of financial assets that require the delivery of assets within a timeframe established by regulation or market agreement (regular-way trades, as they are known in English) are recognized on the trade date; that is, the date on which Grupo Peñoles commits to buy or sell the asset.

Upon initial recognition, Grupo Peñoles measures a financial asset at its fair value plus, in the case of a financial asset that is not at fair value through profit or loss (FVTPL), the transaction costs that are directly attributable to the purchase of the financial asset. Transaction costs of financial assets measured at FVTPL are recognized directly in profit or loss.

Financial assets that contain embedded derivatives are fully recognized when it is determined that their cash flows are solely payments of principal and interest.

Subsequent recognition

For the purpose of its subsequent recognition, Grupo Peñoles classifies its financial assets into the following categories:

- Financial assets at amortized cost.
- Financial assets at fair value through Other Comprehensive Income (OCI), and;
- Financial assets at fair value through profit or loss.

For financial assets measured at fair value, gains and losses are recognized through profit or loss or OCI. The classification of investments in not held-for-trading equity instruments will depend on whether upon initial recognition Grupo Peñoles elected to classify irrevocably its equity investments as equity instruments designated at fair value through OCI (FVTOCI).

6. Material accounting policies (continued)

Grupo Peñoles reclassifies its debt instruments only when its business model for managing these financial assets changes.

Purchases or sales of financial assets are recognized on the trade date, which is the date that Grupo Peñoles commits to purchase or sell the asset.

Debt instruments are subsequently measured depending on the business model for managing the asset and the characteristics of its cash flows. There are three measurement categories into which debt instruments can be classified.

Financial assets at amortized cost

Financial assets that are held to collect contractual cash flows are recognized at amortized cost when such cash flows meet the criteria for being considered solely payments of principal and interest (SPPI). Interest income from these financial assets is included as part of Finance income and is calculated using the effective interest rate (EIR) method. Exchange differences arising on financial assets at amortized cost that are not part of a hedging relationship are recognized in profit or loss under Foreign exchange (loss)/gain. Any gain or loss arising from the derecognition of a financial asset is recognized directly in profit or loss. Amortized cost is reduced for impairment loses which are presented as a separate line item in the consolidated statement of profit or loss.

Grupo Peñoles financial assets at amortized cost mainly consist of trade receivables (except for trade receivables measured at fair value through profit or loss).

Financial assets at fair value through OCI with recycling of cumulative gains and losses (FVTOCI)

Financial assets that are held to collect contractual cash flows that meet the criteria for being considered solely payments of principal and interest (SPPI) and are held within a business model with the objective of selling the financial asset are recognized at fair value through OCI. Changes in the fair value of financial assets are recognized in OCI, except for impairment losses, interest income calculated using the EIR method and foreign exchange gains and losses, which are recognized in profit or loss. Upon derecognition of a financial asset, any cumulative gain or loss previously recognized in OCI is reclassified to profit or loss. Interest income from these financial assets is recognized under Finance income. Foreign exchange gains and losses are recognized under Foreign exchange (loss)/gain and impairment losses are presented as a separate line item in profit or loss.

Equity instruments at fair value through OCI with no recycling of cumulative gain and losses upon derecognition

Grupo Peñoles has listed equity investments that are not held for trading under the business model applied and it thus elected to classify these equity investments irrevocably as equity instruments at fair value through OCI. These investments were classified on an instrument-by-instrument basis.

Unrealized gains and losses resulting from equity instruments at fair value through OCI are recognized directly in OCI and will never be recycled to profit or loss. Dividends are recognized as Other income in the consolidated statement of profit or loss when the right of payment has been established, except when Grupo Peñoles benefits from such proceeds as a recovery of part of the cost of the financial asset. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria to be recognized at amortized cost or at fair value through OCI are measured at fair value through profit or loss. Gains and losses arising from debt instruments that are subsequently measured at fair value through profit or loss are recognized in profit or loss and the net amount is presented under Finance income in the period in which they occur.

6. Material accounting policies (continued)

Changes in the fair value of financial assets at fair value through profit or loss are recognized under Finance income/(expenses) in the statement of profit or loss, as applicable.

Derivative financial instruments that are not designated as hedging instruments are recognized at fair value through profit or loss.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from these assets have expired or have been transferred and when substantially all the risks and rewards of the asset have been transferred.

When Grupo Peñoles has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, Grupo Peñoles continues to recognize the transferred asset to the extent of its continuing involvement. In that case, Grupo Peñoles also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Grupo Peñoles has retained.

Grupo Peñoles engages in factoring accounts receivable with the purpose of obtaining better payment terms from certain customers, assuming a financial cost that is recorded in the consolidated statement of profit or loss. As of December 31, 2024 and 2023, the financial assets that were derecognized because substantially all risks and benefits were transferred amount to $35,343 and $79,264, respectively.

d) Impairment of financial instruments

Grupo Peñoles recognizes expected credit losses related to its debt instruments measured at amortized cost and at fair value through other comprehensive income (FVOCI), except for equity instruments irrevocably designated at FVOCI.

The value of expected credit losses over the life of the asset is recognized in accordance with the simplified approach permitted by IFRS 9 "Financial Instruments." Credit losses on the asset are recognized before an instrument becomes delinquent. To determine credit risk, historical default rates over the expected life of trade receivables are considered and adjusted for forward-looking estimates taking into account the most relevant macroeconomic factors affecting collectability.

For financial assets measured at amortized cost, the amount of the expected credit loss is the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset.

e) Derivative financial instruments

Hedging derivatives

Grupo Peñoles uses hedging derivatives to reduce certain market risks related to changes in metal prices, energy costs, exchange rates, interest rates, and the value of its financial assets and liabilities.

Grupo Peñoles transactions with derivatives are limited in volume and confined to risk management activities. Grupo Peñoles senior management takes an active part in the analysis and monitoring of the design, performance and impact of Grupo Peñoles hedging strategies and transactions with derivatives. Hedges are also designed to protect the value of expected mining-metallurgical-chemical production against the dynamic market conditions.

6. Material accounting policies (continued)

All derivative financial instruments are recognized as financial assets and liabilities and stated at fair value.

Grupo Peñoles documents, at inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

This documentation includes the identification of the derivative financial instrument, the item or transaction being hedged, the nature of the risk being hedged and the method that will be used to evaluate whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedges should be highly effective in neutralizing the effects of fluctuations in the fair value or cash flows and they are constantly evaluated to determine whether they are actually effective throughout the reporting periods to which they have been assigned. Hedges that meet the criteria are recognized as explained below.

Cash flow hedges

For derivatives that are designated and qualify as cash flow hedges (forwards and swaps), the gain or loss from the effective portion of changes in fair value is recorded as a separate component in equity and is carried to the consolidated statement of profit or loss at the settlement date, as part of either the sales, cost of sales or finance income and cost caption. The ineffective portion of changes in the fair value of cash flow hedges is recognized in the consolidated statement of profit or loss as part of finance costs.

If the hedging instrument matures or is sold, terminated or exercised without being replaced or if its designation as a hedge is revoked, the cumulative gain or loss recognized directly in equity as of the effective date of the hedge remains in equity and is recognized when the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss recognized in equity is immediately carried to profit or loss.

Derivatives designated as hedges that are effective hedging instruments are classified based on the classification of the underlying item. The derivative instrument is divided into a short-term portion and a long-term portion only if the two portions can be determined reliably.

Fair value hedges

Grupo Peñoles derivatives, which it acquires primarily as hedges for its metal inventories or firm purchase commitments, are designated as fair value hedges. Changes in the fair value of Grupo Peñoles fair value hedges are recognized in the consolidated statement of profit or loss, along with the changes in the fair value of the item being hedged or attributable to the risk being hedged. The primary objective of Grupo Peñoles fair value hedging strategy is to offset changes in the value of its metal inventories.

Embedded derivatives

Grupo Peñoles financial and non-financial agreements, other than those classified as assets under IFRS 9 Financial Instruments, are evaluated to determine whether they contain embedded derivatives. Embedded derivatives are separated from the host contract and are recorded at their fair value if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract or a separate instrument with the same terms, the embedded derivate meets the definition of derivative and is not recognized at fair value through profit or loss.

Embedded derivatives that are separated from the host contract are recognized according to the applicable financial reporting standards.

6. Material accounting policies (continued)

f) Fair value measurement

Grupo Peñoles measures its financial instruments at fair value on each reporting date. The fair values of the financial instruments are disclosed in Note 37.

Fair value is the price that will 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:

- In the principal market for the asset or liability, or
- 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 by Grupo Peñoles.

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.

Grupo Peñoles uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, Grupo Peñoles determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (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, Grupo Peñoles 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. Note 37 provides further information on fair values.

6. Material accounting policies (continued)

g) Inventories

Inventories are valued at the lower of cost or net realizable value, as follows:

Inventories of minerals concentrates and doré are recognized at production cost, which includes direct costs and an appropriate portion of the fixed and variable general expenses (based on normal operating capacity), including depreciation and amortization incurred for the mineral extraction and concentration of the metals contained in such. Mineral concentrate and doré purchases are recognized at cost, plus direct purchasing expenses.

Inventories of refined metals and production in process include the mine production costs and/or mineral and concentrate acquisition costs, plus the treating and refining costs, which are recognized in proportion to the percentage of completion of their transformation to refined metal. Inventories of metal byproducts and free metals obtained from the treatment and refining process are recognized at their estimated realizable value.

As indicated in Note 37, Grupo Peñoles fair value hedges acquired to hedge the value of certain refined metal inventories or inventories under firm purchase commitments are measured at fair value. Consequently, metal inventories being hedged are measured at their fair value and subsequent changes in fair value are recognized in the consolidated statement of profit or loss, with this effect being offset by the effects of the fair value valuation of the derivative financial instruments.

Costs are determined using the weighted average cost method.

The net realizable value of inventories is their estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Operating materials and spare part inventories are recorded at weighted average cost less the impairment loss from slow-moving and obsolete inventories. A periodic review is performed to determine the impairment loss in inventory.

h) Property, plant and equipment

Property, plant and equipment is initially measured at cost. The cost includes the purchase price and any other costs directly attributable to refurbishing and getting the asset ready for use, including provisions for decommissioning or retirement, as well as interest costs. The cost of internally built assets includes materials, direct labor, and an appropriate allocation of indirect costs of construction.

Depreciation and depletion are calculated on the asset's acquisition cost, less the residual value of the property, plant and equipment throughout their useful lives or the waiting period in which the benefits of their use will be received. The estimate useful life of each asset has been evaluated considering the limitations of its physical life and the estimate of the economically recoverable mineral reserves of the mine where the assets are located.

Depreciation begins when the asset is available for use, on the following bases:

- Metallurgical, chemical, and industrial plants are depreciated on a straight-line basis at annual rates determined on the basis of the useful lives of the related assets.
- Mining concessions and construction, pre-operating expenses, facilities and processing plants are depreciated based on a depletion factor calculated by dividing the tonnage of ore extracted during the year by the total mineral reserves of the mine where the asset is located, except when the useful life of an asset is less than the life of the mine, in which case they are depreciated on a straight-line basis. The useful lives of certain land at mining units are limited to the time over which Grupo Peñoles will obtain economic benefits from the mining units; this land is amortized over the same period.

6. Material accounting policies (continued)

An analysis of the average weighted remaining useful lives is as follows:

	Years
Mining properties	8
Metallurgic and chemical plants	6
Buildings and land	7 and 4
Other assets	4

Decommissioning and rehabilitation

The present value of the initial estimate of the obligation to decommission and rehabilitate mining sites is included in the cost of the mining properties and any adjustments to such obligation resulting from changes in the estimated cash flows needed to cover the obligation at the end of the useful life of the mining unit are accounted for as additions to or reductions from investments in mining units in the property, plant and equipment caption.

Mine properties, mine development and stripping costs

Mine properties and mine development and stripping costs are recognized at cost less accumulated depletion and, when applicable, impairment losses.

Purchases of mineral resources and mineral reserves are recognized as assets at cost or at fair value if they were acquired as part of a business combination.

The initial cost of a mining property includes construction costs, all costs directly related to getting the property ready for operation and the initial estimated cost of the decommissioning provision.

When an exploration prospect has entered the advanced exploration stage and there is sufficient evidence of probable economic mineral reserves, the costs associated with getting the mine ready for operations are capitalized as mine development costs.

Revenue earned on the sale of metal from the minerals extracted in the development stage prior to commercial production is recognized as income of the period.

At the beginning of production, capitalized costs and expenses are depreciated using the units-of-production method based on estimates of the related proved and probable mineral reserves.

Costs directly and indirectly attributable to stripping activities for surface mines, which includes the removal of overburden and other waste to gain access to mineral ore deposits, are recognized as an asset for each identifiable ore body at the time improved access to the ore body is achieved and it is probable that the future economic benefits associated with the stripping activity will flow to the entity during the mine's production phase.

When the stripping activity includes the removal of materials to improve access to the ore body and also includes mineral extraction activities so that the costs of the stripping activity asset and the inventory produced are not separately identifiable, production stripping costs are allocated between the inventory produced and the stripping activity asset by using an allocation basis that is based on a relevant production measure. This production measure shall be calculated for the identified component of the ore body and shall be used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

After the initial recognition of a stripping asset, it is subsequently recognized in the consolidated statement of financial position at cost, less depreciation or amortization and any impairment loss.

6. Material accounting policies (continued)

Depreciation of stripping costs is calculated based on the mine's depletion rate, which is calculated by dividing the number of tons of extracted ore by the number of tons of mineral reserves of each ore body associated with the stripping costs.

Assets under construction

Assets under construction are capitalized as components of property, plant and equipment items. Once construction is complete, these assets are reclassified to property, plant and equipment and depreciation begins as of the date they are capitalized, which is when their period of use begins.

Sale and retirement of assets

Property, plant and equipment items are retired or sold when Grupo Peñoles no longer expects to receive future economic benefits from them. The gain or loss on the sale or retirement of an asset is calculated as the difference between an asset's net selling price and its net carrying amount and is recognized in the consolidated statement of profit or loss.

Maintenance and repairs

Major repairs are capitalized if the related recognition criteria are met, while at the same time the carrying values of the parts being replaced are cancelled. All other expenses, including repairs and maintenance, are recognized in the consolidated statement of profit or loss as they are incurred.

Borrowing costs

Borrowing costs directly related to the acquisition, construction, or production of qualifying assets, which are assets requiring a substantial period, usually twelve months or more, to get them ready for use, are added to the cost of the assets throughout their construction phase and until such time as operation and/or exploitation of the asset begins. The interest obtained on temporary investments of borrowed funds that have yet to be used for the construction of the corresponding qualifying assets are deducted from the costs of capitalized loans.

i) Leases

At the beginning of the contract Grupo Peñoles evaluates whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Grupo Peñoles applies a single recognition and measurement approach to all leases, except short-term leases and leases of low-value assets. Lease contracts as defined by IFRS 16 *Leases* are recognized in the consolidated statement of financial position, which results in the recognition of an asset that represents the right to use the underlying asset during the lease term and a liability related to the payment obligation.

Right-of-use asset measurement

Right-of-use assets are amortized from the commencement date to the end of their useful life or to the end of the lease term. If ownership of the underlying asset transfers to the lessee at the end of the lease term or the cost of the right-of-use asset reflects the exercise of a purchase option, amortization is calculated from the commencement date to the end of the useful life of the underlying asset.

6. Material accounting policies (continued)

At the commencement date, the right-of-use asset is measured at cost and includes:

- The amount of lease liabilities recognized and lease payments, if any, made at or before the commencement date less any lease incentives received;

- If applicable, any initial direct costs incurred by the lessee in obtaining the contract. Initial direct costs are incremental costs that would not have been incurred if the lease had not been obtained; and

- The present value of the estimated costs incurred in restoring and dismantling the underlying asset according to the contract terms.

After initial recognition, right-of-use assets are amortized on straight-line basis over the shorter of the useful life of the assets and the lease term as follows:

- Buildings from 1 to 10 years
- Machinery and equipment from 7 to 22 years
- Computer equipment and other assets from 1 to 5 years.

If ownership of the leased asset is transferred to Grupo Peñoles at the end of the lease term or the cost reflects the exercise of a purchase option, amortization is calculated using the estimated useful life of the asset.

Right-of-use assets are also subject to impairment tests as they are non-financial assets.

Lease liability measurement

At the commencement date of the lease, Grupo Peñoles recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

Lease liability measurement includes the following lease payments:

- Fixed payments, including variable payments that are fixed in substance as they are unavoidable;
- Variable lease payments that depend on an index or a rate and that are initially measured using the index or rate ruling at the commencement date;
- Amounts expected to be paid by the lessee under residual value guarantees;
- The exercise price of a purchase option reasonably certain to be exercised by the lessee, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising the option to terminate.

Lease liabilities are subsequently measured using a process similar to the amortized cost method and the application of a discount rate and are increased to reflect the accretion of interest resulting from the lease liability discount at the beginning of the period, less any lease payments made. Variable payments that are not considered in the initial measurement and that are incurred during the period are directly recognized in profit or loss.

Lease liabilities may be remeasured in the following situations: i) change in the lease term; ii) modification related to the assessment of the reasonably certain nature (or not) of the exercise of an option; iii) remeasurement related to the residual value guarantees; and iv) adjustment to the rates and indexes used to calculate the rent at the time the rent adjustments occur.

6. Material accounting policies (continued)

Short-term leases and leases in which the underlying asset is of low value

Grupo Peñoles applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the inception date and do not contain a purchase option). Grupo Peñoles also applies the exemption to the recognition of leases of low-value assets to office equipment leases and others that are considered to be of low value.

Lease payments for short-term leases and leases of low-value assets are recognized as an expense as they accrue on a straight-line basis over the lease term.

j) Intangible assets

Intangible assets are recognized if, and only if, it is probable that the future economic benefits associated with the intangible asset will flow to Grupo Peñoles and the cost of the asset can be reliably measured.

