Quarterly Financial Information

[105000] Management commentary

Management commentary [text block]

Mexico City, October 28, 2021 – Industrias Peñoles, S.A.B. de C.V. ("Peñoles" or the "Company") (BMV ticker symbol: PE&OLES), mining group with integrated operations in the smelting and refining of non-ferrous metals and the production of chemicals, reports its consolidated results for the third quarter of 2021 (3Q21) and the main variations in comparison with the same period of 2020 (3Q20).

EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

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

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.

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

Fortuna del Cobre (Sonora).

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

Reina del Cobre (Durango).

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

Mining Units.

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

Other projects.

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

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

Fresnillo plc

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

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

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

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

ECONOMIC ENVIRONMENT AND METAL PRICES.

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

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

Period	Gold (US$/Oz)	Silver (US$/Oz)	Lead (UScts/lb)	Zinc (UScts/lb)	Copper (UScts/lb)
1Q'20	1,583.23	16.87	83.80	96.51	255.74
2Q'20	1,710.51	16.54	75.74	88.88	242.29
3Q'20	1,911.36	24.59	85.10	106.13	295.79
YTD Avg. 2020	**1,735.04**	**19.33**	**81.55**	**97.17**	**264.60**
1Q'21	1,797.80	26.29	91.65	124.63	384.58
2Q'21	1,816.49	26.78	96.48	132.26	440.47
3Q'21	1,789.44	24.28	106.18	135.68	425.09
YTD Avg. 2021	**1,801.24**	**25.78**	**98.10**	**130.86**	**416.71**

%Var3Q'21 vs 3Q'20	*-6.4*	*-1.2*	*24.8*	*27.8*	*43.7*
%Var 3Q'21 vs 2Q'21	*-0.5*	*-7.7*	*15.9*	*8.9*	*10.5*

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

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

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 3Q'21 with respect to those obtained in 3Q'20 were as follows:

MINING OPERATIONS:

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

Copper Cathodes (ton)	847	2,746	*-69.2*	2,485	10,756	*-76.9*

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

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

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

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

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

Copper (+41.7%): The increase in copper content was attributable to Capela mining unit, where the efficient separation of lead-silver in the flotation circuit has been improved. Additionally, Sabinas registered a higher volume of ore benefited processing with better head grade, Tizapa presented higher recovery and Velardeña processed a higher volume of ore with better head grade and increased recovery.

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

<u>METALLURGICAL OPERATIONS:</u>

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

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

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

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

CHEMICAL OPERATIONS:

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

***Does not include maquila.**

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

Magnesium oxide production increased significantly, due to the demand resurgence in the construction and automotive industries. Ammonium sulfate recorded lower production due to the lower availability of sulfuric acid from the smelter, while magnesium sulfate had an increase in production due a steady demand from the agricultural sector.

Financial position, liquidity and capital resources [text block]

The Company consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The analysis of the consolidated financial statements is presented in millions of United States dollars (US$), which is the functional currency of Peñoles and the figures for 3Q'21 are compared with those for 3Q'20, unless otherwise indicated.

FINANCIAL HIGHLIGHTS:

(Million US$)	3Q'21	3Q'20	% Var	YTD 2021	YTD 2020	% Var
Gross Sales	1,443.9	1,253.6	*15.2*	4,612.4	3,219.7	*43.3*
Net Sales (1)	1,431.2	1,232.0	*16.2*	4,553.6	3,203.3	*42.2*
Gross Profit	313.9	409.8	*-23.4*	1,259.1	780.4	*61.3*
Gross Margin	*21.9%*	*33.3%*		*27.6%*	*24.4%*	
EBITDA (2)(3)	346.1	466.4	*-25.8*	1,376.2	949.4	*45.0*
EBITDA Margin	*24.2%*	*37.9%*		*30.2%*	*29.6%*	
Operating Profit (3)	168.2	285.6	*-41.1*	829.0	418.8	*97.9*
Operating Margin	*11.8%*	*23.2%*		*18.2%*	*13.1%*	

Other Income (Expense) (4)	-0.9	-8.4	*-89.8*	4.6	-193.2	*n.a.*
Financial Income (Expense)	-44.4	-96.6	*-54.0*	-106.2	-173.5	*-38.8*
Controlling Interest on Net Income	66.4	18.7	*254.4*	408.3	-289.0	*n.a.*
Net Margin	*4.6%*	*1.5%*		*9.0%*	*-9.0%*	

(1) Includes the results of hedging metal prices.

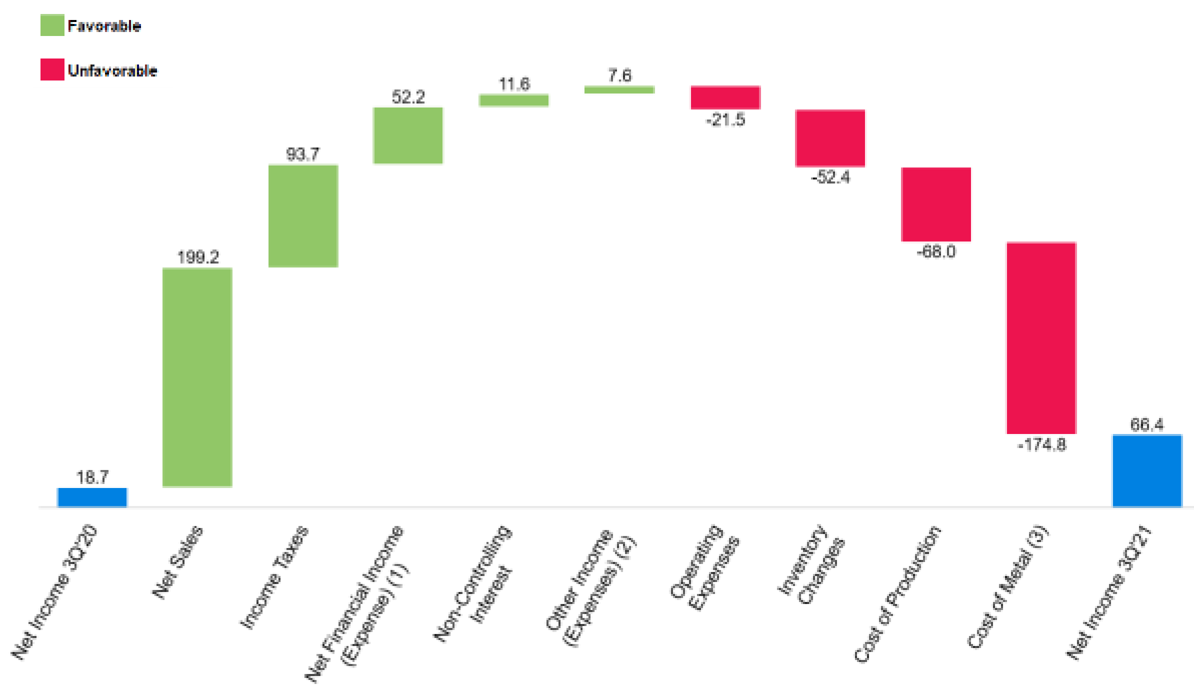
(2) Earnings before Interest Expense, Taxes, Depreciation and Amortization.

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

(4) Includes impairment losses.

INCOME STATEMENT:

The following rainbow chart summarizes the influence of each item in the financial results on the change in net income from 3Q'20 to 3Q'21 (in millions of US$):



(1) Financial expenses include Exchange result.

(2) Other expenses include impairment losses.

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

The variations are explained below:

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

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

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

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

The most significant variations by cost item were the following:

- Human Capital (+US$18.1, +27.3%), from salaries and benefits due to the revision of collective bargaining agreements and the assimilation of contractor personnel, as well as the higher cost of overtime from vulnerable personnel who remain under the work-from-home scheme because of the pandemic.

- Maintenance and Repairs (+US$16.4, +21.8%), due to higher spending on major repairs, and materials for mechanical and electrical repairments.

- Energy (+US$12.9, +13.2%) mainly due to a greater consumption and higher diesel and natural gas cost.

- Contractors (+US$12.5, +12.2%), owing to more mining and civil development works, hauling and dumping of ore.

- Other cost items (+US$10.7, 24.5%) such as raw materials –especially ammonia–, freight, rental of personnel transportation equipment, surveillance, insurance and surety among others.

- Transfer of by-products (-US$8.0, 34.8%) from by-products that were credited to the cost with a charge to inventories for their treatment.

- Operating Materials (+US$7.7, +8.7%) due to higher consumption of electrolytic tin, explosives and detonators, lead for alloys, packaging materials, safety equipment and various reagents.

