Quarterly Financial Information

[105000] Management commentary

Management commentary [text block]

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

EXECUTIVE SUMMARY

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

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

In the mining division, the increases in the production of silver (12.5%) and gold (9.3%) stand out. In the case of silver, this was due to the better head grades in San Julián, the mineral from the Juanicipio project (processed at the Fresnillo beneficiation plant while the construction of its own plant is in progress), as well as the higher volume and better grades at Capela, which began operations in February 2020.

Gold was favored by higher volumes of ore deposited at Herradura and Noche Buena due to restrictions on mine operations in 2Q20. Lead increased (3.7%), due to higher grades and recoveries in Saucito and San Julián, while zinc production was 4.3% lower, mainly due to the lack of production from Madero and Bismark whose operations, as previously reported, were suspended in April 2020, in addition to the lower head grade at Fresnillo. The productions of Capela, Saucito and San Julián compensated part of these deficits. Regarding copper in concentrates, there was an increase of 28.3%, thanks to the higher volumes of ore benefited with better grades in Sabinas, Capela and Tizapa, the last two also with greater recovery. Copper cathodes produced by Milpillas recorded a volume 79.4% lower, since, as was also reported at the time, the decision was made to suspend extraction at the mine by mid last year and cathodes continues to be produced only from the ore leaching into yard inventory.

In metallurgical operations, there was higher volume of concentrates treated in the Lead Smelter, favoring the quarterly production of refined gold (+ 33.1%), silver (+ 21.3%) and lead (+ 29.2%), conversely in the same quarter last year, lower volume was processed due to a maintenance stoppage. The increase in gold production was also favored by higher contents in concentrates and greater reception and treatment of dorés and other rich materials from Herradura and Noche Buena due to the higher production at these mines. In the case of silver, the increase was also driven by a higher volume of rich materials that entered the Lead-Silver Refinery, mainly precipitates from San Julián due to higher grades at this mine.

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

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

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

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

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

ANNOUNCEMENTS

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

Disclosure of nature of business [text block]

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

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

Disclosure of management's objectives and its strategies for meeting those objectives [text block]

An important part of the Company's growth strategy is exploration and project development. The highlights for the period are discussed below.

Peñoles exploration.

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

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

Fortuna del Cobre (Sonora).

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

Reina del Cobre (Durango).

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

Mining Units.

We completed an extensive field survey program and a surface drilling proposal at the Sabinas unit, which is in process to be authorized.
At the Capela unit, 1,776 m are drilled in the western portion of the mine. The results obtained indicate the extension of the mineral for 300 m, remaining open for further growth, a systematic drilling stage is programmed.

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

Other projects.

In Peru, preparatory field work for drilling in the northern portion of the advanced Racaycocha Project has been completed. Likewise, in Chile, the design of the drilling campaign that is scheduled to be carried out in the Nemesis and Pichasca projects, which will begin when the health emergency allows it, has been completed.
We have been in permanent contact with neighboring communities in the areas where we operate. We also give support and training to face the health emergency caused by Covid-19.

Fresnillo plc

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

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

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

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

For more information about the development of Fresnillo plc projects, visit the page www.fresnilloplc.com.

Disclosure of entity's most significant resources, risks and relationships [text block]

ECONOMIC ENVIRONMENT AND METALS PRICES.

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

	2Q'21	2Q'20	% Var	YTD 2021	YTD 2020	%Var
Inflation rate for the Period (%):	1.06	-0.09		3.43	3.15	
Exchange Rate (peso-dollar):						
Close	19.8027	22.9715	*-13.8*			
Average	20.0503	23.3631	*-14.2*	21.6091	19.2616	*12.2*

Period	Gold (US$/Oz)	Silver (US$/Oz)	Lead (UScts/lb)	Zinc (UScts/lb)	Copper (UScts/lb)
1Q20	1,583.23	16.87	83.80	96.51	255.74
2Q20	1,710.51	16.54	75.74	88.88	242.29
Cum. Avg. 2020	**1,646.87**	**16.71**	**79.77**	**92.70**	**249.01**
1Q21	1,797.80	26.29	91.65	124.63	384.58
2Q21	1,816.49	26.78	96.48	132.26	440.47
Cum. Avg. 2021	**1,807.14**	**26.54**	**94.07**	**128.44**	**412.53**
%Var 2Q21 vs 2Q20	*6.2*	*61.9*	*27.4*	*48.8*	*81.8*
%Var 2Q21 vs 1Q21	*1.0*	*1.9*	*5.3*	*6.1*	*14.5*

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

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

Disclosure of results of operations and prospects [text block]

OPERATING RESULTS

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

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

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

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

Silver (+ 12.5%): The increase in silver contents was mainly due to a higher mineral grade in San Julián (Disseminated), the processing of ore from Juanicipio at the Fresnillo beneficiation plant, as well as progress in operations of Capela and better grades in Sabinas. This was partially offset by lower production at Saucito and Fresnillo due to lower grades and ore processed.

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

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

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

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

METALLURGICAL OPERATIONS:

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

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

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

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

CHEMICAL OPERATIONS:

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

***Does not include maquila.**

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

Financial position, liquidity and capital resources [text block]

FINANCIAL RESULTS

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

FINANCIAL HIGHLIGHTS:

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

(1) Includes the results of hedging metal prices.

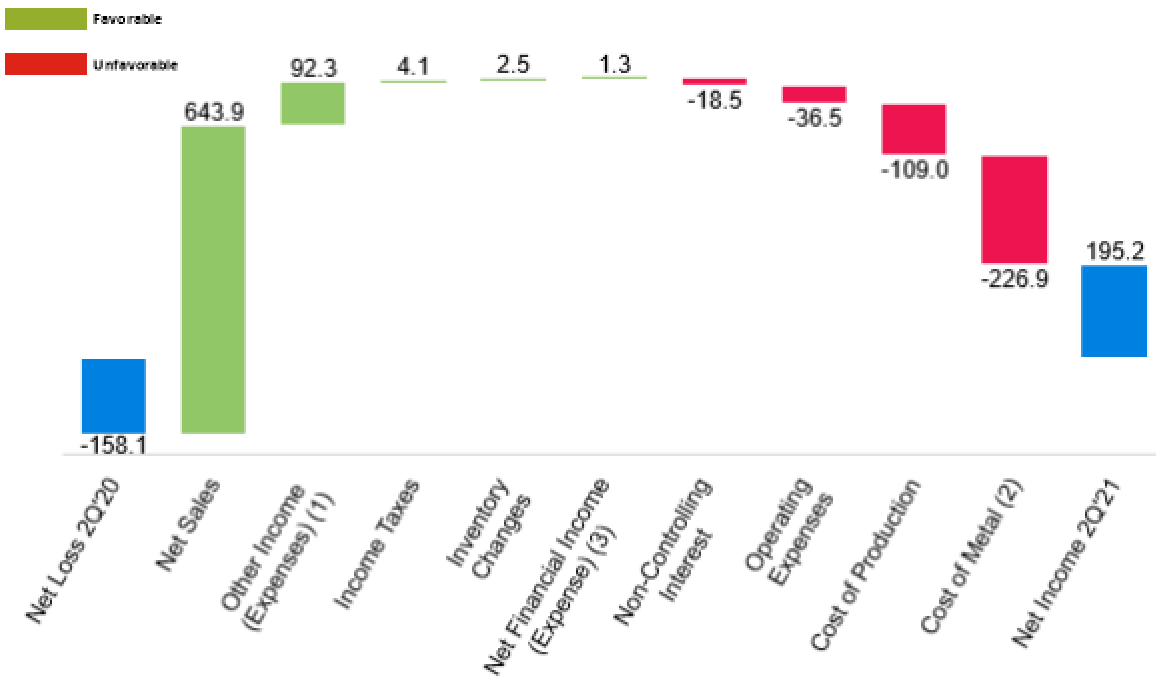
(2) Earnings before Interest Expense, Taxes, Depreciation and Amortization.

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

(4) Includes impairment losses.

INCOME STATEMENT:

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



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

(2) Financial expenses include Exchange result

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

The variations are explained below:

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

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

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

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

The main variations by cost item were the following:

- Energy (+ US $ 29.2, + 34.3%) due to higher diesel consumption and price increases in electricity and natural gas. In the case of electricity, the increase was derived from the transmission costs in addition to an adjustment in variable costs according to the provisions of the power supply agreement with Termoeléctrica Peñoles.

- Contractors (+ US $ 24.1, + 26.2%), due to development work in mining and civil works, hauling and dumping of ore, especially in the Herradura and Noche Buena operations.

- Operating Materials (+ US $ 17.5, + 22.2%), mainly due to higher consumption of explosives and detonators, tires and tubes, lead for alloys and various reagents.

- Maintenance and Repairs (+ US $ 10.9, + 15.3%), due to higher spending on major repairs, mechanical and electrical repair materials.

- Depreciation, Amortization and Depletion (+ US $ 9.5, + 5.5%), due to the entry into operation of the Capela mine and the higher rate of operation.

- Raw Materials (+ US $ 5.0, 61.3%) mainly due to higher cost of ammonia.

- Human Capital (+ US $ 5.6, + 7.7%), in salaries, wages and benefits regarding the revision of collective bargaining contracts, as well as the higher cost in overtime because vulnerable personnel remain at home due to the pandemic.

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

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

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

- **Administrative Expenses** (+ US $ 17.2, + 30.4%) due to increases in salaries and benefits, fees, travel expenses, fees and associations that were partially offset by lower office expenses. In 2Q20 expenses were significantly reduced because of the health contingency related to Covid-19 pandemic.

- **Exploration and Geological Expenses**, by + US $ 11.8 (+ 35.7%), because field work and drilling in mining projects and units have been gradually resumed, while in 2Q20 most activities were suspended due to the health contingency.

- **Selling Expenses** (+ US $ 7.5, + 29.7%) for land freight, extraordinary mining rights, royalties, and other market expenses generated by the increase in volumes sold.

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

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

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

- **Financial income** of US $ 7.1, below US $ 10.3 (-US $ 3.2), mainly due to result on interest rate swaps (-US $ 1.8), and lower interest income (-US $ 1.5).

- **Financial expense** of US $ 43.4, higher than US $ 33.4 (+ US $ 9.9), mainly due to higher interest accrued on financial debt, because in the third quarter of 2020 the Company and its subsidiary Fresnillo plc carried out debt restructurings, increasing the debt balance and maturities, thus producing higher interest provision.

- **Exchange rate fluctuation**. In terms of conversion, the variation was + US $ 14.6, since in 2Q21 an exchange gain in US $ 2.0 was recorded, while there was an exchange loss of -US $ 12.6 in same quarter of the previous year. This item comes from the conversion at the exchange rate on the balance sheet date of monetary assets and liabilities in currencies other than the US dollar, including the Mexican peso.

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

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

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

CASH FLOW:

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

The most relevant concepts are discussed below:

1) **Net cash flows from operating activities** of + US $ 321.8. This line item is made up of items directly related to the operation without considering those that do not have an impact on cash (such as depreciation) and includes working capital, as well income taxes, employee profit sharing and participation in the results of associated companies and joint ventures.

2) **Net cash flows from investing activities** of -US $ 128.7, comprising:

   a. Investments in property, plant and equipment -US $ 154.5, highlighting the construction and development of the Juanicipio mine and the leaching pad 14 in Herradura. Additionally, it includes the development of amortizable mining works, the construction of tailings deposits, the purchase of mining equipment and other fixed assets for the operating units.

   b. Income from the sale of property, plant and equipment + US $ 22.0, of which US $ 20.0 came from the sale of the El Monte unit.

   c. Other items + US $ 3.7 from interest collected, loans to third parties and purchase of intangible assets.

3) **Net cash flows from financing activities** of -US $ 85.5, derived from:

   a. Dividends paid to non-controlling interests -US $ 62.8.

   b. Interest paid on financial debt -US $ 28.7.

c. Loans from partners and other items + US $13.6.

d. Short term bank loans, net -US$ 1.4.

e. Payment of lease liabilities -US$ 6.2.

Internal control [text block]

Industrias Peñoles, S.A.B. de CV, maintains an Internal Control System whose objective is to reasonably guarantee to shareholders, the financial community and other interest groups that accounting transactions and disclosures are in accordance with the applicable regulation (internal and external), that internal controls are made up of procedures that promote the reliability and transparency of financial and operational records and reports, the protection of assets and the adequate management of existing critical risks as well as those emerging. In accordance with article 28, section III of the Securities Market Law (LMV), the General Director is responsible for maintaining the Internal Control System. This task is carried out with the support of the entities that make up the three lines of defense: On the one hand, those responsible for the processes, the different committees and governing bodies that include the operational and administrative divisions (each in the scope of their responsibilities), and as a third line of defense is Internal Audit, which performs an independent function by reporting directly to the Audit and Corporate Governance Committee of Industrias Peñoles and its objective is to evaluate the effectiveness of the Internal Control System and the degree of regulatory compliance based on the main risks. Additionally, there is the independent validation of the external auditor.

The effectiveness of the Internal Control System resides in an organizational structure with a clear segregation of responsibilities through the different business processes, in its business ethics that is reflected in the code of conduct and the institutional values of Confidence, Responsibility, Integrity. and Loyalty (CRIL) and in the establishment of policies and procedures that are aligned with the 10 organizational strategies of Peñoles. In compliance with the provisions of the LMV, Industrias Peñoles, S.A.B. de C.V., has an Audit and Corporate Governance Committee, which meets quarterly and renders an annual report to the Board of Directors on the status of the Internal Control System, in addition to monitoring the reports of the internal and external auditor; and other government entities such as the Compliance Department and the Finance Department. The report of the Committee for fiscal year 2020 was submitted for approval by the Annual Ordinary Shareholders' Meeting. To strengthen its ethical culture in all its interactions with its stakeholders, Peñoles offers an institutional reporting mechanism called "Línea Correcta" to employees and third parties for reporting unethical conduct that goes against the provisions of the Code of conduct. This line is available continuously and is managed by an independent third party to ensure confidentiality and anonymity; Each report is treated in accordance with the internal procedures defined by the Corporate Values and Ethics Committee.

Disclosure of critical performance measures and indicators that management uses to evaluate entity's performance against stated objectives [text block]

The Company determines performance indicators on sales as indicated in the Financial position, liquidity and capital resources section described above. Internally, the Balance Score Card is used to measure compliance with the established objectives.

[110000] General information about financial statements

Ticker:	PE&OLES
Period covered by financial statements:	2021-01-01 al 2021-06-30
Date of end of reporting period:	2021-06-30
Name of reporting entity or other means of identification:	PE&OLES
Description of presentation currency:	USD
Level of rounding used in financial statements:	THOUSANDS OF AMERICAN DOLLARS
Consolidated:	Yes
Number of quarter:	2
Type of issuer:	ICS
Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period:	
Description of nature of financial statements:	

Disclosure of general information about financial statements [text block]

Follow-up of analysis [text block]

Peñoles has analysis coverage from Morgan Stanley and Scotiabank

[210000] Statement of financial position, current/non-current

Concept	Close Current Quarter 2021-06-30	Close Previous Exercise 2020-12-31
Statement of financial position [abstract]		
Assets [abstract]		
Current assets [abstract]		
Cash and cash equivalents	1,717,645,000	1,592,650,000
Trade and other current receivables	675,652,000	541,065,000
Current tax assets, current	139,386,000	75,916,000
Other current financial assets	18,553,000	18,111,000
Current inventories	1,647,576,000	1,560,608,000
Current biological assets	0	0
Other current non-financial assets	27,758,000	27,085,000
Total current assets other than non-current assets or disposal groups classified as held for sale or as held for distribution to owners	4,226,570,000	3,815,435,000
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners	0	8,346,000
Total current assets	4,226,570,000	3,823,781,000
Non-current assets [abstract]		
Trade and other non-current receivables	10,797,000	5,108,000
Current tax assets, non-current	0	0
Non-current inventories	91,620,000	91,620,000
Non-current biological assets	0	0
Other non-current financial assets	240,776,000	232,549,000
Investments accounted for using equity method	0	0
Investments in subsidiaries, joint ventures and associates	36,532,000	32,160,000
Property, plant and equipment	4,613,317,000	4,671,553,000
Investment property	0	0
Right-of-use assets that do not meet definition of investment property	97,961,000	102,829,000
Goodwill	0	0
Intangible assets other than goodwill	17,211,000	19,523,000
Deferred tax assets	321,229,000	271,308,000
Other non-current non-financial assets	0	0
Total non-current assets	5,429,443,000	5,426,650,000
Total assets	9,656,013,000	9,250,431,000
Equity and liabilities [abstract]		
Liabilities [abstract]		
Current liabilities [abstract]		
Trade and other current payables	509,174,000	392,088,000
Current tax liabilities, current	130,738,000	176,868,000
Other current financial liabilities	273,193,000	398,652,000
Current lease liabilities	14,760,000	15,640,000
Other current non-financial liabilities	0	0
Current provisions [abstract]		
Current provisions for employee benefits	0	0
Other current provisions	0	0
Total current provisions	0	0
Total current liabilities other than liabilities included in disposal groups classified as held for sale	927,865,000	983,248,000
Liabilities included in disposal groups classified as held for sale	0	10,937,000
Total current liabilities	927,865,000	994,185,000
Non-current liabilities [abstract]		
Trade and other non-current payables	0	0
Current tax liabilities, non-current	4,713,000	9,771,000