Intangible assets with finite useful lives are valued at cost less accumulated amortization and impairment losses. Amortization is recognized based on the estimated useful life of the intangible, on a straight-line basis.

Intangible assets with finite useful lives consist of software licenses. Grupo Peñoles has no intangible assets with indefinite useful lives.

k) Impairment of non-financial long-lived assets

The carrying amount of non-financial long-lived assets is tested for impairment when there are situations or changes in circumstances that indicate that the asset's carrying amount is not recoverable. At each reporting date, non-financial long-lived assets are tested to determine whether there are indicators of impairment.

If there are indicators of impairment, a review is conducted to determine whether the carrying amount exceeds the recoverable amount of the asset and it is impaired. Such review is undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash generating unit exceeds the recoverable amount, an impairment loss is recognized by reducing the carrying amount of the asset in the consolidated statement of financial position to the asset's recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset is the higher of either its value in use or fair value less its disposal cost. 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. In assessing value in use, estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to each asset. For an asset that does not generate cash flows independently from other assets or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. Cash generating units are the smallest identifiable groups of assets that generate cash flow that is independent from the cash flow attributable to other assets or groups of assets.

6. Material accounting policies (continued)

Grupo Peñoles bases its impairment calculation on most recent budgets and forecast calculations, including mine plans, estimated quantities of recoverable minerals, production levels, operating costs, and capital requirements, which are prepared separately for each of Grupo Peñoles CGUs to which the individual assets are allocated. The recoverable amount of property, plant and equipment is based on the value in use of cash generating units calculated by discounting the present value of future cash flows based on projections, forecasts and expectations that are approved by management for periods of more than four years. The estimated future cash flows are discounted to their present value using a post-tax discount rate.

At each reporting date, an evaluation is performed to determine whether there are any changes in the circumstances and estimates that would mean that previously recognized impairment no longer exists or should be reversed. If so, the carrying amount of the asset is increased to the asset's recoverable amount and the effects of this reassessment are recognized in the consolidated statement of profit or loss by such increase. The new carrying amount is limited to the carrying amount that would have been determined for the asset, net of any depreciation, if no impairment had been recognized in prior years.

l) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value, and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial liabilities include accounts payable to suppliers and other accounts payable, financial debt and loans and derivative financial instruments.

Subsequent measurement of financial liabilities depends on their initial classification, as follows.

Financial liabilities at fair value through profit or loss

Financial liabilities held for trading are recognized at fair value through profit or loss, Financial liabilities are classified as held for trading if they are incurred with the purpose of being repurchased in the near term. Grupo Peñoles also recognizes in this classification derivatives do not comply with the requirements to be designated as hedges.

Financial liabilities are recognized at fair value, and any change in the fair value is directly recognized in profit or loss.

Financial liabilities at amortized cost

This category applies to all financial liabilities other than those measured at fair value through profit or loss. Grupo Peñoles also recognizes its bonds and debentures, bank loans, accounts payable to suppliers and other accounts payable at amortized cost.

Financial liabilities at amortized cost are measured using the effective interest rate method (EIR) by taking into consideration any transaction costs and recognizing the interest expense on the basis of the effective interest rate. Non-interest-bearing trade and other short-term payables are stated at nominal value since this value does not significantly differ from their fair value.

6. Material accounting policies (continued)

The amortized cost is calculated by taking into consideration any discount or acquisition premium and the fees or costs that are an integral part of the effective interest rate method. The amortization of the effective interest rate is recognized under financial expenses in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss of the period.

m) Provisions

Provision for decommissioning and rehabilitation

Grupo Peñoles records the present value of estimated costs of legal and constructive obligations required to rehabilitate mining units in the period in which the obligation is incurred. Estimated rehabilitation costs include the costs of decommissioning and removing structures, rehabilitating mines and tailings dams and decommissioning the processing plant and operating facilities, as well as the cost incurred for rehabilitation, reclamation, and re-vegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets, provided they give rise to a future economic benefit. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect the time value of money and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of profit or loss as a finance cost.

Changes to estimated future costs are recognized in the consolidated statement of financial position by either increasing or decreasing the decommissioning liability and asset to which it relates. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of profit or loss.

Decommissioning and rehabilitation assets are depreciated over the estimated production period of the mining unit where they are located. Depreciation is recognized in the consolidated statement of profit or loss as part of the Cost of sales caption.

n) Dividends

Dividends payable to the shareholders of Grupo Peñoles are recognized as a liability at the time they are declared and authorized, or when the shareholders delegate the authorization of the amount of a dividend to another body. Dividends payable to the holders of non-controlling interests are recognized as a liability when they are declared by the shareholders or partners of the subsidiaries with shareholders or partners with non-controlling interests.

o) Employee benefits

Short-term employee benefits

Liabilities for employee benefits are recognized in the consolidated statement of profit or loss on an accrual basis considering the wages and salaries that Grupo Peñoles expects to pay at the date of the consolidated statement of financial position, including the related taxes that will be payable by Grupo Peñoles. Paid absences and vacation premiums are expensed as the benefits accrue.

6. Material accounting policies (continued)

Defined benefit plan

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method based on the earnings of employees and their years of service. The actuarial valuation is prepared by an independent actuarial firm at each year end. The liability is recognized at present value using a discount rate that represents the yield at the reporting date on credit-rated bonds that have maturity dates approximating the terms of Grupo Peñoles obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The remeasurement of liabilities related to defined benefit plans consist of actuarial gains and losses and the return on plan assets. Such actuarial gains and losses are recognized immediately in equity as other comprehensive income items, and all expenses related to the defined benefit plans are recognized in profit or loss of the period.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets of which the obligations are to be settled directly. The value of any asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Seniority premiums

In accordance with Mexican labor law, Grupo Peñoles is required to pay a premium equal to 12 days salary (capped at twice the minimum wage) for each year of service to its outgoing employees who have rendered 15 or more years of service.

The cost of benefits related to seniority premiums payable upon voluntary retirement of unionized employees is calculated using the projected unit credit actuarial valuation method. Defined benefit plan seniority premiums payable to non-unionized employees are funded through the defined benefit plan.

Defined contribution plan

The defined contribution plan is an employee retirement benefit plan to which Grupo Peñoles pays a fixed contribution but has no obligation to pay in any subsequent amounts. Grupo Peñoles obligations in respect of contributions payable under the defined contribution pension plan are recognized in the consolidated statement of profit or loss as employee benefit expenses at the time the contributions become payable. Contribution amounts are determined based on the employee's salary.

Termination benefits

Employee termination benefits for involuntary retirement or dismissal are recognized in the consolidated statement of profit or loss of the year in which such payments are made or whenever Grupo Peñoles obligation to pay such amounts can be reliably demonstrated and when Grupo Peñoles recognizes restructuring costs according to IAS 37 *Provisions*, and the restructuring involves the payment of termination benefits.

Employee profit sharing (EPS)

In accordance with Mexican legislation, Grupo Peñoles must distribute an employee profit sharing which is determined based on the ten percent of the annual profit tax of each subsidiary. For this benefit a limit was established for each of the entitled employees in terms of article 127, section VII of the Federal Labor Law, which consists of a maximum of three-month salary or the average employee profit sharing paid on the last three years. Employee profit sharing is accounted for as employee benefits and is calculated based on the services provided by employees during the year, considering their most recent salaries. The liability is recognized by decreasing the consolidated results. The employee profit sharing paid in each fiscal year is deductible for purposes of income tax.

6. Material accounting policies (continued)

p) Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

Deferred income tax is computed using the balance method, based on temporary differences between carrying amounts for financial reporting and tax basis values of assets and liabilities at the reporting date.

The tax rates and tax laws used to calculate deferred income tax are those that are enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the controlling company, the investor or venturer can control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and for the amortization of unused tax credits and tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset related to the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, the deferred tax asset does not affect either the book income or taxable profit or tax loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and is reduced to the extent that it is probable that sufficient taxable profit will be available to allow the deferred income tax assets to be realized either partially or in full.

Deferred income tax assets and deferred income tax liabilities are offset, only if Grupo Peñoles has a legally enforceable right to do so and if the assets and liabilities derive from income tax corresponding to the same tax authority.

Current and deferred income tax corresponding to other comprehensive income or loss items recognized directly in equity is recognized directly in equity rather than in the consolidated statement of profit or loss.

Grupo Peñoles has assessed whether there is uncertainty over the appropriate income tax treatment (IFRIC 23), considering (i) any uncertain tax treatment taken, (ii) the assumptions it made about the examination of tax treatments by taxation authorities, (iii) how it determined the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) how it considered changes in facts and circumstances.

6. Material accounting policies (continued)

Special tax over mining companies

Grupo Peñoles recognized deferred assets resulting from the temporary differences between the carrying amount and tax basis of its assets and liabilities related to the calculation of the special tax for mining companies, since this special tax is calculated on the basis of Grupo Peñoles earnings, in accordance with applicable tax laws. See Note 21.

q) Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which Grupo Peñoles expects to be entitled in exchange for transferring goods to a customer and once Grupo Peñoles has satisfied the performance obligations of its sales agreements.

Revenue from the sale of goods is recognized when the control of the related goods has been physically transferred to the buyer, which generally occurs at the time ownership of the product is physically transferred to the customer and collection of the related accounts receivable is reasonably assured. The performance obligations of Grupo Peñoles consist in the sale of products and the rendering of freight services, both are considered a single performance obligation within the context of the contract. Revenue is recognized as the performance obligation is satisfied.

The prices of refined metals are essentially determined by international prices, to which a premium is added, depending on the region where the products are sold, as well as the specific market conditions of the region in question.

Certain provisional pricing arrangements, primarily for the sale of concentrates, include future spot price adjustments to be determined after shipment of the product to the customer, and adjustments based on final assay results of the metal in concentrate originally determined by Grupo Peñoles. The revenue from sales under these agreements is recognized at the point in time when the control of the related goods is transferred to the buyer according to the agreed conditions and is measured using a provisional pricing and the most recent estimate of metal in concentrate (based on initial assay results).

For these provisional pricing arrangements, any future changes that occur over the quotation period are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 *Financial Instruments* and not within the scope of IFRS 15 *Revenue from Contracts with Customers*. These provisionally priced trade receivables are measured at fair value through profit or loss at each reporting date through the end of the quotation period based on the selling price for the quotation period stipulated in the base agreement. The forward sales price of the metals can be reliably determined as long as such metals continue to be sold in international markets. The unrealized gain or loss on agreements with forward prices is recognized in the consolidated statement of profit or loss. The subsequent adjustment to the initial estimate of metal in concentrate is also recognized in profit or loss after such estimate is determined based on final assay results, the conditions of the agreement have been met and the payment terms have been agreed on. The period between provisional invoicing and the end of the quotation period can be between one and four months.

As discussed above, the nature of the pricing terms is such that depending on the future market price and the length of the quotation period at contract inception, all consideration is considered variable and will be recognized using the variable consideration allocation exception. This variable consideration is subject to constrain.

Grupo Peñoles acts as a principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

6. Material accounting policies (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If Grupo Peñoles performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which Grupo Peñoles has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before Grupo Peñoles transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when Grupo Peñoles performs under the contract.

r) Mine exploration and development costs and expenses

Exploration includes the search for mineral resources, the determination of the mine’s technical feasibility, and the assessment of the commercial viability of identified resources. These costs and expenses are recognized in the following captions:

- Exploration expenses. The expenses incurred exploring for new deposits, including, among others, drilling, sample testing and pre-viability studies, are recognized in the consolidated statement of profit or loss at the time it is sufficiently probable that the mineral reserves of the specific project will be economically recoverable and a feasibility study is performed. Also, expenses incurred to increase mineral reserves in areas near existing mines are recognized in the consolidated statement of profit or loss.
- Assets under construction. Exploration costs incurred in the development of a mine through its start-up of operations are capitalized. These costs include the construction of mine infrastructure and work carried out prior to the start-up of operations of the mine.
- Mining properties. The costs incurred in developing new areas of exploitation in mining units in operation are recognized as part of mining properties and are amortized over the period in which the benefits will be obtained.
- Cost of sales. Development expenses for deposits in operation for purposes of maintaining production volumes are recognized in the consolidated statement of profit or loss as part of production costs.

s) Changes in accounting standards

Grupo Peñoles has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of Grupo Peñoles consolidated financial statements are disclosed below. Grupo Peñoles intends to adopt these new and amended standards and interpretations when they become effective. Grupo Peñoles does not expect that the adoption of these new and amended standards and interpretations will have a significant effect on its consolidated financial statements.

Amendments to IAS 21 – Lack of exchangeability

The amendment specifies how an entity should assess whether a currency is exchangeable and how to determine the exchange rate when there is a lack of exchangeability.

6. Material accounting policies (continued)

A currency is considered exchangeable for another currency when an entity can exchange that currency for another currency through markets or exchange mechanisms that create enforceable rights and obligations without abnormal delays at the measurement date. A currency is not exchangeable for another currency if an entity can only obtain an insignificant amount of the other currency.

If a currency is not exchangeable for another currency, an entity is required to estimate the spot exchange rate at the measurement date to reflect the exchange rate at which an orderly exchange transaction would take place on the measurement date between market participants under prevailing economic conditions. The amendments indicate that an entity may use an observable exchange rate without adjustment or another estimation technique.

The amendment introduces disclosure requirements that allow users of its financial statements to understand how the lack of exchangeability for another currency affects the entity's profitability, financial performance, financial position, and cash flows.

The amendments are to be applied prospectively in annual reporting periods beginning on or after January 1, 2025, with early application permitted.

It is not expected that the amendments will have a material impact on Grupo Peñoles' financial statements since it does not engage in transactions in currencies with a lack of exchangeability.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

The objective of the amendment is to clarify the following points:

- To clarify that a financial liability is derecognized on the "settlement date," that is, when the related obligation is fulfilled, canceled, expires, or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before the settlement date if certain conditions are met.

- To clarify how to assess the contractual cash flow characteristics of financial assets that include characteristics linked to environmental, social, and governance (ESG) factors and other similar contingent characteristics.

- To clarify the treatment of contractually linked instruments and non-recourse assets.

The amendment introduces additional disclosure requirements for equity instruments classified at fair value through OCI and the contractual terms that could change the timing or amount of the contractual cash flows.

The modifications are to be applied retrospectively in annual reporting periods beginning on or after January 1, 2026, with early application permitted.

Grupo Peñoles is in the process of determining the impacts of this amendment to identify the disclosure requirements to which it will be subject.

Annual Improvements to International Financial Reporting Standards – Volume 11

In July 2024, the IASB issued the Annual Improvements to IFRS Standards — Volume 11, which addresses clarifications and amendments to IFRS that are not urgent but necessary.

The modifications are to be applied prospectively in annual reporting periods beginning on or after January 1, 2026, with early application permitted.

6. Material accounting policies (continued)

Grupo Peñoles does not foresee impacts arising from the annual improvements as the main purpose of these modifications is to clarify of the affected standards.

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 establishes presentation and disclosure requirements in financial statements to improve the way information is communicated in an entity's financial statements.

The changes in this standard consist mainly of:

- Defining the main business activity for the purposes of classifying revenues and expenses.

- New requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Additionally, entities are required to classify all revenues and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes, and discontinued operations.

- Disclosing management’s performance measures (MPM).

- Modifications in the statement of cash flows.

The modifications are to be applied retrospectively in annual reporting periods beginning on or after January 1, 2027, with early application permitted.

Grupo Peñoles is in the process of analyzing the presentation changes in its financial statements and the MPMs that will be disclosed within its consolidated financial statements as a result of implementing IFRS 18.

IFRS 19 – Disclosure of Subsidiaries Without Public Accountability

IFRS 19 creates a reduced set of disclosures that certain entities within its scope may choose to apply instead of the disclosure requirements established in other IFRS.

Entities that may apply this standard must be subsidiaries that do not have a public accountability and have a parent or intermediate holding entity that produces consolidated financial statements available for public use, which comply with IFRS.

An entity has a public accountability obligation if:

- its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments to be traded in a public market, or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

The modifications are to be applied retrospectively in annual reporting periods beginning on or after January 1, 2027, with early application permitted.

Grupo Peñoles is in the process of evaluating the presentation benefits that could arise from the adoption of these amendments in those subsidiaries that do not have a public accountability obligation.

6. Material accounting policies (concludes)

Amendments to IFRS 9 and IFRS 7, Electricity Contracts Dependent on Nature

The amendments specify the application of the "own use" exemption and hedge accounting in electricity contracts, particularly in power purchase agreements from renewable sources. They also establish disclosure requirements to enhance transparency and provide clear information on the management of financial risks associated with these contracts.

The amendment clarifies that an entity may designate a variable volume of forecasted electricity transactions as a hedged item in hedge accounting, provided that certain criteria are met. Additionally, it allows the measurement of the hedged item to use the same volume assumptions as those employed in the hedging instrument.

In terms of disclosure, entities are required to disclose details about the proportion of renewable electricity covered by contracts in relation to the total volume purchased, the total net volume of electricity purchased, and the average market price in the markets where electricity purchases are made.

The amendments are to be applied prospectively for annual reporting periods beginning on or after January 1, 2026, with early application permitted.

Grupo Peñoles is in the process of analyzing the effects that may arise from the adoption of these amendments.

7. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM) who is also Grupo Peñoles Chief Executive Officer. Grupo Peñoles is organized into business units based on its products.

The CODM monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. In addition, Grupo Peñoles financing and income taxes are managed at the corporate level and are not allocated to the operating segments, except for those entities that are managed separately.

Grupo Peñoles operations in the mining-metallurgical industry consist of the extraction and processing of minerals, and the smelting and refining of non-ferrous metals. The extraction and processing of minerals primarily produces lead, zinc and doré concentrates, which are treated and refined in a metallurgical complex to obtain refined metals. Grupo Peñoles metallurgical business is conducted through its subsidiary Metalúrgica Met-Mex Peñoles (Met-Mex). The metallurgical complex, known as “Met-Mex”, receives mineral concentrates and doré from related and independent mining companies to treat, process, and refine them to obtain finished products, primarily silver, gold, zinc, and lead, for their subsequent sale. Based on the business activities described above, Grupo Peñoles has divided its operations into the following operating segments:

Precious metal mines

This segment includes the mining units where silver and gold minerals are extracted and processed. Other activities related to this segment include prospecting and exploring new deposits and developing mining units for future mining operations. The equity interest in the business units of this segment is held by the subsidiary Fresnillo plc, which is a company located in the United Kingdom whose shares are traded on the London Stock Exchange in England. Practically all of the concentrates and doré produced by this segment are sent to Met-Mex metallurgical complex.