- Depreciation, Amortization and Depletion (-US$2.7, -1.5%), due to lower investments.

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

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

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

- Higher **Administrative Expenses** (+US$10.9, +18.5%) due to an increase in salaries and benefits, fees paid, memberships and associations, and travel expenses. These raises were recorded because in 3Q'20 expenses were significantly reduced in response to the strong restrictive measures from the health contingency due to the COVID-19 pandemic.

- Higher **Exploration and Geological Expenses** by +US$7.0 (+19.9%), because field work and drilling in mining projects and units have been gradually resumed, while in 3Q'20 many activities were suspended due to the sanitary contingency.

- Higher **Selling Expenses** (+US$3.6, +12.0%) due to higher cost in land freight and sold volumes.

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

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

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

- **Financial income** of US$6.7, higher than US$1.5 (+US$5.2), mainly due to a profit from the interest rate hedge (+US$1.8) and other financial income (+US$2.9).

- **Financial expense** of US$44.5, lower than US$91.0 (-US$46.5), since in 3Q'20 there were updates for US$21.7, as a result of the voluntary adjustment the Company made to the tax treatment of mining investments made between 2013 and 2019 in its underground mines, as well as US$25.1 from the early termination of the interest rate hedge over the syndicated loan that was settled in advance with part of the proceeds received from the Company's bond issues at that time. This was partially offset by higher interest on financial debt (+ US$ 11.2).

- **Exchange rate fluctuation**. The exchange rate result was favorable by +US$0.6, since in 3Q'21 there was an exchange rate loss of -US$6.6, whereas the loss in the same quarter of the past year was -US$7.2. This item comes from the conversion on the balance sheet of monetary assets and liabilities in currencies other than the US dollar, including the Mexican peso.

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

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

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

CASH FLOW:

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

The most relevant concepts are discussed below:

1) **Net cash flows from operating activities** for +US$160.2. This line item comprises items directly related to the operations, excluding those that have no impact on cash (such as depreciation) and includes working capital, as well as income taxes, employee profit sharing and participation in the results of associated companies and joint ventures.

2) **Net cash flows from investing activities** of -US$176.1, comprising:

    a) Investments in property, plant and equipment for -US$170.2, highlighting the construction and development of Juanicipio mine and the 14th leaching patio in Herradura. Additionally, it includes the development of amortizable mining works, the construction of tailings dams, the purchase of mining equipment and other fixed assets for the operating units.

    b) Other concepts for -US$5.9 that include interest collected, income from the collection of loans from third parties and the sale of fixed assets

3) **Net cash flows from financing activities** of -US$7.4, derived from:

    a) Net bank loans of +US$19.7.

    b) Capital contributions for +US$31.8.

    c) Other concepts, such as loans from associated companies and income from the interest rate hedge for +US$8.8.

    d) Interest paid on financial debt -US$43.5.

    e) Dividends paid to non-controlling interests for -US$18.1.

    f) Payment of lease liabilities -US$6.1.

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 2021-09-30
Date of end of reporting period:	2021-09-30
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:	3
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 2021-09-30	Close Previous Exercise 2020-12-31
Statement of financial position [abstract]		
Assets [abstract]		
Current assets [abstract]		
Cash and cash equivalents	1,693,131,000	1,592,650,000
Trade and other current receivables	662,757,000	541,065,000
Current tax assets, current	109,420,000	75,916,000
Other current financial assets	29,283,000	18,111,000
Current inventories	1,640,240,000	1,560,608,000
Current biological assets	0	0
Other current non-financial assets	67,190,000	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	4,202,021,000	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	4,202,021,000	3,823,781,000
Non-current assets [abstract]		
Trade and other non-current receivables	56,241,000	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	182,279,000	232,549,000
Investments accounted for using equity method	0	0
Investments in subsidiaries, joint ventures and associates	39,630,000	32,160,000
Property, plant and equipment	4,604,505,000	4,671,553,000
Investment property	0	0
Right-of-use assets that do not meet definition of investment property	94,811,000	102,829,000
Goodwill	0	0
Intangible assets other than goodwill	15,939,000	19,523,000
Deferred tax assets	346,419,000	271,308,000
Other non-current non-financial assets	0	0
Total non-current assets	5,431,444,000	5,426,650,000
Total assets	9,633,465,000	9,250,431,000
Equity and liabilities [abstract]		
Liabilities [abstract]		
Current liabilities [abstract]		
Trade and other current payables	505,497,000	392,088,000
Current tax liabilities, current	100,885,000	176,868,000
Other current financial liabilities	249,928,000	398,652,000
Current lease liabilities	14,500,000	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	870,810,000	983,248,000
Liabilities included in disposal groups classified as held for sale	0	10,937,000
Total current liabilities	870,810,000	994,185,000
Non-current liabilities [abstract]		
Trade and other non-current payables	0	0
Current tax liabilities, non-current	4,655,000	9,771,000

Concept	Close Current Quarter 2021-09-30	Close Previous Exercise 2020-12-31
Other non-current financial liabilities	2,865,196,000	2,883,540,000
Non-current lease liabilities	87,335,000	92,711,000
Other non-current non-financial liabilities	0	0
Non-current provisions [abstract]		
Non-current provisions for employee benefits	68,202,000	66,338,000
Other non-current provisions	471,809,000	449,737,000
Total non-current provisions	540,011,000	516,075,000
Deferred tax liabilities	193,809,000	223,611,000
Total non-current liabilities	3,691,006,000	3,725,708,000
Total liabilities	4,561,816,000	4,719,893,000
Equity [abstract]		
Issued capital	401,399,000	401,399,000
Share premium	0	0
Treasury shares	0	0
Retained earnings	3,577,179,000	3,168,865,000
Other reserves	(36,048,000)	(97,911,000)
Total equity attributable to owners of parent	3,942,530,000	3,472,353,000
Non-controlling interests	1,129,119,000	1,058,185,000
Total equity	5,071,649,000	4,530,538,000
Total equity and liabilities	9,633,465,000	9,250,431,000

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

Concept	Accumulated Current Year 2021-01-01 - 2021-09-30	Accumulated Previous Year 2020-01-01 - 2020-09-30	Quarter Current Year 2021-07-01 - 2021-09-30	Quarter Previous Year 2020-07-01 - 2020-09-30
Profit or loss [abstract]				
Profit (loss) [abstract]				
Revenue	4,553,555,000	3,203,330,000	1,431,209,000	1,231,964,000
Cost of sales	3,294,505,000	2,422,974,000	1,117,264,000	822,166,000
Gross profit	1,259,050,000	780,356,000	313,945,000	409,798,000
Distribution costs	97,324,000	81,892,000	33,488,000	29,896,000
Administrative expenses	332,690,000	279,621,000	112,244,000	94,294,000
Other income	32,924,000	4,982,000	9,576,000	3,873,000
Other expense	28,353,000	198,199,000	10,439,000	12,304,000
Profit (loss) from operating activities	833,607,000	225,626,000	167,350,000	277,177,000
Finance income	25,957,000	7,781,000	147,000	1,500,000
Finance costs	132,182,000	181,239,000	44,564,000	98,213,000
Share of profit (loss) of associates and joint ventures accounted for using equity method	(5,068,000)	(2,505,000)	(4,276,000)	(1,498,000)
Profit (loss) before tax	722,314,000	49,663,000	118,657,000	178,966,000
Tax income (expense)	188,300,000	282,940,000	27,182,000	120,803,000
Profit (loss) from continuing operations	534,014,000	(233,277,000)	91,475,000	58,163,000
Profit (loss) from discontinued operations	0	0	0	0
Profit (loss)	534,014,000	(233,277,000)	91,475,000	58,163,000
Profit (loss), attributable to [abstract]				
Profit (loss), attributable to owners of parent	408,314,000	(289,048,000)	66,418,000	18,738,000
Profit (loss), attributable to non-controlling interests	125,700,000	55,771,000	25,057,000	39,425,000
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	1.03	(0.73)	0.17	0.05
Basic earnings (loss) per share from discontinued operations	0	0	0	0
Total basic earnings (loss) per share	1.03	(0.73)	0.17	0.05
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 - 2021-09-30	Accumulated Previous Year 2020-01-01 - 2020-09-30	Quarter Current Year 2021-07-01 - 2021-09-30	Quarter Previous Year 2020-07-01 - 2020-09-30
Statement of comprehensive income [abstract]				
Profit (loss)	534,014,000	(233,277,000)	91,475,000	58,163,000
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	(35,193,000)	32,585,000	(40,952,000)	18,277,000
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	(35,193,000)	32,585,000	(40,952,000)	18,277,000
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	2,540,000	(24,878,000)	(608,000)	6,981,000
Reclassification adjustments on exchange differences on translation, net of tax	0	0	0	0
Other comprehensive income, net of tax, exchange differences on translation	2,540,000	(24,878,000)	(608,000)	6,981,000
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	97,639,000	(57,036,000)	43,861,000	(65,992,000)
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	97,639,000	(57,036,000)	43,861,000	(65,992,000)
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 - 2021-09-30	Accumulated Previous Year 2020-01-01 - 2020-09-30	Quarter Current Year 2021-07-01 - 2021-09-30	Quarter Previous Year 2020-07-01 - 2020-09-30
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	(7,545,000)	(4,115,000)	(4,649,000)	18,000
Total other comprehensive income that will be reclassified to profit or loss, net of tax	92,634,000	(86,029,000)	38,604,000	(58,993,000)
Total other comprehensive income	57,441,000	(53,444,000)	(2,348,000)	(40,716,000)
Total comprehensive income	591,455,000	(286,721,000)	89,127,000	17,447,000
Comprehensive income attributable to [abstract]				
Comprehensive income, attributable to owners of parent	470,177,000	(347,590,000)	71,535,000	(24,234,000)
Comprehensive income, attributable to non-controlling interests	121,278,000	60,869,000	17,592,000	41,681,000

