

Fresnillo plc

Financial results for the year ended 31 December 2022

Fresnillo plc today announced its financial results for the full year ended 31 December 2022.

Octavio Alvírez, CEO said:

“Fresnillo delivered a resilient operating performance in 2022, with our people rising to meet a number of external challenges and deliver on our production guidance. Our financial results were impacted by industry pressures included volatile precious metal prices and higher cost inflation, while our workforce continued to feel the impact of the pandemic and caused delays to our development programme, and more specific to Mexico, the labour reform which limited the use of contractors requiring us to train new employees. Despite these, gold and silver production was in line with guidance and we have made solid progress on our strategy, both maximising the potential of our current mines, while also continuing to explore on our considerable growth pipeline. Our new Juanicipio mine is now being commissioned and we expect to achieve grid connection of the new pyrites plant phase II in the second quarter. We achieved much in 2022, and I would like to thank all my colleagues for their diligence. We are announcing a final dividend for 2022 of 13.3 US cents per share to shareholders, in line with our policy. Looking ahead, we are confident in our existing operations, and excited about our growth pipeline. We are the largest silver producer in the world, have high quality assets, a consistent strategy, a very strong balance sheet, a vibrant culture, talented personnel and an experienced management team. Fresnillo’s future is bright.”

Financial Highlights - 12 months to 31 December 2022

\$ million unless stated	2022	2021	% change
Silver Production* (kOz)	53,740	53,095	1.2
Gold Production* (Oz)	635,926	751,203	(15.3)
Total Revenue	2,433.0	2,703.1	(10.0)
Adjusted Revenue**	2,597.2	2,847.9	(8.8)
Gross Profit	536.0	936.9	(42.8)
EBITDA	751.1	1,206.3	(37.7)
Profit Before Income Tax	248.6	611.5	(59.4)
Profit for the year	308.3	438.5	(29.7)
Basic and Diluted EPS excluding post-tax Silverstream effects (USD)***	0.351	0.572	(38.6)

* Fresnillo attributable production, plus ounces registered in production through the Silverstream Contract.

** Adjusted Revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and lead and zinc hedging.

*** The weighted average number of ordinary shares was 736,893,589 for 2022 and 2021. See note 18 in the consolidated financial statements.

2022 Highlights

Resilient operating performance in line with guidance

- Full year attributable silver production of 53.7 moz (including Silverstream), in line with guidance, slightly above FY21, with initial production from Juanicipio and increased volumes of ore processed at Fresnillo, offset by the lower ore grade at San Julián (DOB).
- Full year attributable gold production of 635.9 koz, in line with guidance, down 15.3% vs. FY21, primarily due to a lower recovery rate as higher volumes of sulphide ore are processed and lower ore grade at

Herradura, and a decrease in the volume of ore processed and lower ore grades at Noche Buena, Saucito and Ciénega.

- Full year attributable by-product lead production decreased 6.4% vs. FY21 due to a decrease in the volume of ore processed and lower ore grade at Saucito and decreased ore grade at San Julián (DOB), mitigated by increased ore throughput and higher ore grade at Fresnillo and increased contribution from Juanicipio

Challenging operational and economic environment impacted financial results

- Adjusted revenue decreased 8.8% over 2021 primarily due to the lower volumes of gold sold and the decrease in silver price, mitigated by the increase in silver production and higher zinc price.
- Revenue decreased 10.0% year-on-year to US\$2,433.0 million due to the lower adjusted revenue combined with higher treatment and refining charges.
- Adjusted production costs to US\$1,445.8 million, up 15.2% over 2021 mainly due to cost inflation in US dollar, costs from the start-up of operations at Juanicipio and increase in the use of infrastructure contractors, maintenance, operating materials and diesel; mitigated by lower stripping to cost at Herradura and a decrease in volume of ore processed at Saucito, Ciénega, San Julián (Veins).
- Gross profit and EBITDA decreased to US\$536.0 million and US\$751.1 million, a 42.8% and 37.7% decrease over 2021.
- Exploration spend of US\$165.8 million, up 27.2% in line with our strategy to intensify exploration activities in specific targets.
- Profit from continuing operations of US\$283.6 million, down 57.5% as a result of lower gross profit and higher exploration expenses.
- Profit for the year attributable to equity shareholders of the Group of US\$271.9 million, down 35.4% on 2021 mainly due to the lower profit from continuing operations, mitigated by the US\$18.8 million Silverstream revaluation gain compared to US\$0.4 million loss registered in 2021 and tax income for the period of US\$67.4 million, which compared favourably to the US\$156.5 million tax expense in 2021 (See Financial Review section).
- US\$969.1 million in cash and other liquid funds¹ as of 31 December 2022 notwithstanding paying dividends of US\$202.0 million and investing US\$592.1 million in capex.
- Net debt was US\$198.7 million as at 31 December 2022. This compares to the net cash position of US\$67.5 million as at 31 December 2021.
- Final dividend of 13.3 US cents per share, amounting to US\$98.0 million. This is in addition to the interim dividend of 3.40 US cents per share amounting to US\$25.1 million.
- This brings the total dividend for the year to 16.7 US cents per share, in line with the Group's dividend policy.

Maintaining focus on operational improvement and addressing challenges of the labour reform

- Intensive recruitment and training campaigns were completed, albeit with some impacts to productivity and development during the year, and our mines are well staffed for 2023.
- Invested in new equipment to replace what was provided by contractors prior to the labour reform.
- Infrastructure projects continued to progress:
 - The new pumping station was commissioned at the beginning of the year at Fresnillo, enabling us to increase pumping capacity and ensuring access to development and production areas.
 - The works to deepen the San Carlos shaft were concluded. However, modifications to the shaft infrastructure to improve its functionality once in operation were approved and implemented, thus delaying its commissioning to 2Q23.

- At Saucito, we continued with the project to deepen the Jarillas shaft to 1,000 metres with completion expected in 2025. This will reduce haulage costs by providing access to deeper levels of the mine where almost half of the reserves are located.

Delivering growth through development projects and advancing project pipeline

- The tie in of the Juanicipio flotation plant to the national grid was concluded by end of 2022, with commissioning starting immediately afterwards.
- Due to the prioritisation of the connection at Juanicipio, the tie in of the Pyrites plant at Fresnillo was delayed and start up is now expected in 2Q23.
- Land access discussions continued at Rodeo and we are now in the process of developing a scoping study.
- Several PFS level studies advanced as scheduled at Orisyvo, together with additional land acquisition and a strengthened community engagement plan. 6,000-metre drilling programme completed during the year and we are currently preparing the geotechnical model.
- Expect to commence drilling at the Pilarica silver and the Supaypacha gold-copper projects in Peru, following delays caused by challenges with land access, and we anticipate posting resources at Capricornio in Chile during 2023.
- Silver resources decreased 5.0% to 2,203.9 moz primarily due to mining depletion, higher costs and cut-off grades and a more conservative approach to resource estimation in Fresnillo, Saucito and Ciénega, balanced in part by positive exploration results at the Guanajuato exploration project. Silver reserves decreased 5.6% to 396.1 moz mainly from mining depletion and higher costs and cut-off grades at Fresnillo and Saucito, and depletion at San Julián (DOB), partly offset by increased reserves from exploration at San Julián veins.
- Gold resources remained stable at 39.1 moz. Gold reserves increased 4.4% to 8.2 moz mostly as a result of resource model improvements at Herradura, balanced in part by mining depletion at Noche Buena.

Advancing and enhancing the sustainability of our operations

- Our goal remains Zero Harm, supported by the 'I Care, We Care' programme that focuses on leadership, accountability, safety culture, high potential incident management, engineering systems and lessons learnt.
- Core safety KPIs again saw a reduction in incidents, continuing our long-term trend.
- Continued to implement best practice governance and engineering to manage our Tailings Storage Facilities (TSF). Reviews of our facilities by the Independent Tailings Review Panel have continued: TSF at Juanicipio became our first facility to fully meet Canadian Dam Association (CDA), Mining Association of Canada (MAC), International Commission on Large Dams (ICOLD) and International Council on Mining and Metals (ICMM) principles from the earliest days of its development, design and construction.
- Initiated our Women for Women Mentorship Programme with a first generation of mentors and mentees to foster female talent.
- Conducted thorough evaluations of technical and environmental factors in Noche Buena as part of its closure plan.

2023 outlook and longer term prospects

- Attributable silver production expected to be in the range of 57.0 to 64.0 moz (including Silverstream).
- Attributable gold production expected to be in the range of 590 to 640 koz.
- Capital expenditure is anticipated to be approximately US\$630 million as we continue to invest in mining works and sustaining capex, including replacing equipment from contractors, while exploration expenses are expected to be c. US\$175 million.
- Global macroeconomic and geopolitical factors likely to continue impacting our business:

- Precious metals prices are expected to continue to be volatile and influenced by Government policies.
- Inflationary pressures are expected to continue affecting our costs
- We have undertaken a full scale appraisal of costs resulting in dozens of initiatives to reduce non-essential costs, including:
 - Optimisation of staffing plans, including rationalisation of contractor roles, to increase productivity and improve efficiency
 - An assessment in 2023 across all mines to confirm the optimal development rate
 - At Fresnillo:
 - New pumping station commissioned which improves extraction efficiency
 - Deepening of the San Carlos shaft leading to reduced haulage costs
 - At Saucito:
 - Modifications to mine plan resulting in improved logistics within the mine
 - At Herradura:
 - Optimisation of slopes leading to lower stripping and haulage costs
 - Installation of dual fuel systems on trucks to reduce diesel consumption
 - Modifications to mine plan resulting in improved logistics within the mine
- Our proven ability to deliver development projects, the investments we are making into personnel and infrastructure, along with our extensive medium-term pipeline provide a base for considerable confidence in the long-term future of the business.

Analyst Presentation

Fresnillo plc will be hosting a webcast presentation for analysts and investors today at 9:00am (GMT). A link to the webcast will be made available on Fresnillo's homepage: www.fresnilloplc.com or can be accessed directly here https://kvgo.com/IJLO/Fresnillo_FY22_Preliminary_Results

Questions may be submitted via the webcast.

For those unable to access the webcast, a conference line will also be provided:

Conference Call Dial-in;

Mexico: 00 1 866 966 8830

UK-Wide: +44 (0) 33 0551 0200

UK Toll-Free: 0808 109 0700

USA Local: +1 786 697 3501

USA Toll-Free: 866 580 3963

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About Fresnillo plc

Fresnillo plc is the world's largest primary silver producer and Mexico's largest gold producer, listed on the London and Mexican Stock Exchanges under the symbol FRES.

Fresnillo plc has eight operating mines, all of them in Mexico - Fresnillo, Saucito, Juanicipio, Ciénega, Herradura, Soledad-Dipolos¹, Noche Buena and San Julián (Veins and Disseminated Ore Body), one development project - the Pyrites Plant at Fresnillo, which has been completed and is awaiting tie-in of the plant to the national electricity grid, and four advanced exploration projects – Orisyvo, Rodeo, Guanajuato and Tajitos as well as a number of other long term exploration prospects.

Fresnillo plc has mining concessions and exploration projects in Mexico, Peru and Chile.

Fresnillo plc has a strong and long tradition of exploring, mining, a proven track record of mine development, reserve replacement, and production costs in the lowest quartile of the cost curve for silver. Fresnillo plc's goal is to maintain the Group's position as the world's largest primary silver company and Mexico's largest gold producer.

¹ Operations at Soledad-Dipolos are currently suspended.

Steady progress in challenging times

In common with organisations across the world, this was a challenging year for Fresnillo that saw us battle against a number of factors that were to a large extent beyond our immediate control, including high volatility in metals prices and inflationary pressures, among others. While some of these challenges were global in nature, others were more specifically related to the mining sector in Mexico.

Against this backdrop, Fresnillo plc's operational performance was in line with our expectations. As our Chief Executive reports in his statement, we have made steady progress during the year. Thanks to the support and engagement of all our stakeholders, we are a resilient and responsible business, and we are committed to deliver returns to shareholders while also laying foundations for future prosperity.

Reaching our targets

Silver production was broadly stable on the previous year while gold was down, both in line with our guidance.

We achieved US\$2,597.2 million in adjusted revenue during the year. This represented a decrease of 8.8%, primarily due to the decrease in the volume of gold produced and lower prices for silver. Gross profit decreased year-on-year by 42.8% to US\$536.0 million, primarily driven by the decrease in the volume of gold sold, lower silver prices, the adverse effect of cost inflation, and the increased consumption of operating materials, maintenance and contractors, which significantly impacted cost of sales. Cash and other liquid funds decreased from US\$1,235.3 million to US\$969.1 million as the use of funds, primarily the investment in capital expenditure and dividend payments, was higher than the cash generated by the mines.

We recognise that we live in uncertain times and will always approach each challenge with an open mind, tailoring our response to meet the circumstances we encounter – always with optimal outcomes for our stakeholders at the forefront of our minds. However, in one key aspect of our business we remain steadfastly constant: we will never forsake long-term prosperity for short-term gain. Our strategy is well established, and our dividend policy remains unchanged. We aim to pay out 33-50% of profit after tax each year, while making certain adjustments to exclude non-cash effects in the income statement. Dividends are paid in the approximate ratio of one-third as an interim dividend and two-thirds as a final dividend. Before declaring a dividend, the Board carries out a detailed analysis of the profitability of the business, underlying earnings, capital requirements and cash flow. Our goal is to maintain enough flexibility to be able to react to movements in precious metals prices and seize attractive business opportunities.

For 2022, we declared an interim dividend of 3.40 US cents per share, with a final dividend of 13.30 US cents per share, bringing the total for the year to 16.70 US cents per share.

Navigating global challenges...

In terms of the macro challenges that faced so many businesses during 2022, we continued to be impacted by Covid-19 with a fourth and then a fifth wave reaching Mexico. Although absenteeism understandably rose for a period, the impact on our operations was limited. Guided by our Purpose – to contribute to the wellbeing of people through the sustainable mining of silver and gold – we continued to protect the health and safety of our teams. We worked with the authorities to implement strict protocols to help prevent the spread of the virus and facilitated vaccinations for our people and their communities. These measures are now permanent features of our operations. At the year end, the vast majority of our workforce had been fully vaccinated with two doses and almost half had received their booster.

Covid-19 and commercial tensions between the US and China meant that we also faced supply chain issues during the year, and these affected the timely delivery of equipment and spare parts. In addition, we saw inflation begin to impact the business, with increases in operating materials, contractor costs and other inputs, especially in the second half of the year.

...as well as those closer to home

Turning to the mining industry in Mexico, a number of specific challenges have placed additional stresses on our Group in recent times.

Firstly, the new labour legislation – which restricts our ability to subcontract labour – continued to disrupt our activities, although not to the same extent as in the prior year. This legislation created great pressure on our workforce, which had historically comprised a high percentage of contractor personnel, and meant that we had to adjust our business model and recruit more people into our in-house workforce, especially difficult in a hot labour market. The recruitment initiatives which our management teams have been implementing have borne fruit, and all our mines are now either fully staffed or very close to it.

Secondly, we experienced significant delays in completing the tie-ins to the national power grid for both our new mine at Juanicipio and the new Pyrites Plant at the Fresnillo mine. Both these development projects were expected to be operational early in 2022, bringing valuable income and jobs to local communities. However, additional requirements and cautionary measures from the authorities meant that Juanicipio was not able to commence operations until the first quarter in 2023, with the start up of operations at the Pyrites Plant now expected to follow in the second quarter of the year.

With similar results, we have also continued to be impacted by delays to permitting processes, which have increased in both complexity and timescale. Our exploration teams work hard to identify potentially profitable mines that are therefore able, in turn, to bring prosperity to local communities, including many in poor and remote regions, and unforeseen delays in obtaining permits can have a negative knock-on effect.

Since 2018, we have sourced an average of over 50% of electricity from wind power. However, we have been frustrated in some of our attempts to play our part in mitigating climate change. Our goal is for wind power to provide 75% of our electricity by 2030, but our ability to reach that target requires the support of Mexico's energy policy. Furthermore, although we have now completed our investment in the facilities to enable our Herradura haulage fleet to run on dual fuel (diesel and LNG) engines, which will further cut our carbon emissions, approval from the authorities to use certain infrastructure was delayed but has now been approved.

What these issues demonstrate is that a closer and more proactive working relationship with the Government in Mexico and its various departments – and their equivalents in Peru and Chile – would bring great benefits to all parties involved. I know that we are all striving to achieve the same things for our country: strong growth, economic stability, high quality jobs and support for local communities. During the coming months we will redouble our efforts to engage with governments and other authorities in a spirit of trust and mutual respect in order to help identify a smooth path ahead that achieves all our diverse objectives.

Board activities

The Board met regularly throughout the year and discussed a range of matters, including the ongoing impacts of the labour reform, Covid-19, inflation and supply chain issues. A significant degree of Board focus was directed towards the delays in commissioning experienced at Juanicipio. This new mine will be an important asset for Fresnillo in the years to come and it was very pleasing to see the efforts of the entire Fresnillo team eventually rewarded when the tie-in to the grid was finally approved in December 2022.

The Board also conducted strategy discussions on the course of the company as well as on both the Diversity Programme and the Sustainability Strategy. In 2022 the Group successfully increased the participation of women in the workforce, in line with our Purpose and our values. We regard the increasing participation and inclusion of women as the first step in our journey to making diversity a competitive advantage. The 'Women for Women Mentoring Programme' is now in place, and we are actively developing leadership and support networks. One of the programme's key outcomes will be the appointment of more women to superintendent positions across our operations.

Turning to the Sustainability Strategy, through the HSECR Committee the Board has continued to develop a programme and structures for monitoring and responding to tails dams potential risks as well as a climate-related risks and opportunities and our TCFD obligations in particular. Although it was disappointing that Fresnillo was excluded from the FTSE4Good Index in 2022, we remain totally committed to decreasing carbon emissions and setting science-based targets in the future subject to Mexican energy policy. The steps we are taking require heavy investment and time to yield results – but we are confident that we are heading in the right direction and will look to return to the FTSE4Good Index as soon as that is possible.

Following last year's Board Evaluation Review, the Board introduced an additional working session which specifically focused on the Company's Risk Framework – including assessment processes, appetite and tolerance – as well as the long-term Strategic Plan covering the years to 2037.

Board changes

There were no changes to the Board this year, with all of the Directors being re-elected at the 2022 AGM.

Outlook

Once again, our Purpose will be the corporate and ethical compass that directs all our actions and ensures that we contribute to the wellbeing of all our stakeholders – shareholders and our people as well as local communities, the environment and society at large.

While challenges will remain and global macro issues such as probable economic recession will continue to play a major role in our financial performance and bring with them a degree of uncertainty, I am confident that we will maintain the steady progress of the last 12 months. We have managed the fallout from the labour reform well and, although nothing is certain, Covid-19 appears finally to be in retreat across the world. Our new mine at Juanicipio is set to make an important contribution to silver production in the months and years ahead and we expect a number of other exciting projects to progress through our pipeline and become productive operations.

On behalf of the Board, I would like to place on record our gratitude to all those who have helped shape what has ultimately been a year of progress – our management teams, our workforce and their communities, and the many suppliers and partners who work so hard to support us. By continuing to work together, we will be able to look ahead to future growth and prosperity, investing in Mexico, Perú and Chile and their people to deliver on the huge potential of Fresnillo and the opportunities these countries offer.

Alejandro Baillères
Chairman

Chief Executive's statement
Octavio Alvidrez

Addressing our challenges, achieving our goals

Despite challenges, our mines performed to plan in 2022. Fresnillo has again proved to be a resilient business with the ability to adapt in the face of volatile external factors, and our ambitions for long-term growth remain solidly in place and achievable.

The Fresnillo Purpose was pivotal in our response to the challenges we faced during the year. Our relentless focus on the wellbeing of people touches every aspect of how we operate, from protecting the health and safety of the teams working in our mines - and the environment - to how we engage with stakeholders and negotiate with communities for access to land for exploration activities.

In particular, our Purpose guided all our efforts to address the impact of the recent labour reform and the Covid-19 pandemic. Our approach towards our people sits at the heart of what makes Fresnillo a responsible business and an employer of choice – and we worked hard to give our teams the help and support they and their communities needed.

In 2022, this support again included the provision of vaccinations and healthcare, educational opportunities and jobs, as well as comprehensive induction programmes and attractive benefits packages to help employees make the transition from being contractors to being part of our unionised workforce, in line with new requirements necessitated by the labour reform.

Production highlights and price review

Silver production was broadly comparable to last year, while gold production reduced. Both of these results were as expected and in line with our guidance.

Total silver production was stable at 53.7 moz (53.1 moz in 2021), with increased contribution from Juanicipio and continued improvement in volumes processed at Fresnillo partially offset by the lower ore throughput and expected grade variability at San Julián Disseminated Ore Body (DOB).

As anticipated, gold production decreased by 15.3% to 635.9 koz. This was primarily due to a decrease in the recovery rate and lower ore grade at Herradura, the expected decrease in production at Noche Buena as the mine approaches the end of its life, and a lower volume of ore processed and ore grade at Saucito and Ciénega.

Attributable by-product lead production decreased 6.4% to 52,950 tonnes primarily due to a decrease in volume of ore processed and lower ore grade at Saucito and decreased ore grade at San Julián (DOB). Attributable by-product zinc production remained broadly stable at 99,153 tonnes.

The gradual reduction in precious metals prices that characterised the second half of 2021 was briefly reversed in the first quarter of the year, as geopolitical tensions in Russia and Ukraine temporarily drove up prices. However, with central banks continuing to increase interest rates to control inflation and the US dollar becoming stronger, precious metals prices again embarked on a downward trend for most of the rest of the year, as investors sought returns elsewhere. Over the course of 2022, the average realised silver price was US\$21.7 per ounce, a decrease of 12.76%, while the gold price remained flat at US\$1,799.3 per ounce. The average price for zinc increased by 15.9%, whereas that for lead decreased by 3.7%.

Barring more uncertainty impacting confidence, I expect precious metals prices have now established a realistic floor and the coming months are likely to see prices react positively.

Consistent and resilient strategy

Since our IPO in 2008, Fresnillo has remained true to the same strategy. Based on four strategic pillars and now proven across more than a decade, this strategy has steered our Company through good times as well as more challenging conditions. Below, I report on how we have performed against each of the pillars.

Maximising the potential of existing operations

The availability of a trained, experienced workforce continued to challenge our production ambitions during 2022, although our efforts to mitigate its impact have proved increasingly successful.

Following the new labour reform introduced by the Mexican Government in 2021, which restricted our ability to use contractors, we have worked hard to recruit, train and retain employees in our in-house workforce. We have achieved almost all of the goals we identified at the start of the year and all our operations now benefit from a stable workforce. By the year end, we had completed the staffing process in the Fresnillo District, San Julián and Ciénega. Overall, our mines are now being worked by close to a full complement of unionised teams.

The restrictions on outsourcing also continued to reduce the availability of equipment, some of which had historically been provided by contractors. In response, we rapidly invested in significant amounts of new equipment, but unfortunately some of these orders have been affected by global supply chain bottlenecks and the subsequent delays in deliveries have impacted production.

Ultimately, and despite the short-term challenges it has brought, the switch from relying on contractors and their equipment to working with our own people and resources will be positive. It will give us greater stability and control over our operations and help us to build a more aligned culture and resilient business.

Although we will always be vigilant and carefully monitor any outbreaks, no matter how minor, the Covid-19 pandemic appears to be increasingly under control. We experienced a fourth and then a fifth wave during 2022, but supported by our Purpose we were able to keep absenteeism and illness to a minimum and production at our mines was largely unaffected. We continue to follow strict protocols, as advised by the authorities, and have encouraged and supported vaccination of our workforce and communities, collaborating with health authorities to make vaccines available in the remote locations where we operate. Close to 81% of our workforce have been fully vaccinated with two doses, and 41% have received the booster. We will continue to implement testing campaigns across our operations, development and exploration projects and corporate offices.

Alongside our work to manage Covid-19 and the fallout from the labour reform, our investments in infrastructure have also helped us to maximise the potential of our existing operations. For example, we are set to enjoy the benefits of the deepened San Carlos shaft at our Fresnillo mine. When complete, the shaft will provide easier and faster access to more than half of the mine's reserves – reducing haulage times and costs, and resulting in lower emissions due to fewer trucks working in the mine. The new pumping station commissioned at the beginning of the year at Fresnillo enabled us to increase pumping capacity and ensured access to development and production areas.

Delivering growth through development projects

Everybody associated with Fresnillo was delighted to see our new mine at Juanicipio finally tied-in to the national power grid in December 2022. Although the mine was completed on target in late 2021, we experienced delays due to additional testing requirements by the Centro Nacional de Control de Energía (CENACE). Safety is of course always our top priority, and while the delays were unexpected, we fully support the prudent approach taken by the electricity regulator.

Commissioning began immediately after the tie-in and Juanicipio will make a material contribution to our performance from 2023 onwards. We expect silver and gold production to reach annual averages of 11.7

moz and 43.5 koz respectively. During 2022, ore from Juanicipio continued to be processed through the Fresnillo and Saucito flotation plants.

At phase II of the Pyrites Plant at Fresnillo, we experienced delays in the tie-in to the grid. As we prioritised the process at Juanicipio, the timetable for the tie-in of the Pyrites Plant was extended by a few weeks. We currently expect operations to commence in the second quarter of 2023 and anticipate that the plant will produce an average of 3.5 moz of silver and 14 koz of gold per year, including production from Saucito.

The potential project to install vibrating screens to improve milling capacity at the Fresnillo mine remains under consideration. The new flotation circuit is already improving the recovery of lead and zinc from the lower levels at Fresnillo, and we will re-evaluate the merits of the vibrating screens once production at the mine reaches at least 8,000 tons per day.

Extending the growth pipeline

As the successful development of Juanicipio demonstrates, our exploration teams have a track record of strengthening our asset portfolio across the price cycles of precious metals. While the exploration budget for 2022 was reduced marginally from the previous year in response to compressed margins and the labour reform challenges, we nevertheless continued to make good progress on advanced and priority early-stage projects in Mexico, Peru and Chile. In total, we drilled 955,798 metres across the portfolio with our teams of geologists carrying out an intensive field-based programme at several promising prospective sites.

At Rodeo, we continued negotiations to acquire the right to access land, and we hope to conclude these by mid year. We successfully negotiated rights for 2.8 million cubic meters of water and are now developing a scoping study. Located in the state of Durango, this gold-silver project has inferred resources amounting to 1.3 moz of gold and 13.8 moz of silver and potential for further growth.

The gold project at Orisyvo continued advancing and several activities are progressing even faster than at Rodeo, with some development works expected to start in 2023. We concluded negotiations regarding land access for the construction of the tailings dam, water dam and industrial area in 2022, and will initially fund developments via risk capex as the pre-feasibility and feasibility stages continue. We carried out a 2,049-metre drilling programme during the year and are currently preparing the geotechnical model. We also continued exploration activities at the silver-gold Guanajuato project, drilling a total of over 66,000 metres with encouraging results.

In Peru, we are looking forward to drilling commencing at the Pilarica silver and the Supaypacha gold-copper projects, following delays caused by challenges with land access, and we anticipate posting resources at Capricornio in Chile during 2023.

Silver resources decreased 5.0% to 2,203.9 moz primarily due to mining depletion, higher costs and cut-off grades and a more conservative approach to resource estimation in Fresnillo, Saucito and Ciénega, balanced in part by positive exploration results at the Guanajuato exploration project; gold resources remained stable at 39.1 moz. Silver reserves decreased 5.6% to 396.1 moz mainly from mining depletion and higher costs and cut-off grades at Fresnillo and Saucito, and depletion at San Julián (DOB), partly offset by increased reserves from exploration at San Julián veins. Gold reserves increased 4.4% to 8.2 moz mostly as a result of resource model improvements at Herradura, balanced in part by mining depletion at Noche Buena.

For 2023, the exploration budget will remain broadly in line with that for 2022.

Advancing and enhancing the sustainability of our operations

Our goal is zero harm. This ambition is supported by the comprehensive 'I Care, We Care' programme that focuses on leadership, accountability, safety culture, high potential incident management, engineering systems and lessons learnt. In 2022 we focused our efforts on implementing critical controls and visible leadership practices across our mining operations.

Our core safety KPIs saw a slight reduction in incidents, continuing our long-term trend. The Total Recordable frequency rate improved from 10.4 injuries per one million hours worked to 10.3, with the Lost Time Injury rate falling from 5.8 to 5.4. However, none of this success can overshadow the sadness and regret that we experienced at the loss of a colleague's life early in 2022, which was a sober reminder of the work ahead. We must never relax or become complacent as we pursue zero harm.

During the last 12 months, we continued to implement best practice governance and engineering to manage our Tailings Storage Facilities (TSF). Our aim is to ensure that our standards match global best practice, and we are now moving from implementing short-term solutions that meet immediate needs to long-term answers that match the life of our mines and will protect the future safety of local communities. As this approach embraces the building of new and larger TSFs where appropriate, we recognise the requirement for higher capex although this will stabilise over time.

Reviews of our facilities by the Independent Tailings Review Panel have continued, with virtual and in-person site visits providing recommendations that guide our implementation plans. We are developing our Emergency and Response Plans and maturing our Tailings Management System, which includes a dashboard to monitor key indicators for every level of involvement and responsibility. Among the year's key achievements, the TSF at Juanicipio became our first facility to fully meet Canadian Dam Association (CDA), Mining Association of Canada (MAC), International Commission on Large Dams (ICOLD) and International Council on Mining and Metals (ICMM) principles from the earliest days of its development, design and construction.

We continue to mature our capabilities to disclose climate-related financial information, joining the TCFD Consortium in Mexico during the year in order to share best practices and participating in the Financial Reporting Council's (FRC) Lab Net-zero Disclosures research project. We launched a Climate Modelling project with the University of Arizona to generate future climate projections under different scenarios, and this will support the development of our adaptation strategy.

However, it was disappointing that two of our key climate change mitigation initiatives failed to make the progress we had expected. The project to install dual fuel engines that run on both Liquid Natural Gas and diesel was completed as planned but start-up was delayed as we awaited official permits from the Government, which have since been received. Furthermore, our long-term goal for 75% of our electricity consumption to be provided by wind power by 2030 may be impacted by the Government's energy reforms. We are working with the authorities to gain clarity around this issue, which we believe can make important contributions to Mexico's drive to combat climate change.

Our commitment to our Purpose underlines the importance of deeply integrating responsible business practices into our business model while understanding the factors that affect stakeholders at all critical decision-making levels. It was disappointing to be omitted from the FTSE4Good Index after being included in it for four successive years. However, we acknowledge that we need to move faster and go further in setting targets to reduce emissions at a time when expectations around this topic are increasing. We are redoubling our efforts to identify and assess decarbonisation pathways, whether through new technologies or energy efficiencies.

Looking ahead

Global macroeconomic and geopolitical factors that all businesses faced during 2022 are likely to continue impacting our prospects. Despite the best efforts of our partners, the commercial tensions between the US and China and post-Covid issues will constrict supply chains and lead to delivery delays for mining equipment and spare parts. If major economies enter or remain in recession, then we expect to see a negative impact on demand. Meanwhile, although a slowdown in rising interest rates may lift prices for precious metals, inflationary pressures will continue affecting our costs.

Challenges that are more native to Mexico – such as delays in permits and the granting of concessions as well as political issues including energy reform – will also impact the business, and here I echo the thoughts of our Chairman. We will work with regional and national government departments, and with all relevant local authorities, to ease any bureaucratic delays that may prevent us making further good progress. Our Purpose is to support the wellbeing of people – and that includes bringing prosperity and valuable jobs to local communities, as well as paying our taxes to support the ambitions of the Government.

Our business is rich with potential. We have stabilised operations at our existing mines and look forward to the Juanicipio mine increasing our total production in 2023 and beyond. At the same time, we expect to increase resources at several projects that are moving along our pipeline. Indeed, we anticipate some of these projects to make their way into our operational portfolio in the next two to three years.

Finally, I wish to thank the Board and our people for their continued support during 2022. I believe we have worked together well and made good progress in what have at times been challenging circumstances. While some of those challenges will continue, we are committed to working through them and to fulfil the potential of our portfolio and pipeline. Our prospects are bright.

- Octavio Alvidrez
Chief Executive Officer

Financial review

The consolidated Financial Statements of Fresnillo plc are prepared in accordance with UK-adopted international accounting standards. This Financial Review is intended to convey the main factors affecting performance and to provide a detailed analysis of the financial results in order to enhance understanding of the Group's Financial Statements. All comparisons refer to 2022 figures compared to 2021, unless otherwise noted. The financial information and year-on-year variations are presented in US dollars, except where indicated.

The following report presents how we have managed our financial resources.

Commentary on financial performance

In 2022, the Group's financial performance reflected the operational challenges faced at the mines, alongside the inflationary pressures across the cost base.

In particular, Adjusted revenue¹ decreased 8.8% over 2021 primarily due to the decrease in volumes of gold sold and the lower silver price, while revenue decreased 10.0% year-on-year to US\$2,433.0 million due to the lower adjusted revenue combined with higher treatment and refining charges.

Adjusted production costs² increased 15.2% over 2021, primarily driven by 8.4% cost inflation, the additional costs from the start-up of operations at Juanicipio and the increase in the use of infrastructure contractors, higher personnel costs following the internalisation process, increased maintenance and an increase in consumption of operating materials and diesel due to longer haulage distances at some of our mines.

As a result, gross profit and EBITDA³ decreased to US\$536.0 million and US\$751.1 million, a 42.8% and 37.7% decrease over 2021 respectively.

We maintained our strong financial position, with US\$969.1 million in cash and other liquid funds¹ as of 31 December 2022 notwithstanding paying dividends of US\$202.0 million in accordance with our policy, investing US\$592.1 million in capex and spending US\$165.8 million on exploration expenses.

Income Statement

	2022 US\$ million	2021 US\$ million	Amount Change US\$ million	Change %
Adjusted revenue ¹	2,597.2	2,847.9	(250.7)	(8.8)
Total revenue	2,433.0	2,703.1	(270.1)	(10.0)
Cost of sales	(1,897.0)	(1,766.2)	(130.8)	7.4
Gross profit	536.0	936.9	(400.9)	(42.8)
Exploration expenses	165.8	130.3	35.5	27.2
Operating profit	283.6	666.7	(383.1)	(57.5)
EBITDA ³	751.1	1,206.3	(455.2)	(37.7)
Income tax expense including special mining rights	(59.7)	173.1	(232.8)	N/A
Profit for the period	308.3	438.5	(130.2)	(29.7)
Profit for the period, excluding post-tax Silverstream effects	295.1	438.8	(143.7)	(32.7)
Basic and diluted earnings per share (US\$/share) ⁴	0.369	0.572	(0.203)	(35.5)
Basic and diluted earnings per share, excluding post-tax Silverstream effects (US\$/share)	0.351	0.572	0.221	(38.6)

1 Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and metals prices hedging.

2 Adjusted production costs are calculated as cost of sales less depreciation, profit sharing, hedging, change in inventories and unproductive costs. The Company considers this a useful additional measure to help understand underlying factors driving production costs in terms of the different stages involved in the mining and plant processes, including efficiencies and inefficiencies as the case may be and other factors outside the Company's control such as cost inflation or changes in accounting criteria.

3 Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain/(loss), less revaluation effects of the Silverstream contract and other operating income plus other operating expenses and depreciation.

4 The weighted average number of Ordinary Shares was 736,893,589 for 2022 and 2021. See Note 18 to the consolidated financial statements.

The Group's financial results are largely determined by the performance of our operations. However, other factors, such as a number of macroeconomic variables, lie beyond our control and affect financial results. These include:

Metals prices

The average realised silver price decreased 12.6% from US\$24.9 per ounce in 2021 to US\$21.7 per ounce in 2022, while the average realised gold price remained flat year-on-year at US\$1,799.3 per ounce in 2022 (up 0.2%). The average realised lead by-product price decreased 3.8% to US\$0.96 per pound, while the zinc by-product price increased 9.5% over the previous year to US\$1.52 per pound.