Concept	Close Current Quarter 2021-06-30	Close Previous Exercise 2020-12-31
Other non-current financial liabilities	2,869,473,000	2,883,540,000
Non-current lease liabilities	89,897,000	92,711,000
Other non-current non-financial liabilities	0	0
Non-current provisions [abstract]		
Non-current provisions for employee benefits	70,143,000	66,338,000
Other non-current provisions	463,550,000	449,737,000
Total non-current provisions	533,693,000	516,075,000
Deferred tax liabilities	261,364,000	223,611,000
Total non-current liabilities	3,759,140,000	3,725,708,000
Total liabilities	4,687,005,000	4,719,893,000
Equity [abstract]		
Issued capital	401,399,000	401,399,000
Share premium	0	0
Treasury shares	0	0
Retained earnings	3,510,761,000	3,168,865,000
Other reserves	(41,165,000)	(97,911,000)
Total equity attributable to owners of parent	3,870,995,000	3,472,353,000
Non-controlling interests	1,098,013,000	1,058,185,000
Total equity	4,969,008,000	4,530,538,000
Total equity and liabilities	9,656,013,000	9,250,431,000

[310000] Statement of comprehensive income, profit or loss, by function of expense

Concept	Accumulated Current Year 2021-01-01 - 2021-06-30	Accumulated Previous Year 2020-01-01 - 2020-06-30	Quarter Current Year 2021-04-01 - 2021-06-30	Quarter Previous Year 2020-04-01 - 2020-06-30
Profit or loss [abstract]				
Profit (loss) [abstract]				
Revenue	3,122,346,000	1,971,366,000	1,574,224,000	930,276,000
Cost of sales	2,177,241,000	1,600,808,000	1,058,515,000	725,166,000
Gross profit	945,105,000	370,558,000	515,709,000	205,110,000
Distribution costs	63,836,000	51,996,000	32,984,000	25,430,000
Administrative expenses	220,446,000	185,327,000	118,257,000	89,348,000
Other income	29,239,000	6,704,000	24,236,000	4,708,000
Other expense	23,805,000	191,490,000	13,414,000	86,151,000
Profit (loss) from operating activities	666,257,000	(51,551,000)	375,290,000	8,889,000
Finance income	25,810,000	15,989,000	8,873,000	10,254,000
Finance costs	87,618,000	92,734,000	43,367,000	45,921,000
Share of profit (loss) of associates and joint ventures accounted for using equity method	(792,000)	(1,007,000)	259,000	(474,000)
Profit (loss) before tax	603,657,000	(129,303,000)	341,055,000	(27,252,000)
Tax income (expense)	161,118,000	162,137,000	84,359,000	88,568,000
Profit (loss) from continuing operations	442,539,000	(291,440,000)	256,696,000	(115,820,000)
Profit (loss) from discontinued operations	0	0	0	0
Profit (loss)	442,539,000	(291,440,000)	256,696,000	(115,820,000)
Profit (loss), attributable to [abstract]				
Profit (loss), attributable to owners of parent	341,896,000	(307,786,000)	195,200,000	(158,073,000)
Profit (loss), attributable to non-controlling interests	100,643,000	16,346,000	61,496,000	42,253,000
Earnings per share [text block]				
Earnings per share [abstract]				
Earnings per share [line items]				
Basic earnings per share [abstract]				
Basic earnings (loss) per share from continuing operations	0.86	(0.77)	0.49	(0.4)
Basic earnings (loss) per share from discontinued operations	0	0	0	0
Total basic earnings (loss) per share	0.86	(0.77)	0.49	(0.4)
Diluted earnings per share [abstract]				
Diluted earnings (loss) per share from continuing operations	0.01	0.01	0.01	0.01
Diluted earnings (loss) per share from discontinued operations	0	0	0	0
Total diluted earnings (loss) per share	0.01	0.01	0.01	0.01

[410000] Statement of comprehensive income, OCI components presented net of tax

Concept	Accumulated Current Year 2021-01-01 - 2021-06-30	Accumulated Previous Year 2020-01-01 - 2020-06-30	Quarter Current Year 2021-04-01 - 2021-06-30	Quarter Previous Year 2020-04-01 - 2020-06-30
Statement of comprehensive income [abstract]				
Profit (loss)	442,539,000	(291,440,000)	256,696,000	(115,820,000)
Other comprehensive income [abstract]				
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax [abstract]				
Other comprehensive income, net of tax, gains (losses) from investments in equity instruments	5,759,000	14,308,000	42,653,000	40,850,000
Other comprehensive income, net of tax, gains (losses) on revaluation	0	0	0	0
Other comprehensive income, net of tax, gains (losses) on remeasurements of defined benefit plans	0	0	0	0
Other comprehensive income, net of tax, change in fair value of financial liability attributable to change in credit risk of liability	0	0	0	0
Other comprehensive income, net of tax, gains (losses) on hedging instruments that hedge investments in equity instruments	0	0	0	0
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss, net of tax	0	0	0	0
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	5,759,000	14,308,000	42,653,000	40,850,000
Components of other comprehensive income that will be reclassified to profit or loss, net of tax [abstract]				
Exchange differences on translation [abstract]				
Gains (losses) on exchange differences on translation, net of tax	3,148,000	(31,859,000)	6,542,000	3,744,000
Reclassification adjustments on exchange differences on translation, net of tax	0	0	0	0
Other comprehensive income, net of tax, exchange differences on translation	3,148,000	(31,859,000)	6,542,000	3,744,000
Available-for-sale financial assets [abstract]				
Gains (losses) on remeasuring available-for-sale financial assets, net of tax	0	0	0	0
Reclassification adjustments on available-for-sale financial assets, net of tax	0	0	0	0
Other comprehensive income, net of tax, available-for-sale financial assets	0	0	0	0
Cash flow hedges [abstract]				
Gains (losses) on cash flow hedges, net of tax	53,778,000	8,956,000	(3,934,000)	(55,570,000)
Reclassification adjustments on cash flow hedges, net of tax	0	0	0	0
Amounts removed from equity and included in carrying amount of non-financial asset (liability) whose acquisition or incurrence was hedged highly probable forecast transaction, net of tax	0	0	0	0
Other comprehensive income, net of tax, cash flow hedges	53,778,000	8,956,000	(3,934,000)	(55,570,000)
Hedges of net investment in foreign operations [abstract]				
Gains (losses) on hedges of net investments in foreign operations, net of tax	0	0	0	0
Reclassification adjustments on hedges of net investments in foreign operations, net of tax	0	0	0	0
Other comprehensive income, net of tax, hedges of net investments in foreign operations	0	0	0	0
Change in value of time value of options [abstract]				
Gains (losses) on change in value of time value of options, net of tax	0	0	0	0
Reclassification adjustments on change in value of time value of options, net of tax	0	0	0	0
Other comprehensive income, net of tax, change in value of time value of options	0	0	0	0
Change in value of forward elements of forward contracts [abstract]				
Gains (losses) on change in value of forward elements of forward contracts, net of tax	0	0	0	0
Reclassification adjustments on change in value of forward elements of forward contracts, net of tax	0	0	0	0
Other comprehensive income, net of tax, change in value of forward elements of forward contracts	0	0	0	0
Change in value of foreign currency basis spreads [abstract]				
Gains (losses) on change in value of foreign currency basis spreads, net of tax	0	0	0	0

Concept	Accumulated Current Year 2021-01-01 - 2021-06-30	Accumulated Previous Year 2020-01-01 - 2020-06-30	Quarter Current Year 2021-04-01 - 2021-06-30	Quarter Previous Year 2020-04-01 - 2020-06-30
Reclassification adjustments on change in value of foreign currency basis spreads, net of tax	0	0	0	0
Other comprehensive income, net of tax, change in value of foreign currency basis spreads	0	0	0	0
Financial assets measured at fair value through other comprehensive income [abstract]				
Gains (losses) on financial assets measured at fair value through other comprehensive income, net of tax	0	0	0	0
Reclassification adjustments on financial assets measured at fair value through other comprehensive income, net of tax	0	0	0	0
Amounts removed from equity and adjusted against fair value of financial assets on reclassification out of fair value through other comprehensive income measurement category, net of tax	0	0	0	0
Other comprehensive income, net of tax, financial assets measured at fair value through other comprehensive income	0	0	0	0
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss, net of tax	(2,896,000)	(4,133,000)	1,389,000	(3,699,000)
Total other comprehensive income that will be reclassified to profit or loss, net of tax	54,030,000	(27,036,000)	3,997,000	(55,525,000)
Total other comprehensive income	59,789,000	(12,728,000)	46,650,000	(14,675,000)
Total comprehensive income	502,328,000	(304,168,000)	303,346,000	(130,495,000)
Comprehensive income attributable to [abstract]				
Comprehensive income, attributable to owners of parent	398,642,000	(323,356,000)	231,193,000	(190,163,000)
Comprehensive income, attributable to non-controlling interests	103,686,000	19,188,000	72,153,000	59,668,000

[520000] Statement of cash flows, indirect method

Concept	Accumulated Current Year 2021-01-01 - 2021-06-30	Accumulated Previous Year 2020-01-01 - 2020-06-30
Statement of cash flows [abstract]		
Cash flows from (used in) operating activities [abstract]		
Profit (loss)	442,539,000	(291,440,000)
Adjustments to reconcile profit (loss) [abstract]		
+ Discontinued operations	0	0
+ Adjustments for income tax expense	161,118,000	162,137,000
+ (-) Adjustments for finance costs	71,082,000	133,413,000
+ Adjustments for depreciation and amortisation expense	369,270,000	349,740,000
+ Adjustments for impairment loss (reversal of impairment loss) recognised in profit or loss	3,859,000	151,230,000
+ Adjustments for provisions	31,443,000	18,904,000
+ (-) Adjustments for unrealised foreign exchange losses (gains)	(23,303,000)	(47,225,000)
+ Adjustments for share-based payments	0	0
+ (-) Adjustments for fair value losses (gains)	0	0
- Adjustments for undistributed profits of associates	0	0
+ (-) Adjustments for losses (gains) on disposal of non-current assets	(13,908,000)	(335,000)
	792,000	1,007,000
+ (-) Adjustments for decrease (increase) in inventories	(89,878,000)	(32,819,000)
+ (-) Adjustments for decrease (increase) in trade accounts receivable	(72,407,000)	22,737,000
+ (-) Adjustments for decrease (increase) in other operating receivables	(70,001,000)	112,986,000
+ (-) Adjustments for increase (decrease) in trade accounts payable	(15,315,000)	23,855,000
+ (-) Adjustments for increase (decrease) in other operating payables	46,554,000	(54,250,000)
+ Other adjustments for non-cash items	2,266,000	25,261,000
+ Other adjustments for which cash effects are investing or financing cash flow	0	0
+ Straight-line rent adjustment	0	0
+ Amortization of lease fees	0	0
+ Setting property values	0	0
+ (-) Other adjustments to reconcile profit (loss)	0	0
+ (-) Total adjustments to reconcile profit (loss)	401,572,000	866,641,000
Net cash flows from (used in) operations	844,111,000	575,201,000
- Dividends paid	0	0
	0	0
- Interest paid	0	0
+ Interest received	0	0
+ (-) Income taxes refund (paid)	309,460,000	115,695,000
+ (-) Other inflows (outflows) of cash	0	0
Net cash flows from (used in) operating activities	534,651,000	459,506,000
Cash flows from (used in) investing activities [abstract]		
+ Cash flows from losing control of subsidiaries or other businesses	0	0
- Cash flows used in obtaining control of subsidiaries or other businesses	0	0
+ Other cash receipts from sales of equity or debt instruments of other entities	0	0
- Other cash payments to acquire equity or debt instruments of other entities	0	0
+ Other cash receipts from sales of interests in joint ventures	0	0
- Other cash payments to acquire interests in joint ventures	0	0
+ Proceeds from sales of property, plant and equipment	23,092,000	1,172,000
- Purchase of property, plant and equipment	305,387,000	256,847,000
+ Proceeds from sales of intangible assets	0	0
- Purchase of intangible assets	6,127,000	2,367,000
+ Proceeds from sales of other long-term assets	0	0
- Purchase of other long-term assets	0	0

Concept	Accumulated Current Year 2021-01-01 - 2021-06-30	Accumulated Previous Year 2020-01-01 - 2020-06-30
+ Proceeds from government grants	0	0
- Cash advances and loans made to other parties	9,000	(232,000)
+ Cash receipts from repayment of advances and loans made to other parties	28,237,000	502,000
- Cash payments for futures contracts, forward contracts, option contracts and swap contracts	0	0
+ Cash receipts from futures contracts, forward contracts, option contracts and swap contracts	0	0
+ Dividends received	0	0
- Interest paid	0	0
+ Interest received	9,567,000	12,070,000
	0	0
+ (-) Other inflows (outflows) of cash	(8,060,000)	0
Net cash flows from (used in) investing activities	(258,687,000)	(245,238,000)
Cash flows from (used in) financing activities [abstract]		
+ Proceeds from changes in ownership interests in subsidiaries that do not result in loss of control	0	0
- Payments from changes in ownership interests in subsidiaries that do not result in loss of control	0	0
+ Proceeds from issuing shares	0	0
+ Proceeds from issuing other equity instruments	0	0
- Payments to acquire or redeem entity's shares	0	0
- Payments of other equity instruments	(32,000)	(27,000)
+ Proceeds from borrowings	249,952,000	170,032,000
- Repayments of borrowings	285,089,000	15,628,000
- Payments of finance lease liabilities	0	0
- Payments of lease liabilities	12,390,000	15,500,000
+ Proceeds from government grants	0	0
- Dividends paid	62,808,000	21,812,000
- Interest paid	59,809,000	57,673,000
+ (-) Income taxes refund (paid)	0	0
+ (-) Other inflows (outflows) of cash	16,556,000	25,097,000
Net cash flows from (used in) financing activities	(153,556,000)	84,543,000
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	122,408,000	298,811,000
Effect of exchange rate changes on cash and cash equivalents [abstract]		
Effect of exchange rate changes on cash and cash equivalents	2,587,000	(3,403,000)
Net increase (decrease) in cash and cash equivalents	124,995,000	295,408,000
Cash and cash equivalents at beginning of period	1,592,650,000	526,347,000
Cash and cash equivalents at end of period	1,717,645,000	821,755,000

[610000] Statement of changes in equity - Accumulated Current

Sheet 1 of 3	Components of equity [axis]								
	Issued capital [member]	Share premium [member]	Treasury shares [member]	Retained earnings [member]	Revaluation surplus [member]	Reserve of exchange differences on translation [member]	Reserve of cash flow hedges [member]	Reserve of gains and losses on hedging instruments that hedge investments in equity instruments [member]	Reserve of change in value of time value of options [member]
Statement of changes in equity [line items]									
Equity at beginning of period	401,399,000	0	0	3,168,865,000	0	(80,428,000)	(84,657,000)	0	0
Changes in equity [abstract]									
Comprehensive income [abstract]									
Profit (loss)	0	0	0	341,896,000	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	(1,290,000)	53,778,000	0	0
Total comprehensive income	0	0	0	341,896,000	0	(1,290,000)	53,778,000	0	0
Issue of equity	0	0	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	341,896,000	0	(1,290,000)	53,778,000	0	0
Equity at end of period	401,399,000	0	0	3,510,761,000	0	(81,718,000)	(30,879,000)	0	0

	Components of equity [axis]								
Sheet 2 of 3	Reserve of change in value of forward elements of forward contracts [member]	Reserve of change in value of foreign currency basis spreads [member]	Reserve of gains and losses on financial assets measured at fair value through other comprehensive income [member]	Reserve of gains and losses on remeasuring available-for-sale financial assets [member]	Reserve of share-based payments [member]	Reserve of remeasurements of defined benefit plans [member]	Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets or disposal groups held for sale [member]	Reserve of gains and losses from investments in equity instruments [member]	Reserve of change in fair value of financial liability attributable to change in credit risk of liability [member]
Statement of changes in equity [line items]									
Equity at beginning of period	0	0	99,592,000	0	0	(32,418,000)	0	0	0
Changes in equity [abstract]									
Comprehensive income [abstract]									
Profit (loss)	0	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	4,258,000	0	0	0	0	0	0
Total comprehensive income	0	0	4,258,000	0	0	0	0	0	0
Issue of equity	0	0	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	4,258,000	0	0	0	0	0	0
Equity at end of period	0	0	103,850,000	0	0	(32,418,000)	0	0	0

	Components of equity [axis]							
Sheet 3 of 3	Reserve for catastrophe [member]	Reserve for equalisation [member]	Reserve of discretionary participation features [member]	Other comprehensive income [member]	Other reserves [member]	Equity attributable to owners of parent [member]	Non-controlling interests [member]	Equity [member]
Statement of changes in equity [line items]								
Equity at beginning of period	0	0	0	0	(97,911,000)	3,472,353,000	1,058,185,000	4,530,538,000
Changes in equity [abstract]								
Comprehensive income [abstract]								
Profit (loss)	0	0	0	0	0	341,896,000	100,643,000	442,539,000
Other comprehensive income	0	0	0	0	56,746,000	56,746,000	3,043,000	59,789,000
Total comprehensive income	0	0	0	0	56,746,000	398,642,000	103,686,000	502,328,000
Issue of equity	0	0	0	0	0	0	32,000	32,000
Dividends recognised as distributions to owners	0	0	0	0	0	0	63,890,000	63,890,000
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	0	56,746,000	398,642,000	39,828,000	438,470,000
Equity at end of period	0	0	0	0	(41,165,000)	3,870,995,000	1,098,013,000	4,969,008,000