[520000] Statement of cash flows, indirect method

Concept	Accumulated Current Year 2021-01-01 - 2021-09-30	Accumulated Previous Year 2020-01-01 - 2020-09-30
Statement of cash flows [abstract]		
Cash flows from (used in) operating activities [abstract]		
Profit (loss)	534,014,000	(233,277,000)
Adjustments to reconcile profit (loss) [abstract]		
+ Discontinued operations	0	0
+ Adjustments for income tax expense	188,300,000	282,940,000
+ (-) Adjustments for finance costs	86,598,000	174,308,000
+ Adjustments for depreciation and amortisation expense	547,188,000	530,528,000
+ Adjustments for impairment loss (reversal of impairment loss) recognised in profit or loss	3,859,000	151,230,000
+ Adjustments for provisions	48,710,000	32,723,000
+ (-) Adjustments for unrealised foreign exchange losses (gains)	(22,481,000)	(17,687,000)
+ 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	(13,384,000)	(77,000)
	5,068,000	2,505,000
+ (-) Adjustments for decrease (increase) in inventories	(86,998,000)	(179,531,000)
+ (-) Adjustments for decrease (increase) in trade accounts receivable	(29,149,000)	2,091,000
+ (-) Adjustments for decrease (increase) in other operating receivables	(179,921,000)	82,642,000
+ (-) Adjustments for increase (decrease) in trade accounts payable	(15,315,000)	49,254,000
+ (-) Adjustments for increase (decrease) in other operating payables	45,807,000	(18,647,000)
+ Other adjustments for non-cash items	6,344,000	30,840,000
+ 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)	584,626,000	1,123,119,000
Net cash flows from (used in) operations	1,118,640,000	889,842,000
- Dividends paid	0	0
	0	0
- Interest paid	0	0
+ Interest received	0	0
+ (-) Income taxes refund (paid)	423,770,000	156,902,000
+ (-) Other inflows (outflows) of cash	0	0
Net cash flows from (used in) operating activities	694,870,000	732,940,000
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	23,839,000	2,485,000
- Purchase of property, plant and equipment	475,607,000	371,862,000
+ Proceeds from sales of intangible assets	0	0
- Purchase of intangible assets	6,127,000	2,490,000
+ 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 - 2021-09-30	Accumulated Previous Year 2020-01-01 - 2020-09-30
+ Proceeds from government grants	0	0
- Cash advances and loans made to other parties	(21,000)	(207,000)
+ Cash receipts from repayment of advances and loans made to other parties	28,762,000	1,500,000
- 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	14,428,000	6,604,000
	0	0
+ (-) Other inflows (outflows) of cash	(20,084,000)	(2,791,000)
Net cash flows from (used in) investing activities	(434,768,000)	(366,347,000)
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	(31,850,000)	(53,000)
+ Proceeds from borrowings	700,159,000	770,032,000
- Repayments of borrowings	715,590,000	395,486,000
- Payments of finance lease liabilities	0	0
- Payments of lease liabilities	18,547,000	21,502,000
+ Proceeds from government grants	0	0
- Dividends paid	80,946,000	26,003,000
- Interest paid	103,318,000	83,312,000
+ (-) Income taxes refund (paid)	0	0
+ (-) Other inflows (outflows) of cash	25,413,000	2,988,000
Net cash flows from (used in) financing activities	(160,979,000)	246,770,000
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	99,123,000	613,363,000
Effect of exchange rate changes on cash and cash equivalents [abstract]		
Effect of exchange rate changes on cash and cash equivalents	1,358,000	(5,983,000)
Net increase (decrease) in cash and cash equivalents	100,481,000	607,380,000
Cash and cash equivalents at beginning of period	1,592,650,000	526,347,000
Cash and cash equivalents at end of period	1,693,131,000	1,133,727,000

[610000] Statement of changes in equity - Accumulated Current

	Components of equity [axis]								
Sheet 1 of 3	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	408,314,000	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	(8,969,000)	97,639,000	0	0
Total comprehensive income	0	0	0	408,314,000	0	(8,969,000)	97,639,000	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	408,314,000	0	(8,969,000)	97,639,000	0	0
Equity at end of period	401,399,000	0	0	3,577,179,000	0	(89,397,000)	12,982,000	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	(26,807,000)	0	0	0	0	0	0
Total comprehensive income	0	0	(26,807,000)	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	(26,807,000)	0	0	0	0	0	0
Equity at end of period	0	0	72,785,000	0	0	(32,418,000)	0	0	0

Sheet 3 of 3	Components of equity [axis] 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	408,314,000	125,700,000	534,014,000
Other comprehensive income	0	0	0	0	61,863,000	61,863,000	(4,422,000)	57,441,000
Total comprehensive income	0	0	0	0	61,863,000	470,177,000	121,278,000	591,455,000
Issue of equity	0	0	0	0	0	0	31,850,000	31,850,000
Dividends recognised as distributions to owners	0	0	0	0	0	0	82,194,000	82,194,000
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	61,863,000	470,177,000	70,934,000	541,111,000
Equity at end of period	0	0	0	0	(36,048,000)	3,942,530,000	1,129,119,000	5,071,649,000

[610000] Statement of changes in equity - Accumulated Previous

	Components of equity [axis]								
Sheet 1 of 3	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	(289,048,000)	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	(28,857,000)	(54,528,000)	0	0
Total comprehensive income	0	0	0	(289,048,000)	0	(28,857,000)	(54,528,000)	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	(289,048,000)	0	(28,857,000)	(54,528,000)	0	0
Equity at end of period	401,399,000	0	0	2,914,201,000	0	(99,218,000)	(71,076,000)	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	24,843,000	0	0	0	0	0	0
Total comprehensive income	0	0	24,843,000	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	24,843,000	0	0	0	0	0	0
Equity at end of period	0	0	71,105,000	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	(289,048,000)	55,771,000	(233,277,000)
Other comprehensive income	0	0	0	0	(58,542,000)	(58,542,000)	5,098,000	(53,444,000)
Total comprehensive income	0	0	0	0	(58,542,000)	(347,590,000)	60,869,000	(286,721,000)
Issue of equity	0	0	0	0	0	0	53,000	53,000
Dividends recognised as distributions to owners	0	0	0	0	0	0	30,494,000	30,494,000
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	(58,542,000)	(347,590,000)	30,428,000	(317,162,000)
Equity at end of period	0	0	0	0	(136,239,000)	3,179,361,000	991,369,000	4,170,730,000

[700000] Informative data about the Statement of financial position

Concept	Close Current Quarter 2021-09-30	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	129,002,000	122,979,000
Number of executives	60	52
Number of employees	5,078	4,655
Number of workers	9,996	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 - 2021-09-30	Accumulated Previous Year 2020-01-01 - 2020-09-30	Quarter Current Year 2021-07-01 - 2021-09-30	Quarter Previous Year 2020-07-01 - 2020-09-30
Informative data of the Income Statement [abstract]				
Operating depreciation and amortization	547,188,000	530,528,000	177,918,000	180,788,000

