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## **INDUSTRIAS PEÑOLES, S.A.B. DE C.V. REPORT OF RESULTS FOR THE SECOND QUARTER OF 2021.**

Mexico City, August 3, 2021 – Industrias Peñoles, S.A.B. de C.V. (“Peñoles” or the “Company”) (BMV ticker symbol: PE&OLES), mining group with integrated operations in the smelting and refining of non-ferrous metals and the production of chemicals, reports its consolidated results for the second quarter of 2021 (2Q21) and the main variations in comparison with the same period of 2020 (2Q20).

### **EXECUTIVE SUMMARY**

Conditions in the second quarter of 2021 improved significantly compared to the same period last year, when the global economy slowed down dramatically as consequence of the Covid-19 pandemic. Thus, the recovery of industrial activity benefited the prices of the metals that Peñoles produces and sells, with averages in 2Q21 above those registered in 2Q20 as follows: silver (+ 61.9%), lead (+ 27.4%), zinc (+ 48.8%), copper (+ 81.8%) and to a lesser extent gold (+ 6.2%).

Similarly, operations have resumed their normal rhythm favoring production, which slowed down in 2Q20 because of work restrictions due to the pandemic. It should be noted that the application of strict health protocols continues in all our facilities to prevent Covid-19 infections. We also support the national vaccination campaign in coordination with local authorities, providing facilities at our Torreón, Caborca and Ciénega sites, in which more than 42 thousand doses have been administered to employees, contractors and people from the communities.

In the mining division, the increases in the production of silver (12.5%) and gold (9.3%) stand out. In the case of silver, this was due to the better head grades in San Julián, the mineral from the Juanicipio project (processed at the Fresnillo beneficiation plant while the construction of its own plant is in progress), as well as the higher volume and better grades at Capela, which began operations in February 2020. Gold was favored by higher volumes of ore deposited at Herradura and Noche Buena due to restrictions on mine operations in 2Q20. Lead increased (3.7%), due to higher grades and recoveries in Saucito and San Julián, while zinc production was 4.3% lower, mainly due to the lack of production from Madero and Bismark whose operations, as previously reported, were suspended in April 2020, in addition to the lower head grade at Fresnillo. The productions of Capela, Saucito and San Julián compensated part of these deficits. Regarding copper in concentrates, there was an increase of 28.3%, thanks to the higher volumes of ore benefited with better grades in Sabinas, Capela and Tizapa, the last two also with greater recovery. Copper cathodes produced by Milpillas recorded a volume 79.4% lower, since, as was also reported at the time, the decision was made to suspend extraction at the mine by mid last year and cathodes continues to be produced only from the ore leaching into yard inventory.

In metallurgical operations, there was higher volume of concentrates treated in the Lead Smelter, favoring the quarterly production of refined gold (+ 33.1%), silver (+ 21.3%) and lead (+ 29.2%), conversely in the same quarter last year, lower volume was

processed due to a maintenance stoppage. The increase in gold production was also favored by higher contents in concentrates and greater reception and treatment of dorés and other rich materials from Herradura and Noche Buena due to the higher production at these mines. In the case of silver, the increase was also driven by a higher volume of rich materials that entered the Lead-Silver Refinery, mainly precipitates from San Julián due to higher grades at this mine.

On the contrary, the volume of refined zinc decreased 12.1%, affected by the lower volume of concentrates treated at the Zinc Refinery, due to the scheduled maintenance stoppage that lasted a few days longer than expected, while in 2020 the stoppage scheduled took place during the first quarter of the year.

In the chemical business, there was similar production of sodium sulfate (+ 0.4%) and that of magnesium oxide increased 91.3% due to a recovery in demand from the construction and automotive industries. Ammonium sulfate recorded lower production (-10.3%) due to lower availability of sulfuric acid from the Smelter, while magnesium sulfate had a slight decrease in production (-2.8%) due to failures in the dryer of the Plant, which were corrected.

The financial results for 2Q21 were favorable compared to those registered in 2Q20, due to the benefit in revenues from both the rebound in metal prices and higher volumes sold, especially refined gold, silver, zinc and lead. The cost of sales increased due to higher production costs, derived from the rhythm of operations that implied more consumption, the inflation of certain inputs (particularly electric power) and higher depreciation, in addition to the increase in the cost of metal sold, as a result of higher average prices of metals purchased from third-parties for processing in the metallurgical plants, which was partially offset by higher treatment revenues.