[610000] Statement of changes in equity - Accumulated Previous

Sheet 1 of 3	Components of equity [axis]								
	Issued capital [member]	Share premium [member]	Treasury shares [member]	Retained earnings [member]	Revaluation surplus [member]	Reserve of exchange differences on translation [member]	Reserve of cash flow hedges [member]	Reserve of gains and losses on hedging instruments that hedge investments in equity instruments [member]	Reserve of change in value of time value of options [member]
Statement of changes in equity [line items]									
Equity at beginning of period	401,399,000	0	0	3,203,249,000	0	(70,361,000)	(16,548,000)	0	0
Changes in equity [abstract]									
Comprehensive income [abstract]									
Profit (loss)	0	0	0	(307,786,000)	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	(35,844,000)	9,485,000	0	0
Total comprehensive income	0	0	0	(307,786,000)	0	(35,844,000)	9,485,000	0	0
Issue of equity	0	0	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	(307,786,000)	0	(35,844,000)	9,485,000	0	0
Equity at end of period	401,399,000	0	0	2,895,463,000	0	(106,205,000)	(7,063,000)	0	0

	Components of equity [axis]								
Sheet 2 of 3	Reserve of change in value of forward elements of forward contracts [member]	Reserve of change in value of foreign currency basis spreads [member]	Reserve of gains and losses on financial assets measured at fair value through other comprehensive income [member]	Reserve of gains and losses on remeasuring available-for-sale financial assets [member]	Reserve of share-based payments [member]	Reserve of remeasurements of defined benefit plans [member]	Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets or disposal groups held for sale [member]	Reserve of gains and losses from investments in equity instruments [member]	Reserve of change in fair value of financial liability attributable to change in credit risk of liability [member]
Statement of changes in equity [line items]									
Equity at beginning of period	0	0	46,262,000	0	0	(37,050,000)	0	0	0
Changes in equity [abstract]									
Comprehensive income [abstract]									
Profit (loss)	0	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	10,789,000	0	0	0	0	0	0
Total comprehensive income	0	0	10,789,000	0	0	0	0	0	0
Issue of equity	0	0	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	10,789,000	0	0	0	0	0	0
Equity at end of period	0	0	57,051,000	0	0	(37,050,000)	0	0	0

	Components of equity [axis]							
Sheet 3 of 3	Reserve for catastrophe [member]	Reserve for equalisation [member]	Reserve of discretionary participation features [member]	Other comprehensive income [member]	Other reserves [member]	Equity attributable to owners of parent [member]	Non-controlling interests [member]	Equity [member]
Statement of changes in equity [line items]								
Equity at beginning of period	0	0	0	0	(77,697,000)	3,526,951,000	960,941,000	4,487,892,000
Changes in equity [abstract]								
Comprehensive income [abstract]								
Profit (loss)	0	0	0	0	0	(307,786,000)	16,346,000	(291,440,000)
Other comprehensive income	0	0	0	0	(15,570,000)	(15,570,000)	2,842,000	(12,728,000)
Total comprehensive income	0	0	0	0	(15,570,000)	(323,356,000)	19,188,000	(304,168,000)
Issue of equity	0	0	0	0	0	0	27,000	27,000
Dividends recognised as distributions to owners	0	0	0	0	0	0	26,255,000	26,255,000
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	0	(15,570,000)	(323,356,000)	(7,040,000)	(330,396,000)
Equity at end of period	0	0	0	0	(93,267,000)	3,203,595,000	953,901,000	4,157,496,000

[700000] Informative data about the Statement of financial position

Concept	Close Current Quarter 2021-06-30	Close Previous Exercise 2020-12-31
Informative data of the Statement of Financial Position [abstract]		
Capital stock (nominal)	401,399,000	401,399,000
Restatement of capital stock	0	0
Plan assets for pensions and seniority premiums	128,239,000	122,979,000
Number of executives	59	52
Number of employees	4,722	4,655
Number of workers	9,175	8,825
Outstanding shares	397,475,747	397,475,747
Repurchased shares	15,789,000	15,789,000
Restricted cash	0	0
Guaranteed debt of associated companies	0	0

[700002] Informative data about the Income statement

Concept	Accumulated Current Year 2021-01-01 - 2021-06-30	Accumulated Previous Year 2020-01-01 - 2020-06-30	Quarter Current Year 2021-04-01 - 2021-06-30	Quarter Previous Year 2020-04-01 - 2020-06-30
Informative data of the Income Statement [abstract]				
Operating depreciation and amortization	369,270,000	349,740,000	185,158,000	176,118,000

[700003] Informative data - Income statement for 12 months

Concept	Current Year 2020-07-01 - 2021-06-30	Previous Year 2019-07-01 - 2020-06-30
Informative data - Income Statement for 12 months [abstract]		
Revenue	5,824,289,000	4,201,483,000
Profit (loss) from operating activities	1,279,356,000	27,543,000
Profit (loss)	823,580,000	(245,867,000)
Profit (loss), attributable to owners of parent	615,298,000	(309,665,000)
Operating depreciation and amortization	730,748,000	703,298,000

[800001] Breakdown of credits

Institution [axis]	Foreign institution (yes/no)	Contract signing date	Expiration date	Interest rate	Denomination [axis]											
					Domestic currency [member]						Foreign currency [member]					
					Time interval [axis]						Time interval [axis]					
					Current year [member]	Until 1 year [member]	Until 2 years [member]	Until 3 years [member]	Until 4 years [member]	Until 5 years or more [member]	Current year [member]	Until 1 year [member]	Until 2 years [member]	Until 3 years [member]	Until 4 years [member]	Until 5 years or more [member]
Banks [abstract]																
Foreign trade																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Banks - secured																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Commercial banks																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Other banks																
Crédit Agricole Corporate and Investment Bank (scheme ECA)	SI	2017-06-22	2026-09-30	Libor 6 months + 0.94%							9,203,000	0	9,274,000	9,391,000	9,555,000	14,476,000
TOTAL					0	0	0	0	0	0	9,203,000	0	9,274,000	9,391,000	9,555,000	14,476,000
Total banks																
TOTAL					0	0	0	0	0	0	9,203,000	0	9,274,000	9,391,000	9,555,000	14,476,000
Stock market [abstract]																
Listed on stock exchange - unsecured																
Unsecured bonds issued by Fresnillo plc	SI	2013-11-13	2023-11-13	5.38%										316,683,000	0	
Unsecured bonds issued by Fresnillo plc.	SI	2020-10-02	2050-10-02	4.18%											0	828,583,000
Unsecured bonds issued by IPSAB	SI	2019-09-12	2049-09-12	5.53%											0	534,603,000
Unsecured bonds issued by IPSAB.	SI	2019-09-12	2029-09-12	4.06%											0	534,603,000
Unsecured bonds issued by IPSAB .	SI	2020-08-06	2050-08-06	4.72%											0	501,736,000
Unsecured bonds issued by IPSAB .	SI	2020-08-06	2029-09-12	4.06%											0	100,347,000
TOTAL					0	0	0	0	0	0	0	0	0	316,683,000	0	2,499,872,000
Listed on stock exchange - secured																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Private placements - unsecured																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Private placements - secured																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Total listed on stock exchanges and private placements																
TOTAL					0	0	0	0	0	0	0	0	0	316,683,000	0	2,499,872,000
Other current and non-current liabilities with cost [abstract]																
Other current and non-current liabilities with cost																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Total other current and non-current liabilities with cost																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Suppliers [abstract]																
Suppliers																
Metals and Maquilas to Pay	NO	2021-06-30	2021-08-31								4,215,000	0				
Mineral Senders	NO	2021-06-30	2021-09-30								127,981,000	0				
Foreing Mineral Senders	SI	2021-06-30	2021-09-30								1,548,000	0				
National Metals Division	NO	2021-06-22	2021-07-08								5,761,000	0				

Institution [axis]	Foreign institution (yes/no)	Contract signing date	Expiration date	Interest rate	Denomination [axis]											
					Domestic currency [member]						Foreign currency [member]					
					Time interval [axis]						Time interval [axis]					
					Current year [member]	Until 1 year [member]	Until 2 years [member]	Until 3 years [member]	Until 4 years [member]	Until 5 years or more [member]	Current year [member]	Until 1 year [member]	Until 2 years [member]	Until 3 years [member]	Until 4 years [member]	Until 5 years or more [member]
Foreing Metals Division	SI	2021-05-24	2021-07-22								13,034,000	0				
National Mine Division	NO	2021-06-11	2021-07-08								1,640,000	0				
Foreing Mine Division	SI	2021-05-24	2021-07-01								212,000	0				
National Chemical Division	NO	2021-06-11	2021-07-08								16,000	0				
Foreing Chemical Division	SI	2021-06-03	2021-07-01								37,000	0				
National Corporate Division	NO	2021-06-10	2021-07-01								0	0				
Foreing Corporate Division	SI	2021-06-21	2021-07-01								29,382,000	0				
Metals Division	NO	2021-06-08	2021-07-08		15,125,000	0										
Mine Division	NO	2021-06-15	2021-07-08		124,280,000	0										
Chemical Division	NO	2021-06-16	2021-07-15		10,939,000	0										
Corporate Division	NO	2021-06-23	2021-07-01		4,878,000	0										
TOTAL					155,222,000	0	0	0	0	0	183,826,000	0	0	0	0	0
Total suppliers																
TOTAL					155,222,000	0	0	0	0	0	183,826,000	0	0	0	0	0
Other current and non-current liabilities [abstract]																
Other current and non-current liabilities																
Other liabilities	NO				235,071,000	0	0				28,919,000	0	10,222,000			
TOTAL					235,071,000	0	0	0	0	0	28,919,000	0	10,222,000	0	0	0
Total other current and non-current liabilities																
TOTAL					235,071,000	0	0	0	0	0	28,919,000	0	10,222,000	0	0	0
Total credits																
TOTAL					390,293,000	0	0	0	0	0	221,948,000	0	19,496,000	326,074,000	9,555,000	2,514,348,000

[800003] Annex - Monetary foreign currency position

Disclosure of monetary foreign currency position [text block]

Exchange rates June 2021 for conversions of the following currencies to national currency:

- Dollar USD	19.8027
- British Pounds	27.5475
- Swedish Krona	2.3271
- Euros	23.6395
- Canadian Dollar	16.1031

	Currencies [axis]				
	Dollars [member]	Dollar equivalent in pesos [member]	Other currencies equivalent in dollars [member]	Other currencies equivalent in pesos [member]	Total pesos [member]
Foreign currency position [abstract]					
Monetary assets [abstract]					
Current monetary assets	1,933,834,000	38,295,127,000	9,050,000	179,219,000	38,474,346,000
Non-current monetary assets	44,180,000	874,877,000	0	0	874,877,000
Total monetary assets	1,978,014,000	39,170,004,000	9,050,000	179,219,000	39,349,223,000
Liabilities position [abstract]					
Current liabilities	318,015,000	6,297,564,000	14,329,000	283,747,000	6,581,311,000
Non-current liabilities	2,921,320,000	57,850,016,000	0	0	57,850,016,000
Total liabilities	3,239,335,000	64,147,580,000	14,329,000	283,747,000	64,431,327,000
Net monetary assets (liabilities)	(1,261,321,000)	(24,977,576,000)	(5,279,000)	(104,528,000)	(25,082,104,000)

[800005] Annex - Distribution of income by product

	Income type [axis]			
	National income [member]	Export income [member]	Income of subsidiaries abroad [member]	Total income [member]
Peñoles				
Gold	50,502,000	939,278,000	126,565,000	1,116,345,000
Silver	11,047,000	154,230,000	809,855,000	975,132,000
Zinc	166,854,000	86,409,000	173,312,000	426,575,000
Concentrates	1,721,000	287,638,000	0	289,359,000
Lead	101,640,000	34,754,000	8,471,000	144,865,000
Copper matte	23,671,000	37,241,000	0	60,912,000
Sodium Sulfate	47,385,000	4,776,000	869,000	53,030,000
Magnesium Oxide	8,503,000	14,857,000	2,811,000	26,171,000
Copper	472,000	12,965,000	4,207,000	17,644,000
Ammonium Sulfate	17,639,000	0	0	17,639,000
Magnesium Hydroxide	1,719,000	6,317,000	3,017,000	11,053,000
Sulfuric Acid	6,640,000	1,010,000	0	7,650,000
Magnesium Sulfate	5,729,000	0	83,000	5,812,000
Copper Sulfate	4,220,000	0	165,000	4,385,000
Zinc Sulfate	3,372,000	0	0	3,372,000
Antimony Trioxide	905,000	0	0	905,000
Other Products	7,014,000	740,000	(94,000)	7,660,000
Hedges	(3,679,000)	(42,484,000)	0	(46,163,000)
TOTAL	455,354,000	1,537,731,000	1,129,261,000	3,122,346,000

[800007] Annex - Financial derivate instruments

Management discussion about the policy uses of financial derivate instruments, explaining if these policies are allowed just for coverage or for other uses like trading [text block]

DERIVATIVES FINANCIAL INSTRUMENTS SUMMARY
AS OF 2021 SECOND QUARTER
(FIGURES IN THOUSANDS OF AMERICAN DOLLARS, SWEDISH KRONOR, EUROS AND STERLING POUNDS)

Due to the nature of its business and exposures, Grupo Peñoles uses Financial Derivatives Instruments (FDI) for hedging purposes to reduce the variability of its cash flows and operational margins due to various factors, such as:

I. Price Fluctuations of:

Metals it produces (silver, gold, zinc, lead, and copper)

Inputs and row material that it consumes and/or refines (mineral concentrates, natural gas, etc.)

II. Financial variables of:

Interest rate and currency different than the functional of its liabilities.

Foreign Exchange in commercial and financial transactions.

By using FDI, Grupo Peñoles transfers the market risk of the foregoing variables to its financial counterparties. To mitigate its counterparty credit risk, Grupo Peñoles has entered into agreements only with well-known and financially strong financial institutions and assesses periodically their credit profile. That said, Grupo Peñoles currently does not foresee any of its counterparties to default on their obligations and thus does not consider it necessary to create any reserves for counterparty risk.

Grupo Peñoles trades derivatives in an “Over the Counter” (OTC) market. To trade FDI, the Company has credit lines with approximately 30 financial counterparties’, of which, a quarter of them are margin call free. It is important to mention, that Grupo Peñoles decisions on hedging allocations are based on diversification among all of its counterparties with the intention of making an efficient use of the existing credit lines, minimizing potential margin calls and reducing the credit/liquidity risk due to high volatility scenarios.

Compliance of the hedging process and policies is verified through internal and external auditing; for the moment, the review of procedures by an independent third party has not been considered necessary.

Grupo Peñoles Senior Management has an active participation in the analysis, authorization and monitoring of the different FDI strategies, therefore, the company’s Board of Directors has appointed a Hedging Committee that gathers once every two months, according to a proposed calendar at the beginning of each year, but also as frequent as the Finance Department summons it. In every session, a memorandum containing all the agreements reached is prepared.

The Hedging Committee has the following responsibilities:

I. Analyze and approve hedging strategies for the different assets and liabilities according to the desired budget and risk profiles.

II. Analyze the behavior of the different financial markets in wich Grupo Peñoles participates or that could affect company’s FDI hedging portfolio performance.

III. Analyze the outstanding positions of our hedged underlying’s (hedged percentage, tenor, valuation, etc.)

IV. Analyze and authorize counterparty risk with whom we can trade FDI.

Grupo Peñoles Senior Management maintains a conservative position authorizing mainly “Plain Vanilla” hedging strategies, encouraging risk management through constant effectiveness valuations and the permanent review of the hedged underlying asset vs the derivative, verifying that no significant deviations are taking place.

As part of the internal control, policies and procedures for the use of FDI have been established and are periodically reviewed for their corresponding update.

There are strict control and monitoring through a daily report of the authorized, executed, current and pending FDI positions issued by the Treasury and Financing Department, supported by the approval of the Senior Management.

General description about valuation techniques, standing out the instruments valuated at cost or fair value, just like methods and valuation techniques [text block]

Grupo Peñoles has the necessary infrastructure to value all of its FDI through a treasury software called Integrity and internal valuation models. It is worth mentioning that the Treasury and Financing Department is responsible for the valuation of the FDI and the results are used for hedge accounting purposes. The valuation technique is based on Black and Scholes model for options and present value for forwards and swaps. Grupo Peñoles has a strict discipline of valuating on a daily basis its FDI portfolio and the results are shared with the Senior Management with the same frequency. Market inputs of all underlying's used to valuate, are updated daily through Bloomberg and Reuters as a source of information. In other matters, Grupo Peñoles periodically validates and compares the outstanding position through electronic means with all its financial counterparties whom these positions are held. The Company also performs periodic mark to market sensibility analysis by underlying and financial counterparty with the intention of diversifying the counterparty risk and minimizing potential margin calls.

The company continuously prepares hedge accounting information based on IFRS 9.

Management discussion about intern and extern sources of liquidity that could be used for attending requirements related to financial derivate instruments [text block]

As of June 30, 2021, Grupo Peñoles did not have any margin calls related with FDI so no collateral, pledge or financial instruments were given as a guarantee of the derivatives positions. It is important to mention that if needed, Grupo Peñoles has internal liquidity resources available and credit lines with different financial counterparties to face potential margin calls. The settlements and new FDI traded during this period are consistent in the notional and economic relevance of the ones previously informed.

Since January 2011, Grupo Peñoles Senior Management decided to adopt the International Financial Reporting Standard´s (IFRS). For this reason, files that classify the different financial instruments traded are being prepared, updated and constantly monitored to identify possible deviations or changes in the commodities and comply with the applicable regulations.

The underlying assets characteristics are the same as of those derivatives traded, therefore no ineffectiveness is expected. Grupo Peñoles maintains strict control, management, and monitoring of the portion hedged according to the commodity in order to avoid ineffectiveness under this concept.

