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## **INDUSTRIAS PEÑOLES, S.A.B. DE C.V. EARNINGS REPORT FOR THE THIRD QUARTER 2023**

Mexico City, October 27, 2023 - 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 third quarter of 2023 (3Q23) and the main variations compared to the same period of 2022 (3Q22).

### **EXECUTIVE SUMMARY**

During the third quarter of 2023 the average prices of most metals increased versus the same period of 2022. Silver (+23.4%) and gold (+11.5%) especially stood out, followed by lead (+9.8%) and copper (+7.9%). However, zinc prices experienced a marked decrease (-25.8%). While concerns over inflation prevailed in 3Q23, it has been declining in several regions compared to 3Q22, in an environment of high interest rates and economic slowdown, but with less fears of a recession as in 3Q22. The strength of zinc in 3Q22 is explained by the stoppage of refineries due to the high cost of energy by the time.

In mining operations, the Juanicipio plant reached its nameplate capacity as planned, with a positive impact on metal contents production. As a result, volume of ore milled by underground units grew 4.2%, compensating for the lower milling at Ciénega (expected in its mining plan) and Sabinas (due to instability problems that limited access to production stopes). On the other hand, volume of ore deposited and processed decreased 41.5%, mainly at the gold open pits Noche Buena, where the mining process has ended as part of its closure, and at Herradura, due to an electrical failure. Milpillás, which produces copper cathodes, partially mitigated these reductions.

Lower volumes processed by Noche Buena and Herradura, lower grades at the latter, and lower grades and recoveries at Saucito, together affected gold production, with a decrease of 15.0% compared to 3Q22. On the other hand, silver production increased 9.5% thanks to the ramp-up of the beneficiation plant at Juanicipio mine, as well as higher ore grades at San Julián (Veins), Capela and Tizapa, the latter two also with higher processing volumes. Lead production increased by 7.1%, due to the ramp-up at Juanicipio, higher grades at Saucito and Capela, and the increase in ore processed by Tizapa. Zinc also grew due to the contribution of Juanicipio, together with the higher volume processed with better grades and metallurgical recoveries in Capela and Tizapa, as well as a better grade obtained by Saucito.

As for copper in concentrates, quarterly output decreased 3.6%, due to lower recovery at Capela, lower volume of ore processed with lower grade at Sabinas and lower grade and recovery at Tizapa. In contrast, copper cathodes production increased 132.8%, because of the restart of operations at Milpillás.

In the metallurgical operations, refined gold production decreased 6.7%, mainly due to lower production at Herradura and Noche Buena. Silver and lead production increased 19.0% and 31.1%, respectively, due to the higher volume of concentrates treated at the

Smelter, since in the same quarter of the previous year there were corrective stoppages in the furnaces. In addition, lead was favored by the consumption of inventories.

At the zinc plant, on the other hand, the annual shutdown for preventive maintenance took place in August this year, whereas in 2022 this process was carried out in May. This, together with several equipment failures after the shutdown, negatively affected the volume of concentrates treated and quarterly zinc production, which decreased by 4.4%. To offset the production deficit, material was purchased from third parties. In addition, the extraordinary program to replace cathodes and anodes in poor condition in electrolysis modules 1 and 3 was completed, which we expect will improve the zinc plant's productivity and efficiency. In addition, as a result of an exhaustive analysis of the recurring failures in this plant, and in order to correct the design problems of the zinc expansion, we took the decision to put out of operation the electrolysis module 2. This will help to recover the efficiency of the circuit, allow the repairs required in this module, and correct the design failures that are being identified in the expansion to reach its design capacity in the medium term.

The chemical business recorded lower production of sodium sulfate (-11.5%) due to lower demand from the detergent sector and logistical problems in railroad distribution. Magnesium oxide production decreased (-22.1%) due to lower demand to the economic slowdown in Europe and China, while magnesium sulfate (-7.1%) was affected by lower demand. Conversely, production of the by-product ammonium sulfate increased (20.0%) due to higher availability of sulfuric acid from the Smelter.