On the other hand, operating expenses were higher than 2Q20, and in the financial result higher interest expense on debt was offset by a favorable variation due to a foreign exchange gain for the period, being that there was an exchange loss in the comparison quarter. Likewise, other income in the period compares good to other expenses incurred in the second quarter of the previous year derived mainly from impairment on assets of the mines that suspended operations, as well as the loss on sale of concentrates, while the provision for taxes was slightly lower.

Due to the aforementioned factors, the financial results obtained by Peñoles in 2Q21 and their variation with respect to the 2Q20 figures were as follows (in millions): Net Sales US \$ 1,574.2 (+ 69.2%), Gross Profit US \$ 515.7 ( + 151.4%), EBITDA US \$ 549.6 (+ 106.3%), Operating Profit US \$ 364.5 (+ 303.5%) and Net Income of the Controlling interest of US \$ 195.2, favorable compared to the Net Loss of -US \$ 158.1 registered in 2Q20

## **I. FINANCIAL RESULTS**

The Company's consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The analysis of the consolidated financial statements is presented in millions of United States dollars (US\$), which is the functional currency of Peñoles and the figures for 2Q21 are compared with those for 2Q21, unless otherwise indicated.

**FINANCIAL HIGHLIGHTS:**

(Million US\$)	2Q21	2Q20	% Var	YTD 2021	YTD 2020	% Var
Gross Sales	1,598.7	928.0	72.3	3,168.5	1,966.0	61.2
Net Sales (1)	1,574.2	930.3	69.2	3,122.3	1,971.4	58.4
Gross Profit	515.7	205.1	151.4	945.1	370.6	155.0
Gross Margin	32.8%	22.0%		30.3%	18.8%	
EBITDA (2)(3)	549.6	266.5	106.3	1,030.1	483.0	113.3
EBITDA Margin	34.9%	28.6%		33.0%	24.5%	
Operating Profit (3)	364.5	90.3	303.5	660.8	133.2	396.0
Operating Margin	23.2%	9.7%		21.2%	6.8%	
Other Income (Expense) (4)	10.8	-81.4	n.a.	5.4	-184.8	n.a.
Financial Income (Expense)	-34.5	-35.8	-3.5	-61.8	-76.8	-19.5
Controlling Interest on Net Income	195.2	-158.1	n.a.	341.9	-307.8	n.a.
Net Margin	12.4%	-17.0%		10.9%	-15.6%	

(1) Includes the results of hedging metal prices.

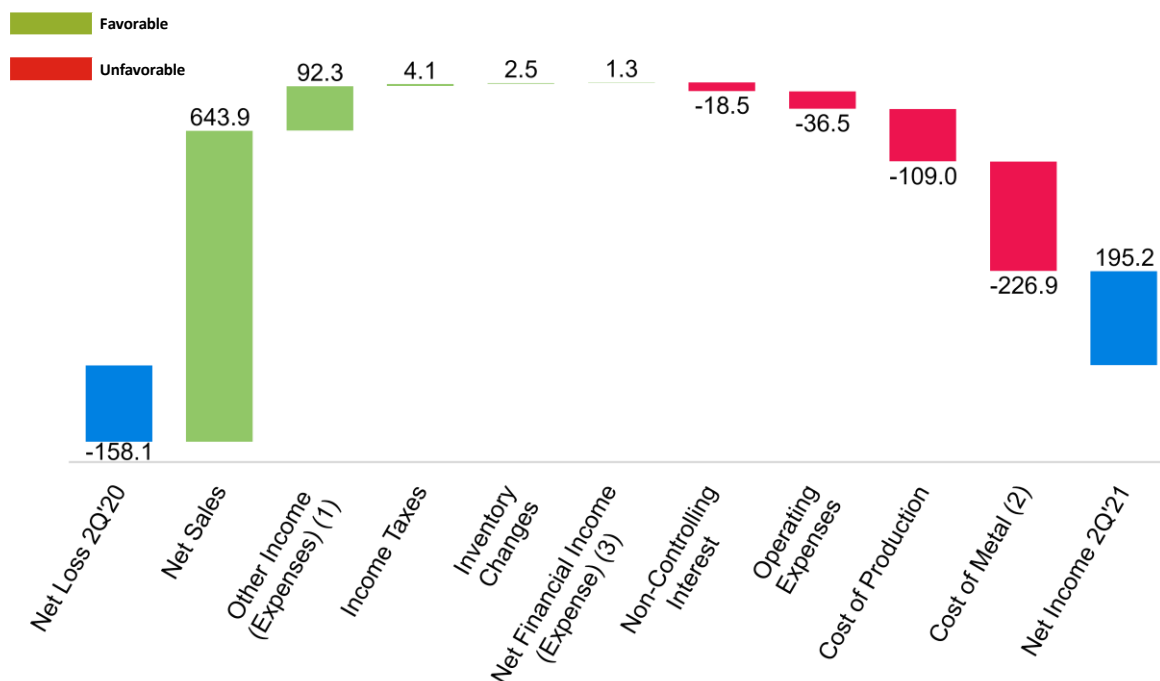
(2) Earnings before Interest Expense, Taxes, Depreciation and Amortization.