MX\$/US\$ exchange rate

The Mexican peso/US dollar spot exchange rate at 31 December 2022 was \$19.36 per US dollar, compared to the exchange rate at 31 December 2021 of \$20.58 per US dollar. The 5.9% spot revaluation had a favourable effect on taxes and mining rights.

The average spot Mexican peso/US dollar exchange rate remained relatively unchanged at \$20.13 per US dollar in 2022 (\$20.28 per US dollar in 2021), thus having an immaterial effect on the Group's costs denominated in Mexican pesos (approximately 45% of total costs) when converted to US dollars.

Cost inflation

In 2022, cost inflation was 8.4%. The main components of our cost inflation basket are listed below:

Labour

Unionised workers received on average a 6.8% increase in wages in Mexican pesos, while non-unionised employees received on average a 5.5% increase in wages in Mexican pesos; when converted to US dollars, this resulted in a weighted average labour inflation of 7.9%.

Energy

Electricity

The weighted average cost of electricity in US dollars increased 5.9% from US\$8.74 cents per kW in 2021 to US\$9.26 cents per kW in 2022, due to the higher average generating cost of the Comisión Federal de Electricidad (CFE), the national utility.

Diesel

The weighted average cost of diesel in US dollars increased 4.0% to 91.4 US cents per litre in 2022, compared to 87.9 US cents per litre in 2021. This was primarily due to the increase in global oil prices and the gradual lifting of the Mexican Government's fuel tax relief that subsidised the cost of diesel and gasoline in Mexico.

Operating materials

	Year over year change in unit price %
Sodium cyanide	48.9
Explosives	39.6
Other reagents	20.8
Steel balls for milling	16.9
Lubricants	16.1
Steel for drilling	13.2
Tyres	2.2
Weighted average of all operating materials	19.8

Unit prices of our key operating materials increased significantly in US dollar terms reflecting global inflationary pressures and supply disruptions resulting from the zero-Covid policy in China and the invasion of Ukraine by Russia. As a result, the weighted average unit prices of all operating materials increased year-on-year by 19.8%.

Contractors

Agreements are signed individually with each contractor company and include specific terms and conditions that cover not only labour, but also operating materials, equipment and maintenance, amongst others. Contractor costs are mainly denominated in Mexican pesos and are an important component of our total production costs. In 2022, increases per unit (i.e. per metre developed/per tonne hauled) granted to contractors whose agreements were due for review during the period, resulted in a weighted average increase of approximately 4.9% in US dollars, after considering the revaluation of the Mexican peso vs. US dollar.

Maintenance

Unit prices of spare parts for maintenance increased by 3.4% on average in US dollar terms.

Other costs

Other cost components include freight which increased by an estimated 13.6% in US dollars, while insurance costs increased by 8.8% in US dollars mainly due to higher market premiums. The remaining cost inflation components experienced average deflation of 12.0% in US dollars over 2021.

The effects of the above external factors, combined with the Group's internal variables, are further described below through the main line items of the income statement.

Revenue

Consolidated revenue

	2022 US\$ million	2021 US\$ million	Amount US\$ million	Change %
Adjusted revenue ¹	2,597.2	2,847.9	(250.7)	(8.8)
Metals prices hedging	(3.8)	(1.4)	(2.4)	179.0
Treatment and refining charges	(160.5)	(143.5)	(17.0)	11.8
Total revenue	2,433.0	2,703.1	(270.1)	(10.0)

Adjusted revenue decreased by US\$250.7 million primarily driven by the lower volumes of gold sold and the lower silver price. Treatment and refining charges increased 11.8% as explained below. As a result, total revenue decreased to US\$2,433.0 million, a 10.0% decrease against 2021.

Adjusted revenue¹ by metal

	2022		2021		Volume Variance US\$ million	Price Variance US\$ million	Total net change US\$ million	%
	US\$ million	%	US\$ million	%				
Gold	1,114.2	42.9	1,305.2	45.8	(194.0)	2.9	(191.1)	(14.6)
Silver	1,089.2	41.9	1,163.9	40.9	77.8	(152.5)	(74.7)	(6.4)
Lead	106.6	4.1	117.4	4.1	(6.5)	(4.4)	(10.8)	(9.2)
Zinc	287.2	11.1	261.3	9.2	1.0	24.9	25.9	9.9
Total adjusted revenue	2,597.2	100.0	2,847.9	100.0	(121.7)	(129.0)	(250.7)	(8.8)

The decrease in volumes of gold sold were primarily due to the lower recovery rate and decrease in ore grade at Herradura and lower volumes of ore processed and ore grades at Noche Buena, Saucito and Ciénega. This adverse effect was mitigated by the higher volumes of silver sold driven by the increase in silver production from Juanicipio and the higher ore throughput at Fresnillo (for further detail, see Review of Operations). The total sale volume effect (lower gold and lead mitigated by higher silver and zinc volumes sold), resulted in an adverse impact on adjusted revenues of US\$121.7 million, representing 48.5% of the total variation. The remaining 51.5% of the decrease in adjusted revenues was primarily explained by the lower silver price, mitigated by the higher price of zinc.

Changes in the contribution by metal were the result of the relative changes in metals prices and volumes produced. The contribution of gold to total adjusted revenues decreased from 45.8% in 2021 to 42.9% in 2022, while that for silver increased from 40.9% in 2021 to 41.9% in 2022.

Adjusted revenue by mine

Despite the 17.6% decrease in Adjusted revenues at Herradura, it continued to be the greatest contributor to the Group's Adjusted revenue, representing 24.4% (2021: 27.1%). Saucito's contribution reduced to 18.7% in 2022 (2021: 21.0%) primarily driven by the decrease in volumes of all metals sold and the lower silver price. Fresnillo remained the third most important contributor to Adjusted revenue, with its share increasing to 18.3% (2021: 16.1%). San Julián's contribution to the Group's Adjusted revenue decreased to 16.0% in 2022 (2021: 18.8%) primarily due to the lower volumes of silver and gold sold. Ciénega's contribution to the Group's Adjusted revenue decreased to 6.9% (2021: 8.0%) as a result of the lower volumes of all metals sold. Noche Buena's contribution to Adjusted revenue decreased slightly to 5.5% in 2022 (6.0% in 2021).

The contribution by metal and by mine to Adjusted revenues is expected to change further in the future, as new projects are incorporated into the Group's operations and as precious metals prices fluctuate.

	2022		2021	
	(US\$ million)	%	(US\$ million)	%
Herradura	634.9	24.4	770.8	27.1
Saucito	485.9	18.7	597.7	21.0
Fresnillo	475.8	18.3	459.5	16.1
Juanicipio	259.0	10.0	85.2	3.0
San Julián (DOB)	242.5	9.3	344.5	12.1
Ciénega	180.3	6.9	227.8	8.0
San Julián (Veins)	175.1	6.7	192.5	6.7
Noche Buena	143.8	5.5	169.9	6.0
Total	2,597.2	100	2,847.9	100

1 Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and metals prices hedging.

Volumes of metal sold

	2022	% contribution of each mine	2021	% contribution of each mine	% change
Silver (koz)					
Fresnillo	12,222	24.4	11,082	23.7	10.3
Saucito	10,620	21.2	11,446	24.4	(7.2)
Juanicipio	8,697	17.3	2,932	6.3	196.6
San Julián (DOB)	8,117	16.2	10,813	23.1	(24.9)
San Julián (Veins)	4,502	9.0	4,077	8.7	10.4
Ciénega	4,344	8.7	4,907	10.5	(11.5)
Pyrites Plant at Saucito	854	1.7	601	1.3	42.1
Herradura	777	1.5	932	2.0	(16.6)
Noche Buena	9	0.0	14	0.0	(35.7)
Pyrites Plant at Fresnillo	0	0.0	3	0.0	(100.0)
Total silver (koz)	50,142		46,807		7.1
Gold (oz)					
Herradura	351,156	56.7	416,310	57.2	(15.7)
Noche Buena	71,921	11.6	94,237	13.0	(23.7)
Saucito	65,689	10.6	81,304	11.2	(19.2)
San Julián (Veins)	42,516	6.9	50,794	7.0	(16.3)
Ciénega	35,275	5.7	45,352	6.2	(22.2)
Fresnillo	28,277	4.6	28,834	4.0	(1.9)
Juanicipio	20,268	3.3	5,908	0.8	243.1
Pyrites Plant at Saucito	2,585	0.4	2,260	0.3	14.4

San Julián (DOB)	1,546	0.2	2,130	0.3	(27.4)
Pyrites Plant at Fresnillo	4	0.0	8	0.0	(50.0)
Total gold (oz)	619,237		727,137		(14.8)
Lead (t)					
Fresnillo	19,667	39.2	17,353	32.6	13.3
Saucito	16,114	32.1	22,878	43.0	(29.6)
San Julián (DOB)	6,677	13.3	8,270	15.5	(19.3)
Juanicipio	4,487	8.9	1,067	2.0	320.5
Ciénega	3,267	6.5	3,626	6.8	(9.9)
Total lead (t)	50,212		53,194		(5.6)
Zinc (t)					
Fresnillo	35,890	41.9	29,532	34.6%	21.5
Saucito	23,604	27.6	31,911	37.4%	(26.0)
San Julián (DOB)	14,771	17.3	16,928	19.9%	(12.7)
Juanicipio	6,758	7.9	1,511	1.8%	347.3
Ciénega	4,564	5.3	5,393	6.3%	(15.4)
Total zinc (t)	85,587		85,275		0.4

Hedging

In 2021 we entered into a hedging programme executed for a total volume of 1,800,000 ounces of silver which had its last monthly settlement in February 2022. This transaction was structured as a collar with an average floor price of US\$22.0 per ounce, and an average price ceiling of US\$50.3 per ounce.

Additionally, a portion of our by-product zinc production was hedged from May 2021 through April 2022 using a similar financial structure to that of silver.

The table below illustrates the expired structures and their results as of 31 December 2022. There are no outstanding hedging positions as of 31 December 2022.

	As of 31 December 2022	As of 31 December 2022
	Silver ¹	Zinc ²
Weighted floor	22 US\$/oz	2,491 US\$/tonne
Weighted cap	50.33 US\$/oz	3,134 US\$/tonne
Expired volume	300,000 oz	5,960 tonnes
Profit/Loss (US\$ dollars)	0	(3,770,174)

¹ Monthly settlements until February 2022.

² Monthly settlements until April 2022.

Treatment and refining charges

Treatment and refining charges³ are reviewed annually using international benchmarks. Treatment charges per tonne of lead and zinc concentrate increased in dollar terms by 3.4% and 54.4% respectively, while silver refining charges remained flat over the year. The increase in treatment charges per tonne of lead and zinc, combined with the relatively stable volumes of lead and zinc concentrates shipped from our mines to Met-Mex, resulted in an 11.8% increase in treatment and refining charges set out in the income statement in absolute terms when compared to 2021.

Concept	2022 US\$ million	2021 US\$ million	Amount US\$ million	Change %
Adjusted production costs ⁴	1,445.8	1,255.1	190.7	15.2
Depreciation	500.6	528.2	(27.6)	(5.2)
Profit sharing	9.6	15.6	(5.9)	(38.2)
Hedging	0.0	(3.8)	3.8	(100.0)
Change in work in progress	(61.6)	(29.6)	(32.0)	107.8
Unproductive costs including inventory reversal and unabsorbed production costs ⁵	2.6	0.8	1.8	>100
Cost of sales	1,897.0	1,766.2	130.8	7.4

Cost of sales increased 7.4% to US\$1,897.0 million in 2022. The US\$130.8 million increase is due to a combination of the following factors:

- An increase in Adjusted production costs (+US\$190.7 million). This was primarily due to: i) cost inflation in US dollars (US\$101.2 million); ii) costs from the start-up of operations at Juanicipio (US\$85.7 million); iii) increase in the use of infrastructure contractors, maintenance (electric and mechanical), operating materials and diesel (US\$79.4 million); iv) higher volume of ore processed at Fresnillo and San Julián DOB (US\$21.7 million); and v) others (US\$3.7 million). These adverse effects were mitigated by lower stripping to cost at Herradura (-US\$53.5 million); and a decrease in volume of ore processed at Saucito, Ciénega, San Julián (Veins) (-US\$47.5 million).
- The variation in Mexican peso/US dollar hedging (+US\$3.8 million). As part of our programme to manage our exposure to foreign exchange risk associated with costs incurred in Mexican pesos, we entered into a combination of put and call options structured at zero cost (collars) in 2021. These derivatives finally expired in March 2021 and they generated a positive result of US\$3.8 million during the first quarter of 2021. As of 31 December 2022, there was no further outstanding position.
- The variation in unproductive costs, which had an unfavourable effect of (+US\$1.8 million). In 2022, US\$2.6 million was registered as unproductive costs related to fixed production cost incurred in activities at the Juanicipio flotation plant; in 2021 US\$18.0 million was registered in relation to fixed costs (labour cost and depreciation) incurred in Minera San Julián due to a shortfall in electricity.

These negative effects were mitigated by:

- Depreciation (-US\$27.6 million). This is mainly due to lower depreciation at San Julián and Ciénega due to a lower depletion factor and at Noche Buena as it approaches the end of its mine life and the majority of the assets have been fully depreciated.
- The variation in the change in work in progress had a favourable effect of US\$32.0 million versus 2021. This resulted mainly from the increase in inventories of ore at Juanicipio and gold content on the leaching pads at Herradura whereas in 2021 the positive effect was in relation to the reassessment of recoverable gold inventories at the leaching pads in 2021 together with the increase in the cost per ounce in the last quarter of the year at Herradura.
- Profit sharing (-US\$5.9 million) mainly due to lower profits.

³ Treatment and refining charges include the cost of treatment and refining as well as the margin charged by the refiner.

⁴ Adjusted production costs are calculated as cost of sales less depreciation, profit sharing, hedging, change in inventories and unproductive costs. The Company considers this a useful additional measure to help understand underlying factors driving production costs in terms of the different stages involved in the mining and plant processes, including efficiencies and inefficiencies as the case may be and other factors outside the Company's control such as cost inflation or changes in accounting criteria.

⁵ Unproductive costs primarily include unabsorbed production costs such as fixed production cost (labour cost and depreciation) incurred in Minera San Julián due to a shortfall in electricity and fixed costs incurred in Minera Penmont during the temporary suspension of mining activities at the beginning of the Covid-19 pandemic, and other costs related to the subsequent ramp-up of operations and the underutilisation of production capacity once mining activity was resumed. Unproductive costs are recognised within cost of sales but excluded from adjusted production costs.

⁶ Cost inflation would have been 7.9% excluding the effect of the Mexican peso revaluation (0.8%).

Cost per tonne, cash cost per ounce and all-in sustaining cost (AISC)

Cost per tonne is a key indicator to measure the effects of changes in production costs and cost control performance at each mine. This indicator is calculated as total production costs, plus ordinary mining rights, less depreciation, profit sharing and exchange rate hedging effects, divided by total tonnage processed. We have included cost per tonne hauled/moved as we believe it is a useful indicator to thoroughly analyse cost performance for the open pit mines.

Cost per tonne		2022	2021	% change
Fresnillo	US\$/tonne milled	91.5	84.7	8.0
Saucito	US\$/tonne milled	119.5	89.8	33.0
San Julián (Veins)	US\$/tonne milled	91.0	81.5	11.7
San Julián (DOB)	US\$/tonne milled	44.8	39.2	14.2
Ciénega	US\$/tonne milled	116.3	86.1	35.1
Herradura	US\$/tonne deposited	19.7	21.7	(9.2)

Herradura	US\$/tonne hauled	4.7	3.5	34.3
Noche Buena	US\$/tonne deposited	13.9	11.0	27.0
Noche Buena	US\$/tonne hauled	3.9	3.8	2.6

Fresnillo: Cost per tonne increased 8.0% to US\$91.5 in 2022, primarily driven by cost inflation and an increase in maintenance costs, mitigated by the higher volume of ore milled.

Saucito: Cost per tonne increased 33.0% to US\$119.5, mainly driven by an increase in the use of infrastructure contractors and maintenance, cost inflation, and a decrease in the volume of ore milled.

San Julián veins: Cost per tonne increased 11.7% to US\$91.0, primarily driven by cost inflation and an increase in the use of maintenance and consumption of spare parts for repairs.

San Julián (DOB): Cost per tonne increased 14.2% to US\$44.8, mainly driven by cost inflation and increased use of maintenance.

Ciénega: Cost per tonne increased 35.1% to US\$116.3, driven by an increase in the use of infrastructure contractors and maintenance, cost inflation and a lower volume of ore milled.

Herradura: Cost per tonne of ore deposited decreased -9.2% primarily as a result of a decrease in stripping charged to cost. This was partly offset by an increase in consumption of operating materials, diesel and maintenance due to longer haulage distances and cost inflation.

Noche Buena: Cost per tonne increased to US\$13.9 in 2022, primarily driven by a higher stripping charged to cost, cost inflation and a lower volume of ore processed.

Cash cost per ounce, calculated as total cash cost (cost of sales plus treatment and refining charges, less depreciation) less revenue from by-products divided by the silver or gold ounces sold, when compared to the corresponding metal price, is an indicator of the ability of the mine to generate competitive profit margins.

Cash cost per ounce		2022	2021	% change
Fresnillo	US\$ per silver ounce	5.7	5.4	4.7
Saucito	US\$ per silver ounce	4.5	(0.8)	N/A
San Julián (Veins)	US\$ per silver ounce	7.1	1.8	>100
San Julián (DOB)	US\$ per silver ounce	6.9	4.8	42.6
Ciénega	US\$ per gold ounce	518.5	(523.1)	N/A
Herradura	US\$ per gold ounce	1,155.5	900.4	28.3
Noche Buena	US\$ per gold ounce	1,269.9	1,029.5	23.3

Fresnillo: Cash cost per silver ounce increased to US\$5.7 (2021: US\$5.4) mainly due to the increase in cost per tonne and the higher treatment and refining charges, partially offset by lower mining rights and higher lead and zinc by-product credits.

Saucito: Cash cost per silver ounce increased to US\$4.5 per ounce (2021: -US\$0.8 per silver ounce) mainly as a result of a higher cost per tonne and lower gold, lead and zinc by-product credits per silver ounce. This was mitigated by a higher silver ore grade and lower mining rights.

San Julián veins: Cash cost per ounce of silver increased to US\$7.1 per ounce mainly due to the lower gold by-product credits per silver ounce and a higher cost per tonne, mitigated by a higher silver ore grade.

San Julián DOB: Cash cost increased to US\$6.9 per ounce of silver driven by a lower silver ore grade, the increase in cost per tonne and higher treatment and refining charges, mitigated by higher zinc and lead by-product credits per silver ounce and lower mining rights.

Ciénega: The increase in cash cost per gold ounce from -US\$523.1 in 2021 to US\$518.5 in 2022 was primarily due to a higher cost per tonne, lower gold ore grade and higher treatment and refining charges. This was mitigated by higher silver, zinc and lead by-product credits per gold ounce and lower mining rights and profit sharing.

Herradura: Cash cost per gold ounce increased to US\$1,155.5 per ounce of gold mainly due to the lower gold ore grade, mitigated by the lower cost per tonne.

Noche Buena: Cash cost per gold ounce increased by 23.4% to US\$1,269.9, mainly due to a higher cost per tonne.

In addition to the traditional cash cost, the Group is reporting All-In Sustaining Cost (AISC) in accordance with the guidelines issued by the World Gold Council.

This cost metric is calculated as traditional cash cost plus on-site general, corporate and administrative costs, community costs related to current operations, capitalised stripping and underground mine development, sustaining capital expenditures and remediation expenses.

We consider AISC to be a reasonable indicator of a mine's ability to generate free cash flow when compared with the corresponding metal price. We also believe it is a means to monitor not only current production costs, but also sustaining costs as it includes mine development costs incurred to prepare the mine for future production, as well as sustaining capex.

All-in sustaining cost (AISC)

AISC		2022	2021	% change
Fresnillo	US\$ per silver ounce	16.27	16.34	(0.4)
Saucito	US\$ per silver ounce	16.8	9.53	76.6
San Julián (Veins)	US\$ per silver ounce	21.84	14.04	55.6
San Julián (DOB)	US\$ per silver ounce	8.79	6.34	38.6
Ciénega	US\$ per gold ounce	2,011.14	656.11	>100
Herradura	US\$ per gold ounce	1,527.36	1,100.20	38.8
Noche Buena	US\$ per gold ounce	1,359.63	1,122.21	21.2

Fresnillo: All-in sustaining cost remained stable at US\$16.3, explained by the increase in cash cost.

Saucito: All-in sustaining cost increased 76.8% to US\$16.8 per ounce due to the increase in cash cost and higher capitalised mine development per ounce.

San Julián veins: All in sustaining cost increased to US\$21.8 per ounce due to the increase in cash cost and higher sustaining capex per ounce.

San Julián DOB: The 38.6% increase in all in sustaining cost was mainly driven by the increase in cash cost and a higher sustaining capex.

Ciénega: The US\$1,355.0 per ounce increase in all in sustaining cost was primarily driven by the higher cash cost and a higher sustaining capex per ounce of gold.

Herradura: All-in sustaining cost increased to US\$1,527.4 per ounce mainly due to increased capitalised stripping and a higher cash cost.

Noche Buena: The US\$237.4 per ounce increase to US\$1,359.6 per ounce in all-in sustaining cost was the result of higher cash cost.

Gross profit

Gross profit, excluding hedging gains and losses, is a key financial indicator of profitability at each business unit and the Fresnillo Group as a whole.

Total gross profit, including hedging gains and losses, decreased by 42.8% from US\$936.9 million in 2021 to US\$536.0 million in 2022.

The US\$400.9 million decrease in gross profit was mainly due to: i) the lower silver and lead price (-US\$156.8 million); ii) the lower ore grade and recovery rate at Herradura as higher volumes of sulphide ore are processed (-US\$135.7 million); iii) cost inflation in US dollars (-\$101.2 million); iv) the net effect of the lower ore grades, excluding Herradura (-US\$88.6 million); v) the increase in the use of infrastructure contractors, maintenance (electric and mechanical), operating materials and diesel (-US\$79.4 million); and vi) the lower volumes processed at Saucito, Ciénega, San Julián Veins and Noche Buena (-US\$75.3 million). These negative effects were mitigated by: i) the new Juanicipio operation (US\$98.8 million); ii) lower stripping to cost at Herradura (US\$53.5 million); iii) others (US\$37.6 million); iv) higher zinc and gold prices (US\$27.8 million); and v) the higher volume processed at Fresnillo and San Julián DOB (US\$18.5 million).

On a per mine basis, Herradura remained the largest contributor to the Group's consolidated gross profit despite recording a 47.7% decrease in its gross profit. Juanicipio became the second largest contributor, reflecting the increased volumes of development material and ore processed at the Fresnillo and Saucito mines. Fresnillo became the third largest contributor to consolidated gross profit, increasing its percentage share from 14.9% in 2021 to 19.6% in 2022, while the lower production and higher costs at Saucito decreased its participation from 22.7% in 2021 to 18.4% in 2022. Similarly, the lower gross profit generated at San Julián decreased its share of the Group's total gross profit to 11.3% in 2022. The decrease in production volumes, together with the cost pressures, affected profitability at Ciénega and Noche Buena. Notwithstanding, both

mines generated an EBITDA of US\$19.2 million and US\$34.5 million respectively, and cash flow from operating activities of US\$25.4 million and US\$40.8 million.

Contribution by mine to consolidated gross profit, excluding hedging gains and losses

	2022		2021		Change	
	US\$ million	%	US\$ million	%	US\$ million	%
Herradura	147.1	27.5	281.1	30.6	(134.0)	(47.7)
Juanicipio	132.8	24.8	53.5	5.8	79.3	148.2
Fresnillo	104.8	19.6	136.7	14.9	(31.9)	(23.3)
Saucito	98.5	18.4	208.7	22.7	(110.2)	(52.8)
San Julián	60.3	11.3	173.1	18.8	(112.8)	(65.2)
Noche Buena	3.3	0.6	23.5	2.6	(20.2)	(86.0)
Ciénega	(11.3)	(2.1)	42.5	4.6	(53.8)	(126.6)
Total for operating mines	535.5	100	919.1	100	(383.6)	(41.7)
Metal hedging and other subsidiaries	0.5		17.8		(17.3)	(97.2)
Total Fresnillo plc	536.0		936.9		(400.9)	(42.8)

Administrative and corporate expenses

Administrative and corporate expenses decreased 9.1% from US\$103.5 million in 2021 to US\$94.1 million in 2022, due to the decrease in fees paid to advisors (legal, labour, tax and technical).

Exploration expenses

Business unit/project (US\$ million)	Exploration	Exploration expenses	Capitalised	Capitalised expenses
	expenses 2022	2021	expenses 2022	2021
Ciénega	7.2	6.4	-	-
Fresnillo	12.3	6.1	-	-
Herradura	4.8	6.1	-	-
Saucito	12.0	15.0	-	-
Noche Buena	1.4	1.0	-	-
San Julián	24.6	22.6	-	-
Orisyvo	4.0	5.2	-	0.1
Centauro Deep	0.5	0.2	-	-
Guanajuato	11.6	8.1	1.0	1.0
Juanicipio	11.7	0.0	-	8.1
Valles (Herradura)	5.8	5.1	-	-
Others	69.9	54.5	0.8	0.6
Total	165.8	130.3	1.8	9.8

As expected, exploration expenses increased by 27.2% from US\$130.3 million in 2021 to US\$165.8 million in 2022, in line with our strategy to focus exploration on specific targets, mainly at the Fresnillo and San Julián districts. The year-on-year increase of US\$35.5 million was due to our intensified exploration activities aimed at increasing the resource base, converting resources into reserves and improving the confidence of the grade distribution in reserves. An additional US\$1.8 million was capitalised, mainly relating to exploration expenses at the Guanajuato project. As a result, risk capital invested in exploration totalled US\$167.6 million in 2022, compared to US\$140.1 million in 2021 (of which US\$9.8 million was capitalised). This represents a year-on-year increase of 19.6%.

EBITDA

	2022 US\$ million	2021 US\$ million	Amount US\$ million	Change %
Profit from continuing operations before income tax	248.6	611.5	(363.0)	(59.4)
– Finance income	(26.5)	(8.9)	(17.6)	>100
+ Finance costs	81.6	61.8	19.8	32.0
– Revaluation effects of Silverstream contract	(18.8)	0.4	(19.2)	N/A
– Foreign exchange loss, net	(1.4)	1.9	(3.3)	N/A
– Other operating income	(71.9)	(11.9)	(60.0)	>100
+ Other operating expense	38.8	23.3	15.5	66.5
+ Depreciation	500.6	528.2	(27.6)	(5.2)
EBITDA	751.1	1,206.3	(455.2)	(37.7)
EBITDA margin	30.9	44.6	–	–

EBITDA is a gauge of the Group's financial performance and a key indicator to measure debt capacity. It is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain/(loss), less the net Silverstream effects and other operating income plus other operating expenses and depreciation. In 2022, EBITDA decreased 37.7% to US\$751.1 million primarily driven by the lower gross profit and higher exploration expenses. As a result, EBITDA margin expressed as a percentage of revenue decreased, from 44.6% in 2021 to 30.9% in 2022.

Other operating income and expense

In 2022, a net gain of US\$33.1 million was recognised in the income statement mainly as a result of the recognition of the layback agreement granting Orla the right to expand the Camino Rojo pit onto Fresnillo's mining concession.

Silverstream effects

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. The net Silverstream effect recorded in the 2022 income statement was a gain of US\$18.8 million (US\$40.0 million amortisation profit and US\$21.2 million revaluation loss), which compared positively to the net loss of US\$0.4 million registered in 2021. The negative revaluation was mainly driven by the increase in the SOFR reference rate and the lower forward silver price curve, partly mitigated by an increase in the production plan following an update to the Sabinas silver reserves and a higher inflation forecast.

Since the IPO, cumulative cash received has been US\$769.7 million vs. US\$350 million initially paid in 2007. The Group expects that further unrealised gains or losses related to the valuation of the Silverstream will be taken to the income statement in accordance with silver price cyclicality or changes in the variables considered in valuing this contract. Further information related to the Silverstream contract is provided in the balance sheet section in notes 14 and 30 to the consolidated financial statements.

Net finance costs

Net finance costs of US\$55.2 million compared favourably to the US\$52.9 million recorded in 2021. The US\$2.3 million increase was primarily due to the voluntary amendments applied from 2014 to 2021 to the income tax and mining right's treatment of the stripping costs and the deduction of exploration expenses. In addition, the 2022 net finance costs mainly reflected: i) interest paid on the outstanding US\$317.9 million from the US\$800 million of 5.500% Senior Notes due 2023, and ii) interest paid on the US\$850 million principal amount of 4.250% Senior Notes due 2050. Detailed information is provided in note 10 to the consolidated financial statements. A portion of the interest from the Senior Notes is capitalised, hence not included in finance costs. During the year ended 31 December 2022, the Group capitalised US\$8.5 million of borrowing costs (2021: US\$8.4 million).

Foreign exchange

A foreign exchange gain of US\$1.4 million was recorded in 2022, which compared favourably to the US\$1.9 million loss in 2021.

The Group also enters into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with the purchase of equipment denominated in Euro (EUR). As of December 31st 2022, the total EUR outstanding net forward position was EUR 12.72 million with maturity dates through December 2023. Volumes that expired during the second half of 2022 were EUR 20.47 million with a weighted average strike of 1.0758 USD/EUR, which have generated a marginal result in the period of -US\$2.4 million.

Taxation

Tax income for the period was US\$67.4 million, which compared favourably to the US\$156.5 million tax expense in 2021. The effective tax rate, excluding the special mining rights, was -27.1%, which was below the 30% statutory tax rate. The reasons for the unusual positive effective tax rate was the significant permanent differences between the tax and the accounting treatment related mainly to: i) the effect of the 5.9% revaluation of the Mexican peso/US dollar spot exchange rate in 2022 versus the 2.0% devaluation in 2021 on the tax value of assets and liabilities (-US\$72.9 million); ii) the inflation rate (Mexican Consumer Price Index), which impacted the inflationary uplift of the tax base for assets and liabilities (-US\$62.7 million); and ii) the benefit from the lower border zone tax which applied to Herradura and Noche Buena operations (-US\$17.5 million) vs. the US\$74.6 million which resulted from applying the 30% statutory tax rate.

The reason for the lower effective tax rate in 2021 was the significant permanent differences between the tax and the accounting treatment related mainly to: i) the inflation rate which impacted the inflationary uplift of the tax base for assets and liabilities (-US\$49.4 million); ii) the border zone tax benefit which benefited the Herradura and Noche Buena operations (-US\$10.1 million); and iii) special mining right taxable for corporate income tax (-US\$5.0 million). These factors were partially offset by: i) the devaluation of the Mexican peso which had an important impact on the tax value of assets and liabilities (US\$32.1 million); and ii) deferred tax assets not recognised (US\$6.5 million).

Mining rights in 2022 were US\$7.7 million compared to US\$16.6 million charged in 2021. The effective tax rate, including mining rights, was -24.0% in 2022.

Profit for the period

Profit for the period decreased from US\$438.5 million in 2021 to US\$308.3 million in 2022, a 29.7% decrease year-on-year as a result of the factors described above.

Excluding the effects of the Silverstream contract, profit for the year decreased from US\$438.8 million to US\$295.1 million, a 32.7% decrease.

Profit due to non-controlling interests was US\$36.4 million reflecting the profit generated at Juanicipio, where MAG Silver owns 44% of the outstanding shares. Accordingly, profit attributable to equity shareholders of the Group was US\$271.9 million.

Cash flow

A summary of the key items from the cash flow statement is set out below:

	2022 US\$ million	2021 US\$ million	Amount US\$ million	Change %
Cash generated by operations before changes in working capital	743.1	1,208.3	(465.2)	(38.5)
(Increase)/decrease in working capital	(66.1)	58.0	(124.1)	N/A
Taxes and employee profit sharing paid	(174.7)	(371.1)	196.4	52.9
Net cash from operating activities	502.2	895.1	(393.0)	(43.9)
Silverstream contract	33.4	49.0	(15.6)	(31.9)
Capital contributions and loans by minority shareholders	18.3	73.6	(55.4)	(75.2)
Proceeds from the layback agreement	15.0	25.0	(10.0)	(40.0)
Purchase of property, plant and equipment	(592.1)	(592.1)	0.0	0.0
Dividends paid to shareholders of the Company	(202.0)	(245.6)	43.6	17.8
Financial expenses and foreign exchange effects	(36.5)	(39.9)	3.4	8.5
Net (decrease)/increase in cash during the period after foreign exchange differences	(266.2)	164.9	(431.1)	N/A
Cash and other liquid funds at 31 December ¹	969.1	1,235.3	(266.2)	(21.6)

¹ Cash and other liquid funds are disclosed in note 30(c) to the consolidated financial statements.

Cash generated by operations before changes in working capital decreased by 38.5% to US\$743.1 million, mainly as a result of the lower profits generated in the year. Working capital increased US\$66.1 million, mainly due to: i) an increase in ore inventories of US\$99.6 million; and ii) a US\$14.1 million increase in prepayments mainly to contractors. This was partly offset by: i) a US\$51.8 million increase in accounts payable (mainly suppliers); and ii) a US\$7.2 million decrease in accounts receivable.

Taxes and employee profit sharing paid decreased 52.9% over 2021 to US\$174.7 million mainly due to: i) a decrease in provisional tax payments resulting from the lower profit factor determined to calculate the estimated taxable income and lower revenue; and ii) lower final income tax paid in 2022, net of provisional taxes paid, corresponding to the 2021 tax fiscal year.

As a result of the above factors, net cash from operating activities decreased 43.9% from US\$895.1 million in 2021 to US\$502.2 million in 2022.

The Group received other sources of cash, including: i) the proceeds of the Silverstream contract of US\$33.4 million; ii) the capital contribution and note payable by minority shareholders in subsidiaries of US\$18.3 million; and iii) proceeds from the layback agreement granting Orla the right to expand the Camino Rojo oxide pit onto Fresnillo's mineral concession of US\$15.0 million (See note 2 to the consolidated financial statements).

Main uses of funds were:

i) the purchase of property, plant and equipment for a total of US\$592.1 million. Capital expenditures for 2022 are described below:

Purchase of property, plant and equipment

2022 US\$ million		
Saucito mine	118.0	Mine development, purchase of in-mine equipment, deepening of the Jarillas shaft and tailings dam.
Fresnillo mine	106.6	Mine development and mining works, purchase of in-mine equipment, deepening of the San Carlos shaft and tailings dam.
Herradura mine	105.3	Stripping, construction of leaching pad, sustaining capex, infrastructure for fuel station, carbon in column project.
San Julián Veins and DOB	64.5	Mining works, tailings dam and purchase of in-mine equipment.
Ciénega mine	47.0	Mining works, purchase of in-mine equipment and construction of tailings dam.
Noche Buena mine	0.4	Sustaining capex.
Juanicipio mine	149.6	Mine development and construction of beneficiation plant.
Other	0.7	Minera Bermejál.
Total purchase of property, plant and equipment	592.1	

- ii) Dividends paid to shareholders of the Group in 2022 totalled US\$202.0 million, a 17.8% decrease over 2021, in line with our dividend policy which includes a consideration of profits generated in the year. The 2022 payment included the 2021 final dividend of 24.0 cents per share paid in May 2022, totalling US\$176.9 million, and the 2022 interim dividend paid in September of US\$25.1 million.
- iii) Financial expenses and foreign exchange effects of US\$36.5 million, an increase of 8.5% vs. 2021, mainly as a result of the interests paid in relation to the voluntary amendment to the income tax and mining right's treatment of the stripping costs and the deduction of exploration expenses. In addition, financial expenses in 2022 and 2021 included: i) interest paid on the outstanding US\$317.9 million from the US\$800 million 5.500% Senior Notes due 2023, and ii) interest paid on the 4.250% Senior Notes due 2050.

The sources and uses of funds described above resulted in a decrease in net cash of US\$266.2 million (net decrease in cash and other liquid assets), which combined with the US\$1,235.3 million balance at the beginning of the year resulted in cash and other liquid assets of US\$969.1 million at the end of December 2022.

