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

Mexico City, October 28, 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 third quarter of 2021 (3Q’21) and the main variations in comparison with the same period of 2020 (3Q’20).

### **EXECUTIVE SUMMARY**

Even though economic conditions around the globe have been better than the previous year, the dynamism of global economic activity during the first half of the year slowed down from July to September 2021, due to the emergence of new COVID-19 variants that reignited concerns about the resurgence of infections; in addition to the inflationary pressures exerted by higher energy and raw material prices. Notwithstanding, industrial activity continued to give impulse to industrial metals, whose average prices increased as follows: lead (+24.8%), zinc (+27.8%) and copper (+43.7%). Precious metals on the other hand, suffered the effects of risk aversion, and showed declines of 6.4% in the case of gold, and to a lesser extent silver with 1.2%. Despite this, both precious metals prices remain at high levels.

Through the quarter we maintained the continuity of the operations that had been gradually resumed during the same period of the previous year. Likewise, we continue applying strict sanitary protocols in all our facilities to protect the health of our collaborators and contractors. We support the national vaccination campaign against COVID-19 in coordination with local authorities by assisting at our facilities in Torreón, Caborca and Ciénega, in which more than 100,000 doses have been administered to our collaborators and people from the communities.

In the mining business, gold production was similar to that obtained the same period of the previous year (-0.6%) due to the contribution of Herradura’s higher head grade and recovery and Noche Buena’s higher volume of ore deposited with better grade, which almost compensated the reduced productions of Cienega and San Julian due to lower head grades. Silver production decreased by 3.7%, mainly due to lower head grades in Fresnillo and Saucito, in addition to the lower volume of ore milled from the latter. Lead was decreased by 11.1%, because of the reduced volume of ore milled and head grade in Saucito, as well as lower grades and recoveries in Cienega and Tizapa.

On the other hand, zinc mining production had a favorable variation (+3.2%) due to higher volume of ore processed, better head grades and recoveries in Tizapa and Velardeña, as well as a better head grade in Fresnillo. Production of copper in concentrates also registered an increase (+41.7%) attributable to Capela, Tizapa, and Velardeña. In contrast, the volume of copper in cathodes decreased by 69.2% because of the previously reported suspension at Milpillas mine extraction, hence cathodic copper is only produced from the mineral deposited in the leaching patios.

In the metallurgical operations, the annual maintenance shutdown was carried out in the Lead Smelter, therefore the volume of treated concentrates was diminished, affecting silver (-5.1%) and lead (-17.1%) productions. The maintenance stoppage for 2020 was carried out in the second quarter. Gold production increased (+18.9%) mainly due to a reduction in inventories in process and higher dorés production from Herradura and Noche Buena. The refined zinc volume increased 22.3%, due to a higher volume of treated concentrates.

In the chemical business, the produced volume of sodium sulfate increased (+10.3%) due to operational continuity. Contrary to the same period of the previous year, in which there were demand contraction and failures in the electricity supply. Magnesium oxide production surged (+168.6%) thanks to the resurgence of our clients' demand in the construction and automotive industries. Ammonium sulfate registered lower production (-25.0%) because of the lower availability of sulfuric acid from the Smelter; while magnesium sulfate had an increase in production (+7.6%) to satisfy the demand of the agricultural sector.

Regarding the 3Q'21 financial results, sales were favored by higher prices of industrial metals and higher sold volumes of gold, zinc, copper matte, and concentrates. However, the cost of sales absorbed this benefit since it experienced a greater increase, mainly due to the cost of metal sold, because of higher average prices of metals purchased from third-party remitters for processing in the metallurgical plants. Likewise, production costs suffered increases owing to the higher operations' rhythm –which imply a superior consumption of inputs– and the inflation of certain inputs –particularly energy–, this was partially offset by higher treatment revenues. Operating expenses were also higher than those recorded in the same quarter of the previous year.