(3) Does not include Other Income (Expense).

(4) Includes impairment losses.

**INCOME STATEMENT:**

The following rainbow chart summarizes the variation that each income item had and its influence on the change in the net loss of 2Q20 compared to the net profit registered in 2Q21:



(1) Other expenses include impairment losses on long-lived assets.

(2) Financial expenses include Exchange result

(3) Cost of Metal net of Revenue from Treatment Charges, Income on inventories and other items.

The variations are explained below:

**Net Sales** for 2Q21 amounted to US \$ 1,574.2, higher by + US \$ 643.9 (69.2%), the variation is made up as follows: + US \$ 439.4 from higher prices of metals and from the realization price on the sale of concentrates; + US \$ 225.1 from higher volumes sold, mainly gold, silver, zinc and copper; as well as + \$ 6.2 derived from the sale of other products and services. The foregoing accompanied by a variation in the opportunity cost of hedging on sales of -US \$ 26.8.

The **Cost of Sales** was US \$ 1,058.5. The increase of + \$ 333.3 (46.0%) is explained as follows:

Higher **Cost of Metal** + US \$ 226.9, effect of higher metal prices and volumes of materials purchased from third parties for processing in metallurgical operations, which was partially mitigated by higher treatment revenues.

Higher **Production Cost** in + US \$ 109.0, attributable to higher pace of operations with more consumption, especially in the Herradura and Noche Buena mines, the costs of the Capela mining unit that, although it was already operating during 2Q20, did so at a reduced level, while the current quarter Capela worked at its full processing capacity, in addition to price increase of some inputs, mainly electric power. All this coupled with the unfavorable effect of lower average exchange rate when converting the cost of inputs incurred in pesos into US dollars (approximately 50% of the costs originate in pesos). These factors were mitigated by the lower cost of production in 2Q21 derived from the suspension of operations at Bismark, Madero and Milpillas.

The main variations by cost item were the following:

- Energy (+ US \$ 29.2, + 34.3%) due to higher diesel consumption and price increases in electricity and natural gas. In the case of electricity, the increase was derived from the transmission costs in addition to an adjustment in variable costs according to the provisions of the power supply agreement with Termoeléctrica Peñoles.
- Contractors (+ US \$ 24.1, + 26.2%), due to development work in mining and civil works, hauling and dumping of ore, especially in the Herradura and Noche Buena operations.
- Operating Materials (+ US \$ 17.5, + 22.2%), mainly due to higher consumption of explosives and detonators, tires and tubes, lead for alloys and various reagents.
- Maintenance and Repairs (+ US \$ 10.9, + 15.3%), due to higher spending on major repairs, mechanical and electrical repair materials.
- Depreciation, Amortization and Depletion (+ US \$ 9.5, + 5.5%), due to the entry into operation of the Capela mine and the higher rate of operation.
- Raw Materials (+ US \$ 5.0, 61.3%) mainly due to higher cost of ammonia.
- Human Capital (+ US \$ 5.6, + 7.7%), in salaries, wages and benefits regarding the revision of collective bargaining contracts, as well as the higher cost in overtime because vulnerable personnel remain at home due to the pandemic.

Likewise, there was a charge to the Cost of Sales from **Inventory Movement** in US \$ 2.1 (-\$ 2.5 below the charge of US \$ 4.6 in 2Q20) mainly due to the increase in Herradura's gold inventories the previous year. In both cases, these credits were offset by charges from inventory consumption.

Due to the above, quarterly **Gross Profit** of \$ 515.7 was + \$ 310.6 (151.4%) higher than that obtained in 2Q20 of \$ 205.1.