Balance sheet

Fresnillo plc continued to maintain a solid financial position during the period with cash and other liquid funds¹ of US\$969.1 million as of 31 December 2022, despite decreasing 21.6% versus 31 December 2021. Taking into account the cash and other liquid funds of US\$969.1 million and the US\$1,167.8 million outstanding Senior Notes, Fresnillo plc's net debt was US\$198.7 million as of 31 December 2022. This compares to the net cash position of US\$67.5 million as of 31 December 2021. Considering these variations, the balance sheet at 31 December 2022 remains strong, with a net debt/EBITDA ratio of 0.26x².

Inventories increased 20.4% to US\$587.4 million mainly due to the increase of inventories of gold content to be processed at the dynamic leaching plants at Herradura, the built up of inventory at Juanicipio, and increased inventories of operating materials and spare parts.

Trade and other receivables increased 0.8% to US\$404.5 million as a result of an increase in receivables to Met-Mex and other receivables arising from the layback agreement with Orla; partly offset by a decrease in value added tax receivables.

The change in the value of the Silverstream derivative from US\$529.5 million at the end of 2021 to US\$511.5 million as of 31 December 2022 reflects proceeds of US\$36.8 million corresponding to 2022 (US\$28.5 million in cash and US\$8.3 million in accounts receivables) and the Silverstream effect in the income statement of US\$18.8 million.

The net book value of property, plant and equipment was US\$2,862.6 million at 31 December 2022, representing a 2.3% increase over 31 December 2021. The US\$63.5 million increase was mainly due to capitalised development works, construction of leaching pads and the purchase of in-mine equipment.

The Group's total equity was US\$3,916.9 million as of 31 December 2021, a 3.0% increase over 31 December 2020. This was mainly explained by the increase in retained earnings, reflecting the 2021 profit.

¹ Cash and other liquid funds are disclosed in note 30(c) to the consolidated financial statements.

² Net debt is calculated as debt at 31 December 2022 less Cash and other liquid funds at 31 December 2022 divided by the EBITDA generated in the last 12 months.

Dividends

Based on the Group's 2022 performance, the Directors have recommended a final dividend of 13.3 US cents per Ordinary Share, which will be paid on 26 May 2023 to shareholders on the register on 28 April 2023. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. This is in addition to the interim dividend of 3.4 US cents per share amounting to US\$25.1 million. This final dividend is lower than the previous year due to the decrease in profits in 2022, and remains in line with the Group's dividend policy.

As previously disclosed in previous reports, the corporate income tax reform introduced in Mexico in 2014 created a withholding tax obligation of 10% relating to the payment of dividends, including to foreign nationals. However, foreign shareholders may be able to recover such tax depending on their tax residence and the existence of double taxation agreements.

MANAGING OUR RISKS AND OPPORTUNITIES

- We operate in a complex global environment, where opportunities come with corresponding risks. Taking and managing risk responsibly is essential to running our business safely, effectively and in a way that creates value for all our stakeholders. Risk management is one of our management team's core responsibilities and is central to our decision-making process.***
- The global post-pandemic aftershock, geopolitical instability, digital transformation and climate change have catapulted risk management to centre stage. Many of us have learned new and vital lessons about effective risk management over the last year, so that preparing for disruption is one of our highest priorities.***

OUR APPROACH

Effective risk management enables us to manage both the threats and the opportunities associated with our strategy and operations. Our risk management process helps us to manage material risks that have the potential to impact our business objectives. While risk management is a key accountability and performance criterion for our leaders, all employees have responsibility for identifying and managing risks. Our risk management framework reflects the importance of risk awareness across Fresnillo plc. It enables us to identify, assess, prioritise and manage risks to deliver the value creation objectives defined in our business model.

Timely risk monitoring is at the core of our management practices, helping to deliver on our strategy and our commitments to stakeholders, including colleagues, communities, and the planet. We are focused on conducting our business responsibly, safely, and legally, while making risk-informed decisions when responding to opportunities or threats that present themselves. With the leadership of the Board and the Executive Committee and guided by our risk appetite on a risk-by-risk basis, we understand, prioritise, and manage our risks. Our risk management framework, which we further enhanced during the year, enables us to undertake this exercise with structure and rigour.

Our Board oversees our principal risks and associated management responses, while the Audit Committee monitors the effectiveness of risk management and internal controls. Our risk management system comprises six core elements – one of which is our risk management framework, which sets out clear roles and responsibilities, standards and procedures. We also have three lines of defence to verify that risks are being effectively managed in line with our policy, standards and procedures, including across core business processes such as finance, health and safety, social performance, environment and major hazards.

The post-pandemic impact of COVID-19 and the Russia-Ukraine war pose unprecedented challenges for everybody, worldwide. We have implemented risk techniques and processes to identify new risks associated with these events, while also analysing their impact on all our risks. The changes to working practices that we have introduced in response to COVID-19 have created opportunities to accelerate digital transformation and enhance safety and productivity.

RISK MANAGEMENT SYSTEM

Our risk management system is based on risk identification, assessment, prioritisation, mitigation and monitoring processes, which are continually evaluated, improved and enhanced in line with best practice.

A complete view of our risk universe starts with the analysis of our business, the external environment in which we operate, the regulatory landscape and our internal operations. This includes the impacts on and of our strategy, initiatives, governance, and processes. In addition to our established risk management activities, our executives - including operations and project managers, the controllership group, Health, Safety, Security, Environment and Community Relations (HSECR) team and exploration managers - regularly engage in strengthening the effectiveness of our current controls. These actions support the executives and the Board in each of their responsibilities.

The Company's risk profile has been developed based on the most significant risks in our business profiles. All of our principal risks were reviewed at least twice during the year, including through Key Risk Indicators (KRIs), which were developed to help embed the risk appetite framework in the business and enhance the monitoring and mitigation of risks.

The global COVID-19 pandemic, geopolitical instability and climate change posed new challenges for the risk department and the Executive Committee. Due to the uncertainty around these topics, all strategic decisions by the Company were analysed using risk scenarios modelling their potential impacts. In addition, we continue to use five key processes to better manage our risks: (i) a monthly procedure for evaluating and mitigating principal risks; (ii) a process to identify and analyse the impact of the pandemic and geopolitical instability in all the Company's risks, including projects, with a main focus on the health and safety of employees and identification of new risks; (iii) dashboards for each business unit to monitor mitigation actions and risk level; (iv) impact and probability scenarios which were conducted for risks related to the supply chain of critical inputs for operations, cost increases and projects, and (v) collaboration with government, the mining sector, health experts and communities to ensure that we followed best practice.

It is important to recognise that the Board, the Audit Committee, the HSECRC Committee and the Executive Committee periodically use working sessions to review the evolution of principal and emerging risks, as well as the appetite for each risk. At these working sessions, the views and suggestions of Board members are heard, and adjustments are made according to the factors influencing each risk. In addition, the HSECRC Committee now meets before every Board meeting to review the effectiveness of our risk management and internal control systems, with particular attention paid to safety, climate, tailings dams and environmental risks.

To better assess and control our risks, as well as to analyse the relationship between them, Fresnillo plc has seven risk categories, which have the following risk rating:

Principal Risks	Emerging Risks	Operational Risks	Cybersecurity Risks	ESG Risks	Legal & Compliance Risks	Finance Risks
Potential actions by the government (political, legal and regulatory)	Geopolitical instability	High potential incident and critical risk (e.g. rock fall, lack of ventilation, electrocution, etc.)	Data corruption	Environmental Risks (e.g. Forest fires, heat waves, floods, etc.)	Employee behaviour and ethics	Market Risk (foreign currency, commodity price, interest rate, inflation rate and equity price risks)
Security	Water stress and drought	Business continuity risks	Unauthorised access	Sustainability Risks (e.g. Future risk from carbon pricing-scenario analysis)	Fraud	Credit risk
Global macroeconomic developments (energy and supply chain disruptions, inflation, productivity and cost)	Future of the workforce	Increased operating costs and critical input supply shortages	Breach and theft of information	Corporate Governance Risks (e.g. ESG scores)	Environmental legal requirements	Liquidity risk
Impact of metal prices (commodity prices and exchange rates)	Technological disruption	Productivity and target achievement	Business interruption	TCFD Provisions (physical and transitional risks)	Occupational health and safety requirements	
Human Resources (attract and retain requisite skilled people)	Pandemics and infectious diseases	Ability to access and replace mineral reserves (mine development)	Lack of ownership of cybersecurity		Corruption and illegal practices	
Cybersecurity	Increasing societal and investor expectations	Tailings storage	Non-compliance with regulations		Other licences and authorisations	
Projects (performance risk)	Replacement on depletion of ore reserves	Follow-up to the most relevant findings determined by Internal Auditing (red flags)	Health and safety incidents			
Access to Land	Transition to a low-carbon future		Stoppage or loss of operations			
License to Operate (community relations)						
Safety (incidents due to unsafe acts or conditions could lead to injuries or fatalities)						
Union Relations (labour relations)						
Exploration (new ore resources)						
Tailings dams (overflow or collapse of tailings deposits)						
Environmental Incidents (cyanide spills and chemical contamination)						
Climate change						

Risk Rating
 Very high
 High
 Medium
 Low
 Very low

RISK GOVERNANCE BASIS



Three lines of defence	Responsibilities	Accountability to
1 st . - Unit leaders including mine, exploration and project personnel, as well as leaders of corporate and support areas.	Identifying, managing, verifying and monitoring risks and controls.	Management
2 nd . - Corporate level oversight functions involve the risk management team, the HSECR team, the project oversight function and the Executive Committee.	Overseeing risks and the effectiveness of controls, advising on capability and ensuring compliance with our policies, standards and procedures.	Management and Baluarte Minero*
3 rd . - Group Internal Audit.	Providing independent verification that risks are being managed and internal controls are being operated effectively	Board and Committees

*(A virtual structure that coordinates and provides technical and administrative services to the mining, metallurgical and chemical businesses of Peñoles)



- ***Understanding and mitigating our risks is critical to our future success. We are therefore committed to an effective, robust system of risk identification, and an effective response to such risks, in order to support the achievement of our objectives.***

EMERGING RISKS

The 2018 UK Corporate Governance Code covers emerging risks and requires the Board to carry out a robust assessment of the Company's emerging risks, disclose procedures to identify them and also explain how these are being managed.

This requirement has been adopted and embedded within our risk management reporting process and, in parallel with the day-to-day management of risk, within each business unit and project. The risk control and assessment processes in mines, exploration offices and projects have been adapted to pay attention to emerging risks. At each location, Health, Safety, Security, Environment and Community Relations risk-responsible staff monitor local information and analyses related to these emerging risks. This monitoring process involves building scenarios for three, five and ten years for each emerging risk and quarterly performance indicators that assess probability and impact.

Fresnillo plc defines an emerging risk as a new manifestation of risk that cannot yet be fully assessed, a risk that is known to some degree but is not likely to materialise or have an impact for several years or a risk that the company is not aware of but that could, due to emerging macro trends in the mid or long-term future, have significant implications for the achievement of our strategic plan. Furthermore, we consider emerging risks in the context of longer-term impact and shorter-term risk velocity. We have therefore defined emerging risks as those risks captured on a risk register that: (i) are likely to be of significant scale beyond a five-year timeframe; or (ii) have the velocity to significantly increase in severity within the five-year period.

As the pandemic is now becoming more endemic with varying pathways to recovery across different countries, the longer-term impact of how we adapt to this new normal is still uncertain. This includes the productivity of a hybrid workforce environment, the impacts of tighter labour markets, and supply chain disruptions. The recent disruptions caused by the post-pandemic demand surge and the inability of supply chains to keep up, have highlighted the complexity and vulnerability of the global supply chain infrastructure.

Supply chain disruptions can also be caused by a number of principal risk events – as described in our principal risks and uncertainties section – such as natural disasters and geopolitical tensions. Inflationary pressures may also affect the competitiveness of suppliers, leading to supplier market contraction further impacting supply chain resilience. Severe supply chain disruptions have the potential to impact not only inbound and outbound flows of our feedstock, services and products, but also the delivery of our sustaining and growth projects.

In the longer term, as the world transitions to a low-carbon future and consumer demand for sustainable goods flows through the value chain, the supply-demand dynamics of commodities are expected to shift. This will lead to increasing demand for sources and solutions with low CO2 emissions, and a lower social and environmental footprint, in addition to a growing demand for transparent, sustainable and circular value chains.

To strengthen our emerging risks management framework, during 2022 we carried out activities to: (i) identify new emerging risks in light of COVID-19, geopolitical instability and climate change; (ii) re-assess the emerging risks identified in 2021; (iii) deploy effective monitoring mechanisms; (iv) carry out horizon scanning to consider disruptive scenarios, and; (v) implement mitigating control actions and enhance our risk awareness culture. This process involved workshops, surveys and meetings with the Board, Executive Committee, business unit leaders, support and corporate areas, as well as suppliers, contractors and customers. We also consulted third-party information from global risk reports, academic publications, risk consulting experts and industry benchmarks.

Our risk management standards promote communication of up-to-date information on the Company and industry risks, trends and emerging risks. This year's emerging risk assessment determined the two most exposed emerging risks to be: "Water stress and drought" and "Transition to a low-carbon future" and identified three new emerging risks: "Geopolitical instability", "Replacement on depletion of ore reserves" and "Future of the workforce".

Relevant emerging risks are discussed below:

Emerging Risk		Description	Impact	Mitigations Actions	Time Scale
1	Geopolitical instability <i>(Linked to Global macroeconomic development Principal Risk)</i>	Current global geopolitical tensions, such as the war between Russia and Ukraine, the problems between Taiwan and China, as well as U.S. and Chinese tariff matters, may affect our operations and projects.	Disruptions in the supply chain of critical operating inputs such as cyanide, ammonia, spare parts, equipment parts, etc. and rising prices of key inputs such as steel, diesel, cement, etc.	Inventory control in the mining units to plan purchases in a timely manner and maintain sufficient stock to guarantee operations. Strict control of operating costs to avoid increases.	< 1 Years
2	Water stress and drought <i>(Linked to Climate Change Principal Risk)</i>	Lack of sufficient water resources to meet the water consumption demand in a region and strong heatwaves in desert regions.	Water is critical to mining processes. Without this natural resource, we cannot extract gold and silver.	Strict control and monitoring of water concessions are maintained and actions are envisaged to ensure water for the following years.	> 5 Years
3	Transition to a low-carbon future <i>(Linked to Climate Change Principal Risk)</i>	The transition to a low-carbon future is a "transition risk" according to the TCFD and presents challenges and opportunities for our portfolio in the short and long term. It is considered within the climate change principal risk mitigation strategy. However, we consider this risk to be an emerging risk due to the speed of potential new climate change regulations and the obstacles that government may place in the way of supporting investment in clean energy.	Key areas of uncertainty include future climate change regulation and policies, the development of low-carbon technology solutions and the pace of transition across our value chains, in particular the decarbonisation pathways across the steel sector.	We have introduced new sources of information to help us identify the impacts of climate change. These include industry reports and guides, energy scenarios, and Global Circulation Models (GCM) under several Representative Concentration Pathways (RCP). We have used a well-below two-degree decarbonisation pathway to evaluate the flexibility of the energy strategy.	> 5 Years
4	Technological disruption <i>(Linked to Cybersecurity Principal Risk)</i>	Failure to identify, invest in, or adopt technological and operational productivity innovations that significantly replace or optimise a process through new systems with recognisably superior attributes.	Obsolete or outdated mining processes impact productivity and efficiency levels and impact sales and profits.	Technological advances in the mining industry are constantly monitored (particularly in mine operations) in order to adopt the most appropriate best practices and new technology.	> 5 Years
5	Pandemics and infectious diseases	The regional or global spread of a new disease (bacteria or virus) against which most people do not have immunity.	Another virus such as SARS-CoV-2 coronavirus (COVID-19) may affect the health of employees and stop the Company's activities.	Mine and project personnel are continuously monitored by the medical team and receive medical examinations to ensure that there are no outbreaks of contagion.	< 1 Years

6	Increasing societal and investor expectations	We continued to see increasing expectations and focus on social equality, fairness and sustainability. Financial institutions are also placing greater emphasis on environmental, social and governance (ESG) considerations when making investment decisions.	The increasing focus on ESG has the potential to shape the future of the mining industry, supply cost structures, demand for global commodities and capital markets. While this presents us with opportunities for portfolio and product differentiation, it has the potential to impact how we operate.	We always respond to investor and societal requests and comments and promote action plans to meet their expectations. A number of initiatives demonstrate our progress. We were also placed first in the Corporate Integrity Ranking in Mexico.	< 3 Years
7	Replacement on depletion of ore reserves <i>(Linked to Exploration Principal Risk)</i>	The inability to replace depletion of ore reserves in key business units through exploration, projects or acquisitions.	By not replacing ore reserves with new discoveries, the company's production capacity and eventually its operation would be diminished.	There are very interesting exploration projects such as Orisyvo, Rodeo, Guanajuato that could replace the mineral reserves that are currently being exploited. There are also several exploration camps that explore new territories every day in search of minerals in Mexico, Peru and Chile.	> 5 Years
8	Future of the workforce <i>(Linked to Human Resources Principal Risk)</i>	Create a culture of talent under an inclusive, empowered and confident culture and career path to generate a future-ready workforce.	A lack of talent in some areas of the mines and projects such as planning, maintenance, safety, etc. is expected. There is a need to develop personnel to fill these positions in the future. Otherwise, we will not have people prepared to operate the mines.	The Human Resources department has a highly specialised training programme in the strategic areas of the operation. It also has a training programme for developing personnel focused on filling vacant positions.	< 3 Years

- ***From risk management to strategic resilience.***

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties outlined in this section reflect the risks that could materially affect (negatively or positively) our performance, future prospects or reputation.

As part of our bottom-up process, each business unit head determined the level of perceived risk for their individual unit's risk universe, and each risk owner assessed its impact and likelihood. Executive management then reviewed and challenged each level of perceived risk and compared it to the risk universe of Fresnillo plc (130) as a whole. The results of this exercise were used as an additional input to define and assess the Company's principal risks. We conducted the same risk analysis on our advanced projects, detailing the specific risks faced by each project based on its unique characteristics and conditions.

We maintain a risk register through a robust assessment of the potential principal risks that could affect the Company's performance. This register is used to ensure that principal risks are identified in a thorough and systematic way and that agreed definitions of risk are used.

We are aware that not all risks can be completely eliminated and that exposure to some risks is necessary in the pursuit of our corporate objectives. Mining is, by its nature, a long-term business and as part of the principal risks update and evaluation process we identify new or emerging risks which could impact the Company's sustainability in the long run, even if there is limited information available at the time of the evaluation.

Due to the effects caused by the global post-pandemic impacts of COVID-19, the Russia-Ukraine war, climate change, the effects of global inflation and the security and environmental situations near our operations, it was necessary to reassess the principal risks and reorder their materiality, likelihood and impact, as well as reassess related mitigation actions. During the first half of 2022, the risk team focused its efforts on identifying and assessing emerging risks, business continuity risks, safety risks and climate change risks against TCFD criteria. In the second half, we conducted assessments of fraud, compliance, human resources, security and internal control risks, and Board members also took part in a working session to review principal and emerging risks as well as risk appetite.

Overview of the 2022 risk assessment exercise:

Analysis	Survey Risk identified and assessed	Trend comparison and review	Added value
60 business workshops (Director and manager level)	360 colleagues in operations, exploration, projects, corporate and support areas of Peñoles, including Internal Audit.	15 International institutions specialising in risks were consulted.	300 colleagues were trained in basic risk topics.
40 interviews with risk owners (managers and leaders at units)		20 risks scenarios were built by mining industry risk specialists.	250 colleagues were trained in advanced risk topics.

<p>25 workshops delivered to the SSMARC team.</p> <p>20 critical processes mapped and reviewed for impact and likelihood.</p> <p>8 risk analysis methodologies used: ISO-31000, ISO-22301, Markov, Bow-Tie, FMEA Model, Monte Carlo, RACI Matrix, Cause and consequence analysis.</p>		<p>25 gold and silver mines (15 in Mexico and 10 elsewhere in the world) were consulted regarding their risks.</p> <p>8 consulting firms' risk reports (including Marsh, Zurich, EY, PWC, KPMG and Deloitte) were reviewed.</p> <p>6 risk experts were interviewed.</p>	<p>100 colleagues were trained in climate change risks and TCFD framework.</p> <p>4 specific topics were included in the risk analysis: geopolitical instability, fraud and compliance, climate change and TCFD risks.</p> <p>3 new topics were included in the risk analysis: security, water scarcity and management, physical resilience to natural disasters and extreme weather.</p>
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As a result of the annual risk assessment for the year 2022, the following main results were determined:

- Due to the importance of these risks to the Company, and in order to better analyse and have more detail on the speed of the risks in terms of probability, it is necessary to separate two principal risks: **"Impact of metal prices and global macroeconomic developments"** and **"Tailings and environmental incidents"**.
- In relation to the risk **"Global macroeconomic developments"**, this is mainly due to the increased risk of continued global and Mexican inflation in 2023, possible economic recessions, disruption of supply of critical inputs (steel, diesel, cyanide, cement, spare parts, equipment, etc.) and increased operating costs. It is essential to analyse this risk in detail.
- With regard to **"Tailings dams"**, this is the result of the hard work carried out by Baluarte Minero and Fresnillo plc's operations to increase safety and comply with the highest international TSF standards. In order to comply with these standards, it is necessary to periodically assess the risks of TSFs.
- The risk of **"Potential actions by the government"**, is assessed as the main risk for the Company, exacerbated by recent decisions of the current government, such as: (a) the restriction on the granting of new mining concessions; (b) the increase in audits and tax requirements; (c) the labour reform that prohibits outsourcing, leading to complications in relationships with contractors; (d) delays and complications in obtaining permits, licences and authorisations; (e) the implementation of policies that support the emission of carbon into the atmosphere and reduce the development of renewable energies; (f) energy law reform that would reduce electricity supply options for end-users and allocate valuable resources to maintain obsolete and costly generation technologies, with significant environmental and social impacts; and (g) the United States-Mexico-Canada Agreement (USMCA or TMEC) with its new labour provisions.

- The **"Security"** risk, arising from the accelerated increase in organised crime in the vicinity of the mining units, particularly in Fresnillo, Saucito, Juanicipio and Penmont (with the highest perception of insecurity in the country); the increase in high-impact crimes (homicide, kidnapping and extortion) in the regions where we operate, especially in Zacatecas, Guanajuato and Sonora; and the sale and consumption of drugs inside the mines. Threats of theft of dore, minerals, concentrates and assets from mines and projects have also increased.
- The **"Human Resources"** risk has increased severely, due to the resignation of talent in key positions at the mines and the lack of candidates to fill important positions within the operating process.
- The **"Cybersecurity"** risk has increased mainly due to the increase in remote home office activities, and a sophisticated adversary able to exploit stolen credentials and identities to amplify ransomware and "big game hunting" attacks.
- During the months of September and October, the **"Fraud"** risk assessment was carried out, identifying risks and areas of opportunity in the following processes: 1. Payroll (employees and unionised), 2. Award of contracts for supplies and services, 3. Administration of contracts for supplies and services, 4. Theft of finished products during transportation, 5. Theft of unit assets (wiring, spare parts, consumables, etc.) and 6. Attack on the technological repositories of critical company information. In all cases, internal controls and timely follow-up and prevention actions have been increased. Early detection actions were also reinforced. The internal audit area considered these results in its annual programme 2023.
- During 2022 we worked together with the ESG Department to analyse and assess the **"Climate Change"** risk, and the critical risks and opportunities that make up the "Task Force on Climate-related Financial Disclosures" (TCFD), assessing the potential impacts and creating risk materialisation scenarios, which are related to the financial viability statement. Regarding physical risks we consider: *"Changes in frequency and magnitude of extreme events such as rainfall, droughts and heatwaves affecting our operations and neighbouring communities"* and *"Increase in average temperatures, reduction in annual precipitation and associated water stress"*. Regarding transitional risks we consider: *"Emerging regulations such as local or transborder carbon taxes, cap and trade systems or increasing requirements from current emissions regulations"*, *"Changes in the regulatory framework of renewables"* and *"Increase in energy prices"*.
- This year, Fresnillo plc's **"individual risks"** increased from 120 to 130 risks, as a result of the analysis of water scarcity and management, fraud, climate change and cybersecurity risks.

RISK APPETITE

We define risk appetite as *'the nature and extent of risk Fresnillo plc is willing to accept in relation to the pursuit of its objectives'*. We look at risk appetite from the context of severity of the consequences should the risk materialise, any relevant internal or external factors influencing the risk, and the status of management actions to mitigate or control the risk. A scale is used to help determine the limit of appetite for each risk, recognising that risk appetite will change over time. If a risk exceeds appetite, it will threaten the achievement of objectives and may require a change to strategy.

Risks that are approaching the limit of the Group's risk appetite may require management actions to be accelerated or enhanced to ensure the risks remain within appetite levels. For catastrophic and operational risks, our risk appetite for exceptions or deficiencies in the status of our controls that

have safety implications is very low. Our internal audit programme evaluates these controls with technical experts at operations and the results of that audit work will determine the risk appetite evaluation, along with the management response to any issues identified.

OUR RISK MATRIX

Current assessment of principal risks / As of February 2023

A consistent assessment of the probability and impact of risk occurrence is fundamental to establishing, prioritising and managing the risk profile of the Company. In common with many organisations and reflecting good practice, Fresnillo plc uses a probability and impact matrix for this purpose.

Our principal risks, in the table below, note the interconnectivity of our Strategic, Economic, and Operational risks within an Environmental, Social and Governance (ESG) framework.

Relative position		Risk	Risk appetite	Risk Level		Risk Velocity	Focus	
2022	2021			2022	v. 2021			
1	1	Potential actions by the government (political, legal and regulatory)	Low	Very high	Stable	Medium	Strategic, Economic, ESG	(V)
2	2	Security	Low	Very high	Increasing	High	Operational, ESG	(V)
3	3	Global macroeconomic developments (energy and supply chain disruptions, inflation, productivity and cost)	Low	High	Increasing	High	Economic, Operational	
4	3	Impact of metals prices (commodity prices and exchange rates)	High	High	Increasing	High	Economic	(V)
5	6	Human Resources (attract and retain requisite skilled people/talent crisis)	Medium	High	Increasing	Medium	Strategic, Operational	
6	9	Cybersecurity	Low	High	Increasing	High	Strategic, Operational	
7	7	Projects (performance risk)	Medium	High	Stable	Medium	Economic, Operational	
8	4	Access to Land	Medium	Medium	Decreasing	Medium	Strategic, Operational	(V)
9	5	Licence to Operate (community relations)	Low	Medium	Decreasing	Medium	Operational, ESG	
10	10	Safety (incidents due to unsafe acts or conditions could lead to injuries or fatalities)	Low	Medium	Stable	High	Operational, ESG	(V)
11	8	Union Relations (labour relations)	Low	Medium	Decreasing	Medium	Operational, ESG	
12	13	Exploration (new ore resources)	High	Medium	Increasing	Low	Operational, Strategic	
13	11	Tailings dams (overflow or collapse of tailings deposits)	Low	Medium	Decreasing	High	Operational, ESG	(V)
14	11	Environmental Incidents (cyanide spills and chemical contamination)	Low	Medium	Decreasing	High	Operational, ESG	(V)
15	12	Climate change	Medium	Medium	Stable	Low	Operational, Strategic, ESG	(V)

Risk Velocity:

High: Impact within 6 months of risk occurring

Medium: Impact between 6 and 12 months of risk occurring

Low: Impact after more than 12 months of risk occurring

Strategic – risks arising from uncertainties that may impact our ability to achieve our strategic objectives.

Economic – risks that directly impact financial performance and realisation of future economic benefits.

Operational – risks arising from our business that have the potential to impact people, environment, community and operational performance including our supply chain.

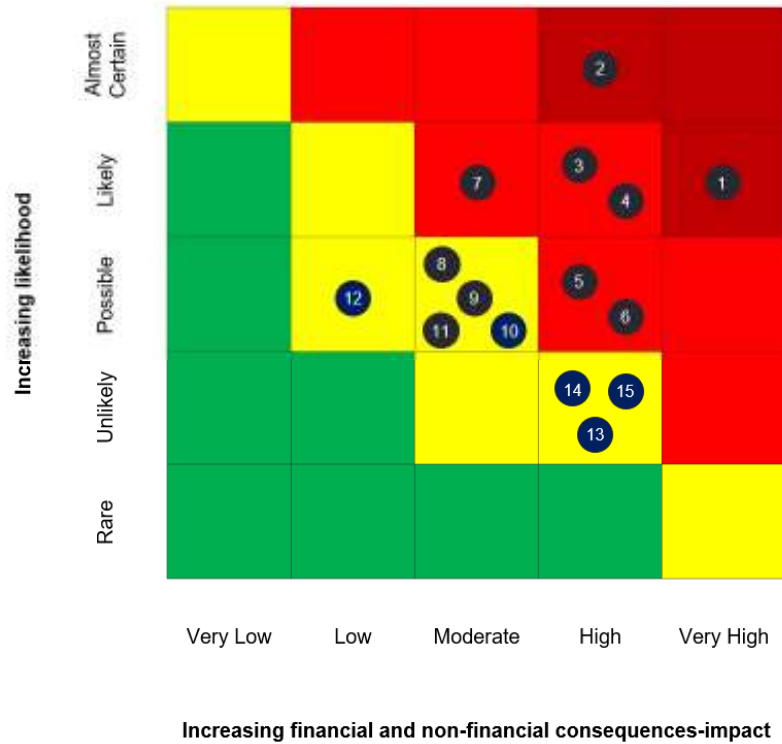
Environment – risks arising from our business that have the potential to impact air, land, water, ecosystems and human health.

(V) Risks that were considered for the viability assessment

Social – risks arising from our business that have the potential to impact on society, including health and safety.
Governance – risks arising from our workplace culture, business conduct and governance.
ESG – Environmental + Social + Governance.

OUR RISK HEAT MAP

2022



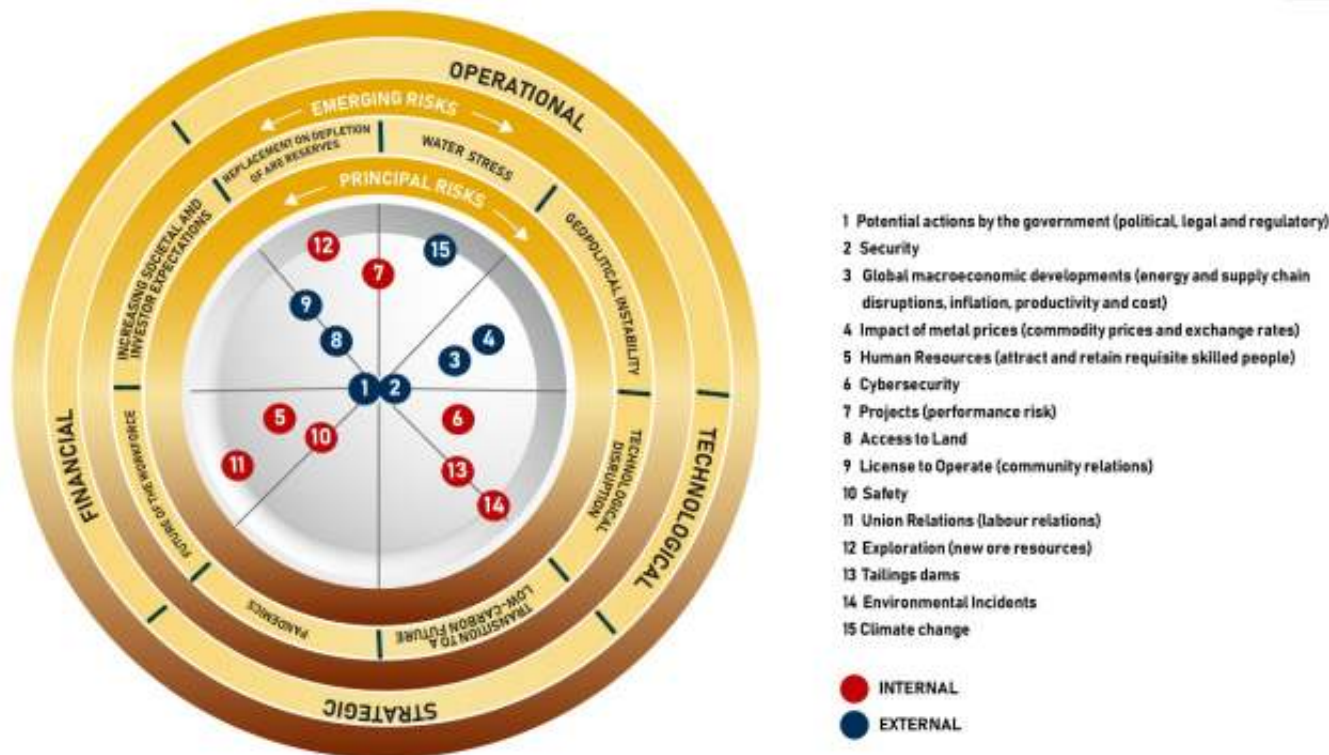
	Principal Risk	Change in risk level vs. 2021
1	Potential actions by the government (<i>political, legal and regulatory</i>)	=
2	Security	↑
3	Global macroeconomic developments (<i>energy and supply chain disruptions, inflation, productivity and cost</i>)	↑
4	Impact of metals prices (<i>commodity prices and exchange rates</i>)	↑
5	Human Resources (<i>attract and retain requisite skilled people/talent crisis</i>)	↑
6	Cybersecurity	↑
7	Projects (<i>performance risk</i>)	=
8	Access to Land	↓
9	Licence to Operate (<i>community relations</i>)	↓
10	Safety (<i>incidents due to unsafe acts or conditions could lead to injuries or fatalities</i>)	=
11	Union Relations (<i>labour relations</i>)	↓
12	Exploration (<i>new ore resources</i>)	↑
13	Tailings dams (<i>overflow or collapse of tailings deposits</i>)	↓
14	Environmental Incidents (<i>cyanide spills and chemical contamination</i>)	↓
15	Climate change	=

OUR PRINCIPAL RISKS AND INTERDEPENDENCIES

We continue to consider risks both individually and collectively in order to fully understand our risk landscape. By analysing the correlation between Principal and Emerging Risks, we can identify those that have the potential to cause, impact, or increase another risk and ensure that these are weighted appropriately.

In performing this exercise, we have considered the current geopolitical landscape and the post-pandemic effect of COVID-19, which could lead to a long-term global recession, as well as other operational constraints that could impact several of our principal risks.

Our analysis highlights the strong relationships between climate change risks and the water stress, between cybersecurity risk and technological disruption, and between exploration risk and replacement on depletion of ore reserves.



1

POTENTIAL ACTIONS BY THE GOVERNMENT (*political, legal and regulatory*)

RISK DESCRIPTION
<p>Regulatory measures or policies issued by the government, at all three levels: Federal, State and Municipal, may have an adverse impact on the operation of the Company. This could include: new stricter environmental regulations or guidelines, environmental taxes, new forms of labour and union contracting, longer and more complicated permitting and licensing processes, more complex and time-consuming arrangements for accessing explosives, more complex or onerous tax compliance obligations for us and our contractors, as well as more frequent reviews by tax, environmental and social security authorities.</p> <p>The current federal government has expressed a negative sentiment towards the mining industry and particularly open-pit mining, which is why it has decided not to grant any more mining concessions during the current government term that ends in 2024, and is likely to review in detail the status of the concessions that have already been granted, seeking to remove those that are not being exploited or worked. On the other hand, it promotes the right of indigenous and Afro-Mexican communities to be consulted prior to the granting of mining concessions, which could potentially affect the granting of new concessions in Mexico.</p> <p>In May 2022, a reform to the Mining Law was approved to reserve the exploration, exploitation, benefit and use of lithium to the State. The aim is for this mineral to be used for the benefit of national development; although gold and silver are not mentioned specifically, other minerals declared as "strategic by the state" are mentioned, and at some point, precious metals could be considered under this heading. This would directly and seriously affect the concessions currently exploited by the Company.</p> <p>Another risk for 2023 is the possible presentation of a comprehensive reform initiative to the Mining Law via the Senate, in which sensitive matters affecting the mining sector will be discussed, such as transparency of information, consultation with indigenous peoples and communities, modification of the concession regime in terms of its validity and grounds for cancellation, among others.</p> <p>The federal government, by investing in a new petrochemical refinery in "Dos Bocas", Tabasco, and buying an oil refinery in "Deer Park", Texas, indicates that its energy policy promotes fuel oil and coal, which discourages the generation of energy based on clean sources. This complicates attention to and compliance with international climate change goals and standards.</p> <p>We paid special attention to the following aspects:</p> <ul style="list-style-type: none">- Government actions that negatively impact the mining industry.- Regulatory changes to mining rights and adverse tax changes.- Changes in tax regulations.- Increased frequency of reviews by tax authorities with special attention to the mining industry.- Inability to obtain necessary water concessions due to government control or private interests.- Failures/delays in obtaining necessary environmental permits.- Disputes arising from the US-Mexico-Canada Trade Agreement (USMCA or TMEC).