7. Segment information (continued)

Base metal mines

This segment groups mineral exploration, extraction, and processing to obtain concentrates of zinc, lead, and copper. Zinc and lead concentrates are sent to Met-Mex for treatment and refining primarily to obtain refined zinc and lead. The copper concentrates are sold to metallurgical companies abroad that are not related parties outside of Mexico.

Metallurgical

The metallurgical segment involves treating and refining the concentrates and dorés received from the precious metals and base metals business. The activities of this segment are performed in two main metallurgical plants: a) an electrode plant that produces zinc cathode; and b) the smelting-refining plant that primarily produces refined silver and gold (mostly presented in bars), as well as molded lead. The plants also process precious metals and base metals from non-related parties and this segment represents approximately 26% of production. The refined metals, which are mostly silver, gold, lead, and zinc, are sold in Mexico and abroad, primarily in the United States through the subsidiary Bal Holdings, as well as in Europe and South America.

Other

This segment consists primarily of the following operations: a) the production and sale of chemical products, primarily sodium sulfate, and b) entities that provide administrative and operating support activities. These operations do not meet the criterion for segment reporting under IFRS 8 *Operating Segments*.

The accounting policies used by Grupo Peñoles in reporting segments internally are the same as those contained in the notes to the consolidated financial statements.

The financial performance of the different segments is measured by the CODM using a net profit/loss approach.

The segment information as of December 31, 2024, and for the year ending on this date, is shown below:

	Precious Metal Mines	Base Metals Mines	Metallurgical	Others	Eliminations and Reclassifications	Total
Third-Party Sales	$ 17,045	$ 486,642	$ 5,915,210	$ 231,193	$(11)	$ 6,650,079
Intra-group Sales	3,479,340	669,800	16,994	415,138	(4,581,272)	-
Total Sales	3,496,385	1,156,442	5,932,204	646,331	(4,581,283)	6,650,079
Cost of Sales	2,250,112	910,222	5,740,533	171,273	(4,178,525)	4,893,615
Gross Profit	1,246,273	246,220	191,671	475,058	(402,758)	1,756,464
Administrative Expenses	109,514	64,142	90,327	280,419	(229,344)	315,058
Exploration Expenses	163,048	51,366	165	2,084	(4,429)	212,234
Selling Expenses	46,154	50,885	45,112	33,706	(1,069)	174,788
	-	17,000	-	-	-	17,000
Other expenses (income), net	(18,263)	4,214	(16,977)	19,960	(26,052)	(37,118)
	300,453	187,607	118,627	336,169	(260,894)	681,962
Operating profit/(loss)	$ 945,820	$ 58,613	$ 73,044	$ 138,889	$(141,864)	1,074,502
Finance income						(78,292)
Finance costs						219,770
Foreign exchange gain, net						3,606
Share of profit of associates						(5,528)
Profit before income tax						934,946
Income tax						727,084
Consolidated net profit						$ 207,862

7. Segment information (continued)

Statement of financial position:

	Precious Metal Mines	Base Metal Mines	Metallurgical	Others	Eliminations and reclassifications	Total
Segment assets	$ 5,880,458	$ 1,700,484	$ 3,113,966	$ 8,320,029	$ (8,745,606)	$10,269,331
Segment liabilities	$ 1,670,088	$ 1,039,606	$ 3,101,263	$ 2,939,147	$ (4,113,099)	$ 4,637,005
Depreciation	$ 620,867	$ 58,362	$ 61,339	$ 22,752	$ 7,618	$ 770,938
Fixed asset investments	$ 370,542	$ 50,178	$ 22,191	$ 3,326	$ -	$ 446,237
Investments in associates	$ -	$ -	$ -	$ 77,401	$ (2,651)	$ 74,750

The segment information as of December 31, 2023, and for the year ending on this date, is shown below:

	Precious Metal Mines	Base Metals Mines	Metallurgical	Others	Eliminations and Reclassifications	Total
Third-Party Sales	$ 741	$ 491,313	$ 5,181,490	$ 251,019	$ 4,402	$ 5,928,965
Intra-group Sales	2,704,345	580,250	32,693	285,303	(3,602,591)	-
Total Sales	2,705,086	1,071,563	5,214,183	536,322	(3,598,189)	5,928,965
Cost of Sales	2,201,848	931,137	5,228,986	176,428	(3,417,633)	5,120,766
Gross Profit	503,238	140,426	(14,803)	359,894	(180,556)	808,199
Administrative Expenses	128,428	83,106	88,854	245,855	(214,073)	332,170
Exploration Expenses	182,447	53,464	252	2,093	(5,565)	232,691
Selling Expenses	34,023	58,517	37,223	37,428	(1,454)	165,737
Other expenses (income), net	15,845	21,033	(27,394)	(46,893)	19,563	(17,846)
	360,743	216,120	98,935	238,483	(201,529)	712,752
Operating profit/(loss)	$ 142,495	$(75,694)	$(113,738)	$ 121,411	$ 20,973	95,447
Finance income						(100,797)
Finance costs						251,947
Foreign exchange (loss), net						(1,357)
Share of (loss) of associates						1,767
Loss before income tax						(56,113)
Income tax						(342,649)
Consolidated net profit						$ 286,536

Statement of financial position:

	Precious Metal Mines	Base Metal Mines	Metallurgical	Others	Eliminations and reclassifications	Total
Segment assets	$ 5,737,606	$ 1,775,352	$ 2,570,232	$ 8,085,464	$(8,189,398)	$ 9,979,256
Segment liabilities	$ 1,670,409	$ 876,745	$ 2,418,416	$ 3,037,669	$(3,529,771)	$ 4,473,468
Depreciation	$ 498,469	$ 44,198	$ 62,231	$ 13,488	$ 55,472	$ 673,858
Fixed asset investments	$ 483,409	$ 78,653	$ 30,847	$ 3,084	$ -	$ 595,993
Investments in associates	$ -	$ -	$ -	$ 83,866	$ (2,651)	$ 81,215

7. Segment information (concludes)

In 2024, two customers (three customers in 2023) from the Metallurgical business individually exceeded 10% of the value of net sales, together concentrating 30.2% of this item (39.7% in 2023).

The analysis of income by geographic area is included in Note 25.

As of December 31, 2024, and 2023, non-current assets located outside of Mexico amounted to $73,891 and $52,500, respectively.

8. Cash and cash equivalents and short-term investments

An analysis of cash and cash equivalents is as follows:

	2024	2023
Cash in hand and in banks	$ **115,656**	$ 90,247
Short-term deposits (1)	**1,563,698**	949,975
	$ **1,679,354**	$ 1,040,222

(1) Investments in instruments readily convertible into cash earn interest at market rates with maturities of less than 30 days.

	2024	2023
Short-term investments	$ **187,403**	$ -

Short-term investments are made for periods longer than three months, and earn interest at a fixed interest without an option for early withdrawals. As of December 31, 2024, short-term investments consist of fixed-term bank deposits.

9. Trade and other accounts receivable

An analysis of this caption is as follows:

	2024	2023
Trade receivables (1)	$ **200,734**	$ 158,315
Other accounts receivable	**16,417**	22,891
Less:		
Expected credit losses for trade receivables (Note 38)	(**1,765)**	(1,979)
Expected credit losses for other accounts receivable (Note 38)	(**212)**	(1,277)
Total trade and other accounts receivable	**215,174**	177,950
Related parties (Note 24)	**6,548**	14,354
Recoverable value added tax	**415,101**	392,390
Advances to suppliers	**9,318**	10,976
Other accounts receivable to contractors	**15,610**	1,729
	661,751	597,399
Less: Non-current maturity		
Other accounts receivable to contractors	**5,264**	773
Recoverable value added tax	**-**	42,755
Long-term accounts receivable and other receivables	**5,264**	43,528
Total trade and other current accounts receivable, net	$ **656,487**	$ 553,871

9. Trade and other accounts receivable (concludes)

(1) As of December 31, 2024, and 2023, approximately 91% and 71%, respectively, of the accounts receivable are related to provisional price agreements.

Accounts receivable do not accrue interest. Gold and silver sales are made almost exclusively in cash, while lead, zinc, and copper sales are made both in cash and through a credit line (in each case previously authorized by a credit committee), with an average term of 30 days.

The movement in the allowance for expected credit losses for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Initial balance	$ 3,256	$ 2,933
(Decrease) increase for the year	(1,279)	390
Charges	-	(67)
Ending balance	$ 1,977	$ 3,256

10. Other financial assets

An analysis of this caption is as follows:

	2024	2023
Fair value of hedging derivative financial instruments (Note 37)	$ 5,247	$ 5,800
Fair value of derivative financial instruments (Note 37)	14,712	15,156
Derivative financial instruments at fair value through profit or loss	-	1,552
Hedging derivative financial instrument “cross currency swap”	-	2,930
Accounts receivable from settled derivatives contracts	5,348	6,395
Total other financial assets	25,307	31,833
Less: Non-current maturity	(166)	(486)
Other current financial assets	$ 25,141	$ 31,347
Other non-current financial assets	$ 166	$ 486
Security deposits and other financial assets	3,557	5,332
Total other non-current financial assets	$ 3,723	$ 5,818

11. Inventories

An analysis of this caption is as follows:

	2024	2023
Inventories stated at cost:		
Refined metals and ore concentrates (1)	$ 1,725, 278	$ 1,387,709
Raw materials and chemical products in process	47,183	21,196
Operating materials (1)	285,310	299,145
	2,057,771	1,708,050
Inventories measured at fair value:		
Refined metals	131,235	160,163
Inventories,	2,189,006	1,868,213
Less: Non-current portion	69,760	69,760
Inventories, current potion	$ 2,119,246	$ 1,798,453

11. Inventories (concludes)

(1) As of December 31, 2024, and 2023, Grupo Peñoles has a reserve for a decrease in the net realizable value of its inventory amounting to $19,008 and $28,826, respectively.

12. Financial assets in equity instruments

An analysis of this caption is as follows:

	2024	2023
Equity investments in entities listed on the Canadian Stock Exchange (1),(2),(3):		
Cost	$ 65,045	$ 65,045
Increase in fair value	82,118	48,732
Subtotal	147,163	113,777
Equity investments in entities listed on the U.S. Stock Exchange:		
Cost	180	180
Increase in fair value	583	668
Subtotal	763	848
Total	$ 147,926	$ 114,625

The movement in these equity investments for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Initial balance	$ 114,625	$ 167,123
Stock Purchases (4)	1,466	2,313
Stock sell(5)	(5,098)	-
Loss reclassified to other comprehensive loss items	36,933	(54,811)
Ending balance	$ 147,926	$ 114,625

(1) As of December 31, 2024, the main investments correspond to 9,746,193 shares of Mag Silver, Corp. for an amount of $132,369, and 2,800,000 shares of Endeavor, Inc. for an amount of $10,262.

(2) As of December 31, 2023, the main investments correspond to 9,746,193 shares of Mag Silver, Corp. for an amount of $101,420, 2,800,000 shares of Endeavor, Inc. for an amount of $5,494, and 1,000,000 shares of Osisko Mining Inc. for an amount of $2,015.

(3) The investments mentioned in the previous point are listed on the Canadian stock exchange. The prices per share as of December 31, 2024, and 2023 are $19.53 and $5.27 per share, and $13.79, $2.60, and $2.67 per share, respectively.

(4) On February 16, 2023, Fresnillo plc purchased shares of Osisko Mining Inc., buying 500,000 shares at a price of CAD$3.1 per share, paying a total of $1,466.

(5) On December 30, 2024, Fresnillo plc sold 100% of the shares it held in Osisko Mining Inc. for $5,098.

13. Property, Plant and Equipment

Changes in property, plant and equipment for the year ended December 31, 2024 are as follows:

	Mining properties	Metallurgical plants and equipment	Buildings and land	Other assets	Assets under construction	Total
Investment:						
Initial balance 2024	**$ 8,155,973**	**$ 1,761,538**	**$ 1,382,614**	**$ 29,053**	**$ 436,028**	**$ 11,765,206**
Acquisitions	**71,869**	**4,835**	**6,554**	**423**	**353,786**	**437,467**
Decrease in the provision for asset dismantling	**(77,363)**					**(77,363)**
Capitalized interest				**-**	**342**	**342**
Disposals and retirements	**(46,664)**	**(44,277)**	**(134)**	**(1,557)**	**-**	**(92,632)**
Transfers and others	**408,332**	**31,979**	**-**	**-**	**(440,311)**	**-**
Translation adjustment	**(12,620)**	**(221)**	**(149)**	**(3,995)**	**-**	**(16,985)**
Final balance 2024	**$ 8,499,527**	**$ 1,753,854**	**$ 1,388,885**	**$ 23,924**	**$ 349,845**	**$ 12,016,035**

	Mining properties	Metallurgical plants and equipment	Buildings and land	Other assets	Assets under construction	Total
Depreciation, amortization, depletion and impairment:						
Initial balance 2024	**$(5,297,795)**	**$(1,043,170)**	**$(738,764)**	**$(21,312)**	**$(3,957)**	**$(7,104,998)**
Depreciation of the period	**(632,969)**	**(93,905)**	**(44,278)**	**(820)**	**-**	**(771,972)**
Disposals and retirements	**43,701**	**41,718**	**793**	**456**	**-**	**86,668**
Impairment	**(17,000)**	**-**	**-**	**-**	**-**	**(17,000)**
Translation adjustment	**7,614**	**120**	**149**	**2,509**	**-**	**10,392**
Final balance 2024	**(5,896,449)**	**(1,095,237)**	**(782,100)**	**(19,167)**	**(3,957)**	**(7,796,910)**
Net investment	**$ 2,603,078**	**$ 658,617**	**$ 606,785**	**$ 4,757**	**$ 345,888**	**$ 4,219,125**

Changes in property, plant and equipment for the year ended December 31, 2023 are as follows:

	Mining properties	Metallurgical plants and equipment	Buildings and land	Other assets	Assets under construction	Total
Investment:						
Initial balance 2023	$ 7,498,107	$ 1,712,564	$ 1,338,190	$ 22,495	$ 607,358	$ 11,178,714
Acquisitions	266,740	8,981	44,634	2,474	276,243	599,072
Increase in the Provision for asset dismantling	31,471	-	-	-	-	31,471
Capitalized interest	-	-	-	-	4,133	4,133
Disposals and retirements	(59,843)	(1,798)	(324)	(2,679)	-	(64,644)
Transfers and others	410,027	41,679	-	-	(451,706)	-
Translation adjustment	9,471	112	114	6,763	-	16,460
Final balance 2023	$ 8,155,973	$ 1,761,538	$ 1,382,614	$ 29,053	$ 436,028	$ 11,765,206

13. Property, Plant and Equipment (continued)

	Mining properties	Metallurgical plants and equipment	Buildings and land	Other assets	Assets under construction	Total
Depreciation, amortization, depletion and impairment:						
Initial balance 2023	$(4,800,887)	$(948,239)	$(704,573)	$(11,432)	$(2,926)	$(6,468,057)
Depreciation of the period	(541,394)	(96,516)	(35,376)	(7,104)	(1,031)	(681,421)
Disposals and retirements	47,349	1,633	1,317	766	-	51,065
Translation adjustment	(2,863)	(48)	(132)	(3,542)	-	(6,585)
Final balance 2023	(5,297,795)	(1,043,170)	(738,764)	(21,312)	(3,957)	(7,104,998)
Net investment	$ 2,858,178	$ 718,368	$ 643,850	$ 7,741	$ 432,071	$ 4,660,208

Depreciation as of December 31, 2024, and 2023 amounted to $771,972 and $681,421, respectively, of which $770,938 and $673,858, respectively, were recorded in the results. The remainder are depreciations of equipment used in units that are in their construction stage, which are included under the heading of assets under construction.

Grupo Peñoles analyzed certain external indicators, namely the behavior of metal prices, as well as internal indicators that included an assessment of mineral reserves and economically recoverable resources in order to determine whether there are indicators of impairment in the value of its property, plant and equipment. The recoverable amount of property, plant and equipment is based on the value in use of cash generating units calculated by discounting the present value of future cash flows based on projections, forecasts and expectations that are approved by management.

An analysis of the key assumptions used by Grupo Peñoles to calculate the value in use of its main cash generating units for which there were indications of impairment is as follows:

	2024	2023
Discount rate	**8.61%-12.09%**	9.4%-12.7%
Commodity prices (average):		
Gold (US$/oz)	**2,139**	1,890
Silver (US$/oz)	**29**	23
Zinc (cUS$/lb)	**128**	131
Copper (cUS$/lb)	**492**	444
Lead (cU$/lb)	**109**	111

During 2024, an impairment loss of $17,000 was recognized in the statement of profit or loss for a mining unit, which represented the decrease in the value of property, plant, and equipment to its recoverable amount. The recoverable amount of $437,401 as of December 31, 2024, was determined by calculating expected cash flows (value in use) at the level of the Cash-Generating Unit.

As mentioned in Note 39, in December 2022, Grupo Peñoles, received a binding offer for the sale property, plant and equipment from the Madero unit with a third party. Due to the foregoing, a reversal of the impairment of the assets of this unit that were impaired was made for $21,362; this value represents the lower of its carrying amount or its fair value. The amount is shown as an asset held for sale.

Assets under Construction

In 2024, assets under construction primarily include modifications and replacements of mining property and plant assets.

The estimated investments in 2025 for modifications and replacements of equipment will amount to approximately $198,912.