**Operating Expenses** (General Expenses) totaled US \$ 151.2, a variation of + US \$ 36.5 (31.8%). The increase includes an unfavorable effect of lower average exchange rate of the peso versus de US dollar in the portion incurred in pesos (mainly Administrative Expenses). Increases were in the following concepts:

- **Administrative Expenses** (+ US \$ 17.2, + 30.4%) due to increases in salaries and benefits, fees, travel expenses, fees and associations that were partially offset by lower office expenses. In 2Q20 expenses were significantly reduced because of the health contingency related to Covid-19 pandemic.
- **Exploration and Geological Expenses**, by + US \$ 11.8 (+ 35.7%), because field work and drilling in mining projects and units have been gradually resumed, while in 2Q20 most activities were suspended due to the health contingency.
- **Selling Expenses** (+ US \$ 7.5, + 29.7%) for land freight, extraordinary mining rights, royalties, and other market expenses generated by the increase in volumes sold.

Quarterly **EBITDA** of US \$ 549.6 was favorable by + US \$ 283.2 (+ 106.3%) compared to that registered during 2Q20. Similarly, **Operating Profit** of US \$ 364.5 was US \$ 274.1 (+303.5%) higher.

In **other income, net** of US \$ 10.8, there was a favorable variation (+ US \$ 92.3) compared to **other expenses, net** of US \$ 81.4 in 2Q20; mainly due to the fact that in that period there were impairment losses in US \$ 48.7 in the assets of mining units whose operations were suspended, in addition to a loss on sale of concentrates of US \$ 14.5 and other expenses of US \$ 15.1; while in 2Q21 higher income was received from the sale of mining properties (+ US \$ 13.3) and the cancellation of its corresponding mine closure reserve, with a favorable effect of + US \$ 8.5, offsetting the higher expenses (+ US \$ 5.8) derived from remediation in closed mines and losses due to insurance claims.

In the **Financial Result**, an expense of US \$ 34.5 was recorded, slightly lower (-US \$ 1.3) with respect to the expense of US \$ 35.8, derived from:

- **Financial income** of US \$ 7.1, below US \$ 10.3 (-US \$ 3.2), mainly due to result on interest rate swaps (-US \$ 1.8), and lower interest income (-US \$ 1.5).
- **Financial expense** of US \$ 43.4, higher than US \$ 33.4 (+ US \$ 9.9), mainly due to higher interest accrued on financial debt, because in the third quarter of 2020 the Company and its subsidiary Fresnillo plc carried out debt restructurings, increasing the debt balance and maturities, thus producing higher interest provision.
- **Exchange rate fluctuation.** In terms of conversion, the variation was + US \$ 14.6, since in 2Q21 an exchange gain in US \$ 2.0 was recorded, while there was an exchange loss of -US \$ 12.6 in same quarter of the previous year. This item comes from the conversion at the exchange rate on the balance sheet date of monetary assets and liabilities in currencies other than the US dollar, including the Mexican peso.

The **Provision for Income Taxes** totaled US \$ 84.4, a variation of -US \$ 4.2 compared to the provision of US \$ 88.6 in 2Q20 since in said period there was higher provision of deferred taxes, mainly derived from the depreciation of the peso against the US dollar, while in 2Q21 the peso appreciated and the update of the tax values of assets in peso terms contributed to the lower provision for deferred taxes.

The **Non-Controlling Interest** in Net Income was US \$ 61.5, a variation of + US \$ 19.2 on the Income obtained in the corresponding quarter of the previous year, due to better results of the subsidiaries with minority shareholders, mainly Fresnillo plc. On the other hand, **Interest in the Results of associated companies and joint ventures** had a marginal variation of + US \$ 0.7.

Due to the factors described above, **Net Income of the Controlling Interest** in 2Q21 was US \$ 195.2, a favorable figure compared to the Loss of -US \$ 158.1 obtained in 2Q20.

## **CASH FLOW:**

At the end of 2Q21, the Company had **Cash and cash equivalents** for US \$ 1,717.6, an increase of + US \$ 106.4 compared to the balance of US \$ 1,611.3 at the close of 1Q21 (net of exchange rate fluctuation and translation effects of -US \$ 1.2).