On the other hand, 3Q'21 financial expenses and tax provision were lower, which favored the net income for the period. The former is a consequence of the extraordinary financial expenses registered in 3Q'20 because of the Company's voluntary adaptation made to the tax treatment of mining investments in its underground mines, as well as the early termination of the interest rate hedge over a syndicated loan that was settled in advance with part of the proceeds from the bond issuances. Regarding the lower tax provision, in 3Q'20 there was a deferred tax charge mainly due to the depreciation of the peso against the US dollar. While in 3Q'21 the peso appreciated, which together with the adjustment in pesos of the assets fiscal value due to inflation, contributed to registering a deferred tax credit.

Due to the aforementioned factors, the financial results obtained by Peñoles in 3Q'21 and their variations with respect to 3Q'20 were as follows (figures in millions): Net Sales US\$1,431.2 (+16.2%), Gross Profit US\$313.9 (-23.4%), EBITDA US\$346.1 (-25.8%), Operating Income US\$168.2 (-41.1%) and the Controlling Interest on Net Income US\$66.4 (+254.4%).

## **I. FINANCIAL RESULTS**

The Company 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 3Q'21 are compared with those for 3Q'20, unless otherwise indicated.

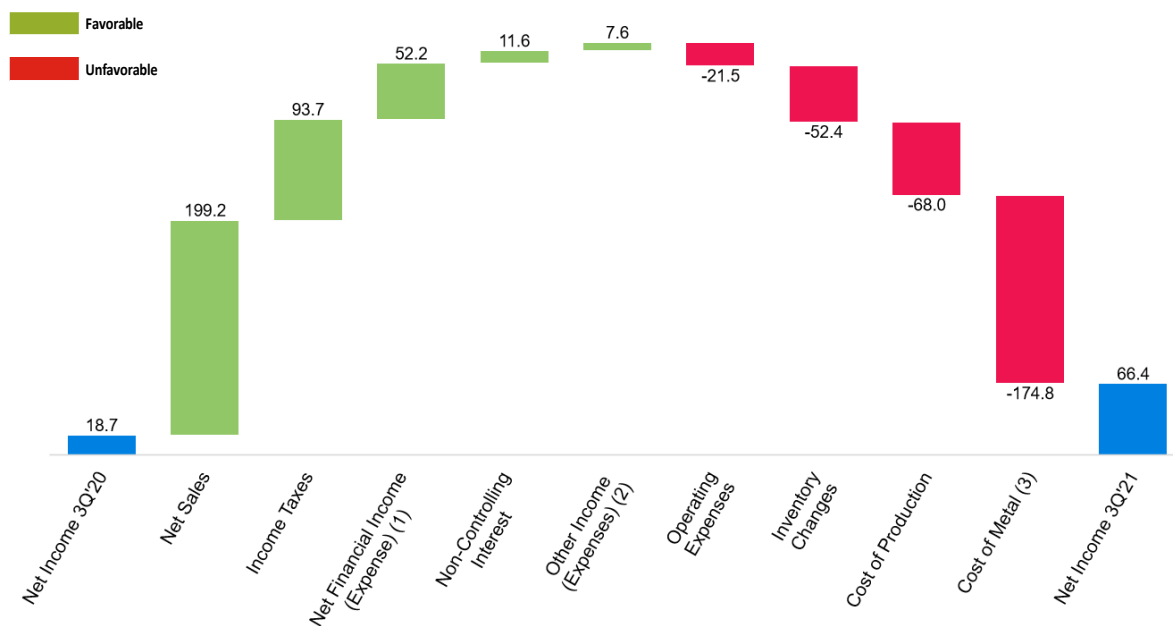
## FINANCIAL HIGHLIGHTS:

(Million US\$)	3Q'21	3Q'20	% Var	YTD 2021	YTD 2020	% Var
Gross Sales	1,443.9	1,253.6	15.2	4,612.4	3,219.7	43.3
Net Sales (1)	1,431.2	1,232.0	16.2	4,553.6	3,203.3	42.2
Gross Profit	313.9	409.8	-23.4	1,259.1	780.4	61.3
Gross Margin	21.9%	33.3%		27.6%	24.4%	
EBITDA (2)(3)	346.1	466.4	-25.8	1,376.2	949.4	45.0
EBITDA Margin	24.2%	37.9%		30.2%	29.6%	
Operating Profit (3)	168.2	285.6	-41.1	829.0	418.8	97.9
Operating Margin	11.8%	23.2%		18.2%	13.1%	
Other Income (Expense) (4)	-0.9	-8.4	-89.8	4.6	-193.2	n.a.
Financial Income (Expense)	-44.4	-96.6	-54.0	-106.2	-173.5	-38.8
Controlling Interest on Net Income	66.4	18.7	254.4	408.3	-289.0	n.a.
Net Margin	4.6%	1.5%		9.0%	-9.0%	

