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## **INDUSTRIAS PEÑOLES, S.A.B. DE C.V. SECOND QUARTER 2024 EARNINGS REPORT.**

Mexico City, July 30, 2024 - Industrias Peñoles, S.A.B. de C.V. ("Peñoles" or the "Company") (BMV: PE&OLES), a mining group with integrated operations for the smelting and refining of non-ferrous metals and the production of chemical products, reports its consolidated results for the second quarter of 2024 (2Q24) and the main variations compared to the same period of 2023 (2Q23).

### **EXECUTIVE OVERVIEW**

In the second quarter of 2024, average prices of the metals the Company produces and sells had significant increases compared to the same quarter of the previous year for gold (+20.3%), silver (+18.8%), zinc (+14.0%), and copper (+15.2%); and to a lesser extent lead (+4.0%). Precious metals continued to be favored by the uncertainty of geopolitical conflicts and expectations regarding the reduction of interest rates, while industrial metals were supported by supply concerns and the weakness of the dollar.

In the mining division, milled and beneficiated ore increased 7.4%, mainly at Capela, a unit that reduced mining and milling in the same quarter of the previous year due to lack of water and a temporary blockade of the facilities, followed by Saucito, whose productivity has increased due to the improved experience of its personnel. The volume of ore deposited in leaching yards, on the other hand, decreased 13.1% because Noche Buena concluded the mining process in May 2023 and is currently in the closure stage, which was mitigated by a higher volume of ore deposited at Herradura and Milpillas.

Gold production decreased 13.0% due to lower ore grade and recovery rate at Herradura, because heavy rains delayed access to mining zones with better grades, as well as lower gold production at Noche Buena due to the above. These shortages were mitigated by higher production at Fresnillo, Ciénega and San Julián Veins due to better ore grades. Silver production decreased marginally (-2.0%) due to lower ore grade, recovery rate and volume processed at San Julián (DOB) - where mining is planned to be suspended in the third quarter of 2024 as it nears the end of its productive life - as well as lower ore processed and head grade at Fresnillo and Sabinas, and the lower beneficiated volume at Juanicipio, which was offset by higher volumes of ore processing, better grades and recoveries at San Julian Veins and Saucito, and higher volume processed by Capela and the better ore grade at Ciénega. Lead in concentrates increased 11.5% thanks to better ore grades at Fresnillo, Juanicipio and Saucito as well as the higher volume of ore processed by the latter, while zinc increased (+9.2%), driven by higher volumes of ore processed with better grades and recoveries at Saucito and Tizapa, as well as better grades and recoveries at Juanicipio and the higher volume of ore processed at Capela.

Copper in concentrates also recorded an increase (+14.7%), due to the higher volume of ore processed at Capela with better grade and higher metallurgical recovery. Finally, copper in cathodes produced by Milpillas increased by 2.4%, due to the higher volume of ore deposited in leaching yards.

At the metallurgical operations, refined gold production decreased 16.8%, mainly due to lower production at Herradura and Noche Buena, and silver and lead production had marginal decreases due to lower volume of treated concentrates. At the zinc plant, refined zinc production decreased 7.2% because, as reported, production capacity was temporarily reduced from 350,000 to 270,000 tons per year to conduct the necessary repairs to equipment and correct design flaws in the expansion, which resulted in the suspension of electrolysis module 2.

The chemical business recorded a slightly higher output of sodium sulfate (+1.0%) due to higher demand compared to the same period of the previous year and because the annual maintenance shutdown took place earlier in that quarter; however, we continue to face logistical problems in rail distribution that have limited a greater rebound in production and sales. Magnesium oxide production registered a notable recovery (+52.2%) because there was a strong deceleration in demand and maintenance shutdown in the same quarter of the previous, while magnesium sulfate volume contracted (-5.7%) affected by lower demand from the domestic agricultural sector and strong competition from Chinese products. For the ammonium sulfate by-product, the volume decreased (-36.2%) due to the implementation of strategies to reduce production channeling the plant's capacity to more profitable products, because the high cost of ammonia and the price drop of this fertilizer have affected profitability margins.