[700003] Informative data - Income statement for 12 months

Concept	Current Year 2020-10-01 - 2021-09-30	Previous Year 2019-10-01 - 2020-09-30
Informative data - Income Statement for 12 months [abstract]		
Revenue	6,023,534,000	4,329,783,000
Profit (loss) from operating activities	1,169,528,000	227,986,000
Profit (loss)	856,891,000	(220,050,000)
Profit (loss), attributable to owners of parent	662,977,000	(310,164,000)
Operating depreciation and amortization	726,456,000	706,108,000

[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																
Citibank	NO	2021-09-30	2021-10-18	0.17%							25,000,000	0				0
TOTAL					0	0	0	0	0	0	25,000,000	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%							9,221,000	0	9,292,000	9,453,000	9,562,000	9,648,000
TOTAL					0	0	0	0	0	0	9,221,000	0	9,292,000	9,453,000	9,562,000	9,648,000
Total banks																
TOTAL					0	0	0	0	0	0	34,221,000	0	9,292,000	9,453,000	9,562,000	9,648,000
Stock market [abstract]																
Listed on stock exchange - unsecured																
Unsecured bonds issued by Fresnillo plc	SI	2013-11-13	2023-11-13	5.38%										316,810,000	0	
Unsecured bonds issued by Fresnillo plc.	SI	2020-10-02	2050-10-02	4.18%											0	828,670,000
Unsecured bonds issued by IPSAB	SI	2019-09-12	2049-09-12	5.62%											0	534,816,000
Unsecured bonds issued by IPSAB.	SI	2019-09-12	2029-09-12	4.13%											0	534,816,000
Unsecured bonds issued by IPSAB .	SI	2020-08-06	2050-08-06	4.65%											0	501,635,000
Unsecured bonds issued by IPSAB .	SI	2020-08-06	2029-09-12	4.13%											0	100,327,000
TOTAL					0	0	0	0	0	0	0	0	0	316,810,000	0	2,500,264,000
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	316,810,000	0	2,500,264,000
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	2021-09-30	2021-11-30								5,689,000	0				
Mineral Senders	NO	2021-09-30	2021-12-31								107,082,000	0				
Foreing Mineral Senders	SI	2021-09-30	2021-12-31								1,536,000	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]
National Metals Division	NO	2021-09-19	2021-10-07								12,761,000	0				
Foreing Metals Division	SI	2021-09-10	2021-10-07								13,028,000	0				
National Mine Division	NO	2021-09-30	2021-10-07								60,495,000	0				
Foreing Mine Division	SI	2021-08-26	2021-10-07								2,656,000	0				
National Chemical Division	NO	2021-09-06	2021-10-07								2,755,000	0				
Foreing Chemical Division	SI	2021-09-06	2022-02-03								3,619,000	0				
National Corporate Division	NO	2021-09-20	2021-10-07								93,000	0				
Foreing Corporate Division	SI	2021-08-18	2021-10-14								67,203,000	0				
Metals Division	NO	2021-09-06	2021-10-07		4,622,000	0										
Mine Division	NO	2021-09-30	2021-10-07		28,669,000	0										
Chemical Division	NO	2021-09-21	2021-10-07		2,267,000	0										
Corporate Division	NO	2021-09-27	2021-10-28		1,201,000	0										
TOTAL					36,759,000	0	0	0	0	0	276,917,000	0	0	0	0	0
Total suppliers																
TOTAL					36,759,000	0	0	0	0	0	276,917,000	0	0	0	0	0
Other current and non-current liabilities [abstract]																
Other current and non-current liabilities																
Other liabilities	NO				158,930,000	0	0				56,777,000	0	10,167,000			
TOTAL					158,930,000	0	0	0	0	0	56,777,000	0	10,167,000	0	0	0
Total other current and non-current liabilities																
TOTAL					158,930,000	0	0	0	0	0	56,777,000	0	10,167,000	0	0	0
Total credits																
TOTAL					195,689,000	0	0	0	0	0	367,915,000	0	19,459,000	326,263,000	9,562,000	2,509,912,000

[800003] Annex - Monetary foreign currency position

Disclosure of monetary foreign currency position [text block]

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

- Dollar USD	20.3060
- British Pounds	27.6202
- Swedish Krona	2.3297
- Euros	23.7205
- Canadian Dollar	15.9134

	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	1,924,774,000	39,084,458,000	11,273,000	228,916,000	39,313,374,000
Non-current monetary assets	54,095,000	1,098,447,000	0	0	1,098,447,000
Total monetary assets	1,978,869,000	40,182,905,000	11,273,000	228,916,000	40,411,821,000
Liabilities position [abstract]					
Current liabilities	387,669,000	7,872,007,000	17,610,000	357,598,000	8,229,605,000
Non-current liabilities	2,926,628,000	59,428,109,000	0	0	59,428,109,000
Total liabilities	3,314,297,000	67,300,116,000	17,610,000	357,598,000	67,657,714,000
Net monetary assets (liabilities)	(1,335,428,000)	(27,117,211,000)	(6,337,000)	(128,682,000)	(27,245,893,000)

[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	77,917,000	1,324,751,000	189,065,000	1,591,733,000
Silver	16,722,000	223,371,000	1,180,204,000	1,420,297,000
Zinc	247,870,000	125,588,000	269,101,000	642,559,000
Concentrates	1,721,000	403,969,000	0	405,690,000
Lead	156,068,000	56,557,000	11,007,000	223,632,000
Copper matte	23,708,000	72,876,000	0	96,584,000
Sodium Sulfate	72,557,000	6,869,000	1,504,000	80,930,000
Magnesium Oxide	10,972,000	21,534,000	4,048,000	36,554,000
Copper	647,000	20,977,000	4,207,000	25,831,000
Ammonium Sulfate	25,198,000	0	9,000	25,207,000
Magnesium Hydroxide	2,615,000	8,634,000	4,948,000	16,197,000
Sulfuric Acid	10,423,000	1,881,000	0	12,304,000
Magnesium Sulfate	9,040,000	0	232,000	9,272,000
Copper Sulfate	7,063,000	0	165,000	7,228,000
Zinc Sulfate	5,130,000	0	0	5,130,000
Antimony Trioxide	1,709,000	0	0	1,709,000
Other Products	10,898,000	1,066,000	(394,000)	11,570,000
Hedges	(7,461,000)	(51,411,000)	0	(58,872,000)
TOTAL	672,797,000	2,216,662,000	1,664,096,000	4,553,555,000

[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 THIRD 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 September 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 September 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 September 30, 2021, is $18,544 ($12,981 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 $7,097 ($4,968 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 third quarter of 2021 and 2020, IFD's cash flow hedging operations together generated a net loss of $70,262 and $84,855 respectively.

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

Overdue Hedged Volume					
Commodity	**July**	**August**	**September**	**Total**	**Unit**
Gold	166.74	209.34	197.82	573.91	Oz (Thousands)
Silver	4,381.16	4,297.54	4,025.51	12,704.20	Oz (Thousands)
Zinc	44.18	46.81	43.48	134.47	Ton (Thousands)
Lead	3.28	5.27	7.21	15.76	Ton (Thousands)
Copper	2.13	0.55	0.05	2.73	Ton (Thousands)
Natural Gas	200	200	200	600	MMbtu (Thousands)
Swedish krona	--	--	5,049.94	5,049.94	Sek (Thousands)
Euros	--	--	11,648.57	11,648.57	Eur (Thousands)
Sterling Pounds	--	--	10,395.65	10,395.65	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 September 30, 2021, the following 36 months outstanding hedging position is:

Commodity	Maximum Hedging Percentage (%)		
	2021	**2022**	**2023**
Silver**	39.94	6.42	5.50
Gold**	35.22	15.53	7.01
Zinc**	19.81	16.47	11.43
Lead **	--	1.32	--
Copper**	4.39	--	--
Natural Gas	32.54	--	--
Euros*	86.79	100.00	--

Swedish Krona*	100.00	--	--
Sterling Pounds*	100.00	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 September 30, 2021, the time value of outstanding options is $-590 thousand dollars and, the credit in the income statement under the last nine months represents a credit to results of $592 thousand dollars.