- (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 influence of each item in the financial results on the change in net income from 3Q'20 to 3Q'21 (in millions of US\$):



- (1) *Financial expenses include Exchange result.*
- (2) *Other expenses include impairment losses.*
- (3) *Net of Revenue from Treatment Charges, Income on inventories and other items.*

The variations are explained below:

Quarterly **Net Sales** amounted to US\$1,431.2, up by US\$199.2 (+16.2%) and integrated as follows: +US\$103.2 from higher sold volumes, especially of gold, zinc, copper matte and concentrates; +US\$83.8 attributable to better metal prices, where silver, zinc, and lead stand out, as well as a better realization price in the sale of concentrates; and +US\$3.3 for the sale of other products and services. This accompanied by a lower opportunity cost of hedging in +US\$9.0.

The **Cost of Sales** recorded was US\$1,117.3, representing an increase of +US\$295.1 (+35.9%) explained as follows:

Higher **Cost of Metal** sold by +US\$174.8, mainly due to the effect of higher metal prices and volumes of materials purchased from third-party remitters for processing in metallurgical operations, which was partially mitigated by higher treatment revenues.

Higher **Production Cost** by +US\$68.0, attributable to a larger consumption of inputs due to the faster pace of mining and metallurgical operations, especially in the zinc plant where production increased; greater development works that were carried out in the mines; and higher costs at Capela mining unit, which even though was already operating during 3Q'20, it was doing it at a reduced level whereas in the current quarter it operated at full processing capacity. Moreover, the increase in the prices of some critical inputs – mainly energy–, in addition to the quarterly appreciation of the peso (9.5% on average) were unfavorable when converting the cost of inputs incurred in pesos to US dollars (approximately 50% of the costs originate in pesos).

The most significant variations by cost item were the following:

- Human Capital (+US\$18.1, +27.3%), from salaries and benefits due to the revision of collective bargaining agreements and the assimilation of contractor personnel, as well as the higher cost of overtime from vulnerable personnel who remain under the work-from-home scheme because of the pandemic.
- Maintenance and Repairs (+US\$16.4, +21.8%), due to higher spending on major repairs, and materials for mechanical and electrical repairments.
- Energy (+US\$12.9, +13.2%) mainly due to a greater consumption and higher diesel and natural gas cost.
- Contractors (+US\$12.5, +12.2%), owing to more mining and civil development works, hauling and dumping of ore.
- Other cost items (+US\$10.7, 24.5%) such as raw materials –especially ammonia–, freight, rental of personnel transportation equipment, surveillance, insurance and surety among others.
- Transfer of by-products (-US\$8.0, 34.8%) from by-products that were credited to the cost with a charge to inventories for their treatment.
- Operating Materials (+US\$7.7, +8.7%) due to higher consumption of electrolytic tin, explosives and detonators, lead for alloys, packaging materials, safety equipment and various reagents.
- Depreciation, Amortization and Depletion (-US\$2.7, -1.5%), due to lower investments.

Likewise, there was a charge to the cost of sales from **Inventory Movements** of US\$12.6 –in 3Q'20 there was a credit of -US\$39.8– because of a greater reduction of inventories in process during the quarter.

Due to the above, the 3Q'21 **Gross Profit** of US\$313.9 was lower by -US\$95.9 (-23.4%) compared to US\$409.8 obtained in 3Q'20.