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none">• Change of head of the Mexican Economy Minister, who is the federal government's authority on mining matters. Tatiana Clouthier left the post and was succeeded by Raquel Buenrostro . This change is perceived as negative for the mining industry, as Buenrostro has expressed her dissatisfaction with mining companies for not paying taxes and polluting.• The federal government reported that it would review the granting of concessions to mining companies and that no more concessions would be granted during this six-year term (which ends in 2024). It is therefore possible that it will withdraw unexploited gold and silver concessions.• Labour reform that prohibits subcontracting, which mainly generates complications in relationships with contractors.• New taxes and discrepancies in the criteria used in audits carried out by the tax authority.• Increased frequency of audits by tax authorities with a special focus on the mining industry.• The federal government promotes investment in coal instead of renewable or clean energy. This has made it more difficult to operate with clean energy.• The federal government's implementation of policies that support the use of coal will result in more greenhouse gases being released into the atmosphere and reduce the development of renewable energy.• The United States and Canada requested dispute settlement consultations with Mexico under the North American Free Trade Agreement (T-MEC or USMCA) over Mexico's energy policies that they consider discriminatory and say harm international companies and cross-border supplies.

- Since 2020, the so-called Mining Fund, whose main objective was to distribute resources to communities neighbouring the mines, according to the royalties paid by companies under the Federal Law of Rights, has been closed. Since then, although companies continue to pay these royalties, they do not necessarily translate into investments for the communities neighbouring the mines.
- In addition, the perception of corruption in Mexico remains high. The country's score in Transparency International's Corruption Perceptions Index 2022 remained relatively unchanged, despite a higher ranking. As a result, delays in obtaining permits for certain operations and/or projects remain a risk.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

1. Engagement and constant communication with all levels of government.
2. Increased monitoring of the processes being implemented at the Ministry of Labour and Economy.
3. We remain alert to the changes proposed by the authorities, including fiscal initiatives on energy and mining, so that we are able to respond in a timely and relevant manner. Daily monitoring, follow-up and attention to issues before the Congress of the Union that may affect the mining industry.
4. In relation to the new labour law prohibiting subcontracting, changes have been implemented in the relationships with contractors and personnel structures have been adapted to comply with the law.
5. We continue to collaborate with other members of the mining community through the Mexican Chamber of Mines to lobby against any new harmful taxes, royalties or regulations. We also support industry lobbying efforts to improve the general public's understanding of the mining industry.
6. We continue to comply with all applicable environmental regulations and are fully committed to sustainable activity.
7. We are committed to maintaining dialogue with the community throughout the life of a mining project, from initial exploration to eventual closure, with the objective of building long-term relationships and value, while ensuring operational continuity.
8. We seek to maintain full compliance with tax authority requirements and we continue to cooperate with any ongoing tax inspections.
9. We maintain a register and control of vaccinated staff and encourage all staff to be vaccinated as soon as possible.
10. Follow-up and timely compliance with all suggestions from the health authorities.

KEY RISK INDICATORS

- Number of media mentions related to mining regulations. These could include the mention of tax, royalties, the banning of mining activities in protected areas and legal precedents. The indicator also provides details about the media itself, such as the speaker profile and political alignment.
- Monitoring and control of the activities and initiatives carried out by the Ministry of Economy and the Presidency of the Republic.

LINK TO STRATEGY	RISK APPETITE
1 – 2 – 3 – 4	Low

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Stable	2022: Very high (1) 2021: Very high (1)

2 SECURITY

RISK DESCRIPTION
<p>We face the risk of theft of gold doré and silver concentrates as well as of items including equipment, tools and materials. These thefts can take place inside the mines or during transportation.</p> <p>Our employees, contractors and suppliers face the risk of theft, kidnapping, extortion or damage due to insecurity in some of the regions where we operate.</p> <p>The influence and dispute of territories by drug cartels, other criminal elements and general anarchy in some of the regions where we operate, combined with our exploration activities and projects in certain areas of drug deposit, transfer or cultivation, makes working in these areas a risk to us.</p> <p>The Federal Government created the Secretariat of Citizen Security and Protection as part of the comprehensive strategy to reduce insecurity. It also created the National Guard, mostly comprising military personnel, with the aim of combating organised crime and drug cartels. Unfortunately, state or local police in most states are unprepared and ill-equipped to combat organised crime, have low wages and are sometimes infiltrated by criminal elements.</p> <p>According to information from the Secretariat of Security and Citizen Protection, the National Guard and the Attorney General's Office of the Republic, the presence of organised crime and high-impact crimes (homicide, kidnapping and extortion) increased in 2022, in the states where our business units and projects are located, such as Zacatecas, Guanajuato, and Sonora.</p> <p>The main risks we face are:</p> <ul style="list-style-type: none"> - High-impact robberies. - Theft of assets such as minerals, equipment, instruments, inputs, etc. - Consumption and sale of toxic substances in our mining units. - Homicide. - Kidnappings. - Extortions. - Vandalism.

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none"> • A severe increased presence of organised crime in the vicinity of the mining units particularly in Fresnillo, Saucito and Juanicipio. • A severe increase in the number of high impact crimes (homicide, kidnapping, extortion) in the regions where our mining units and projects are located. • Increased consumption and sale of drugs at the mining units, particularly Saucito. • Theft of concentrates and assets in mining units and/or during transfer. • Theft of material, equipment, tools and spare parts from mines and projects. • Roadblocks or blockages on the roads and/or highways near the mining units. • The Mexican state of Zacatecas is notorious for high levels of perceived insecurity and high rates of high-impact crime in 2022. There are records of several vehicle thefts from company employees and organised crime checkpoints on the roads near Fresnillo and Saucito mines. • The Mexican State of Sonora is notorious for being under constant attack from organised crime gangs. Several attacks have taken place recently jeopardising the continuity of mining operations and the physical integrity of workers employed by Herradura and Noche Buena mines.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<ol style="list-style-type: none"> 1. Our property security teams closely monitor the security situation, maintaining clear internal communications and coordinating work in areas of greater insecurity. 2. Management is fully committed to protecting our workforce. 3. We have adopted the following practices to manage our security risks and prevent and address potential incidents: <ol style="list-style-type: none"> a. We maintain close relations with authorities at the federal, state and local levels, including army camps located near most of our operations. b. Regular interactions and meetings with the National Guard.

- c. We continue to implement greater technological and physical security at our operations, such as the use of a remote monitoring process in Herradura, Noche Buena and San Julián. In the Saucito and Fresnillo mines, in addition to the remote monitoring service, we have also built new local operating and command centres for each business unit. At the Juanicipio development project, we have the necessary infrastructure to provide security services during the mine construction process. Juanicipio also benefits from a local command and operation centre, as well as the remote monitoring service.
- d. Increase in logistical controls in order to reduce the potential for theft of mineral concentrate. These controls include the use of real-time tracking technology; surveillance cameras to identify alterations in the transported material; protection and support services on distribution routes; reduction in the number of authorised stops in order to optimise delivery times and minimise exposure of trucks transporting ore concentrates or doré.
- 4. We continue to invest in community programmes, infrastructure improvements and government initiatives to support the development of legal local communities and discourage criminal acts.
- 5. We have increased the number of anti-doping tests conducted at the start of the day in the mining units.
- 6. Frequent inspections are carried out inside the mines to verify that drugs are not consumed and sold.
- 7. Drug consumption prevention campaigns are carried out, focused on employees.

KEY RISK INDICATORS
<ul style="list-style-type: none"> • Total number of security incidents affecting our workforce (thefts, kidnapping, extortion, etc.). • Number of sites affected, and work days lost, by region and type of site. • Number of media mentions related to safety issues affecting the mining industry where we operate.

LINK TO STRATEGY	RISK APPETITE
1 – 2 – 3 – 4	Low

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Increasing	2022: Very high (2) 2021: Very high (2)

3

GLOBAL MACROECONOMIC DEVELOPMENTS (energy and supply chain disruptions, inflation, productivity and cost)

RISK DESCRIPTION
<p>Geopolitical tensions have the potential to impact our key markets, operations and investments.</p> <p>Increased trade tensions may undermine rule-based trading systems and lead to trade actions (increased tariffs, retaliations, and sanctions) potentially impacting our operations or investments.</p> <p>Disruption or restrictions to the supply of any of our key strategic inputs, such as electricity, water, fuel, sulphuric acid or mining equipment, could negatively impact production.</p> <p>As a result of post-pandemic COVID-19 and the Russia-Ukraine war, economies around the world, including Mexico, were negatively affected by lockdowns and disruptions in supply chains. Globally, economies almost came to a complete halt for more than five months during 2020 and some months of 2021. During 2022, we saw significant increases in critical inputs and operating costs and higher inflationary pressures, along with a shortage of critical inputs and equipment. We expect this to continue through 2023.</p> <p>This situation could create an adverse impact on our operations, costs, sales and earnings, and potentially on the economic viability of projects.</p> <p>In macroeconomic terms we have the following results:</p> <ul style="list-style-type: none">- The Mexican peso performed strongly during 2022 and is one of the strongest emerging currencies. On average during 2022 it traded at 20 pesos per US dollar. At the end of the year the dollar exchange rate was 19.5 pesos.- General inflation in Mexico was 7.8% in Mexican peso terms for 2022. Company-specific inflation was 8.4% in dollar terms.- Economic growth for Mexico during 2022 was 4.3%.

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none">• The unnerving combination of war, inflation, energy scarcity, and climate change wasn't what anyone expected as life was just beginning to move forward from the COVID-19 pandemic.• Inflation has become a major concern for the global economy, two years into the pandemic. Price rises are reaching record highs in Europe and the United States and may be countered by monetary policy. In Latin America, central banks have been acting quickly and forcefully since last year, raising interest rates.• The impact of post-pandemic COVID-19 and the Russia-Ukraine war on supply chains has been global, prolonged, and resulted in a series of major shocks to companies' logistical systems.• Disruptions in the value chain of critical inputs for our operations such as spare parts (primarily delivered by land transport from the US and maritime transport from China and Europe).• Disruptions also include reduced availability of maintenance teams/contractors to resolve issues, as well as travel restrictions leading to officials not being able to travel and inspect projects, resulting in delays.• Increased operating costs due to higher prices for critical inputs such as steel, cyanide, copper, diesel, haulage equipment, oxygen and truck tyres.• Analysts surveyed by Banco de Mexico estimate that Mexico's GDP growth will decelerate from 3.0% to 0.9% from 2022 to 2023.• In terms of inflation, we experienced an increase in two of our main energy inputs compared to the previous year, with diesel (US percentage per litre) increasing by 4.3% and kWh (US percentage per kWh) by 5.9%

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<ol style="list-style-type: none">1. In order to maintain our security of supply, contingency plans are in place to address any short-term disruptions to strategic resources. We negotiate early with suppliers of key inputs to ensure continuity. Certain key supplies are purchased from several sources to mitigate potential disruption arising from exposure to a single supplier.2. We execute operational excellence initiatives to counter inflation and improve margins, and also enhance cost competitiveness by improving the quality of the portfolio.3. We maintain a rigorous, risk-based supplier management framework to ensure that we engage solely with reputable product and service providers and keep in place the necessary controls to ensure the traceability of all supplies (including avoiding any conduct related to modern slavery).

4. To achieve cost competitiveness, we endeavour to buy the highest possible proportion of our key inputs, such as fuel and tyres, on as variable a price basis as possible and to link costs to underlying commodity indices where this option exists.
5. We are committed to incorporating sustainable technological and innovative solutions, such as using sea water and renewable power when economically viable, to mitigate exposure to potentially scarce resources.

KEY RISK INDICATORS
<ul style="list-style-type: none"> • Percentage of compliance by suppliers and contractors. • Increase in the price of critical inputs for the operation. • Increased cost of operation.

LINK TO STRATEGY	RISK APPETITE
1 – 2 – 3	Low

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
<p style="text-align: center;">Increasing</p> <p>New Principal Risk. In 2021 this risk was considered alongside the metals prices risk. It has now been deemed to be a separate Principal risk, due to the increase in its importance.</p>	<p>2022: High (3)</p>

4

IMPACT OF METALS PRICES (*commodity prices and exchange rates*)

RISK DESCRIPTION
<p>The volatility in the price of gold and silver is high and unpredictable. There is an inherent risk when investing or planning for the future price of these precious metals.</p> <p>Our results are heavily dependent on commodity prices – principally gold and silver. The prices of these commodities are strongly influenced by a variety of external factors, including world economic growth, inventory balances, industry demand and supply, possible substitution, etc.</p>

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none"> • The risk is further exacerbated when there are macro economic and geopolitical factors that directly affect the price of commodities, both positively and negatively, such as post pandemic COVID-19, the war between Ukraine and Russia, and generalised inflation around the world. • Lately, the attraction of investing not only in gold and silver, but also in other financial instruments such as cryptocurrencies, has increased. This could lead to investors reducing their investment activities in precious metals.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<ol style="list-style-type: none"> 1. We consider exposure to commodity price fluctuations an integral part of our business and our usual policy is to sell our products at prevailing market prices. 2. We monitor the commodity markets closely to determine the effect of price fluctuations on earnings, capital expenditure and cash flows. Very occasionally, when we feel it is appropriate, we use derivative instruments to manage our exposure to commodity price fluctuations. We run our business plans through various commodity price scenarios and develop contingency plans as required. 3. We have hedging policies for exchange rate risk, including those associated with project-related capex and a hedging policy for precious metals. 4. We focus on cost efficiencies and capital discipline to deliver competitive all-in sustaining cost. 5. We work to improve debt profile and reduce annual interest bill. 6. We maintain long-term optionality by ensuring our pipeline of opportunities is continuously replenished. 7. Security, liquidity and return represent the order of priorities for our investment strategy. We maintain a strong and flexible balance sheet, consistently returning capital to shareholders while leaving sufficient funds to progress our short-, medium- and long-term growth plans and maintain the financial flexibility to take advantage of opportunities as they may arise. 8. We have a risk-averse investment strategy, managing our liquidity by maintaining adequate cash reserves and financing facilities through the periodic review of forecast and actual cash flows. We choose to hold surplus cash in demand or term deposits or highly liquid investments. 9. In order to maximize the extension of the average life of our debt profile, on 29 September 2020 Fresnillo plc successfully priced a US\$850 million 30-year bond (Coupon 4.25%) in the international market, coupled with an “Any and All tender offer” for Fresnillo’s 5.50% senior unsecured USD notes due 2023, which was tendered by US\$481.7 M (~60%), significantly reducing the short-term refinancing risks and improving the liquidity and solvency capabilities of the Company.

KEY RISK INDICATORS
<ul style="list-style-type: none"> • Profit sensitivity to percentage change in precious metals prices and the Mexican peso/US dollar exchange rate. • EBITDA sensitivity to percentage change in metal prices and the Mexican peso/US dollar exchange rate.

LINK TO STRATEGY	RISK APPETITE
1 – 2 – 3	High

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Increasing	2022: High (4)

<p>New Principal Risk. In 2021 this risk was considered alongside the global macroeconomic developments risk. It has now been deemed to be a separate Principal risk, due to the increase in its importance.</p>	
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5

HUMAN RESOURCES *(attract and retain requisite skilled people/talent crisis)*

RISK DESCRIPTION
<p>Fresnillo plc's most valuable asset is its workforce.</p> <p>Our ability to achieve our business strategy depends on attracting, developing and retaining a wide range of internal and external skilled and experienced people.</p> <p>Managing talent and maintaining a high-quality labour force in a fast-changing technological and cultural environment is a key priority for us. Any failures in this respect could have a negative impact on the performance of the existing operations and prospects for future growth.</p> <p>The COVID-19 pandemic has several health risks for employees, with our workers in the mines on the frontline in terms of health and safety risks. The way that mining works (especially underground), where there are several workers in one place, increases the possibility of contagion. Due to the complex nature of mining operations and the remote locations in which they are often located, it is difficult to implement health measures and carry medical prevention equipment. At times, we have had no option but to quarantine workers, even when national lockdown regulations did not force us to do so.</p> <p>Our people are critical to meeting our goals. We face multiple risks in the processes of selection, recruitment, training and retention of talented people with technical skills and experience.</p> <p>Obtaining qualified labour in the mining sector has become a major risk, and our industry requires more and more people trained and experienced in mining processes. Unfortunately, there are not enough candidates with the required profiles.</p> <p>Digital and technological innovation has the potential to generate substantial improvements in the productivity, safety and environmental management of the Company. However, to achieve this, in addition to demanding significant investment, different skillsets will be required in the workforce.</p> <p>There is a risk that our workforce will either be unable to transform as needed or will be resistant to change and unwilling to accept the impact of automation or to acquire new technological skills.</p> <p>The lack of reliable contractors with sufficient infrastructure, machinery, performance history and trained people is also a risk that could affect our ability to develop and build mining works.</p> <p>In addition, it is difficult to hire the employees of contractors working for the company.</p> <p>.</p>

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none"> • Business interruption or underperformance may arise from a lack of access to capability. Tight labour markets are leading to heightened competition for diverse talent and critical skills, such as digital, climate and energy. • Changing societal expectations are placing pressure on our corporate and employer brand – who we are and what we stand for. • There was a significant increase in staff turnover during 2022. • Talent retention also became more difficult this year. • At some mines we have a lack of specialised personnel to cover working hours. • In certain regions where we operate there are not enough candidates with the necessary skills to operate the mining equipment. • With the new labour law prohibiting outsourcing, we had to hire staff from contractors, and this caused added complications. • Unfortunately, not everyone follows measures to prevent COVID-19 and that increases the risk of contagion. • Workers in the mining sector have been particularly affected by the pandemic, given the employment architecture of the industry, which can feature remote fly in–fly out or drive in–drive out operations, congested underground working conditions, and workers residing in mine-site compounds or neighbouring communities. These conditions make some COVID-19 preventative measures difficult to implement, which makes mineworkers vulnerable to both acquiring and spreading the virus.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

1. We develop the talents of our employees through training and career development, invest in initiatives to widen the talent pool and are committed to our diversity and inclusion policy. Through these actions we aim to increase employee retention, as well as the number of women, people with disabilities and employees with international experience in the workplace.

2. Our employee performance management system is designed to attract and retain key employees by creating suitable reward and remuneration structures and providing personal development opportunities. We have a talent management system to identify and develop internal candidates for key management positions, as well as identify suitable external candidates where appropriate.

3. We aim for continuous improvement, driven by opportunities for training, development and personal growth; in short, we focus on fair recruitment, fair pay and benefits and gender equality. In the trusted staff structure, 19.87% are women as are 28.81% of new joiners, while 21.40% of the female population were promoted during the year.

4. Recruitment: We have evaluated our recruitment requirements for key positions, and our goal is to meet them through internal training and promotion, as well as by recruitment through:

- Our close relationships with universities that offer earth science programmes. We have programmes dedicated to identifying potential performance-based candidates who can be hired as trainees and/or employees at graduation. During the year, we hosted 16 students from different Earth Science professions at our mining units to support their training, and 104 engineers took part in our training programme.
- CETLAR (Centre for Technical Studies of Peñoles), which trains mechanical and electrical technicians. The 7 graduates of 2022 were hired as full-time employees.

5. Retention: Our goal is to be the employer of choice, and we recognise that to be a profitable and sustainable company, we need to generate value for our employees and their families. We do this by providing a healthy, safe, productive and team-oriented work environment that not only encourages our people to reach their potential, but also supports process improvements.

Management and leadership skills development programmes were conducted during 2022 with 30 superintendents, 129 advisors and 69 facilitators.

In order to keep our staff updated and trained, 88% of employees and 99% of unionised staff have received training this year. In 2022, 232 employees participated in institutional development programmes, which means that 45% of staff with more than two years of service have participated at least once. Of this 45%, 10.4% are women. 702 courses and studies were conducted through external training, benefiting 520 employees. 77.3% of our leaders have participated in institutional development programmes focused on leadership.

6. Performance: The virtual internship programme continued this year in conjunction with Peñoles, with courses in mining, geology, metallurgy and topography. In total there were 698 students (57.02% men and 42.98% women).

We have continued our performance assessment process, reinforcing formal feedback. We promote the certification of key technical skills for operational personnel and have implemented a programme to develop administrative and leadership skills for the required positions. We develop our high-potential intermediate managers through the Leaders with Vision programme.

7. Pandemic: The safety of our workforce is protected with sanitary protocols in each mining unit in accordance with the recommendations of the Sanitary Authority.

A range of security measures has been implemented:

- Use of sanitary measures within mining units,
- Constant health monitoring of employees,
- Temperature control,
- Social distancing,
- Strict hygiene,
- Home office,
- Selective Covid-19 tests.

Support for employees' mental health: 24-hour helpline for all employees, access to psychological help, support for families and available medical advice.

KEY RISK INDICATORS

- Number of positions filled by area of speciality, for vacancies and new positions.
- Employee turnover rate.
- Average hours of training and professional development per employee.
- Number of contractor personnel relative to unionised personnel per business unit.
- Number of rapid, suspicious and PCR test per business unit.
- Evolution of confirmed cases in hospital and at home

LINK TO STRATEGY	RISK APPETITE
1 – 2 – 3 – 4	Medium

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Increasing	2022: High (5) 2021: High (6)

6

CYBERSECURITY

RISK DESCRIPTION
<p>Information is one of our most valuable assets and we work hard to protect it. We fully recognise the importance of the confidentiality, continuity, integrity and security of our data and systems.</p> <p>As a mining company, we can be under threat of cyber attacks from a broad set of groups, from "hacktivists" and hostile regimes to organised criminals. Their objectives range from taking advantage of mining's role in regional and global supply chains, to impacting national economies.</p> <p>Some threat actors also focus on finding unprotected, misconfigured and unpatched systems and exploit them, due to the industry's heavy reliance on technology and automated systems that support operations.</p> <p>The following are the top eight cybersecurity and privacy risks that have been identified through environment monitoring and workshops with business units, operations, and IT. These risks comprise Peñoles/Fresnillo overall cybersecurity and privacy risk profile:</p> <ul style="list-style-type: none">-Corruption of data - Critical data where any unauthorised modification can have adverse impacts.-Unauthorised access - Cybersecurity and privacy incidents due to incorrect access permissions or system abuse, exploitation or misuse.-Breach and data theft - Disclosure of critical and sensitive company data by an internal or external source.-Business disruption - Disrupting key applications or systems for a period of time.-Lack of cybersecurity ownership - Failure to assign responsibility for implementing and adopting cybersecurity practices on a daily basis.-Non-compliance - Cybersecurity and privacy incidents resulting in non-compliance with applicable regulations, including privacy.-Health and safety incidents - Breach of availability, integrity or confidentiality of data which impacts health and safety.-Halt or loss of operations - Cybersecurity and privacy incidents which result in loss of operating licence or closure of operations.

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none">• Cyber risks have increased significantly in recent years owing in part to the COVID-19 pandemic and the proliferation of new digital technologies, the increasing degree of connectivity and a material increase in the monetisation of cybercrime.• Theft of information through social engineering and "phishing" campaigns (fraudulent attempts to obtain sensitive information or data, such as usernames or passwords, by appearing to be a trustworthy entity in an electronic communication).• An increased reliance on cloud systems and infrastructure can make IT defences less robust and may bypass security controls• Access to hacking tools and training is readily available and heavily automated. Without proper punishment for perpetrators globally, attackers can easily launch sophisticated attacks with little risk.• There is a global lack of regulation regarding cybersecurity and e-crime that could deter criminals.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<ol style="list-style-type: none">1. Our information security management model is designed with defensive structural controls to prevent and mitigate the effects of computer risks. It employs a set of rules and procedures, including a Disaster Recovery Plan, to restore critical IT functions in the event of an attack.2. Our systems are continuously monitored by cybersecurity experts at a Security Operations Centre (SOC). Incident response plans are in place and tested periodically to ensure we can respond quickly and effectively.3. Our systems are regularly audited to identify any potential threats to the operations and additional systems have been put in place to protect our assets and data.

4. We have implemented a training and awareness programme, which is designed to increase awareness of cyber risk and ensure that employees take the appropriate actions.
5. We have invested in global IT security platforms and Managed Security Services Providers (MSSPs) in order to proactively monitor and manage our cyber risks. We conduct routine third-party penetration tests to independently confirm the security of our IT systems and we seek to enhance the monitoring of our operational technology platforms.
6. Since 2020, a fully staffed cybersecurity office has been in place to improve our cybersecurity position. Its main objective is to identify and manage cybersecurity risks and align them with our business mission and strategy, as well as monitor the supporting processes. Aligned to best practices and standards, its approach is based on two key frameworks:
 - a. The U.S. National Institute of Standards and Technology (NIST CSF) Cybersecurity Framework that describes how companies can assess and improve their ability to prevent, detect, and respond to cyberattacks.
 - b. Information Control Objectives and Technologies to Others (COBIT), which was created by ISACA, the international professional association for IT management and governance, to provide an implementable set of IT-related controls, processes and facilitators.
7. Our approach is also based on the MITRE ATT&CK™ which is used as the basis for the development of specific threat models and methodologies in the private sector, government and in the cybersecurity products and services community.
8. We also monitor the environment for relevant alerts and act proactively to assess our readiness, reinforcing our capabilities as needed.
9. A governance model, continuous risk monitoring, information security policies, awareness-raising campaigns and training form the basis for our IT/OT operational guarantee.
10. Our plan for 2023 is to focus our efforts on incorporating key indicators around cyber risk reduction in the cybersecurity dashboard, implementing and maturing controls in line with the threat landscape and emphasising the importance of individual responsibility to each employee, in order for them to stay vigilant and alert to cyber threats.

KEY RISK INDICATORS
<ul style="list-style-type: none"> • Total number of cybersecurity incidents affecting our Company. • Number of media mentions related to cybersecurity issues affecting the mining industry.

LINK TO STRATEGY	RISK APPETITE
2 – 3	Low

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Increasing	2022: High (6) 2021: High (9)

7

PROJECTS (performance risk)

RISK DESCRIPTION
<p>The pursuit of advanced exploration and project development opportunities is essential to achieving our strategic goals. However, this carries certain risks:</p> <ul style="list-style-type: none"> - Economic viability: the impact of the cost of capital to develop and maintain the mine; future metals prices; and operating costs throughout the mine's life cycle. - Access to land: a significant failure or delay in land acquisition has a very high impact on our projects. - Uncertainties associated with the development and operation of new mines and expansion projects: includes fluctuations in the degree of ore and recovery; unforeseen complexities in the mining process; poor quality of the ore; unexpected presence of groundwater or lack of water; lack of community support; and inability or difficulty in obtaining and maintaining the required building and operating permits. - Delivery risk: Projects can exceed the budget in terms of cost and time; they cannot be built according to the required specifications or there may be a delay during construction; and major mining teams cannot be delivered on time. <p>Other important risks:</p> <ul style="list-style-type: none"> - Failure to effectively manage our development projects could result in delays to the start of production and cost overruns. - Projects that cannot be delivered on time, on budget and according to planned specifications. - Geotechnical conditions of the ore body / poor rock quality. - High costs making it difficult to justify the project. - Delay in the development of the project due to lack or delay of critical equipment, supplies and spare parts. - Disruptions in the supply chain for construction materials and equipment. <p>The following risks relate specifically to prospective projects in Chile and Peru:</p> <ul style="list-style-type: none"> - Government instability, especially in Peru. - Potential actions by the government (political, legal and regulatory). - Security. - Licence to operate (community relations) - Access to water (national regulation and geographic complications). - Environmental compliance. - Competition for land (threat from green power generation companies, for example thermosolar). - Informal mining. - Industrial safety compliance (National Geological and Mining Service SERNAGEOMIN). - Increased mining taxes and fees.

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none"> • Uncontrolled increases in the costs of critical inputs directly affect the progress of projects and affect the planning of each project. • In some regions there are no specialised contractors or contractors with the technology to develop the projects. • Contractor productivity may be lower than anticipated, causing delays in the programme. • Increase in the number of high impact crimes (homicide, kidnapping, extortion) in the regions of the projects. • We have identified the following threats to project development: <ul style="list-style-type: none"> - Insufficient resources for project execution. - Changes in operational priorities that can affect projects. - Inadequate management structure for project supervision. - Lack of efficient and effective contractors. - Delays in obtaining necessary permits for construction and operation. - Lengthy procedures for land acquisition, electricity supply and water.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<p>1. Our investment assessment process determines how best to manage available capital using technical, financial and qualitative criteria.</p>

- Technical: we evaluate and confirm the resource estimate; conduct metallurgical research of mineral bodies to optimise the recovery of economic elements; calculate and determine the investment required for the overall infrastructure (including roads, energy, water, general services, housing) and the infrastructure required for the mine and plant.

- Financial: we analyse the risk in relation to the return on the proposed capital investments; set the expected internal rates of return (IRR) per project as thresholds for approving the allocation of capital based on the current value of expected cash flows of invested capital; and perform stochastic and probabilistic analyses.

- Qualitative: we consider the alignment of investment with our Strategic Plan and business model; identify synergies with other investments and operating assets; and consider the implications for safety and the environment, the safety of facilities, people, resources and community relations.

2. The management of our projects is based on the PMBOK standard of the Institute of Project Management (PMI). It allows us to closely monitor project controls to ensure the delivery of approved projects on time, within budget and in accordance with defined specifications.

3. The executive management team and the Board of Directors are regularly updated on progress. Each advanced exploration project and major capital development project has a risk record containing the project-specific identified and assessed risks.

The project development process in 2022 included:

- Orisyvo, Rodeo, Guanajuato, and Tajitos.
- Fresnillo - San Carlos mega pumping station ramp. Tailings flotation plant. Adequacy of Pyrites plant, 2nd phase. Fresnillo south and power substation reinforcement. Installation of the 30 MW power transformer.
- Proaño/Fresnillo - Over-elevation of the San Carlos tailings dam.
- Saucito - Deepening of Jarillas ramp and continuing the construction of the tailings dam, Cell 4B.
- La Ciénega - Continuing the construction of the third tailings dam.
- San Julián - Constructing stage four of the tailings dam.
- La Herradura - Fuel station and constructing the carbon-in-column process.

KEY RISK INDICATORS

- Earned value (rate of financial advancement vs. physical advancement).
- Percentage of required land acquired
- Percentage of major equipment ordered and received according to plan.
- Percentage of mine development completed.

LINK TO STRATEGY	RISK APPETITE
2	Medium

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Stable	2022: High (7) 2021: High (7)

8

ACCESS TO LAND

RISK DESCRIPTION
<p>Significant failure or delay in accessing surface land above our mining concessions and other lands of interest is a permanent risk to our strategy and has a potentially high impact on our objectives.</p> <p>The biggest risk is failing to gain full control of the lands where we explore or operate.</p> <p>Possible barriers to access to land include:</p> <ul style="list-style-type: none">- Increasing landowner expectations.- Refusal to comply with the terms of previous land acquisitions and conditions regarding local communities.- Influence of multiple special interests in land negotiations.- Conflicts regarding land boundaries, and the subsequent resolution process.- Succession problems among landowners resulting in a lack of clarity about the legal right to own and sell land.- Risk of litigation, such as increased activism by agrarian communities and/or judicial authorities.- Presence of indigenous communities in proximity to lands of interest, where prior and informed consultation and consent of such communities are required.- Operations in "Soledad & Dipolos" remain suspended, as the problem with the ejido "El Bajío" remains unresolved.

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none">• The Federal Government may continue its policy of not granting new mining concessions. However, this could be mitigated by carefully negotiating concessions with mining geological interest already granted.• It is becoming increasingly difficult to negotiate land prices, with landowners demanding more money and benefits for access to land.• Social insecurity prevailing in the regions where our mining interests are located may not allow the necessary work to be carried out to demonstrate the minimum investments required by law, leading to the possible cancellation of the concession.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<ol style="list-style-type: none">1. Successful access to land plays a key role in managing our mining rights, focusing on areas of strategic interest or value.2. At the end of 2022, we have 270,268 hectares in the process of being granted and 1,415,960 hectares of mining concessions granted. In total, we have 1,686,228 hectares in the control of Fresnillo plc. This represents an increase of 8,307 hectares compared to 2021.3. Other initiatives include:<ul style="list-style-type: none">• Meticulous analysis of exploration objectives and construction project designs to minimise land requirements.• Judicious use of lease or occupation contracts with purchase options, in compliance with legal and regulatory requirements.• Early participation of our community relations teams during the negotiation and acquisition of socially challenging objectives.• Strategic use of our social investment projects to build trust.• Close collaboration with our land negotiation teams, which include specialists hired directly by Fresnillo and also provided by Peñoles as part of the service agreement.4. As part of an ongoing review of the legal status of our land rights, we identify certain areas of opportunity and continue to implement measures to manage this risk on a case-by-case basis. Such measures include, wherever possible, negotiations with agricultural communities for the direct purchase of land.5. We use mechanisms provided for in agricultural law and also use other legal mechanisms under mining legislation that provide greater protection for land occupation. These activities are part of our ongoing drive to reduce risk exposure to surface land.

KEY RISK INDICATORS

- Percentage of land required for advanced exploration projects that are under occupation or agreements other than total ownership (generally and per project).
- Total U.S. dollars and percentage of project budget spent on HSECR activities, including community relations (on exploration projects and sites).

LINK TO STRATEGY	RISK APPETITE
1 – 2 – 3	Medium

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Decreasing	2022: Medium (8) 2021: High (4)

9

LICENCE TO OPERATE (*community relations*)

RISK DESCRIPTION
<p>At both a local and global level, the mining industry's stakeholders have high expectations relating to social and environmental performance. These expectations go beyond the responsible management of negative impacts to include continuous engagement and contribution to stakeholder development.</p> <p>Failure to adequately address these expectations increases the risk of opposition to mining projects and operations. Negative sentiment towards mining or specifically towards Fresnillo plc could have an impact on our reputation and acceptability in the regions where we have a presence.</p> <p>We monitor the following risks:</p> <ul style="list-style-type: none">- Negative perception of the Company's social and environmental performance.- Failure to identify and address legitimate concerns and expectations of the community and of society at large.- Insufficient or ineffective engagement and communication.- Failure to contribute purposefully to community development.