Changes and management explanation in principal risk exposures identified, as contingencies and events known by the administration that could affect future reports [text block]

Grupo Peñoles acknowledges its FDI as financial assets and/or liabilities and are valued at fair value. The results of hedging strategies that qualify as cash flow hedges are recognized as comprehensive income and affect the income statement until the underlying settlement day, as part of sales, cost of sales or the comprehensive financing accordingly. It is worth mentioning that the characteristics of Grupo Peñoles FDIs are equal to the primary underlying asset position, therefore the changes in the fair value or the cash flows attributable to the risk being hedged will be fully compensated at the beginning, during and until the expiration of the hedge. If there is any ineffective portion in the fair value fluctuations of cash flow hedges, this will be recognized in the results of the period.

Since 2018, with IFRS 9 (International Financial Reporting Standard) adoption, the time value component of options and forward points have been considered as hedging cost and reported as other comprehensive income.

Quantitative information for disclosure [text block]

Below the list of active financial counterparties with whom Grupo Peñoles has an outstanding FDI position as of June 30, 2021:

Banco Santander (México), S.A. Institución de Banca Múltiple Grupo Financiero Santander.
Bank of America Merrill Lynch
Bank of America Mexico S.A. Institución de Banca Múltiple
BBVA Bancomer, S.A., Institución de Banca Multiple, Grupo Financiero BBVA Bancomer
BMO Financial Group
BNP Paribas
Canadian Imperial Bank of Commerce
Citibank N.A. New York
Credit Agricole Corporate and Investment Bank
Goldman Sachs (J. Aron & Company LLC)
HSBC Bank USA, National Association
ING Capital Markets LLC
Koch Metals Trading Limited
Macquarie Bank Limited
Mitsui Bussan Commodities LTD
Morgan Stanley Capital Group Inc.
Natixis
Scotiabank Inverlat, S.A. Institución de Banca Múltiple
The J.P. Morgan Chase. Bank
The Toronto-Dominion Bank
UBS Investment Bank

The fair value of the cash flow hedging derivatives as of June 30, 2021, is $44,189 ($30,933 net of deferred income tax), registered as stockholders' equity as part of other comprehensive loss; from this amount, Grupo Peñoles estimates to reclassify in the twelve following months $79,749 ($55,824 net of deferred income tax) of FDI loss to income statement. The aforementioned income statement represents the accrual fair value change of cash flow hedging financial instruments and it will be dependent on the underlying prices at settlement.

In the second quarter of 2021 and 2020, IFD's cash flow hedging operations together generated a net income (loss) of ($55,230) and $409 respectively.

The following table shows the volume that has expired during 2021 second quarter.

Overdue Hedged Volume					
Commodity	**April**	**May**	**June**	**Total**	**Unit**
Gold	152.53	136.26	153.17	441.96	Oz (Thousands)
Silver	5,202.51	5,316.94	4,419.48	14,938.94	Oz (Thousands)
Zinc	3.98	102.45	51.14	157.56	Ton (Thousands)
Lead	--	11.82	5.89	17.71	Ton (Thousands)
Copper	0.05	2.41	1.65	4.11	Ton (Thousands)
Natural Gas	200	200	200	600	MMbtu (Thousands)
Swedish krona	--	--	5,049.94	5,049.94	Sek (Thousands)
Euros	--	--	15,810.11	15,810.11	Eur (Thousands)
Sterling Pounds	--	--	27,309.65	27,309.65	USD (Thousands)

Notes: The table does not include Interest Rate Swaps coupon settlements neither Cross Currency Swaps. The maturity periodicity is mentioned in the summary of derivatives.

As of June 31, 2021, the following 36 months outstanding hedging position is:

Commodity	**Maximum Hedging Percentage (%)**		
	2021	**2022**	**2023**
Silver**	39.94	0.92	--
Gold**	35.22	9.02	--
Zinc**	19.81	5.03	--
Copper**	4.39	--	--
Natural Gas	32.54	--	--
Euros*	88.64	--	--
Swedish Krona*	100.00	--	--

* Percentage calculated based on the currency hedging needs of the Supply Department of the company which are above to the equivalent of USD 500 thousand and the zinc leaching expansion project.

** Percentage calculated based on the annual budgeted mining production of metallic contents of Grupo Peñoles.

Under IFRS regulation, the FDI that compensates hedging cash flow should be registered as hedge accounting and, its effect under income statement should be recognized until the underlying that originated these hedges shows its effects in the income statement. Intrinsic and the time value of Options should be identified and registered as hedging costs on other comprehensive income. As of June 30, 2021, the time value of outstanding options is $-203 thousand dollars and, the credit in the income statement under the last six months represents a credit to results of $203 thousand dollars.

As of June 30, 2021, the Company had the following cash flow hedging strategy summary:

a) Metal Price hedging program (Strategic and Refinery)

Objective: Grupo Peñoles enters into hedging transactions to offset the US dollar income associated with unfavorable market prices of the metals it extracts and to protect the profit margin of the refinery and mines. With this, Peñoles intends to assure the continuity of its operation.

Underlying: all metal content in concentrates, dores and precipitates that it produces (Silver, Gold, Zinc, Lead, and Copper).

Strategy: Hedge up to 100% of the annual estimated production of refined metal. The most frequent FDI traded are: forwards and options (purchase of put option financed with the sale of a call option).

As of June 30, 2021, the Company established the following FDI that hedges 2021 and 2022 expected production:

Instrument	Silver		Gold		Zinc	
	Price (US$/Oz)	Volume (thousands of ounces)	Price (US$/Oz)	Volume (thousands of ounces)	Price (US$/Ton)	Volume (tons)
Forward Purchase	26.67	1,258.48	1,785.13	108.55	2,990.44	45,322.00
Forward Sale	26.52	2,331.19	1,774.01	7.04	2,990.25	45,122.00
Put Purchase	17.98	14,439.60	1,589.59	210.75	2,510.93	41,060.00
Call Sale	28.25	14,439.60	2,059.13	210.75	3,069.44	41,060.00

Instrument	Lead		Copper	
	Price (US$/Ton)	Volume (tons)	Price (US$/Ton)	Volume (tons)
Forward Purchase	2,131.53	3,817.00	9,774.31	2,579.00
Forward Sale	2,123.24	3,817.00	9,771.96	2,579.00
Put Purchase	--	--	6,670.00	300
Call Sale	--	--	7,947.50	300

Note: The prices shown at the above table reflect the weighted average sale or purchase price of forwards and for options the weighted average strike price.

b) Natural Gas hedging program

Objective: Grupo Peñoles uses hedging instruments to stabilize expenditures in dollars associated with the movement in the price of natural gas it consumes. With this, it seeks to guarantee the continuity of its operation.

Underlying: Natural Gas.

Strategy: Hedge up the annual natural gas estimated consumption. The FDI traded are: buy of forwards.

As of June 30, 2021, the Company established the following FDI that hedges part of future purchases:

Instrument	Price (USD/MMbtu)	Thousands of MMbtu
Forward Purchase	2.55	1,200

c) Foreign Exchange hedging program

USD/EUR:

Objective: Grupo Peñoles uses hedging instruments to mitigate the exchange effect in the acquisition of assets in Euros.

Underlying: Euros.

Strategy: To hedge up to the 100% of the assets amount with future delivery under a currency different to the US Dollar. The most frequent FDI traded is: sell and buy of forwards.

As of June 30, 2021, the Company established the following FDI that hedges part of future assets payments under Euro:

Instrument	Exchange rate (USD/EUR)	Amount (Thousands EUR)
Forward Purchase	1.2192	18,423.43
Forward Sale	1.1944	1,312.29

Note: The prices shown in the table correspond to the weighted average purchase prices as well as the weighted average sales prices in the case of forward instruments.

SEK/USD:

Objective: Grupo Peñoles uses hedging instruments to mitigate the exchange effect in Swedish Krona assets purchases.

Underlying: Swedish Krona.

Strategy: To hedge up to the 100% of the assets amount with future delivery under a currency different to the US Dollar. The most frequent FDI traded is: sell and buy of forwards.

As of June 30, 2021, the Company established the following FDI that hedges part of future assets payments under Swedish Krona:

Instrument	Exchange rate (SEK/USD)	Amount (Thousands SEK)
Forward Purchase	8.2527	5,049.94

Note: The prices shown in the table correspond to the weighted average purchase prices in the case of forwards instruments.

d) Metal Price Hedge Program

Objective: Grupo Peñoles uses hedging instruments to minimize the difference between sale and buy prices on the commercialization of refined metal.

Underlying: Silver, Gold, Zinc, Lead, and Copper.

Strategy: To hedge up to the 100% of the refined metal that is commercialized. The most frequent FDI traded are: forwards.

As of June 30, 2021, the Company established the following FDI that hedges its commercial operations of 2021 and 2022.

Instrument	Silver		Gold		Zinc	
	Price (US$/Oz)	Volume (thousands of ounces)	Price (US$/Oz)	Volume (thousands of ounces)	Price (US$/Ton)	Volume (tons)
Forward Sale	27.04	1,200	1,813.74	10	2,874.26	158,930
Forward Purchase	26.99	601	--	--	2,886.34	139,617

Instrument	Lead		Copper	
	Price (US$/Ton)	Volume (tons)	Price (US$/Ton)	Volume (tons)
Forward Sale	2,169.37	2,324	--	--
Forward Purchase	2,051.06	1,750	--	--

Note: The prices shown in the above table represent the weighted average prices for the sale or purchase of forward instruments.

e) Interest rate hedging program

Objective: Grupo Peñoles uses hedging instruments to stabilize the borrowing costs of debt and potential financing needs when the corresponding interest rate has a floating component.

Underlying: Floating debt component.

Strategy: Hedge 100% of the floating interest rate component of the outstanding debt using an Export Credit Agency (ECA) mechanism. Its main characteristics are described on its respective note.

Instrument: Interest rate swap where the Company pays fixed and receives floating of the underlying, applied to outstanding notional.

As of June 30, 2021, the Company established the following FDI that hedges the outstanding notional, which amortizes until September 2026.

Instrument	Rate (weighted)	Amount hedged in thousands (*)	Tenor	Interest payment	Amortization	Credit
Fixed rate swap	2.0355% (Peñoles pays)	US$53,440.60	5.25 years	Biannual	17 bi-annuals on September 2018	ECA

[800100] Notes - Subclassifications of assets, liabilities and equities

Concept	Close Current Quarter 2021-06-30	Close Previous Exercise 2020-12-31
Subclassifications of assets, liabilities and equities [abstract]		
Cash and cash equivalents [abstract]		
Cash [abstract]		
Cash on hand	66,000	67,000
Balances with banks	53,373,000	31,794,000
Total cash	53,439,000	31,861,000
Cash equivalents [abstract]		
Short-term deposits, classified as cash equivalents	0	0
Short-term investments, classified as cash equivalents	1,664,206,000	1,560,789,000
Other banking arrangements, classified as cash equivalents	0	0
Total cash equivalents	1,664,206,000	1,560,789,000
Other cash and cash equivalents	0	0
Total cash and cash equivalents	1,717,645,000	1,592,650,000
Trade and other current receivables [abstract]		
Current trade receivables	240,513,000	208,098,000
Current receivables due from related parties	51,992,000	11,179,000
Current prepayments [abstract]		
Current advances to suppliers	20,507,000	8,920,000
Current prepaid expenses	0	0
Total current prepayments	20,507,000	8,920,000
Current receivables from taxes other than income tax	0	0
Current value added tax receivables	0	0
Current receivables from sale of properties	0	0
Current receivables from rental of properties	0	0
Other current receivables	362,640,000	312,868,000
Total trade and other current receivables	675,652,000	541,065,000
Classes of current inventories [abstract]		
Current raw materials and current production supplies [abstract]		
Current raw materials	0	0
Current production supplies	180,747,000	177,598,000
Total current raw materials and current production supplies	180,747,000	177,598,000
Current merchandise	0	0
Current work in progress	0	0
Current finished goods	0	0
Current spare parts	0	0
Property intended for sale in ordinary course of business	1,452,313,000	1,376,336,000
Other current inventories	14,516,000	6,674,000
Total current inventories	1,647,576,000	1,560,608,000
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners [abstract]		
Non-current assets or disposal groups classified as held for sale	0	8,346,000
Non-current assets or disposal groups classified as held for distribution to owners	0	0
Total non-current assets or disposal groups classified as held for sale or as held for distribution to owners	0	8,346,000
Trade and other non-current receivables [abstract]		
Non-current trade receivables	0	0
Non-current receivables due from related parties	0	0
Non-current prepayments	0	0
Non-current lease prepayments	0	0
Non-current receivables from taxes other than income tax	0	0
Non-current value added tax receivables	0	0

Concept	Close Current Quarter 2021-06-30	Close Previous Exercise 2020-12-31
Non-current receivables from sale of properties	0	0
Non-current receivables from rental of properties	0	0
Revenue for billing	0	0
Other non-current receivables	10,797,000	5,108,000
Total trade and other non-current receivables	10,797,000	5,108,000
Investments in subsidiaries, joint ventures and associates [abstract]		
Investments in subsidiaries	0	0
Investments in joint ventures	0	0
Investments in associates	36,532,000	32,160,000
Total investments in subsidiaries, joint ventures and associates	36,532,000	32,160,000
Property, plant and equipment [abstract]		
Land and buildings [abstract]		
Land	141,919,000	147,765,000
Buildings	613,979,000	648,588,000
Total land and buildings	755,898,000	796,353,000
Machinery	567,634,000	590,690,000
Vehicles [abstract]		
Ships	0	0
Aircraft	0	0
Motor vehicles	15,617,000	17,462,000
Total vehicles	15,617,000	17,462,000
Fixtures and fittings	18,706,000	18,840,000
Office equipment	45,598,000	50,082,000
Tangible exploration and evaluation assets	22,088,000	23,349,000
Mining assets	1,851,023,000	1,819,084,000
Oil and gas assets	0	0
Construction in progress	817,558,000	769,128,000
Construction prepayments	0	0
Other property, plant and equipment	519,195,000	586,565,000
Total property, plant and equipment	4,613,317,000	4,671,553,000
Investment property [abstract]		
Investment property completed	0	0
Investment property under construction or development	0	0
Investment property prepayments	0	0
Total investment property	0	0
Intangible assets and goodwill [abstract]		
Intangible assets other than goodwill [abstract]		
Brand names	0	0
Intangible exploration and evaluation assets	0	0
Mastheads and publishing titles	0	0
Computer software	0	0
Licences and franchises	0	0
Copyrights, patents and other industrial property rights, service and operating rights	0	0
Recipes, formulae, models, designs and prototypes	0	0
Intangible assets under development	0	0
Other intangible assets	17,211,000	19,523,000
Total intangible assets other than goodwill	17,211,000	19,523,000
Goodwill	0	0
Total intangible assets and goodwill	17,211,000	19,523,000
Trade and other current payables [abstract]		
Current trade payables	339,048,000	249,759,000
Current payables to related parties	101,266,000	78,879,000
Accruals and deferred income classified as current [abstract]		

Concept	Close Current Quarter 2021-06-30	Close Previous Exercise 2020-12-31
Deferred income classified as current	0	0
Rent deferred income classified as current	0	0
Accruals classified as current	53,530,000	56,410,000
Short-term employee benefits accruals	53,530,000	56,410,000
Total accruals and deferred income classified as current	53,530,000	56,410,000
Current payables on social security and taxes other than income tax	0	0
Current value added tax payables	19,328,000	23,917,000
Current retention payables	5,935,000	7,040,000
Other current payables	9,395,000	0
Total trade and other current payables	509,174,000	392,088,000
Other current financial liabilities [abstract]		
Bank loans current	9,203,000	38,768,000
Stock market loans current	0	0
Other current iabilities at cost	0	0
Other current liabilities no cost	263,990,000	359,884,000
Other current financial liabilities	0	0
Total Other current financial liabilities	273,193,000	398,652,000
Trade and other non-current payables [abstract]		
Non-current trade payables	0	0
Non-current payables to related parties	0	0
Accruals and deferred income classified as non-current [abstract]		
Deferred income classified as non-current	0	0
Rent deferred income classified as non-current	0	0
Accruals classified as non-current	0	0
Total accruals and deferred income classified as non-current	0	0
Non-current payables on social security and taxes other than income tax	0	0
Non-current value added tax payables	0	0
Non-current retention payables	0	0
Other non-current payables	0	0
Total trade and other non-current payables	0	0
Other non-current financial liabilities [abstract]		
Bank loans non-current	42,696,000	47,307,000
Stock market loans non-current	2,816,555,000	2,815,536,000
Other non-current liabilities at cost	0	0
Other non-current liabilities no cost	10,222,000	20,697,000
Other non-current financial liabilities	0	0
Total Other non-current financial liabilities	2,869,473,000	2,883,540,000
Other provisions [abstract]		
Other non-current provisions	463,550,000	449,737,000
Other current provisions	0	0
Total other provisions	463,550,000	449,737,000
Other reserves [abstract]		
Revaluation surplus	0	0
Reserve of exchange differences on translation	(81,718,000)	(80,428,000)
Reserve of cash flow hedges	(30,879,000)	(84,657,000)
Reserve of gains and losses on hedging instruments that hedge investments in equity instruments	0	0
Reserve of change in value of time value of options	0	0
Reserve of change in value of forward elements of forward contracts	0	0
Reserve of change in value of foreign currency basis spreads	0	0
Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	103,850,000	99,592,000
Reserve of gains and losses on remeasuring available-for-sale financial assets	0	0
Reserve of share-based payments	0	0
Reserve of remeasurements of defined benefit plans	(32,418,000)	(32,418,000)