The most relevant concepts are discussed below:

- 1) **Net cash flows from operating activities** of + US \$ 321.8. This line item is made up of items directly related to the operation without considering those that do not have an impact on cash (such as depreciation) and includes working capital, as well income taxes, employee profit sharing and participation in the results of associated companies and joint ventures.
- 2) **Net cash flows from investing activities** of -US \$ 128.7, comprising:
  - a. Investments in property, plant and equipment -US \$ 154.5, highlighting the construction and development of the Juanicipio mine and the leaching pad 14 in Herradura. Additionally, it includes the development of amortizable mining works, the construction of tailings deposits, the purchase of mining equipment and other fixed assets for the operating units.
  - b. Income from the sale of property, plant and equipment + US \$ 22.0, of which US \$ 20.0 came from the sale of the El Monte unit.
  - c. Other items + US \$ 3.7 from interest collected, loans to third parties and purchase of intangible assets.
- 3) **Net cash flows from financing activities** of -US \$ 85.5, derived from:
  - a. Dividends paid to non-controlling interests -US \$ 62.8.
  - b. Interest paid on financial debt -US \$ 28.7.
  - c. Loans from partners and other items + US \$ 13.6.
  - d. Short-term bank loans, net -US \$ 1.4.
  - e. Payment of lease liabilities -US \$ 6.2.

## II. ECONOMIC ENVIRONMENT AND METALS PRICES.

Among the principal variables that had a significant impact on the Company's results, the following are noteworthy.

	2Q'21	2Q'20	% Var	YTD 2021	YTD 2020	%Var
<b>Inflation rate for the Period (%):</b>	1.06	-0.09		3.43	3.15	
<b>Exchange Rate (peso-dollar):</b>						
<b>Close</b>	19.8027	22.9715	-13.8			
<b>Average</b>	20.0503	23.3631	-14.2	21.6091	19.2616	12.2
Period	Gold (US\$/Oz)	Silver (US\$/Oz)	Lead (UScts/lb)	Zinc (UScts/lb)	Copper (UScts/lb)	
1Q20	1,583.23	16.87	83.80	96.51	255.74	
2Q20	1,710.51	16.54	75.74	88.88	242.29	
<b>Cum. Avg. 2020</b>	<b>1,646.87</b>	<b>16.71</b>	<b>79.77</b>	<b>92.70</b>	<b>249.01</b>	
1Q21	1,797.80	26.29	91.65	124.63	384.58	
2Q21	1,816.49	26.78	96.48	132.26	440.47	
<b>Cum. Avg. 2021</b>	<b>1,807.14</b>	<b>26.54</b>	<b>94.07</b>	<b>128.44</b>	<b>412.53</b>	
<b>%Var 2Q21 vs 2Q20</b>	6.2	61.9	27.4	48.8	81.8	
<b>%Var 2Q21 vs 1Q21</b>	1.0	1.9	5.3	6.1	14.5	

The economic recovery in many regions of the world has been much faster than expected, boosting the price of commodities (especially base metals and energy). The key has been the scale of the monetary support, the development of vaccines and their application at an accelerated rate. But coupled with growth, inflation has skyrocketed, which was the biggest concern in the markets during the second quarter of the year and in Central Banks in the world's largest economies. In this context, the Federal Reserve of the United States decided to reduce the pace of asset purchase to control the flow of liquidity in the market, signaling possible interest rate increases in the short-term, although there was no concrete action in this sense. Faced with the positive streak of the industrial metals basket, which in the case of copper reached the highest levels in a decade, the Chinese government began massive sales of its metal reserves to contain the increases, which caused a downward adjustment of these metals.

For its part, the combined effect of inflationary concerns and Chinese government measures affected precious metals. The dollar began to regain ground as a safe haven asset, which brought down the precious metals couple, which, however, were supported by the uncertainty caused by the emergence of new variants of Covid-19 and the increased contagions in some regions.

### III. OPERATING RESULTS

The main factors that had a bearing on the changes in operating results in 2Q'20 with respect to those obtained in 2Q'19 were as follows:

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#### **MINING OPERATIONS:**

Production	2Q21	2Q20	%Var	YTD 2021	YTD 2020	%Var
Ore Milled (Mton)	4,073	4,115	-1.0	7,985	8,626	-7.4
Ore Mined (*) (Mton)	8,013	4,694	70.7	15,198	12,155	25.0
Gold (oz)	213,896	195,765	9.3	458,113	403,150	13.6
Silver (koz)	17,466	15,527	12.5	32,983	30,685	7.5
Lead (ton)	21,656	20,880	3.7	42,548	41,904	1.5
Zinc (ton)	69,121	72,232	-4.3	138,808	146,220	-5.1
Copper (ton)	2,813	2,194	28.3	5,812	4,253	36.7
Copper Cathodes (ton)	745	3,623	-79.4	1,639	8,011	-79.5

(\*) Herradura y Noche Buena (open pit mines).