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none">• Higher expectations and scrutiny of social and environmental performance.• Rising expectations on shared benefits regarding land agreements.• Perceived competition on access to natural resources, notably water.• Significant reduction in government spending on community infrastructure, development programmes and services.• Anti-mining activism fuelling opposition to mining.• Insecurity and access to water are the issues of greatest concern to people and community leaders in the regions where we have a presence.• The environmental impact of a mine is also an issue that can concern communities close to our operations.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<p>Efficient risk management allows us to detect threats such as social opportunities, associated with our operation. This process helps us identify, assess, plan for, communicate and manage significant risks that could potentially impact our social license.</p> <p>The risk identification mechanism includes social studies, complaints and claims process, deployment of social programs, as well as meetings with key stakeholders and media monitoring.</p> <p>For this, we implement a process of evaluation of detected risks, we work on them through specialized workshops, risk management and action plans for each one, through committees that prevent their materialization.</p> <p>The social risks that are classified as High Risk are escalated for their administration in RED teams, which allow finding specific solutions with the areas and personnel that have the decision-making level to offer concrete and timely actions.</p> <p>Likewise, constant and direct contact is maintained with the leaders of each business unit, discussing the risks that, in their field of action, they exercise and manage mitigation alternatives.</p> <p>Governance in complaints is improved every year. They are received, evaluated and managed, involving those directly responsible, while keeping dissatisfied actors informed about the status of each case, until satisfactory closing agreements are reached.</p> <p>An internet listening module was implemented, which makes it possible to capture concerns from the community, whose cases can even remain anonymous, thus expanding coverage in sectors where technology makes it easier to find questions about the organization and offer care in the same way that cases presented in person.</p>

1. **COVID-19 Response:** Collaboration with Health Authorities to support the logistics of vaccination centres in the regions where we operate. Campaigns to raise awareness of preventive measures such as the use of masks. Rapid testing support for remote communities. Collaboration with parents and school authorities on the safe return to classes.
2. **Community Engagement:** Our strategy, which embraces all phases of the mining lifecycle, is based on purposeful engagement to address concerns and expectations. Key activities include:
 - Organising formal and informal meetings to enable stakeholder identification and engagement planning.
 - Carrying out social baseline studies that include human rights and due diligence regarding indigenous peoples, and perception studies that support our Social Management plans and help us manage impacts, risks and opportunities.
 - Operating a grievance mechanism to address stakeholder concerns.
 - Monitoring public opinion within local and international media.
 - Collaborating with peers to adopt best practices in social performance.
 - Communicating our best practices regarding social and environmental responsibility.
3. **Environmental performance:** Optimising our use of resources, curbing any negative impact of our activities and being transparent and accountable regarding our environmental footprint are crucial elements of sustainable mining and help us to be positively perceived by communities and regulators.
4. **Health and Safety performance:** Our goal is to instil a safety culture focused on 'caring for our people', based on shared values across the organisation, driven by senior management and focused on high potential incidents. Our approach to health aims to pre-emptively identify and manage the risks to which our workforce is exposed.
5. **Sharing the benefits of mining:** In addition to effective stakeholder engagement, sharing the benefits of mining also plays an important role in supporting our social acceptability. Employment, procurement, talent development and the payment of our fair share of taxes contribute to regional development. Our Social Investment portfolio focuses on Education, Water, Health & Sports and Capacity Building to support our communities, in collaboration with non-governmental organisations (NGOs). For our education focus, we work with ENSAMBLE ALEJANDÍA, INNOVEC and First Robotics; for Water, with Captar AC Y FORMAC; and for Health with the National University Foundation y FutbolMas; para Desarrollo de Capacidades, con Proempleo y CEDO.
6. **Responsible approach to managing the impacts of the reform to regulate subcontracting:** Our response to the New Labour Legislation in Mexico has ensured compliance with the reform. Extending job offers to the qualified workforce has also mitigated the negative impacts of the reform on local people and communities.

KEY RISK INDICATORS

- Number of local actions by non-governmental organisations (NGOs) or other local social groups against mining, by region.
- Number of actions by NGOs or other local social groups against mining in the Americas.
- Number of media mentions related to demonstrations against the mining industry.

LINK TO STRATEGY	RISK APPETITE
1 – 2 – 3 – 4	Low

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Decreasing	2022: Medium (9) 2021: High (5)

10

SAFETY

RISK DESCRIPTION
<p>Our operations and projects are inherently hazardous, with the potential to cause illness or injury, damage to the environment, and disruption to communities. Major hazards include process safety, underground mining, surface mining and tailings and water storage.</p> <p>Our workforce faces risks such as fire, explosion, electrocution and carbon monoxide poisoning, as well as risks specific to each mine site and development project.</p> <p>These include rockfalls caused by geological conditions, cyanide contamination, explosion, becoming trapped, electrocution, insect bites, falls, heavy or light equipment collisions involving machinery or personnel and accidents occurring while personnel are being transported.</p> <p>A poor safety record or serious accidents could have a long-term impact on morale and on our reputation and productivity.</p>

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none">• We are saddened to report that one fatality was recorded during 2022, and also that we experienced a significant increase in the accident rate related to:<ul style="list-style-type: none">-Rockfall/terrain failure-Loss of vehicle/equipment control-Team-vehicle-person interaction-Transport of staff-Contact with electric power-Fire-Becoming trapped-Contact with hazardous substances• During 2022 we had 373 high potential incidents, 3% more than 2021.• Frequent transportation of our people to remote business units is an ongoing feature of our operations. In many cases, these units have poor accessibility by road. Failure to comply with safety programmes, measures and audits or with the findings of inspections, continues to be a safety risk.• Our people not being sensitive to the latent risks of our operations.• Omissions and failures to follow security protocols.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<ol style="list-style-type: none">1. Nothing is more important than the safety and wellbeing of our employees, contractors and communities. We believe all incidents are preventable, so we concentrate on identifying, understanding, managing and, where possible, removing the hazard or removing people from the hazardous area.2. We constantly seek to improve our safety and health risk management procedures, with focus on the early identification of risks and the prevention of fatalities.3. Our Safety and Occupational Health Strategy is based on four pillars:<ol style="list-style-type: none">a. Safety and health risk management: workers at all levels are able to identify hazards and controls, so that all jobs are carried out safely.b. Leadership: all employees and contractors are health and safety leaders and we demonstrate our commitment through each individual's responsible behaviour.c. Contractor management: our contractors are an integral part of our safety team and culture, and we work together to improve.d. Reporting, research and learning from our accidents: we share good practices and learn from our mistakes.4. The Strategy strives to achieve our four main goals of: zero fatalities, zero occupational illnesses, the development of a resilient culture and the automation of hazardous processes.5. Critical controls and verification tools are regularly strengthened through the verification programme and regular audits of critical controls for potentially high-risk activities.6. At Fresnillo plc, the safety of our staff is an essential value and a way of life. We tirelessly seek to improve our performance, strengthening our preventive culture, raising awareness of the risks generated by our operational activities and establishing controls and mechanisms to eliminate fatalities.7. During the year, we continued to implement support measures to strengthen, address and prevent the causes of accidents, injuries and fatalities. These included:

- Strengthening safety objectives, including establishing proactive performance indicators that allow us to anticipate events.
- Encouraging managers to own security risks to operations, ensuring that this is a fundamental part of daily activities and that management can be held accountable according to performance and results.
- Regularly reviewing and auditing Health, Safety, Environmental and Sustainable (HSE&S) processes, training and controls to promote and improve effectiveness at managed and (where practicable) non-managed operations.
- Monitoring monthly HSE&S performance at the Group level and sharing learnings from HSE&S incident investigations.
- Continuing the implementation of the "*I Care, We Care*" programme in all our operations, including strengthening the programme's five lines of action.
- In 2022, the Chief Executive Officer launched a strategy to intensify the "*I Care, We Care*" programme. This strategy focuses on critical risks, controls and processes in order to prevent high potential accidents.
- Assigning Critical Risk Control Protocols to an owner for follow-up in line with their area of influence.
- Strengthening incident investigations with a special focus on high-potential ones.
- Increasing the focus on high-potential incidents (HPI).
- Strengthening the cross-functional communication of lessons learnt, in order to reduce the reoccurrence of similar accidents.
- Enhancing hazard identification and risk assessment.
- Confirming the continuous monitoring of security management as the highest priority of the SSMARC committee. The committee oversees all accident investigations, ensuring appropriate measures are taken to improve safety systems and practices.

KEY RISK INDICATORS
<ul style="list-style-type: none"> • Accident rate • Days lost rate • Accident frequency

LINK TO STRATEGY	RISK APPETITE
4	Low

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Stable	2022: Medium (10) 2021: Medium (10)

11

UNION RELATIONS (*labour relations*)

RISK DESCRIPTION
<p>Our highly skilled unionised workforce and experienced management team are critical to sustaining our current operations, executing development projects and achieving long-term growth without major disruption.</p> <p>We run the risk of an outside union seeking to destabilise the current union.</p> <p>National union politics could adversely affect us, as could pressure from other mining unions seeking to take over Fresnillo's labour contracts.</p>

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none"> • The Labour Reform allows the existence of several unions within a company and gives freedom of choice to the employee. This has led to a complex, rarefied work environment at the Fresnillo mine, with violent clashes between the union and a group of workers seeking to register a new independent union. • The risk is that the fighting will continue and worsen and eventually the mine's workforce will be reduced. There is also a risk that this conflict could spread to other mines. • In addition, the TMEC (new trade agreement between Mexico, Canada and the United States replacing NAFTA) with new labour and trade union provisions.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<ol style="list-style-type: none"> 1. We maintain good relations with our employees and unions, founded on trust, regular dialogue and good working conditions. We are committed to safety, nondiscrimination, diversity and inclusion, and compliance with Mexico's strict labour regulations. 2. There are long-term labour agreements (usually three years) in place with all the unions at our operations, helping to ensure labour stability. 3. We seek to identify and address labour issues that may arise throughout the period covered by the labour agreements and to anticipate any potential issues in good time. Employees of our contractor companies are an important part of our workforce and under Mexican law fulfil the same duties and are subject to the same responsibilities as our own employees. We treat contractors as strategic associates and build long-term, mutually beneficial relationships with them. 4. We maintain constructive relationships with our employees and their unions through regular communication and consultation. Union representatives are regularly involved in discussions about the future of the workforce. 5. Increased communication with trade union leaders in mining units to monitor the working environment. 6. Meetings have been held with groups of workers who want to introduce new unions to the Company. 7. Our strategy is to integrate unionised personnel into each team in the business unit. We achieve this by clearly assigning responsibilities and through programmes aimed at maintaining close relations with trade unions in mines and at the national level. 8. We maintain close communication with trade union leaders at various levels of the organisation in order to: raise awareness of the economic situation facing the industry; share our production results; and encourage union participation in our security initiatives and other operational improvements. 9. These initiatives include the Security Guardians programmes, certification partnerships, integration of high productivity equipment, and family activities. 10. We are proactive in our interactions with unions. When appropriate, we hire experienced legal advisors to support us on labour issues. We remain attentive to any developments in labour or trade union issues. 11. We conducted a review of the contractual benefits for union members in our mines. 12. Our executive leadership and the Executive Committee recognise the importance of trade union relations and follow any developments with interest.

KEY RISK INDICATORS
<ul style="list-style-type: none"> • Union members' level of satisfaction. • Number of media mentions related to mining union developments.

LINK TO STRATEGY	RISK APPETITE
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2 – 3	Low
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BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Decreasing	2022: Medium (11) 2021: High (8)

12

EXPLORATION (*new ore resources*)

RISK DESCRIPTION
<p>We are highly dependent on the success of the exploration programme to meet our strategic value-creation targets and our long-term production and reserves goals.</p> <p>In addition to the growing level of insecurity and more challenging access to land detailed in previous risks, other risks that may impact prospecting and converting inferred resources include: the lack of a robust portfolio of prospects in our pipeline with sufficient potential in terms of indicated and inferred resources; and insufficient concession coverage in target areas.</p> <p>As our production escalates and more mines approach the end of their lives, replenishing our reserves becomes increasingly challenging.</p>

FACTORS CONTRIBUTING TO RISK
<p>We perceive this risk level as increasing in likelihood and impact.</p> <p>This is mainly due to the following:</p> <ul style="list-style-type: none">• Delays in procedures regarding access to land.• Restrictions on new mining concessions.• Reserves not being replenished. <p>Maintaining a reasonable investment in exploration, even when metals prices are low, has been our policy through the years. While continuous investment has always been a hallmark of our exploration strategy, replenishing exploited reserves and increasing our total amount of resources could be a challenge in the future.</p>

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<p>During 2022, we invested a total of US\$167.6 million in exploration activities. Our objectives for 2023 include a budgeted risk capital investment in exploration of approximately US\$175.0 million.</p> <p>The approximate spending split is 55% for operating mines (reserves and resources) and 45% for the Exploration Division; which in turn applies a balanced, priority-based process to allocate the budget.</p> <p>For reference, the mines division uses approximately 60% of its budget for resource conversion and ore grade certainty, and 40% for step-out and expansion drilling. Furthermore, the Exploration Division budget for 2023 will allocate 26% to brownfield targets, 40% to advanced projects and 34% to early exploration stages including regional prospecting work.</p> <p>Our exploration strategy also includes:</p> <ul style="list-style-type: none">• A focus on increasing regional exploration drilling programmes to intensify efforts in the districts with high potential.• For local exploration, aggressive drilling programmes to upgrade the resources category and convert inferred resources into reserves.• A team of highly trained and motivated geologists, including both employees and long-term contractors.• Advisory technical reviews by international third-party experts and routine use of up-to-date and integrated GIS databases, cutting edge geophysical and geochemical techniques (including drone technology), large to small scale hyperspectral methods, remote sensing imagery and analytical software for identifying favourable regions to be field-checked by the team.• A commitment to maintain a pipeline of drill-ready high priority projects.

KEY RISK INDICATORS
<ul style="list-style-type: none">• Drill programmes completed (overall and by project).• Change in the number of ounces in reserves and resources.• Rate of conversion from resources to reserves.

LINK TO STRATEGY	RISK APPETITE
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1	Medium
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BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Increasing	2021: Medium (13) 2022: Medium (12)

13

TAILINGS DAMS (overflow or collapse of tailings deposits)

RISK DESCRIPTION
Ensuring the stability of our tailings storage facilities (TSFs) during their entire lifecycles is central to our operations. A failure or collapse of any of our TSFs could result in fatalities, damage to the environment, regulatory violations, reputational damage and disruption to the quality of life of neighbouring communities as well as our operations. Implications of future regulations for our tailing's management.

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none">• Design, construction and operation of current tailings dams under local and national controls, which do not comply with recommended best practices.• Historic tailings dams with little or no operation construction design.• Little known conditions of the state of some tailings dams, both current and historical.• Some historical tailings dams located in rural areas are now surrounded by facilities or residential areas, increasing the consequences of failure.• Tailings dam failures that could cause landslides or collapses.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<p>We manage our TSFs in a manner that allows the effectiveness of their design, operation and closure to be monitored at the highest levels of the Company.</p> <p>Catastrophic failures of TSFs are unacceptable and their potential for failure is evaluated and addressed throughout the life of each facility. Our TSFs are constantly monitored and all relevant information is provided to the authorities, regulating bodies and the communities that could be affected.</p> <p>We manage our TSFs using data, modelling, and construction and operating methods validated and recorded by qualified technical teams and reviewed by independent international experts, whose recommendations we implement in order to strengthen the control environment. Risk management includes timely risk identification, control definition and verification. Controls are based on the consequences of the potential failure of the tailings facilities.</p> <p>The Global Industry Standard on Tailings Management (GISTM) was published in 2020 and we have committed to adopting this standard at all our operations. We launched a new tailings policy during the year, based on the GISTM, reinforcing our commitment to the safety and health of our workforce, communities and the environment.</p> <p>In accordance with this new standard, we have updated our risk assessment methods with a focus on more detailed risk identification, failure modes and controls in order to avoid catastrophic failures.</p> <p>Our tailings policy ensures the stability of our TSFs throughout their lifecycles, managing any potential or actual impact on the environment with sound governance and open communication with stakeholders.</p> <p>The Executive Committee is well aware of the risks associated with tailings dams. Therefore, before we construct a reservoir, we carry out a series of studies to confirm the suitability of the area. These studies include geotechnical, geological, geophysical, hydrological and seismic analyses. Before construction begins, the Ministry of Environment and Natural Resources (SEMARNAT), through the Federal Office for Environmental Protection (PROFEPA), conducts several assessment studies and then continues to periodically review deposits in relation to the works.</p> <p>In 2022 we launched a number of initiatives to align our governance practices with current best practices. These initiatives included:</p> <ul style="list-style-type: none">• Updating the inventory of the TSFs and validating the data log.• Initiating a third-party review programme of dam safety inspections for all TSFs.• Establishing an Independent Tailings Review Panel (ITRP) comprising renowned international experts.• Accelerating a review programme by independent experts for all sites.• Reviewing the ITRP's findings and prioritising recommendations arising from inspections.

The Board and the HSECR Committee continue to keep these issues under scrutiny.

It is important to note that our tailings dams differ from those involved in high-profile incidents, such as the tragedy in Brazil.

KEY RISK INDICATORS

- Percentage of TSFs that comply with international design and construction standards.
- Findings of the Independent Tailings Review Panel (ITRP)
- Dam safety inspections and dam safety reviews.
- Storage capacity versus levels of operation

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Decreasing	2022: Medium (13) 2021: Medium (11)

LINK TO STRATEGY	RISK APPETITE
4	Low

14

ENVIRONMENTAL INCIDENTS

RISK DESCRIPTION
<p>Environmental incidents are an inherent risk in our industry. These incidents include the possible overflow or collapse of tailings deposits, cyanide spills and dust emissions, any of which could have a high impact on our people, communities and businesses.</p> <p>An operating incident that damages the environment could affect both our relationship with local stakeholders and our reputation, reducing the social value we generate.</p> <p>We operate in challenging environments, including forests and agricultural areas in Chihuahua and Durango, and the Sonora Desert, where water scarcity is a key problem.</p> <p>Environmental issues directly related to climate change are considered under our specific Climate Change principal risk below.</p> <p>We continue to be alert to the following risks:</p> <ul style="list-style-type: none">• Cyanide management risk.• Impact on the environment in the area of influence through erosion/deforestation/forest loss or disturbance of biodiversity as a result of the operations of the business unit or project activities.• An event involving a leak or spill of cyanide or SO₂, which due to its chemical properties could generate an event of major consequence on the premises of the business unit and / or in the nearby area.

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none">• We have strengthened the regulatory risk pillar of the environmental management model, incorporating monthly updates of environmental regulations. Furthermore, we now regularly monitor the Environmental Authority inspection processes to assure compliance with our environmental commitments and action plans.• Failure to manage our major hazards or mass passenger transport could result in a catastrophic event or other long-term damage.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
<ol style="list-style-type: none">1. Our operations are inherently hazardous. We seek to achieve operational excellence to ensure that our employees and contractors go home safe and healthy, and that there are no adverse impacts on the communities and the environment where we operate.2. Our environmental management system ensures compliance with national and international regulations and best practices, provides transparency and supports initiatives that reduce our environmental footprint. We recognise that we are responsible for our activities and for delivering on our environmental commitments.3. Our environmental management system, together with our investment in preventive measures and training, are key factors that reduce the risk of large environmental incidents.4. We have a comprehensive approach to incident prevention. Relevant risks are assessed, monitored and controlled in order to achieve our goal of zero incidents with significant environmental impact. We work to raise awareness among employees and contractors, providing training to promote operational excellence. The potential environmental impact of a project is a key consideration when assessing its viability, and we encourage the integration of innovative technology in the project design to mitigate such impacts.5. We prioritise the efficient use of natural renewable resources by using sea water, favouring the use of renewable power sources, achieving higher rates of reuse and recovery of water through the use of thickened tailings technology and reducing greenhouse gas emissions.6. We recognise that environmental sustainability is key to our ability to generate social value and we perform regular risk assessments in order to identify potential impacts and develop preventive and mitigating strategies.7. Each site maintains updated environmental emergency preparedness and detailed closure plans with appropriate financial provisions to ensure physical and chemical stability once operations have ceased.8. Fresnillo and Saucito are ISO 9001 certified; Fresnillo, Saucito, Herradura and Noche Buena are ISO 14001 and ISO 45011 certified.9. In addition, Fresnillo, Saucito and Juanicipio are certified according to the standards of the Clean Industry; the first two achieved the badge of environmental excellence issued by the Environmental Protection Attorney's Office (PROFEPA). Our Herradura leaching operation complies with the Cyanide Code issued by the International Cyanide Code Institute with the respective certification.

1. 10. Environmental protection and safety are critical for cyanide leaching systems. We comply with international best practices as promoted by the International Cyanide Management Institute (ICMI) and the Mexican standard NOM-155SEMARNAT-2007, which establishes environmental requirements for gold and silver leaching systems.
2. 11. Safe management of our tailings facilities has always been a priority. With increased focus on the issue of tailings dam safety across the global mining industry, we have taken the opportunity to renew and increase this focus.

KEY RISK INDICATORS
<ul style="list-style-type: none"> • Number of business units with ISO 9001, 14001, 45001 Certification. • Number of business units with Clean Industry Certification. • Number of business units with International Cyanide Code Certification.

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Decreasing	2022: Medium (14) 2021: Medium (11)

LINK TO STRATEGY	RISK APPETITE
4	Low

15

CLIMATE CHANGE

RISK DESCRIPTION
<p>The mining industry is highly exposed and sensitive to climate change risk.</p> <p>Climate change is a systemic challenge and will require coordinated actions between nations, between industries and by society at large. It demands a long-term perspective to address both physical climate change and low-carbon transition risks and uncertainties.</p> <p>Due to climate change, our operations and projects are expected to face acute physical risks from extreme events such as high temperatures, droughts and extreme rainfall from more frequent and intense hurricanes in the Pacific.</p> <p>These natural disasters may affect the health & safety of our people, damage access roads and mine infrastructure, disrupt operations and affect our neighbouring communities. In addition, the rise in temperatures may increase our water demand while the decrease in annual precipitation exacerbates water stress in the regions where we operate.</p> <p>These chronic risks may intensify the competition to access water resources, increasing risks to the social licence to operate. The societal responses to transition to a low carbon economy include more stringent regulations to reduce emissions, a transformation of the global energy system, changes in behaviour and consumption choices and emerging technologies.</p> <p>Adaptation measures are necessary to build the flexibility to respond to physical and transitional changes.</p> <p>One of the most important risk we currently face relates to compliance with all the provisions and requirements of international agreements to reduce pollution and greenhouse gas emissions.</p> <p>Failure to adapt to the transition and physical impacts of climate change, include:</p> <ul style="list-style-type: none">-government legislation to limit mining activities.-regulations limiting greenhouse gas emissions from the mining industry.-acute physical risks such as the increased likelihood of extreme weather events; and-chronic physical risks such as changing weather patterns including rising temperatures and sea levels.

FACTORS CONTRIBUTING TO RISK
<ul style="list-style-type: none">• The Federal Government promotes investment in coal rather than in renewable or clean energy. This has led to operating on clean energy becoming more difficult.• The Federal Government's implementation of policies that support the use of coal will lead to more greenhouse gases being released into the atmosphere and reduce the development of renewable energies.• Current and emerging climate regulations have the potential to result in increased cost, to change supply and demand dynamics for our products and create legal compliance issues and litigation, all of which could impact the Group's financial performance and reputation. Our operations also face risk due to the physical impacts of climate change, including extreme weather.• Warming temperatures will increase water scarcity in some locations, inhibiting water-dependent operations, complicating site rehabilitation and bringing companies into direct competition with communities for water resources.• The supply of critical inputs to mining processes, such as water and energy, is likely to face greater constraints.• Employee health and safety will be put at risk by increases in communicable diseases, exposure to heat-related illnesses and the likelihood of accidents related to rising temperatures.• Obtaining and maintaining a social licence to operate will become more difficult in communities where climate change exacerbates existing vulnerabilities and increases direct competition between the company and the community for resources.• Increased physical and non-physical risks will make project financing more difficult to secure.• Global warming and its effects such as droughts, hurricanes, winter storms and heavy rains, can cause stoppages in operations.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

1. Climate change has formed part of our strategic thinking and investment decisions for over two decades.
2. We are considering the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) regarding: Governance, Strategy, Risk Management and Metrics and targets.
3. We recognise the importance of maturing our approach to integrating physical climate change risks and adaptation into financial planning and decision-making processes. We are committed to enhancing our understanding of the site-level impacts and vulnerabilities to refine our adaptation measures.
4. The pervasive and complex nature of climate change means that it can amplify other risks such as environmental incidents, access to water, health & safety of our people, government regulations, and social licence to operate. The Head of Sustainability and the Head of Risks support the process to refine the identification and risk assessment of physical and transitional risks.
5. We use the guides from industry associations (i.e. ICMM), international scientific reports (i.e. IPCC), reports from industry peers and reports of the Mexican Government to identify the physical impacts of climate change.
6. To gain a general understanding, we use the outcomes of scenarios built by the Mexican Government Reports, using the Global Circulation Models (GCMs) and different Representative Concentration Pathways (RCPs).
7. In addition, we use Aqueduct, a tool developed by the World Resources Institute (WRI), to better understand water stress under different climate change scenarios in the 2020-2030 period.
8. We are implementing a series of controls to manage the threat of extreme weather, including structural integrity programmes across all critical assets, emergency response plans and flood management plans. These controls keep our people safe and help our operations return to normal capacity as quickly as possible.
9. We are increasing the supply of the materials essential to building a low-carbon economy.
10. We are setting targets to reduce our emissions (on an absolute and intensity basis) over the short, medium and long term.

KEY RISK INDICATORS

- Energy demand/value added
- CO2/energy consumption
- Zero-carbon fuel share

LINK TO STRATEGY	RISK APPETITE
1 – 2 – 3 – 4	Low

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Stable	2022: Medium (15) 2021: Medium (12)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable United Kingdom law and regulations.

The Directors are required to prepare financial statements for each financial year which present a true and fair view of the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. The Directors have elected to prepare the Group and parent company financial statements in accordance with the UK-adopted International Accounting Standards ('IFRSs').

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and of the Group's financial position and financial performance;
- state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the Company and the Group to continue as a going concern unless it is appropriate to presume that the Company and/ or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable UK law and regulations, the Directors are responsible for the preparation of a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and regulations. In addition, the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Neither the Company nor the Directors accept any liability to any person in relation to the annual financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

Directors' Responsibility Statement under the UK Corporate Governance Code

In accordance with Provision 27 of the 2018 UK Corporate Governance Code, the Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable and provides information necessary to enable shareholders to assess the Company's position, performance, business model and strategy.

Responsibility Statement of the Directors in respect of the Annual Report and Accounts

Each of the Directors confirm that to the best of their knowledge:

- a) the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- b) the annual report (including the Strategic Report encompassed within the 'Overview', 'Strategic Report', 'Performance' and 'Governance' sections) includes a fair review of the development and performance of the business, and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board.

Alberto Tiburcio
Independent Non-Executive Director
6 March 2023

Consolidated Income Statement

Year ended 31 December

	Notes	Year ended 31 December 2022			Year ended 31 December 2021		
		US\$ thousands			US\$ thousands		
		Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
Continuing operations:							
Revenues	5	2,432,990		2,432,990	2,703,095		2,703,095
Cost of sales	6	(1,896,970)		(1,896,970)	(1,766,170)		(1,766,170)
Gross profit		536,020		536,020	936,925		936,925
Administrative expenses		(94,123)		(94,123)	(103,534)		(103,534)
Exploration expenses	7	(165,790)		(165,790)	(130,291)		(130,291)
Selling expenses		(25,619)		(25,619)	(25,035)		(25,035)
Other operating income	9	71,860		71,860	11,914		11,914
Other operating expenses	9	(38,755)		(38,755)	(23,246)		(23,246)
Profit from continuing operations before net finance costs and income tax		283,593		283,593	666,733		666,733
Finance income	10	26,460		26,460	8,874		8,874
Finance costs	10	(81,621)		(81,621)	(61,750)		(61,750)
Revaluation effects of Silverstream contract	14	-	18,785	18,785	-	(416)	(416)
Foreign exchange gain/(loss)		1,354		1,354	(1,909)		(1,909)
Profit from continuing operations before income tax		229,786	18,785	248,571	611,948	(416)	611,532
Corporate income tax	11	73,009	(5,635)	67,374	(156,598)	125	(156,473)
Special mining right	11	(7,654)		(7,654)	(16,563)		(16,563)
Income tax	11	65,355	(5,635)	59,720	(173,161)	125	(173,036)
Profit for the year from continuing operations		295,141	13,150	308,291	438,787	(291)	438,496
Attributable to:							
Equity shareholders of the Company		258,747	13,150	271,897	421,500	(291)	421,209
Non-controlling interest		36,394		36,394	17,287		17,287
		295,141	13,150	308,291	438,787	(291)	438,496
Earnings per share: (US\$)							
Basic and diluted earnings per Ordinary Share from continuing operations	12			0.369			0.572
Adjusted earnings per share: (US\$)							
Adjusted basic and diluted earnings per Ordinary Share from continuing operations	12	0.351			0.572		

Consolidated Statement of Comprehensive Income

Year ended 31 December

		Year ended 31 December	
	Notes	2022 US\$ thousands	2021 US\$ thousands
Profit for the year		308,291	438,496
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Loss/(gain) on cash flow hedges recycled to income statement		3,770	(2,476)
Changes in the fair value of cost of hedges		(1,380)	(5,396)
Total effect of cash flow hedges		2,390	(7,872)
<i>Foreign currency translation</i>		234	(653)
Income tax effect on items that may be reclassified subsequently to profit or loss:	11	(717)	2,362
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:		1,907	(6,163)
<i>Items that will not be reclassified to profit or loss:</i>			
Losses recycled to the value of other assets		(4,120)	-
Changes in the fair value of cash flow hedges		4,733	(994)
Total effect of cash flow hedges		613	(994)
Changes in the fair value of equity investments at FVOCI		(5,712)	(48,051)
Remeasurement (loss)/gains on defined benefit plans	22	(712)	5,710
Income tax effect on items that will not be reclassified to profit or loss	11	1,644	13,805
Net other comprehensive loss that will not be reclassified to profit or loss		(4,167)	(29,530)
Other comprehensive income/(loss), net of tax		(2,260)	(35,693)
Total comprehensive income for the year, net of tax		306,031	402,803
Attributable to:			
Equity shareholders of the Company		271,618	386,060
Non-controlling interests		34,413	16,743
		306,031	402,803

Consolidated Balance Sheet

As at 31 December

As at 31 December

	Notes	2022 US\$ thousands	2021 US\$ thousands
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,862,564	2,799,075
Equity instruments at fair value through other comprehensive income (FVOCI)	30	158,813	164,525
Silverstream contract	14	475,256	494,392
Deferred tax asset	11	343,688	67,300
Inventories	15	91,620	91,620
Other receivables	16	38,458	58,548
Other assets		3,700	3,587
		3,974,099	3,679,047
Current assets			
Inventories	15	495,744	396,184
Trade and other receivables	16	404,499	401,424
Prepayments		34,429	20,282
Derivative financial instruments	30	231	96
Silverstream contract	14	36,218	35,152
Cash and cash equivalents	17	969,060	1,235,282
		1,940,181	2,088,420
Total assets		5,914,280	5,767,467
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	18	368,546	368,546
Share premium	18	1,153,817	1,153,817
Capital reserve	18	(526,910)	(526,910)
Hedging reserve	18	(91)	(2,042)
Cost of hedging reserve	18	-	(38)
Fair value reserve of financial assets at FVOCI	18	79,786	83,784
Foreign currency translation reserve	18	(1,886)	(2,120)
Retained earnings	18	2,612,469	2,543,087
		3,685,731	3,618,124
Non-controlling interests		231,206	184,548
Total equity		3,916,937	3,802,672

Consolidated Balance Sheet

As at 31 December

As at 31 December

	Notes	2022 US\$ thousands	2021 US\$ thousands
Non-current liabilities			
Interest-bearing loans	20	840,678	1,157,545
Notes payable	30	95,853	-
Lease liabilities	25	9,920	6,146
Provision for mine closure cost	21	242,380	256,956
Pensions and other post-employment benefit plans	22	9,462	6,506
Deferred tax liability	11	111,120	68,745
		1,309,413	1,495,898
Current liabilities			
Trade and other payables ¹	23	258,867	270,317
Interest-bearing loans	20	317,879	-
Notes payable ¹	30	9,109	107,918
Income tax payable		81,235	62,287
Derivative financial instruments	30	487	3,885
Lease liabilities	25	5,209	4,681
Provision for mine closure cost	21	4,827	3,351
Employee profit sharing		10,317	16,458
		687,930	468,897
Total liabilities		1,997,343	1,964,795
Total equity and liabilities		5,914,280	5,767,467

¹ The amounts recognised in Notes payable as at 31 December 2021 has been presented separately from Trade and other payables to better reflect the nature of the balance.

These financial statements were approved by the Board of Directors on 6 March 2023 and signed on its behalf by:

Mr Juan Bordes

Non-executive Director

6 March 2023

Consolidated Statement of Cash Flows

Year ended 31 December

		Year ended 31 December	
	Notes	2022 US\$ thousands	2021 US\$ thousands
Net cash from operating activities	29	502,185	895,141
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(592,129)	(592,052)
Proceeds from the sale of property, plant and equipment and other assets		1,357	6,042
Proceeds from Silverstream contract	14	33,355	48,986
Proceeds from the Layback Agreement	2 (c)	15,000	25,000
Interest received		28,235	10,459
Net cash used in investing activities		(514,182)	(501,565)
Cash flows from financing activities			
Proceeds from notes payable	30	8,140	41,665
Payment of notes payable	30	(10,008)	-
Principal element of lease payments	25 (a)	(5,125)	(5,971)
Dividends paid to shareholders of the Company ¹		(201,950)	(245,561)
Capital contribution ²		10,143	31,885
Interest paid ³		(55,308)	(49,334)
Net cash used in financing activities		(254,108)	(227,316)
Net (decrease)/increase in cash and cash equivalents during the year		(266,105)	166,260
Effect of exchange rate on cash and cash equivalents		(117)	(1,393)
Cash and cash equivalents at 1 January		1,235,282	1,070,415
Cash and cash equivalents at 31 December	17	969,060	1,235,282

¹ Includes the effect of hedging of dividend payments made in currencies other than US dollar (note 19).

² Corresponds to capital contributions provided by Minera los Lagartos, S.A. de C.V.

³ The amount corresponds to the interest paid during the year ended 31 December 2022 related to senior notes and notes payable less amounts capitalised totalling US\$8.5 million (2021: US\$8.4 million) which were included within Purchase of property, plant and equipment (note 13).

Consolidated Statement of Changes in Equity

Year ended 31 December

Attributable to the equity holders of the Company											
Notes	Share capital	Share premium	Capital reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
US\$ thousands											
Balance at 1 January 2021	368,546	1,153,817	(526,910)	3,292	1,072	117,420	(1,467)	2,363,275	3,479,045	135,559	3,614,604
Profit for the year	-	-	-	-	-	-	-	421,209	421,209	17,287	438,496
Other comprehensive income, net of tax	-	-	-	(4,535)	(1,110)	(33,636)	(653)	4,785	(35,149)	(544)	(35,693)
Total comprehensive income for the year	-	-	-	(4,535)	(1,110)	(33,636)	(653)	425,994	386,060	16,743	402,803
Hedging loss transferred to the carrying value of PPE purchased during the year	-	-	-	(799)	-	-	-	-	(799)	361	(438)
Capital contribution	-	-	-	-	-	-	-	-	-	31,885	31,885
Dividends declared and paid	19	-	-	-	-	-	-	(246,182)	(246,182)	-	(246,182)
Balance at 31 December 2021	368,546	1,153,817	(526,910)	(2,042)	(38)	83,784	(2,120)	2,543,087	3,618,124	184,548	3,802,672
Profit for the year	-	-	-	-	-	-	-	271,897	271,897	36,394	308,291
Other comprehensive income, net of tax	-	-	-	1,169	38	(3,998)	234	(606)	(3,163)	(1,981)	(5,144)
Total comprehensive income for the year	-	-	-	1,169	38	(3,998)	234	271,291	268,734	34,413	303,147
Hedging loss transferred to the carrying value of PPE purchased during the year	-	-	-	782	-	-	-	-	782	2,102	2,884
Capital contribution	-	-	-	-	-	-	-	-	-	10,143	10,143
Dividends declared and paid	19	-	-	-	-	-	-	(201,909)	(201,909)	-	(201,909)
Balance at 31 December 2022	368,546	1,153,817	(526,910)	(91)	-	79,786	(1,886)	2,612,469	3,685,731	231,206	3,916,937

1. Corporate information

Fresnillo plc. ("the Company") is a public limited company and registered in England and Wales with registered number 6344120 and is the holding company for the Fresnillo subsidiaries detailed in note 5 of the Parent Company accounts ("the Group").

Industrias Peñoles S.A.B. de C.V. ('Peñoles') currently owns 75 percent of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. The registered address of Peñoles is Calzada Legaria 549, Mexico City 11250. Copies of Peñoles' accounts can be obtained from www.penoles.com.mx. Further information on related party balances and transactions with Peñoles' group companies is disclosed in note 27.