In the financial results, 3Q23 sales revenues increased versus 3Q22, due to higher metal prices (except for zinc) and higher volumes sold, mainly of untreated concentrates due to the zinc plant shutdown, as well as silver, zinc, copper and lead, which were partially offset by lower sales of gold and chemical products, as well as lower income from metal hedges. However, this benefit was outweighed by an increase in cost of sales due to the strong appreciation of the peso against the U.S. dollar (15.7% on average), which adversely impacts production costs incurred in pesos (approximately 50% of such costs are peso-based). This, together with the added costs of the start-up of the Juanicipio beneficiation plant, the Milpillas operation, the ore stripping ratio for Herradura which resulted in a higher volume of material moved as part of the production cost, while in 3Q22 a higher volume was capitalized, and inflation in the basket of inputs for our operations. Similarly, the cost of metal was higher in the quarterly comparison, due to the higher average price of metal inventories charged to cost, and lower treatment revenue received for concentrates and materials from third parties (a concept that is credited to cost of sales). There was also a higher charge for inventory consumption of Juanicipio's stockpile and Noche Buena's leaching patios. Additionally, operating expenses increased, also affected by the peso appreciation and inflation.

Furthermore, the financial result was unfavorable due to higher interest on debt and lower foreign exchange gains, while other expenses increased slightly, mainly from the loss in the sale of other products and services (which in 3Q22 reported income), mitigated by a lower loss in the sale of concentrates. On the contrary, the provision for income taxes was favorable due to the lower result for the period and the effect on deferred taxes generated by the revaluation of the peso against the dollar and inflation in Mexico, which benefit the value in dollar terms of certain assets of the Company for tax purposes.

Due to the aforementioned factors, the financial results obtained by Peñoles in 3Q23 and their variation with respect to those recorded in 3Q22 were as follows (figures in millions): Net Sales US\$1,507.7 (+18.5%), Gross Profit US\$128.1 (-17.1%), EBITDA

US\$118.8 (-29.6%), Operating Loss -US\$57.1 (+581.6%) and Net Income from Controlling Interest US\$15.6, favorable versus the Net Loss of -US\$39.3 recorded in 3Q22.

## 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 3Q23 figures are compared to 3Q22 figures, except where otherwise indicated.

### FINANCIAL HIGHLIGHTS:

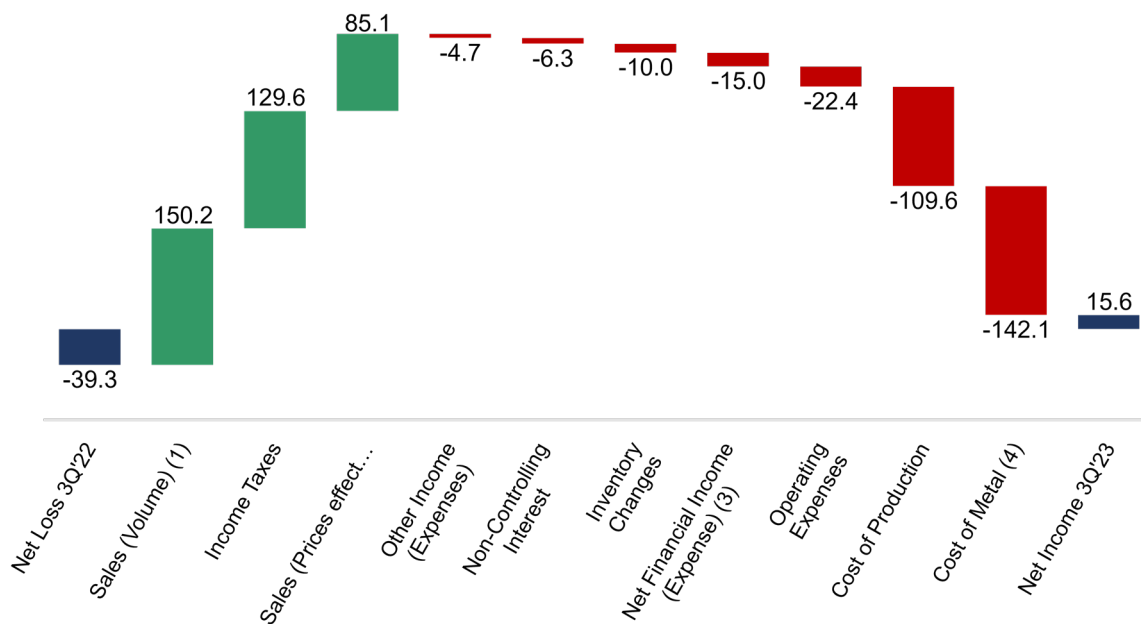
(Millions of dollars)	3Q23	3Q22	% Var	YTD 2023	YTD 2022	% Var
<b>Sales Invoiced</b>	1,505.9	1,265.9	19.0	4,454.7	4,155.3	7.2
<b>Net sales (1)</b>	1,507.7	1,272.4	18.5	4,457.7	4,148.6	7.4
<b>Gross Profit</b>	128.1	154.4	-17.1	605.4	839.4	-27.9
<i>% of sales</i>	8.6%	12.1%		13.7%	20.2%	
<b>EBITDA (2)(3)</b>	118.8	168.6	-29.6	563.4	869.4	-35.2
<i>% of sales</i>	8.0%	13.3%		12.7%	21.0%	
<b>Operating (Loss) Income (3)</b>	-57.1	-8.4	581.6	55.6	364.6	-84.7
<i>% of sales</i>	-3.9%	-0.7%		1.3%	8.8%	
<b>Other (Expenses) Income (4)</b>	-12.8	-8.1	-58.6	-47.1	-15.0	-214.9
<b>Interest Income (Expense), Net</b>	-38.0	-23.1	-64.9	-127.6	-108.9	-17.2
<b>Net Income (Loss) of Controlling Interest</b>	15.6	-39.3	<i>n.a</i>	41.3	106.2	-61.1
<i>% of sales</i>	1.1%	-3.1%		0.9%	2.6%	