Concept	Close Current Quarter 2021-06-30	Close Previous Exercise 2020-12-31
Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets or disposal groups held for sale	0	0
Reserve of gains and losses from investments in equity instruments	0	0
Reserve of change in fair value of financial liability attributable to change in credit risk of liability	0	0
Reserve for catastrophe	0	0
Reserve for equalisation	0	0
Reserve of discretionary participation features	0	0
Reserve of equity component of convertible instruments	0	0
Capital redemption reserve	0	0
Merger reserve	0	0
Statutory reserve	0	0
Other comprehensive income	0	0
Total other reserves	(41,165,000)	(97,911,000)
Net assets (liabilities) [abstract]		
Assets	9,656,013,000	9,250,431,000
Liabilities	4,687,005,000	4,719,893,000
Net assets (liabilities)	4,969,008,000	4,530,538,000
Net current assets (liabilities) [abstract]		
Current assets	4,226,570,000	3,823,781,000
Current liabilities	927,865,000	994,185,000
Net current assets (liabilities)	3,298,705,000	2,829,596,000

[800200] Notes - Analysis of income and expense

Concept	Accumulated Current Year 2021-01-01 - 2021-06-30	Accumulated Previous Year 2020-01-01 - 2020-06-30	Quarter Current Year 2021-04-01 - 2021-06-30	Quarter Previous Year 2020-04-01 - 2020-06-30
Analysis of income and expense [abstract]				
Revenue [abstract]				
Revenue from rendering of services	0	0	0	0
Revenue from sale of goods	3,122,346,000	1,971,366,000	1,574,224,000	930,276,000
Interest income	0	0	0	0
Royalty income	0	0	0	0
Dividend income	0	0	0	0
Rental income	0	0	0	0
Revenue from construction contracts	0	0	0	0
Other revenue	0	0	0	0
Total revenue	3,122,346,000	1,971,366,000	1,574,224,000	930,276,000
Finance income [abstract]				
Interest income	3,640,000	3,847,000	1,814,000	1,663,000
Net gain on foreign exchange	9,242,000	0	1,799,000	0
Gains on change in fair value of derivatives	0	0	0	0
Gain on change in fair value of financial instruments	6,353,000	3,178,000	1,271,000	3,103,000
Other finance income	6,575,000	8,964,000	3,989,000	5,488,000
Total finance income	25,810,000	15,989,000	8,873,000	10,254,000
Finance costs [abstract]				
Interest expense	65,121,000	44,221,000	32,655,000	23,669,000
Net loss on foreign exchange	0	28,871,000	0	12,479,000
Losses on change in fair value of derivatives	3,306,000	0	1,196,000	0
Loss on change in fair value of financial instruments	0	1,081,000	0	569,000
Other finance cost	19,191,000	18,561,000	9,516,000	9,204,000
Total finance costs	87,618,000	92,734,000	43,367,000	45,921,000
Tax income (expense)				
Current tax	147,247,000	144,540,000	86,329,000	90,818,000
Deferred tax	13,871,000	17,597,000	(1,970,000)	(2,250,000)
Total tax income (expense)	161,118,000	162,137,000	84,359,000	88,568,000

[800500] Notes - List of notes

Disclosure of notes and other explanatory information [text block]

Industrias Peñoles, S.A.B. de C.V. is a Group incorporated under the Mexican Corporations Act and the Mexican Securities Trading Act as a publicly traded variable capital corporation Company (sociedad anónima bursatil de capital variable) incorporated under the laws of Mexico, and is listed in the Mexican Stock Exchange (Bolsa Mexicana de Valores). Its corporate offices are located in Mexico City at Calzada Legaria No. 549, Colonia 10 de Abril. The Company is the ultimate controlling party.

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

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

Mining concessions grant rights upon all the minerals and substances, but do not grant rights upon the surface where the mines are located. Mining concessions in Mexico are for a term of 50 years commencing on the date on which the concession is registered with the Public Registry of Mining and Mining Rights, and may be renewed for additional 50-year terms.

During 2020, the COVID-19 outbreak rapidly spread causing a significant amount of infections all over the world. The development and fluidity of the situation precludes any prediction as to the ultimate impact of COVID-19; however, Grupo Peñoles is seeking to obtain the best possible information to enable the assessment of the risks involved and implement appropriate measures to respond.

During 2020 and 2021, Grupo Peñoles has taken a number of measures to safeguard the health of its employees and their local communities, while continuing to operate safely and responsibly. The costs incurred by the Company in implementing COVID-19 safety measures totaled $7,773 and were recognized as expenses for the year ended 31 December 2020. In relation to the COVID-19 outbreak, from 30 March to 31 May 2020, the Mexican government has established quarantine requirements and restrictions on certain economic activities that are considered non-essential. As of June 2020, mining activities were declared as essential activities, accordingly all mines are currently operating at its normal production capacity. During the lockdown period that had also an impact on the Company’s open pit mines in Sonora, the Company incurred in certain fixed costs that Management decided not to consider as production costs and instead, they were recognized as unabsorbed production costs in the amount of $19,403. Attempts at containment of COVID-19 have resulted in decreased economic activity, which has adversely affected the global economy in general. In the current environment, assumptions about future commodity prices, exchange rates and interest rates are subject to greater variability than normal, which could in the future affect the value of the Company’s financial and non-financial assets and liabilities. As at 31 December 2020, there were no material changes in the value of the Company’s assets and liabilities due to COVID-19

The consolidated financial statements of Peñoles Group and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Disclosure of accounting judgements and estimates [text block]

The preparation of Peñoles Group's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Nevertheless, actual results could differ from these estimates.

The preparation of the Company's consolidated financial statements requires the use of judgments, estimates and assumptions. These judgments, estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances at the valuation date, and on its past experience; however, actual results could differ from the reported amounts in the financial statements. Also, any changes that may occur in the assumptions and estimates could have a significant impact on the Company's consolidated financial statements.

Judgments

In 2009, five communal land owners (ejidatarios) associated with the communal land (ejido) called "El Bajío" in the State of Sonora, who claimed rights over certain surface land where the Company's subsidiary Minera Penmont, S. de R.L. de C.V. (Penmont) carries out its mining operations, submitted a legal claim before the Unitarian Agrarian Court (Tribunal Unitario Agrario) of Hermosillo, Sonora. In this suit, the ejidatarios are demanding Penmont to vacate the land. The land in dispute encompassed a portion of surface area where part of the operations of the Soledad & Dipolos mine are located. The litigation resulted in a definitive court order, with which Penmont complied by vacating 1,824 hectares of land, resulting in the suspension of operations at Soledad & Dipolos. Whilst the claim and the definitive court order did not affect the group's legal title over the mining concession or the ore currently held in leaching pads near the mine site, land access at the mine site is required to further exploit the concession at Soledad & Dipolos.

Penmont is the legal and registered owner of the land where the leaching pads are located but has not yet been able to gain physical access to these pads due to the opposition by certain local individuals. Penmont has a reasonable expectation that it will eventually regain access to the Soledad-Dipolos assets and process the ore content in the Soledad & Dipolos leaching pads. Therefore, in relation to the Soledad-Dipolos mines, Penmont continues to recognize property, plant and equipment of $ 35,900 and inventories of $ 91,620. Due to the fact that it is not yet certain when access may be granted to Penmont so that the inventory can be processed, this inventory is classified as a non-current asset.

Specific information on these judgments and estimates is disclosed in the description of the accounting policies and/or notes to the consolidated financial statements. A summary of the principal judgments and estimates used is shown below:

a) Mineral reserves and resources

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

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

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

b) Impairment

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

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

c) Property, plant and equipment

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

d) Provision for asset decommissioning and rehabilitation

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

Provisions for asset decommissioning and rehabilitation are recognized at present value at the time the obligation becomes known and provision amounts are calculated based on management's understanding of the related legal requirements and the Company's corporate social responsibility policies. Environmental costs are also estimated by the Company's own internal specialists with the support of studies performed by independent experts. Generally speaking, management applies its judgment and experience to estimate decommissioning and rehabilitation costs over the life of each mine.

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

The assumptions used in calculating the provisions for the mining unit decommissioning and rehabilitation costs are regularly reviewed based on internationally recognized standards, which require mine closure processes to be carried out. The discount rate is also adjusted to reflect the obligations for ecological restoration at their present value, based on current market interest rates.

e) Retirement benefits

Assumptions are used to calculate the Company's employee long-term retirement benefits. Assumptions, as well as the estimates they give rise to, are determined together with independent actuaries. The assumptions cover demographical hypothesis, discount rates, expected salary increases and estimated working lives, among other areas. Future changes to the assumptions could affect the measurement of the liabilities for personnel benefits and the operating results of the period in which such changes occur.

f) Mining project development

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

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

g) Contingencies

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

Disclosure of associates [text block]

Investments in Associates

				Total Amount	
Company Name	**Main activity**	**Share No.**	**% of ownership**	**Acquisition cost**	**Current value**
Aerovics, S.A. de C.V.	Air taxi	15,676,255,229	51.88	-	32,471
Línea Coahuila-Durango, S.A. de C.V.	Rail line operator	27,281,040	50.00	-	3,304
Administración Moliere 222, S.A. de C.V.	Real estate administrator	355	40.00	-	295
Administración	Risk manager	36,000	35.00	-	462

de Riesgos Bal, S.A. de C.V.					
Total Investments in Associates					36,532

Disclosure of authorisation of financial statements [text block]

The financial statements and notes to the financial statements were authorized by the Chief Executive Officer, Chief Financial Officer, Chief of Administrative Services and the Legal Director on 19 July 2021, in accordance with their respective functions for the issuance and subsequent approval of the Board of Directors. Shareholders have the authority to approve or modify consolidated financial statements.

Disclosure of basis of consolidation [text block]

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

The consolidated financial statements include all the entities' assets, liabilities, revenues, expenses and cash flows after eliminating intercompany balances and transactions. When the Group holds equity interest of less than 100% and, therefore, there are non-controlling interests' in the net assets of the consolidated subsidiary, a separate non-controlling interests caption is included in the statement of financial position.

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

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

Disclosure of basis of preparation of financial statements [text block]

The condensed consolidated financial statements are presented and classified according to the formats required for this purpose by the Mexican Stock Exchange in its electronic system of sending and disseminating information where Grupo Peñoles reports its quarterly financial information, displayed in US dollars as a functional currency and all securities have been rounded to thousands, unless otherwise indicated.

Condensed consolidated financial statements have been prepared in accordance with International Accounting Standard No. 34 "Intermediate Financial Information" (hereinafter referred to as "IAS" or "IFRS"). Condensed consolidated financial statements do not include all information required for a full set of annual consolidated financial statements and for proper reading and interpretation, shall be made in conjunction with the annual consolidated financial statements as of December 31, 2020 and for the year ended on this date that were published on March 2, 2021 in the quarterly report as of December 31, 2020.

It is estimated that there is no significant impact on the interim condensed financial statements presented, due to the seasonality of the operations carried out by Grupo Peñoles.

It is estimated that there is no significant impact on the interim condensed financial statements presented, due to the seasonality of the operations carried out by Grupo Peñoles.

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

- Statements of financial positions as at June 30, 2021 and December 31, 2020.
- Statements of profit or loss the six months ended June 30, 2021 and June 30, 2020.
- Statements of comprehensive income for the six months ended June 30, 2021 and June 30, 2020.
- Statements of changes in equity and statements of cash flows for the six months ended June 30, 2021 and June 30, 2020.

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for the following items that were stated at fair value at the date of the consolidated statement of financial position:

- Derivative financial instruments.
- Equity instrument financial assets.
- Certain inventories valued at fair value.

Disclosure of borrowings [text block]

Financial Debt

An analysis of the Company’s short-term debt denominated in U.S. dollars as at June 30, 2021 and December 31, 2020 is as follows:

	June 2021	December 2020
Bank loan (1)	**$ -**	$ 29,601
Short-term maturities of long-term liabilities	**9,203**	9,167
Total current debt denominated in U.S. dollars	**$ 9,203**	$ 38,768

(1) As of June 30, 2021, the Company made short- and long-term loan payments of $285,089. Short-term amounts are available for Industrias Peñoles, S.A.B. de C.V. with Mexican and foreign banks for $764.50 million.

At the same time, long-term debt comprised the following loans payable in dollars:

	June 2021	December 2020
Unsecured bonds issued by IPSAB (1)	**$ 1,169,554**	$ 1,168,755
Unsecured bonds issued by IPSAB (2)	**501,736**	501,941
Unsecured bonds issued by Fresnillo plc (3)	**316,682**	316,430
Unsecured bonds issued by Fresnillo plc (4)	**828,583**	828,410
Bilateral export credit agency guarantee (5)	**51,899**	56,474
Total	**2,868,454**	2,872,010
Less:		
Current portion due	**9,203**	9,167
Total non-current debt	**$ 2,859,251**	$ 2,862,843

An analysis of the Company's short-term and long-term debt as at June 30, 2021 and December 31, 2020 is as follows:

	June 2021	December 2020
Beginning balance	**$ 2,901,611**	$ 2,226,326
Debt acquired	**249,952**	1,620,032
Debt paid	**(285,089)**	(937,607)
Transaction costs paid	**(16)**	(7,471)
Interest paid in advance	**(-)**	(11.805)
Amortization of transaction costs	**1,318**	6,775
Foreign exchange (loss)/gain	**(678)**	5,361
Ending balance	**$ 2,868,454**	$ 2,901,611

Long-term debt maturities, as of July 2022, are as follows:

		Amount
2022	$	9,274
2023		326,074
2024		9,555
2025		9,627
2026-2050		2,504,721
	$	2,859,251

(1) Unsecured bonds of $1,100,000 issued on 5 September 2019 by the Company in the international bond market as a 144A/Reg-S offering. The bonds were issued in two equal tranches of $550,000 each for terms of 10 and 30 years and bear net interest payable semiannually of 4.15% and 5.65%, respectively, plus taxes, with principal payable upon maturity. The proceeds from this placement were used to early settle structured notes of $600,000 that matured in 2020 ($400,000) and 2022 ($200,000). All other proceeds from this placement were used for corporate purposes. Standard & Poor's Global Ratings (S&P) and Fitch Ratings, Inc. assigned "BBB" rating to these bonds. Additionally, on 30 July 2020, the issuance of the original bonds was reopened for an amount of $100,000. These instruments mature in 2029, bearing interest at a fixed rate of 4.15% and yield to maturity of 3.375%. The proceeds from this placement were used to early repay the syndicated loan with Bank of America, N.A. (administrative agent) and Scotiabank Inverlat S.A., to repay short-term debt and for corporate purposes in general.

(2) Unsecured bonds issued by Industrias Peñoles S.A.B. de C.V. for an amount of $500,000 on 30 July 2020 by the Company in the international bond market as a 144A/Reg. S offering. The bonds are for a thirty-year term and bear net interest payable semiannually of 4.75%, plus withholding tax, with principal payable upon maturity and no guarantees. The proceeds from this placement were used to early repay the syndicated loan with Bank of America, N.A. (administrative agent) and Scotiabank Inverlat S.A., to repay short-term debt and for corporate purposes in general. Standard & Poor's and Fitch Ratings Inc. gave the bonds ratings of "BBB".

(3) Unsecured bonds of $800,000 issued on 7 November 2013 by Fresnillo plc in the international bond market as a 144A/Reg-S offering. The bonds are for a ten-year term and bear net interest at an annual rate of 5.50% plus withholding tax, payable semiannually, with principal payable upon maturity. The proceeds from this placement were used to meet the needs of the Company's current investment and development plans, as well as to fund future growth opportunities. From 22 to 29 September 2020, Fresnillo plc launched a cash tender offer to partially repurchase these notes for an amount of $482,121. Standard & Poor's and Moody's Investors Service gave the bonds ratings of "BBB" and "Baa2", respectively.

(4) Unsecured bonds issued on 29 September 2020 by Fresnillo plc, and settled on 2 October, in the international bond market as a 144A/Reg-S offering for the amount of $850,000. The bonds are for a thirty-year term and bear net interest payable semiannually at a 4.25% rate plus withholding tax, with principal payable upon maturity and no guarantees. The proceeds from this placement were used to pay the partial repurchase of the current debt mentioned in paragraph (3) and for corporate purposes in general. Standard & Poor's and Moody's Investor's Services assigned the bonds ratings of "BBB" and "Baa2", respectively.

(5) On 22 June 2017, Industrias Peñoles S.A.B. de C.V. entered into a loan agreement with Crédit Agricole Corporate and Investment Bank pursuant to the equipment purchases that its subsidiary Metalúrgica Met-Mex Peñoles, S.A. de C.V. made from the supplier Outotec Oy (a Finnish company) for the expansion of its zinc plant and the refurbishment of plant II.

Finnvera Plc, the export credit agency of the supplier's home country, guaranteed 95% of this loan, with this 95% portion covering the goods and services eligible for the guarantee under the corresponding agreement, as well as local costs. The amount of this loan is up to $94,520, including $90,130 that correspond to eligible goods and services (85%) and directly related local costs (100%), plus the $4,400 guarantee fee paid to Finnvera.

The drawdown period matured in November 2018 with a total notional amount of $82,590. The loan will be repaid in 17 semi-annual installments spanning from 28 September 2018 until 30 September 2026. The loan bears interest at the six-month LIBOR plus 0.94% on the outstanding balance (excluding the guarantee fee paid to Finnvera Plc (the Finnish export credit agency). The floating portion of the interest was hedged through an interest rate swap.