In financial results, 2Q24 sales revenues increased due to higher metal prices, especially gold, silver and copper, and better realization prices on the sale of concentrates. This offset lower volumes sold of some products, mainly refined gold due to lower production. Cost of sales was lower, due to a credit for inventory movement in our subsidiary Bal Holdings and in Herradura, as well as the lower cost of metal due to lower volumes of concentrates and materials acquired from third party shippers. This offset the increase in production costs, largely due to higher depreciation at some operating units (mainly at San Julián DOB (which is nearing the end of its productive life, as announced by our subsidiary Fresnillo plc) and the unfavorable effect of the average appreciation of the peso against the US dollar on costs incurred in pesos (approximately 50% of production costs). Operating and financial expenses were lower than those recorded in the same quarter of the previous year, while other income contrasts with other expenses incurred in the same period of the previous year.

With respect to income taxes, there was an increase in the current tax provision due to higher taxable income for the period, combined with an unfavorable deferred tax provision, which contrasts with the favorable provision in 2Q23. This was due to the depreciation of the peso against the dollar in 2Q24, contrary to the appreciation in 2Q23, which resulted in a reduction in the value, in dollar terms, of certain assets for tax purposes.

Due to the factors described above, the financial results obtained by Peñoles in 2Q24 and their variation with respect to 2Q23 were as follows (in millions): Net Sales US\$1,634.5 (+6.3%), Gross Profit US\$406.3 (+80.9%), EBITDA US\$420.9 (+117.8%), Operating Income US\$223.5 (630.0%) and Net Loss of Controlling Interest -US\$23.2, unfavorable compared to the Net Income of US\$22.3 obtained in the same quarter of the previous year.

## I. FINANCIAL RESULTS

The consolidated financial statements of the Company 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 U.S. dollars (US\$), which is Peñoles' functional currency, and 2Q24 figures are compared to 2Q23, except where otherwise indicated.

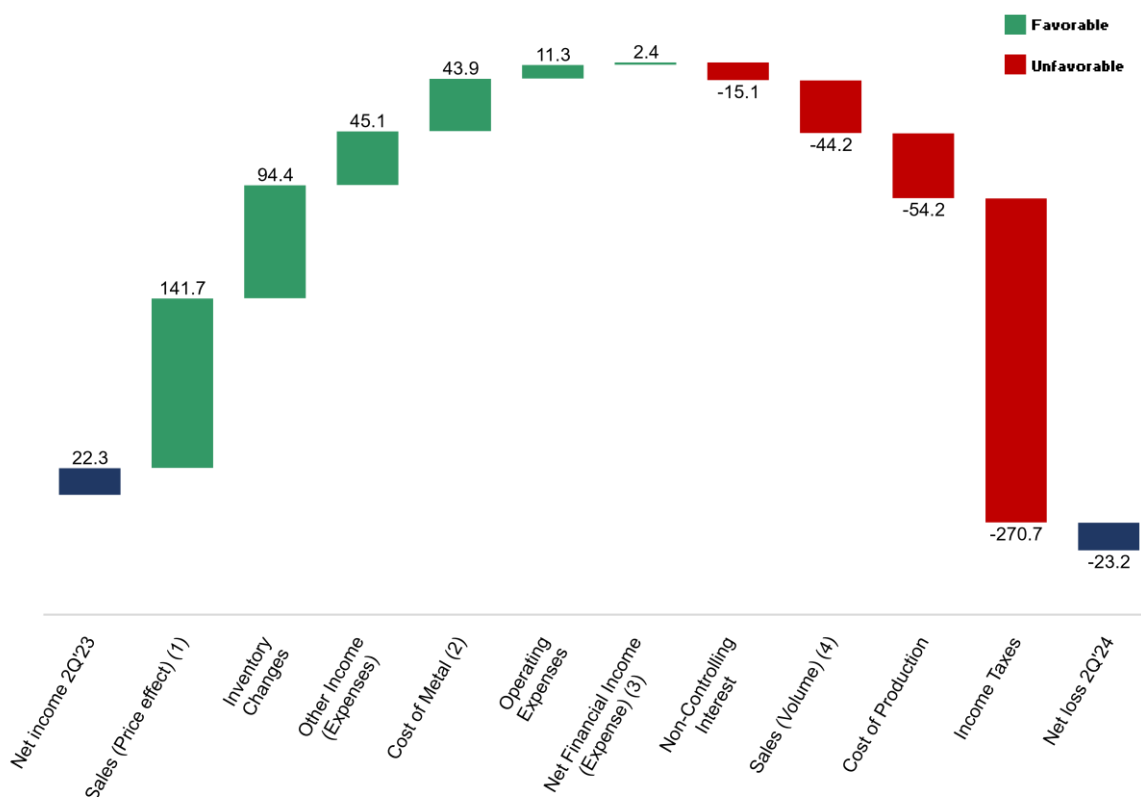
### FINANCIAL HIGHLIGHTS:

(Millions of dollars)	2Q24	2Q23	% Chg	1H 2024	1H 2023	% Chg
<b>Sales Invoiced</b>	1,634.4	1,535.8	6.4	3,030.7	2,948.8	2.8
<b>Net sales (1)</b>	1,634.5	1,536.9	6.3	3,030.9	2,950.0	2.7
<b>Gross Profit</b>	406.3	224.7	80.9	577.4	477.3	21.0
<i>% of sales</i>	24.9%	14.6%		19.0%	16.2%	
<b>EBITDA (2)(3)</b>	420.9	193.2	117.8	617.6	444.6	38.9
<i>% of sales</i>	25.8%	12.6%		20.4%	15.1%	
<b>Operating income (3)</b>	223.5	30.6	630.0	229.4	112.8	103.4
<i>% of sales</i>	13.7%	2.0%		7.6%	3.8%	
<b>Other (Expenses) Income</b>	11.7	-33.4	n.a	14.2	-34.3	n.a
<b>Interest Income (Expense), Net</b>	-41.8	-44.2	5.4	-82.2	-89.6	8.2
<b>Net (Loss) Income of Controlling Interest</b>	-23.2	22.3	n.a	-62.2	25.7	n.a
<i>% of sales</i>	-1.4%	1.4%		-2.1%	0.9%	

- (1) Include results from metal hedges.
- (2) Income before financial expenses, taxes, depreciation and amortization.
- (3) Does not include Other Income (Expenses).
- (4) Include impairment of long-lived assets.

### INCOME STATEMENT:

The following chart shows the variation of each income statement line item and its influence on the change in net income in 2Q24 compared to 2Q23:



(1) Includes variation in hedging results.

(2) Metal cost is presented net of treatment fee, profit on inventories and other items.

(3) Includes financial expenses and foreign exchange result.

(4) Includes variation for other (services).

The variations are explained below:

**Net Sales** for 2Q24 totaled US\$1,634.5, which represents a 6.3% growth (+US\$ 97.5), derived from:

- Higher realization prices for gold, silver, copper and concentrates sold offset the decrease in the corresponding prices for zinc, lead and chemicals (+US\$142.8).
- Lower volumes of gold, copper, lead and sodium sulfate sold; this was mitigated by the increase in volumes of concentrates, silver and zinc (-US\$27.3).
- Lower revenues from the sale of other products and services (-US\$16.9).
- This was accompanied by a marginally unfavorable variation in the result of sales hedges (-US\$1.1).

**Cost of Sales** of US\$1,228.1, was 6.4% lower than that recorded during 2Q23. The decrease of -US\$84.1 is due to the following:

- Credit for **Inventory Movement** of -US\$83.6, which contrasts with the charge of +US\$10.8, mainly because in the period the inventories of refined metals increased, largely due to the increase in metal prices, and in Herradura due to an increase in inventory in leaching yards and higher gold prices; while last year inventories of Juanicipio stockpile and gold in the leaching yard inventories were consumed on Noche Buena, as its useful life was coming to an end.