13. Property, plant and equipment (concludes)

Commitments

As of December 31, 2024, and 2023, several agreements have been entered into for the purchase of machinery and equipment, as well as for the completion of adjustments to mining and metallurgical projects. The amount of the commitments at each of these dates is $119,090 and $122,576, respectively.

14. Equity investments in associates

The investments in associates are detailed as follows:

	2024	2023	**2024**	2023
Aerovics, S.A. de C.V. (1)	**63.36%**	63.36%	**$ 74,349**	$ 80,487
Línea Coahuila Durango, S.A. de C.V.	**50.00%**	50.00%	**(268)**	(19)
Administradora de Riesgos Bal S.A. de C.V.	**35.00%**	35.00%	**669**	747
			$ 74,750	$ 81,215

(1) Of this investment, as of December 31, 2024, and 2023, 30.98% corresponds to non-voting shares. Grupo Peñoles does not have control over these investments for the years ended on those dates, respectively.

The movement in investments for the periods ended December 31, 2024 and 2023 is analyzed as follows:

	2024	2023
Starting balance in associates	**$ 81,215**	$ 72,181
Share in the result of associates	**5,528**	(1,767)
Translation adjustment	**(11,993)**	10,801
Ending balance in associates	**$ 74,750**	$ 81,215

The investments in associate companies are described as follows:

- Aerovics, S.A. de C.V., a company dedicated to private air transportation.
- Línea Coahuila-Durango, S.A. de C.V., a company dedicated to the provision of railway transportation services through a concession granted by the Federal Government.
- Administración de Riesgos Bal, S.A. de C.V., a company dedicated to risk management.

The condensed financial information of the main associates is as follows:

As of December 31, 2024, and 2023, and years ended on those dates.

14. Equity investment in associates (continued)

Statement of financial position:

	2024 Aerovics	**2024** Línea Coahuila Durango
Assets:		
Current assets	**$ 27,721**	**$ 11,424**
Non-current assets	**96,191**	**4**
Total assets	**$ 123,912**	**$ 11,428**
Current liabilities	**$ 1,955**	**$ 6,090**
Non-current liabilities	**4,617**	**5,873**
Total liabilities	**6,572**	**11,963**
Total equity	**117,340**	**(535)**
Total liabilities and equity	**$ 123,912**	**$ 11,428**

Statement of financial position:

	2023 Aerovics	2023 Línea Coahuila Durango
Assets:		
Current assets	$ 21,045	$ 12,012
Non-current assets	112,828	5
Total assets	$ 133,873	$ 12,017
Current liabilities	$ 1,822	$ 6,271
Non-current liabilities	5,023	5,783
Total liabilities	6,845	12,054
Total equity	127,028	(37)
Total liabilities and equity	$ 133,873	$ 12,017

Statement of comprehensive income 2024:

	Aerovics	Línea Coahuila Durango
Sales	**$ 22,445**	**$ 28,006**
Operating income (loss)	**$ 5,609**	**$(386)**
Net income (loss)	**$ 8,561**	**$(50)**
Other comprehensive income items	**$(18,249)**	**$(447)**
Comprehensive (loss)	**$(9,688)**	**$(497)**

14. Equity investment in associates (concludes)

Statement of comprehensive income 2023:

	Aerovics	Línea Coahuila Durango
Sales	$ 22,338	$ 28,145
Operating income (loss)	$ 64	$(539)
Net income (loss)	$ 767	$(2,631)
Other comprehensive income items	$ 14,519	$ 682
Comprehensive income (loss)	$ 15,286	$(1,949)

15. Leases

The movement in the right-of-use assets for the year ended December 31, 2024, is as follows:

	Buildings	Machinery and equipment	Computer equipment and other assets	Total cost
Investment:				
Starting balance on January 1, 2024	$ 25,161	$ 80,649	$ 34,067	$ 139,877
Additions	438	-	6,358	6,796
Contract modifications	20	-	38	58
Disposals	(944)	-	(6,122)	(7,066)
Conversion effect	593	(3)	(381)	209
Ending balance on December 31, 2024	25,268	80,646	33,960	139,874
Amortization:				
Starting balance on January 1, 2024	(12,042)	(16,945)	(17,295)	(46,282)
Amortization of the period	(4,073)	(4,152)	(8,603)	(16,828)
Disposals	944	-	6,122	7,066
Ending balance on December 31, 2024	(15,171)	(21,097)	(19,776)	(56,044)
Net Investment	$ 10,097	$ 59,549	$ 14,184	$ 83,830

The movement in the right-of-use assets for the year ended December 31, 2023, is as follows:

	Buildings	Machinery and equipment	Computer equipment and other assets	Total cost
Investment:				
Starting balance on January 1, 2023	$ 26,254	$ 78,606	$ 38,319	$ 143,179
Additions	1,902	-	7,287	9,189
Contract modifications	1,068	2,093	2,114	5,275
Disposals	(1,703)	-	(13,552)	(15,255)
Translation effect	(2,360)	(50)	(102)	(2,512)
Ending balance on December 31, 2023	25,161	80,649	34,066	139,876

15. Leases (continued)

	Buildings	Machinery and equipment	Computer equipment and other assets	Total cost
Amortization:				
Starting balance on January 1, 2023	(10,394)	(12,924)	(21,439)	(44,757)
Amortization of the period	(3,292)	(4,021)	(9,407)	(16,720)
Disposals	1,644	-	13,552	15,196
Ending balance on December 31, 2023	(12,042)	(16,945)	(17,294)	(46,281)
Net investment	$ 13,119	$ 63,704	$ 16,772	$ 93,595

An analysis of the changes in lease liabilities as of December 31, 2024 and 2023 are as follows:

	2024	2023
Initial balance as of January 1	**$ 110,445**	$ 108,008
Additions	**6,441**	9,189
Contract modifications	**1,066**	5,275
Interest of the period	**7,461**	9,045
Payments	**(21,953)**	(22,261)
Disposals	**(27)**	(275)
Exchange rate effect	**(4,431)**	1,464
Final balance as of December 31	**$ 99,002**	$ 110,445

The maturity analysis of the lease liability as of December 31, 2024 is as follows:

	2024 Lease liability	Accrued interest	Total
2025	**$ 19,546**	**$(6,688)**	**$ 12,858**
2026	**16,907**	**(5,870)**	**11,037**
2027	**14,034**	**(5,116)**	**8,918**
2028	**12,436**	**(4,409)**	**8,027**
2029 and forward	**85,523**	**(27,361)**	**58,162**
	148,446	**(49,444)**	**99,002**
Current maturity	**19,546**	**(6,688)**	**12,858**
Non-current maturity	**$ 128,900**	**$(42,756)**	**$ 86,144**

15. Leases (concludes)

The maturity analysis of the lease liability as of December 31, 2023 is as follows:

	2023		
	Lease liability	Accrued interest	Total
2024	$ 22,322	$(7,440)	$ 14,882
2025	18,336	(6,628)	11,708
2026	15,772	(5,849)	9,923
2027	13,093	(5,124)	7,969
2028 and forward	97,758	(31,795)	65,963
	167,281	(56,836)	110,445
Current maturity	22,322	(7,440)	14,882
Non-current maturity	$ 144,959	$(49,396)	$ 95,563

The amortization of the right-of-use assets as of December 31, 2024 and 2023 amounted to $16,828 and $16,720, respectively.

The expenses related to short-term leases and low-value leases for the periods ended December 31, 2024, and 2023 amounted to $90,945 and $107,617, respectively, of which $89,880 and $106,100 were recognized in the results, respectively. The remainder consists of lease expenses for units that are in their construction phase, which are included under the category of construction in progress.

16. Suppliers and other accounts payable

The analysis is shown below:

	2024	2023
Commercial suppliers	**$ 195,672**	$ 214,594
Concentrate and mineral shippers	**127,027**	96,078
Related parties (Note 24)	**13,032**	90,977
Other accrued liabilities	**141,775**	168,732
Interest payable (Note 18)	**39,780**	39,613
Energy resources	**1,449**	23,717
Market expenses	**12,297**	12,172
Dividends payable	**1,970**	2,223
	$ 533,002	$ 648,106

17. Other financial liabilities

They are analyzed as follows:

	2024	2023
Hedging derivative financial instruments (Note 37)	**$ 3,270**	$ 11,625
Fair value derivative financial instruments (Note 37)	**947**	7,911
Derivative financial instruments with changes to profit or loss (Note 37)	**-**	1,171
Payable accounts from expired derivative contracts	**7,181**	3,601
Accounts payable to related parties (Note 24)	**-**	22,726
Total other financial liabilities	**11,398**	47,034
Less: non-current maturity (Note 24)	**-**	(22,726)
Total current other financial liabilities	**$ 11,398**	$ 24,308

18. Financial debt

As of December 31, 2024 and 2023, short-term direct loans were contracted for:

	2024	2023
Bank loans denominated in pesos	**$ -**	$ 125,930
Bank loan (1)	**480,000**	100,000
Current maturity of long-term liability	**9,592**	9,598
Total current debt denominated in U.S. dollars	**$ 489,592**	$ 235,528

(1) As of December 31, 2024, direct loans with maturities on January 15, 2025, for $170,000 and on January 31, 2025, for $310,000, accruing interest at an average rate of 5.23%.

The loans correspond to a drawdown of uncommitted credit lines available as of December 31, 2024. Additionally, there are short-term amounts available to Industrias Peñoles, S.A.B. de C.V. with Mexican and foreign banks totaling $524,500.

During January 2024, the subsidiary Fresnillo plc entered into a renewable credit line ("the Line") with several national financial institutions with a term from January 2024 to January 2029. The maximum amount available under the Line is $350,000. The Credit Line is unsecured and has an interest rate on the amounts drawn of SOFR plus an interest margin of 1.15%. The Fund considers certain financial covenants related to leverage and interest coverage ratios. Currently, no amount has been drawn down.

As of December 31, the connection of the interest payable on short and long-term debt is shown below:

	2024	2023
Opening balance on January 1	**$ 39,613**	$ 41,371
Interest accrued during the year	**150,149**	172,117
Interest capitalized in properties, plant and equipment	**342**	4,133
Payment of short and long-term interest	**(150,324)**	(178,008)
Ending balance on December 31	**$ 39,780**	$ 39,613

18. Financial debt (continued)

At the same dates, long-term debt consisted of the following dollar-denominated loans payable:

	2024	2023
Unsecured bonds issued by IPSAB (2)	$ **1,175,714**	$ 1,173,846
Unsecured bonds issued by IPSAB (3)	**500,295**	500,735
Unsecured bonds issued by Fresnillo plc (4)	**829,905**	829,506
Bilateral with ECA guarantee (5)	**19,263**	28,768
Total	**2,525,177**	2,532,855
Less:		
Current maturity	**9,592**	9,598
Total non-current debt	**$ 2,515,585**	$ 2,523,257

As of December 31, the connection of short and long-term debt excluding interest is shown below:

	2024	2023
Opening balance on January 1	$ **2,758,785**	$ 2,908,018
Debt obtained	**5,200,061**	2,769,670
Debt payment	**(4,947,433)**	(2,943,627)
Amortization of transaction costs	**2,039**	2,408
Exchange rate result	**(8,275)**	22,316
Ending balance on December 31	**$ 3,005,177**	$ 2,758,785

The maturities of long-term debt, from 2026 onwards, are as follows:

	Amount
2026	$ 9,669
2027	-
2028	-
2029	650,354
2030-2050	1,855,562
	$ 2,515,585

(2) Unsecured debt bonds issued by Industrias Peñoles S.A.B. de C.V. for a total of $1,100,000 placed in the international market under the 144A/Reg. S format on September 5, 2019. The issuance was made in two equal parts of $550,000 each with terms of 10 and 30 years, with principal payment at maturity and interest payable semi-annually at a fixed rate of 4.15% and 5.65% respectively plus taxes. The proceeds from this transaction were used to prepay the issues of Stock Certificates for a total of $600,000 due in 2020 ($400,000) and 2022 ($200,000) and the rest for corporate purposes. Standard & Poor's Global Ratings (S&P) and Fitch Ratings, Inc. assigned the notes "BBB" ratings. Additionally, on July 30, 2020, the original issue with a maturity in 2029 was reopened to which $100,000 was added at the same fixed rate of 4.15% and a placement yield at maturity of 3.375%. The use of the funds included pre-payment of the syndicated credit with Bank of America, N.A. (Administrative Agent) and Scotiabank Inverlat S.A., payment of short-term debt and for general corporate purposes.

18. Financial debt (concludes)

(3) Unsecured debt bonds issued by Industrias Peñoles S.A.B. de C.V., for an amount of $500,000, debt placed in the international market under the 144A/Reg. S format on July 30, 2020, with a term of 30 years, principal payment at maturity, semiannual interest at a fixed rate of 4.75% plus taxes and no endorsements. The use of the funds included pre-payment of the syndicated credit with Bank of America, N.A. (Administrative Agent) and Scotiabank Inverlat S.A., payment of short-term debt and for general corporate purposes. Transaction costs amounted to $3,627.

(4) On September 29, 2020, with settlement on October 2, Fresnillo plc issued Unsecured Debt Bonds for $850,000; debt placed in the international market under the 144A/Reg S format, with a term of 30 years, principal payment at maturity, semi-annual interest at a fixed rate of 4.25% plus taxes and no endorsements. The use of the funds includes the payment for the partial repurchase of the current debt mentioned in point (2) and for general corporate purposes. Standard & Poor's and Moody's Investors Service assigned the notes ratings of BBB and Baa2, respectively. Transaction costs amounted to $3,844.

(5) On June 22, 2017, Industrias Peñoles S.A.B. de C.V. signed a credit agreement with Crédit Agricole Corporate and Investment Bank based on the purchases of equipment that its subsidiary Metalúrgica Met-Mex Peñoles S.A. de C.V. has made to the supplier Outotec Oy (Finland) for the projects of expansion of its zinc plant and Silver Recovery II. The debt is 95% guaranteed by Finnvera as Export Credit Agency (ECA) of the country of origin of the supplier under the protection of goods and services eligible under the agreement, as well as local costs.

The drawdown amounted to a notional of $82,590 and the settlement is made through 17 semiannual repayments from September 28, 2018 to September 30, 2026. Applicable rate of 6-month LIBOR plus 0.94% on outstanding balances (without considering the ECA's commission for its guarantee). The floating component of the interest rate has been fixed through an interest rate swap.

Regarding the reference rate for this credit, on October 23, 2020, the International Swaps and Derivatives Association (ISDA) published in its 2006 ISDA Definitions the revised definition of LIBOR, as well as a modification to the definitions of other IBOR rates, and a new Protocol was issued. During the year 2022, Grupo Peñoles adhered to the ISDA IBOR "Fallback" protocol.

On June 29, 2023, a modification agreement to the credit contract was signed to change the reference interest rate from LIBOR to compounded SOFR. The change will be applicable starting September 29, 2023.

- Credit actions by Rating Agencies.

As of the end of December 2024 and 2023, the rating of IPSAB de CV's unsecured senior notes by S&P is "BBB" with a Negative outlook on a Global scale, and "BBB" with a Stable outlook on a Global scale by Fitch Ratings.

Similarly, as of the end of December 2024 and 2023, the rating of Fresnillo plc's unsecured senior notes by S&P is "BBB" with a Negative outlook on a Global scale. Moody's Investors Services has rated them at "Baa2" on a Global scale with a Negative outlook as of December 2024 and “Baa2” on a Global scale with Stable outlook as of December 2023.

- Obligations to do and not to do financial debt.

The Group's financial debt is subject to certain obligations to do and not to do, all of which have been fully complied with as of December 31, 2024.

19. Employee benefits

Employee benefits

The current obligations for employee benefits are detailed as follows:

	2024	2023
Salaries and other employment benefits payable	**$ 27,175**	$ 17,178
Paid annual leave and vacation premium payable	**14,520**	16,739
Social security dues and other provisions	**23,236**	21,787
	$ 64,931	$ 55,704

Retirement benefits

Grupo Peñoles has a defined pension and benefit contribution plan for its non-unionized workers, which includes pension plans based on each worker's earnings and years of service provided by personnel hired through 30 June 2007, and a defined contribution component as of such date, based on periodic contributions made by both Grupo Peñoles and the employees.

The plan is managed exclusively by a Technical Committee, which is comprised of three people that are appointed by Grupo Peñoles.

Defined benefit component

The defined benefit component of the plan referred to the worker salaries and the number of years of service provided through 30 June 2007, in accordance with the benefits generated through this date in respect of the pension granted. This defined retirement benefit plan was for its non-unionized employees and included pension plans based on each worker's salaries and the number of years of service, seniority premiums payable upon death and due to permanent disability or voluntary separation. Benefits accrued through this date are restated for inflation based on the National Consumer Price Index through the date of the employee's retirement.

Defined contribution component

The defined contribution component of the plan consists of periodic contributions made by employees, as well as matched contributions made by Grupo Peñoles beginning on 1 July 2007, capped at 8% of the employee's daily integrated salary.

There is also a seniority premium plan for voluntary separation for Grupo Peñoles unionized workers.

Death and disability benefits are covered through insurance policies.

Recognition of employee benefits

The actuarial value of the retirement benefits recognized in the consolidated statement of financial position is shown below:

	2024	2023
Defined benefit obligation of active workers	**$ 37,995**	$ 51,936
Defined benefit obligation of retired workers (1)	**66,331**	77,241
Defined benefit obligation	**104,326**	129,177
Unfunded defined benefit obligation (2)	**36,586**	42,804
	140,912	171,981
Fair value of plan assets	**(86,840)**	(122,291)
Employee benefits	**$ 54,072**	$ 49,690

19. Employee benefits (continued)

(1) This obligation is currently fully funded at 100%.
(2) Corresponds primarily to seniority premiums for unionized personnel.