**Operating Expenses (General Expenses)** totaled US\$145.7, an increase of +US\$21.5 (17.3%), in which there was also an unfavorable effect due to the lower average exchange rate in the portion incurred in pesos (mainly Administrative Expenses). The increase was in the following concepts:

- Higher **Administrative Expenses** (+US\$10.9, +18.5%) due to an increase in salaries and benefits, fees paid, memberships and associations, and travel expenses. These raises were recorded because in 3Q'20 expenses were significantly reduced in response to the strong restrictive measures from the health contingency due to the COVID-19 pandemic.
- Higher **Exploration and Geological Expenses** by +US\$7.0 (+19.9%), because field work and drilling in mining projects and units have been gradually resumed, while in 3Q'20 many activities were suspended due to the sanitary contingency.
- Higher **Selling Expenses** (+US\$3.6, +12.0%) due to higher cost in land freight and sold volumes.

Quarterly **EBITDA** of US\$346.1 was unfavorable by -US\$120.3 (-25.8%) compared to that registered during 3Q'20. Likewise, the **Operating Income** of US\$168.2 was lower by -US\$117.4 (-41.1%).

**Other Expenses, net** of US\$0.9 recorded a favorable variation (+US\$7.6) in comparison to other expenses of US\$8.4 registered in the same quarter of the previous year; mainly because of the profit from concentrates sale and a lower loss in the sale of other products and services, nevertheless such benefit was offset by higher expenses at the closed mining units and higher donations; on the contrary, in 3Q'20 there was a loss in the sale of concentrates, materials and waste.

In the **Financial Result**, an expense of US\$44.4 was recorded, representing a favorable figure by -US\$52.2, compared to the expense of US\$96.6 incurred in 3Q'20, as result of:

- **Financial income** of US\$6.7, higher than US\$1.5 (+US\$5.2), mainly due to a profit from the interest rate hedge (+US\$1.8) and other financial income (+US\$2.9).
- **Financial expense** of US\$44.5, lower than US\$91.0 (-US\$46.5), since in 3Q'20 there were updates for US\$21.7, as a result of the voluntary adjustment the Company made to the tax treatment of mining investments made between 2013 and 2019 in its underground mines, as well as US\$25.1 from the early termination of the interest rate hedge over the syndicated loan that was settled in advance with part of the proceeds received from the Company's bond issues at that time. This was partially offset by higher interest on financial debt (+ US\$ 11.2).
- **Exchange rate fluctuation.** The exchange rate result was favorable by +US\$0.6, since in 3Q'21 there was an exchange rate loss of -US\$6.6, whereas the loss in the same quarter of the past year was -US\$7.2. This item comes from the conversion on the balance sheet of monetary assets and liabilities in currencies other than the US dollar, including the Mexican peso.

The **Provision for Income Tax** totaled US\$27.2, a variation of -US\$93.7 compared to the provision of US\$120.9 in 3Q'20. In the current quarter the provision comprise taxes incurred for US\$133.2 and deferred taxes -US\$106.0, while in 3Q'20 the amounts were US\$108.6 and US\$12.2 respectively. The reason for this is that in the base quarter for comparison there was a provision for deferred taxes from the depreciation of the peso against the US dollar, while in 3Q'21 the peso appreciated and the update for the fiscal value in pesos of the assets contributed to the lower provision for deferred taxes.

The **Non-Controlling Interest** in the results of the quarter was US\$25.1, which represents a decrease of -US\$14.4 from the profit obtained in the comparison period, due to the lower results of the subsidiaries with minority interest, mainly Fresnillo plc. On the other hand, the **Interest in the Results of associated companies** and joint ventures had an unfavorable marginal variation of -US \$ 2.8.

Due to the factors described above, quarterly **Net Income of the Controlling Interest** recorded US\$66.4, a positive variation (+US\$47.7, +254.4%) from the US\$18.7 obtained in the same quarter of the previous year.

#### **CASH FLOW:**

At the close of 3Q'21, the Company had **Cash and cash equivalents** for US\$1,693.1, a decrease of -US\$24.5 compared to the cash balance of US\$1,717.6 at the end of 2Q'21 (net of exchange rate fluctuation and translation effect of -US\$1.2).