- Lower **Cost of Metal Sold** (-US\$43.9), due to lower volumes of concentrates and other materials purchased from third party remitters for processing at the metallurgical complex.
- Higher **Production Cost** by +US\$54.2, with the variations by item as follows:
  - Depreciation, amortization and depletion (+US\$34.9, 22.0%), mainly due to a higher charge for San Julián DOB whose closure process is expected to begin during the third quarter of 2024 as it nears the end of its productive life.
  - Human Capital (+US\$9.7, +8.1%) in salaries, benefits, productivity bonuses and retirement payments, in addition to the effect of the lower average exchange rate of the peso against the dollar.
  - Maintenance and Repairs (+US\$5.5, +4.3%) mainly due to mechanical repairs at Fresnillo plc's mining operations, which offset the reduction in costs due to major repairs carried out at the zinc plant during 2Q23, a period in which the three electrolysis modules were in operation and the anode and cathode replacement program was still in process.
  - Energy (+US\$4.2, +3.2%) mainly due to higher diesel consumption in Herradura, mitigating the lower consumption of electricity, mainly in the zinc plant, and lower prices due to the migration of some operations to the Wholesale Electricity Market.
  - Contractors (-US\$ 10.0, -7.3%), due to lower development and support works.
  - Operating Materials (-US\$3.3, -2.8%) due to lower consumption of reagents, alloy material, offsetting higher consumption of anchors, mill balls and rods, explosives and detonators, among others.
  - Other items (+US\$13.2, +26.0%) include the transfer of by-products, and higher insurance costs, water rights, institutional software, and machinery and equipment rental, mainly.

As a result, **Gross Profit** increased 80.9%, from US\$224.7 in 2Q23 to US\$406.3 in 2Q24.

**Operating Expenses (General Expenses)** totaled US\$182.8, a reduction of -US\$11.3 (-5.8%) due to the following items:

- Lower **Exploration and Geological Expenses** (-US\$13.4, -19.3%) due to a decrease in exploration activities, focused on priority projects and the conversion of resources to reserves of operating mines.
- Lower **Administrative and General Expenses** (-US\$3.7, -4.5%), mainly due to lower expenses in fees and dues and associations.
- Higher **Selling Expenses** (+US\$5.8, +13.7%) mainly due to higher inland freight costs.

Quarterly **EBITDA** of US\$420.9 increased (+US\$227.7, +117.8%) compared to US\$193.2 in 2Q23, while **Operating Income** of US\$30.6 obtained in 2Q23 rose to US\$223.5 (+US\$192.9, +630.0%).

**Other income, net** obtained during 2Q24 was US\$11.7, favorable compared to other expenses, net of -US\$33.4 in 2Q23 (+US\$45.1), explained as follows:

- Other income of US\$ 20.9, coming mainly from higher income from the sale of other products and services (+US\$15.3), and to a lesser extent, insurance claims +US\$3.8 (both concepts in 2Q23 represented other expenses) and income from the sale of fixed assets +US\$1.4.
- Other expenses of US\$9.2, significantly lower than US\$30.4, such variation is mostly attributable to the write-off of gold inventories at the Soledad-Dipolos leaching pads (US\$21.9) that was recorded during 2Q23.

The **Financial and Exchange Result, net** had a favorable variation (+US\$2.4, +5.4%), as the expense for the period of US\$41.8 was lower than the US\$44.2 expense of the same quarter of the previous year, as a result of:

- **Financial income** of US\$17.0, down from US\$23.8 (-US\$6.8) mainly due to lower interest on investments and customers (-US\$4.7) and the fair value of derivative financial instruments which in 2Q23 represented income (+US\$3.8), while in 2Q24 it is an expense.
- **Financial expenses** of US\$51.8 vs. US\$69.3 (-US\$17.5); the variation comes from the decrease in interest accrued on financial debt (-US\$8.0), as well as the lower discount for provisions (-US\$3.4) -mainly for ecological reserve- and other items (-US\$6.0) -including bank commissions and the fair value of derivative financial instruments, among others-.
- **Exchange rate fluctuation.** In terms of translation, the result was unfavorable by -US\$8.4, since in 2Q23 there was an exchange gain of +US\$1.3 compared to the loss of -US\$7.0 in 2Q24. This item arises from the translation at the balance sheet date exchange rate of monetary assets and liabilities in currencies other than the US dollar, including the Mexican peso.