An analysis of pensions, defined contribution and seniority premiums recognized in the consolidated statement of profit or loss for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Current-year service cost	**$ 2,466**	$ 4,487
Interest cost (Note 33)	**15,032**	15,638
Return on plan assets (Note 33)	**(10,429)**	(10,244)
Defined contribution	**14,998**	14,871
Total	**$ 22,067**	$ 24,752

An analysis of changes in the remeasurement of the Defined Benefit Obligation (DBO) recognized directly in equity is as follows:

	2024	2023
Actuarial (loss) gains	**$(10,277)**	$ 13,019

A reconciliation of the actuarial value of DBO as of December 31, 2024 and 2023 is as follows:

	2024	2023
Beginning balance of the defined benefit obligation	**$ 171,981**	$ 156,624
Current-year service cost	**2,466**	4,487
Interest cost	**15,032**	15,638
Actuarial loss (gain) due to experience adjustments	**3,372**	(9,046)
Actuarial loss due to adjustments in demographic assumptions	**-**	5
Actuarial loss due to adjustments in financial assumptions	**687**	2,312
Benefits paid	**(21,652)**	(21,860)
Exchange rate result	**(30,974)**	23,821
Ending balance of the defined benefit obligation	**$ 140,912**	$ 171,981

As of December 31, 2024, and 2023, the reconciliation of the actuarial value of the Plan Assets (AP) is as follows:

	2024	2023
Beginning balance of plan assets	**$ 122,291**	$ 106,877
Current return on plan assets	**10,429**	10,244
Actuarial (loss) gain due to experience adjustments	**(6,218)**	6,290
Plan contributions	**(11)**	630
Benefits paid	**(18,082)**	(18,169)
Foreign exchange loss	**(21,569)**	16,419
Ending balance of plan assets	**$ 86,840**	$ 122,291

19. Employee benefits (continued)

An analysis of plan assets is as follows:

	2024	2023
Debt instruments issued by Federal and state-owned entities	$ **43,189**	$ 64,113
Investment funds	**20,856**	24,262
Equity instruments	**22,795**	33,916
Total plan assets	$ **86,840**	$ 122,291

The financial instruments that make up the plan's assets are represented by publicly traded securities in the Mexican market with credit ratings of "AAA" and "AA" on a national scale.

As of December 31, 2024, Grupo Peñoles estimates that it will not make contributions to the defined benefit plan during 2024.

The most important assumptions used in determining the defined benefit obligations, plan assets, and the net cost of the period are as follows:

Actuarial assumptions

	2024	2023
Average discount rate to reflect present value	**10.17%**	10.04%
Average wage increase rate	**5.25%**	5.25%
Inflation rate for expected growth	**3.75%**	3.75%

The most significant demographic assumptions for 2024 and 2023 were "EMMSSA09 dynamic" and the mortality rates published by the Mexican Social Security Institute (IMSS).

The weighted average duration of the DBO as of December 31, 2023, is 8.0 years.

The discount rate to reflect obligations at their present value, future salary increases, and the expected working life of employees were identified as significant actuarial assumptions. The determination of the DBO can be sensitive to a change in the assumptions stated above.

The following adjustments in the assumptions that impact the determination of the DBO are considered reasonably possible:

- A 0.5% increase/decrease in the discount rate.
- A one-year adjustment in life expectancy.

Below is a sensitivity analysis showing the impact that the DBO could experience by increasing/decreasing the assumptions as of December 31, 2024, keeping the rest of the variables constant:

	Increase in assumption		Decrease in assumption	
	Effect	%	Effect	%
Discount rate by 0.5%	**$(4,755)**	**(3.4 %)**	**$ 6,043**	**4.3%**

The change in the liability as a result of increasing the expected working lifespan of employees by one more year amounts to $2,959, which represents approximately 2.10%.

19. Employee benefits (concludes)

Below is a sensitivity analysis showing the impact that the DBO could experience by increasing/decreasing the assumptions as of December 31, 2023, keeping the rest of the variables constant:

	Increase in assumption		Decrease in assumption	
	Effect	%	Effect	%
Discount rate by 0.5%	$(6,389)	(3.7%)	$ 7,836	4.6%

The change in the liability as a result of increasing the expected working lifespan of employees by one more year amounts to $3,347, which represents approximately 1.9%.

20. Provisions

The detail of provisions is as follows:

	2024	2023
Ecological restoration	$ **432,640**	$ 490,183
Other provisions	**2,458**	2,964
	$ **435,098**	$ 493,147

The movement in the provision for ecological restoration for the years ended December 31, 2024, and 2023, is analyzed as follows:

	2024	2023
Balance as of January 1	$ **493,147**	$ 432,417
(Decrease) increase capitalized in the period (Note 13)	**(77,363)**	31,471
Payments of the period	**(3,948)**	(7,978)
(Decrease) increase in the provision for remediation in units closed	**(13,072)**	(3,653)
Financial discount (Note 33)	**42,812**	43,775
Provision associated with non-current assets classified as held for sale (Note 39)	**1,724**	(3,678)
Exchange rate result	**(8,202)**	793
Ending balance as of December 31	**435,098**	493,147
Less:		
Provision for current mine closure costs	**11,781**	11,849
Ending balance as of December 31	$ **423,317**	$ 481,298

The provision represents the present value of the liability to dismantle and rehabilitate the mining units at the date when it is estimated that their mineral resources will be depleted due to the exploitation of non-renewable natural resources, in accordance with the legal obligation established in the Mining Law, other applicable legal regulations, and in agreement with the environmental policy and social responsibility established by Grupo Peñoles.

There are several assumptions on which the estimates of the costs to dismantle and rehabilitate the mineral beneficiation plants, tailings deposits, removal of structures, rehabilitation of mines, and reforestation of the different mining units are determined. The assumptions used are in line with the sustainable development policy of Grupo Peñoles, which were reviewed and certified by external advisors with extensive international experience in the rehabilitation of mining units. Another assumption used is to discount the provision to reflect the obligations for ecological restoration at its present value.

20. Provisions (concludes)

In determining the provision, there are certain uncertainties about the estimation of these costs that include changes in the applicable legal environment, in the options for eviction, dismantling, and claiming of each mining unit, the estimated mineral resources, as well as in the levels of discount rates and inflation at the time the costs are incurred.

Changes to the above assumptions were recognized as an adjustment to the previously recorded dismantling asset that will be amortized over the average remaining life of the mining units, which ranges between 2 and 52 years as of December 31, 2024.

The present value of the provision was calculated using discount rates ranging from 9.80% to 10.52% in 2024 and 9.84% to 11.19% in 2023.

21. Income Tax (ISR) and Special Tax for Mining Companies (DEM)

Tax environment

As previously explained in these consolidated financial statements, Grupo Peñoles is a Mexican corporation with subsidiaries abroad which, as of December 31, 2024 and 2023, were subject to a minor tax effect of $10,162 and $16,108, respectively. An analysis of income tax matters related to Grupo Peñoles operations in Mexico are as follows:

Changes in Income Tax (ISR) and Digital Tax Receipt (DEM) Legislation

For 2025, there were no significant changes that would affect the income tax (ISR); for the Federal Rights Law (DEM), changes were introduced to increase the rate from 7.5% to 8.5%.

For 2024, there were no significant changes affecting ISR and DEM; for 2023, there were only formal issues regarding the entry into force of the new version of the Digital Tax Receipt over the Internet (CFDI) for invoicing and the Carta Porte.

Income tax

The Mexican Income Tax Law ("LISR" for its acronym in Spanish) stipulates a 30% corporate income tax rate.

Fiscal consolidation

Industrias Peñoles, S.A.B. de C.V. and its subsidiaries determined the ISR on a consolidated basis until 2013 in accordance with the tax legislation in force in this year. As of January 1, 2014, with the Tax Reform, both IPSAB and its controlled subsidiaries pay the ISR on individual bases.

In accordance with the provisions of the new LISR in force as of 2014, the groups that were fiscally consolidated as of December 31, 2013, must deconsolidate and pay the ISR and/or Asset Tax (IA) that they might have deferred and that is pending payment by each entity on individual bases. Therefore, IPSAB, as the controlling company, pays the ISR that was deferred due to fiscal consolidation, in a similar manner to the payment of the ISR deferred by fiscal consolidation in accordance with the changes introduced to the fiscal consolidation regime of 2010.

The 2014 Tax Reform establishes two deadlines for the payment of previously deferred taxes from the effects of deconsolidation; the first is five years, so that 25% must be paid no later than May 31, 2014, while the remaining 75% will be divided into four parts (25%, 20%, 15% and 15%), to be covered, subject to an update in the following four exercises; and the second is up to ten years applying the provisions in force until 2013.

21. Income Tax (ISR) and Special Tax for Mining Companies(DEM) (continued)

The main concepts that originate the deferred ISR for fiscal consolidation are:

a) Fiscal losses of controlled companies included in the determination of the consolidated fiscal result and that have not been individually amortized by the controlled companies.

b) Dividends distributed by the controlled companies that did not come from their CUFIN and reinvested CUFIN balance.

c) Special consolidation concepts derived from operations held between the consolidating companies.

As a result of the tax deconsolidation, during 2023, the last annual payment corresponding to the tax losses reduced in the tax consolidation was settled for an amount of $5,220.

Special Mining Right

The Special Mining Right (DEM) is considered a tax on profits payable by holders of mining concessions and assignments, consisting of the application of a rate of 7.5% (8.5% starting in 2025) to the positive difference resulting from subtracting the deductions established in the Income Tax Law (LISR) from their accumulated income, excluding deductions for investments, interest, and annual inflation adjustments. This DEM can be credited against the income tax (ISR) for the same fiscal year and must be paid no later than within the first three months following the corresponding fiscal year.

Movement of the deferred income tax liability

The temporary differences on which the effect of deferred income tax is recognized are detailed below:

	2024	2023
Deferred income tax liabilities:		
Trade and other accounts receivable	**$ 145,822**	$ 131,166
Inventories	**(51,742)**	(117,602)
Property, plant and equipment	**(220,834)**	(359,743)
Other financial assets	**(1,622)**	3,668
Deferred income tax assets:		
Other financial liabilities	**(59,700)**	(10,771)
Suppliers and other accounts payable	**(138,075)**	(157,082)
Leases, net	**(1,858)**	(4,102)
Provisions	**(126,735)**	(113,069)
Employee benefits	**(8,443)**	(7,815)
Available tax loss carryforwards	**(276,984)**	(453,983)
Deferred income tax	**(740,171)**	(1,089,333)
Special tax for mining companies	**43,410**	(16,942)
Deferred income tax liability, net	**$(696,761)**	$(1,106,275)
Shown in the consolidated statement of financial position:		
Deferred income tax asset	**$ 873,035**	$ 1,278,154
Other financial liabilities	**176,274**	171,879
	$(696,761)	$(1,106,275)

21. Income Tax and Special Tax for Mining Companies (continued)

As of December 31, 2024, the analysis of the tax losses to be amortized in Mexico recognized in the deferred tax balance, as well as the tax losses to be amortized for which a deferred tax asset was not recognized for accounting purposes and their corresponding expiration year, are presented below:

Year	Total	Recognized	Non reconognized
2025	$ 11,702	$ -	$ 11,702
2026	5,697	-	5,697
2027	5,240	141	5,099
2028	5,002	768	4,234
2029	40,537	2,701	37,836
2030	63,446	30,334	33,112
2031	79,637	66,678	12,960
2032	41,769	33,431	8,338
2033	122,968	108,879	14,089
2034	44,899	34,052	10,846
	$ 420,897	$ 276,984	$ 143,913

In Mexico, tax losses to be amortized expire independently in ten years.

Deferred tax assets are recognized for unused tax losses and unused tax credits to the extent that it is probable that taxable benefits will be available in the future against which the losses or credits can be used.

The deferred ISR assets for tax losses that have not been recognized because they are considered not to be used to offset accrued profits in Grupo Peñoles, have arisen in subsidiaries that have been in losses for some time and there is no other evidence of recoverability in the near future to support (either partially or fully) the recognition of the losses as deferred tax assets.

Income tax recognized in results

The income taxes recorded in the consolidated statement of results for the periods ended December 31, 2024, and 2023, are composed as follows:

	2024	2023
ISR caused	$ 239,783	$ 129,901
Deferred ISR related to the creation and reversal of temporary differences	348,174	(505,650)
IEPS tax benefit	-	(3,336)
Income tax	587,957	(379,085)
Special mining fee caused	78,775	36,137
Deferred special mining fee	60,352	299
Special mining fee	139,127	36,436
Income tax as an expense (income) in results	$ 727,084	$(342,649)

21. Income Tax and Special Tax for Mining Companies (concludes)

The items that cause the difference between the legal and effective ISR rates are as follows:

	2024	2023
Result determined at the legal ISR rate in Mexico (30%)	$ 280,489	$(16,834)
Effects of inflation for tax purposes	(98,413)	(121,882)
Non-deductible expenses	17,704	27,755
Effects of exchange rate on the fiscal values of assets and liabilities	444,673	(304,090)
IEPS Benefit	-	(3,336)
Foreign dividends	7,957	5,403
Deferred tax assets not recognized	(332)	78,116
Deferred special mining right	(41,738)	(11,635)
Other items	(5,739)	(27,222)
Benefit in border region rate	(16,644)	(5,360)
Income tax	$ 587,957	$(379,085)
Effective rate	62.9%	(675.6%)

ISR recognized in other items of comprehensive (loss) income

The movement for the years ended December 31, 2024, and 2023 of the deferred ISR recognized directly in the stockholders' equity is as follows:

	2024	2023
Result from valuation of financial assets in capital instruments	$(11,080)	$ 16,443
Result from valuation of employee benefits	1,634	(2,070)
Result from valuation of hedges	(2,344)	4,004
	$(11,790)	$ 18,377

Deferred tax not recognized on investments in subsidiaries and associates

Grupo Peñoles has not recognized all the deferred tax liability with respect to the distributable reserves of its subsidiaries because it controls them and it is expected that only a portion of the temporary differences will be reversed in the foreseeable future. The temporary differences for which a deferred tax liability has not been recognized amount to $1,024,488 and $893,844 as of December 31, 2024 and 2023, respectively.

22. Equity and other comprehensive loss items

Share capital

The share capital as of December 31, 2024, and 2023 is represented by ordinary, registered shares without an expression of nominal value and is made up of class one shares representing the minimum fixed capital and class two shares, representing the variable part, as follows:

22. Equity and other comprehensive loss items (continued)

	Shares		Amount	
	2024	2023	**2024**	2023
Authorized and subscribed share capital	**413,264,747**	413,264,747	**$ 403,736**	$ 403,736
Repurchased shares	**15,789,000**	15,789,000	**2337**	2,337
Nominal share capital in circulation	**397,475,747**	397,475,747	**$ 401,399**	$ 401,399

As of December 31, 2024, and 2023, the nominal share capital is made up of a minimum fixed capital without the right to withdrawal of $401,399 (equivalent to Ps. 2,191,210) and a variable capital that may not exceed ten times the amount of the fixed capital.

Undistributed Profits

Starting in 2014, dividends paid to individuals and corporate residents abroad on profits generated from that year will be subject to an additional ISR withholding of 10%.

At the Ordinary General Shareholders Meeting held on May 31, 2022, the Assembly authorized an amount that could be used to purchase own shares up to $191,515 (equivalent to Ps.3,500,000) in accordance with the Securities Market Law. This amount is reserved under the item "Undistributed Profits".

Legal Reserve

The net profit for the year is subject to the legal requirement that 5% of it must be allocated to increase the legal reserve until the amount of the reserve is equal to 20% of the share capital in pesos. To date, this percentage has been fully covered. This reserve cannot be distributed, except as dividends in shares.

Other comprehensive loss items

Valuation effect of hedges

This balance includes the effective portion of gains or losses from the valuation of financial instruments designated as cash flow hedges, net of deferred income tax. When the hedged transaction occurs, the gain or loss is transferred from equity to the consolidated statement of profit or loss.

Valuation effect of financial assets in capital instruments (VRORI)

This corresponds to changes in the fair value of equity instruments, net of deferred income tax. The corresponding gains and losses on these financial assets will never be reclassified to the consolidated statement of profit or loss. Dividends are recognized as other income in the consolidated statement of profit or loss when the right to payment has been established, unless the dividend clearly represents a recovery of part of the investment cost. Under this classification, equity instruments are not subject to impairment assessment.

Accumulated conversion effect

The balance includes the conversion effect of the financial statements to the reporting currency (dollar) of certain subsidiaries and associates whose functional currency is the Mexican peso.

Accumulated effect of employee benefits revaluation

It is composed of the actuarial gains and losses resulting from the adjustment to the liabilities for retirement personnel benefits due to changes in the actuarial assumptions used for their determination.

22. Equity and other comprehensive loss items (concludes)

The analysis as of December 31, 2024, and 2023 of the other comprehensive loss items is presented below:

	Revaluation of employee benefits	Effect from hedge valuation	Effect from VRORI valuation	Conversion effect	Total
Opening balance as of January 1, 2024	**$(2,575)**	**$(4,061)**	**$ 34,066**	**$(53,574)**	**$(26,144)**
Other comprehensive income (loss) items	**(8,579)**	**5,507**	**19,105**	**(24,411)**	**(8,378)**
Balance as of December 31, 2024	**$(11,154)**	**$ 1,446**	**$ 53,171**	**$(77,985)**	**$(34,522)**

	Revaluation of employee benefits	Effect from hedge valuation	Effect from VRORI valuation	Conversion effect	Total
Opening balance as of January 1, 2023	$(13,565)	$ 5,310	$ 63,131	$(69,657)	$(14,781)
Other comprehensive income (loss) items	10,990	(9,371)	(29,065)	16,083	(11,363)
Balance as of December 31, 2023	$(2,575)	$(4,061)	$ 34,066	$(53,574)	$(26,144)

23. Earnings per share

Earnings per share is calculated by dividing the net profit for the year attributable to the holders of the ordinary shares representing the capital of Grupo Peñoles, by the weighted average of ordinary shares in circulation for the period.

The basic and diluted earnings per share are the same since Grupo Peñoles does not have ordinary shares with potential dilutive effects.