**Gold (+ 9.3%):** Quarterly gold production increased in comparison to 2Q20 due to a higher volume of ore processed at Herradura (after work restrictions related to Covid-19 last year), and to a lesser extent , higher head grade at Saucito and higher volume of ore processed at Noche Buena. This was partially offset by a lower grade at Ciénega.

**Silver (+ 12.5%):** The increase in silver contents was mainly due to a higher mineral grade in San Julián (Disseminated), the processing of ore from Juanicipio at the Fresnillo beneficiation plant, as well as progress in operations of Capela and better grades in



Sabinas. This was partially offset by lower production at Saucito and Fresnillo due to lower grades and ore processed.

**Lead (+ 3.7%):** Better grades and recoveries at Saucito and San Julián, as well as an increase in production at Capela and Sabinas, mitigated the production deficit at Fresnillo and Ciénega, which obtained lower grades and recoveries.

**Zinc (-4.3%):** The production of zinc content was affected mainly by the suspension of activities in Bismark and Madero, the shortfalls of which were mitigated with the volume of Capela, better grades and recoveries at Saucito, San Julián with better grades and to a lesser extent by Tizapa and Sabinas with higher volumes processed and recoveries.

**Copper (+ 28.3%):** The increase in copper content derived from the contribution of Capela, in which efficient separation of lead-silver in the flotation circuit has improved, in addition to Sabinas due to a higher volume of mineral benefited with better grades and Tizapa with higher recovery; allowing to offset the deficits of Bismark (due to closure of operations) and Velardeña, due to lower grade and recovery.

**Cathodic copper (-79.4%):** The reduction was due to the suspension of mineral extraction while leaching of the ore deposited continues to recover copper from the Milpillas patios.

#### **METALLURGICAL OPERATIONS:**

Production	2Q21	2Q20	%Var	YTD 2021	YTD 2020	%Var
Gold (oz)	290,340	218,085	33.1	604,892	464,418	30.2
Silver (koz)	19,742	16,279	21.3	38,411	32,861	16.9
Lead (ton)	32,217	24,929	29.2	63,583	51,800	22.7
Zinc (ton)	64,365	73,198	-12.1	131,208	130,364	0.6

The lead-silver circuit performed better during 2Q21, as processing of concentrates at the Smelter increased, resulting in higher production of lead bullion. In the same quarter of 2020, we processed a smaller amount of concentrates because the maintenance stoppage and the correction of operational failures in the sinter area were carried out. The better grades in concentrates contributed gold production, in addition to higher volume of dorés and rich materials processed at the Lead-Silver Refinery. The latter boosted silver production, especially precipitates from the San Julián mine.

In the Zinc Plant, on the contrary, there was lower volume of concentrates processing, which affected production of refined zinc. This was due to the scheduled maintenance stoppage, which lasted a few days longer than planned, while the previous year the stoppage took place during the first quarter.

Critical adjustments were made and anodes were replaced in the electrolytic cells, as part of the normalization plan to stabilize the interaction of the old plant (Roasting) and the new one (Leaching) and thus reach the annual capacity of 350,000 tons of production of refined zinc.

## **CHEMICAL OPERATIONS:**

Production	2Q21	2Q20	%Var	YTD 2021	YTD 2020	%Var
Sodium sulfate (ton)	191,711	190,891	0.4	376,497	383,054	-1.7
Magnesium oxide (ton)	21,692	11,339	91.3	40,862	31,893	28.1
Ammonium sulfate (ton)*	45,243	50,448	-10.3	89,359	86,075	3.8
Magnesium sulfate (ton)	16,490	16,968	-2.8	30,716	31,330	-2.0

**\*Does not include maquila.**

The production of sodium sulfate had a marginal variation, while magnesium oxide increased significantly, due to the reactivation of demand from the construction and automotive industries. Ammonium sulfate decreased production due to lower availability of sulfuric acid from the Smelter, while magnesium sulfate had a slight decrease in production due to operating failures in the dryer of the Plant that were corrected .