The consolidated financial statements of the Group for the year ended 31 December 2022 were authorised for issue by the Board of Directors of Fresnillo plc on 6 March 2023.

The Group's principal business is the mining and beneficiation of non-ferrous minerals, and the sale of related production. The primary contents of this production are silver, gold, lead and zinc. During 2022 and 2021 all the production were sold to Peñoles' metallurgical complex, Met-Mex, for smelting and refining. Further information about the Group operating mines and its principal activities is disclosed in note 3.

The financial information for the year ended 31 December 2022 and 2021 contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the years ended 31 December 2022 and 2021 have been extracted from the consolidated financial statements of Fresnillo plc for the year ended 31 December 2022 which have been approved by the directors on 6 March 2023 and will be delivered to the Registrar of Companies in due course. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2. Significant accounting policies

(a) Basis of preparation and consolidation, and statement of compliance

Basis of preparation and statement of compliance

The Group consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for trade receivables, derivative financial instruments, equity securities and defined benefit pension scheme assets which have been measured at fair value.

The consolidated financial statements are presented in dollars of the United States of America (US dollars or US\$) and all values are rounded to the nearest thousand (\$000) except when otherwise indicated.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review. In addition, note 31 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecasts for the period to 31 December 2024 (being the going concern assessment period). The Directors have also considered the cash position as of 31 December 2022 (US\$ 969.1 million) and the net current asset position (US\$1,252.3 million), which includes the debt repayment due in 2023 (US\$317.9 million), as described in the financial review. In addition, they reviewed a more conservative cash flow scenario with reduced silver and gold prices of US\$20.0 and US\$1,718 respectively throughout this period, whilst maintaining current budgeted expenditure and only considering projects approved by the Executive Committee. This resulted in our current cash and cash equivalents balances reducing over time but maintaining sufficient liquidity throughout the period.

The Directors have further calculated prices (US\$18.5 and US\$1,574 for silver and gold respectively), which should they prevail to the end of 2024 would result in cash balances decreasing to minimal levels by the end of 2024, without applying mitigations.

Should metal prices remain below the stressed prices above for an extended period, management have identified specific elements of capital and exploration expenditures which could be deferred without adversely affecting production profiles throughout the period. Finally, management could amend the mining plans to concentrate on production with a higher margin in order to accelerate cash generation without affecting the integrity of the mine plans.

Previously, the Directors reviewed scenarios that incorporated an estimated potential impact of government-imposed stoppages due to Covid-19 restrictions. The Directors reassessed the situation in the current year, considering in particular the fact mining was declared an essential activity by the Federal Government and there have been no further stoppages at any of our mines. Furthermore, as previously reported, we have implemented additional health and safety measures at each of our mines [coupled with extensive targeted and random testing]. The Directors concluded that the risk of government-imposed stoppages was low and therefore disclosure of a specific Covid scenario is no longer relevant.

After reviewing all of the above considerations, the Directors have a reasonable expectation that management have sufficient flexibility in adverse circumstances to maintain adequate resources to continue in operational existence for the foreseeable future. The Directors, therefore, continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements set out the Group's financial position as of 31 December 2022 and 2021, and the results of operations and cash flows for the years then ended.

Entities that constitute the Group are those enterprises controlled by the Group regardless of the number of shares owned by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The Group applies the acquisition method to account for business combinations in accordance with IFRS 3.

All intra-group balances, transactions, income and expenses and profits and losses, including unrealised profits arising from intra-group transactions, have been eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination. Any losses of a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, a transaction with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2021, except for the adoption of some amendment as follow:

- Proceeds deducted from the cost of Property, plant and equipment

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. This resulted in a change to the Group's accounting policies.

Ore generated as part of the development stage may be processed and sold, giving rise to revenue before the commencement of commercial production. Prior to 1 January 2022, where such processing was necessary to bring mining assets into the condition required for their intended use (for example, in testing the plants at the mining unit in development), revenues from metals recovered from such activities were credited to mining properties and development costs. From 1 January 2022, such revenue is recognised in profit or loss and cost of sales is measured based on operating cost once commercial production has been initiated. The adoption of this amendment did not have any impact on the financial position or performance of the Group as there were no sales from ore processed by plants in their testing period in the years where the amendment is applicable.

New standards, interpretations and amendments (new standards) adopted by the Group

Other than above, a number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Standards, interpretations and amendments issued but not yet effective

The IASB has issued other amendments resulting from improvements to IFRSs that management considers do not have any impact on the accounting policies, financial position or performance of the Group. The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, 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 revenues and expenses during the reporting period. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, with regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the consolidated financial statements.

Judgements

Areas of judgement, apart from those involving estimations, that have the most significant effect on the amounts recognised in the consolidated financial statements for the year ended 31 December 2022 are:

Recognition and classification of assets at Soledad and Dipolos mine:

In 2009, five members of the El Bajío agrarian community in the state of Sonora, who claimed rights over certain surface land in the proximity of the operations of Minera Penmont ('Penmont'), submitted a legal claim before the Unitarian Agrarian Court (Tribunal Unitario Agrario) of Hermosillo, Sonora, to have Penmont vacate an area of this surface land. The land in dispute encompassed a portion of surface area where part of the operations of the Soledad & Dipolos mine are located. The litigation resulted in a definitive court order, with which Penmont complied by vacating 1,824 hectares of land, resulting in the suspension of operations at Soledad & Dipolos. Whilst the claim and the definitive court order did not affect the Group's legal title over the mining concession or the ore currently held in leaching pads near the mine site, land access at the mine site is required to further exploit the concession at Soledad & Dipolos.

In addition to, but separate from, the lands mentioned above, Penmont is the legal and registered owner of the land where the Soledad & Dipolos leaching pads are located but has not yet been able to gain physical access to these pads due to opposition by certain local individuals. This land was purchased by Penmont from the Federal Government of Mexico in accordance with due legal process. The Group has a reasonable expectation that Penmont will eventually regain access to the Soledad & Dipolos assets and process the ore content in the Soledad & Dipolos leaching pads. This expectation considers different scenarios, including but not limited to potential negotiation scenarios and the different legal proceedings that Penmont has presented in order to regain access to the lands, as well as other ongoing proceedings including claims by members of the agrarian community requesting the cancellation of Penmont's property deed over this area, which claims Penmont believes are without merit. All such proceedings are pending final resolution. Therefore, the Group continues to recognise property, plant & equipment and inventory related to Soledad & Dipolos, as disclosed in note 13 and note 15, respectively. Due to the fact that it is not yet certain when access may be granted so that the inventory can be processed, this inventory is classified as a non-current asset.

Furthermore, claimants from the El Bajío community also presented claims against occupation agreements they entered into with Penmont, covering land parcels other than the surface land where Soledad & Dipolos is located. Penmont has had no significant mining operations or specific geological interest in the affected parcels and these lands are therefore not considered strategic for Penmont. The Agrarian Court has issued rulings declaring such occupation agreements over those land parcels to be null and void and that Penmont must remediate such lands to the state that they were in before Penmont's occupation as well as returning any minerals extracted from this area. The case relating to the claims over these land parcels remains subject to final conclusion. However, given that Penmont has not conducted significant mining operations or had specific geological interest in these land parcels, any contingencies relating to such land parcels are not considered material by the Group. There are no material assets recognised in respect of these land parcels at 31 December 2022 or 31 December 2021.

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 was paid in November 2022, and US\$22.8 million that will be paid no later than 1 December 2023. The future amounts 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 had continued to provide support to Orla in respect of other negotiations relevant to their acquisition of the rights to access from the local ejido, thus the Company had recognised the total value of the agreement as deferred income. In December 2022 the Group successfully concluded with the support to Orla with respect to the negotiations relevant to the acquisition of the rights to access. Thus, the Company considers all the obligations established in the Layback Agreement to have been completed and has recognised the total value of the agreement in profit or loss as other income.

Juanicipio project:

The Group assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the nature of each mine project, considering its complexity, location and other relevant factors.

The criteria to assess this date considers the level of capital expenditure compared with the estimated construction cost, the availability of ore reserves to sustain ongoing extraction, the extraction of ore from production areas, and the production feasibility considering the operating resources available.

When the production phase is considered to have commenced, all related costs are transferred from "Construction in progress" to the relevant class of "Property, plant and equipment". At this stage, the capitalisation of development costs ceases, depreciation commences, and additional costs are either recognised as costs of inventories or expenses, except for those that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development.

During 2021 the Group finalised the construction of the Juanicipio project. As of 1 January 2022, the mine started commercial production, while the plant commissioning activities were postponed due to delays in the connection of the plant to the national electricity grid. Consequently, the Group assessed the production start date for the mine and the plant separately. As a result, the Group determined that the Juanicipio mine started operations from 1 January 2022. During 2022 the activities necessary to connect the plant to the national electricity grid continued and in December were concluded satisfactorily. The Group has determined that as of 31 December 2022, the plant facilities are substantially complete and the commissioning process has begun. As at 31 December 2022 the plant's assets US\$228.3 million are presented within Property plant and equipment and its depreciation will commence once production takes place. The costs incurred as a part of the testing of equipment prior to the connection to the power grid including employees training has been considered as unabsorbed production cost as presented in note 6.

Climate change:

In the climate disclosure in the Strategic Report, the Group's set out its assessment of climate risks and opportunities (CROs). The Group recognises that there may be potential financial statement implications in the future in respect of the mitigation and adaptation measures to the physical and transition risks. The potential effect of climate change would be in respect of assets and liabilities that are measured based on an estimate of future cash flows. The Group specifically considered the effect of climate change on the valuation of property, plant and equipment, deferred tax assets, the Silverstream contract, and the provision for mine closure cost. The Group does not have any assets or liabilities for which measurement is directly linked to climate change performance (for example: Sustainability-Linked Bonds).

The main ways in which climate has affected the preparation of the financial statements are:

- The Group has already made certain climate-related strategic decisions, such as to focus on decarbonisation and to increase wind energy. Where decisions have been approved by the Board, the effects were considered in the preparation of these financial statements by way of inclusion in future cash flow projections underpinning the estimation of the recoverable amount of property, plant and equipment and deferred tax assets, as relevant.
- As described in Note 14, the costs inherent in the Silverstream contract are determined based on the provisions of that contract. This reduces the exposure of the valuation of the asset to the effect of any cost implications related to CROs.
- Further information about the potential effect of CROs on the provision for mine closure cost is set out in Note 21.

The Group's strategy consists of mitigation and adaptation measures. To mitigate the impacts by and on climate change the Company relies on renewable electricity, fuel replacement and efficiency opportunities to reduce the carbon footprint. The approach to adaptation measures is based on climate models to produce actionable information for the design, construction, operation and closure of its mining assets, considering climate change. In addition, societal expectations are driving government action that may impose further requirements and cost on companies in the future. Future changes to the Group's climate change strategy, global decarbonisation signposts and regulation may impact the Group's significant judgements and key estimates and result in material changes to financial results and the carrying values of certain assets and liabilities in future reporting periods. However, as at the balance sheet date the Group believes there is no material impact on balance sheet carrying values of assets or liabilities. Although this is an estimate, it is not considered a critical estimate.

Estimates and assumptions

Significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements include:

Estimated recoverable ore reserves and mineral resources, note 2(e):

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. Mineral resources are an identified mineral occurrence with reasonable prospects for eventual economic extraction. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates, in conformity with the Joint Ore Reserves Committee (JORC) code 2012. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable ore reserves and mineral resources is based upon factors such as geological assumptions and judgements made in estimating the size and grade of the ore body, estimates of commodity prices, foreign exchange rates, future capital requirements and production costs.

As additional geological information is produced during the operation of a mine, the economic assumptions used and the estimates of ore reserves and mineral resources may change. Such changes may impact the Group's reported balance sheet and income statement including:

- The carrying value of property, plant and equipment and mining properties may be affected due to changes in the recoverable amount, which consider both ore reserves and mineral resources, refer to note 13;
- Depreciation and amortisation charges in the income statement may change where such charges are determined using the unit-of-production method based on ore reserves, refer to note 13;
- Stripping costs capitalised in the balance sheet, either as part of mine properties or inventory, or charged to profit or loss may change due to changes in stripping ratios, refer to note 13;
- Provisions for mine closure costs may change where changes to the ore reserve and resources estimates affect expectations about when such activities will occur, refer to note 21;
- The recognition and carrying value of deferred income tax assets may change due to changes regarding the existence of such assets and in estimates of the likely recovery of such assets, refer to note 11.

Estimate of recoverable ore on leaching pads, (note 15)

In the Group's open pit mines, certain mined ore is placed on leaching pads where a solution is applied to the surface of the heap to dissolve the gold and enable extraction. The determination of the amount of recoverable gold requires estimation with consideration of the quantities of ore placed on the pads, the grade of the ore (based on assay data) and the estimated recovery percentage (based on metallurgical studies and current technology).

The grades of ore placed on pads are regularly compared to the quantities of metal recovered through the leaching process to evaluate the appropriateness of the estimated recovery (metallurgical balancing). The Group monitors the results of the metallurgical balancing process and recovery estimates are refined based on actual results over time and when new information becomes available. Any potential future adjustment would be applicable from the point of re-estimation and would not by itself change the value of inventory and as such no sensitivity included.

Silverstream, (note 14):

The valuation of the Silverstream contract as a derivative financial instrument requires estimation by management. The term of the derivative is based on the Sabinas life of mine and the value of this derivative is determined using a number of estimates, including the estimated recoverable ore reserves and mineral resources and future production profile of the Sabinas mine on the same basis a market participant would consider, the estimated recoveries of silver from ore mined, estimates of the future price of silver and the discount rate used to discount future cash flows. For further detail on the inputs that have a significant effect on the fair value of this derivative, and the impact of changes in key assumptions are included in note 14.

Income tax, notes 2 (q) and 11:

The recognition of deferred tax assets, including those arising from un-utilised tax losses, requires management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

COVID-19

During 2022, the Group continued to apply measures to safeguard the health of its employees and their local communities while continuing to operate safely and responsibly. During 2022 operations have not been suspended, all mines have operated at normal production capacity. The Group incurred other production costs of US\$2.7 million (2021: US\$4.7 million) related to COVID-19 measures which include community support, the acquisition of additional personal protective equipment and other safety measures. These are presented in cost of sales.

During 2022 and 2021, attempts at containment of COVID-19 have resulted in decreased economic activity, which has adversely affected the broader global economy. 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 valuation of the Group's assets and liabilities, both financial and non-financial. As at 31 December 2022, there were no material changes to the valuation of the Group's asset and liabilities as a result of COVID-19.

(d) Foreign currency translation

The Group's consolidated financial statements are presented in US dollars, which is the Parent Company's functional currency. The functional currency for each entity in the Group is determined by the currency of the primary economic environment in which it operates. The determination of functional currency requires management judgement, particularly where there may be more than one currency in which transactions are undertaken and which impact the economic environment in which the entity operates. For all operating entities, this is US dollars.

Transactions denominated in currencies other than the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated into US dollars using the exchange rate at the date when the fair value is determined.

For entities with functional currencies other than US dollars as at the reporting date, assets and liabilities are translated into the reporting currency of the Group by applying the exchange rate at the balance sheet date and the income statement is translated at the average exchange rate for the year. The resulting difference on exchange is included as a cumulative translation adjustment in other comprehensive income. On disposal of an entity, the deferred cumulative amount recognised in other comprehensive income relating to that operation is recognised in the income statement.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment, if any. Cost comprises the purchase price and any costs directly attributable to bringing the asset into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

The cost less the residual value of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to cost of sales on a unit-of-production (UOP) basis for mine buildings and installations, plant and equipment used in the mine production process (except mobile equipment) or on a straight-line basis over the estimated useful life of the individual asset that are not related to the mine production process. Changes in estimates, which mainly affect unit-of-production calculations, are accounted for prospectively. Depreciation commences when assets are available for use. Land is not depreciated.

The average expected useful lives are as follows:

	Years
Buildings	8
Plant and equipment	10
Mining properties and development costs ¹	8
Other assets	4

¹ Depreciation of mining properties and development cost are determined using the unit-of-production method.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising at de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is de-recognised.

Non-current assets or disposal groups are classified as held for sale when it is expected that the carrying amount of the asset will be recovered principally through sale rather than through continuing use. Assets are not depreciated when classified as held for sale.

Disposal of assets

Gains or losses from the disposal of assets are recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title has been passed.

Mining properties and development costs

Payments for mining concessions are expensed during the exploration phase of a prospect and capitalised during the development of the project when incurred.

Purchased rights to ore reserves and mineral resources are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

Mining concessions, when capitalised, are amortised on a straight-line basis over the period of time in which benefits are expected to be obtained from that specific concession.

Mine development costs are capitalised as part of property, plant and equipment. Mine development activities commence once a feasibility study has been performed for the specific project. When an exploration prospect has entered into the advanced exploration phase and sufficient evidence of the probability of the existence of economically recoverable minerals has been obtained pre-operative expenses relating to mine preparation works are also capitalised as a mine development cost.

The initial cost of a mining property comprises its construction cost, any costs directly attributable to bringing the mining property into operation, the initial estimate of the provision for mine closure cost, and, for qualifying assets, borrowing costs. The Group cease the capitalisation of borrowing cost when the physical construction of the asset is complete and is ready for its intended use.

Ore generated as part of the development stage may be processed and sold, giving rise to revenue before the commencement of commercial production. Where such processing is necessary to bring mining assets into the condition required for their intended use (for example, in testing the plants at the mining unit in development), revenues from metals recovered from such activities are recognised in profit or loss.

Upon commencement of production, capitalised expenditure is depreciated using the unit-of-production method based on the estimated economically proven and probable reserves to which they relate.

Mining properties and mine development are stated at cost, less accumulated depreciation and impairment in value, if any.

Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. The cost of construction in progress is not depreciated.

Subsequent expenditures

All subsequent expenditure on property, plant and equipment is capitalised if it meets the recognition criteria, and the carrying amount of those parts that are replaced, is de-recognised. All other expenditure including repairs and maintenance expenditure is recognised in the income statement as incurred.

Stripping costs

In a surface mine operation, it is necessary to remove overburden and other waste material in order to gain access to the ore bodies (stripping activity). During development and pre-production phases, the stripping activity costs are capitalised as part of the initial cost of development and construction of the mine (the stripping activity asset) and charged as depreciation or depletion to cost of sales, in the income statement, based on the mine's units of production once commercial operations begin.

Removal of waste material normally continues throughout the life of a surface mine. At the time that saleable material begins to be extracted from the surface mine the activity is referred to as production stripping.

Production stripping cost is capitalised only if the following criteria are met:

- It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the Group;
- The Group can identify the component of an ore body for which access has been improved; and
- The costs relating to the improved access to that component can be measured reliably.

If not all of the criteria are met, the production stripping costs are charged to the income statement as operating costs as they are incurred.

Stripping activity costs associated with such development activities are capitalised into existing mining development assets, as mining properties and development cost, within property, plant and equipment, using a measure that considers the volume of waste extracted compared with expected volume, for a given volume of ore production. This measure is known as "component stripping ratio", which is revised annually in accordance with the mine plan. The amount capitalised is subsequently depreciated over the expected useful life of the identified component of the ore body related to the stripping activity asset, by using the units of production method. The identification of components and the expected useful lives of those components are evaluated as new information of reserves and resources is available. Depreciation is recognised as cost of sales in the income statement.

The capitalised stripping activity asset is carried at cost less accumulated depletion/depreciation, less impairment, if any. Cost includes the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. The costs associated with incidental operations are excluded from the cost of the stripping activity asset.

(f) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. At each reporting date, an assessment is made to determine whether there are any indicators of impairment. If there are indicators of impairment, an exercise is undertaken to determine whether carrying values are in excess of their recoverable amount. Such reviews are undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of those from other assets or groups of assets, and then the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset at the recoverable amount in the balance sheet. Impairment losses are recognised in the income statement.

The recoverable amount of an asset

The recoverable amount of an asset is the greater of its value in use and fair value less costs of disposal. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows used to determine the recoverable amount of mining assets are based on the mine plan for each mine. The mine plan is determined based on the estimated and economically proven and probable reserves, as well as certain other resources that are assessed as highly likely to be converted into reserves. Fair value less cost of disposal is based on an estimate of the amount that the Group may obtain in an orderly sale transaction between market participants. For an asset that does not generate cash inflows largely independently of those from other assets, or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversal of impairment

An assessment is made each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in previous years. Such impairment loss reversal is recognised in the income statement.

(g) Financial assets and liabilities

Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost.
- those to be measured subsequently at fair value through OCI, and.
- those to be measured subsequently at fair value through profit or loss.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Classification

The Group holds the following financial assets:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

The Group's financial assets at amortised cost include receivables (other than trade receivables which are measured at fair value through profit and loss).

Equity instruments designated as fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised 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, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

The Group's trade receivables and derivative financial instruments, including the Silverstream contract, are classified as fair value through profit or loss.

De-recognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables (other than trade receivables which are measured at FVPL), the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

The Group classifies its financial liabilities as follows:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Classification

For purposes of subsequent measurement, financial liabilities held by the Group are classified as financial liabilities as amortised cost.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(h) Inventories

Finished goods, work in progress and ore stockpile inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method based on cost of production which excludes borrowing costs.

For this purpose, the costs of production include:

- personnel expenses, which include employee profit sharing;
- materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- the depreciation of property, plant and equipment used in the extraction and processing of ore; and
- related production overheads (based on normal operating capacity).

Work in progress inventory comprises ore in leaching pads as processing is required to extract benefit from the ore. The recovery of gold is achieved through the heap leaching process. The leaching process may take months to obtain the expected metal recovery and mainly depends on the continuity of the leaching process. When the ore in leaching pads is in active leaching, it is classified as current. When the leaching process has stopped and not expected to restart within twelve months, ore in the leaching pads affected is classified as non-current.

Operating materials and spare parts are valued at the lower of cost or net realisable value. An allowance for obsolete and slow-moving inventories is determined by reference to specific items of stock. A regular review is undertaken by management to determine the extent of such an allowance.

Net realisable value is the estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

(i) Cash and cash equivalents

For the purposes of the balance sheet, cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. Short-term deposits earn interest at the respective short-term deposit rates between one day and three months.

(j) Provisions

Mine closure cost

A provision for mine closure cost is made in respect of the estimated future costs of closure, restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) based on a mine closure plan, in the accounting period when the related environmental disturbance occurs. The provision is discounted and the unwinding of the discount is included within finance costs. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future economic benefit and is depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis by the Group for changes in cost estimates, discount rates or life of operations. Changes to estimated future costs are recognised in the balance sheet by adjusting the mine closure cost liability and the related asset originally recognised. If, for mature mines, the revised mine assets net of mine closure cost provisions exceed the recoverable value, the portion of the increase is charged directly as an expense. For closed sites, changes to estimated costs are recognised immediately in profit or loss.

(k) Employee benefits

The Group operates the following plans for its employees based on Mexico:

Defined benefit pension plan

This funded plan is based on each employee's earnings and years of service. This plan was open to all employees in Mexico until it was closed to new entrants on 1 July 2007. The plan is denominated in Mexican Pesos. For members as at 30 June 2007, benefits were frozen at that date subject to indexation with reference to the Mexican National Consumer Price Index (NCPI).

The present value of defined benefit obligations under the plan is determined using the projected unit credit actuarial valuation method and prepared by an external actuarial firm as at each year-end balance sheet date. The discount rate is the yield on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Actuarial gains or losses are recognised in OCI and permanently excluded from profit or loss.

Past service costs are recognised when the plan amendment or curtailment occurs and when the entity recognises related restructuring costs or termination benefits.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Net interest cost is recognised within finance cost and return on plan assets (other than amounts reflected in net interest cost) is recognised in OCI and permanently excluded from profit or loss.

Defined contribution pension plan

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. The contributions are based on the employee's salary.

This plan started on 1 July 2007 and it is voluntary for all employees to join this scheme.

Seniority premium for voluntary separation

This unfunded plan corresponds to an additional payment over the legal seniority premium equivalent to approximately 12 days of salary per year for those unionised workers who have more than 15 years of service. Non-unionised employees with more than 15 years of service have the right to a payment equivalent to 12 days for each year of service. For both cases, the payment is based on the legal current minimum salary.

The cost of providing benefits for the seniority premium for voluntary separation is determined using the projected unit credit actuarial valuation method and prepared by an external actuarial firm as at each year-end balance sheet date. Actuarial gains or losses are recognised as income or expense in the period in which they occur.

Other

Benefits for death and disability are covered through insurance policies.

Termination payments for involuntary retirement (dismissals) are charged to the income statement, when incurred.

(l) Employee profit sharing

In accordance with the Mexican legislation, companies in Mexico are subject to pay for employee profit sharing ('PTU') equivalent to ten percent of the taxable income of each fiscal year capped to three months of salary or average of the profit sharing paid in the last three years.

PTU is accounted for as employee benefits and is calculated based on the services rendered by employees during the year, considering their most recent salaries. The liability is recognised as it accrues and is charged to the income statement. PTU, paid in each fiscal year, is deductible for income tax purposes.

(m) Leases

Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments that are not linked to price changes due to changes in a market rate or the value of an index and are linked to future performance or use of an underlying asset are not included in the measurement of the lease liability. Such cost are recognized in profit and loss as incurred.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

(n) Revenue from contracts with customers

Revenue is recognised when control of goods or services transfers to the customer based on the performance obligations settle in the contracts with customers.

Sale of goods

Revenue associated with the sale of concentrates, doré, slag, precipitates and activated carbon (the products) is recognized when control of the asset sold is transferred to the customer. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risk and rewards and customer acceptance. This generally occurs when the goods are delivered to the customer's smelter or refinery agreed with the buyer; at which point the buyer controls the goods. Inventory in transit to the smelter or refinery does not represent a significant proportion of total revenue at the end of the reporting period given the distance to the mine units.

The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received in the expected month of settlement and the Group's estimate of metal quantities based on assay data, and a corresponding trade receivable is recognised. Any future changes that occur before settlement are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15.

Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement. These subsequent changes in fair value are recognised in revenue but separately from revenue from contracts with customers.

Sales contracts with our customer establish that for products other than refined silver and gold, refining and treatment charges are deducted from revenue from sales of products. Refining and treatment charges represent an element of the cost that will be incurred by our customer in processing the products further to extract the metal content for onward sale to its customers.

(o) Exploration expenses

Exploration activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration expenses are charged to the income statement as incurred and are recorded in the following captions:

Cost of sales: costs relating to in-mine exploration, that ensure continuous extraction quality and extend mine life, and

Exploration expenses:

- Costs incurred in geographical proximity to existing mines in order to replenish or increase reserves, and
- Costs incurred in regional exploration with the objective of locating new ore deposits in Mexico and Latin America and which are identified by project.
- Costs incurred are charged to the income statement until there is sufficient probability of the existence of economically recoverable minerals and a feasibility study has been performed for the specific project from which time further expenses are capitalised as exploration costs on balance sheet as Property, plant and equipment.

(p) Selling expenses

The Group recognises in selling expenses a levy in respect of the Extraordinary Mining Right as sales of gold and silver are recognised. The Extraordinary Mining Right consists of a 0.5% rate, applicable to the owners of mining titles. The payment must be calculated over the total sales of all mining concessions. The payment of this mining right must be remitted no later than the last business day of March of the following year and can be credited against corporate income tax.

The Group also recognises in selling expenses a discovery premium royalty equivalent to 1% of the value of the mineral extracted and sold during the year from certain mining titles granted by the Mexican Geological Survey (SGM) in the San Julian mine. The premium is settled to SGM on a quarterly basis.

(q) Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country the Group operates.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit loss; and

in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

where the deferred income tax asset relating to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in other comprehensive income is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Mining Rights

The Special Mining Right is considered an income tax under IFRS and states that the owners of mining titles and concessions are subject to pay an annual mining right of 7.5% of the profit derived from the extractive activities (See note 11 (e)). The Group recognises deferred tax assets and liabilities on temporary differences arising in the determination of the Special Mining Right (See note 11).

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(r) Derivative financial instruments and hedging

The Group uses derivatives to reduce certain market risks derived from changes in foreign exchange and commodities price which impact its financial and business transactions. Hedges are designed to protect the value of expected production against the dynamic market conditions.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the item is more than 12 months.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement as finance income or finance cost respectively.

Derivatives are valued using valuation approaches and methodologies (such as Black Scholes and Net Present Value) applicable to the specific type of derivative instrument. The fair value of forward currency and commodity contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles, European foreign exchange options are valued using the Black Scholes model. The Silverstream contract is valued using a Net Present Value valuation approach.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of derivative instruments is recorded as in other comprehensive income and are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. For gains or losses related to the hedging of foreign exchange risk these are included, in the line item in which the hedged costs are reflected. Where the hedged item is the cost of a non-financial asset or liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. The ineffective portion of changes in the fair value of cash flow hedges is recognised directly as finance costs, in the income statement of the related period.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss recognised directly in other comprehensive income from the period that the hedge was effective remains separately in other comprehensive income until the forecast transaction occurs, when it is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

When hedging with options, the Group designates only the intrinsic value movement of the hedging option within the hedge relationship. The time value of the option contracts is therefore excluded from the hedge designation. In such cases, changes in the time value of options are initially recognised in OCI as a cost of hedging. Where the hedged item is transaction related, amounts initially recognised in OCI related to the change in the time value of options are reclassified to profit or loss or as a basis adjustment to non-financial assets or liabilities upon maturity of the hedged item, or, in the case of a hedged item that realises over time, the amounts initially recognised in OCI are amortised to profit or loss on a systematic and rational basis over the life of the hedged item.

When hedging with forward contracts, the forward element is included in the designation of the financial instrument. Therefore, there is no cost of hedging in relation to forward contracts.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes 12 or more months to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(t) Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in notes 30 and 30 (b).

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 to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Further information on fair values is described in note 30.

(u) Dividend distribution

Dividends on the Company's ordinary shares are recognised when they have been appropriately authorised and are no longer at the Company's discretion. Accordingly, interim dividends are recognised when they are paid and final dividends are recognised when they are declared following approval by shareholders at the Company's Annual General Meeting.

3. Segment reporting

For management purposes, the Group is organised into operating segments based on producing mines.

At 31 December 2022, the Group has seven reportable operating segments as follows:

The Fresnillo mine, located in the state of Zacatecas, an underground silver mine;

The Saucito mine, located in the state of Zacatecas, an underground silver mine;

The Ciénega mine, located in the state of Durango, an underground gold mine;

The Herradura mine, located in the state of Sonora, a surface gold mine;

The Noche Buena mine, located in state of Sonora, a surface gold mine;

The San Julian mine, located on the border of Chihuahua / Durango states, an underground silver-gold mine, and

The Juanicipio mine, in the State of Zacatecas, an underground silver mine.¹

¹ The Juanicipio mine is now considered as a segment due to the commencement of its operations and its contribution to the Group's revenues and segment profit. Accordingly, the comparative segment information has been restated to reflect this change.

The operating performance and financial results for each of these mines are reviewed by management. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information.

Management monitors the results of its operating segments separately for the purpose of performance assessment and making decisions about resource allocation. Segment performance is evaluated without taking into account certain adjustments included in Revenue as reported in the consolidated income statement, and certain costs included within Cost of sales and Gross profit which are considered to be outside of the control of the operating management of the mines. The table below provides a reconciliation from segment profit to Gross profit as per the consolidated income statement. Other income and expenses included in the consolidated income statement are not allocated to operating segments. Transactions between reportable segments are accounted for on an arm's length basis similar to transactions with third parties.

In 2022 and 2021, all revenue was derived from customers based in Mexico.

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2022 and 2021, respectively. Revenues for the year ended 31 December 2022 and 2021 include those derived from contracts with costumers and other revenues, as showed in note 5.

US\$ thousands	Year ended 31 December 2022									Total
	Fresnillo	Herradura	Cienega	Saucito	Noche		Juanicipio ⁴	Other ⁵	Adjustments and eliminations	
					Buena	San Julian				
Revenues:										
Third party ¹	503,759	634,438	169,504	594,250	142,733	392,084			(3,778)	2,432,990
Inter-segment							215,736	148,362	(364,098)	-
Segment revenues	503,759	634,438	169,504	594,250	142,733	392,084	215,736	148,362	(367,876)	2,432,990
Segment profit²	197,043	127,919	39,551	197,791	44,436	190,842	154,544	106,275	(12,203)	1,046,198
Depreciation and amortisation										(500,569)
Employee profit sharing										(9,609)
Gross profit as per the income statement										536,020
Capital expenditure ³	106,579	105,322	47,019	117,989	424	64,490	149,629	677	-	592,129

1 Adjustments and eliminations correspond to hedging loss (note 5).

2 Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing. Segment profit for Fresnillo and Saucito considers the sales and the corresponding processing cost of the ore from Juanicipio.

3 Capital expenditure represents the cash outflow including interest capitalised in respect of additions to property, plant and equipment, such as mine development, construction of leaching pads, and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include stripping cost at Herradura mine and purchase of mobile equipment at Juanicipio and Saucito mines.

4 The ore production of Juanicipio mine has been processed through Fresnillo and Saucito facilities.

5 Other inter-segment revenue corresponds to leasing services provided by Minera Bermejil, S.A. de C.V.; capital expenditure mainly corresponds to Minera Bermejil, S. de R.L. de C.V.

Year ended 31 December 2021

US\$ thousands	Fresnillo	Herradura	Cienega	Saucito	Noche		Juanicipio ⁴	Other ⁵	Adjustments and eliminations	Total
					Buena	San Julian				
Revenues:										
Third party ¹	493,582	769,896	215,623	547,294	168,849	509,247			(1,396)	2,703,095
Inter-segment							75,393	72,334	(147,727)	-
Segment revenues	493,582	769,896	215,623	547,294	168,849	509,247	75,393	72,334	(149,123)	2,703,095
Segment profit²	224,558	285,354	106,498	321,349	77,158	322,734	60,473	83,533	(4,800)	1,476,857
Foreign exchange hedging losses										3,827
Depreciation and amortisation										(528,206)
Employee profit sharing										(15,553)
Gross profit as per the income statement										936,925
Capital expenditure ³	108,335	54,371	45,392	101,160	381	40,922		241,491	-	592,052

¹ Adjustments and eliminations correspond to hedging loss (note 5).

² Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing. Segment profit for Fresnillo and Saucito considers the sales and the corresponding processing cost of the ore from Juanicipio.

³ Capital expenditure represents the cash outflow including interest capitalised in respect of additions to property, plant and equipment, such as mine development, construction of leaching pads and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include the construction of the leaching plant at Fresnillo and the facilities of the Juanicipio mine.

⁴ The ore production of Juanicipio mine has been processed through Fresnillo and Saucito facilities.

⁵ Other inter-segment revenue corresponds to leasing services provided by Minera Bermejil, S.A. de C.V.; capital expenditure mainly corresponds to Minera Bermejil, S. de R.L. de C.V.

4. Group information

The list of the Company's subsidiaries included in the consolidated financial statements and its principal activities are shown in Note 5 on the Parent Company's separate financial statements.

(a) Material partly-owned subsidiaries

The table below shows the detail of non-wholly owned subsidiaries of the Group that have non-controlling interests:

	Portion of ownership interest held by non-controlling interest		Profit (loss) allocated to non-controlling interest		Accumulated non-controlling interest	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	Minera Juanicipio, S. A. de C.V.	44%	44%	31,398	15,621	160,046
Equipos Chaparral, S. A. de C.V.	44%	44%	5,105	249	69,561	54,122
Other subsidiaries with non-controlling interests not considered to be material	-	-	(109)	1,417	1,599	1,684

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. Figures are presented in thousands of US dollars unless otherwise indicated.