As of December 31, 2024, and 2023, the earnings per share were calculated as follows:

	2024	2023
Net profit (in thousands of U.S. dollars):		
Attributable to the shareholders of Grupo Peñoles	**$ 73,253**	$ 147,090
Shares (in thousands of shares):		
Weighted average of ordinary shares in circulation	**397,476**	397,476
Earnings per share:		
Basic and diluted earnings per share (Expressed in U.S. dollars)	**$ 0.18**	$ 0.37

24. Related parties

The balances receivable and payable to non-consolidated related entities are analyzed as follows:

	2024	2023
Accounts receivable from:		
Sales:		
Dowa Mining Co. Ltd. (3)	$ -	$ 2,219
Grupo Palacio de Hierro, S.A.B. de C.V. (1)	978	1,053
Grupo Nacional Provincial, S.A.B. de C.V. (1)	5,542	11,053
Others	28	29
Total (Note 9)	$ 6,548	$ 14,354
Accounts payable from:		
Short-term accounts:		
Termoeléctrica Peñoles, S. de R.L. de C.V. (4)	$ 9,182	$ 15,392
Altos Hornos de México, S.A.B. de C.V. (4)	-	44
Línea Coahuila-Durango, S.A. de C.V. (2)	1,780	2,528
Others	15	379
	10,977	18,343
Loans:		
Minera los Lagartos, S.A. de C.V. (3) (Note 38)	2,055	72,634
Total	$ 13,032	$ 90,977
Long-term loans:		
Minera los Lagartos, S.A. de C.V. (3) (Note 17)	$ -	$ 22,726

As of December 31, the reconciliation of loans and interest with Minera los Lagartos, S.A. de C.V. is shown below:

	2024	2023
Opening balance as of January 1	$ 95,360	$ 104,963
Loans obtained	-	22,726
Loan amortization	(92,361)	(32,965)
Interest accrued in the year	4,197	8,150
VAT on interest payable	(5,015)	(7,639)
Interest payment	(126)	125
Closing balance as of December 31	$ 2,055	$ 95,360

In the periods ended December 31, 2024, and 2023, various business transactions were conducted with related entities, as indicated below:

(a) Grupo Peñoles, through its subsidiary Minera Tizapa, made sales of lead, zinc, and gravimetric concentrate and copper, setting sale prices according to international market references and the payable metal content.
(b) Grupo Peñoles, through a subsidiary, has several energy supply contracts with its related parties under the self-supply scheme. For more detail, see note 36.
(c) Grupo Peñoles has concluded contracts for the supply of electricity with its related parties under the self-supply scheme and the wholesale electricity market. For more detail, see note 36.
(d) Transaction corresponding to insurance paid to Grupo Nacional Provincial, S.A.B. de C.V.
(e) Business consulting and corporate administration services.

24. Related parties (continued)

	2024	2023
Income (a):		
Sales of concentrates and refined metal:		
Dowa Mining Co. Ltd. (3)	$ 55,119	$ 47,213
Sumitomo Corporation (3)	373,676	104,941
	428,795	152,154
Electrical energy *(b):*		
Grupo Palacio de Hierro, S.A.B. de C.V. (1)	10,117	11,239
Grupo Nacional Provincial, S.A.B. de C.V. (1)	867	826
Instituto Tecnológico Autónomo de México (1)	257	249
	11,241	12,314
Others:		
Línea Coahuila Durango, S.A. de C.V. (2)	334	328
Petrobal, S.A.P.I. de C.V. (1)	424	591
Petrobal Upstream Delta 1, S.A. de C.V. (1)	331	447
	1,089	1,366
	$ 441,125	$ 165,834
Expenses:		
Electrical energy (c):		
Termoeléctrica Peñoles, S. de R.L. de C.V. (4)	$ 100,187	$ 159,412
Eólica de Coahuila, S.A de C.V. (4)	60,634	58,728
Eólica Mesa la Paz, S. de R.L. de C.V. (4)	32,276	36,237
	193,097	254,377
Administrative fees (e):		
Servicios Corporativos Bal, S.A. de C.V. (1)	51,093	44,661
Insurance and finance (d):		
Grupo Nacional Provincial, S.A.B. de C.V. (1)	38,193	43,597
Others	364	570
	38,557	44,167
Air transport:		
Aerovics, S.A. de C.V. (2)	9,989	9,358
Royalties:		
Dowa Mining Co. Ltd. (3)	6,310	9,668
Dowa Holdings Co. Ltd (3)	1,638	1,617
Sumitomo Corporation (3)	2,178	4,056
	10,126	15,341
Rents:		
MGI Fusión, S.A. de C.V. (2)	4,460	4,318
Others	13,252	11,038
	$ 320,574	$ 383,260

24. Related parties (concludes)

(1) Affiliated entities under the control exercised by Grupo Bal, a private and diversified organization, composed of independent Mexican companies, among which are Grupo Palacio de Hierro, S.A.B. de C.V., Grupo Nacional Provincial, S.A.B. de C.V., Valores Mexicanos Casa de Bolsa, S.A. de C.V. and Petrobal, S.A.P.I. de C.V.
(2) Associates
(3) Non-controlling shareholders
(4) Other related parties

The benefits given by Grupo Peñoles to its key personnel, which includes its Executive Committee and members of its Board of Directors who receive remuneration, are as follows:

	2024	2023
Short-term benefits:		
Remuneration and other short-term benefits	$ 13,586	$ 10,408
Long-term benefits:		
Retirement benefits	$ 7,045	$ 8,304

25. Sales

Sales by product type are as follows:

	2024	2023
Silver	$ 2,184,260	$ 1,796,111
Gold	2,023,697	1,855,970
Zinc	786,136	753,592
Lead	316,228	311,190
Ore concentrates	779,224	559,025
Copper matte	93,025	139,904
Sodium sulfate	152,468	165,748
Other products	315,041	347,425
	$ 6,650,079	$ 5,928,965

Sales by geographical area are as follows:

	2024	2023
Domestic sales	$ 1,420,689	$ 1,248,793
Asia	705,820	525,150
United States of America	2,517,089	2,410,855
Europe	1,222,310	1,042,301
Canada	730,155	673,385
South America	49,225	25,061
Other	4,791	3,420
	$ 6,650,079	$ 5,928,965

26. Cost of sales

The cost of sales is composed as follows:

	2024	2023
Personnel expenses (Note 30)	$ 469,755	$ 462,657
Energy	464,110	$ 497,257
Operating materials	436,153	471,307
Maintenance and repairs	490,878	522,074
Depreciation and amortization (Note 13)	770,938	673,858
Amortization of right-of-use assets (Note 15)	5,296	5,180
Transfer of by-products	(112,378)	(137,859)
Contractors	473,237	540,463
Leases of low-value assets (Note 15)	72,477	87,098
Other	244,775	265,758
Inventory adjustments	56,637	5,594
Cost of sale of extraction and treatment	3,371,878	3,393,387
Cost of metals sold	1,521,737	1,727,379
Total cost of sales	$ 4,893,615	$ 5,120,766

27. Administrative expenses

An analysis of administrative expenses is as follows:

	2024	2023
Personnel expenses (Note 30)	$ 130,413	$ 135,550
Fees	101,425	107,424
Travel expenses	14,775	15,905
Information technology expenses	17,958	16,747
Amortization of right-of-use assets (Note 15)	9,760	9,587
Leases of low-value assets (Note 15)	14,792	16,758
Fees, associations and other	25,935	30,199
Total administrative expenses	$ 315,058	$ 332,170

28. Exploration expenses

An analysis of exploration expenses is as follows:

	2024	2023
Personnel expenses (Note 30)	$ 21,892	$ 23,028
Contractors	120,361	140,780
Taxes and duties	39,545	40,654
Operating materials	1,028	1,027
Amortization of right-of-use assets (Note 15)	649	852
Leases of low-value assets (Note 15)	2,611	2,244
Fees, assays and other	26,148	24,106
Total exploration expenses	$ 212,234	$ 232,691

28. Exploration expenses (concludes)

An analysis of liabilities associated with the exploration and evaluation of mineral resources as of December 31, 2024 and 2023 is as follows:

	2024	2023
Total exploration liabilities	$ 2,635	$ 2,598

An analysis of cash flows used in operating activities related to the exploration and evaluation of mineral resources is as follows:

	2024	2023
Cash flows used in operating activities	$(64,580)	$(73,093)

29. Selling expenses

An analysis of selling expenses is as follows:

	2024	2023
Freight and transfers	$ 114,046	$ 106,374
Royalties	8,639	10,356
Handling	4,666	3,686
Extraordinary mining tax	21,083	13,825
Amortization of right-of-use assets (Note 15)	1,123	1,101
Other expenses	25,231	30,395
Total selling expenses	$ 174,788	$ 165,737

30. Personnel expenses

An analysis of personnel expenses is as follows:

	2024	2023
Salaries and other employee benefits	$ 370,499	$ 361,816
Employee benefits at retirement	17,464	19,358
Social security contributions	117,643	113,021
Social welfare and other benefits	116,454	127,040
Total personnel expenses	$ 622,060	$ 621,235

An analysis of personnel expenses based on their function is as follows:

	2024	2023
Cost of sales	$ 469,755	$ 462,657
Administrative expenses	130,413	135,550
Exploration expenses	21,892	23,028
Total personnel expenses	$ 622,060	$ 621,235

30. Personnel expenses (concludes)

In 2024 and 2023, Grupo Peñoles average number of employees (unaudited information) is as follows:

	2024	2023
Number of non-union workers	5,065	4,907
Number of unionized workers	10,548	10,666
Total	15,613	15,573

31. Other (Income) Expenses

An analysis of other (income)/expenses is as follows:

	2024	2023
Income from royalties	$(117)	$(140)
Gain on sale of concentrates	-	(12)
Income on sale of other products and services	(12,477)	-
Income on sale of fixed asset (Note 34)	(1,447)	-
Gain on sale of mining concessions	(24,149)	-
Cancellation of reserves (1)	(14,445)	(75,614)
Income from expense recovery	-	(21,081)
Other income	$(52,635)	$(96,847)

An analysis of other expenses is as follows:

	2024	2023
Rental expenses	$ 322	$ 499
Donations	7,057	4,444
Maintenance expenses and increase on ecological reserve provision in closed mines	1,950	18,833
Losses from accidents	1,493	9,712
Loss on sale of material and waste	1,422	495
Loss on sale of other products and services	-	10,436
Loss on sale of fixed asset (Note 34)	-	12,377
Write-off of inventories (Note 4i)	-	21,861
Other	3,273	344
Other expenses	$ 15,517	$ 79,001

(1) In July 2020, a resolution from the Regulatory Commission was published, which included a disproportionate increase in the rates for the electricity transmission service ("porting"). As a result, Eólica de Coahuila, S.A. de C.V. ("EDC"), Termoélectrica Peñoles, S.A. de C.V. ("TEP"), and Fuerza Eólica del Istmo ("FEISA"), holders of the Self-Supply Permit, filed an amparo lawsuit against this resolution to challenge the increase. Associated with this lawsuit, the consumer partners (subsidiaries of Grupo Peñoles) recognized a provision in order to meet the obligation to pay the increased porting cost in the event of an unfavorable ruling.

31. Other (Income) Expenses (concludes)

In December 2023, a definitive favorable ruling was obtained in the amparo lawsuit of EDC, leading the Company to cancel the increases to the provision recorded during 2023 for $10,636 against the energy cost included in production costs and $26,900 against the reserve cancellation account of other income, as they corresponded to increases to the provision recorded in previous years.

In February 2024, prior to the issuance of the 2023 financial statements, a definitive favorable ruling was obtained in the amparo lawsuit of TEP, prompting the Company to also cancel the increases to the provision recorded in previous years for $48,714 against the reserve cancellation account of other income.

In July 2024, a definitive favorable ruling was obtained in the amparo lawsuit of FEISA, leading the Company to also cancel the increases to the provision recorded in previous years for $14,445 against the reserve cancellation account of other income.

32. Finance income

An analysis of finance income is as follows:

	2024	2023
Interest income on cash equivalents and other investments	$ 69,770	$ 73,616
Interest income from trade receivables	310	1,388
Financial income on tax refund adjustment	7,562	820
Other	650	24,973
	$ 78,292	$ 100,797

33. Finance costs

An analysis of finance costs is as follows:

	2024	2023
Interest arising on financial debt	$ 154,346	$ 180,267
Financial discount of liability provisions (Note 20)	42,812	43,775
Net interest on defined benefit obligation (Note 19)	4,603	5,394
Finance cost on lease liabilities (Note 15)	7,461	9,045
Others	10,548	13,466
	$ 219,770	$ 251,947

34. Note to the statements of cash flows

A reconciliation of consolidated net profit and cash flows provided by operating activities for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Consolidated net profit	$ 207,862	$ 286,536
Items not affecting cash flows:		
Depreciation, amortization, and depletion (Note 13)	770,938	673,858
Amortization of right-of-use assets (Note 15)	16,828	16,720
Net cost of the period of employment obligations (Note 19)	22,067	24,752
Share of profit (loss) of associates (Note 14)	(5,528)	1,767
Income tax (Note 21)	727,084	(342,649)
Provisions and allowances	16,876	58,865
Financial costs of lease liabilities (Note 33)	7,461	9,045
Cancelations of provisions (Note 31)	(14,445)	(75,614)
Other labor obligations	25,162	13,250
Foreign exchange (gain) loss	(8,745)	25,872
(Gain) loss on sale and disposal of fixed assets (Note 31)	(1,447)	12,377
Impairment of property, plant, and equipment (Note 13)	17,000	
Interest income (Note 32)	(70,080)	(75,004)
Interest expense (Note 33)	154,346	180,267
Derivative financial instruments	(659)	(22,202)
Other	(5,655)	(14,485)
Subtotal	1,859,065	773,355
Trade and other accounts receivable	83,226	(86,395)
Inventories	(317,018)	89,579
Suppliers and other accounts payable	(149,592)	99,257
Income tax paid	(168,818)	(342,998)
Benefits from labor obligations (Note 19)	(3,559)	(4,321)
Reserve for ecological rehabilitation (Note 20)	(3,948)	(7,978)
Income tax refunds obtained	47,672	47,959
Special tax for mining companies paid	(35,254)	(69,167)
Employee profit sharing paid	(11,476)	(23,155)
Net cash flows from operating activities	$ 1,300,298	$ 476,136

35. Contingencies

As of December 31, 2024 and 2023, Grupo Peñoles had the following contingencies:

Tax Matters

a) Grupo Peñoles is subject to various laws and regulations that, if not complied with, could result in penalties. Tax periods remain open for review by the Mexican tax authorities for five years following the filing of tax returns by the Group's companies, during which time the authorities have the power to review and determine additional taxes, including fines, updates, and surcharges. Under certain circumstances, these powers may be extended for longer periods. As such, there is a risk that transactions, particularly those conducted with related parties, which have not been questioned in the past by the authorities, may be challenged by them in the future.

35. Contingencies (concludes)

Grupo Peñoles has initiated various audits related to compliance with its tax obligations concerning income tax, special mining rights, and employee profit sharing by the Tax Administration Service (SAT), and has submitted the information and documentation requested.

Industrias Peñoles S.A.B. de C.V. (IPSAB) and its subsidiary Comercializadora de Metales Fresnillo, S.A. de C.V. (CMF) received resolutions from the SAT in which the tax authority determined tax credits by concluding that the operation known as "Silverstream" for the fiscal year 2016 does not correspond to a derivative financial operation and therefore the tax effects of such operation should not be considered deductible. Consequently, IPSAB initiated a revocation appeal to contest this resolution, and CMF filed a revocation appeal challenging the resolution issued by the SAT.

Additionally, both IPSAB and CMF underwent tax audits for the same Silverstream operation for the fiscal year 2017. In this regard, IPSAB and CMF received a letter of observations in which the authority reiterated the conclusions from 2016 and issued further observations. In this context, both companies submitted requests to the Taxpayer Defense Attorney's Office (PRODECON) to adopt a conclusive agreement procedure with the SAT.

In June 2024, Metalúrgica Met Mex Peñoles was notified of a letter of observations questioning certain deductions applied in determining the Income Tax for the fiscal year 2017. In April 2024, the company submitted a request to PRODECON to adopt a conclusive agreement procedure with the SAT.

There are other audits of certain subsidiaries by the authorities, where certain deductions are questioned, as well as the profitability of some transactions between related parties, for which requests for the adoption of a conclusive agreement procedure were submitted to PRODECON. In the opinion of management, there are solid arguments to refute the observations made by the tax authority.

b) In 2011, a flood occurred at the Saucito mine, after which the Group filed an insurance claim for the damages caused (and for the interruption of business). This claim was rejected by the insurance provider. In early 2018, after the matter was taken to mutual arbitration, the insurance claim was declared valid; however, there is disagreement over the appropriate amount to be paid. In October 2018, the Group received $13.6 million regarding the insurance claim; however, this does not constitute a final agreement, and management continues to seek a higher insurance payment. Due to the fact that negotiations are ongoing and there is uncertainty about the timing and amount involved in reaching a final agreement with the insurer, it is currently not feasible to determine the total amount expected to be recovered.

36. Commitments

Commitments for the purchase of mineral products

As of December 31, 2024 and 2023, contracts have been signed with third parties for the purchase of various mineral products, with the aim of optimizing productive operation and operating metallurgical plants at full capacity, for an approximate amount of $1,561,551 and $1,365,553, respectively. These contracts can be cancelled with prior notice, without causing any penalty for both parties.

Electric power supply

As part of its strategy to ensure the electricity supply for its operations at competitive costs, Grupo Peñoles has the following commitments related to the purchase of electricity.

36. Commitments (concludes)

a) Thermoelectric Peñoles

Contract signed to acquire, through its subsidiaries, the electricity production from a plant with a production capacity of 230 megawatts, valid until 2027.

