Fresnillo plc

Financial results for the year ended 31 December 2023

Fresnillo plc today announced its financial results for the full year ended 31 December 2023.

Octavio Alvídrez, CEO said:

"Fresnillo delivered a sound operating performance in 2023 despite a number of headwinds, a testament to the strength and efforts of our teams. We achieved our guidance of 105.1 million silver equivalent ounces with gold, lead and zinc production within our guided range. Silver production benefitted from the ramp up at Juanicipio and higher ore grade at San Julián (veins) but was slightly below expectations.

"At the same time, we focused on increasing productivity and raising development rates while advancing our pipeline of future projects. We continued to identify and implement cost reduction measures, as well as improve efficiency across all of our mines. However, the impact of the revaluation of the Mexican peso against the US dollar and inflation were headwinds that affected costs across the business. Nonetheless, we are pleased to announce a final dividend payment of 4.2 US cents per share to shareholders, in line with our policy.

"Looking ahead, our priorities for 2024 are clear. Safety is of critical importance, and we continue to work to enhance our performance and instil a safety-first culture across all our operations. The next two to three years ahead are about ensuring stable production and managing our costs while ensuring we develop projects that will deliver our future growth.

"Fresnillo is the world's largest silver producer. We have a strong balance sheet, a proven track record of delivering on value enhancing growth projects, a talented and experienced team and a consistent strategy that we are confident will continue to achieve results."

Financial Highlights - 12 months to 31 December 2023

$ million unless stated	***2023***	***2022***	***% change***
Silver Production[1] (kOz)	*56,282*	*53,740*	*4.7*
Gold Production[1] (Oz)	*610,646*	*635,926*	*(4.0)*
Total Revenue	*2,705.1*	*2,433.0*	*11.2*
Adjusted Revenue[2]	*2,869.1*	*2,593.5*	*10.6*
Gross Profit	*503.2*	*536.0*	*(6.1)*
EBITDA[3]	*655.7*	*751.1*	*(12.7)*
Profit Before Income Tax	*114.0*	*248.6*	*(54.1)*
Profit for the year	*288.3*	*308.3*	*(6.5)*
Basic and Diluted EPS excluding post-tax Silverstream effects (USD)[4]	*0.310*	*0.351*	*(11.7)*

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

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

[3] *Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative, selling and exploration expenses. The reconciliation of EBITDA to amounts determined in accordance with IFRS can be found in the Financial Review.*

[4] *The weighted average number of ordinary shares was* 736,893,589 for 2023 and 2022. *See note 12 in the consolidated financial statements.*

2023 Highlights

Higher gold and silver prices offset by the dual impact of inflation and the revaluation of the Mexican peso

- Adjusted revenue increased 10.5% vs 2022 due to higher volumes of silver sold, and to a lesser extent, the increase in volumes of lead and zinc sold, combined with the higher gold and silver prices.
- Revenue increased 11.2% year-on-year to US$2,705.1 million due to the increase in adjusted revenue, partly offset by higher treatment and refining charges.
- Adjusted production costs[1] increased 12.3% vs 2022 to US$1,624.1 million. This was primarily driven by the adverse impact caused by the revaluation of the Mexican peso/US dollar exchange rate which, on average, appreciated 11.7%, along with 3.9% in cost inflation, the additional costs from the start-up of the flotation plant and ramp up of the mine at Juanicipio and the start-up of the pyrites plant at Fresnillo.
- Gross profit and EBITDA[3] decreased to US$503.2 million and US$655.7 million, a 6.1% and 12.7% decrease vs 2022 respectively.
- Exploration spend increased 10.0% to US$182.4 million, in line with our strategy to intensify exploration activities in specific target areas.
- Profit from continuing operations before net finance costs and income tax of US$114.0 million, down 54.1% as a result of lower gross profit and higher administrative and exploration expenses.
- Profit for the year attributable to equity shareholders of the Group of US$233.9 million, down 14.0% on 2022 mainly due to the lower profit from continuing operations offset by tax income for the period of US$205.0 million, which compared favourably to the US$67.4 million tax income in 2022.
- US$534.6 million in cash and other liquid funds as of 31 December 2023 notwithstanding investing US$483.4 million in capex, repaying the US$317.9 million Senior Notes due in November 2023 and paying dividends of US$108.4 million.
- Net debt was US$304.4 million as at 31 December 2023. This compares to the net debt position of US$198.7 million as at 31 December 2022.
- The Group signed a five-year committed revolving line of credit for up to US$350 million.
- Final dividend of 4.2 US cents per share, amounting to US$30.9 million, which is above the amount signalled with the interim dividend payment.