The **Provision for Income Taxes** was unfavorable in -US\$270.7. In 2Q24 the provision of US\$169.8 is integrated by current taxes of US\$67.7 and deferred taxes of +US\$102.1, while in 2Q23 the same concepts registered US\$16.6 and -US\$117.5 respectively. Current taxes were higher due to the better financial results of the quarter, while in the case of deferred taxes, the main reason for the unfavorable adjustment in 2Q24 came from the depreciation of the peso against the US dollar, while in 2Q23, on the contrary, the peso appreciated, generating a favorable adjustment. This originated the reduction and increase in 2Q24 and 2Q23, respectively, in U.S. dollar terms of the Company's assets for tax purposes.

**Non-controlling interest** in the quarterly results reported a profit of US\$ 48.5, higher by +US\$ 15.5 versus the profit of US\$ 33.0, due to the better results of the subsidiaries with minority partners, Fresnillo plc and Tizapa. On the other hand, the **Equity in Income of Associates** and Joint Ventures had a variation of -US\$ 0.4.

Due to the factors described above, in 2Q24 the **Net Loss from Controlling Interest** of -US\$23.2 was unfavorable by -US\$45.4 compared to the profit of US\$22.3 obtained during 2Q23.

## **CASH FLOW:**

At the end of 2Q24, the Company had **Cash and cash equivalents** of US\$1,245.9, an increase of +US\$156.0 with respect to the balance of US\$1,089.9 at the end of 1Q24 (net of exchange rate fluctuation and translation effect of -US\$4.7).

The most relevant concepts are discussed below:

- 1) **Net cash flows from operating activities** of +US\$289.8 This line item consists of items directly related to operating activities without considering those that do not have an impact on cash (such as depreciation) and includes working capital, as well as income taxes, employee profit sharing and equity in the results of associates and joint ventures.
- 2) **Net cash flows from investing activities** of -US\$ 80.9, comprising:
  - a) Investments in property, plant and equipment for -US\$ 99.1, highlighting the development of depreciable mining works, the construction and strengthening of tailings deposits, the Herradura landfill, as well as the purchase of equipment for the operating units.
  - b) Interest collected +US\$15.3.
  - c) Amount received from the sale of fixed assets +\$1.7.
  - d) Collection of loans to third parties, net +US\$1.2.
- 3) **Net cash flows from financing activities** of -US\$48.2, derived from:
  - a) Short-term loans used to finance working capital needs, net +US\$29.2.
  - b) Interest paid on financial debt -US\$26.7.
  - c) Dividend payment to non-controlling interests -US\$17.5.
  - d) Payment of lease liabilities -US\$5.5.
  - e) Other items -US\$27.6, for contributions from the minority shareholder of Minera Juanicipio.

## II. ECONOMIC ENVIRONMENT AND METAL PRICES

The main economic variables that had a significant impact on the Company's results include the following.

	2Q24	2Q23	% Chg	1H 2024	1H 2023	% Chg
<b>Inflation for the period (%) NPCI*:</b>	0.39	-0.14		1.68	1.37	
<b>Exchange rate (peso-dollar):</b>						
<b>Close</b>	18.3773	17.0720	7.6			
<b>Average</b>	17.2106	17.7225	-2.9	17.1034	18.2123	-6.1

Period	Gold (US\$/Oz)	Silver (US\$/Oz)	Lead (UScts/lb)	Zinc (UScts/lb)	Copper (UScts/lb)
1Q23	1,889.92	22.51	97.09	141.71	404.92
2Q23	1,943.54	24.24	94.47	112.70	383.92
<b>1H 2023</b>	<b>1,916.08</b>	<b>23.37</b>	<b>95.81</b>	<b>127.55</b>	<b>394.76</b>
1Q24	2,069.80	23.34	94.20	111.15	382.76
2Q24	2,338.18	28.80	98.27	128.52	442.38
<b>1H 2024</b>	<b>2,202.91</b>	<b>26.09</b>	<b>96.22</b>	<b>119.76</b>	<b>412.33</b>
%Chg 2Q24 vs. 2Q23	20.3	18.8	4.0	14.0	15.2
%Chg 2Q24 vs. 1Q24	13.0	23.4	4.3	15.6	15.6
%Chg 2024 vs 2023	15.0	11.6	0.4	-6.1	4.5