In addition to the supply contract, an agreement was signed to create a trust for business activities for the operation and maintenance of a power generation plant under the self-supply permit granted to Termoeléctrica Peñoles, S. de R. L. de C.V. (TEP). This Trust was terminated early in 2023, and its rights and obligations were incorporated directly into the bylaws of TEP and a shareholders' agreement. To guarantee the commitments for the purchase of electricity, a put option was granted to the owners/operators of the project so that, in the event of default by its subsidiaries, they can require Grupo Peñoles to purchase the shares that make up the capital stock of TEP at a price equivalent to the present value of the remaining scheduled payments that its subsidiaries are obligated to pay under the contract. In April 2024, the Legacy Interconnection Contract signed with CFE will expire, which will be replaced by an Open Access and Non-Discriminatory Interconnection Contract, so TEP will cease to operate under the rules of the Electric Public Service Law and will start operating under the regulatory framework of the Electric Industry Law from May 2024. Under this scheme, Peñoles subsidiaries will acquire the net production of energy and 230 MW-year of power through the Qualified Services Supplier. The estimated cost for electricity consumption for the fiscal year 2025 for 2,014.8 million kWh and 230 MW-year of power is $126,157 dollars.

b) Eólica de Coahuila

Electricity supply contract signed on April 25, 2014, under a self-supply regime with Eólica de Coahuila, S.A. de C.V. (EDC), for a term of 25 years, under which Peñoles subsidiaries adhering to this contract will acquire the entire net production of energy generated by EDC during the contracted period, estimated at an average of 700 million kWh per year, payable monthly at a fixed price determinable for each kWh delivered by EDC to the Federal Electricity Commission at the interconnection point stipulated in the contract. Commercial operations began in April 2017. Simultaneously with this contract, a purchase and sale option agreement ("Put option") was signed for the transfer of EDC's shares under certain circumstances of default. The approximate cost for electricity consumption for the fiscal year 2025, estimated at 722.1 million kWh, is $57,334 dollars.

c) Eólica Mesa La Paz

On January 25, 2018, Grupo Peñoles signed an electricity coverage contract under the Electric Industry Law with Eólica Mesa La Paz, S. de R.L. de C.V. (MLP), for a term of 25 years, under which Peñoles subsidiaries, through the Qualified Services Supplier, will acquire 67.8% of the net energy production from MLP during the first 7 years, estimated at an average of 782.3 million kWh per year. From year 8 until the end of the contract, they will acquire 100% of the net energy production from MLP, estimated at an average of 1,170.0 million kWh per year, payable monthly at a fixed price determinable for each kWh delivered by MLP to the National Electric System at the interconnection point established in the contract. Commercial operations began on April 1, 2020. As part of the contract, a purchase and sale option agreement ("Put option") was stipulated for the transfer of MLP's shares under certain circumstances of default. The approximate cost for electricity consumption for the fiscal year 2025, estimated at 804.3 million kWh, is $36,783 dollars.

37. Financial instruments

Analysis by category

As of December 31, 2024, the analysis by category of financial instruments is:

	At amortized cost and nominal value(*)	Fair value		
		Changes in results	Changes in OCI	Derivative instruments with hedge
Financial assets:				
Cash and cash equivalents (*)	**$ 1,679,354**	$ -	$ -	$ -
Short-term investments	**187,403**	-	-	-
Trade and other accounts receivable	**236,290**	**1,042**	-	-
Other financial assets (Note 10)	**3,557**	-	-	**25,307**
Financial assets in equity instruments (Note 12)	-	-	**147,926**	-
	$ 2,106,604	**$ 1,042**	**$ 147,926**	**$ 25,307**

	Amortized cost	Fair value	
		Changes in results	Derivative instruments with hedge
Financial liabilities:			
Financial debt (Note 18)	**$ 3,005,177**	$ -	$ -
Suppliers and other accounts payable	**377,026**	**455**	-
Other financial liabilities (Note 17)	-	-	**11,398**
	$ 3,382,203	**$ 455**	**$ 11,398**

As of December 31, 2023, the analysis by category of financial instruments is:

	At amortized cost and nominal value(*)	Fair value		
		Changes in results	Changes in ORI	Derivative instruments with hedge
Financial assets:				
Cash and cash equivalents (*)	$ 1,040,222	$ -	$ -	$ -
Trade and other accounts receivable	192,818	1,215	-	-
Other financial assets (Note 10)	5,332	-	-	31,833
Financial assets in equity instruments (Note 12)	-	-	114,625	-
	$ 1,238,372	$ 1,215	$ 114,625	$ 31,833

37. Financial instruments (continued)

	Amortized cost	Fair value	
		Changes in results	Derivative instruments with hedge
Financial liabilities:			
Financial debt (Note 18)	$ 2,758,785	$ -	$ -
Suppliers and other accounts payable	442,884	601	-
Other financial liabilities (Note 17)	22,726	1,171	23,137
	$ 3,224,395	$ 1,772	$ 23,137

Fair value of financial instruments and hierarchy of fair values

As of December 31, 2024, and 2023, the analysis with the fair value of financial instruments is:

	December 31, 2024		December 31, 2023	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	**1,679,354**	**$ 1,679,354**	$ 1,040,222	$ 1,040,222
Short-term investments	**187,403**	**187,403**	-	-
Trade and other accounts receivable	**237,332**	**237,332**	194,033	194,033
Other financial assets	**28,864**	**28,864**	37,165	37,165
Financial assets in equity instruments	**147,926**	**147,926**	114,625	114,625
	$ 2,280,879	**$ 2,280,879**	$ 1,386,045	$ 1,386,045

	December 31, 2024		December 31, 2023	
	Book value	Fair value	Book value	Fair value
Financial liabilities:				
Financial debt	**$ 3,005,177**	**$ 2,057,271**	$ 2,758,785	$ 2,118,730
Suppliers and other accounts payable	**377,481**	**377,481**	443,485	443,485
Other financial liabilities	**11,398**	**11,398**	47,034	47,034
	$ 3,394,056	**$ 2,446,150**	$ 3,249,304	$ 2,609,249

The following analysis shows the fair value measured according to three methodologies as described:

Level 1: Market quotes in active markets and considering the same valued assets or liabilities.

Level 2: Market quotation data, not included in level 1, that are observable for valued assets and liabilities, either directly (prices) or indirectly (derived from prices).

Level 3: Techniques that include data on valued assets and liabilities and that are not based on observable market data.

37. Financial instruments (continued)

	December 31, 2024 Level 1	Level 2	Level 3	Total
Trade and other accounts receivable:				
Embedded Derivatives	**$ -**	**$ 1,042**	**$ -**	**$ 1,042**
Other financial assets:				
Forwards and options	**-**	**25,252**	**-**	**25,252**
Futures	**55**			**55**
Financial assets in equity instruments	**147,926**	**-**	**-**	**147,926**
	$ 147,981	**$ 26,294**	**$**	**$ 174,275**

	December 31, 2024 Level 1	Level 2	Level 3	Total
Suppliers and other accounts payable:				
Embedded Derivatives	**$ -**	**$ 455**	**$ -**	**$ 455**
Other financial liabilities:				
Forwards and options	**-**	**11,335**	**-**	**11,335**
Futures	**63**	**-**	**-**	**63**
	$ 63	**$ 11,790**	**$ -**	**$ 11,853**

	December 31, 2023 Level 1	Level 2	Level 3	Total
Trade and other accounts receivable:				
Embedded Derivatives	$ -	$ 1,215	$ -	$ 1,215
Other financial assets:				
Forwards and options	-	28,476	-	28,476
Futures	427	-	-	427
Swaps	-	2,930	-	2,930
Financial assets in equity instruments	114,625	-	-	114,625
	$ 115,052	$ 32,621	$ -	$ 147,673

	December 31, 2023 Level 1	Level 2	Level 3	Total
Suppliers and other accounts payable:				
Embedded Derivatives	$ -	$ 601	$ -	$ 601
Other financial liabilities:				
Forwards and options	-	24,082	-	24,082
Futures	226	-	-	226
	$ 226	$ 24,683	$ -	$ 24,909

37. Financial instruments (continued)

Hedging financial derivatives

Grupo Peñoles contracts with various institutions financial derivative instruments to reduce its level of exposure to the risk of adverse movements in the prices of the variables to which it is exposed. This risk consists of fluctuations in the prices of metals that are produced or processed, energy inputs that are consumed, and exchange rates at which its financial and commercial transactions are agreed upon.

To minimize counterparty risk, contracts are made only with intermediaries of recognized reputation and financial capacity, so it does not foresee that any of the counterparties will fail to meet their obligations and therefore Grupo Peñoles must create reserves associated with this risk.

Cash flow hedges

As of December 31, 2024, the fair value of financial derivative instruments that qualify as cash flow hedges recognized directly in capital as unrealized gain is as follows:

Commodity	Derivative	Notional (2)	Strike Price (1)	Fair value
Metal price (a):				
Silver (ounces)	Future	**2,014,647**	**$30**	**$ 1,798**
Gold (ounces)	Future	**11,591**	**$2,630**	**77**
Copper (ounces)	Swaps	**2,715**	**$9,315**	**104**
Lead (ounces)	Swaps	**5,386**	**$2,036**	**457**
Zinc (Tons)	Swaps	**44,191**	**$3,082**	**2,196**
Financial interest rate (d):				
Interest rate	IRS	**19,432,945**	**$0.02**	**615**
Total (Note 10)				**$ 5,247**

As of December 31, 2024, the fair value of financial derivative instruments that qualify as cash flow hedges recognized directly in equity as an unrealized loss is as follows:

Commodity	Derivative	Notional (2)	Strike Price (1)	Fair Value
Metal price (a):				
Silver (ounces)	Futuro	**170,796**	**$30**	**$ 96**
Gold (ounces)	Futuro	**176,098**	**$2,630**	**1,629**
Copper (Tons)	Swaps	**2,715**	**$9,315**	**1,044**
Lead (Tons)	Swaps	**5,386**	**$2,036**	**14**
Zinc (Tons)	Swaps	**44,191**	**$3,082**	**113**
Foreign exchange (b):				
Euro (3)	Futuro	**17,965,688**	**$2**	**374**
Total (Note 17)				**$ 3,270**

37. Financial instruments (continued)

As of December 31, 2023, the fair value of financial derivative instruments that qualify as cash flow hedges recognized directly in capital as unrealized gain is as follows:

Commodity	Derivative	Notional (2)	Strike Price (1)	Fair value
Metal price (a):				
Silver (ounces)	Option	1,430,952	$22- $32	$ 551
Silver (ounces)	Future	2,699,241	$24	1,044
Gold (ounces)	Option	4,644	$1,765- $2,548	2
Gold (ounces)	Future	153,048	$2,078	283
Cooper (Tons)	Future	2,132	$8,173	815
Lead (Tons)	Future	7,950	$2,085	180
Zinc (Tons)	Option	2,800	$2,509	342
Foreign currency (b):				
Dollar	Future	3,588	$17	2
Euro (3)	Future	12,251	$2	283
Financial interest rate (d):				
Interest rate	IRS	29,149	2	1,448
Interest rate (4)	CCS	2,127,405	17	850
Total (Note 10)				$ 5,800

As of December 31, 2023, the fair value of financial derivative instruments that qualify as cash flow hedges recognized directly in equity as an unrealized loss is as follows:

Commodity	Derivative	Notional (2)	Strike Price (1)	Fair value
Metal price (a):				
Gold (ounces)	Option	4,644	$1,765- $2,548	$ 28
Copper (Tons)	Future	1,734	$8,618	101
Zinc (Tons)	Future	54,151	$2,485	8,164
Energy program (d):				
Natural gas (MMbtu)	Future	3,840	$2.99	3,332
Total (Note 17)				$ 11,625

Note:

(1) The prices shown in the table correspond to the average weighted sale or purchase prices in the case of forwards transactions, and the average weighted exercise prices in the case of put and call options.
(2) The contracts commit a portion of their 2023 to 2024 production.
(3) Notional amount in thousands of euros.
(4) Amount in thousands of pesos.

a) Metal Price Hedging Program

Grupo Peñoles uses international market quotes as a reference for its business transactions, primarily those issued by the London Metal Exchange (for base metals) and the London Bullion Market Association (for precious metals).

As a result, Grupo Peñoles income is subject to fluctuations in the prices of the referred markets, so hedge programs are established based on the budgeted production, using derivative financial instruments "forwards" and "put" and "call" options.

37. Financial instruments (continued)

b) Foreign Exchange Hedging Program

As of December 31, 2024 and 2023, the following derivative financial transactions have been established that cover part of the obligations, denominated in euros (EUR), US. Dollar (USD), related to the acquisition of fixed assets.

c) Energy Program

This program is established with the goal of stabilizing the dollar outflows associated with fluctuations in the price of natural gas consumed by certain subsidiaries. This is aimed at ensuring the continuity of their operations.

d) Interest Rate Hedging Program

This program is established with the aim of stabilizing the financial cost of loans contracted in U.S. dollars and/or Mexican pesos through 'swaps'. Grupo Peñoles contracts hedging instruments to fix the cost of its loans when the corresponding interest rate includes variable components.

As of December 31, 2024 and 2023, the debt contracted under the Export Credit Agency (ECA) scheme has a floating interest rate component referred to LIBOR and the strategy was to hedge up to 100% of the outstanding debt. See Note 18.

In addition, the Grupo Peñoles contracted exchange rate hedges to mitigate the potential adverse effects of a significant revaluation of the peso / dollar exchange rate on its production costs in pesos.

The fair value of cash flow hedging financial instruments, net of deferred ISR recognized in equity, is as follows:

	2024	2023
Fair value of financial instruments	**$ 2,035**	$(5,825)
Ineffectiveness and effect of the time value of options excluded from hedges	**(2)**	46
Deferred Income Tax	**(610)**	1,734
Net fair value of deferred income tax directly recognized in equity	**$ 1,423**	$(4,045)

The movement of hedging valuation (losses) gains for the years ended December 31, 2024 and 2023 is shown below:

	2024	2023
Opening balance as of January 1st	**$(4,045)**	$ 5,297
Income reclassified to the period's results	**63,148**	85,483
Deferred income tax	**(18,944)**	(25,645)
Changes in fair value in hedging instruments	**(55,336)**	(98,829)
Deferred income tax	**16,600**	29,649
Unrealized gain (loss) net of deferred income tax as of December 31st	**$ 1,423**	$(4,045)

37. Financial instruments (continued)

As of December 31, 2024 the contracts with derivative financial instruments include transactions that are expected to be executed between 2025 and 2026. The analysis with the estimation of the expectation of reclassification of equity (in years) to the outcomes of these periods is:

	2024		
	1	2 or more	Total
Unrealized gains	$ 1,358	$ 65	$ 1,423
	2023		
	1	2 or more	Total
Unrealized (losses) gains	$(4,152)	$ 107	$(4,045)

The net effects resulting from the settlement of derivative contracts are as follows:

	2024	2023
Sales	**$(11)**	$ 4,403
Cost of sales	**(62,200)**	(58,861)
Interest expense	**(200)**	(21,029)
Total	**$(62,411)**	$(75,487)

Fair Value Hedges

As of December 31, 2024, the fair value of derivative financial instruments that qualify as fair value hedges as an unrealized gain is as follows:

Commodity	Derivative	Notional	Strike Price (1)	Fair Value
Metal price:				
Silver (ounces)	Futures	600,000	**$ 31**	**$ 1,344**
Gold (Tons)	Futures	11	**$ 2,632**	**34**
Lead (Tons)	Futures	224	**$ 2,319**	**157**
Lead (Tons)	Futures	9,550	**$ 2,006**	**188**
Zinc (Tons)	Futures	25,924	**$ 3,414**	**12,989**
Total (Note 10)				**$ 14,712**

Fair Value Hedges

As of December 31, 2024, the fair value of derivative financial instruments that qualify as fair value hedges unrealized loss is as follows:

Commodity	Derivative	Notional	Strike Price (1)	Fair value
Metal price:				
Zinc (Tons)	Futures	133,600	**$ 3,014**	**$(947)**
Total (Note 17)				**$(947)**

37. Financial instruments (continued)

As of December 31, 2023, the fair value of derivative financial instruments that qualify as fair value hedges as an unrealized gain is as follows:

Commodity	Derivative	Notional	Strike Price (1)	Fair Value
Metal price:				
Silver (ounces)	Futures	1,200,000	$ 24	$ 1,970
Lead (Tons)	Futures	905	$ 2,516	530
Lead (Tons)	Futures	14,975	$ 2,111	212
Zinc (Tons)	Futures	14,447	$ 2,971	12,388
Copper (Tons)	Futures	380	$ 8,656	56
Total (Note 10)				$ 15,156

As of December 31, 2023, the fair value of derivative financial instruments that qualify as fair value hedges unrealized loss is as follows:

Commodity	Derivative	Notional	Strike Price (1)	Fair value
Metal price:				
Gold (ounces)	Futures	12,000	$ 2,043	$(221)
Zinc (Tons)	Futures	260,600	$ 2,489	(7,643)
Copper (Tons)	Futures	397	$ 8,458	(47)
Total (Note 17)				$(7,911)

Note:
(1) The prices in the above table reflect the average weighted purchase or sale price of futures and the average weighted (Strike Price) of the purchase and sale options.

Metal Price Hedging Program

Grupo Peñoles uses international market quotes as a reference for its business transactions, primarily those issued by the London Metal Exchange (for base metals) and the London Bullion Market Association (for precious metals).

As a result, Grupo Peñoles income is subject to fluctuations in the prices of the referred markets, so hedge programs are established based on the budgeted sales, using derivative financial instruments "forwards" and "put" and "call" options.

The following analysis shows earnings in the results of the hedging instrument and of the hedged item attributable to the hedged risk:

	2024		2023	
	Effect of the derivative	Hedged item	Effect of the derivative	Hedged item
Profit	**$ 13,766**	**$ 12,572**	$ 7,245	$ 11,065

37. Financial instruments (concludes)

Derivative financial instruments with changes to results

As of December 31, 2023, the fair value of derivative financial instruments with changes to results is as follows:

		2023		
Commodity	Derivative	Notional (in thousand)	Strike Price	Fair Value
Interest rate	IRS	300,000	1.42	$ 1,171

This corresponds to "Swap" positions that were designated as cash flow hedges on the interest rate of prepaid variable rate debt during 2020, which ceased to meet the conditions to be treated as hedges for accounting purposes, recycling their value from the effect of previously recognized hedging valuation in equity, to the results of the fiscal year.