Final dividend payment

- Final dividend of 4.2 US cents per share, amounting to US$30.9 million. This is in addition to the 2023 interim dividend of 1.40 US cents per share, amounting to US$10.3 million, which was paid in September 2023 and represented 1/3 of the expected total dividend for 2023. This brings the total dividend for the year to 5.6 US cents per share, amounting to US$41.2 million. This is in line with the Group's dividend policy to pay out 33-50% of the profit attributable to equity shareholders of the company after making certain adjustments to exclude extraordinary non-cash effects in the income statement, which this year in particular included taking out the income tax benefit resulting from the effect of the revaluation of the Mexican peso on the tax value of assets and liabilities, which increases in dollar terms the deduction of future depreciation expenses (in peso terms, which is used for Mexican tax purposes, there is no impact). However, this favourable effect in dollar terms could be reversed in the future if the Mexican peso devalues.

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[1] 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.

Sound operating performance with silver equivalent production in line with guidance

- Full year attributable silver production of 56.3 moz (including Silverstream) increased 4.7% vs. FY22, as a result of the ramp-up at Juanicipio and higher ore grade at San Julián Veins, partly offset by the lower ore grade at San Julián (DOB) and Fresnillo.
- Full year attributable gold production of 610.6 koz, down 4.0% vs. FY22 mainly driven by the decrease in gold production at Noche Buena as it approached the end of its mine life, partially mitigated by the ramp up at Juanicipio and the higher ore grade at Herradura.
- Full year attributable by-product lead production increased 9.2% vs. FY22 due to a greater contribution from Juanicipio and higher volume of ore processed and ore grade at Saucito partly offset by the decreased production at Ciénega.
- Full year attributable by-product zinc production increased 8.6% vs. FY22 due to the increased production from Juanicipio and the higher volume of ore processed and ore grade at Saucito partly offset by the lower ore grade at San Julián (DOB).
- The flotation plant at Juanicipio was commissioned and production was successfully ramped up.
- The tie in of the Pyrites plant at Fresnillo to the national power grid completed in 2Q23, tests and technical work to improve recovery rates were carried out and a strategy to optimise performance was defined.

Focus on operational improvement and projects that will increase efficiencies

- At Fresnillo, deepening of the San Carlos shaft concluded with commissioning on-going to optimise the haulage of ore through ramps while the two sections of the shaft are connected. Development rates increased to an average of 3,105 metres per month.
- At Saucito, the project to deepen the Jarillas shaft from 630m to 1,000m progressed with completion expected in 2027.
- At Ciénega, several initiatives to decrease personnel rotation were implemented throughout the year. We expect to see the benefit from these in 2024. A number of cost reduction initiatives identified including optimised consumption of certain operating materials, increased the efficiency of the maintenance process and the rationalisation of the contractor base are expected to decrease costs in 2024.
- At Herradura, the Carbon in Column project to increase gold recovery from the old leaching pads was commissioned in 2Q 2023 and ramp up started in 2H 2023. The pit slope optimisation programme continued, and recommendations are being tested in different geotechnical domains of the pit. Once concluded, the mine design will be reviewed and adjusted accordingly.

Continued progress at our advanced exploration projects and promising exploration results

- Pre-feasibility level studies at the Orisyvo project, including mining and processing scenarios, metallurgical, infrastructure, and water/energy supply advanced at a good pace along with community and government engagement programmes.
- Core and reverse circulation drilling intensified at the main zone at the Tajitos project with good results in infill and step-out holes; ongoing column metallurgical test work delivered good preliminary gold recoveries. Drilling started in the western part of the district.