As of September 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 September 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	27.04	420.00	1,751.96	152.64	2,980.55	34,047.00
Forward Sale	23.39	2,369.73	1,740.78	9.69	2,983.17	34,022.00
Put Purchase	20.07	15,145.80	1,634.57	248.00	2,607.05	90,314.00
Call Sale	28.55	15,145.80	2,064.10	248.00	3,254.29	90,314.00

Instrument	Lead		Copper	
	Price (US$/Ton)	Volume (tons)	Price (US$/Ton)	Volume (tons)
Forward Purchase	2,401.08	13,192.00	9,312.00	1,198.00
Forward Sale	2,373.38	13,192.00	9,312.26	1,198.00
Put Purchase	2,095.00	1,152.00	6,670.00	150
Call Sale	2,600.00	1,152.00	7,947.50	150

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 September 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	600

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 September 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	1.1878	32,247.16
Forward Sale	1.1724	790.40

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 September 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	8.6169	5,049.94

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

GBP/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 September 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	1.3930	537.62

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 September 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	23.34	600	1,777.27	6	3,000.70	121,811
Forward Purchase	--	--	--	--	2,989.97	104,872

Instrument	Lead		Copper	
	Price (US$/Ton)	Volume (tons)	Price (US$/Ton)	Volume (tons)
Forward Sale	2,443.70	841	--	--
Forward Purchase	2,262.23	586	--	--

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 September 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$48,582.36	5.00 years	Biannual	17 bi-annuals on September 2018	ECA

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

Concept	Close Current Quarter 2021-09-30	Close Previous Exercise 2020-12-31
Subclassifications of assets, liabilities and equities [abstract]		
Cash and cash equivalents [abstract]		
Cash [abstract]		
Cash on hand	64,000	67,000
Balances with banks	62,210,000	31,794,000
Total cash	62,274,000	31,861,000
Cash equivalents [abstract]		
Short-term deposits, classified as cash equivalents	0	0
Short-term investments, classified as cash equivalents	1,630,857,000	1,560,789,000
Other banking arrangements, classified as cash equivalents	0	0
Total cash equivalents	1,630,857,000	1,560,789,000
Other cash and cash equivalents	0	0
Total cash and cash equivalents	1,693,131,000	1,592,650,000
Trade and other current receivables [abstract]		
Current trade receivables	200,776,000	208,098,000
Current receivables due from related parties	48,490,000	11,179,000
Current prepayments [abstract]		
Current advances to suppliers	25,869,000	8,920,000
Current prepaid expenses	0	0
Total current prepayments	25,869,000	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	387,622,000	312,868,000
Total trade and other current receivables	662,757,000	541,065,000
Classes of current inventories [abstract]		
Current raw materials and current production supplies [abstract]		
Current raw materials	0	0
Current production supplies	182,498,000	177,598,000
Total current raw materials and current production supplies	182,498,000	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	1,440,498,000	1,376,336,000
Other current inventories	17,244,000	6,674,000
Total current inventories	1,640,240,000	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 2021-09-30	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	56,241,000	5,108,000
Total trade and other non-current receivables	56,241,000	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	39,630,000	32,160,000
Total investments in subsidiaries, joint ventures and associates	39,630,000	32,160,000
Property, plant and equipment [abstract]		
Land and buildings [abstract]		
Land	139,396,000	147,765,000
Buildings	609,511,000	648,588,000
Total land and buildings	748,907,000	796,353,000
Machinery	537,563,000	590,690,000
Vehicles [abstract]		
Ships	0	0
Aircraft	0	0
Motor vehicles	16,512,000	17,462,000
Total vehicles	16,512,000	17,462,000
Fixtures and fittings	19,049,000	18,840,000
Office equipment	44,696,000	50,082,000
Tangible exploration and evaluation assets	21,568,000	23,349,000
Mining assets	1,800,812,000	1,819,084,000
Oil and gas assets	0	0
Construction in progress	936,583,000	769,128,000
Construction prepayments	0	0
Other property, plant and equipment	478,815,000	586,565,000
Total property, plant and equipment	4,604,505,000	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	15,939,000	19,523,000
Total intangible assets other than goodwill	15,939,000	19,523,000
Goodwill	0	0
Total intangible assets and goodwill	15,939,000	19,523,000
Trade and other current payables [abstract]		
Current trade payables	313,676,000	249,759,000
Current payables to related parties	101,846,000	78,879,000
Accruals and deferred income classified as current [abstract]		

Concept	Close Current Quarter 2021-09-30	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	66,106,000	56,410,000
Short-term employee benefits accruals	66,106,000	56,410,000
Total accruals and deferred income classified as current	66,106,000	56,410,000
Current payables on social security and taxes other than income tax	0	0
Current value added tax payables	9,475,000	23,917,000
Current retention payables	7,500,000	7,040,000
Other current payables	16,369,000	0
Total trade and other current payables	505,497,000	392,088,000
Other current financial liabilities [abstract]		
Bank loans current	34,221,000	38,768,000
Stock market loans current	0	0
Other current iabilities at cost	0	0
Other current liabilities no cost	215,707,000	359,884,000
Other current financial liabilities	0	0
Total Other current financial liabilities	249,928,000	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	37,955,000	47,307,000
Stock market loans non-current	2,817,074,000	2,815,536,000
Other non-current liabilities at cost	0	0
Other non-current liabilities no cost	10,167,000	20,697,000
Other non-current financial liabilities	0	0
Total Other non-current financial liabilities	2,865,196,000	2,883,540,000
Other provisions [abstract]		
Other non-current provisions	471,809,000	449,737,000
Other current provisions	0	0
Total other provisions	471,809,000	449,737,000
Other reserves [abstract]		
Revaluation surplus	0	0
Reserve of exchange differences on translation	(89,397,000)	(80,428,000)
Reserve of cash flow hedges	12,982,000	(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	72,785,000	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 2021-09-30	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	(36,048,000)	(97,911,000)
Net assets (liabilities) [abstract]		
Assets	9,633,465,000	9,250,431,000
Liabilities	4,561,816,000	4,719,893,000
Net assets (liabilities)	5,071,649,000	4,530,538,000
Net current assets (liabilities) [abstract]		
Current assets	4,202,021,000	3,823,781,000
Current liabilities	870,810,000	994,185,000
Net current assets (liabilities)	3,331,211,000	2,829,596,000

[800200] Notes - Analysis of income and expense

Concept	Accumulated Current Year 2021-01-01 - 2021-09-30	Accumulated Previous Year 2020-01-01 - 2020-09-30	Quarter Current Year 2021-07-01 - 2021-09-30	Quarter Previous Year 2020-07-01 - 2020-09-30
Analysis of income and expense [abstract]				
Revenue [abstract]				
Revenue from rendering of services	0	0	0	0
Revenue from sale of goods	4,553,555,000	3,203,330,000	1,431,209,000	1,231,964,000
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	4,553,555,000	3,203,330,000	1,431,209,000	1,231,964,000
Finance income [abstract]				
Interest income	5,641,000	5,347,000	2,001,000	1,500,000
Net gain on foreign exchange	2,646,000	0	(6,596,000)	0
Gains on change in fair value of derivatives	0	0	0	0
Gain on change in fair value of financial instruments	8,158,000	15,000	1,805,000	0
Other finance income	9,512,000	2,419,000	2,937,000	0
Total finance income	25,957,000	7,781,000	147,000	1,500,000
Finance costs [abstract]				
Interest expense	98,400,000	66,261,000	33,279,000	22,040,000
Net loss on foreign exchange	0	36,099,000	0	7,228,000
Losses on change in fair value of derivatives	5,217,000	0	1,911,000	0
Loss on change in fair value of financial instruments	0	23,053,000	0	25,135,000
Other finance cost	28,565,000	55,826,000	9,374,000	43,810,000
Total finance costs	132,182,000	181,239,000	44,564,000	98,213,000
Tax income (expense)				
Current tax	280,441,000	253,183,000	133,194,000	108,643,000
Deferred tax	(92,141,000)	29,757,000	(106,012,000)	12,160,000
Total tax income (expense)	188,300,000	282,940,000	27,182,000	120,803,000

[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.

Layback agreement

In December 2020, the Group entered into multiple contracts with Orla Mining Ltd. and its Mexican Subsidiary, Minera Camino Rojo, S.A. de C.V. (together herein referred to as "Orla"), granting Orla the right to expand the Camino Rojo oxide pit onto Fresnillo's "Guachichil D1" mineral concession. Based on the terms of the contracts, the Group will transfer the legal rights to access and mine the mineral concession to Orla.

Due to the fact that the contracts were negotiated together, the Group has considered the layback contracts as a single agreement (Layback Agreement) for the purpose of determining the accounting implications of the transaction. The Group determined that the transaction should be accounted for as the sale of a single intangible asset. As such, it is relevant to consider the point at which control transfers in accordance with the requirements of IFRS 15 regarding when a performance obligation is satisfied and in light of the continuing performance obligations on the part of the Group.