The most relevant concepts are discussed below:

- 1) **Net cash flows from operating activities** for +US\$160.2. This line item comprises items directly related to the operations, excluding those that have no impact on cash (such as depreciation) and includes working capital, as well as 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\$176.1, comprising:
  - a) Investments in property, plant and equipment for -US\$170.2, highlighting the construction and development of Juanicipio mine and the 14th leaching patio in Herradura. Additionally, it includes the development of amortizable mining works, the construction of tailings dams, the purchase of mining equipment and other fixed assets for the operating units.
  - b) Other concepts for -US\$5.9 that include interest collected, income from the collection of loans from third parties and the sale of fixed assets.
- 3) **Net cash flows from financing activities** of -US\$7.4, derived from:
  - a) Net bank loans of +US\$19.7.
  - b) Capital contributions for +US\$31.8.
  - c) Other concepts, such as loans from associated companies and income from the interest rate hedge for +US\$8.8.
  - d) Interest paid on financial debt -US\$43.5.
  - e) Dividends paid to non-controlling interests for -US\$18.1.
  - f) Payment of lease liabilities -US\$6.1.

## **II. ECONOMIC ENVIRONMENT AND METALS PRICES.**

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

	3Q'21	3Q'20	% Var	YTD 2021	YTD 2020	%Var
Inflation rate for the Period (%):	1.40	1.28		4.88	2.06	
Exchange Rate (peso-dollar):						
Close	20.3060	22.4573	-9.6			
Average	20.0092	22.1055	-9.5	20.1262	21.7746	-7.6

Period	Gold (US\$/Oz)	Silver (US\$/Oz)	Lead (UScts/lb)	Zinc (UScts/lb)	Copper (UScts/lb)
1Q'20	1,583.23	16.87	83.80	96.51	255.74
2Q'20	1,710.51	16.54	75.74	88.88	242.29
3Q'20	1,911.36	24.59	85.10	106.13	295.79
<b>YTD Avg. 2020</b>	<b>1,735.04</b>	<b>19.33</b>	<b>81.55</b>	<b>97.17</b>	<b>264.60</b>
1Q'21	1,797.80	26.29	91.65	124.63	384.58
2Q'21	1,816.49	26.78	96.48	132.26	440.47
3Q'21	1,789.44	24.28	106.18	135.68	425.09
<b>YTD Avg. 2021</b>	<b>1,801.24</b>	<b>25.78</b>	<b>98.10</b>	<b>130.86</b>	<b>416.71</b>
%Var3Q'21 vs 3Q'20	<b>-6.4</b>	<b>-1.2</b>	<b>24.8</b>	<b>27.8</b>	<b>43.7</b>
%Var 3Q'21 vs 2Q'21	<b>-0.5</b>	<b>-7.7</b>	<b>15.9</b>	<b>8.9</b>	<b>10.5</b>

After having experienced a strong rise during the 15 months that followed the initial COVID-19 streak, the rebound in global commodity prices began to lose momentum. The decline observed in the third quarter reflects a variety of factors, including a slowdown in global growth, the spread of the Delta variant of COVID-19, a slower pace of infrastructure and property investment in China, along with the auctions of base metals in this country to weaken the underlying prices and help the Chinese manufacturing sector that has been affected by the prices increases. This was mitigated by the energy crisis in the natural and liquefied natural gas market, particularly in Europe, due to supply disruptions, expectations of a harsh winter in the Northern Hemisphere and lower exports, which caused several smelters –the majority in China– to consider reducing their production capacity due to the high energy costs, thus, putting in doubt the supply of industrial metals.

Additionally, Federal Reserve stood out by announcing that in the absence of a drastic and unforeseen deterioration in economic conditions, it would begin to reduce bond purchases at the end of this year, causing a drop in the precious metal prices during August and September. Even with the quarter decline, gold price remains at historically high levels. The supporting factors for precious metals have been an accommodative global monetary policy, the increase in public debt, concerns regarding a probable real-estate crisis –from the Evergrande case in China–, together with inflation levels above last decade average.