- (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 fixed 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 3Q23 compared to the loss recorded in 3Q22:

■ Favorable  
■ Desfavorable



(1) Includes variation from the sale of other products and services.

(2) Includes variation in hedging results.

(3) Financial result includes financial expenses and foreign exchange result.

(4) Cost of metal is presented net of treatment revenue, profit on inventories and other items.

The variations are explained below:

**Net Sales** for 3Q23 totaled US\$1,507.7, a growth of US\$235.3 (+18.5%), derived from:

- Higher volumes sold of concentrates, silver, zinc, copper, copper matte and lead, which offset lower volumes of gold and chemicals (+US\$148.8).
- Higher prices mainly in silver, gold and copper offsetting the drop in zinc prices (+US\$89.8).
- Revenues from the sale of other products and services marginally higher (+US\$1.4).
- This was accompanied by an unfavorable variation in hedging results (-US\$4.7).

**Cost of Sales** amounted to US\$1,379.6, 23.4% higher than that recorded during 3Q22. The increase of +US\$261.6 was due to the following:

- Higher **Production Cost** by +US\$109.6, derived from: (i) the substantial appreciation of the peso against the dollar, which makes costs incurred in pesos more expensive (representing approximately 50% of production costs); (ii) the inflation of our critical inputs, reflected in higher costs of energy, operating materials, maintenance and repairs; and (iii) the start-up of the Juanicipio beneficiation plant, the flotation plant (Pyrites II), as well as the increase in ore extraction and processing at Milpillas, which restarted operations at the end of the second quarter of 2022.

The variations by cost item are detailed below:

- Maintenance and repairs (+US\$26.8, 23.6%) mainly for major and mechanical repairs at the Herradura, Milpillas, Velardeña mines and the Met-Mex metallurgical complex.
- Contractors (+US\$21.0, 18.1%), mainly in the Juanicipio, Ciénega,

- Milpillas and Velardeña mining units, due to higher development and work support, as well as the effect of the lower exchange rate of the peso against the dollar.
- Human Capital (+US\$20.6, 20.7%) about 70% of this increase is attributable to the exchange rate effect, and the rest corresponds to the increase in salaries and adjustment of personnel benefits.
  - Energy (+US\$13.3, 11.0%) mainly in electricity, due to the higher temporary consumption of energy from the Federal Electricity Commission (CFE) -whose cost is higher than that of the Company's power plant portfolio- of some operations that are in the process of migrating from the self-supply scheme to the Wholesale Electricity Market, in addition to the added consumption due to the start-up of the Juanicipio beneficiation plant and the Pyrites II plant, and the effect of the lower exchange rate on electricity costs in pesos. Likewise, the higher price and consumption of diesel in open-pit operations also had an impact on the cost of energy. The above increases were mitigated by lower natural gas costs.
  - Operating Materials (+US\$7.8, 6.8%), in items such as anchors for underground mines, mill shields, tires, hoses and cement.
  - Low value leases (+US\$8.7, 55.9%) for machinery and equipment rentals, mainly in the mining units of Fresnillo plc, which in the same quarter of the previous year had been capitalized.
  - Other items (+US\$11.2, 5.7%) mainly transportation equipment rental, freight, water use rights and higher by-product transfer charges, among others.
- Higher **Cost of Metal Sold** (+US\$142.1), due to higher consumption and prices of inventories charged to cost, including a higher volume of untreated concentrates sold (due to the maintenance stoppage at the zinc plant) and lower revenues from the treatment of such concentrates (which are credited to cost).
  - Charge to cost of sales for **Inventory Movement** was +US\$10.0 higher than that recorded during 3Q22, mainly due to the consumption of inventories of Juanicipio's stockpile.