- The drilling programme at the three areas of the Guanajuato District delivered good silver and gold results, including the discovery of a significant ore shoot and the extension of both vein and stockwork ore bodies.
- Land access negotiations with the local communities continued at Rodeo. Social, environmental, hydrological and power supply studies advanced as the community relations programme was maintained in the region.
- In Chile, drilling and additional targets delineation continued with promising results at Capricornio, and drilling programmes were completed at Pilarica and Santo Domingo in Peru.
- Silver resources remained broadly stable at 2,219.7 moz (up 0.7%) as exploration results, mainly at the Guanajuato exploration project and San Julián veins, offset the mining depletion at mine sites, and higher costs and cut-off grades. Silver reserves decreased 10.0% to 356.6 moz mainly from mining depletion and higher costs and cut-off grades at San Julián (DOB), Juanicipio and Ciénega, partly offset by increased reserves at Fresnillo.
- Gold resources decreased 3.1% to 37.9 moz as a result of extraction and higher costs and cut-off grades at Herradura, Saucito and Soledad Dipolos (no mining), partly offset by exploration results and increased mineral resources at the Guanajuato and Centauro Profundo exploration projects and the Ciénega mine site. Gold reserves decreased 13.7% to 7.1 moz primarily due to extraction, and higher costs and cut-off grades at Herradura and Saucito, and the end of the Noche Buena mine life.

Further improvement in the sustainability of our operations

- Action taken to overhaul our 'I Care, We Care' programme with a sharper focus on performance and effective management of high potential and critical risks. We remain determined to restore our safety record to its previous path, eliminate fatalities and achieve our target of reaching the International Council on Mining and Metals (ICMM) benchmark ranges.
- Established the Occupational Health Transversal Committee and Wellbeing Committee to promote healthy habits and emotional wellbeing.
- Increased our electricity supply from renewable sources from 35.6% in 2022 to 53.3% in 2023.
- Encouraged diversity by promoting the first Women in Mining Survey in Mexico - with 1,230 participants - to improve understanding of how to develop opportunities for women in mining and launching the second generation of the Women-to-Women Mentorship programme.
- Conducted workshops for 4,732 employees and contractors as part of our Harassment Prevention Programme.
- Conducted a comprehensive review of our Code of Ethics and Conduct.
- Approved the Tailings Policy and Commitments for Responsible Tailings Management, which establishes roles, responsibilities, and duties of the different participants of the TSFs management system.

2024 outlook and longer term prospects

- Attributable silver production expected to be in the range of 55.0 to 62.0 moz (including Silverstream). Silverstream silver production in 2024 is estimated to be in the range of 2.5-3.5 moz.
- Attributable gold production expected to be in the range of 580 to 630 koz.
- Expressed in silver equivalent ounces[1], production is expected to be 101-112 million ounces.
- Capex for 2024 is anticipated to be approximately US$440 million and will continue to be primarily focused on mining works, sustaining capex and a haulage conveyor.
- Exploration expenses are expected to be c.US$190 million, maintaining our strategy to intensify exploration activities in specific target areas.
- We will continue to monitor costs closely, with a number of initiatives in 2023 that we will continue to develop and deploy during 2024, further optimising and reducing costs where possible.

- In 2024, we will roll out new technologies – including data analytics – and promote automation to improve risk management and the wellbeing of our workers, as well as consolidating the 'I Care, We Care' operating committee to guarantee the deployment and homogenous safety strategy across our operations.
- Facing into a challenging external environment, we continue to invest into personnel and infrastructure. We are optimistic about our pipeline and have confidence in the long term strength and sustainability of Fresnillo.

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://www.lsegissuerservices.com/spark/Fresnillo/events/0880bc27-85cd-4545-9742-8a9fda18376b

Event registration: https://registrations.events/direct/LON8842060

For further information, please visit our website: www.fresnilloplc.com or contact:

Fresnillo plc	
London Office	Tel: +44(0)20 7339 2470
Gabriela Mayor, Head of Investor Relations	
Mark Mochalski	
Mexico City Office	Tel: +52 55 52 79 3206
Ana Belém Zárate	
Powerscourt	Tel: +44(0)7793 858 211
Peter Ogden	

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-Dipolos[1], Noche Buena and San Julián (Veins and Disseminated Ore Body) 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'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.