Summarised income statement for the year ended 31 December 2022 and 2021

	Minera Juanicipio, S. A. de C.V.		Equipos Chaparral, S. A. de C.V.	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Revenue	215,736	75,393	-	-
Profit before income tax	100,635	56,706	5,390	146
Income tax (charge)/credit	(29,277)	(21,205)	6,212	421
Profit for the year for continuing operations	71,358	35,501	11,602	567
Other comprehensive (loss)/income	(248)	(38)	31	455
Total comprehensive income	71,110	35,463	11,633	1,022
Attributable to non-controlling interests	,31,288	15,604	5,119	449
Dividends paid to non-controlling interests	-	-	-	-

Summarised statement of financial position as at 31 December 2022 and 2021

	Minera Juanicipio, S. A. de C.V.		Equipos Chaparral, S. A. de C.V.	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Current				
Assets	77,596	90,086	13,226	35,911
Liabilities	80,984	284,340	31,299	44,651
Total current net assets/(liabilities)	(3,388)	(194,254)	(18,073)	(8,740)
Non-current				
Assets	630,418	486,849	202,263	131,745
Liabilities	263,290	-	26,097	-
Total non-current net assets	367,128	486,849	176,166	131,745
Net assets	363,740	292,595	158,093	123,005
Attributable to:				
Equity holders of parent	203,694	163,853	88,532	68,883
Non-controlling interest	160,046	128,742	69,561	54,122

Summarised cash flow information for the year ended 31 December 2022 and 2021

	Minera Juanicipio, S. A. de C.V.		Equipos Chaparral, S. A. de C.V.	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Operating	127,113	55,540	(28,354)	-
Investing	(115,961)	(254,830)	261	-
Financing	(24,777)	166,480	23,663	-
Net decrease in cash and cash equivalents	(13,625)	(32,810)	(4,430)	-

5. Revenues

Revenues reflect the sale of goods, being concentrates, doré, slag, precipitates and activated carbon of which the primary contents are silver, gold, lead and zinc.

(a) Revenues by source

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Revenues from contracts with customers	2,440,063	2,705,720
Revenues from other sources:		
Provisional pricing adjustment on products sold	(3,302)	(1,274)
Hedging loss on sales	(3,771)	(1,351)
	2,432,990	2,703,095

(b) Revenues by product sold

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Lead concentrates (containing silver, gold, lead and by-products)	1,090,735	1,157,623
Doré and slag (containing gold, silver and by-products)	648,002	806,289
Zinc concentrates (containing zinc, silver and by-products)	326,912	346,892
Precipitates (containing gold and silver)	238,171	259,835
Activated carbon (containing gold, silver and by-products)	129,170	132,456
	2,432,990	2,703,095

(c) Value of metal content in products sold

Invoiced revenues are derived from the value of metal content which is determined by commodity market prices and adjusted for the treatment and refining charges to be incurred by the metallurgical complex of our customer. The value of the metal content of the products sold, before treatment and refining charges is considered as an alternative performance measure for the Group. The Group considers this a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices. The value of production sold by metal is as follows:

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Silver	1,089,189	1,163,879
Gold	1,114,168	1,305,277
Zinc	283,453	259,987
Lead	106,640	117,448
Value of metal content in products sold	2,593,450	2,846,591
Refining and treatment charges	(160,460)	(143,496)
Total revenues ¹	2,432,990	2,703,095

¹ Includes provisional price adjustments which represent changes in the fair value of trade receivables resulting in a loss of US\$3.3 million (2021: loss of US\$1.2 million) and hedging loss of US\$3.8 million (2021: loss of US\$1.4 million). For further detail, refer to note 2(n).

The average realised prices for the gold and silver content of products sold, prior to the deduction of treatment and refining charges, were:

	Year ended 31 December	
	2022 US\$ per ounce	2021 US\$ per ounce
Gold ²	1,799.26	1,794.96
Silver ²	21.72	24.87

² For the purpose of the calculation, revenue by content of products sold does not include the results from hedging.

6. Cost of sales

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Depreciation and amortisation	500,569	528,206
Contractors	367,003	403,568
Energy	231,505	233,667
Operating materials	269,720	221,773
Maintenance and repairs	252,907	199,264
Personnel expenses (note 8)	175,508	135,758
Mine equipment leased ¹	48,991	-
Mining concession rights and contributions	22,044	20,266
Surveillance	18,741	9,832
Insurance	11,069	9,628
Freight	11,843	8,433
IT services	11,401	6,034
Other	34,675	22,250
Cost of production	1,955,976	1,798,679
Unabsorbed production costs ²	2,592	956
Gain on foreign currency hedges	-	(3,827)
Change in work in progress and finished goods (ore inventories)	(61,598)	(29,638)
	1,896,970	1,766,170

¹ Corresponds to mine equipment leased to contractors, the lease payments are based on a variable rate linked to the usage of the assets.

² Corresponds to costs incurred in Juanicipio plant activities (note 2 (c)) (2021: Corresponds to production cost incurred in Minera San Julian as a result of a plant stoppage).

7. Exploration expenses

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Contractors	111,981	89,842
Mining concession rights and contributions	25,570	21,790
Administrative services	2,086	4,614
Personnel expenses (note 8)	10,779	6,425
Assays	6,269	1,783
Rentals	603	468
Other	8,502	5,369
	165,790	130,291

These exploration expenses were mainly incurred in the operating mines located in Mexico; the Guanajuato, Orisyvo and Valles projects; and the Mexico Nuevo and Tajitos prospects. Exploration expenses of US\$17.9 million (2021: US\$14.5 million) were incurred in the year on projects located in Peru and Chile.

The following table sets forth liabilities (generally trade payables) corresponding to exploration activities of the Group companies engaged only in exploration, principally Exploraciones Mineras Parreña, S.A. de C.V.

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Liabilities related to exploration activities	70	348

The liabilities related to exploration activities recognised by the Group operating companies are not included since it is not possible to separate the liabilities related to exploration activities of these companies from their operating liabilities.

Cash flows relating to exploration activities are as follows:

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Operating cash out flows related to exploration activities	166,068	130,915

8. Personnel expenses

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Salaries and wages	87,534	66,488
Statutory healthcare and housing contributions	32,856	23,771
Employees' profit sharing	9,841	16,662
Other benefits	26,458	18,679
Bonuses	19,752	14,906
Social security	257	5,777
Post-employment benefits	8,792	4,300
Vacations and vacations bonus	5,448	3,262
Training	3,749	2,867
Legal contributions	4,202	2,130
Other	3,451	4,028
	202,340	162,870

(a) Personnel expenses are reflected in the following line items:

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Cost of sales (note 6)	175,508	135,758
Administrative expenses	16,053	20,687
Exploration expenses (note 7)	10,779	6,425
	202,340	162,870

(b) The monthly average number of employees during the year was as follows:

	Year ended 31 December	
	2022 No.	2021 No.
Mining	3,967	2,883
Plant	1,074	1,032
Exploration	265	432
Maintenance	1,382	1,259
Administration and other	1,237	1,062
Total	7,925	6,668

9. Other operating income and expenses

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Other income:		
Gain on sale of property, plant and equipment and other assets	-	5,026
Layback Agreement (note 2 (c))	67,182	-
Rentals	767	1,802
Other	3,911	5,086
	71,860	11,914

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Other expenses:		
Write-off of assets ¹	11,315	-
Maintenance ²	2,939	3,663
Donations	8,794	538
Environmental activities ³	2,997	4,813
Saucito rehabilitation cost for mine flood	-	4,803
Cost of insurance claims	4,246	1,422
Consumption tax expensed	2,073	1,183
Other	6,391	6,824
	38,755	23,246

1 Mainly correspond to mobile equipment damage and mining works collapsed

2 Costs relating to the rehabilitation of the facilities of Compañía Minera las Torres, S.A. de C.V. (a closed mine).

3 Main activities were related with the evaluation of improvement in tailing dams in Fresnillo and Cienega and closure activities in the San Ramon satellite mine (closed at the end of 2020) (2021: main activities were related with the evaluation of improvement in tailing dams in Fresnillo and Cienega)

10. Finance income and finance costs

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Finance income:		
Interest on short-term deposits and investments	20,956	5,167
Interest on tax receivables	4,507	3,637
Other	997	70
	26,460	8,874
Finance costs:		
Interest on interest-bearing loans and notes payables	51,395	48,888
Interest on tax amendments (Note 11)	11,519	-
Interest on lease liabilities	720	504
Unwinding of discount on provisions	15,243	11,522
Other	2,744	836
	81,621	61,750

11. Income tax expense

a) Major components of income tax expense:

	Year ended 31 December	
	2022	2021
	US\$ thousands	US\$ thousands
Consolidated income statement:		
Corporate income tax		
Current:		
Income tax charge	134,896	268,945
Amounts under provided in previous years	(1,710)	7,696
	133,186	276,641
Deferred:		
Origination and reversal of temporary differences	(206,196)	(120,043)
Revaluation effects of Silverstream contract	5,636	(125)
	(200,560)	(120,168)
Corporate income tax	(67,374)	156,473
Special mining right		
Current:		
Special mining right charge (note 11 (e))	38,230	53,147
Amounts under provided in previous years	1,954	363
	40,184	53,510
Deferred:		
Origination and reversal of temporary differences	(32,530)	(36,947)
Special mining right	7,654	16,563
Income tax expense reported in the income statement	(59,720)	173,036

	Year ended 31 December	
	2022	2021
	US\$ thousands	US\$ thousands
Consolidated statement of comprehensive income:		
Deferred income tax (charge)/credit related to items recognised directly in other comprehensive income:		
Gain on cash flow hedges recycled to income statement	(1,131)	743
Changes in fair value of cash flow hedges	(184)	298
Changes in the fair value of cost of hedges	414	1,619
Changes in fair value of equity investments at FVOCI	1,714	14,415
Remeasurement losses on defined benefit plans	114	(908)
Income tax effect reported in other comprehensive income	927	16,167

Following conversations held by the Company with the Servicio de Administracion Tributario (SAT) regarding its income tax audits for the year 2014, 2015 and 2016 at Desarrollos Mineros Fresne, the Group decided to voluntarily amend the income tax and mining right's treatment of: (i) the stripping costs, and (ii) the deduction of exploration expenses.

These amendments were applied to tax returns from 2014 to 2021 (for the year 2021 the amendment also included Minera Penmont as the merging entity of Desarrollos Mineros Fresne) and resulted in an increase in the current corporate income tax charge of US\$ 3.2 million and current special mining right charge of US\$2.7 million and a recoverable income tax balance of US\$ 3.2 million. This effect was offset by a decrease in deferred corporate income tax of US\$3.4 million. The amendment also resulted in US\$11.5 million of interest and surcharges presented in finance costs.

(b) Reconciliation of the income tax expense at the Group's statutory income rate to income tax expense at the Group's effective income tax rate:

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Accounting profit before income tax	248,571	611,532
Tax at the Group's statutory corporate income tax rate 30.0%	74,571	183,460
Expenses not deductible for tax purposes	7,045	3,442
Inflationary uplift of the tax base of assets and liabilities	(62,666)	(49,389)
Current income tax (over)/underprovided in previous years	3,107	1,569
Exchange rate effect on tax value of assets and liabilities ¹	(72,888)	32,078
Non-taxable/non-deductible foreign exchange effects	1,167	1,892
Inflationary uplift of tax losses	(7,843)	(4,165)
Inflationary uplift on tax refunds	(1,352)	(1,732)
Incentive for Northern Border Zone	(17,491)	(10,077)
Deferred tax asset not recognised	7,893	6,465
Special mining right deductible for corporate income tax	(2,296)	(4,969)
Other	3,379	(2,101)
Corporate income tax at the effective tax rate of (27.1%) (2021: 25.5%)	(67,374)	156,473
Special mining right	7,654	16,563
Tax at the effective income tax rate of (24.02%) (2021: 28.2%)	(59,720)	173,036

¹ Mainly derived from the tax value of property, plant and equipment.

The most significant items reducing the effect of effective tax rate are inflation effects, exchange rate and the incentive for Northern Border Zone. The future effects of inflation and exchange rate will depend on future market conditions.

(c) Movements in deferred income tax liabilities and assets:

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Opening net liability	(1,445)	(174,919)
Income statement credit arising on corporate income tax	200,560	120,168
Income statement credit arising on special mining right	32,530	36,947
Exchange difference	(4)	192
Net charge related to items directly charged to other comprehensive income	927	16,167
Closing net asset/(liability)	232,568	(1,445)

The amounts of deferred income tax assets and liabilities as at 31 December 2022 and 2021, considering the nature of the related temporary differences, are as follows:

	Consolidated balance sheet		Consolidated income statement	
	2022 US\$ thousands	2021 US\$ thousands	2022 US\$ thousands	2021 US\$ thousands
Related party receivables	(158,797)	(153,702)	5,095	(113,284)
Other receivables	(3,974)	(3,247)	727	(45)
Inventories	115,383	97,170	(18,213)	134,414
Prepayments	(2,423)	(2,872)	(449)	1,039
Derivative financial instruments including Silverstream contract	(147,887)	(153,111)	(6,125)	(14,352)
Property, plant and equipment arising from corporate income tax	142,241	(50,155)	(192,396)	(65,896)
Exploration expenses and operating liabilities	91,265	110,989	19,724	(49,890)
Other payables and provisions	74,162	78,092	3,930	(4,386)
Losses carried forward	117,689	90,439	(27,250)	(15,396)
Post-employment benefits	1,504	1,034	(356)	(38)
Deductible profit sharing	3,095	4,937	1,842	1,516
Special mining right deductible for corporate income tax	10,738	23,692	12,954	(2,037)
Equity investments at FVOCI	(16,937)	(20,554)	(1,903)	(975)
Other	(11,172)	(9,309)	1,860	9,161
Net deferred tax asset related to corporate income tax	214,887	13,403		
Deferred tax credit related to corporate income tax			(200,560)	(120,169)
Related party receivables arising from special mining right	(39,541)	(38,150)	1,391	9,368
Inventories arising from special mining right	28,685	21,332	(7,353)	(4,436)
Property plant and equipment arising from special mining right	7,887	(19,298)	(27,185)	(20,615)
Other	20,650	21,268	617	(21,264)
Net deferred tax (asset)/liability related to special mining rights	17,681	(14,848)		
Deferred tax credit			(233,090)	(157,116)
Reflected in the statement of financial position as follows:				
Deferred tax assets	343,688	67,300		
Deferred tax liabilities	(111,120)	(68,745)		
Net deferred tax asset/(liability)	232,568	(1,445)		

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same fiscal authority.

Based on management's internal forecast, a deferred tax asset of US\$117.7 million (2021: US\$90.4 million) has been recognised in respect of tax losses amounting to US\$391.6 million (2021: US\$301.5 million). If not utilised, US\$33.2 million (2021: US\$29.5 million) will expire within five years and US\$358.4 million (2021: US\$272.0 million) will expire between six and ten years. Of the total deferred tax asset related to losses, US\$34.4 million (2021: US\$23.3 million) is covered by the existence of taxable temporary differences, the remaining US\$83.3 million (2021: US\$67.1 million) corresponds to Fresnillo plc which maintained a deferred net asset position. The Group has performed an assessment of the recoverability of tax losses before their expiration, thus there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised.

The Group has further tax losses and other similar attributes carried forward of US\$91.9 million (2021: US\$72.6 million) on which no deferred tax is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits. Based on the applicable tax legislation the tax losses are not subject to expire.

(d) Unrecognised deferred tax on investments in subsidiaries

The Group has not recognised all of the deferred tax liability in respect of distributable reserves of its subsidiaries because it controls them and only part of the temporary differences is expected to reverse in the foreseeable future. The temporary differences for which a deferred tax liability has not been recognised aggregate to US\$1,006 million (2021: US\$1,056 million).

(e) Corporate Income Tax ('Impuesto Sobre la Renta' or 'ISR') and Special Mining Right ("SMR")

The Group's principal operating subsidiaries are Mexican residents for taxation purposes. The rate of current corporate income tax is 30%.

On 30 December 2018, the Decree of tax incentives for the northern border region of Mexico was published in the Official Gazette, which provided a reduction of income tax by a third and also a reduction of 50% of the value added tax rate, for taxpayers that produce income from business activities carried out within the northern border region. The tax incentives were applicable since 1 January 2019 and remained in force until 31 December 2020. On 30 December 2020 and extension of the Decree was published in the Official Gazette which remains in force until 31 December 2024. Some of the Group companies which produce income from business activities carried out within Caborca, Sonora, which is considered for purposes of the Decree as northern border region, applied for this Decree tax incentives before the Mexican tax authorities, and were granted authorization for income tax and value added tax purposes.

The special mining right "SMR" states that the owners of mining titles and concessions are subject to pay an annual mining right of 7.5% of the profit derived from the extractive activities and is considered as income tax under IFRS. For the fiscal year 2021 the SMR allows as a credit the 50% of payment of mining concessions rights up to the amount of SMR payable within the same legal entity. The 7.5% tax applies to a base of income before interest, annual inflation adjustment, taxes paid on the regular activity, depreciation and amortization, as defined by the new ISR. This SMR can be credited against the corporate income tax of the same fiscal year and its payment must be remitted no later than the last business day of March of the following year.

During the fiscal year ended 31 December 2022, the Group credited US\$0.00 million (2021: US\$11.5 million) of mining concession rights against the SMR. Total mining concessions rights paid during the year were US\$24.6 million (2021: US\$22.9 million) and have been recognised in the income statement within cost of sales and exploration expenses. Mining concessions rights paid in excess of the SMR cannot be credited to SMR in future fiscal periods, and therefore no deferred tax asset has been recognised in relation to the excess. Without regards to credits permitted under the SMR regime, the current special mining right charge would have been US\$38.3 million (2021: US\$64.6 million).

12. Earnings per share

Earnings per share ('EPS') is calculated by dividing profit for the year attributable to equity shareholders of the Company by the weighted average number of Ordinary Shares in issue during the period.

The Company has no dilutive potential Ordinary Shares.

As of 31 December 2022 and 2021, earnings per share have been calculated as follows:

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Earnings:		
Profit from continuing operations attributable to equity holders of the Company	271,897	421,209
Adjusted profit from continuing operations attributable to equity holders of the Company	258,747	421,500

Adjusted profit is profit as disclosed in the Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US\$18.8 million gain (US\$13.1 million net of tax) (2021: US\$0.4 million loss (US\$0.3 million net of tax)).

Adjusted earnings per share have been provided in order to provide a measure of the underlying performance of the Group, prior to the revaluation effects of the Silverstream contract, a derivative financial instrument.

	2022 thousands	2021 thousands
Number of shares:		
Weighted average number of Ordinary Shares in issue	736,894	736,894
	2022 US\$	2021 US\$
Earnings per share:		
Basic and diluted earnings per share	0.369	0.572
Adjusted basic and diluted earnings per Ordinary Share	0.351	0.572

13. Property, plant and equipment

	Year ended 31 December 2022 ³					
	Land and buildings	Plant and equipment ⁴	Mining properties and development costs	Other assets ²	Construction in progress	Total
						US\$ thousands
Cost						
At 1 January 2022	354,605	2,641,444	2,457,292	374,211	804,650	6,632,202
Additions	2,971	30,249	11,750	(16,947)	556,509	584,532
Disposals ⁵	(224)	(104,445)	(21,999)	(7,198)	-	(133,866)
Transfers and other movements	55,632	261,672	554,618	27,747	(899,669)	-
At 31 December 2022	412,984	2,828,920	3,001,661	377,813	461,490	7,082,868
Accumulated depreciation						
At 1 January 2022	(198,653)	(1,730,511)	(1,692,189)	(211,774)	-	(3,833,127)
Depreciation for the year ¹	(23,647)	(176,445)	(271,552)	(34,861)	-	(506,505)
Disposals ⁵	134	96,472	15,873	6,849	-	119,328
At 31 December 2022	(222,166)	(1,810,484)	(1,947,868)	(239,786)	-	(4,220,304)
Net book amount at 31 December 2022	190,818	1,018,436	1,053,793	138,027	461,490	2,862,564

¹ Depreciation for the year includes US\$501.8 million recognised as an expense in the income statement and US\$4.7 million, capitalised as part of construction in progress.

² From the additions in "other assets" category US\$(27.3) million corresponds to the reassessment of mine closure rehabilitations costs, see note 21.

³ Amounts include Right-of-use assets as described in note 25

⁴ The amount of Property, plant and equipment related to Soledad & Dipolos at 31 December 2022 is US\$35.6 million and reflects capitalised mining works and the amount recognised in the cost of Property plant and equipment related to estimated remediation and closure activities.

⁵ From the total net amount of disposals, US\$11.3 million correspond to a write of assets as disclosed in note 9.

	Year ended 31 December 2021 ³					Total
	Land and buildings	Plant and equipment ⁴	Mining properties and development costs	Other assets ²	Construction in progress	
	US\$ thousands					
Cost						
At 1 January 2021	342,021	2,385,252	2,408,327	356,055	677,035	6,168,690
Additions	8,059	154,908	98,192	12,661	351,614	625,434
Disposals	(134)	(9,555)	(151,807)	(426)	-	(161,922)
Transfers and other movements	4,659	110,839	102,580	5,921	(223,999)	-
At 31 December 2021	354,605	2,641,444	2,457,292	374,211	804,650	6,632,202
Accumulated depreciation						
At 1 January 2021	(171,175)	(1,540,185)	(1,571,948)	(177,185)	-	(3,460,493)
Depreciation for the year ¹	(27,489)	(199,392)	(271,573)	(34,965)	-	(533,419)
Disposals	11	9,066	151,332	376	-	160,785
At 31 December 2021	(198,653)	(1,730,511)	(1,692,189)	(211,774)	-	(3,833,127)
Net book amount at 31 December 2021	155,952	910,933	765,103	162,437	804,650	2,799,075

1 Depreciation for the year includes US\$529.4 million recognised as an expense in the income statement and US\$4.6 million, capitalised as part of construction in progress.

2 From the additions in "other assets" category US\$3.9 million corresponds to the reassessment of mine closure rehabilitations costs, see note 21.

3 Amounts include Right-of-use assets as described in note 25

4 The amount of Property, plant and equipment related to Soledad & Dipolos at 31 December 2021 is US\$35.4 million and reflects capitalised mining works and the amount recognised in the cost of Property plant and equipment related to estimated remediation and closure activities.

The table below details construction in progress by operating mine and development projects

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Saucito	80,566	85,926
Herradura	27,208	29,479
Noche Buena	9,583	9,685
Ciénega	53,204	38,976
Fresnillo	186,666	188,146
San Julián	34,203	17,304
Juancipio	67,228	425,513
Other ¹	2,832	9,621
	461,490	804,650

¹ Mainly corresponds to Minera Bermejal, S.A. de C.V. (2021: Minera Bermejal, S.A. de C.V.).

During the year ended 31 December 2022, the Group capitalised US\$8.6 million of borrowing costs within construction in progress (2021: US\$8.4 million). Borrowing costs were capitalised at the rate of 5.02% (2021: 5.02%).

Sensitivity analysis

The key assumptions on which management bases the recoverable value calculations of the mining assets are commodity prices, future capital requirements, production costs, reserves and resources volumes (reflected in production volumes) and discount rate.

Management considers that the recoverable value models support the carrying amounts of mining assets as at 31 December 2022. The models are most sensitive to changes in commodity price assumptions and production volumes.

Other than as disclosed below, management has considered no reasonably possible change in any other key assumption above would cause the carrying value of any of its mining assets to exceed its recoverable amount.

In the absence of any changes to any of the other key assumptions, a change in the below assumptions would have the following impact as at 31 December 2022:

- A decrease of 10% in gold and 15% in silver prices would result in an impairment charge of US\$318.6 million.
- A decrease of 10% in the forecasted volume of silver produced would result in an impairment charge of US\$128.0 million. A decrease of 10% in the forecasted volume of gold produced would not result in an impairment charge.

14. Silverstream contract

On 31 December 2007, the Group entered into an agreement with Peñoles through which the Group is entitled to receive the proceeds received by the Peñoles Group in respect of the refined silver sold from the Sabinas Mine ('Sabinas'), a base-metals mine owned and operated by the Peñoles Group, for an upfront payment of US\$350 million. In addition, a per ounce cash payment of \$2.00 in years one to five and \$5.00 thereafter (subject to an inflationary adjustment that commenced from 31 December 2013) is payable to Peñoles. The cash payment to Peñoles per ounce of silver for the year ended 31 December 2022 was \$5.54 per ounce (2021: \$5.43 per ounce). Under the contract, the Group has the option to receive a net cash settlement from Peñoles attributable to the silver produced and sold from Sabinas, to take delivery of an equivalent amount of refined silver or to receive settlement in the form of both cash and silver. If, by 31 December 2032, the amount of silver produced by Sabinas is less than 60 million ounces, a further payment is due from Peñoles of US\$1 per ounce of shortfall.

The Silverstream contract represents a derivative financial instrument which has been recorded at FVPL and classified within non-current and current assets as appropriate. The term of the derivative is based on Sabinas' life of mine which is currently 26 years. Changes in the contract's fair value, other than those represented by the realisation of the asset through the receipt of either cash or refined silver, are charged or credited to the income statement. In the year ended 31 December 2022 total proceeds received in cash were US\$33.4 million (2021: US\$49.0 million) of which, US\$4.8 million was in respect of proceeds receivable as at 31 December 2021 (2021: US\$7.7 million in respect of proceeds receivable as at 31 December 2020). Cash received in respect of the year of US\$28.5 million (2021: US\$41.3 million) corresponds to 2.06 million ounces of payable silver (2021: 2.4 million ounces). As at 31 December 2022, a further US\$8.3 million (2021: US\$4.8 million) of cash receivable corresponding to 453,158 ounces of silver is due (2021: 274,237 ounces).

A reconciliation of the beginning balance to the ending balance is shown below:

	2022 US\$ thousands	2021 US\$ thousands
Balance at 1 January	529,544	576,140
Cash received in respect of the year	(28,513)	(41,338)
Cash receivable	(8,342)	(4,842)
Remeasurement gains/(loss) recognised in profit and loss	18,785	(416)
Balance at 31 December	511,474	529,544
Less – Current portion	36,218	35,152
Non-current portion	475,256	494,392

The US\$18.8 million unrealised gain recorded in the income statement (31 December 2021: US\$0.4 million loss) resulted mainly from an update in the production mine plan with higher reserves, the amortization effect, and an increase in the forward silver price curve, these effects were partially offset by an increase in the discount rates (SOFR).

Significant assumptions used in the valuation of the Silverstream contract are as follows:

- Forecasted volumes (millions of ounces/moz)
 - Silver to be produced and sold over the life of mine 103.2 moz (2021: 97.4 moz)
 - Average annual silver to be produced and sold 4.0 moz (2021: 3.5 moz)
- Weighted average discount rate 9.82% (2021: 7.92%)
- Future silver prices (US\$ per ounce)

Year ended 31 December	Year 1	Year 2	Year 3	Year 4	Year 5	Long-term
2022	24.45	25.53	26.22	27.12	27.33	18.81
2021	22.54	22.19	21.90	21.63	21.39	18.51

The fair value of the Silverstream contract is determined using a valuation model including unobservable inputs (Level 3). This derivative has a term of over 26 years and the valuation model utilises several inputs that are not based on observable market data due to the nature of these inputs and/or the duration of the contract. Inputs that have a significant effect on the recorded fair value are the volume of silver that will be produced and sold from the Sabinas mine over the contract life, the future price of silver, future foreign exchange rates between the Mexican peso and US dollar, future inflation and the discount rate used to discount future cash flows.

The estimate of the volume of silver that will be produced and sold from the Sabinas mine requires estimates of the recoverable silver reserves and resources, the related production profile based on the Sabinas mine plan and the expected recovery of silver from ore mined. The estimation of these inputs is subject to a range of operating assumptions and may change over time. Estimates of reserves and resources are updated annually by Peñoles, the operator and sole interest holder in the Sabinas mine and provided to the Company. The production profile and estimated payable silver that will be recovered from ore mined is based on the operational mine plan, with certain amendments to reflect a basis that a market participant would consider, that is provided to the Company by Peñoles. The inputs assume no interruption in production over the life of the Silverstream contract and production levels which are consistent with those achieved in recent years.

Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs described above and determines their impact on the total fair value. The fair value of the Silverstream contract is significantly sensitive to a reasonably possible change in future silver price, the discount rate used to discount future cash flows and total recoverable resources and reserves over the life of mine. The sensitivity of these key inputs is as follows:

Year ended 31 December	Commodity price		Discount rate	
	Increase/ (decrease) in silver price	Effect on profit before tax: increase/ (decrease) US\$ thousands	Basis point increase/ (decrease) in interest rate	Effect on profit before tax: increase/ (decrease) US\$ thousands
2022	20%	133,736	100%	(41,860)
	(15%)	(100,302)	(25%)	11,452
2021	15%	104,419	25%	(13,219)
	(15%)	(104,419)	-	-

Management considers that an appropriate sensitivity for volumes produced and sold is on the total recoverable reserve and resource quantities over the contract term rather than annual production volumes over the mine life. Reasonably possible change in total recoverable resources and reserves quantities over the life of the mine of an increase of approximately 6% would result in an increase in the value of the contract of US\$30.6 million (a reduction of 6% in reserves and resources quantity would decrease the fair value of the contract by US\$30.6 million).

The significant unobservable inputs are not interrelated. The Sabinas mine is a polymetallic mine that contains copper, lead and zinc as well as silver, which is produced as a by-product. Therefore, changes to base metals prices (rather than the price of silver) are most relevant to the Sabinas mine production plans and the overall economic assessment of the mine.

The effects on profit before tax and equity of reasonably possible changes to the inflation rates and the US dollar exchange rate compared to the Mexican peso on the Silverstream contract are not material. The Group's exposure to reasonably possible changes in other currencies is not material.

15. Inventories

As at 31 December

	2022 US\$ thousands	2021 US\$ thousands
Finished goods ¹	27,257	19,137
Work in progress ²	375,603	344,805
Ore stockpile ³	26,020	3,234
Operating materials and spare parts	163,947	125,824
	592,827	493,000
Allowance for obsolete and slow-moving inventories	(5,463)	(5,196)
Balance as 31 December	587,364	487,804
Less - Current portion	495,744	396,184
Non-current portion⁴	91,620	91,620

¹ Finished goods include metals contained in concentrates and doré bars on hand or in transit to a smelter or refinery.

² Work in progress includes metals contained in ores on leaching pads for an amount of US\$307.6 million (2021: US\$316.6 million) and in stockpiles US\$58.8 million (2021: US\$28.2 million) that will be processed in dynamic leaching plants (note 2(c)).

³ Ore stockpile includes ore mineral obtained during the development phase at Juanicipio.

⁴ Non-current inventories relate to ore in leaching pads where the leaching process has stopped and is not expected to restart within twelve months. As at 31 December 2022 and 2021 non-current inventories corresponds to Soledad & Dipolos mine unit (note 2 (c)).

Concentrates are a product containing sulphides with variable content of precious and base metals and are sold to smelters and/or refineries. Doré is an alloy containing a variable mixture of gold and silver that is delivered in bar form to refineries. Activated carbon is a product containing variable mixture of gold and silver that is delivered in small particles.

The amount of inventories recognised as an expense in the year was US\$1,906.8 million (2021: US\$1,770.3 million). During 2022 and 2021, there was no adjustment to net realisable value allowance against work-in-progress inventory. The adjustment to the allowance for obsolete and slow-moving inventory recognised as an expense was US\$2.59 million (2021: US\$0.1 million).

16. Trade and other receivables

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Trade receivables from related parties (note 27)	275,844	265,473
Value Added Tax receivable	85,979	103,448
Other receivables from related parties (note 27)	8,377	4,886
Other receivables from contractors	52	27
Other receivables	8,697	11,478
Other receivables arising from the Layback Agreement (note 2 (c))	25,994	16,684
	404,943	401,996
Expected credit loss of 'Other receivables'	(444)	(572)
Trade and other receivables classified as current assets	404,499	401,424
Other receivables classified as non-current assets:		
Other receivable from contractors	1,638	-
Value Added Tax receivable	36,820	34,634
Other receivables arising from the Layback Agreement (note 2 (c))	-	23,914
Trade and other receivables classified as non-current assets	38,458	58,548
Total trade and other receivables	442,957	459,972

Trade receivables are shown net of any corresponding advances, are non-interest bearing and generally have payment terms of 46 to 60 days.

The total receivables denominated in US\$ were US\$311.7 million (2021: US\$315.6 million), and in Mexican pesos US\$131.2 million (2021: US\$144.4 million)

Balances corresponding to Value Added Tax receivables and US\$8.7 million within Other receivables (2021: US\$10.4 million) are not financial assets.

As of 31 December for each year presented, except for 'other receivables' in the table above, all trade and other receivables were neither past due nor credit-impaired. The amount past due and considered as credit-impaired as of 31 December 2022 is US\$0.4 million (2021: US\$0.6 million). Trade receivables from related parties and other receivables from related parties (see note 14) are classified as financial assets at FVTPL and are therefore not considered in the expected credit loss analysis. In determining the recoverability of receivables, the Group performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparty, see note 31(b).

17. Cash and cash equivalents

The Group considers cash and cash equivalents when planning its operations and in order to achieve its treasury objectives.

	As at 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Cash at bank and on hand	2,516	2,834
Short-term deposits	966,544	1,232,448
Cash and cash equivalents	969,060	1,235,282

Cash at bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short-term deposits can be withdrawn at short notice without any penalty or loss in value.

18. Equity

Share capital and share premium

Authorised share capital of the Company is as follows:

Class of share	As at 31 December			
	2022		2021	
	Number	Amount	Number	Amount
Ordinary Shares each of US\$0.50	1,000,000,000	\$500,000,000	1,000,000,000	\$500,000,000
Sterling Deferred Ordinary Shares each of £1.00	50,000	£50,000	50,000	£50,000

Issued share capital of the Company is as follows:

	Ordinary Shares		Sterling Deferred Ordinary Shares	
	Number	US\$	Number	£
At 1 January 2021	736,893,589	\$368,545,586	50,000	£50,000
At 31 December 2021	736,893,589	\$368,545,586	50,000	£50,000
At 31 December 2022	736,893,589	\$368,545,586	50,000	£50,000

As at 31 December 2022 and 2021, all issued shares with a par value of US\$0.50 each are fully paid. The rights and obligations attached to these shares are governed by law and the Company's Articles of Association. Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. There are no restrictions on the transfer of the Ordinary shares.

The Sterling Deferred Ordinary Shares only entitle the shareholder on winding up or on a return of capital to payment of the amount paid up after repayment to Ordinary Shareholders. The Sterling Deferred Ordinary Shares do not entitle the holder to payment of any dividend, or to receive notice or to attend and speak at any general meeting of the Company. The Company may also at its option redeem the Sterling Deferred Ordinary Shares at a price of £1.00 or, as custodian, purchase or cancel the Sterling Deferred Ordinary Shares or require the holder to transfer the Sterling Deferred Ordinary Shares. Except at the option of the Company, the Sterling Deferred Ordinary Shares are not transferrable.

Reserves

Share premium

This reserve records the consideration premium for shares issued at a value that exceeds their nominal value.

Capital reserve

The capital reserve arose as a consequence of the Pre-IPO Reorganisation as a result of using the pooling of interest method.

Hedging reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge, net of tax. When the hedged transaction occurs, the gain or the loss is transferred out of equity to the income statement or the value of other assets.

Cost of hedging reserve

The changes in the time value of option contracts are accumulated in the costs of hedging reserve. These deferred costs of hedging are either reclassified to profit or loss or recognised as a basis adjustment to non-financial assets or liabilities upon maturity of the hedged item, or, in the case of a hedge item that realises over time, amortised on a systematic and rational basis over the life of the hedged item.

Fair value reserve of financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2(g). These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial information of entities with a functional currency different to that of the presentational currency of the Group.

Retained earnings

This reserve records the accumulated results of the Group, less any distributions and dividends paid.