Because the increase in Cost of Sales was higher than the increase in the Company's Sales, the 3Q23 **Gross Profit** US\$128.1 was lower by -US\$26.4 (-17.1%) than the US\$154.4 profit obtained during 3Q22.

**Operating Expenses (General Expenses)** totaled US\$185.2, an increase of +US\$22.4 (13.7%) from the following items:

- Higher **Administrative and General Expenses** (+US\$8.3, +11.6%) due to the effect of appreciation of the peso against the dollar, especially in the Human Capital item and higher fees paid.
- Higher **Exploration and Geological Expenses** (+US\$8.1, +15.2%) due to the intensification of exploration activities, especially by Fresnillo plc, as well as higher rights and tax payments.
- Higher **Selling Expenses** (+US\$5.9, +15.9%) mainly due to higher inland freight and cargo handling costs.

Quarterly **EBITDA** of US\$118.8 was lower by -US\$49.8 (-29.6%) compared to US\$168.6 in 3Q22. Likewise, in 3Q23, an **Operating Loss** of -US\$57.1 was recorded, unfavorable by -US\$48.7 (-581.6%), compared to the loss recorded in the same quarter of the previous year.

**Other expenses (income), net** incurred during 3Q23 amounted to US\$12.7, higher compared to other expenses of US\$8.1 in 3Q22 (+US\$4.7), explained as follows:

- Other income of US\$0.1, lower (-US\$4.5) than US\$4.6, mainly because in 3Q22 income from the sale of other products and services of US\$3.8 and income from the sale of fixed assets of US\$0.7 were received, both items not recorded in 3Q23.
- Other expenses of US\$12.9, marginally higher than US\$12.7 (+US\$0.2), due to loss on sale of other products and services +US\$2.7, which contrasts with the income received during 3Q22 mentioned in the previous paragraph; higher donations granted +US\$2.1 and remediation expenses in closed mining units +US\$1.8, which were offset by the lower loss on sale of concentrates -US\$8.2.

The **Financial and Exchange Result, net**, had an unfavorable variation (-US\$15.0), as the expense for the period of US\$38.0 was higher than the US\$23.1 expense of the same quarter of the previous year, as a result of:

- **Financial income** of US\$25.2, up from US\$17.9 the previous year (+US\$7.4) mainly due to higher interest earned on investments (+US\$9.9) which offset lower financial income on tax refunds (-US\$1.7) and on the fair value of derivative financial instruments (-US\$0.7).
- **Financial expenses** of US\$64.0 vs US\$48.8 (+US\$15.2), mainly due to higher interest accrued on short-term financial debt (+US\$11.2) and financial charge on mine closure reserves (+US\$4.1).
- **Exchange rate fluctuation.** In terms of exchange translation, the result was unfavorable in -US\$7.2, since in 3Q23 the Company recorded an exchange gain of US\$0.7 compared to US\$7.9 in 3Q22. This item arises from the translation at the balance sheet date exchange rate of monetary assets and liabilities in currencies other than the U.S. dollar, including the Mexican peso.

The **Provision for Income Taxes** was lower by -US\$129.6. In 3Q23, the provision of -US\$147.8 was made up of current taxes of US\$80.7 and deferred taxes of -US\$228.5, while in 3Q22 the same concepts registered US\$96.8 and -US\$115.0, respectively. Current taxes were lower due to lower results for the period, while in the case of deferred taxes, the main reason for the adjustment was the favorable effect of the appreciation of the peso against the US dollar and inflation in Mexico on the Company's tax assets.