\*NPCI: National Prices Consumer Index

During the second quarter of 2024, metal prices recorded widespread increases. Gold continued its positive trend due to expectations of an interest rate cut by the US Federal Reserve, as well as purchases by various central banks, geopolitical conflicts, and the electoral process in the United States. In addition, a weaker dollar and renewed investor interest in exchange traded funds (ETFs) contributed to this increase. Silver was also boosted because, although it is more volatile, it is more accessible as an investment vehicle, which, together with the demand for industrial uses and its good perspective on applications related to green technologies, favored its appreciation, closing the gap with gold.

As for base metals, supply concerns at the beginning of the second quarter triggered a bullish market trend, however, this was countered by weaker-than-expected growth data in China. Copper reached record high prices, supported by demand for the manufacture of electric vehicles and infrastructure projects in China, as well as good prospects for its key role in the energy transition. The price of zinc, on the other hand, increased at the end of June, due to the contraction of mining production and a lower supply of concentrates for refining plants, which caused a drop in treatment and refining charges that threaten the supply of refined metal.

### III. OPERATING RESULTS

The following are the main aspects that affected the variations in operating results in 2Q24 compared to 2Q23.

#### **MINING OPERATIONS:**

<b>Production</b>	<b>2Q24</b>	<b>2Q23</b>	<b>% Chg</b>	<b>1H 2024</b>	<b>1H 2023</b>	<b>% Chg</b>
<b>Milled Ore (Mton)</b>	5,581	5,195	7.4	10,934	10,577	3.4
<b>Deposited Ore (*) (Mton)</b>	4,728	5,441	-13.1	8,530	12,627	-32.4
<b>Ore Processed (Mton)</b>	10,309	10,636	-3.1	19,464	23,204	-16.1
<b>Gold (oz)</b>	147,381	169,469	-13.0	302,198	356,561	-15.2
<b>Silver (koz)</b>	18,837	19,228	-2.0	36,151	35,303	2.4
<b>Lead (ton)</b>	23,453	21,033	11.5	44,886	40,074	12.0
<b>Zinc (ton)</b>	71,476	65,435	9.2	138,458	130,711	5.9
<b>Copper (ton)</b>	2,608	2,275	14.7	4,852	4,636	4.7
<b>Cathodic Copper (ton)</b>	3,189	3,115	2.4	6,383	6,013	6.2

**\*Includes Noche Buena, Herradura and Milpillas.**

**Includes 100% of payable production of Fresnillo plc and Juanicipio.**

**Mton: thousand metric tons; oz: troy ounces; koz: thousand troy ounces; ton: metric tons.**



**Gold** (-13.0%): The decrease in gold production was mainly due to lower ore grade and lower recovery rate at Herradura, as a result of heavy rains that delayed access to higher grade ore zones (oxides), so a higher proportion of sulfide ore was deposited in leaching pads, as well as lower production at Noche Buena, a unit that began its closure process in May 2023 and continues to recover gold from leaching pads. These deficits were mitigated with better grades from Fresnillo, Ciénega and San Julián Veins, and better metallurgical recovery and higher milling from Capela.

**Silver** (-2.0%): Silver had a marginal decrease, due to lower ore grade, recovery rate and volume processed at San Julián DOB, expected to gradually decline in production and cease mining in the third quarter of 2024, as it nears the end of its useful life. Fresnillo and to a lesser extent Sabinas, also reported decreases in silver production due to lower volume of ore processed with lower grade, in addition to Juanicipio due to lower volume of ore beneficiated and Tizapa due to lower ore grade. This was partially offset by: San Julian Veins and Saucito with higher volumes of ore processed, better head grades and recoveries, Cienega due to mining in stopes with better grades and Capela due to higher volume of ore beneficiated.