- Other: Recent events from Credit Agencies:

As of March 31st, 2021, the S&P global rating of the unsecured senior debt of Industrias Peñoles SAB de CV was "BBB" with stable outlook and "BBB" with stable outlook by Fitch Ratings.

In the case of Fresnillo plc, the rating for its senior unsecured notes is "BBB" by S&P with stable outlook in global scale and "Baa2" with stable outlook by Moody's Investors Service.

As of March 31st, 2020, the S&P global rating of the unsecured senior debt of Industrias Peñoles SAB de CV was "BBB" with Stable outlook and "BBB" with stable outlook by Fitch Ratings.

In the case of Fresnillo plc, the rating for its senior unsecured notes is "BBB" by S&P with stable outlook in global scale and "Baa2" with stable outlook by Moody's Investors Service.

Disclosure of cash and cash equivalents [text block]

Cash and Cash Equivalents

An analysis of cash and cash equivalents is as follows:

	June 2021	December 2020
Cash in hand and in banks	**$ 53,439**	$ 31,861
Liquid investments (1)	**1,664,206**	1,560,789
	$ 1,717,645	$ 1,592,650

(1) Liquid investments bear interest at market rates and have maturities of less than 30 days.

Disclosure of commitments [text block]

Electric power supply

As part of its strategy to ensure the electricity supply for its operations at competitive costs, Grupo Peñoles has the following commitments related to the purchase of electricity.

a) Termoeléctrica Peñoles

Grupo Peñoles entered into an agreement to acquire, through one of its subsidiaries, electricity from a 230 Megawatt power plant.

In addition to the electric power supply agreement, the Company entered into a business trust agreement for the operation and maintenance of a power plant under the self-supply permit granted to Termoeléctrica Peñoles, S. de R.L. de C.V. (TEP). This agreement expires in 2027. To guarantee these purchase commitments, the developers/operators of the plant were extended a sale option ("put option") so that, in the event of default obligations by the subsidiaries, the developers/operators may demand that Grupo Peñoles buy TEP at a price equal to the present value of the remaining payments scheduled for the subsidiaries under the agreement. The estimated cost for electricity consumption for 2021 based on the estimated proportion generation for the year of 2,000 kWh is $130,757.

b) Eólica de Coahuila

On 25 April 2014, the Company entered into a 25-year agreement with Eólica de Coahuila, S. de R.L. de C.V. (EDC) to supply electricity to this entity under a self-supply arrangement. In order to meet its commitments under this agreement, Peñoles' subsidiaries that entered into this agreement shall buy all of the net power production that EDC generates over the agreed term, which is estimated to be 700 million kWh per year, payable on a monthly basis at a fixed determinable price per kWh delivered by EDC to the Federal Electricity Commission at the interconnection point established in the agreement. Electricity production commenced in April 2017. In addition to this agreement, the Company also entered into a put option agreement to transfer the partnership interests of EDC upon occurrence of certain default events. The estimated cost for electricity consumption for 2021 based on the estimated proportion generation for the year of 723.7 kWh is $61,532.

c) Eólica Mesa La Paz

On 25 January 2018, Grupo Peñoles entered into a 25-year power supply agreement with Eólica Mesa La Paz, S. de R.L. de C.V. (MLP) in accordance with the Electric Industry Law. Under this agreement, the Company's subsidiaries will be supplied, through a Qualified Service Provider, with 67.8% of the net energy produced by MLP during the first seven years, which is estimated to be 782.3 million kWh per year. From the eighth year to the expiration of the agreement, the subsidiaries will be supplied with 100% of the net energy produced by MLP, which is estimated to be 1,170.0 million kWh per year. The Company agreed to pay a determinable fixed price per kWh delivered by MLP to the National Electric System at the interconnection point established in the agreement. Electricity production commenced in April 2020. In addition to this agreement, the Company also entered into a put option agreement to transfer the partnership interests of MLP upon occurrence of certain default events. The estimated cost for electricity consumption for 2021 based on the estimated proportion generation for the year of 748.6 kWh is $32,169.

Disclosure of contingent liabilities [text block]

Contingencies

As of June 30, 2021 and December 31, 2020, the following contingent responsibilities are held:

a) Grupo Peñoles is subject to various laws and regulations which, if not observed, could give rise to penalties. The Company's income tax is open to review by the tax authorities (Tax Administration Service) for a period of five years following the filing of the annual corporate income tax return, and during this period the tax authorities have the right determine additional taxes owed by the Company, including penalties and surcharges. Under certain circumstances, these reviews may cover longer periods. As such, there is the risk that transactions, especially those with related parties, that have not been questioned in the past by the tax authorities, could be challenged by the authorities in the future.

   Grupo Peñoles is currently subject to various tax audits by the tax authorities (Tax Administration Service) in relation to income tax, special mining tax and employee profit sharing and has submitted the information and documentation requested by the authorities. On 13 February 2020, the Tax Administration Service initiated a tax audit in relation to the calculation of the 2014 income tax and mining taxes of Desarrollos Mineros Fresne, S. de R.L de C.V. On 3 February 2021, the Tax Administration Service issued its observations as a result of this tax audit, to which the Company should respond by no later than 4 March 2021. These observations relate to the tax treatments of capitalized costs attributable to stripping activities and exploration expenses.

   It is not currently possible to anticipate and estimate the amounts of potential claims or the likelihood of unfavorable outcomes from these tax audits or any future tax audits that the Company may be subject to.

b) On 6 February 2020, the Supreme Court of Justice ruled on the motions for relief (amparos) filed by certain subsidiaries of Grupo Peñoles that operate in Zacatecas against the Revenue Act of Zacatecas that introduces new green taxes. As a result of these motions, Grupo Peñoles was exempted from compliance with the articles related to extraction activities and waste disposal and storage as part of the mining process. However, Grupo Peñoles was not exempted from compliance with the articles imposing taxes on gas emissions to the atmosphere and taxes on emissions of pollutants to the soil, subsoil and water, the estimated annual cost of which beginning in 2017, the year in which the Law came into effect, is not significant for the overall consolidated financial statements.

Disclosure of cost of sales [text block]

Cost of Sales

The cost of sale is integrated as shown below:

	June 2021		June 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Personnel expenses	**$ 150,889**	**$ 78,641**	$ 141,211	$ 73,015
Energy	**219,198**	**114,110**	180,937	84,868
Operating materials	**184,850**	**96,266**	170,169	78,789
Maintenance and repairs	**161,240**	**82,016**	156,490	71,136
Depreciation and amortization	**359,673**	**180,479**	339,501	171,000
Amortization of right-of-use assets	**1,949**	**963**	1,922	961
Transfer of by-products	**(54,791)**	**(29,275)**	(45,527)	(22,711)
Contractors	**226,479**	**116,189**	204,557	92,073
Leases of low-value assets	**3,995**	**1,819**	3,698	1,544
Other	**106,378**	**55,114**	80,460	36,693
Change in work in process and finished goods	**41,459**	**2,151**	89,348	4,625
Cost of sale of extraction and treatment	**1,401,319**	**698,473**	1,144,070	591,993
Cost of metals sold	**775,922**	**360,042**	456,738	133,173
	$ 2,177,241	**$ 1,058,515**	$ 1,600,808	$ 725,166

Disclosure of deferred taxes [text block]

Income taxes charged in the income statement for the six-month periods ended June 30, 2021 and 2020, are integrated as follows:

	June 2021		June 2020	
	Accumulated	**Quarter**	Accumulated	Quarte r
Current income tax	**$ 116,047**	**$ 71,670**	$ 133,379	$ 79,925
Special tax for mining companies	**31,200**	**14,659**	11,161	10,893
Deferred income tax	**13,871**	**(1,970)**	17,597	(2,250)
Income taxes	**$ 161,118**	**$ 84,359**	$ 162,137	$ 88,568

recognized in the Consolidated statement of loss or profit				

Disclosure of deposits from banks [text block]

The disclosure of this note is mentioned in the note information to be disclosed about cash and cash equivalents.

Disclosure of deposits from customers [text block]

The disclosure of this note is mentioned in the note information to be disclosed about customers and other accounts receivable.

Disclosure of earnings per share [text block]

Earnings (loss) per Share

The earnings/(loss) per share is calculated by dividing the consolidated net profit (loss) of the period attributable to ordinary shareholders of Grupo Peñoles, by the weighted average number of ordinary shares outstanding during the period.

Basic and diluted earnings/(loss) per share are the same as there are no instruments that have a dilutive effect on earnings.

For the six-month periods ended June 30, 2021 and 2020, the earnings/(loss) per share were calculated as follows:

June 2021		June 2020	
Accumulated	**Quarter**	Accumulated	Quarter

Net (loss) profit (in thousands of U.S. dollars): Attributable to the shareholders of Peñoles Group	**$ 341,896**	$ **195,200**	$ (307,786)	$ (158,073)
Shares (number of shares in thousands): Weighted average number of ordinary outstanding shares	**397,476**	**397,476**	397,476	397,476
Earnings (loss) per share: Basic and diluted (loss) earnings per share (in U.S. dollars)	**$ 0.86**	**$ 0.49**	$ (0.77)	$ (0.40)

Disclosure of employee benefits [text block]

Employee Benefits

Employee benefits

An analysis of current employee benefit obligations is as follows:

	June 2021	December 2020
Salaries and other employee benefits payable	**$ 20,726**	$ 34,114
Paid annual leave and vacation premium payable	**9,962**	9,889
Social security dues and other provisions	**22,842**	12,407
	$ 53,530	$ 56,410

Retirement benefits

Grupo Peñoles has a defined pension and benefit contribution plan for its non-unionized workers, which includes pension plans based on each worker's earnings and years of service provided by personnel hired through 30 June 2007, and a defined contribution component as of such date, based on periodic contributions made by both Grupo Peñoles and the employees.

The plan is managed exclusively by a Technical Committee, which is comprised of three people that are appointed by Grupo Peñoles.

Defined benefit component

The defined benefit component of the plan referred to the worker salaries and the number of years of service provided through 30 June 2007, in accordance with the benefits generated through this date in respect of the pension granted. This defined retirement benefit plan was for its non-unionized employees and included pension plans based on each worker's salaries and the number of years of service, seniority premiums payable upon death and due to permanent disability or voluntary separation. Benefits accrued through this date are restated for inflation based on the National Consumer Price Index through the date of the employee's retirement.

Defined contribution component

The defined contribution component of the plan consists of periodic contributions made by employees, as well as matched contributions made by the Company beginning on 1 July 2007, capped at 8% of the employee's daily-integrated salary.

There is also a seniority premium plan for voluntary separation for the Company's unionized workers.

Death and disability benefits are covered through insurance policies.

Recognition of employee benefits

The actuarial present value of benefits to recognized retirement personnel in the financial statement is shown below:

	June 2021	December 2020
Defined benefit obligation of active workers	**$ 72,835**	$ 69,504
Defined benefit obligation of retired workers (1)	**91,208**	87,038
Defined benefit obligation	**164,043**	156,542
Unfunded defined benefit obligation (2)	**34,339**	32,775
	198,382	189,317
Fair value of plan assets	**(128,239)**	(122,979)
Employee benefits	**$ 70,143**	$ 66,338

(1) This obligation is currently fully funded.

(2) Corresponds primarily to seniority premiums for unionized personnel.

The charge of pension and seniority premium results for the periods ended June 30, 2021 and 2020, is analyzed:

	June 2021		June 2020	
	Accumulated	**Quarter**	Accumulated	Quarte r
Current-year service cost	**$ 1,703**	**$ 857**	$ 2,389	$ 1,089
Net interest	**2,265**	**1,133**	2,057	886

Total	**$ 3,968**	**$ 1,990**	$ 4,446	$ 1,975

Disclosure of entity's operating segments [text block]

Segment Information

An analysis of segment information as at and for the year ended 30 June 2021 is as follows:

	Precious metal mines	Base metal mines	Metallurgical	Other	Eliminations and Reclassifications	Total
Third-party sales	$ -	$ 270,584	$ 2,800,204	$ 97,721	$ (46,163)	$ 3,122,346
Intra-group sales	1,466,840	401,759	15,271	171,033	(2,054,903)	-
Total sales	1,466,840	672,343	2,815,475	268,754	(2,101,066)	3,122,346
Cost of sales	860,051	453,164	2,691,491	80,327	(1,907,792)	2,177,241
Gross profit	606,789	219,179	123,984	188,427	(193,274)	945,105
Administrative expenses	51,213	49,961	63,617	130,258	(153,477)	141,572
Exploration expenses	60,900	17,817	1	3,022	(2,866)	78,874
Selling expenses	13,056	20,741	15,113	15,587	(661)	63,836
Impairment loss on long-lived assets	-	3,859	-	-	-	3,859
Other expenses/(income), net	9,770	(15,057)	3,944	(13,633)	5,683	(9,293)
	134,939	77,321	82,675	135,234	(151,321)	278,848
Operating profit/(loss)	$ 471,850	$ 141,858	$ 41,309	$ 53,193	$ (41,953)	666,257
Finance income	-	-	-	-	-	(16,568)
Finance costs	-	-	-	-	-	87,618
Share of profit of associates	-	-	-	-	-	792
Foreign exchange gain, net	-	-	-	-	-	(9,242)
Profit before income tax	-	-	-	-	-	603,657
Income tax	-	-	-	-	-	161,118
Consolidated net profit	-	-	-	-	-	$ 442,539

An analysis of segment information as at and for the year ended 30 June 2020 is as follows:

	Precious metal mines	Base metal mines	Metallurgical	Other	Eliminations and Reclassifications	Total
Third-party sales	$ -	$ 124,674	$ 1,758,092	$ 83,247	$ 5,353	$ 1,971,366
Intra-group sales	1,054,183	262,106	10,265	136,177	(1,462,731)	-
Total sales	1,054,183	386,780	1,768,357	219,424	(1,457,378)	1,971,366
Cost of sales	732,999	338,148	1,757,942	60,058	(1,288,339)	1,600,808
Gross profit	321,184	48,632	10,415	159,366	(169,039)	370,558
Administrative expenses	41,751	41,817	39,422	107,811	(114,107)	116,694
Exploration expenses	50,737	17,071	-	2,958	(2,133)	68,633
Selling expenses	10,486	17,499	11,978	12,921	(888)	51,996
Impairment loss on long-lived assets	-	151,230	-	-	-	151,230
Other expenses/(income), net	1,333	14,632	15,527	(31,049)	33,113	33,556
	104,307	242,249	66,927	92,641	(84,015)	422,109
Operating profit/(loss)	$ 216,877	$ (193,617)	$ (56,512)	$ 66,725	$ (85,024)	(51,551)
Finance income	-	-	-	-	-	(15,989)
Finance costs	-	-	-	-	-	63,863
Share of profit of associates	-	-	-	-	-	1,007

Foreign exchange gain, net	-	-	-	-	-		28,871
Loss (profit) before income tax	-	-	-	-	-		(129,303)
Income tax	-	-	-	-	-		162,137
Consolidated (loss)/profit	-	-	-	-	-	$	(291,440)

Disclosure of fair value of financial instruments [text block]

Hedging instruments

Grupo Peñoles contracts derivatives with various financial institutions to reduce its exposure to changes in the variables and pricing of its transactions. This risk consists of the risk associated with fluctuations in the prices of produced or processed metals and energy, as well as the exchange rates associated with the Company's financial and business transactions.

To minimize its counterparty credit risk, Grupo Peñoles has entered into agreements only with well-known and financially strong financial institutions. Grupo Peñoles does not expect any of its counterparties to default on their obligations and thus does not consider it necessary to create any reserves for counterparty risk.

Hedging positions

Due to the conditions of the price of metals during the 2020 financial year, Industrias Peñoles, S.A.B. de C.V., decided to close early a part of the market value of its gold, silver and zinc hedging positions, and thus monetize $87,664. In accordance with the accounting of cash flow hedges, realized profit is recognized in other comprehensive income and the gain generated by the closing of hedging items will be recognized on the dates on which the transactions are made for the period from April 30, 2020 to December 31, 2021. As of June 30, 2021 and December 31, 2020, the Company recognized $16,069 and $55,526 of amortization of hedges respectively.

	June 2021	December 2020
Hedge protection program		
Metals		
Silver	**$ 16,069**	$ 32,138

The fair value of cash flow hedging financial instruments, net of deferred income tax recognized in book capital, is as follow:

	June 2021	December 2020
Fair value of financial instruments	**$ (63,080)**	$ (157,305)
Hedges balance due to early closing of positions	**16,069**	32,138
Ineffectiveness and effect of time value of options excluded from hedges	**(203)**	1
Deferred income tax	**14,164**	37,551

Net fair value of deferred income tax recognized directly in equity	**$ (33,050)**	$ (87,615)

Fair value hedges

As of June 30, 2021 and December 31, 2020, the fair value of designated fair value hedges is as follows:

	June 2021	December 2020
Unrealized loss	**$ 1,708**	$ (12,418)

The movement of income (losses) by valuation of hedging for the years ended June 30, 2021 and December 31, 2020 is shown below:

	June 2021	December 2020
Beginning balance	**$ (87,615)**	$ (16,276)
Loss reclassified to earnings	**(71,299)**	(34,643)
Deferred income tax	**21,390**	10,393
Reclassification of hedging instruments due to payment of underlying assets	**-**	(25,143)
Deferred income tax	**-**	7,543
Realized gain on hedges due to early closing of positions	**32,138**	87,664
Reclassification to profit or loss of realized loss on hedges due to early closing of positions	**(16,069)**	(55,526)
Deferred income tax	**(4,821)**	(9,641)
Changes in the fair value of hedges	**133,180**	(74,266)
Deferred income tax	**(39,954)**	22,280
Unrealized loss net of deferred income tax recognized directly in equity	**$ (33,050)**	$ (87,615)

Disclosure of fee and commission income (expense) [text block]

The disclosure of this note is mentioned in the note of information to be disclosed on the fair value of financial instruments.