19. Dividends declared and paid

The dividends declared and paid during the years ended 31 December 2022 and 2021 are as follows:

	US cents per Ordinary Share	Amount US\$ thousands
Year ended 31 December 2022		
Final dividend for 2021 declared and paid during the year ¹	24.00	176,855
Interim dividend for 2022 declared and paid during the year ²	3.40	25,054
	27.4	201,909
Year ended 31 December 2021		
Final dividend for 2020 declared and paid during the year ³	23.50	173,170
Interim dividend for 2021 declared and paid during the year ⁴	9.90	72,952
	33.40	246,122

1 This dividend was approved by the Shareholders on 17 May 2022 and paid on 27 May 2022

2 This dividend was approved by the Board of Directors on 1 August 2022 and paid 14 September 2022

3 This dividend was approved by the Shareholders on 24 June 2021 and paid on 28 June 2021

4 This dividend was approved by the Board of Directors on 3 August 2021 and paid 15 September 2021

A reconciliation between dividend declared, dividends affected to retained earnings and dividend presented in the cash flow statements is as follows:

	Year ended 31 December	
	2022	2021
	US\$ thousands	US\$ thousands
Dividends declared	201,909	246,122
Foreign exchange effect	-	60
Dividends recognised in retained earnings	201,909	246,182
Foreign exchange and hedging effect	41	(621)
Dividends paid	201,950	245,561

As previously reported, in late 2019 the Directors became aware of a technical breach of the Companies Act 2006 (the Act) whereby certain dividends paid between 2011 and 2019 (the 'Historic Dividends') had been made without having filed interim accounts in accordance with the Act. The relevant interim accounts have now been filed with the Registrar of Companies and these show that the Company had sufficient distributable reserves at the point at which each of the Historic Dividends was paid. As a matter of prudence, in 2022 the Directors put forward a resolution to shareholders in order to regularise the position. The resolution was passed at the 2021 annual general meeting. This matter will have no effect on the monies received pursuant to these dividends and will not adversely impact shareholders or the Company. The Company therefore considers the matter closed.

The directors have proposed a final dividend of US\$13.3 cents per share, which is subject to approval at the annual general meeting and is not recognised as a liability as at 31 December 2022. Dividends paid from the profits generated from 1 January 2014 to residents in Mexico and to non-resident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Group.

20. Interest-bearing loans

Senior Notes

On 13 November 2013, the Group completed its offering of US\$800 million aggregate principal amount of 5.500% Senior Notes due November 2023 (the 5.500% Notes). On 29 September 2020, the Group repurchased certain of its 5.500% Notes that had a carrying value of US\$482.1 million for a consideration of US\$543.0 million.

On 2 October 2020, the Group completed its offering of US\$850 million aggregate principal amount of 4.250% Senior Notes due 2050. The proceeds were partially used to finance the repurchase mentioned above.

Movements in the year in the debt recognised in the balance sheet are as follows:

	As at 31 December	
	2022	2021
	US\$ thousands	US\$ thousands
Opening balance	1,157,545	1,156,670
Accrued interest	56,475	56,384
Interest paid ¹	(56,371)	(56,370)
Amortisation of discount and transaction costs	908	861
Closing balance	1,158,557	1,157,545
Less - Current portion	317,879	-
Non-current portion	840,678	1,157,545

¹ Interest is payable semi-annually on 13 May and 13 November for 5.500% senior notes and 2 April and 2 October for 4.250% senior notes.

The Group has the following restrictions derived from the issuance of all outstanding Senior Notes:

Change of control:

Should the rating of the senior notes be downgraded as a result of a change of control (defined as the sale or transfer of 35% or more of the common shares; the transfer of all or substantially all the assets of the Group; starting a dissolution or liquidation process; or the loss of the majority in the board of directors) the Group is obligated to repurchase the notes at an equivalent price of 101% of their nominal value plus the interest earned at the repurchase date, if requested to do so by any creditor.

Pledge on assets:

The Group shall not pledge or allow a pledge on any property that may have a material impact on business performance (key assets). Nevertheless, the Group may pledge the aforementioned properties provided that the repayment of the Notes keeps the same level of priority as the pledge on those assets.

21. Provision for mine closure cost

The provision represents the discounted values of the risk-adjusted estimated cost to decommission and rehabilitate the mines at the estimated date of depletion of mine deposits. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning, dismantling and reclamation alternatives, timing; the effects of climate change, and the discount, foreign exchange and inflation rates applied. Closure provisions are typically based on conceptual level studies that are refreshed at least every three years. As these studies are renewed, they incorporate greater consideration of forecast climate conditions at closure.

The Group has performed separate calculations of the provision by currency, discounting at corresponding rates. As at 31 December 2022, the discount rates used in the calculation of the parts of the provision that relate to Mexican pesos range from 10.08% to 10.62% (2021: range from 6.39% to 8.33%). The range for the current year parts that relate to US dollars range from 3.08% to 4.44% (2021: range from 0.57% to 1.40%).

Mexican regulations regarding the decommissioning and rehabilitation of mines are limited and less developed in comparison to regulations in many other jurisdictions. It is the Group's intention to rehabilitate the mines beyond the requirements of Mexican law, and estimated costs reflect this level of expense. The Group intends to fully rehabilitate the affected areas at the end of the lives of the mines.

The provision is expected to become payable at the end of the production life of each mine, based on the reserves and resources, which ranges from 1 to 22 years from 31 December 2022 (3 to 24 years from 31 December 2021). As at 31 December 2022 the weighted average term of the provision is 12 years (2021: 12 years).

As at 31 December

	2022 US\$ thousands	2021 US\$ thousands
Opening balance	260,307	245,688
Increase to existing provision	23,757	17,078
Effect of changes in discount rate	(63,061)	(7,821)
Unwinding of discount rate	15,243	11,622
Payments	(1,085)	(879)
Foreign exchange	12,046	(5,381)
Closing balance	247,207	260,307
Less - Current portion	4,827	3,351
Non-current portion	242,380	256,956

The provision is sensitive to changes in discount rates. Changes in market rates and risks not considered in the risk-adjusted cost estimates could change the discount rate. To illustrate the sensitivity of the provision to discounting, if the discount rate at 31 December 2022 decreased by 50 basis points then the provision would be US\$13.0 million higher (2021: US\$43.4 million). If the discount rate increased by 50 basis points then the provision would be US\$12.0 million lower (2021: US\$27.2 million).

22. Pensions and other post-employment benefit plans

The Group has a defined contribution plan and a defined benefit plan.

The defined contribution plan was established as from 1 July 2007 and consists of periodic contributions made by each Mexican non-unionised worker and contributions made by the Group to the fund matching workers' contributions, capped at 8% of the employee's annual salary.

The defined benefit plan provides pension benefits based on each worker's earnings and years of services provided by personnel hired up to 30 June 2007 as well as statutory seniority premiums for both unionised and non-unionised workers.

The overall investment policy and strategy for the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits and statutory seniority premiums for non-unionised workers as they fall due while also mitigating the various risks of the plan. However, the portion of the plan related to statutory seniority premiums for unionised workers is not funded. The investment strategies for the plan are generally managed under local laws and regulations. The actual asset allocation is determined by current and expected economic and market conditions and in consideration of specific asset class risk in the risk profile. Within this framework, the Group ensures that the trustees consider how the asset investment strategy correlates with the maturity profile of the plan liabilities and the respective potential impact on the funded status of the plan, including potential short-term liquidity requirements.

Death and disability benefits are covered through insurance policies.

The following tables provide information relating to changes in the defined benefit obligation and the fair value of plan assets:

	Pension cost charge to income statement					Remeasurement gains/(losses) in OCI					Balance at		
	Balance at 1 January 2022	Service cost	Net interest	Foreign exchange	Sub-total recognised in the year	Benefits paid	Return on plan assets (excluding amounts included in net interest	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Sub-total included in OCI ¹	Contributions by employer	Defined benefit decrease due to personnel transfer	December 2022
	US\$ thousands												
Defined benefit obligation	(25,673)	(1,260)	(1,826)	(1,651)	(4,737)	2,065			1,894	1,894		437	(26,014)
Fair value of plan assets	19,167		1,333	1,160	2,493	(2,065)	(2,615)			(2,615)	-	(428)	16,552
Net benefit liability	(6,506)	(1,260)	(493)	(491)	(2,244)	-	(2,615)		1,894	(721)		9	(9,462)

	Pension cost charge to income statement					Remeasurement gains/(losses) in OCI					Balance at		
	Balance at 1 January 2021	Service cost	Net interest	Foreign exchange	Sub-total recognised in the year	Benefits paid	Return on plan assets (excluding amounts included in net interest	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Sub-total included in OCI ¹	Contributions by employer	Defined benefit decrease due to personnel transfer	December 2021
	US\$ thousands												
Defined benefit obligation	(31,358)	(1,249)	(1,906)	1,572	(1,583)	841			3,946	3,946		2,481	(25,673)
Fair value of plan assets	19,381		1,167	(616)	551	(841)	1,744			1,744	732	(2,400)	19,167
Net benefit liability	(11,977)	(1,249)	(739)	956	(1,032)	-	1,744		3,946	5,690	732	81	(6,506)

¹ The effect corresponding to partially-owned subsidiaries has been allocated in the non-controlling interest of the year.

Of the total defined benefit obligation, US\$10.7million (2021: US\$9.6 million) relates to statutory seniority premiums for unionised workers which are not funded. The expected contributions to the plan for the next annual reporting period are nil.

The principal assumptions used in determining pension and other post-employment benefit obligations for the Group's plans are shown below:

	As at 31 December	
	2022 %	2021 %
Discount rate	10.23	7.99
Future salary increases (National Consumer Price Index)	5.25	5.00

The life expectancy of current and future pensioners, men and women aged 65 and older will live on average for a further 23.98 and 26.72 years respectively (2021: 24.08 years for men and 27.05 for women). The weighted average duration of the defined benefit obligation is 10.8 years (2021: 12.1 years).

The fair values of the plan assets were as follows:

	As at 31 December	
	2022 US\$ thousands	2021 US\$ thousands
State owned companies	-	3,180
Mutual funds (fixed rates)	16,552	15,987
	16,552	19,167

As at 31 December 2022 and 2021, all the funds were invested in quoted debt instruments.

The pension plan has not invested in any of the Group's own financial instruments nor in properties or assets used by the Group.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 is as shown below:

Assumptions	Discount rate		Future salary increases (N CPI)		Life expectancy of pensioners
	0.5%	0.5%	0.5%	0.5%	+ 1
Sensitivity Level	Increase	Decrease	increase	decrease	Increase
Year ended 31 December 2022					
(Decrease)/increase to the net defined benefit obligation (US\$ thousands)	(967)	1,044	176	(174)	145
Year ended 31 December 2021					
(Decrease)/increase to the net defined benefit obligation (US\$ thousands)	(1,079)	1,174	157	(156)	208

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The pension plan is not sensitive to future changes in salaries other than in respect of inflation.

23. Trade and other payables

As at 31 December

	2022 US\$ thousands	2021 US\$ thousands
Trade payables	140,297	130,187
Other payables to related parties (note 27)	35,969	30,930
Accrued expenses	60,321	22,319
Layback Agreement (note 2 (c))	-	67,182
Other taxes and contributions	22,280	19,699
	258,867	270,317

Trade payables are mainly for the acquisition of materials, supplies and contractor services. These payables do not accrue interest and no guarantees have been granted. The fair value of trade and other payables approximate their book values.

Balances corresponding to Accrued expenses and Other tax and contributions are not financial liabilities.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31.

24. Commitments

A summary of capital expenditure commitments by operating mine and development project is as follows:

As at 31 December

	2022 US\$ thousands	2021 US\$ thousands
Saucito	33,980	49,127
Herradura	11,024	21,258
Noche Buena	227	213
Ciénega	10,753	15,710
Fresnillo	48,629	43,541
San Julián	9,745	6,379
Juanicipio	47,809	103,100
Other	414	970
	162,581	240,298

25. Leases

(a) The Group as lessee

The Group leases various offices, buildings, plant and equipment and IT equipment. The resulting lease liability is as follows:

	As at	
	31 December 2022 US\$ thousands	31 December 2021 US\$ thousands
IT equipment	10,914	8,406
Plant and equipment	3,776	-
Buildings	439	2,421
Total lease liability	15,129	10,827
Less - Current portion	5,209	4,681
Non-current portion	9,920	6,146

The total cash outflow for leases for the year ended 31 December 2022, except short term and low value leases, amounts to US\$5.8 million (2021: US\$6.5 million), including finance costs of US\$0.7 million (2021: US\$0.5 million). The table below details right-of-use assets included as property plant and equipment in note 13

	Year ended 31 December 2022			
	Buildings	Computer equipment	Plant and Equipment	Total
	US\$ thousands			
Cost				
At 1 January 2022	4,332	15,704	-	20,036
Additions	288	5,580	3,933	9,801
At 31 December 2022	4,620	21,284	3,933	29,837
Accumulated depreciation				
At 1 January 2022	(1,786)	(7,719)	-	(9,505)
Depreciation for the year	(799)	(4,675)	(234)	(5,708)
At 31 December 2022	(2,585)	(12,394)	(234)	(15,213)
Net book amount at 31 December 2022	2,035	8,890	3,699	14,624

Year ended 31 December 2021

	Building	Computer equipment	Total
			US\$ thousands
Cost			
At 1 January 2021	4,001	17,527	21,528
Additions	331	2,889	3,220
At 31 December 2021	4,332	20,416	24,748
Accumulated depreciation			
At 1 January 2021	(1,059)	(8,056)	(9,115)
Depreciation for the year	(727)	(4,375)	(5,102)
At 31 December 2021	(1,786)	(12,431)	(14,217)
Net book amount at 31 December 2021	2,546	7,985	10,531

Amounts recognized in profit and loss for the year, additional to depreciation of right-of-use assets, included US\$0.7 million (2021: US\$0.5 million) relating to interest expense, US\$60.4 million on relating variable lease payments (note 6) of which US\$11.4 million were capitalised as a part of stripping cost (2021: nil), US\$0.8 million (2021: US\$0.7 million) relating to short-term leases and US\$3.3 million (2021: \$3.3 million) relating to low-value assets.

(b) The Group as a lessor

Operating leases, in which the Group is the lessor, relate to mobile equipment owned by the Group with lease terms of between 12 to 36 months. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the equipment at the expiry of the lease period. The Group's leases as a lessor are not material.

26. Contingencies

As of 31 December 2022, the Group has the following contingencies:

- The Group is subject to various laws and regulations which, if not observed, could give rise to penalties.
- Tax periods remain open to review by the Mexican tax authorities (SAT, by its Spanish acronym) in respect of income taxes for five years following the date of the filing of corporate income tax returns, during which time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances, the reviews may cover longer periods. As such, there is a risk that transactions, and in particular related party transactions, that have not been challenged in the past by the authorities, may be challenged by them in the future.
- On 8 May 2008, the Company and Peñoles entered into the Separation Agreement (the 'Separation Agreement'). This agreement relates to the separation of the Group and the Peñoles Group and governs certain aspects of the relationship between the Fresnillo Group and the Peñoles Group following the initial public offering in May 2008 ('Admission'). The Separation Agreement provides for cross-indemnities between the Company and Peñoles so that, in the case of Peñoles, it is held harmless against losses, claims and liabilities (including tax liabilities) properly attributable to the precious metals business of the Group and, in the case of the Company, it is held harmless by Peñoles against losses, claims and liabilities which are not properly attributable to the precious metals business. Save for any liability arising in connection with tax, the aggregate liability of either party under the indemnities shall not exceed US\$250 million in aggregate.

- In 2011, flooding occurred in the Saucito mine, following which the Group filed an insurance claim in respect of the damage caused (and in respect of business interruption). This insurance claim was rejected by the insurance provider. In early 2018, after the matter had been taken to mutually agreed arbitration, the insurance claim was declared valid; however, there is disagreement about the appropriate amount to be paid. In October 2018 the Group received US\$13.6 million in respect of the insurance claim, however this does not constitute a final settlement and management continues to pursue a higher insurance payment. Due to the fact that negotiations are on-going and there is uncertainty regarding the timing and amount involved in reaching a final settlement with the insurer, it is currently not practicable to determine the total amount expected to be recovered.
- It is probable that interest income will be earned on the Group's outstanding income and value added tax receivable balances; however, there is no certainty that this interest will be realised until the underlying balance is recovered. Due to that uncertainty, it is also not practicable to estimate the amount of interest income earned but not recovered to date.

27. Related party balances and transactions

The Group had the following related party transactions during the years ended 31 December 2022 and 2021 and balances as at 31 December 2022 and 2021.

Related parties are those entities owned or controlled by the ultimate controlling party, as well as those who have a minority participation in Group companies and key management personnel of the Group.

(a) Related party balances

	Accounts receivable		Accounts payable	
	As at 31 December		As at 31 December	
	2022 US\$ thousands	2021 US\$ thousands	2022 US\$ thousands	2021 US\$ thousands
Trade:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	275,844	265,473	421	298
Other:				
Industrias Peñoles, S.A.B. de C.V. ¹	8,342	4,842	-	-
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	-	6	-	-
Servicios Administrativos Peñoles, S.A. de C.V.	-	-	4,630	4,519
Servicios Especializados Peñoles, S.A. de C.V.	-	-	8,964	179
Fuentes de Energía Peñoles, S.A. de C.V.	-	-	1,062	5,220
Termoeléctrica Peñoles, S. de R.L. de C.V.	-	-	3,206	2,154
Eólica de Coahuila S.A. de C.V.	-	-	13,466	13,589
Minera Capela, S.A. de C.V.	-	-	-	714
Other	35	38	4,220	4,257
Sub-total	284,221	270,359	35,969	30,930
Less-current portion	284,221	270,359	35,969	30,930
Non-current portion	-	-	-	-

¹ This balance corresponds to the cash receivable related to the Silverstream contract, see note 14.

Related party accounts receivable and payable will be settled in cash.

Other balances with related parties:

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
<i>Silverstream contract:</i>		
Industrias Peñoles, S.A.B. de C.V.	511,474	529,544

The Silverstream contract can be settled in either silver or cash. Details of the Silverstream contract are provided in note 14.

(b) Principal transactions with affiliates, including Industrias Peñoles S.A.B de C.V., the Company's parent, are as follows:

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Income:		
<i>Sales:</i> ¹		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	2,436,761	2,704,447
<i>Insurance recovery</i>		
Grupo Nacional Provincial, S.A. B. de C.V.	606	23
<i>Other income</i>	4,959	2,708
Total income	2,442,326	2,707,178

¹ Figures do not include the effects of hedging as the derivative transactions are not undertaken with related parties.

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Expenses:		
<i>Administrative services:</i>		
Servicios Administrativos Peñoles, S.A. de C.V. ²	34,755	35,654
Servicios Especializados Peñoles, S.A. de C.V. ³	18,918	19,105
Peñoles Tecnología, S.A. de C.V.	4,356	1,425
	58,029	56,184
<i>Energy:</i>		
Termoeléctrica Peñoles, S. de R.L. de C.V.	20,630	19,597
Fuentes de Energía Peñoles, S.A. de C.V.	3,259	5,019
Eólica de Coahuila S.A. de C.V.	31,031	39,423
	54,920	64,039
<i>Operating materials and spare parts:</i>		
Wideco Inc	6,610	5,465
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	9,694	10,579
	16,304	16,044
<i>Equipment repair and administrative services:</i>		
Serviminas, S.A. de C.V.	7,492	10,029

<i>Insurance premiums:</i>		
Grupo Nacional Provincial, S.A. B. de C.V.	16,443	16,422
<i>Other expenses:</i>		
	4,395	7,441
Total expenses	157,583	170,159

2 Includes US\$0.8 million (2021: US\$3.1 million) corresponding to expenses reimbursed.

3 Includes US\$nil (2021: US\$2.6 million) relating to engineering costs that were capitalised.

(c) Compensation of key management personnel of the Group

Key management personnel include the members of the Board of Directors and the Executive Committee.

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Salaries and bonuses	2,792	3,142
Post-employment benefits	244	192
Other benefits	316	337
Total compensation paid in respect of key management personnel	3,352	3,671

	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Accumulated accrued defined benefit pension entitlement	4,035	4,138

This compensation includes amounts paid to directors disclosed in the Directors' Remuneration Report.

The accumulated accrued defined pension entitlement represents benefits accrued at the time the benefits were frozen. There are no further benefits accruing under the defined benefit scheme in respect of current services.

28. Auditor's remuneration

Fees due by the Group to its auditor during the year ended 31 December 2022 and 2021 are as follows:

Class of services	Year ended 31 December	
	2022 US\$ thousands	2021 US\$ thousands
Fees payable to the Group's auditor for the audit of the Group's annual accounts	1,879	1,413
Fees payable to the Group's auditor and its associates for other services as follows:		
The audit of the Company's subsidiaries pursuant to legislation	316	382
Audit-related assurance services	437	497
Total	2,632	2,292

29. Notes to the consolidated statement of cash flows

	Notes	2022 US\$ thousands	2021 US\$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the year		308,291	438,496
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation	13	501,769	529,390
Employee profit sharing	8	9,841	16,662
Deferred income tax credit	11	(233,090)	(157,116)
Current income tax expense	11	173,370	330,151
Write-off of assets	9	11,315	-
Loss/(gain) on the sale of property, plant and equipment and other assets		305	(5,041)
Net finance costs		55,148	52,863
Foreign exchange loss		823	1,306
Difference between pension contributions paid and amounts recognised in the income statement		1,259	625
Non-cash movement on derivatives		-	531
Layback agreement (note 2 (c))		(67,182)	-
Changes in fair value of Silverstream	14	(18,785)	416
Working capital adjustments			
Decrease in trade and other receivables		7,199	85,581
Increase in prepayments and other assets		(14,064)	(2,233)
Increase in inventories		(99,562)	(44,596)
Increase in trade and other payables		40,282	19,252
Cash generated from operations		676,919	1,266,287
Income tax paid ¹		(158,343)	(349,840)
Employee profit sharing paid		(16,391)	(21,306)
Net cash from operating activities		502,185	895,141

¹ Income tax paid includes US\$116.1 million corresponding to corporate income tax (2021: US\$321.8 million) and US\$53.3 corresponding to special mining right (2021: US\$28.0 million), for further information refer to note 11.

30. Financial instruments

(a) Fair value category

As at 31 December 2022

	US\$ thousands			
	Amortized cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Financial assets:				
Trade and other receivables ¹	27,276	-	-	284,186
Equity instruments at FVOCI	-	158,813	-	-
Silverstream contract (note 14)	-	-	-	511,474
Derivative financial instruments	-	-	231	-
Financial liabilities:				
	Amortized cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans (note 20)	-	1,158,557	-	-
Notes payable ²	-	104,962	-	-
Trade and other payables (note 23)	-	176,266	-	-
Derivative financial instruments	-	-	487	-

As at 31 December 2021

	US\$ thousands			
	Amortized cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Financial assets:				
Trade and other receivables ¹	41,217	-	-	270,315
Equity instruments at FVOCI	-	164,525	-	-
Silverstream contract (note 14)	-	-	-	529,544
Derivative financial instruments	-	-	96	-
Financial liabilities:				
	Amortized cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans (note 20)	-	1,157,545	-	-
Notes payable ²	-	107,918	-	-
Trade and other payables (note 23)	-	161,117	-	-
Derivative financial instruments	-	-	3,885	-

¹ Trade and other receivables and embedded derivative within sales contracts are presented net in Trade and other receivables in the balance sheet.

² Corresponds to interest-bearing notes payable received from Minera los Lagartos, S.A. de C.V. which holds a non-controlling interest in Juanicipio project. The notes are denominated in US Dollars and bear interest at a rate that ranges between 2.15% to 6.34% with a maturity of nine to eighteen months (2021: twelve months). During the year, proceeds and payments from these Notes amounted to US\$8.1 million and US\$10.0 million respectively (2021: US\$41.7 million and US\$nil).

(b) Fair value measurement

The value of financial assets and liabilities other than those measured at fair value are as follows:

	Carrying amount		As at 31 December	
			Fair value	
	2022 US\$ thousands	2021 US\$ thousands	2022 US\$ thousands	2021 US\$ thousands
Financial assets:				
Trade and other receivables	27,276	41,217	27,276	41,217
Financial liabilities:				
Interest-bearing loans ¹ (note 20)	1,158,557	1,157,545	990,588	1,237,689
Trade and other payables	176,266	161,117	176,266	161,117
Note payable	104,962	107,918	104,962	107,918

¹ Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at 31 December as follows:

	As of 31 December 2022			
	Fair value measure using			
	Quoted prices in active markets Level 1 US\$ thousands	Significant observable Level 2 US\$ thousands	Significant unobservable Level 3 US\$ thousands	Total US\$ thousands
Financial assets:				
Trade receivables	-	-	284,186	284,186
Derivative financial instruments:	-	-	-	-
Option and forward foreign exchange contracts	-	231	-	231
Silverstream contract	-	-	511,474	511,474
Other financial assets:				
Equity instruments at FVOCI	158,813	-	-	158,813
	158,813	231	795,660	954,704
Financial liabilities:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	487	-	487
	-	487	-	487

As of 31 December 2021

	Fair value measure using			
	Quoted prices in active markets Level 1 US\$ thousands	Significant observable Level 2 US\$ thousands	Significant unobservable Level 3 US\$ thousands	Total US\$ thousands
Financial assets:				
Trade receivables	-	-	270,315	270,315
Derivative financial instruments:				
Option commodity contracts	-	66	-	66
Option and forward foreign exchange contracts	-	30	-	30
Silverstream contract	-	-	529,544	529,544
Other financial assets:				
Equity instruments at FVOCI	164,525	-	-	164,525
	164,525	96	799,859	964,480
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	-	2,987	-	2,987
Option and forward foreign exchange contracts	-	898	-	898
	-	3,885	-	3,885

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into and out of Level 3 fair value measurements.

A reconciliation of the opening balance to the closing balance for Level 3 financial instruments other than Silverstream (which is disclosed in note 14) is shown below:

	2022 US\$ thousands	2021 US\$ thousands
Balance at 1 January:	265,473	326,834
Sales	2,440,063	2,705,720
Cash collection	(2,426,390)	(2,765,807)
Changes in fair value	(20,178)	(3,695)
Realised embedded derivatives during the year	16,876	2,421
Balance at 31 December	275,844	265,473

The fair value of financial assets and liabilities is included at reflects the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following valuation techniques were used to estimate the fair values:

Option and forward foreign exchange contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The foreign currency forward (Level 2) contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The foreign currency option contracts are valued using the Black Scholes model, the significant inputs to which include observable spot exchange rates, interest rates and the volatility of the currency.

Option commodity contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The option commodity (Level 2) contracts are measured based on observable spot commodity prices, the yield curves of the respective commodity as well as the commodity basis spreads between the respective commodities. The option commodity contracts are valued using the Black Scholes model, the significant inputs to which include observable spot commodities price, interest rates and the volatility of the commodity.

Silverstream contract

For further information relating to the valuation techniques were used to estimate the fair value of the Silverstream contract as well as the sensitivity of the valuation to the key inputs are disclosed in note 14.

Equity investments:

The fair value of equity investments is derived from quoted market prices in active markets (Level 1). These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature. As of 31 December 2022, approximately 91.6% of the investments correspond to 9,314,877 shares (2021: 9,314,877 shares) of Mag Silver, Corp. for an amount of US\$145.5 million (2021: US\$146.1 million) and 5.7% of Endeavor, Inc. represented by 2,800,000 (2021: 2,800,000 shares) shares for an amount of US\$9.1 million (2021: US\$11.9 million). These equity investments are listed on the Canadian Stock Exchange. The prices per share as 31 December 2022 were US\$15.62 (2021: US\$15.69) and US\$3.24 (2021: US\$4.23), respectively.

Interest-bearing loans

The fair value of the Group's interest-bearing loan is derived from quoted market prices in active markets (Level 1).

Trade receivables:

Sales of concentrates, precipitates doré bars and activated carbon are 'provisionally priced' and revenue is initially recognised using this provisional price and the Group's best estimate of the contained metal. Revenue is subject to final price and metal content adjustments subsequent to the date of delivery (see note 2 (n)). This price exposure is considered to be an embedded derivative and therefore the entire related trade receivable is measured at fair value.

At each reporting date, the provisionally priced metal content is revalued based on the forward selling price for the quotational period stipulated in the relevant sales contract. The selling price of metals can be reliably measured as these metals are actively traded on international exchanges but the estimated metal content is a non-observable input to this valuation.

31. Financial risk management

Overview

The Group's principal financial assets and liabilities, other than derivatives, comprise trade and other receivables, cash, equity instruments at FVOCI, interest-bearing loans, notes payable and trade payables.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk, including foreign currency, commodity price, interest rate and equity price risks
- Credit risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for assessing and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Fresnillo Audit Committee has responsibility for overseeing how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices or interest rates will affect the Group's income or the value of its financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

In the following tables, the effect on equity excludes the changes in retained earnings as a direct result of changes in profit before tax.

Foreign currency risk

The Group has financial instruments that are denominated in Mexican peso and other foreign currencies which are exposed to foreign currency risk. Transactions in currencies other than the US dollar include the purchase of services, fixed assets, spare parts and the payment of dividends. As a result, the Group has financial assets and liabilities denominated in currencies other than functional currency and holds cash and cash equivalents in Mexican peso.

In order to manage the Group's exposure to foreign currency risk on expenditure denominated in currencies other than the US dollar, the Group has entered into certain forward and option derivative contracts.

The following table demonstrates the sensitivity of cash and cash equivalents, trade and other receivables, trade and other payables and derivatives financial instruments (excluding Silverstream which impact is disclosed in note 14) to a reasonably possible change in the US dollar exchange rate compared to the Mexican peso, reflecting the impact on the Group's profit before tax and equity, with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods for the purposes of calculating the sensitivity with relation to derivative financial instruments.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US\$ thousands	Effect on equity: increase/ (decrease) US\$ thousands
2022	5%	742	1,120
	(5%)	(820)	3,610
2021	10%	2,123	1,251
	(5%)	(1,229)	(1,587)

The Group's exposure to reasonably possible changes in other currencies is not material.

Commodity risk

The Group has exposure to changes in metals prices (specifically silver, gold, lead and zinc) which have a significant effect on the Group's results. These prices are subject to global economic conditions and industry-related cycles.

The Group uses derivative instruments to hedge against an element of gold, zinc and lead price.

The table below reflects the aggregate sensitivity of financial assets and liabilities (excluding Silverstream which impact is disclosed in note 14) to a reasonably possible change in commodities prices, reflecting the impact on the Group's profit before tax with all other variables held constant.

The sensitivity shown in the table below relates to changes in fair value of commodity derivatives financial instruments contracts (excluding Silverstream) and embedded derivatives in sales.

Year ended 31 December	Increase/(decrease) in commodity prices				Effect on	Effect on equity:
	Gold	Silver	Zinc	Lead	profit before tax: increase/ (decrease) US\$ thousands	increase/ (decrease) US\$ thousands
2022	10%	20%	20%	15%	31,529	-
	(10%)	(15%)	(15%)	(15%)	(27,660)	-
2021	10%	15%	25%	15%	40,688	(4,861)
	(10%)	(15%)	(15%)	(15%)	(36,638)	2,707

Interest rate risk

The Group is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally relating to the cash balances and the Silverstream contract held at the balance sheet date. Interest-bearing loans and notes payable are at a fixed rate, therefore the possibility of a change in interest rate only impacts its fair value but not its carrying amount. Therefore, interest-bearing loans, notes payable and loans from related parties are excluded from the table below.

The following table demonstrates the sensitivity of financial assets and financial liabilities (excluding Silverstream which impact is disclosed in note 14) to a reasonably possible change in interest rate applied to a full year from the balance sheet date. There is no impact on the Group's equity other than the equivalent change in retained earnings.

Year ended 31 December	Basis point	Effect on profit
	increase/ (decrease) in interest rate	before tax: increase/ (decrease) US\$ thousands
2022	100	8,667
	(25)	(2,167)
2021	25	3,088
	-	-

The sensitivity shown in the table above primarily relates to the full year of interest on cash balances held as at the year end.

Equity price risk

The Group has exposure to changes in the price of equity instruments that it holds as equity investments at FVOCI.

The following table demonstrates the sensitivity of equity investments at FVOCI to a reasonably possible change in market price of these equity instruments, reflecting the effect on the Group's profit before tax and equity:

Year ended 31 December	Increase/ (decrease) in equity price	Effect on profit before tax: increase/ (decrease) (US\$ thousands)	Effect on equity: increase/ (decrease) US\$ thousands
2022	10%	-	15,881
	(25%)	-	(39,703)
2021	25%	-	40,707
	(45%)	-	(73,272)

(b) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to trade and other receivables, cash and cash equivalents, the Silverstream contract and derivative financial instruments.

The Group's policies are aimed at minimising losses as a result of counterparties' failure to honour their obligations. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counter party. The Group's financial assets are with counterparties with what the Group considers to have an appropriate credit rating. As disclosed in note 27, the counterparties to a significant proportion of these financial assets are related parties. At each balance sheet date, the Group's financial assets were neither credit-impaired nor past due, other than 'Other receivables' as disclosed in note 16. The Group's policies are aimed at minimising losses from foreign currency hedging contracts. The Company's foreign currency hedging contracts are entered into with large financial institutions with strong credit ratings.

The Group has a high concentration of trade receivables with one counterparty Met-Mex Peñoles, the Group's sole customer throughout 2022 and 2021. A further concentration of credit risk arises from the Silverstream contract. Both Met-Mex and the counterparty to the Silverstream contract are subsidiaries in the Peñoles group which currently owns 75 per cent of the shares of the Company and is considered by management to be of appropriate credit rating.

The Group's surplus funds are managed by Servicios Administrativos Fresnillo, S.A. de C.V., which manages cash and cash equivalents, including short-term investments investing in several financial institutions. Accordingly, on an ongoing basis the Group deposits surplus funds with a range of financial institutions, depending on market conditions. In order to minimise exposure to credit risk, the Group only deposits surplus funds with financial institutions with a credit rating of MX-1 (Moody's) and mxA-1+ (Standard and Poor's) and above. As at 31 December 2022, the Group had concentrations of credit risk as 35 percent of surplus funds were deposited with one financial institution of which the total investment was held in short term deposits.

The maximum credit exposure at the reporting date of each category of financial asset above is the carrying value as detailed in the relevant notes. See note 17 for the maximum credit exposure to cash and cash equivalents note 16 for other receivables and note 27 for related party trade and other receivables. The maximum credit exposure with relation to the Silverstream contract is the value of the derivative as at 31 December 2022, being US\$511.5 million (2021: US\$529.5 million).

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its risk of a shortage of funds using projected cash flows from operations and by monitoring the maturity of both its financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	US\$ thousands				
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2022					
Interest-bearing loans (note 20)	374,249	75,973	75,973	1,723,686	2,249,881
Trade and other payables	176,266	-	-	-	176,266
Note payable	9,109	95,853	-	-	104,962
Lease liabilities (note 25)	6,055	6,933	3,129	1,620	17,737
Derivative financial instruments – liabilities	487	-	-	-	487

	US\$ thousands				
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2021					
Interest-bearing loans (note 20)	56,370	412,236	75,973	1,761,672	2,306,251
Trade and other payables	161,117	-	-	-	161,117
Note payable	107,918	-	-	-	107,918
Lease liabilities (note 25)	5,054	5,213	846	639	11,752
Derivative financial instruments – liabilities	3,885	-	-	-	3,885

The payments disclosed for financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding estimated inflows based on the contractual terms:

	US\$ thousands				
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2022					
Inflows	13,319	-	-	-	13,319
Outflows	(13,322)	-	-	-	(13,322)
Net	(3)	-	-	-	(3)

	US\$ thousands				
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2021					
Inflows	48,602	-	-	-	48,602
Outflows	(51,588)	-	-	-	(51,588)
Net	(2,986)	-	-	-	(2,986)

The above liquidity tables include expected inflows and outflows from currency option contracts which the Group expects to be exercised during 2023 as at 31 December 2022 and during 2022 as at 31 December 2021, either by the Group or counterparty.

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios that support its business and maximise shareholder value. Management considers capital to consist of equity and interest-bearing loans, excluding net unrealised gains or losses on revaluation of derivatives financial instruments and Equity instruments at FVOCI. Refer to notes 18, 20 and 30 respectively for a quantitative summary of these items.

In order to ensure an appropriate return for shareholder's capital invested in the Group management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive Committee before submission to the Board for ultimate approval, where applicable. The Group's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows, including cash flows from the Silverstream.

One of the Group's metrics of capital is cash and other liquid assets which in 2022 and 2021 consisted of only cash and cash equivalents, which details are disclosed in note 17.