**Lead** (+11.5%): Lead produced in concentrates increased due to higher head ore at Fresnillo, Juanicipio and Saucito. The latter also due to a higher volume of ore processed and metallurgical recovery, and to a lesser extent, due to the better grade and recovery at Ciénega. These mining units compensated for the lower production at San Julián DOB due to lower volume of ore processed with lower grade and recovery, at Sabinas, Tizapa and Capela due to lower grades, and at Velardeña due to lower volume of ore beneficiated.

**Zinc** (+9.2%): The increase in zinc production was mainly due to the higher volume processed with better grade and recovery at Saucito and Tizapa, along with the better grade and recovery at Juanicipio, the higher volume processed at Capela, as well as the better ore grade at Fresnillo. All of these offset the lower milling, grade and recovery at Sabinas, and the lower volumes processed at Velardeña and San Julián (DOB).

**Copper** (+14.7%): The favorable variation in copper production in concentrates came mainly from Capela, due to a higher volume of ore processed with better grade and metallurgical recovery, and to a lesser extent, due to the better grade at Tizapa, which was partially offset by lower production at Sabinas due to lower milling, grade and recovery.

**Cathodic copper** (+2.4%): The growth in copper cathodes production at the Milpillas unit was due to the higher volume of ore deposited that has reached the level foreseen in the reopening plan, which has been reflected in the production of copper from leached ore in the pads.

**METALLURGICAL OPERATIONS:**

Production	2Q24	2Q23	% Chg	1H 2024	1H 2023	% Chg
Gold (oz)	207,856	249,965	-16.8	425,140	512,263	-17.0
Silver (koz)	19,436	19,574	-0.7	37,380	36,751	1.7
Lead (ton)	30,165	30,366	-0.7	55,322	55,033	0.5
Zinc (ton)	63,041	67,959	-7.2	121,919	132,417	-7.9

In the smelter-refinery circuit, there was lower production of refined gold, mainly due to the lower production at Herradura and Noche Buena as described above. Silver and lead had marginal variations, thanks to the inventory reduction program we have implemented to optimize the use of working capital, which allowed us to compensate for the lower volume of concentrates treated due to furnace shutdowns during the month of June to implement corrective measures resulting from the root-cause analysis of an unfortunate accident that caused two fatalities.

Production of refined zinc was lower compared to 2Q23 due to the decision to temporarily limit capacity in the zinc circuit starting in the third quarter of 2023 and the suspension of the operation of electrolysis module 2. Production was also affected by roaster failures that resulted in lower calcine and purified solution inventory.

**CHEMICAL OPERATIONS:**

Production	2Q24	2Q23	% Chg	1H 2024	1H 2023	% Chg
Sodium sulfate (ton)	175,198	173,400	1.0	355,374	367,254	-3.2
Magnesium oxide (ton)	17,524	11,515	52.2	32,094	28,364	13.1
Ammonium sulfate (ton)* (ton)*	26,694	41,842	-36.2	52,878	77,502	-31.8
Magnesium sulfate (ton)	17,195	18,228	-5.7	31,614	34,252	-7.7

**\*It does not include maquila.**

Quarterly sodium sulfate production was slightly higher compared to 2Q23, due to logistical problems in railroad distribution on such quarter (which persist to date), coupled with a decrease in consumption by some customers, and the fact that the annual maintenance shutdown scheduled for November was brought forward in order to take advantage of the general electrical shutdown. Magnesium oxide volumes were significantly higher, as there was a sharp contraction in demand during 2Q23 and the annual preventive maintenance of major process equipment was also brought forward. The volume of magnesium sulfate, on the other hand, had a lower production, due to the strong competition of Chinese products in the domestic market. The ammonium sulfate by-product reported a lower quarterly volume due to continued strategies to replace its production with more profitable products in view of the high cost of ammonia and the low price of this fertilizer in the market.