**Non-controlling interest** in the quarterly results was a profit of US\$23.7, +US\$5.7 versus the profit of US\$18.0, due to the better results of the subsidiaries with minority interest, Fresnillo plc and Tizapa. On the other hand, **Equity interest in Result of Associates** and Joint Ventures had a variation of -US\$0.6.

Due to the factors described above, in 3Q23 the **Net Income from Controlling Interest** of US\$15.6 was favorable at +US\$54.9 compared to the loss of -US\$39.9 obtained during 3Q22.

## **CASH FLOW:**

At the end of 3Q23, the Company had **Cash and cash equivalents** of US\$1,320.2, a decrease of -US\$87.3 with respect to the balance of US\$1,407.5 at the end of 2Q23 (net of exchange rate fluctuation and translation effect of -US\$2.3).

The most relevant concepts are discussed below:

- 1) **Net cash flows from operating activities** of +US\$101.8. Consisting 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 investment, as well as income taxes, employee profit sharing and equity interest in the results of associates and joint ventures.
- 2) **Net cash flows from investing activities** of -US\$127.3, comprising:
  - a) Investments in property, plant and equipment for -US\$151.9, highlighting the development of depreciable mining works, the construction and strengthening of tailings storage facilities, the stripping at Herradura, as well as the purchase of equipment for the operating units.
  - b) Interest collected +US\$21.7.
  - c) Amount from the sale of fixed assets +\$1.8.
  - d) Other items +US\$1.2 including disbursement and collection of loans to third parties.
- 3) **Net cash flows from financing activities** of -US\$59.5, derived from:
  - a) Short-term loans (contracting and repayment) used to finance working capital needs and amortization of the current portion of long-term debt +US\$29.8.
  - b) Interest paid on financial debt -US\$76.0.
  - c) Payment of lease liabilities -US\$6.0.
  - d) Dividend payment to non-controlling interests -US\$2.5.
  - e) Capital contributions from non-controlling interests and other items -US\$4.8.

## II. ECONOMIC ENVIRONMENT AND METAL PRICES

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

	3Q'23	3Q'22	% Var	YTD 2023	YTD 2022	% Var
<b>Inflation for the period (%):</b>	1.49	2.07		2.88	6.19	
<b>Exchange rate (peso-dollar):</b>						
<b>Close</b>	17.6195	20.3058	-13.2			
<b>Average</b>	17.0601	20.2403	-15.7	17.8282	20.2682	-12.0

Period	Gold (US\$/Oz)	Silver (US\$/Oz)	Lead (UScts/lb)	Zinc (UScts/lb)	Copper (UScts/lb)
1T'22	1,877.16	24.13	105.92	170.27	453.46
2T'22	1,870.58	22.62	99.74	177.56	431.49
3T'22	1,728.91	19.12	89.64	148.39	351.31
<b>YTD 2022</b>	<b>1,824.31</b>	<b>21.93</b>	<b>98.32</b>	<b>165.03</b>	<b>411.13</b>
1T'23	1,889.92	22.51	97.09	141.71	404.92
2T'23	1,943.54	24.24	94.47	112.70	383.92
3T'23	1,928.48	23.59	98.44	110.14	379.02
<b>YTD 2023</b>	<b>1,920.28</b>	<b>23.45</b>	<b>96.70</b>	<b>121.66</b>	<b>389.40</b>
%Var Q3'23 vs. Q3'22	11.5	23.4	9.8	-25.8	7.9
%Var Q3'23 vs. Q2'23	-0.8	-2.7	4.2	-2.3	-1.3
%Var 2023 vs 2022	5.3	6.9	-1.6	-26.3	-5.3

Financial market sentiment deteriorated towards the end of the third quarter, after the Federal Open Market Committee (FOMC) of the Federal Reserve (Fed) decided at its September meeting to keep interest rates high, with the narrative that of another possible rate hike in the last quarter of the year. This contrasted with market expectations of a soft landing of the U.S. economy with the end of the interest rate hike cycle and triggered a massive sell-off in assets. A significant reduction in gold and silver holdings in funds backed by these metals precipitated the price decline, with gold hitting a seven-month low (around US\$/Oz \$1,810). In addition, the strength of the dollar and the rally in Treasury yields contributed to the decline in metals prices. Gold reserve purchases by various central banks partially mitigated this effect.

Despite the gain recorded for lead in the third quarter, base metal prices have continued the downward trend during the year. This is attributed to slower growth in China and weakness in its real estate sector, coupled with the slowdown in Europe's manufacturing and construction industries. Fighting inflation and high interest rates have hampered growth, putting pressure on industrial metals.