Disclosure of finance income (cost) [text block]

Finance Income

An analysis of finance income is as follows:

	June 2021		June 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Interest income on cash equivalents and other investments	**$ 3,640**	**$ 1,814**	$ 3,847	$ 1,663
Interest income from trade receivables	**6,575**	**3,989**	8,964	5,488
Interest rate hedges for debt and others	**6,353**	**1,271**	3,178	3,103
	$ 16,568	**$ 7,074**	$ 15,989	$ 10,254

Finance Cost

An analysis of finance costs is as follows:

	June 2021		June 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Interest arising from financial debt	**$ 65,121**	**$ 32,655**	$ 44,221	$ 23,669
Discount of liability provisions	**10,688**	**5,199**	10,489	5,289
Discount of defined benefit obligation	**2,265**	**1,133**	2,057	886
Coverages and others	**5,577**	**2,642**	3,302	1,709
Finance cost of	**3,967**	**1,738**	3,794	1,889

lease liabilities				
	$ 87,618	**$ 43,367**	$ 63,863	$ 33,442

Disclosure of financial instruments [text block]

The disclosure of this note is mentioned in the note of information to be disclosed on the fair value of financial instruments.

Disclosure of financial instruments at fair value through profit or loss [text block]

The disclosure of this note is mentioned in the note of information to be disclosed on the fair value of financial instruments.

Disclosure of financial instruments held for trading [text block]

The disclosure of this note is mentioned in the note of information to be disclosed on the fair value of financial instruments.

Disclosure of financial liabilities held for trading [text block]

The disclosure of this note is mentioned in the note of information to be disclosed on the fair value of financial instruments.

Disclosure of general and administrative expense [text block]

Administrative Expenses

An analysis of administrative expenses is as follows:

	June 2021		June 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Personnel expenses	**$ 54,615**	**$ 28,830**	$ 44,579	$ 19,108
Fees	**49,325**	**26,562**	32,775	16,636
Travel expenses	**3,494**	**2,458**	3,497	437
Information technology expenses	**6,493**	**3,442**	6,619	2,903
Amortization of right-of-use assets	**6,374**	**3,073**	6,570	3,296
Leases of low-value assets	**7,402**	**3,664**	6,803	3,442
Fees, associations and other	**13,870**	**5,539**	15,851	10,588
Total administrative expenses	**$ 141,573**	**$ 73,568**	$ 116,694	$ 56,410

Exploration Expenses

An analysis of exploration expenses is as follows:

	June 2021		June 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Personnel expenses	**$ 2,871**	**$ 1,504**	$ 3,150	$ 1,427
Contractors	**48,136**	**28,622**	37,390	18,709
Taxes and duties	**15,813**	**8,028**	15,277	7,530
Operating materials	**210**	**132**	175	50
Amortization of right-of-use assets	**587**	**326**	662	324
Leases of low-value assets	**719**	**385**	1,231	571
Fees, assays and other	**10,537**	**5,692**	10,748	4,327
Total exploration expenses	**$ 78,873**	**$ 44,689**	$ 68,633	$ 32,938

Selling Expenses

An analysis of selling expenses is as follows:

	June 2021		June 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Freight and transfers	**$ 38,536**	**$ 20,348**	$ 37,441	$ 17,774
Royalties	**5,477**	**2,819**	3,256	1,608
Handling	**2,336**	**1,112**	1,332	958
Extraordinary mining tax	**5,603**	**2,659**	3,845	2,035
Amortization and right-of-use assets	**687**	**317**	1,094	547
Other expenses	**11,197**	**5,729**	5,028	2,508
Total selling expenses	**$ 63,836**	**$ 32,984**	$ 51,996	$ 25,430

Personnel Expenses

An analysis of personnel expenses is as follows:

	June 2021		June 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Salaries and other employee benefits	**$ 130,291**	**$ 68,085**	$ 112,077	$ 53,650
Employee benefits at retirement	**6,119**	**3,594**	11,969	9,413
Social security dues	**34,831**	**18,022**	30,475	14,292
Social welfare and other benefits	**37,134**	**19,274**	34,419	16,195
Total personnel expenses	**$ 208,375**	**$ 108,975**	$ 188,940	$ 93,550

Disclosure of income tax [text block]

Income Tax and Special Tax for Mining Companies

Income tax

The Mexican Income Tax Law (MITL) stipulates a 30% corporate income tax rate.

Tax consolidation

Industrias Peñoles, S.A.B. de C.V. and its subsidiaries determined their income tax through 2013 on a consolidated basis in accordance with the tax laws in effect in Mexico through that year. However, as a result of the 2014 Mexican Tax Reform, beginning 1 January 2014 both Industrias Peñoles, S.A.B. de C.V. and all its subsidiaries shall calculate their taxes on an individual basis.

In accordance with the new MITL that is effective for annual periods beginning on or after 1 January 2014, groups that were previously tax-consolidated as at 31 December 2013 must deconsolidate and remit all the deferred income tax and asset tax that had been deferred by each entity on an individual basis. As a result, Industrias Peñoles, S.A.B. de C.V., as the controlling company, must remit any income tax that had been deferred on a consolidated basis following a procedure for remitting deferred income tax, similar to the one included in the changes in tax consolidation rules introduced in 2010.

The 2014 Mexican Tax Reform establishes the following two periods in which taxpayers must remit previously deferred taxes as a result of deconsolidation: i) a period of five years, over which the first 25% must be remitted by no later than 31 May 2014 and the remaining 75% to be remitted in four annual installments (25%, 20%, 15% and 15%) over the subsequent four years, and ii) a period of ten years in accordance with the tax law in effect through 2013.

Special tax for mining companies

The Special Tax for Mining Companies (DEM by its acronym in Spanish) is an income tax for entities that hold mining concessions and mining rights. The DEM is equal to 7.5% of a mining company's taxable profit, minus the deductions authorized under the MITL, excluding deductions for investments, interest and the annual inflation adjustment. The DEM may be credited against a mining Company's income tax of the same year and it must be remitted within the first three months of the following year.

Special tax on production and services

In 2019 and 2018, Mexican tax law provided a special tax on production and services credit on purchases of diesel fuel for mining machinery and certain types of mining vehicles. This credit was calculated on an individual basis for each entity and it may be applied to the current income tax of each entity and/or income tax withheld from third parties.

Disclosure of interest expense [text block]

The disclosure of this note is mentioned in the note information to be disclosed on financial income (expenses).

Disclosure of interest income [text block]

The disclosure of this note is mentioned in the note information to be disclosed on financial income (expenses).

Disclosure of inventories [text block]

Inventories

An analysis of this caption is as follows:

	June 2021	December 2020
Inventories stated at cost:		
Refined metals and ore concentrates	**$ 1,454,550**	$ 1,355,456
Raw materials and chemical products in process	**14,042**	6,674
Operating materials	**218,966**	215,576
	1,687,558	1,577,706
Inventories measured at fair value:		
Refined metals	**89,857**	112,500
Subtotal	**1,777,415**	1,690,206
Less: Operating materials at estimated net realizable value	**(38,219)**	(37,978)
Inventories, net	**1,739,196**	1,652,228
Less: Non-current portion	**91,620**	91,620
Inventories, net	**$ 1,647,576**	$ 1,560,608

Disclosure of investments accounted for using equity method [text block]

Equity Investments in Associates

The movement in investments for the six-month periods ended June 30, 2021 and December 31, 2020 is analyzed as follows:

	June 2021	December 2020
Beginning balance in associates	$ 32,160	$ 31,275
Share of loss of associates	(792)	(3,321)
Share capital increase	8,060	4,690
Translation adjustment	(2,896)	(484)
Ending balance in associates	$ 36,532	$ 32,160

Disclosure of issued capital [text block]

Equity and Components of Other Comprehensive Loss

Share capital

The share capital as at June 30, 2021 and December 31, 2020 is represented by common registered shares with no par value. Fixed minimum share capital is represented by Class I shares and variable share capital by Class II shares. An analysis is as follows:

	Shares		Amount	
	2021	2020	2021	2020
Share capital authorized and subscribed	413,264,747	413,264,747	$ 403,736	$ 403,736
Share buybacks	15,789,000	15,789,000	2,337	2,337
Outstanding nominal share capital	397,475,747	397,475,747	$ 401,399	$ 401,399

As at June 30, 2021, Peñoles Group´s nominal share capital consists of minimum fixed share capital of $401,399 (equal to Ps.2,191,210) and variable share capital, which may not exceed ten times the amount of fixed share capital.

Disclosure of joint ventures [text block]

The disclosure of this note is mentioned in the note information to be disclosed about business combinations.

Disclosure of leases [text block]

Leases

The movement in right-of-use assets as of June 30, 2021 is as follows:

	Buildings	Machinery and equipment	Computer equipment and other assets	Total cost
Investment:				
Beginning balance as at 1 January 2021	$ 21,086	$ 69,342	$ 48,004	$ 138,432
Additions	627	-	3,422	4,049
Lease modification	985	-	(230)	755
Low	(96)	-	-	(96)
Ending balance as at 30 June 2021	$ 22,602	$ 69,342	$ 51,196	$ 143,140
Amortization:				
Beginning balance as at 1 January 2021	(5,031)	(6,201)	(24,371)	(35,603)
Amortization for the period	(1,336)	(1,579)	(6,695)	(9,610)
Low	34	-	-	34
Ending balance as at 30 June 2021	(6,333)	(7,780)	(31,066)	(45,179)
Net investment	$ 16,269	$ 61,562	$ 20,130	$ 97,961

The lease liability as of June 30, 2021 and December 31, 2020 is $104,657 and $108,351 respectively. Interest expenses for the six-months ended June 30, 2021 and 2020 increased the liabilities by $3,966 and $3,794 respectively. The portion of the lease payments recognized as a reduction of the lease liabilities and as financing activity cash flow for the six-months ended June 30, 2021 and 2020 were $12,390 and $15,500 respectively.

The maturity analysis of the lease liability as of June 30, 2021 is as follows:

		Amount
2021	$	14,760
2022		12,812
2023		8,371
2024		5,483
2025 and thereafter		63,231
		104,657
Current portion due		14,760
Non-current maturity	$	89,897

The amortization charge for the right-of-use asset for the six-month period ended June 30, 2021 and 2020 amounted to $9,597 and $10,249 respectively.

Disclosure of non-current assets or disposal groups classified as held for sale [text block]

Assets Held for Sale

In July 2020, Grupo Peñoles entered into an agreement with a company for the sale of real and personal property related to the Zimapán unit for an amount of $20,000. The related assets and liabilities are recognized separately as part of the assets and liabilities held for sale caption. The carrying amount of these assets and liabilities is $8,346 and $10,937. On 28 July 2020, Company management approved the sale plan.

As of December 31, 2020, Zimapán's assets were classified as a disposition group maintained for sale within the base metals mines segment and accounted for 0.43% of the entire segment at the active level and 0.13% of the segment's total revenue. The income and expenses of this unit amount to $1,343 and $3,757 in 2020, respectively, which for the non-significant amount are not presented separately in the statement of comprehensive income.

An analysis of the principal class of assets and liabilities of the Zimapán unit classified as held for sale as at 31 December 2020 is as follows:

	June 2021	December 2020
ASSETS		
Property, plant and equipment	$ -	$ 8,346

	June 2021	December 2020
LIABILITIES		
Provisions	$ -	$ 10,937

During the month of April 2021 this transaction was completed.

Disclosure of other current assets [text block]

Other financial assets

An analysis of Other financial assets is as follows:

	June 2021	December 2020
Financial instruments derived from short-term hedging	$ 20,645	$ 18,607
Less: Non-current expiration	(2,092)	(496)
	$ 18,553	$ 18,111

Disclosure of other non-current assets [text block]

Equity Instrument Financial Assets

An analysis of this caption is as follows:

June	December

	2021	2020
Equity investments in entities listed on the Canadian Stock Exchange:		
Cost	**$ 62,732**	$ 62,732
Increase in fair value	**175,749**	167,905
Subtotal	**238,481**	230,637
Equity investments in entities listed on the U.S. Stock Exchange:		
Cost	**180**	180
Increase in fair value	**2,115**	1,732
Subtotal	**2,295**	1,912
Total	**$ 240,776**	$ 232,549

Disclosure of other operating income (expense) [text block]

Other (Income)/Expenses

An analysis of other income is as follows:

	June 2021		June 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Rental income	**$ (1,016)**	**$ (401)**	$ (2,442)	$ (248)
Income from royalties	**(387)**	**(118)**	(449)	(206)
Gain on sale of property, plant and equipment	**(13,908)**	**(13,765)**	(335)	(451)
Gain on sale of other goods and services	**(4,932)**	**-**	(3,478)	(3,803)
Gain on sale of concentrates	**(1,160)**	**(1,406)**	-	-
Other	**(7,836)**	**(8,546)**	-	-
Other income	**$ (29,239)**	**$ (24,236)**	$ (6,704)	$ (4,708)

An analysis of other expenses is as follows:

June 2021	June 2020

	Accumulated	**Quarter**	Accumulated	Quarter
Donations	**1,051**	**158**	2,524	1,554
Rehabilitation expenses for closed mining units	**9,062**	**6,854**	2,937	1,700
Losses from accidents	**4,135**	**4,045**	1,861	3,414
Loss on sale of materials and waste	**5,698**	**850**	1,387	1,085
Impairment in property, plant and equipment	**3,859**	**194**	151,230	48,712
Loss on sale of concentrates	**-**	**-**	16,843	14,551
Loss on sale of other goods and services	**-**	**1,313**	-	-
Other	**-**	**-**	14,708	15,133
Other expenses	**23,805**	**13,414**	191,490	86,149
Other (income) expenses	**$ (5,434)**	**$ (10,822)**	$ 184,786	$ 81,441

Disclosure of property, plant and equipment [text block]

During the six-month periods ended June 30, 2021, and 2020, Grupo Peñoles made investments in its properties, plants and equipment for $305,387 and $256,847 respectively.

The major investments made during the six months ended June 30, 2021 went to the mining projects under development for $106,639, asset expansions and replacements in mining units for $155.170, and asset replacement at Met Mex’s metallurgical plant for $17,900.

Grupo Peñoles evaluated certain external indicators, mainly the movement in metal prices, as well as internal indicators that included the review of economically recoverable ore reserves and resources, in order to determine whether their properties, plant and equipment could be impaired. The recoverable amount was based on the continued use value of cash-generating units through the present-value discount of future cash flows based on budgets, forecasts and expectations approved by Management. The discount rate that reflects the weighted average cost of capital that was used to discount flows was 8.55%.

As a result of the evaluation of impairment indicators and in accordance with the determination of the recoverable amount of long-term assets, Grupo Peñoles recognized an impairment loss in the mining units known as Madero, Maple, Milpillas and Cedros of $3,859 that is included in the category of other expenses.

As of June 30, 2021, and 2020, the depreciation fee was $359,673 and $339,501, respectively.

Commitments

As of June 30, 2021 and December 31, 2020, various agreements are concluded with contractors for the purchase of machinery and equipment, as well as for the completion of the construction of mining projects. The amount of commitments to purchase machinery and equipment to each of those dates is $277,264 and $323,059, respectively.

Disclosure of related party [text block]

Related Parties

An analysis of balances due from and to unconsolidated related parties is as follows:

		June 2021		December 2020
Receivables:				
Sales:				
Dowa Mining Co. Ltd.(3)	$	**8,039**	$	2,361
Sumitomo Corporation (3)		**34,167**		-
Grupo Palacio de Hierro, S.A.B. de C.V.(1)		**953**		808
Eólica de Coahuila S. de R.L. de C.V. (2)		**28**		51
Others		**75**		70
		43,262		3,290
Short-term loans:				
Inmobiliaria Industrial La Barra, S.A. (3)		**8,730**		7,889
Total	$	**51,992**	$	11,179
Payables:				
Current accounts:				
Termoeléctrica Peñoles, S. de R.L. de C.V.(4)	$	**11,012**	$	13,610
Línea Coahuila-Durango, S.A.B. de C.V.(2)		**969**		677
Others		**406**		167
		12,387		14,454
Loans:				
Minera los Lagartos, S.A. de C.V. (3)		**88,879**		64,425
Total	$	**101,266**	$	78,879

Transactions with related entities during the periods ended 30 June 2021 and 2020 were as follows:

		June 2021		June 2020
Revenue:				
Sales of concentrates and refined metal:				
Dowa Mining Co. Ltd. (3)	$	**30,644**	$	16,808
Sumitomo Corporation (3)		**135,650**		41,900
		166,294		58,708

Interest:		
Inmobiliaria Industrial La Barra, S.A. (3)	**678**	636
Electricity:		
Grupo Palacio de Hierro, S.A.B. de C.V. (1)	**4,158**	2,462
Grupo Nacional Provincial, S.A.B. de C.V. (1)	**-**	255
Instituto Tecnológico Autónomo de México (1)	**41**	64
	4,199	2,781
Other		
Línea Coahuila Durango, S.A de C.V. (2)	**179**	489
Petrobal, S.A.P.I. de C.V. (1)	**183**	81
Petrobal Upstream Delta 1, S.A. de C.V. (1)	**155**	327
Corporación Innovadora de Personal, S.A. de C.V. (1)	**27**	8
Técnica Administrativa Ener, S.A. de C.V. (1)	**55**	17
	597	922
	$ 171,768	$ 63,047

Expenses:		
Electricity:		
Termoeléctrica Peñoles, S. de R.L. de C.V. (4)	**$ 66,071**	$ 58,359
Eólica de Coahuila S. de R.L. de C.V. (4)	**31,707**	32,302
Eólica Mesa la Paz S. de R.L. de C.V. (4)	**21,335**	6,177
	119,113	96,838
Administrative fees:		
Servicios Corporativos Bal, S.A. de C.V. (1)	**22,115**	13,266
Técnica Administrativa Bal, S.A. de C.V. (1)	**-**	1
	22,115	13,267
Insurance and bonds:		
Grupo Nacional Provincial, S.A.B. de C.V. (1)	**7,692**	10,236
Others	**137**	101
	7,829	10,337
Air transportation:		
Aerovics, S.A. de C.V. (1)	**11,520**	1,831
Royalties:		
Dowa Mining Co. Ltd (3)	**2,221**	1,354
Sumitomo Corporation (3)	**647**	409
	2,868	1,763
Rent:		
MGI Fusión, S.A. de C.V. (1)	**1,524**	1,461
Others	**4,822**	10,636
	$ 169,791	$ 136,133

(1) Affiliates under the common control of Grupo Bal and composed of independent Mexican companies, including Grupo Palacio de Hierro, S.A.B. de C.V.; Grupo Nacional Provincial, S.A.B. de C.V.; Valores Mexicanos Casa de Bolsa, S.A. de C.V.; and Petrobal, S.A.P.I. de C.V.