### III. OPERATING RESULTS.

The main factors that had a bearing on the changes in operating results in 3Q'21 with respect to those obtained in 3Q'20 were as follows:

#### **MINING OPERATIONS:**

Production	3Q'21	3Q'20	%Var	YTD 2021	YTD 2020	%Var
Ore Milled (Mton)	3,990	4,054	-1.6	11,975	12,680	-5.6
Ore Mined (*) (Mton)	6,936	6,506	6.6	22,135	18,660	18.6
Gold (oz)	187,450	188,502	-0.6	645,562	591,652	9.1
Silver (koz)	15,377	15,965	-3.7	48,360	46,650	3.7
Lead (ton)	18,402	20,693	-11.1	60,950	62,596	-2.6
Zinc (ton)	69,858	67,716	3.2	208,666	213,937	-2.5
Copper (ton)	2,925	2,064	41.7	8,736	6,317	38.3
Copper Cathodes (ton)	847	2,746	-69.2	2,485	10,756	-76.9

**(\*) Herradura and Noche Buena (open pit mines), and Milpillas in 2020.**

**Gold** (-0.6%): Quarterly production was similar to that obtained in 3Q'20, with higher head grade and recovery in Herradura and higher volume of ore deposited with better grade in Noche Buena; these units almost offset the lower productions in Cienega and San Julian because of lower head grades.

**Silver** (-3.7%): The decrease in production was mainly due to lower head grades at Fresnillo and Saucito, the latter also registered a smaller volume of milled and processed ore. Cienega and Tizapa mining units also obtained lower head grades. The previous deficits were partially offset by San Julian (Disseminated) and Sabinas production, thanks to higher head grades, in addition to the contents from the Juancipio's mineral processed at the Fresnillo beneficiation plant, and the progress in the operations of Capela, with a higher volume of benefited ore.

**Lead** (-11.1%): Quarterly production decreased mainly due to the reduced volume with lower grades processed in Saucito, in addition to lower grades and recoveries in Cienega and Tizapa, and to a lesser extent, the recovery in Capela. Such effects were partially offset by better grades at Fresnillo and San Julian, in conjunction with higher volumes of benefited ore with better grades and recoveries by Sabinas and Juancipio.

**Zinc** (+3.2%): The production of zinc contents was favorable due to higher volumes of ore processed, better grades and recoveries at Capela and Velardeña, as well as a better ore grade at Fresnillo. These mining units compensated for the lower production of Saucito owing to a lower volume benefited with lower grades, and lower volume of processed mineral, grade and recovery in Cienega.

**Copper** (+41.7%): The increase in copper content was attributable to Capela mining unit, where the efficient separation of lead-silver in the flotation circuit has been



improved. Additionally, Sabinas registered a higher volume of ore benefited processing with better head grade, Tizapa presented higher recovery and Velardeña processed a higher volume of ore with better head grade and increased recovery.

**Copper cathodes** (-69.2%): The lower production is a consequence of the suspension of ore extraction in the Milpillas mine, currently only the leaching of the deposited ore continues to recover the copper from the inventories in patios.

### **METALLURGICAL OPERATIONS:**

Production	3Q'21	3Q'20	%Var	YTD 2021	YTD 2020	%Var
Gold (oz)	259,149	217,879	18.9	864,041	682,297	26.6
Silver (koz)	17,243	18,171	-5.1	55,654	51,032	9.1
Lead (ton)	25,021	30,165	-17.1	88,604	81,965	8.1
Zinc (ton)	70,621	57,737	22.3	201,829	188,102	7.3

In the lead-silver circuit there was higher production of gold, mainly due to the reduction of inventories in process and to the fact that in 3Q'20 there was less production of dorés from Noche Buena and Herradura because of the pandemic restrictions.

In 3Q'21, the annual maintenance stoppage was carried out at the Smelter, so the concentrates treated volume was inferior. This resulted in lower lead and silver production. In 2020 the annual stoppage took place in the second quarter.

On the contrary, in the Zinc Plant the volume of treated concentrates was higher, which favored the production of refined zinc. Adjustments to stabilize the interaction of the old plant (Roasting) and the new one (Leaching) continue to reach annual capacity of 350,000 tons of refined zinc production.

### **CHEMICAL OPERATIONS:**

Production	3Q'21	3Q'20	%Var	YTD 2021	YTD 2020	%Var
Sodium sulfate (ton)	188,828	171,201	10.3	565,325	554,255	2.0
Magnesium oxide (ton)	18,398	6,850	168.6	59,260	38,742	53.0
Ammonium sulfate (ton)*	40,890	54,520	-25.0	130,249	140,595	-7.4
Magnesium sulfate (ton)	17,294	16,074	7.6	48,010	47,404	1.3

**\*Does not include maquila.**

Sodium sulfate production was higher than in 3Q'20, because during that period an inventory control strategy was implemented due to the seasonal contraction of demand in the detergent industry, besides the forced suspension of operations at the plant due to the electricity supply failures experienced at the time. In contrast, operating continuity was maintained during 3Q'21.