### III. OPERATING RESULTS

The main aspects that affected the variations in operating results in 3Q23 compared to 3Q22 are discussed below.

#### **MINING OPERATIONS:**

<b>Production</b>	<b>3Q'23</b>	<b>3Q'22</b>	<b>% Var</b>	<b>YTD. 2023</b>	<b>YTD. 2022</b>	<b>% Var</b>
<b>Milled Ore (kton)</b>	4,255	4,083	4.2	12,296	11,964	2.8
<b>Ore Deposited(*) (kton)</b>	4,534	7,744	-41.5	19,697	21,738	-9.4
<b>Ore Processed (kton)</b>	8,789	11,827	-25.7	31,993	33,702	-5.1
<b>Gold (oz)</b>	149,416	175,761	-15.0	505,977	518,519	-2.4
<b>Silver (koz)</b>	18,703	17,076	9.5	54,007	51,491	4.9
<b>Lead (ton)</b>	22,059	20,600	7.1	62,133	59,937	3.7
<b>Zinc (ton)</b>	74,703	68,602	8.9	205,414	205,622	-0.1
<b>Copper (ton)</b>	2,322	2,410	-3.6	6,958	7,754	-10.3
<b>Cathodic Copper (ton)</b>	3,706	1,592	132.8	9,719	2,791	248.2

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

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

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

During 3Q23, the volume of ore deposited and processed was 41.5% lower than in 3Q22, mainly due to the lack of mining ore at Noche Buena -whose closure process began in May 2023-, as well as lower processing at Herradura, due to an electrical failure. In contrast, the volume of ore milled grew 4.2%, thanks to Juanicipio reaching its nominal capacity as planned, which offset the reduction in volumes of ore milled and beneficiated by Ciénega and Sabinas.

**Gold (-15.0%):** As a result of lower ore processing at Herradura and Noche Buena, gold production decreased compared to 3Q22. This was compounded by lower production at Saucito, due to lower mineral grade and recovery during the period. These factors were



partially mitigated by the higher recovery rate at Herradura and a higher processed volume and better grade at Juanicipio.

**Silver (+9.5%):** The increase in contained silver production is largely attributable to the ramp-up at Juanicipio which significantly increased its volume of ore processing and obtained improvements in grades and metallurgical recovery. Also contributing to this growth were the higher grade at San Julian (Vetas), the higher volume of ore processed with better grade at Capela and higher milling at Tizapa. All these offset lower production at Saucito and San Julián (DOB) due to lower grades, Fresnillo due to lower grades and recoveries, and Ciénega, Herradura and Sabinas due to lower volume of ore processed and lower grades.

**Lead (+7.1%):** Lead production in concentrates increased due to higher ore processing at Juanicipio, with better grades and metallurgical recovery, and also to better grades obtained at Saucito and Capela, in addition to higher ore processed at Tizapa, which offset the lower mineral grades at Fresnillo and Velardeña, as well as the lower volume of ore processed, with lower grades and recovery at Sabinas.

**Zinc (+8.9%):** The growth in zinc production was due to higher ore milling and beneficiation, with better grade and metallurgical recovery at Juanicipio (derived from the ramp-up mentioned above), Capela and Tizapa, as well as the higher ore grade at Saucito, which offset the lower grade at Velardeña (due to the depletion of the Santa María deposit prior to finishing the preparation of higher grade bodies -Antares Sur and La Industria-), and the lower volume processed with a reduction in grade at Sabinas.

**Copper (-3.6%):** The reduction in copper produced in concentrates was caused by lower recoveries at Capela, lower processing volume and ore grade at Sabinas (due to limited access to richer stopes because rock instability in certain areas and higher dilution in the long drill bodies), as well as lower grades and recoveries at Tizapa. These factors offset the higher production grades and recoveries at Velardeña.

**Cathodic copper (+132.8%):** The growth in copper cathode output reflects the resumption of activities at the Milpillas mining unit after its restart in June 2022, with an increase in the volume of ore deposited and recovery rate, which have mitigated the lower grade.