(2) Associates

(3) Non-controlling interest holders

(4) Other related parties

Disclosure of reserves within equity [text block]

Equity and Components of Other Comprehensive Income

Legal reserve

The Group is required to appropriate at least 5% of the net profit of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of Peñoles Group´s share capital. At date, the Group has fully covered this percentage. This reserve may not be distributed, except in the form of share dividends.

Components of other comprehensive income

Effect of unrealized gain or loss on valuation of hedges

This includes the effective portion of the gain or loss on valuation of financial instruments classified as cash flow hedges, net of deferred income tax. The unrealized gain or loss is recycled to profit or loss at the time the hedged transaction occurs.

Effect of unrealized gain or loss on valuation of equity instrument financial assets

This corresponds to the fair value changes in equity instrument financial assets, net of deferred income tax. Gains and losses arising from these financial assets will never be reclassified to profit or loss. Dividends are recognized as Other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Foreign currency translation reserve

This item represents the effects of translation to the presentation currency of certain subsidiaries and associates, whose functional currency is the Mexican peso.

Effect of unrealized gain or loss on revaluation of labor obligations

This item represents the actuarial gain or loss arising on changes in liabilities for retirement benefits due to changes made to the actuarial assumptions used to calculate the liability.

Disclosure of revenue [text block]

Sales

An analysis of sales by product type is as follows:

	June 2021				June 2020			
	Accumulated		Quarter		Accumulated		Quarter	
Silver	$	**929,852**	$	**475,432**	$	543,095	$	256,625
Gold		**1,115,972**		**528,988**		758,900		364,929
Zinc		**426,410**		**219,411**		286,848		137,988
Lead		**144,865**		**74,049**		107,922		44,605
Ore concentrates		**289,358**		**163,158**		84,926		42,858
Copper		**17,299**		**8,286**		43,887		18,675
Copper matte		**60,912**		**34,581**		25,977		7,149
Sodium sulfate		**53,030**		**27,491**		53,598		26,420
Other products		**84,648**		**42,828**		66,213		31,027
	$	**3,122,346**	$	**1,574,224**	$	1,971,366	$	930,276

An analysis of sales by geographical area is as follows:

	June 2021				June 2020			
	Accumulated		Quarter		Accumulated		Quarter	
Domestic sales	$	**455,354**	$	**255,204**	$	269,668	$	99,857
United States of America		**1,332,357**		**631,708**		1,064,935		397,538
Europe		**346,106**		**185,124**		304,258		181,934
Canada		**594,371**		**266,335**		195,097		169,357
Asia		**349,680**		**217,279**		115,241		71,531
South America		**34,797**		**14,806**		17,212		7,921
Other		**9,679**		**3,769**		4,955		2,138
	$	**3,122,346**	$	**1,574,224**	$	1,971,366	$	930,276

Disclosure of subsidiaries [text block]

Consolidation

Principal subsidiaries

The principal subsidiaries are as follows:

100%-owned subsidiaries of the Group:

Subsidiary	Country	Functional Currency (1)	% equity interest June 2021	December 2020
Minas Peñoles, S.A. de C.V.	México	USD	**100**	100
Química Magna, S.A. de C.V.	México	USD	**100**	100
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	México	USD	**100**	100
Química del Rey, S.A. de C.V.	México	USD	**100**	100
Minera Ciprés, S.A. de C.V.	México	USD	**100**	100
Compañía Minera Sabinas, S.A. de C.V.	México	USD	**100**	100
Compañía Capela, S.A. de C.V.	México	USD	**100**	100
Servicios Administrativos Peñoles, S.A. de C.V.	México	Peso	**100**	100
Servicios Especializados Peñoles, S.A. de C.V.	México	Peso	**100**	100
Bal Holdings, Inc.	EUA (2)	USD	**100**	100
Fuerza Eólica del Istmo, S.A. de C.V.	México	USD	**100**	100

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

Subsidiaries with other non-controlling interests

Subsidiary	Country	Primary activity
Fresnillo plc	England	Holding company whose subsidiaries are primarily engaged in the extraction and processing of mineral concentrates containing mostly silver and gold. The subsidiary was incorporated under the laws of the United Kingdom and is publicly traded on the London Stock Exchange. This company is a 75%-owned subsidiary of Peñoles Group.
Minera Tizapa, S.A. de C.V.	México	Primarily engaged in the extraction and processing of mineral concentrates and zinc and silver. This company is a 51%-owned subsidiary of Peñoles Group.

Disclosure of significant accounting policies [text block]

The accounting policies used in the preparation of the financial statements summarized below have been consistently applied in all periods presented.

Disclosure of trade and other receivables [text block]

Trade and Other Accounts Receivable

An analysis of this caption is as follows:

	June 2021	December 2020
Trade receivables	$ **240,513**	$ 208,098
Other accounts receivable	**29,390**	37,308
Less:		
Expected credit losses for trade receivables	**(2,211)**	(2,231)
Expected credit losses for other accounts receivable	**(1,626)**	(2,266)
Total trade and other accounts receivable	**266,066**	240,909
Related parties	**51,992**	11,179
Recoverable value added tax	**337,087**	280,057
Advances to suppliers	**20,507**	8,920
Loans to contractors	**4,761**	496
	680,413	541,561
Less: Non-current maturity		
Loans to contractors	**4,761**	496
Long-term accounts receivable and other receivables	**4,761**	496
Total trade and other current accounts receivable, net	$ **675,652**	$ 541,065

[800600] Notes - List of accounting policies

Disclosure of significant accounting policies [text block]

The accounting policies used in the preparation of the financial statements summarized below have been consistently applied in all periods presented.

Description of accounting policy for borrowing costs [text block]

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

Description of accounting policy for borrowings [text block]

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

Description of accounting policy for business combinations [text block]

Subsidiaries with non-controlling interests

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

Description of accounting policy for business combinations and goodwill [text block]

Business combinations are accounted for using the acquisition method. Under this method, the assets acquired and liabilities assumed are recognized at fair value at the date of acquisition. The operating results of acquired businesses are recognized in the consolidated financial statements as of the effective acquisition date. The operating results of businesses sold during the year are included in the consolidated financial statements through the effective date the business was sold. A gain or loss on the sale of an acquired business, which is the difference between the income received from the sale, net of the related expenses, and the net assets attributable to the equity interest in the business at the date of sale, is recognized in the consolidated statement of profit or loss.

Description of accounting policy for cash flows [text block]

Cash and cash equivalents

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

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

Description of accounting policy for decommissioning, restoration and rehabilitation provisions [text block]

Provision for decommissioning and rehabilitation

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

Description of accounting policy for deferred acquisition costs arising from insurance contracts [text block]

Prepaid expenses

Prepaid expenses are recognized at the time the expense is paid and based on the actually paid amount. Prepaid expenses are either capitalized or recognized in profit or loss as an expense, depending on whether there is certainty that the acquired goods or services will generate future economic benefits.

Description of accounting policy for deferred income tax [text block]

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

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

Description of accounting policy for depreciation expense [text block]

Property, plant and equipment

Depreciation and depletion are calculated on the asset's acquisition cost, less the residual value of the property, plant and equipment throughout their useful lives or the waiting period in which the benefits of their use will be received.

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

Description of accounting policy for derecognition of financial instruments [text block]

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

Description of accounting policy for derivative financial instruments [text block]

Derivative financial instruments

Hedging derivatives

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

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

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

Description of accounting policy for derivative financial instruments and hedging [text block]

Derivative financial instruments

Cash flow hedges

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

Description of accounting policy for dividends [text block]

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

Description of accounting policy for earnings per share [text block]

Earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders of Grupo Peñoles by the weighted average number of ordinary shares outstanding during the year.

Description of accounting policy for employee benefits [text block]

Employee benefits

Short-term employee benefits

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

Defined benefit plan

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

Description of accounting policy for environment related expense [text block]

Provision for asset decommissioning and rehabilitation

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

Provisions for asset decommissioning and rehabilitation are recognized at present value at the time the obligation becomes known and provision amounts are calculated based on management's understanding of the related legal requirements and the Company's corporate social responsibility policies. Environmental costs are also estimated by the Company's own internal specialists with the support of studies performed by independent experts. Generally speaking, management applies its judgment and experience to estimate decommissioning and rehabilitation costs over the life of each mine.

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

Description of accounting policy for exploration and evaluation expenditures [text block]

Mine exploration and development costs and expenses

Exploration includes the search for mineral resources, the determination of the mine's technical feasibility, and the assessment of the commercial viability of identified resources.

Description of accounting policy for fair value measurement [text block]

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible by Grupo Peñoles.

Description of accounting policy for financial assets [text block]

Grupo Peñoles classifies its financial assets into the following categories:

- Financial assets at amortized cost.
- Financial assets at fair value through other comprehensive income OCI, and
- Financial assets at fair value through profit or loss.

The classification is based on two criteria: Grupo Peñoles´s business model for managing the assets and the contractual cash flows of the assets.

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

The Company reclassifies its debt instruments only when its business model for managing these financial assets changes.

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

The Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the purchase of the financial asset. Transaction costs of financial assets at fair value through profit or loss are recognized directly in profit or loss.

Description of accounting policy for financial liabilities [text block]

Financial liabilities

Initial recognition and measurement

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

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

Description of accounting policy for foreign currency translation [text block]

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

Description of accounting policy for functional currency [text block]

Foreign currency translation

Functional currency

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

Description of accounting policy for hedging [text block]

The disclosure of this note is mentioned in the accounting policy note for derivative financial instruments and hedges.

Description of accounting policy for impairment of assets [text block]

Impairment

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

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

Description of accounting policy for impairment of financial assets [text block]

Impairment of financial instruments

Grupo Peñoles recognizes an allowance for expected credit losses (ECLs) for all of its debt instruments measured at amortized cost and at fair value through OCI, except for the equity instruments irrevocably classified as equity instruments at fair value through OCI.

Lifetime ECLs are recognized according to the simplified approach permitted under IFRS 9 *Financial Instruments*. ECLs of an asset are recognized before the instrument is in default. In order to determine the credit risk, the Company uses the historical default rates over the expected life of its trade receivables, which are then adjusted based on forward-looking estimates taking into consideration the most relevant macroeconomic factors affecting their collectability.

For financial assets carried at amortized cost, the amount of the ECL is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Description of accounting policy for income tax [text block]

Income tax

Current income tax

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

Deferred income tax

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

Description of accounting policy for intangible assets other than goodwill [text block]

Intangible assets

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

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

Description of accounting policy for interest income and expense [text block]

Interest income is recognized as it accrues using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Description of accounting policy for investment in associates [text block]

The disclosure of this note is mentioned in the accounting policy note for investments in associates and joint ventures.

Description of accounting policy for investment in associates and joint ventures [text block]

Associates

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

components of other comprehensive income directly in equity under the caption corresponding to the type of other comprehensive income being recognized.
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Description of accounting policy for investments in joint ventures [text block]

The disclosure of this note is mentioned in the accounting policy note for investments in associates and joint Ventures.

Description of accounting policy for leases [text block]

Leases

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

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

Description of accounting policy for measuring inventories [text block]

Inventories

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

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

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

Description of accounting policy for mining assets [text block]

Property, Plant and Equipment

Mine properties, mine development and stripping costs

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

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

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

Revenue earned on the sale of metal from the minerals extracted in the development stage prior to commercial production is recognized as a deduction from the mine property costs and development costs.

Description of accounting policy for mining rights [text block]

Income tax

Special tax for mining companies

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

Description of accounting policy for property, plant and equipment [text block]

Property, plant and equipment

Property, plant and equipment is initially measured at cost. The cost includes the purchase price and any other costs directly attributable to refurbishing and getting the asset ready for use.

Description of accounting policy for provisions [text block]

Provisions are recognized when Grupo Peñoles has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Description of accounting policy for recognition of revenue [text block]

Revenue recognition

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

Revenue from the sale of goods is recognized when the control of the related goods has been transferred to the buyer, which generally occurs at the time ownership of the product is physically transferred to the customer and collection of the related accounts receivable is reasonably assured.

The performance obligations of Grupo Peñoles consist in the sale of products and freight services, both are considered a single performance obligation within the context of the contract and the revenue is recognized at the same point in time.

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

Description of accounting policy for segment reporting [text block]

Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM) who is also the Company's Chief Executive Officer. The Company is organized into business units based on its products.

The CODM monitors the operating results of the business units separately with the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Group's consolidated financial statements. In addition, the Group's financing and income taxes are managed at the corporate level and are not allocated to the operating segments, except for those entities, which are managed independently.

The Company's operations in the mining-metallurgical industry consist of the extraction and processing of minerals, and the smelting and refining of non-ferrous metals. The extraction and processing of minerals primarily produces lead, zinc and doré concentrates, which are treated and refined in a metallurgical complex to obtain refined metals. The Company's metallurgical business is conducted through its subsidiary Metalúrgica Met-Mex Peñoles (Met-Mex). The metallurgical complex, known as "Met-Mex", receives mineral concentrates and doré from related and independent mining companies to treat, process, and refine them to obtain finished products, primarily silver, gold, zinc and lead, for their subsequent sale. Based on the business activities described above, Grupo Peñoles has divided its operations into the following operating segments:

Precious metal mines

This segment includes the mining units where silver and gold minerals are extracted and processed. Other activities related to this segment include prospecting and exploring new deposits and developing mining units for future mining operations. The equity interest in the business units of this segment is held by the subsidiary Fresnillo plc, which is a company located in the United Kingdom whose shares are traded on the London Stock Exchange in England. Practically, all the concentrates and doré produced by this segment are sent to Met-Mex metallurgical complex.

Base metal mines

This segment groups mineral exploration, extraction and processing to obtain concentrates of zinc, lead and copper. Zinc and lead concentrates are sent to Met-Mex for treatment and refining primarily to obtain refined zinc and lead. The copper concentrates are sold to metallurgical companies abroad that are not related parties.

Metallurgical

The metallurgical segment involves treating and refining the concentrates and dorés received from the precious metals and base metals business. The activities of this segment are performed in two main metallurgical plants: a) an electrode plant that produces zinc cathode; and b) the smelting-refining plant that primarily produces refined silver and gold (mostly presented in bars), as well as molded lead. The plants also process precious metals and base metals from non-related parties and this segment represents approximately 30% of production. The refined metals, which are mostly silver, gold, lead and zinc, are sold in Mexico and abroad, primarily in the United States through the subsidiary Bal Holdings, as well as in Europe and South America.

Other

This segment consists primarily of the following operations: a) the production and sale of chemical products, primarily sodium sulfate, and b) entities that provide administrative and operating support activities. These operations do not meet the criterion for segment reporting under IFRS 8 *Operating Segments*.

The accounting policies used by the Company in reporting segments internally are the same as those contained in the notes to the consolidated financial statements.

Description of accounting policy for stripping costs [text block]

Property, Plant and Equipment

Decommissioning and rehabilitation

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

Description of accounting policy for subsidiaries [text block]

Consolidation

Subsidiaries

Subsidiaries are understood to be those entities over which Grupo Peñoles has the power to govern the investee’s operating and financial policies and obtain benefits from its activities, as of the date control is obtained and through the date control is lost. Control over investees classified as subsidiaries is analyzed based on the Company’s power over the investee, its voting rights, its exposure, or rights, to variable returns from its involvement with the investee, and its ability to affect the amount of such returns through its power over the investee.

Description of accounting policy for transactions with non-controlling interests [text block]

The consolidated financial statements include all of the entities' assets, liabilities, revenue, expenses and cash flows after eliminating intercompany balances and transactions. When the Company holds equity interest of less than 100% and, therefore, there are non-controlling interests in the net assets of the consolidated subsidiary, a separate non-controlling interests' caption is included in the consolidated statement of financial position.

Description of accounting policy for transactions with related parties [text block]

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

[813000] Notes - Interim financial reporting

Disclosure of interim financial reporting [text block]

Notes to financial information for 2Q2021 are contained in reports [800500] and [800600]

Description of significant events and transactions

N/A

Dividends paid, ordinary shares:	0
Dividends paid, other shares:	0
Dividends paid, ordinary shares per share:	0
Dividends paid, other shares per share:	0