Magnesium oxide production increased significantly, due to the demand resurgence in the construction and automotive industries. Ammonium sulfate recorded lower production due to the lower availability of sulfuric acid from the smelter, while

magnesium sulfate had an increase in production due a steady demand from the agricultural sector.

## **IV. PROJECTS**

### **Exploration**

The main field works were focused on drilling of three projects, with a total of 9,221 meters (m) drilled. Additionally, research and preparation work were carried out on 18 proprietary projects and 5 third-party projects for their evaluation and direct exploration.

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

This quarter 4,643 m were drilled looking for the extension of the deposit detected in the previous quarter. The body was delimited in its northern and western portion, leaving the potential open to the southern sector. It is intended to achieve mineral resources for 150 Mton of disseminated copper ore. The results to date are encouraging, due to some mineral intersections over 200 m wide and with areas still open to exploration. Metallurgical research is favorable, and work is being done on the integration of 3D models with the information collected.

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

Copper-zinc project located 20 km east of Velardeña unit, in which inferred resources of 19 Mton have been detected. To increase its degree of confidence it is necessary to apply a systematic loop drilling. To achieve the above, a series of mining developments have been projected to locate drilling stations. Contract preparation is currently in process and works are expected to begin in the fourth quarter of the year.

### **Mining Units**

An extensive field survey program was concluded at Sabinas unit and a surface drilling proposal was integrated for areas of interest, currently in process of obtaining official permits. At Capela 2,132 m were drilled in the western portion of the mine. The results obtained indicate the extension of the mineral for 300 m, leaving it open for further growth, starting the systematic drilling stage to estimate resources. In Velardeña, La Industria zone, the extension of the mineralized structures is being drilled with an advance of 2,446 m and positive results, extending the veins for an additional 600 m. In Tizapa, an analysis of the information has been carried out and a work plan has been integrated, including a broad geophysical study to detect exploration targets, which will be carried out by the end of 2021.

### **Other projects**

In Peru, field work has been completed and drilling work will begin in the fourth quarter in the northern portion of the advanced Racaycocha Project. Likewise, drilling is scheduled to begin at the Tambopata polymetallic project. Lastly, the design of the drilling campaign concluded in Chile, and it is scheduled to be carried out in November of this year for the Nemesis projects and in 2022 for Pichasca.

In the areas where we operate, we have been in permanent contact with neighboring communities, they have been given support and training to face the COVID-19 health emergency.

### **Fresnillo plc**

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

The construction of the Juanicipio plant advanced. As the completion of all mechanical equipment installation approaches, the testing period before the startup of key systems has initiated. In the coming weeks it will go from construction to tests in vacuum and with water, and the start-up at full capacity is expected by the end of the year as long as the national electricity grid connects it on time.

As indicated in previous reports, the flotation plant in Fresnillo (Pyrites phase II) was completed in the fourth quarter of 2020 but permits for electricity supply have been delayed due to COVID-19 and certain additional technical requirements from the authorities. Discussions with the Federal Electricity Commission (CFE) and regulatory authorities have resumed, and inspections are expected to take place in the fourth quarter of the year, followed by a six-week period for commissioning and testing prior to the start-up of the plant.

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

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

Peñoles, founded in 1887, is a mining group with integrated operations in smelting and refining non-ferrous metals and the production of chemicals. Peñoles is one of the top two producers of refined silver. It is also the leading Latin American producer of refined gold and lead, and one of the world's most important producers of refined zinc and sodium sulfate.

Peñoles' shares have traded on the Mexican Stock Exchange since 1968 under the ticker symbol PE&OLES, and the stock is a component of the Stock Price Index.

### **Analyst Coverage**

Analytical coverage of Peñoles is provided by Morgan Stanley y Scotiabank.