#### **METALLURGICAL OPERATIONS:**

<b>Production</b>	<b>3Q'23</b>	<b>3Q'22</b>	<b>% Var</b>	<b>YTD 2023</b>	<b>YTD 2022</b>	<b>% Var</b>
<b>Gold (oz)</b>	223,337	239,430	-6.7	735,600	752,709	-2.3
<b>Silver (koz)</b>	20,172	16,950	19.0	56,923	53,860	5.7
<b>Lead (ton)</b>	31,471	24,005	31.1	86,504	79,601	8.7
<b>Zinc (ton)</b>	52,516	54,931	-4.4	184,934	167,014	10.7

In the smelter-refinery circuit, there was lower gold production due to the lower production at Herradura and Noche Buena described above. On the other hand, silver and lead production increased, due to a higher volume of concentrates treated at the Smelter, since during 3Q22 corrective shutdowns were carried out at the Smelter furnaces.

Production of refined zinc was lower due to the lower volume of concentrates treated in the zinc circuit because the annual maintenance shutdown took place in August 2023, while in 2022 the shutdown took place in May. Also, after the 3Q23 shutdown, there were several operational failures in roasters and electrolysis, which negatively affected the tonnage of concentrates treated and zinc production.

#### **CHEMICAL OPERATIONS:**

Production	3Q'23	3Q'22	% Var	YTD 2023	YTD 2022	% Var
Sodium sulfate (ton)	170,156	192,338	-11.5	537,411	572,674	-6.2
Magnesium oxide (ton)	17,129	21,989	-22.1	45,493	67,016	-32.1
Ammonium sulfate (ton)* (ton)*	41,654	34,710	20.0	119,156	123,897	-3.8
Magnesium sulfate (ton)	15,532	16,719	-7.1	49,784	48,861	1.9

\*It does not include maquila.

Quarterly sodium sulfate production was lower due to several factors, including lower demand from customers in the detergent sector and logistical problems because of inconsistent availability of railroad hoppers for distribution of this product to our customers. Similarly, the slowdown in demand, in this case from the steel and cement sectors, resulted in lower production of magnesium oxide. Likewise, magnesium sulfate recorded a decrease, as it has been affected by imports of Chinese product.

In contrast, the volume of the by-product ammonium sulfate increased with respect to 3Q22, due to the greater availability of sulfuric acid for its manufacture.

## **IV. PROJECTS**

### **Exploration Highlights**

Quarterly exploration efforts focused on three projects: the Yastai project (Chile), where the second stage of parametric drilling was completed, and the Flobar and Tizapa unit projects, where work continues. Meters drilled year to date totaled 16,526 meters. In addition, geological studies and exploratory work were carried out in 12 of our own prospects and 3 outside prospects to evaluate potential and justify direct exploration or acquisition. The main results are as follows:

#### **Flobar (Sonora).**

Copper and polymetallic project near La Caridad mine. Drilling continues with 2,680 meters in seven drill holes, for a cumulative total of 3,525 meters. Two targets with low copper and molybdenum grades were discarded and drilling continues in an additional zone. In the meantime, geology and geophysics work is being carried out in another area of the project to define new potential targets.

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

Copper-zinc project located 20 km east of the Velardeña unit. Inferred resources have been defined with drilling for 19 million tons of ore, which require infill drilling to convert them to indicated resources and to be able to perform their preliminary economic evaluation. The preparation of drilling stations in the interior of the mine and the permits process for surface work continues, it is estimated to start drilling at the end of October.

## **International Projects.**

In Peru, preparations are underway at the **Racaycocha** Project, Pucajirca sector, to start a drilling campaign. Negotiations continue in the main sector of the project to acquire the land necessary for its development. We maintain good relations with the community.

The second stage of parametric drilling 2023 was completed with an advance of 9,880 meters at the **Yastai** project in Chile. Preliminary results are positive, the ore block model increased 22% in volume and copper equivalent content. A preliminary configuration study of its economics will be carried out. Geological-exploratory work is being carried out on adjacent own lots to define the best drill targets in 2024 and increase the size of the project.

## **Mining Units.**

At the **Tizapa** mine, drilling is being carried out on the extensions of the deposit's polymetallic mantles to support resource growth. The southern extension drill hole cut a shallow, high-grade zinc equivalent body. The deep hole to the northwest cut minimal mineralization in a wide zone delineating the rich bodies to the northwest. Detailed geological and geophysical mapping continues to confirm drill targets in 2024.

## **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.

For information about the development of Fresnillo plc's projects, please 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 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.