The effectiveness of the agreement was subject to the approval of the Mexican Federal Competition Commission (COFECE), which was granted in February 2021. The consideration includes three payments: US$25.0 million that was paid upon the approval of COFECE, US$15.0 million that will be paid no later than 1 December 2022, US$22.8 million no later than 1 December 2023. The future amounts due bear interest at an annual rate of 5%. Upon notification of approval by COFECE, the Group recognised the fair value of consideration set out in the contract (US$67.2 million, being the cash flows set out above discounted at the risk-free rate).

As set out in the Layback Agreement, the Group continues to provide support to Orla in respect of other negotiations relevant to their acquisition of the rights to access from the local [community/ejido], thus the Company has recognized the total value of the agreement as deferred income. Based on the expected time of complete the remaining performance obligations the Company the deferred income is classified as current.
The ongoing support does not affect the Group's contractual right to the payments set out above. As such, the fair value of the amount receivable has been recognised in full (US$42.2 million).

Information on such judgments and estimates is described in the accounting policies and/or notes to the consolidated financial statements. A summary of the main judgments and estimates used is presented 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	-	39,161

Línea Coahuila-Durango, S.A. de C.V.	Rail line operator	27,281,040	50.00	-	(249)
Administración Moliere 222, S.A. de C.V.	Real estate administrator	355	40.00	-	231
Administración de Riesgos Bal, S.A. de C.V.	Risk manager	36,000	35.00	-	487
Total Investments in Associates					39,630

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 18 October 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.

The consolidated financial statements are presented in U.S. dollars and the values were rounded up to thousands of dollars, except where otherwise noted.

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

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

		September 2021		December 2020
Bank loan (1)	$	25,000	$	29,601
Short-term maturities of long-term liabilities		9,221		9,167
Total current debt denominated in U.S. dollars	$	34,221	$	38,768

(1) As of December 31, 2020, direct loan maturing on February 8, 2021 for $29,601 (equivalent to Ps. 590,500), accruing interest at an average rate of 7.22%, which has already been liquidated. As of September 30, 2021, there is a direct loan for $25,000 accruing interest at an average rate of 0.17% maturing on October 18, 2021.

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

		September 2021		December 2020
Unsecured bonds issued by IPSAB (1)	$	1,169,959	$	1,168,755
Unsecured bonds issued by IPSAB (2)		501,635		501,941
Unsecured bonds issued by Fresnillo plc (3)		316,811		316,430
Unsecured bonds issued by Fresnillo plc (4)		828,670		828,410
Bilateral export credit agency guarantee (5)		47,175		56,474
Total		2,864,250		2,872,010
Less:				
Current portion due		9,221		9,167
Total non-current debt	$	2,855,029	$	2,862,843

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

		September 2021		December 2020
Beginning balance	$	2,901,611	$	2,226,326
Debt acquired		700,159		1,620,032
Debt paid		(715,590)		(937,607)
Transaction costs paid		(24)		(7,471)
Interest paid in advance		-		(11.805)
Amortization of transaction costs		1,981		6,775

Foreign exchange gain/(los)	**1,113**	5,361
Ending balance	**$ 2,889,250**	$ 2,901,611

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

	Amount
2023	$ 9,292
2024	326,265
2025	9,563
2026-2050	2,509,909
	$ 2,855,029

Notes:

(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.

Considering that as of June 30, 2023, the 6-month LIBOR rate, the reference rate of this credit, is no longer published, the Company is in talks with the creditor bank to define the reference rate that will replace it. Since this is an amortizable credit, the principal balance as of June 30, 2023 would be US$34.0 million. Regarding the interest rate coverage associated with this credit, the Company is in the process of joining the corresponding protocol.

- Other: Recent events from Credit Agencies:

As of September 30st, 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 September 30st, 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:

		September 2021		December 2020
Cash in hand and in banks	**$**	**62,274**	$	31,861
Liquid investments (1)		**1,630,857**		1,560,789
	$	**1,693,131**	$	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 September 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:

	September	September

	2021		2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Personnel expenses	**$ 235,123**	**$ 84,234**	$ 207,395	$ 66,184
Energy	**329,665**	**110,467**	278,515	97,578
Operating materials	**281,290**	**96,440**	258,925	88,756
Maintenance and repairs	**253,081**	**91,841**	231,885	75,395
Depreciation and amortization	**532,855**	**173,182**	515,363	175,862
Amortization of right-of-use assets	**2,860**	**911**	2,883	961
Transfer of by-products	**(85,795)**	**(31,004)**	(68,526)	(22,999)
Contractors	**340,906**	**114,427**	306,511	101,954
Leases of low-value assets	**5,662**	**1,667**	4,971	1,273
Other	**161,008**	**54,630**	124,339	43,879
Change in work in process and finished goods	**54,050**	**12,591**	(129,142)	(39,794)
Cost of sale of extraction and treatment	**2,110,705**	**709,386**	1,733,119	589,049
Cost of metals sold	**1,183,800**	**407,878**	689,855	233,117
	$ 3,294,505	**$ 1,117,264**	$ 2,422,974	$ 822,166

Disclosure of deferred taxes [text block]

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

	September 2021		September 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Current income tax	**$ 240,798**	**$ 124,751**	$ 225,543	$ 92,164
Special tax for mining companies	**39,643**	**8,443**	29,757	12,160
Deferred income tax	**(92,141)**	**(106,012)**	27,640	16,479
Income taxes recognized in the Consolidated	**$ 188,300**	**$ 27,182**	$ 282,940	$ 120,803

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

	September 2021		September 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Net (loss) profit (in thousands of U.S. dollars): Attributable to the shareholders of	**$ 408,314**	$ **66,418**	$ (289,048)	$ 18,738

Peñoles Group				
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)	**$ 1.03**	**$ 0.17**	$ (0.73)	$ 0.05

Disclosure of employee benefits [text block]

Employee Benefits

Employee benefits

An analysis of current employee benefit obligations is as follows:

	September 2021	December 2020
Salaries and other employee benefits payable	**$ 31,043**	$ 34,114
Paid annual leave and vacation premium payable	**9,715**	9,889
Social security dues and other provisions	**25,348**	12,407
	$ 66,106	$ 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:

	September 2021	December 2020
Defined benefit obligation of active workers	**$ 72,404**	$ 69,504
Defined benefit obligation of retired workers (1)	**90,669**	87,038
Defined benefit obligation	**163,073**	156,542
Unfunded defined benefit obligation (2)	**34,131**	32,775
	197,204	189,317
Fair value of plan assets	**(129,002)**	(122,979)
Employee benefits	**$ 68,202**	$ 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 September 30, 2021 and 2020, is analyzed:

	September 2021		September 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Current-year service cost	**$ 2,563**	**$ 860**	$ 3,557	$ 1,168
Net interest	**3,399**	**1,134**	3,069	1,012
Total	**$ 5,962**	**$ 1,994**	$ 6,626	$ 2,180

Disclosure of entity's operating segments [text block]

Segment Information

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

	Precious metal mines	Base metal mines	Metallurgical	Other	Eliminations and reclassifications	Total
Third-party sales	$ -	$ 380,573	$ 4,086,446	$ 145,407	$ (58,871)	$ 4,553,555
Intra-group sales	2,094,624	634,296	24,080	263,089	(3,016,089)	-
Total sales	2,094,624	1,014,869	4,110,526	408,496	(3,074,960)	4,553,555
Cost of sales	1,325,704	669,652	4,004,000	113,970	(2,818,821)	3,294,505
Gross profit	768,920	345,217	106,526	294,526	(256,139)	1,259,050
Administrative expenses	79,007	80,192	96,783	202,703	(246,866)	211,819
Exploration expenses	94,108	26,940	1	3,915	(4,093)	120,871
Selling expenses	19,775	32,538	22,914	23,159	(1,062)	97,324
Impairment loss on long-lived assets	-	3,859	-	-	-	3,859
Other expenses/(income), net	9,278	(12,305)	(1,292)	(13,643)	9,532	(8,430)
	202,168	131,224	118,406	216,134	(242,489)	425,443
Operating profit/(loss)	$ 566,752	$ 213,993	$ (11,880)	$ 78,392	$ (13,650)	833,607
Finance income	-	-	-	-	-	(23,311)
Finance costs	-	-	-	-	-	132,182
Share of profit of associates	-	-	-	-	-	5,068
Foreign exchange gain, net	-	-	-	-	-	(2,646)
Profit before income tax	-	-	-	-	-	722,314
Income tax	-	-	-	-	-	188,300
Consolidated net profit	-	-	-	-	-	$ 534,014