## IV. PROJECTS

In the quarter, exploration focused on base metals progressed on 5 priority projects. Drilling was carried out in three projects in Mexico, one in Chile and one in Peru, with a total of 17,079 m drilled to date. In addition, geological studies and exploratory work were carried out on 10 of our own prospects and 6 outside prospects to generate new drilling targets and/or evaluate their potential, and justify direct exploration or acquisition, respectively. The main results are:

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

Advanced priority copper-zinc project located 20 km east of the Velardeña Unit, where inferred resources of 19 million tons of mineralization have been defined. Infill drilling continued both on surface and in the mine with an accumulated 9,155 meters (m). With 9 drill holes completed, there are wide intersections and good grades in 3 of them, and assays are pending for the remaining 6 drill holes. Preliminary analyses show positive results for a satellite mine of the Velardeña unit and a stand Alone mine scenario will be evaluated.

### **Flobar (Sonora)**

Early copper and polymetallic project near the La Caridad mine. Exploration strategy for 2024 is targeting high grade targets for underground mining. Drilling started with an advance of 475 m, with findings of disseminated mineralization and assays pending. Geology and geophysics continue on potential new zones and detailed work to confirm new drill targets.

### **International Projects**

In the advanced **Racaycocha** project in Peru, progress was made in the Preliminary Economic Study (PEA) considering benchmarking. Drilling began in Santa Rosa and Pucapampa, and the access road to the drilling areas was completed and will begin at the end of July. In the Santa Cruz area, drilling is expected to start in September 2024.

Located in Chile, the early **Yastai** project had drilling on defined targets totaling 5,351 m in the first half of the year. There were findings with wide intervals and moderate copper grade, with occasional good grade sections. Drilling was halted for the winter season and will resume in the third quarter on new defined targets. Assays are in the process of analysis to update the resource and initiate preliminary economic configuration.

### **Mining Units.**

In the area of influence of the **Tizapa** mine there is an accumulated 2,134 m of drilling. The annual plan was reduced to 5,000 m, while the environmental permit is being processed to test additional potential zones.

### **Fresnillo plc**

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

Exploration drilling by Fresnillo plc during the first half of the year totaled 391,301 m, 86% of which was dedicated to brownfield targets. The focus of the exploration teams at the operating mines continues to be infill drilling to: (i) improve reserve certainty for short and medium term mine planning; and (ii) upgrade the resource category from

inferred to indicated, to encourage reserve replenishment. The Exploration Division also carries out exploration activities on greenfield projects, dedicating 62% of its drilling for the period to the evaluation of targets around the Fresnillo and San Julián districts and the Tajitos and Guanajuato Central projects.

Exploration of new fields in Mexico includes the resumption of drilling in the second half of the year at Lucerito and Candameña, where detailed technical and logistical preparation is underway. Drilling is also planned at Capricornio and Pencahue in Chile. In Peru, regional community participation plans are progressing at Supaypacha, Santo Domingo and Chiclayo, with the objective of drill testing several high exploration potential targets in 2025.

The evaluation of Fresnillo plc's properties in Mexico, Peru and Chile is moving forward to continue strengthening and optimizing our portfolio, in compliance with our long-term strategic vision of consolidating districts.

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

## **V. ANNOUNCEMENTS**

On April 4, 2024, the Company published a Relevant Event, in reference to the communiqué issued by the "Office of the United States Trade Representative" requesting the Government of Mexico to review an alleged denial of rights of its workers in our subsidiary "Minera Tizapa." As stated in our communication, Industrias Peñoles reiterates that it has always respected and will continue to respect the freedom of union association and collective bargaining of its workers. Therefore, and in accordance with the commitment established, the Company actively collaborated with the Mexican authorities to carry out the corresponding investigations with said work center and, through the procedures established by the UMSCA, the case was resolved.

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

Peñoles, founded in 1887, is a mining group with integrated operations for the smelting and refining of non-ferrous metals and the production of chemical products. It is currently the world's largest producer of refined silver; it is Latin America's leading producer of refined gold and lead; and it is among the world's leading producers of refined zinc and sodium sulfate.

Peñoles shares have been listed on the Mexican Stock Exchange since 1968 under the ticker symbol PE&OLES and are part of the Mexican Stock Market Index.

## **Analyst**

Peñoles has analysis coverage from Morgan Stanley and Scotiabank.