## **IV. PROJECTS**

### **Peñoles exploration.**

Due to the current health situation, most of the personnel of the Exploration area continues under the Work from Home scheme implemented by the Group, concentrating on integration tasks, preparation of reports and maps, work programs, interpretation of 3D models, update and review of operating procedures, exploration parameters and improvement of key processes.

Although field work continues reduced, there was a greater pace of exploration. The main field works focused on the drilling of three projects, with a total of 11,843 meters (m) drilled.

### **Fortuna del Cobre (Sonora).**

In this quarter, 3,322 m were drilled looking for the extension of the mineralization detected in the previous quarter, as well as the possibility of new bodies. It is intended to achieve mineral resources for 150 Mton of disseminated copper ore. The results achieved to date are encouraging due to some mineral intersections over 200 m wide and with areas still open to exploration. Drilling work continues and the metallurgical investigation is carried out integrating 3D models with the interpretation of the collected data.

### **Reina del Cobre (Durango).**

Copper-zinc project located 20 km east of the Velardeña Unit. Inferred resources of 19 Mton have been detected through drilling works. To increase the degree of confidence it is necessary to apply a systematic drilling. To achieve this, we have programmed a series of mining developments in the fourth quarter of the year and we are working to determine location of the drilling stations.

## **Mining Units.**

We completed an extensive field survey program and a surface drilling proposal at the Sabinas unit, which is in process to be authorized.

At the Capela unit, 1,776 m are drilled in the western portion of the mine. The results obtained indicate the extension of the mineral for 300 m, remaining open for further growth, a systematic drilling stage is programmed.

In the Velardeña unit, La Industria zone, the extension of the mineralized structures was drilled with 6,744 m. The results obtained are positive, extending the veins for an additional 500 m. The works continue.

## **Other projects.**

In Peru, preparatory field work for drilling in the northern portion of the advanced Racaycocha Project has been completed. Likewise, in Chile, the design of the drilling campaign that is scheduled to be carried out in the Nemesis and Pichasca projects, which will begin when the health emergency allows it, has been completed.

We have been in permanent contact with neighboring communities in the areas where we operate. We also give support and training to face the health emergency caused by Covid-19.

## **Fresnillo plc**

Fresnillo plc, a subsidiary independently listed on the London Stock Exchange and the Mexican Stock Exchange; and in which Peñoles maintains a 74.99% interest, continued to advance its exploration activities and the development of precious metals projects.

Progress continued in the construction of the Juanicipio flotation plant, concluding the assembly of flotation cells and filters during the quarter. The start-up of the plant is estimated for the fourth quarter of 2021. Likewise, as previously reported, in 1Q21 the connection of the new circuit to the Fresnillo flotation plant was completed and in 2Q21 the programming of the system of control loop. This optimization is intended to address the higher lead and zinc content in the Fresnillo ore.

On the other hand, drilling campaigns were intensified for both the mine programs and the Exploration projects, reaching a combined total of 213,297 m. In the Mines, 157,977 m were drilled for growth and conversion of resources into reserves. In June started the definition of the three-dimensional models that will be used to estimate resources and reserves for this year.

The remaining 55,320 m were drilled in brownfields projects (75%), mainly in the Fresnillo and San Julián districts, and 25% in greenfield projects in Guanajuato and in the Capricorn and Condoriaco projects in Chile. Interesting results have been obtained and are being followed up.

For more information about the development of Fresnillo plc projects, visit the page [www.fresnilloplc.com](http://www.fresnilloplc.com).

## **V. ANNOUNCEMENTS**

On July 20, 2021, the Company released a Call for an Extraordinary General Shareholders' Meeting to be held at 10:30 am on Thursday, August 5, 2021. Said Call is available to shareholders on the Company's website. [www.penoles.com.mx](http://www.penoles.com.mx).

## **ABOUT INDUSTRIAS PEÑALES, S.A.B. DE C.V.**

Peñales was founded in 1887. It is a mining group with integrated operations in smelting and refining non-ferrous metals, and the production of chemical products. Peñales is presently one of the two largest producers of refined silver in the world and the leading Latin American producer of refined gold and lead and is among the principal producers of refined zinc and sodium sulfate in the world.

Peñales' shares trade on the Mexican Stock Exchange since 1968 under the symbol PE&ALES, and the stock is a component of the Stock Price Index.

### **Analyst Coverage**

Analytical coverage of Peñales is provided by Morgan Stanley and Scotiabank .