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

	Precious metal mines	Base metal mines	Metallurgical	Other	Eliminations and reclassifications	Total
Third-party sales	$ 72,269	$ 31,214	$ 2,942,363	$ 173,809	$ (16,325)	$ 3,203,330
Intra-group sales	1,625,275	641,350	17,288	159,151	(2,443,064)	-
Total sales	1,697,544	672,564	2,959,651	332,960	(2,459,389)	3,203,330
Cost of sales	1,107,370	537,462	2,815,245	93,702	(2,130,805)	2,422,974
Gross profit	590,174	135,102	144,406	239,258	(328,584)	780,356
Administrative expenses	65,102	68,696	62,374	158,266	(178,473)	175,965
Exploration expenses	79,330	23,091	-	4,320	(3,085)	103,656
Selling expenses	17,009	28,382	18,597	18,998	(1,094)	81,892
Impairment loss on long-lived assets	-	151,230	-	-	-	151,230
Other expenses/(income), net	178	13,119	14,808	(68,991)	82,873	41,987
	161,619	284,518	95,779	112,593	(99,779)	554,730
Operating profit/(loss)	$ 428,555	$ (149,416)	$ 48,627	$ 126,665	$ (228,805)	225,626
Finance income	-	-	-	-	-	(7,781)
Finance costs	-	-	-	-	-	145,140
Share of profit of associates	-	-	-	-	-	2,505
Foreign exchange gain, net	-	-	-	-	-	36,099
						175,963
Profit (loss) before income tax	-	-	-	-	-	49,663
Income tax	-	-	-	-	-	282,940
Consolidated net loss	-	-	-	-	-	$ (233,277)

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 September 30, 2021 and December 31, 2020, the Company recognized $24,104 and $55,526 of amortization of hedges respectively.

	September 2021	December 2020
Hedge protection program		
Metals		
Silver	**$ 8,035**	$ 32,138

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

	September 2021	December 2020
Fair value of financial instruments	**$ 10,282**	$ (157,305)
Hedges balance due to early closing of positions	**8,035**	32,138
Ineffectiveness and effect of time value of options excluded from hedges	**(590)**	1
Deferred income tax	**(5,319)**	37,551
Net fair value of deferred income tax recognized directly in equity	**$ 12,408**	$ (87,615)

Fair value hedges

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

	September 2021	December 2020
Unrealized loss	**$ 6,905**	$ (12,418)

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

	September 2021	December 2020
Beginning balance	**$ (87,615)**	$ (16,276)
Loss reclassified to earnings	**(94,366)**	(34,643)
Deferred income tax	**28,310**	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	**(24,104)**	(55,526)
Deferred income tax	**(2,410)**	(9,641)
Changes in the fair value of hedges	**229,222**	(74,266)
Deferred income tax	**(68,767)**	22,280
Unrealized loss net of deferred income tax recognized directly in equity	**$ 12,408**	$ (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:

September 2021		September 2020	
Accumulated	**Quarter**	Accumulated	Quarter

Interest income on cash equivalents and other investments	**$**	**5,641**	**$**	**2,001**	$	5,347	$	1,500
Interest income from trade receivables		**9,512**		**2,937**		2,419		-
Interest rate hedges for debt and others		**8,158**		**1,805**		15		-
	$	**23,311**	**$**	**6,743**	$	7,781	$	1,500

Finance Cost

An analysis of finance costs is as follows:

	September 2021				September 2020			
	Accumulated		**Quarter**		Accumulated		Quarter	
Interest arising from financial debt	**$**	**98,400**	**$**	**33,279**	$	66,261	$	22,040
Discount of liability provisions		**16,070**		**5,382**		15,646		5,157
Discount of defined benefit obligation		**3,399**		**1,134**		3,069		1,012
Coverages and others		**8,597**		**3,020**		54,527		41,517
Finance cost of lease liabilities		**5,716**		**1,749**		5,637		1,843
	$	**132,182**	**$**	**44,564**	$	145,140	$	71,569

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:

	September 2021		September 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Personnel expenses	**$ 82,033**	**$ 27,419**	$ 69,022	$ 24,443
Fees	**72,318**	**22,993**	54,771	21,996
Travel expenses	**5,604**	**2,110**	3,960	463
Information technology expenses	**9,397**	**2,904**	20,133	7,240
Amortization of right-of-use assets	**9,615**	**3,241**	9,987	3,417
Leases of low-value assets	**11,064**	**3,662**	-	-
Fees, associations and other	**21,788**	**7,917**	18,092	1,712

Total administrative expenses	**$ 211,819**	**$ 70,246**	$ 175,965	$ 59,271

Exploration Expenses

An analysis of exploration expenses is as follows:

	September 2021		September 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Personnel expenses	**$ 5,891**	**$ 3,020**	$ 4,498	$ 1,347
Contractors	**75,073**	**26,937**	59,229	21,839
Taxes and duties	**23,280**	**7,467**	22,293	7,016
Operating materials	**401**	**191**	261	86
Amortization of right-of-use assets	**932**	**345**	823	161
Leases of low-value assets	**1,194**	**475**	-	-
Fees, assays and other	**14,100**	**3,563**	16,552	4,574
Total exploration expenses	**$ 120,871**	**$ 41,998**	$ 103,656	$ 35,023

Selling Expenses

An analysis of selling expenses is as follows:

	September 2021		September 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Freight and transfers	**$ 59,644**	**$ 21,108**	$ 54,475	$ 17,034
Royalties	**8,143**	**2,666**	5,965	2,709
Handling	**2,929**	**593**	2,238	906
Extraordinary mining tax	**8,245**	**2,642**	6,659	2,814
Amortization and right-of-use assets	**927**	**240**	1,537	443
Other expenses	**17,436**	**6,239**	11,018	5,990
Total selling expenses	**$ 97,324**	**$ 33,488**	$ 81,892	$ 29,896

Personnel Expenses

An analysis of personnel expenses is as follows:

September	September

	2021		2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Salaries and other employee benefits	**$ 202,594**	**$ 72,303**	$ 166,012	$ 53,935
Employee benefits at retirement	**9,016**	**2,897**	16,001	4,032
Social security dues	**53,816**	**18,985**	45,285	14,810
Social welfare and other benefits	**57,621**	**20,488**	53,617	19,197
Total personnel expenses	**$ 323,047**	**$ 114,673**	$ 280,915	$ 91,974

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:

		September 2021		December 2020
Inventories stated at cost:				
Refined metals and ore concentrates	**$**	**1,455,143**	$	1,355,456
Raw materials and chemical products in process		**17,244**		6,674
Operating materials		**219,782**		215,576
		1,692,169		1,577,706
Inventories measured at fair value:				

Refined metals	**76,975**	112,500
Subtotal	**1,769,144**	1,690,206
Less: Operating materials at estimated net realizable value	**(37,284)**	(37,978)
Inventories, net	**1,731,860**	1,652,228
Less: Non-current portion	**91,620**	91,620
Inventories, net	**$ 1,640,240**	$ 1,560,608

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

Equity Investments in Associates

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

	September 2021	December 2020
Beginning balance in associates	**$ 32,160**	$ 31,275
Share of loss of associates	**(5,068)**	(3,321)
Share capital increase	**20,084**	4,690
Translation adjustment	**(7,546)**	(484)
Ending balance in associates	**$ 39,630**	$ 32,160

Disclosure of issued capital [text block]

Equity and Components of Other Comprehensive Loss

Share capital

The share capital as at September 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 September 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 September 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	658	-	5,541	6,199
Lease modification	330	-	119	449
Low	(96)	-	(29)	(125)
Ending balance as at 30 Septembrer 2021	$ 21,978	$ 69,342	$ 53,635	$ 144,955
Amortization:				
Beginning balance as at 1 January 2021	(5,031)	(6,201)	(24,371)	(35,603)

Amortization for the period	(2,252)	(2,368)	(9,986)	(14,606)
Low	36	-	29	65
Ending balance as at 30 September 2021	(7,247)	(8,569)	(34,328)	(50,144)
Net investment	$ 14,731	$ 60,773	$ 19,307	$ 94,811

The lease liability as of September 30, 2021 and December 31, 2020 is $101,835 and $108,351 respectively. Interest expenses for the nine-months ended September 30, 2021 and 2020 increased the liabilities by $5,715 and $5,637 respectively. The portion of the lease payments recognized as a reduction of the lease liabilities and as financing activity cash flow for the nine-months ended September 30, 2021 and 2020 were $18,547 and $21,502 respectively.