38. Financial Risk Management

The main financial instruments of Grupo Peñoles include financial assets and liabilities. The primary financial liabilities, other than derivative financial instruments, consist of accounts payable, financial debt, and obligations. The main objective of these financial instruments is to manage short-term cash flows and raise funds for the capital expenditure program. Grupo Peñoles has various financial assets, such as accounts receivable and short-term cash deposits, which directly arise from its operations.

Grupo Peñoles is exposed to the following risks due to the use of financial instruments:

a) Market risks, which include foreign currency risks, commodity prices (precious metals and base metals), prices of equity financial instruments, and interest rates.
b) Credit risks.
c) Liquidity risks.

Grupo Peñoles manages its exposure to key financial risks in accordance with its financial risk management policy. The purpose of the policy is to support the achievement of financial objectives while safeguarding future financial security. The main risks that could adversely affect financial assets, liabilities, or future cash flows are market risks.

The senior management of Grupo Peñoles oversees financial risk management. This is supported by a financial risk committee that advises on these risks and the appropriate governance framework for their proper identification, measurement, and management. All derivative activities for risk management purposes are carried out by specialized teams that possess the necessary capability, experience, and oversight. According to Grupo Peñoles' corporate policies, transactions with derivative instruments for speculative purposes are not permitted.

The Board of Directors reviews and establishes policies to manage each of these risks, which are summarized below:

a) Market Risk

Market risk is the exposure to changes in the fair value of future cash flows of the financial instrument due to changes in market prices. Market prices encompass three types of risk: risk of fluctuations in metal prices, risk of fluctuations in interest rates, and risks of variations in foreign currency exchange rates. Financial instruments affected by market risk include loans, borrowings, deposits, accounts receivable, accounts payable, accrued liabilities, and derivative financial instruments.

Sensitivity analyses are prepared under the premise that the amount of net debt, the ratio of fixed to floating interest rates on debt, derivative financial instruments, and the proportion of financial instruments in foreign currencies are all constant.

38. Financial Risk Management (continued)

The analyses exclude the impact of movements in market variables on the book value of pension plan obligations and other post-retirement obligations, as well as provisions.

The following assumptions were made to calculate the sensitivity analyses:

- The sensitivity regarding the consolidated statement of financial position relates to derivative financial instruments and accounts receivable primarily denominated in pesos.
- The sensitivity of the relevant pre-tax profit item represents the effect of estimated changes in the respective market risks. This is based on financial assets and liabilities as of December 31, 2024, and 2023.
- The impact on equity is the same as the impact on pre-tax profit.

Risks of fluctuation in commodity prices

Due to the nature of its business and its environment, it is Grupo Peñoles policy to use derivative financial instruments (DFIs) for hedging purposes to reduce the variability of its cash flows and operating margins due to various factors such as:

Price fluctuations:

- In the metals it produces (silver, gold, zinc, lead, and copper).
- In the inputs and raw materials it consumes and/or processes (mineral concentrates, natural gas, etc.).

The table shown below reflects the sensitivity of changes in commodity prices, assuming that all other variables remain constant, and its impact on equity and income before taxes.

	Increase 10%-15% December 31, 2024		Increase 10%-10% December 31, 2023	
	Results	Equity	Results	Equity
Financial Assets:				
Trade and other accounts receivable	$ **33,815**	$ -	$ 11,425	$ -
Financial liabilities:				
Accounts Payable and other Payables	**(3,961)**	-	(3,328)	-
Derivative financial instruments	**21,750**	**41,413**	25,106	19,711
	$ 51,604	**$ 41,413**	$ 33,203	$ 19,711

	Increase 10%-15% December 31, 2024		Increase 10%-10% December 31, 2023	
	Results	Equity	Results	Equity
Financial Assets:				
Trade and other accounts receivable	**$(33,815)**	$ -	$(11,427)	$ -
Financial liabilities:				
Accounts Payable and other Payables	**3,961**	-	3,328	-
Derivative financial instruments	**(21,750)**	**(41,413)**	(25,202)	(16,195)
	$(51,604)	**$(41,413)**	$(33,301)	$(16,195)

38. Financial Risk Management (continued)

The movements in *commodities* prices were determined based on the volatility of historical prices over the past two years.

	2024		2023	
	Incremento	Decremento	Incremento	Decremento
Silver	**15%**	**15%**	10%	10%
Gold	**10%**	**10%**	10%	10%
Zinc	**10%**	**10%**	10%	10%
Lead	**10%**	**10%**	10%	10%

Risk of fluctuations in the prices of equity instruments

Grupo Peñoles is exposed to the risk of fluctuations in the prices of equity instruments, represented by shares of companies listed primarily in the Canadian Stock Exchange. Equity investments are classified in the consolidated statement of financial position as financial assets in equity instruments.

The following table demonstrates the sensitivity of financial assets in equity instruments to a reasonably possible change in the market price of equity instruments. The impact on equity corresponds to the recognition of the unrealized gain/(loss) on valuation and on the consolidated statement of profit or loss, as a possible recognition of impairment of the financial instrument.

This sensitivity analysis carried out based on the volatility in the historical prices of the last two years is as follows:

	December 31, 2024		December 31, 2023	
	Profit or loss	Equity	Profit or loss	Equity
80% increase (40% in 2023)	**$ -**	**$ 118,319**	$ -	$ 45,848
20% decrease (45% in 2023)	**$ -**	**$(28,803)**	$ -	$(51,579)

Risk of fluctuations in interest rate risk

Grupo Peñoles exposure to the risk of changes in market interest rates relates to Grupo Peñoles financial assets and liabilities with floating interest rates.

As of the end of 2024 and 2023, Grupo Peñoles has a combination of fixed-rate debt and variable-rate debt referenced to LIBOR. In the latter, the interest rate is fixed using derivative financial instruments (DFIs) known as "interest rate swaps".

In line with Grupo Peñoles risk management, which aims to provide certainty to its future cash flows, as of the end of 2024 and 2023, derivative financial instruments (DFIs) have been contracted for hedging purposes to fix the cost of its loans where the corresponding interest rate includes variable components. The derivative contracted, whose floating interest rate component is LIBOR, covers up to 100% of the outstanding debt contracted under the Export Credit Agency (ECA) scheme. In this interest rate swap, a fixed rate is paid and a floating rate is received from the underlying, applied to the current nominal amount of the loan.

38. Financial Risk Management (continued)

The following table shows the sensitivity of the Company's financial assets and liabilities to a reasonably possible change in the interest rates applied on a complete year basis as of the consolidated statement of financial position date, with all other variables held constant:

	December 31, 2024		December 31, 2023	
	Profit or loss	Equity	Profit or loss	Equity
0 basis point increase (0 in 2023)	**$ -**	**$ -**	$ -	$ -
50 basis point decrease (75 in 2023)	**$ 9,430**	**$(118)**	$ 8,015	$(364)

Risk of fluctuations in foreign currencies

Grupo Peñoles manages, through the use of IFD (Derivative Financial Instruments), the risk of fluctuations in foreign currencies to which it is exposed and which can affect its future cash flows.

Among the main foreign currencies to which Grupo Peñoles is exposed (other than the US dollar, which is the functional currency) are; the Mexican peso, a currency in which they incur a significant percentage of their operating costs and investments; as well as certain capital acquisitions denominated in foreign currencies such as euros, Swedish krona, and British pounds.

The Board of Directors of Grupo Peñoles has appointed a Hedging Committee responsible for establishing the strategy and the limits to cover the imbalance between its income in U.S. dollars and its costs in pesos, as well as certain acquisitions of fixed assets denominated in euros and Swedish krona, through the execution of IFD (Derivative Financial Instruments).

As of December 31, 2024, the sensitivity of Grupo Peñoles financial assets, financial liabilities and cash and cash equivalents denominated in foreign currencies, expressed in the presentation currency, is as follows:

	Denominated in pesos	In other currencies	Total
Financial assets:			
Cash and cash equivalents	**$ 25,275**	**$ 162**	**$ 25,437**
Trade and other accounts receivable	**40,765**	**2,791**	**43,556**
Financial liabilities:			
Suppliers and other accounts payable	**(57,558)**	**(16,483)**	**(74,041)**
	$ 8,482	**$(13,530)**	**$(5,048)**

As of December 31, 2023, the sensitivity of Grupo Peñoles financial assets, financial liabilities and cash and cash equivalents denominated in foreign currencies, expressed in the presentation currency, is as follows:

	Denominated in pesos	In other currencies	Total
Financial assets:			
Cash and cash equivalents	$ 72,728	$ 168	$ 72,896
Trade and other accounts receivable	48,788	1,739	50,527
Financial liabilities:			
Suppliers and other accounts payable	(62,637)	(13,342)	(75,979)
	$ 58,879	$(11,435)	$ 47,444

38. Financial Risk Management (continued)

The following table demonstrates the sensitivity of Grupo Peñoles financial assets and liabilities to a reasonably possible change in the Mexican peso / U.S. dollar exchange rate and the effect on Grupo Peñoles profit before taxes, based on the foreign currency risk exposure maintained as of December 31, 2024 and 2023 and Grupo Peñoles derivatives whose underlying are the peso-to-dollar exchange rate (assuming that all other variables are held constant):

	December 31, 2024		December 31, 2023	
	Profit or loss	Equity	Profit or loss	Equity
5% increase in mexican pesos (10% in 2023)	$ 1,480	$	$ 6,494	$ 326
10% decrease in mexican pesos (5% in 2023)	$(634)	$	$(2,783)	$(1,888)

Grupo Peñoles is exposed to the risk of fluctuations in the exchange rates of the euro and Swedish krona to the U.S. dollar, since a portion of its fixed asset acquisitions are made in these currencies. The following table shows the sensitivity of the financial assets and liabilities to potential fluctuations in the exchange rates of euro and Swedish krona and the U.S. dollar, expressed in the presentation currency:

	December 31, 2024		December 31, 2023	
	Profit or loss	Equity	Profit or loss	Equity
5% increase in euros (5% in 2023)	$(666)	$ 912	$(571)	$ 668
5% decrease in euros (5% in 2023)	$ 666	$(915)	$ 571	$(669)

	December 31, 2024		December 31, 2023	
	Profit or loss	Equity	Profit or loss	Equity
5% increase in SEK (5% in 2023)	$(1)	$ -	$(2)	$ -
5% decrease in SEK (10% in 2023)	$ 2	$	$ 4	$ -

a) Liquidity risk

Liquidity risk is the risk of not being able to meet its financial liabilities and obligations when they come due.

Grupo Peñoles has established a treasury policy to manage its liquidity risk, which primarily includes maintaining a balance between short-, medium- and long-term funds, borrowing facilities available and access to other financing. Grupo Peñoles conducts on-going debt maturity profile analyses of its financial assets and liabilities and constantly monitors its projected cash flows.

38. Financial Risk Management (continued)

An analysis of the borrowing facilities available as of December 31, 2024 and 2023 is as follows:

	2024			2023		
	Credit limit	Credit used	Credit not used	Credit limit	Credit used	Credit not used
A2	$ -	$ -	$ -	$ 120,000	$ 60,000	$ 60,000
A-1	**785,000**	**460,000**	**325,000**	-	-	-
A-2	**449,500**	**20,000**	**429,500**	-	-	-
P-2	**120,000**	-	**120,000**	-	-	-
Aa3	-		-	80,000	-	80,000
Baa1	-	-	-	85,000	-	85,000
BBB	-	-	-	539,500	163,000	376,500
Total	**$ 1,354,500**	**$ 480,000**	**$ 874,500**	$ 824,500	$ 223,000	$ 601,500

Grupo Peñoles has available lines of credit that are rolled over annually and bear no fees to maintain them.

The table below summarizes the maturity profile of Grupo Peñoles financial liabilities based on contractual undiscounted payments.

As of December 31, 2024:

		Maturities			
	Amount	1 year	2 year	3 year	Thereafter
Non-derivative financial instruments:					
Financial debt	**$ 4,616,786**	**$ 134,882**	**$ 134,216**	**$ 124,001**	**$ 4,223,687**
Suppliers and other accounts	**377,026**	**377,026**	-	-	-
Participation loans					
Non-controlling interest (Note 24)	**2,055**	**2,055**	-	-	-
Other financial liabilities:					
Hedging instruments	**11,398**	**11,398**	-	-	-
	$ 5,007,265	**$ 525,361**	**$ 134,216**	**$ 124,001**	**$ 4,223,687**

As of December 31, 2023:

		Maturities			
	Amount	1 year	2 years	3 years	Thereafter
Non-derivative financial instruments:					
Financial debt	$ 4,751,836	$ 135,291	$ 134,714	$ 134,144	$ 4,347,687
Suppliers and other accounts	442,884	442,884	-	-	-
Participation loans					
Non-controlling interest (Note 24)	95,360	72,634	22,726	- -	
Other financial liabilities:					
Hedging instruments	24,308	24,308	-	-	-
	$ 5,314,388	$ 675,117	$ 157,440	$ 134,144	$ 4,347,687

38. Financial Risk Management (continued)

b) Credit risk

Exposure to credit risk arises as a result of the dynamics of the business in which Grupo Peñoles operates and applies to all financial assets, which include cash and cash equivalents, accounts receivable from customers and debtors, the values of equity instruments, and the rights acquired over the agreed IFDs.

Grupo Peñoles trades only with counterparties of recognized reputation and solvency. It is Grupo Peñoles policy that all customers who wish to buy on credit will be subject to solvency verification procedures, which include an assessment of credit rating, short-term liquidity, and financial situation.

Where appropriate, sufficient collateral guarantees are obtained from customers to mitigate the risk of financial loss due to non-payment. Furthermore, receivable balances are continuously monitored, which makes the exposure to expected losses not significant.

Regarding the credit risk related to other financial assets, which include cash, investments, and derivative financial assets, the exposure comes from the possible default of payment by the counterparties. The maximum exposure equals the net book value of these instruments, values, or operations. Grupo Peñoles seeks to limit the credit risk it assumes with the counterparty regarding these assets by entering into contracts only with financial institutions whose credit rating is considered high-grade investment.

The expected credit loss on accounts receivable balances is determined considering the probability of default by each client to whom a risk rating is assigned derived from the financial and commercial analysis of the entity. The result is applied to a business unit insolvency factor, calculated with the portfolio's behavior over the last 18 months. Additionally, factors such as the existence of collateral and bad debts (clients who have defaulted on payment) are included in the expected credit loss.

Customers and other accounts receivable

An aging analysis of balances is shown below:

As of December 31, 2024:

		Not impaired			
	Not due	From 1-30 days	From 31-60 days	More - 60 days	Impaired
Clients	$ 179,194	$ 1,433	$ 606	$ 17,736	$ 1,765
Related parties	6,548	-	-	-	-
Other accounts receivable	25,523	-	-	-	212
	$ 211,265	$ 1,433	$ 606	$ 17,736	
Deteriorated by aging	$ -	$ 441	$ -	$ 1,536	$ 1,977

38. Financial Risk Management (concludes)

As of December 31, 2023:

		Not impaired			
	Not due	From 1-30 days	From 31-60 days	More - 60 days	Impaired
Clients	$ 142,456	$ 3,409	$ 4,234	$ 6,237	$ 1,979
Related parties	14,354	-	-	-	-
Other accounts receivable	32,590	-	-	-	1,277
	$ 189,400	$ 3,409	$ 4,234	$ 6,237	
Deteriorated by aging	$ -	$ 465	$ -	$ 2,791	$ 3,256

Other financial assets

The credit risk of other financial assets mainly lies in loans granted to contractors for the acquisition of machinery that allows them to maintain the service level to the mining units. The policy is to use the acquired machinery as collateral, which is safeguarded at Grupo Peñoles facilities, as well as the partial application of the payments due for the services received to the credit balance.

Capital management and administration

Grupo Peñoles manages its capital structure to ensure its ability to continue as a going concern, maintain investor and financial market confidence, and to support the future development of medium and long-term projects that maximize returns for shareholders.

To maintain adequate financial solvency and cost of capital optimization, Grupo Peñoles has determined a capital structure with an adequate balance of debt and capital, understood as the equity shown in the consolidated financial position statement excluding non-controlling interest.

Grupo Peñoles has no capital requirements or restrictions that may affect its position to manage and administer its capital. The legal requirement to create a legal reserve equivalent to 20% of its share capital has been covered, the balance as of December 31, 2024, and 2023, is $52,304 (equivalent to Ps.683,026).

39. Assets Held for Sale

In December 2022, Grupo Peñoles received a binding offer for the sale of property, plant and equipment related to the Madero unit. In February 24, 2023 the master contract for assets was signed for an amount of $47,000 subject to certain conditions; among them that the Federal Economic Competition Commission (COFECE) issues a favorable written approval of the transaction's formalization; the related assets and liabilities are recognized separately as part of the assets and liabilities held for sale caption. The carrying amount of these assets and liabilities add up to $21,362 and $37,563 respectively.

During the year 2024, the preferential term of the binding offer held between Grupo Peñoles and its counterparty remains in effect, despite the latter still being in the process of obtaining financing. However, the Company continues to actively seek buyers to finalize the sale of this unit, and therefore has maintained the classification of the related assets and liabilities as held for sale.

Disclaimer

This Annual Report contains certain forward-looking information relating to Industrias Peñoles, S.A.B. de C.V. and its subsidiaries (Peñoles or the Company) that is based on assumptions made by its management. Such information, as well as the statements with respect to future events and expectations are subject to certain risks, uncertainties and factors that could cause the actual results, performance or achievements of the Company to be materially different at any time. Such factors include changes in general economic, governmental policy and/or business conditions nationally and globally, as well as changes in interest rates, inflation rates, exchange rates, mining performance in general, metal demand and quotations, and raw material and fuel prices, among others. Due to these risks and factors, actual results may vary materially from the estimates described herein, for which reason Peñoles does not assume any obligation with respect to such variations or to information provided by official sources.