Chairman's statement
Alejandro Baillères

Working together to build a sustainable future

Although this year was characterised by high levels of cost inflation exacerbated by the strength of the Mexican peso and compounded by other negative macroeconomic factors, as well as some operational difficulties, Fresnillo plc proved to be a resilient business.

By working closely with our people, our suppliers, our communities and the Government, we were able to achieve a good operating performance while also taking important steps towards building a sustainable future for Fresnillo plc.

Delivering on our promises
In terms of silver equivalent ounces, our total production was in line with our guidance for the year. Silver production was up from the previous year, primarily due to the ramp up at Juanicipio, while gold production decreased as our Noche Buena mine approached the end of its life.

We achieved US$2,869.1 million in adjusted revenue during the year. This represented an increase of 10.5%, primarily due to the increase in the volume of silver, zinc and lead produced and higher prices for gold and silver. Gross profit decreased by 6.1% year-on-year to US$503.2 million, primarily driven by the adverse effect of the revaluation of the Mexican peso against the US dollar, cost inflation, the recognition of additional costs from the start-up of the flotation plant at Juanicipio, and the increased use of maintenance services and contractors, which significantly impacted cost of sales. This was offset by the increase in adjusted revenue. Cash and other liquid funds decreased from US$969.1 million to US$534.6 million as the use of funds, primarily the investment in capital expenditure and dividend payments, in addition to the redemption of the outstanding US$317.9 million principal amount of 5.500% Notes due in November 2023, was higher than the cash generated by the mines.

With a history that can be traced back over 500 years, Fresnillo plc is a well-established and solidly financed business focused on long-term outcomes and sustainable shareholder value. Our strategy is robust and proven, 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 2023, we declared an interim dividend of 1.40 US cents per share, with a final dividend of 4.20 US cents per share, bringing the total for the year to 5.6 US cents per share.

A challenging macro environment
The final effects of the pandemic have now largely worked through the system, but global geopolitics continue to create stresses in the supply chain, notably the ongoing tensions between the US and China which are impacting the timely delivery of equipment and spare parts.

In addition, we have also been affected by changing government policies, which have extended permitting processes for mining operations and projects.

Cost inflation was 3.9% in 2023 and led to across-the-board hikes in the cost of labour, materials and equipment. The price of diesel ran counter to this inflationary trend in the early part of the year but that too increased in later months.

The effect of inflation was made significantly worse by the unhelpful peso-dollar exchange rate caused by a relatively positive economy in Mexico. This was driven by investment attracted by the high rates of interest offered by the central bank and also by investment from foreign companies, seeking to establish a presence in Mexico in order to capitalise on its close geographic proximity to the US.

Working together, thriving together

The year underlined the value of the close working relationships we have forged over many years with all our stakeholders. Founded on a spirit of trust and mutual respect, these relationships not only help us navigate our short-term challenges but also to build a sustainable future that will provide long-term benefits for all, in line with our Purpose – to contribute to the wellbeing of people through the sustainable mining of silver and gold.

For example, we are working together with our suppliers to mitigate the effects of inflation and the strong peso by identifying opportunities to improve supply chain logistics, reduce costs and increase the speed of deliveries of equipment, spare parts, and services.

In terms of our workforce, while the recent labour reforms caused some initial disruption to our activities, they have ultimately helped us build closer relationships with our people and their unions. Through initiatives such as greater automation, we are working closely with them to increase productivity in our mines –– which will enable us to manage the impact of inflation by producing more from the same resources.

We are also collaborating with our workforce to bolster our organisation, processes and culture – ensuring that everybody at Fresnillo is aligned as we collectively address the challenges that lie ahead. Key among these is safety, and it is with great sadness that we report four fatalities among the contractors' workforce during 2023, and one in early 2024. These incidents are unacceptable and serve only to strengthen our resolve to achieve zero harm. We are intensifying the implementation of our 'I Care, We Care' safety programme, with a heightened focus on improving our management of high potential risks and critical risks, together with increased engagement with our contractors' workforce. The safety of our people is paramount and will never be compromised.