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

	Amount
2021	$ 14,500
2022	9,928
2023	6,554
2024	4,766
2025 and thereafter	66,087
	101,835
Current portion due	14,500
Non-current maturity	$ 87,335

The amortization charge for the right-of-use asset for the nine-month period ended September 30, 2021 and 2020 amounted to $14,334 and $15,230 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:

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

	September 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:

	September 2021	December 2020
Financial instruments derived from short-term hedging	**$ 42,250**	$ 18,607
Less: Non-current expiration	**(12,967)**	(496)
Total other financial assets	**$ 29,283**	$ 18,111

Disclosure of other non-current assets [text block]

Equity Instrument Financial Assets

An analysis of this caption is as follows:

	September 2021	December 2020
Equity investments in entities listed on the Canadian Stock Exchange:		
Cost	**$ 62,732**	$ 62,732
Increase in fair value	**117,950**	167,905
Subtotal	**180,682**	230,637
Equity investments in entities listed on the U.S. Stock Exchange:		
Cost	**180**	180
Increase in fair value	**1,417**	1,732
Subtotal	**1,597**	1,912
Total	**$ 182,279**	$ 232,549

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

Other (Income)/Expenses

An analysis of other income is as follows:

	September 2021		September 2020	
	Accumulated	Quarter	Accumulated	Quarter
Rental income	**$ (1,428)**	**$ (412)**	$ (3,695)	$ (1,253)
Income from royalties	**(428)**	**(41)**	(830)	(380)
Gain on sale of property, plant and equipment	**(13,384)**	**-**	(77)	-
Gain on sale of other goods and services	**(2,573)**	**-**	-	-
Gain on sale of concentrates	**(6,643)**	**(5,484)**	-	-
Income from claims	**-**	**(3,007)**	(380)	(2,240)
Other	**(8,468)**	**(632)**	-	-
Other income	**$ (32,924)**	**$ (9,576)**	$ (4,982)	$ (3,873)

An analysis of other expenses is as follows:

	September 2021	September 2020

	Accumulated	**Quarter**	Accumulated	Quarter
Donations	**2,800**	**1,748**	2,898	374
Rehabilitation expenses for closed mining units	**14,806**	**5,744**	2,653	-
Losses from accidents	**1,128**	**-**		
Sale of materials and waste	**5,760**	**63**	6,043	4,656
Loss on sale and derecognition of fixed assets	**-**	**524**	-	258
Impairment in property, plant and equipment	**3,859**	**-**	151,230	-
Loss on sale of concentrates	**-**	**-**	17,062	219
Loss on sale of other goods and services	**-**	**2,360**	2,082	5,560
Other	**-**	**-**	16,231	1,237
Other expenses	**28,353**	**10,439**	198,199	12,304
Other (income) expenses	**$ (4,571)**	**$ 863**	$ 193,217	$ 8,431

Disclosure of property, plant and equipment [text block]

During the nine-month periods ended September 30, 2021, and 2020, Grupo Peñoles made investments in its properties, plants and equipment for $475,607 and $371,682 respectively.

The major investments made during the nine months ended September 30, 2021 went to the mining projects under development for $162,758, asset expansions and replacements in mining units for $240,892, and asset replacement at Met Mex's metallurgical plant for $31,261.

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 September 30, 2021, and 2020, the depreciation fee was $532,855 and $515,363, respectively.

Commitments

As of September 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 $279,356 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:

		September 2021		December 2020
Receivables:				
Sales:				
Dowa Mining Co. Ltd. (3)	**$**	**8,133**	$	2,361
Sumitomo Corporation (3)		**30,918**		-
Grupo Palacio de Hierro, S.A.B. de C.V. (1)		**550**		808
Eólica de Coahuila S. de R.L. de C.V. (2)		**32**		51
Others		**77**		70
		39,710		3,290
Short-term loans:				
Inmobiliaria Industrial La Barra, S.A. (3)		**8,780**		7,889
Total	**$**	**48,490**	$	11,179
Payables:				
Current accounts:				
Termoeléctrica Peñoles, S. de R.L. de C.V. (4)	**$**	**11,634**	$	13,610
Línea Coahuila-Durango, S.A.B. de C.V. (2)		**835**		677
Others		**18**		167
		12,487		14,454
Loans:				
Minera los Lagartos, S.A. de C.V. (3)		**88,879**		64,425
Total	**$**	**101,366**	$	78,879

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

		September 2021		September 2020
Revenue:				
Sales of concentrates and refined metal:				
Dowa Mining Co. Ltd. (3)	**$**	**48,504**	$	31,149
Sumitomo Corporation (3)		**201,658**		71,795

	250,162	102,944
Interest:		
Inmobiliaria Industrial La Barra, S.A. (3)	**936**	636
Electricity:		
Grupo Palacio de Hierro, S.A.B. de C.V. (1)	**7,051**	4,664
Grupo Nacional Provincial, S.A.B. de C.V. (1)	**295**	386
Instituto Tecnológico Autónomo de México (1)	**82**	84
	7,428	5,134
Other		
Línea Coahuila Durango, S.A de C.V. (2)	**269**	726
Petrobal, S.A.P.I. de C.V. (1)	**286**	81
Petrobal Upstream Delta 1, S.A. de C.V. (1)	**244**	394
Corporación Innovadora de Personal, S.A. de C.V. (1)	**31**	20
Técnica Administrativa Ener, S.A. de C.V. (1)	**67**	41
	897	1,262
	$ 259,423	$ 109,976
Expenses:		
Electricity:		
Termoeléctrica Peñoles, S. de R.L. de C.V. (4)	**$ 94,238**	$ 87,994
Eólica de Coahuila S. de R.L. de C.V. (4)	**48,824**	46,923
Eólica Mesa la Paz S. de R.L. de C.V. (4)	**27,926**	13,544
	170,988	148,461
Administrative fees:		
Servicios Corporativos Bal, S.A. de C.V. (1)	**29,803**	21,805
Técnica Administrativa Bal, S.A. de C.V. (1)	**-**	7
	29,803	21,812
Insurance and bonds:		
Grupo Nacional Provincial, S.A.B. de C.V. (1)	**34,329**	29,404
Others	**229**	162
	34,558	29,566
Air transportation:		
Aerovics, S.A. de C.V. (1)	**24,928**	4,734
Royalties:		
Dowa Mining Co. Ltd (3)	**3,824**	3,601
Sumitomo Corporation (3)	**1,067**	903
	4,891	4,504
Rent:		
MGI Fusión, S.A. de C.V. (1)	**2,299**	2,333
Others	**7,140**	20,380
	$ 274,607	$ 231,790

(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:

	September 2021	September 2020

	Accumulated	**Quarter**	Accumulated	Quarter
Silver	**$ 1,362,935**	**$ 433,083**	$ 968,041	$ 424,945
Gold	**1,591,367**	**475,394**	1,142,958	384,059
Zinc	**641,975**	**215,566**	440,568	153,719
Lead	**223,632**	**78,767**	180,041	72,119
Ore concentrates	**405,690**	**116,332**	176,099	91,173
Copper	**25,272**	**7,973**	71,332	27,445
Copper matte	**96,585**	**35,673**	48,637	22,660
Sodium sulfate	**80,929**	**27,899**	76,385	22,787
Other products	**125,170**	**40,522**	99,269	33,057
	$ 4,553,555	**$ 1,431,209**	$ 3,203,330	$ 1,231,964

An analysis of sales by geographical area is as follows:

	September 2021		September 2020	
	Accumulated	**Quarter**	Accumulated	Quarter
Domestic sales	**$ 672,797**	**$ 217,442**	$ 439,240	$ 169,571
United States of America	**1,953,227**	**620,869**	1,667,616	602,681
Europe	**515,037**	**168,931**	481,060	176,802
Canada	**806,026**	**211,654**	369,695	174,598
Asia	**542,002**	**192,321**	216,184	100,943
South America	**48,846**	**14,049**	24,047	6,836
Other	**15,620**	**5,943**	5,488	533
	$ 4,553,555	**$ 1,431,209**	$ 3,203,330	$ 1,231,964

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 **September 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:

	September 2021	December 2020
Trade receivables	$ 197,621	$ 208,098
Other accounts receivable	30,366	37,308
Less:		
Expected credit losses for trade receivables	(2,181)	(2,231)
Expected credit losses for other accounts receivable	(1,763)	(2,266)
Total trade and other accounts receivable	224,043	240,909
Related parties	51,645	11,179
Recoverable value added tax	358,801	280,057
Advances to suppliers	25,869	8,920
Loans to contractors	487	496
Other accounts receivable layback agreement	41,101	-
	701,946	541,561
Less: Non-current maturity		
Loans to contractors	487	496
Other accounts receivable layback agreement	38,702	-
Long-term accounts receivable and other receivables	39,189	496
Total trade and other current accounts receivable, net	$ 662,757	$ 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 3Q2021 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