Our neighbouring communities continue to be the foundation stones that sustain our existing operations and facilitate future projects – and we value and nurture our vital partnerships with them. We earn their trust through meaningful engagement and by being accountable for our actions, working hard to establish close and harmonious relationships that ensure the seamless continuation of our social licence to operate across our project pipeline. We fully understand the concerns that can arise when a new mine is proposed, and are committed to engaging with local people in order to address their concerns and explain how our presence can lead to more sustainable communities – ranging from creating employment opportunities and economic growth to providing comprehensive support for education and healthcare.

Board activities
The Board met regularly throughout the year and discussed a range of matters, including the latest mining and regulatory developments in Mexico. For the second year running, in July we held a valuable working meeting of the Board which enabled Directors to discuss wider strategic issues with our executive team. Key topics included: a review of Fresnillo's Purpose, Mission, Vision, Values and Business Model; megatrends in the global mining industry; production; mine exploration and development; and the Company's ESG (environment, social and governance) and climate strategy.

Fresnillo's safety record during the year was a significant cause of concern at Board level. We have stressed the need for our management team to improve safety culture across all our sites, and fully support the HSECR Committee's insistence on the implementation of stricter disciplinary measures.

At the 2023 AGM in London, it was pleasing to see that all the proposed resolutions were strongly supported by our shareholders, including the re-appointment of Charlie Jacobs and Bárbara Garza Lagüera as independent Non-executive Directors, as well as some minor changes to our Directors' Remuneration Policy.

In September, we engaged consultants Lintstock to manage our annual review of the Board and its committees, in compliance with our commitment to seek external support for this review every three years. Lintstock's findings were discussed at our Board meeting in October and we were delighted to note that the key outcome of the review was that the Board and its committees continue to perform very well. Lintstock did however make a number of helpful suggestions to improve that performance still further and, following consideration, these will be acted upon during 2024.

Board changes
There were no changes to the Board this year, with all of the Directors being re-elected at the 2023 AGM.

Outlook
While global macro issues, such as inflation and the slow recovery of certain economies, the ongoing US-China tensions and the wars in Ukraine and the Middle East, will dampen confidence and challenge our performance targets, we will continue to work together with our stakeholders to improve productivity. At the same time, we will maintain our commitment to investing in exploration activities in Mexico, Peru and Chile, and strive to transform what is an undoubtedly exciting pipeline into operational projects that will help us achieve our ambitions in the years ahead.

Fresnillo does not and cannot operate in a vacuum. We depend on our employees, our suppliers, our local communities, our shareholders and the Government to actively engage with our objectives and ambitions in order to fulfil our Purpose. On behalf of the Board, I thank them and the full range of our stakeholders for their continued understanding, support and encouragement during 2023. By working together, we are building a stronger and more sustainable business.

Alejandro Baillères
Chairman

Chief Executive's statement
Octavio Alvídrez

A sound performance, with exciting projects on the horizon

This year, our teams were again challenged by a mix of external and internal factors. We worked together with our stakeholders to deliver on our production expectations while also making good progress in advancing our pipeline of future projects.

We achieved a sound operating performance in 2023, despite headwinds which included inflation and an unfavourable peso-dollar exchange rate.

Throughout, we remained extremely grateful to our stakeholders, who continued to collaborate closely with our own teams to build a sustainable future for our business, in line with our Purpose. We recognise that Fresnillo thrives when our stakeholder groups thrive, so working together to support our people, suppliers, local communities and the Government is not only the right thing to do – it is a commercial imperative. You can discover more about how we have worked with our stakeholders in the case studies throughout this report.

The year also saw us advance several exciting projects that we expect to make further significant progress in the months and years ahead.

Production highlights and price review
In addition to external macro-economic factors, we experienced minor operational setbacks with a delay to the start-up of operations at the new Pyrites Plant at Fresnillo, reduced availability of haulage equipment at San Julián and lower than expected ore grades at Fresnillo that impacted the year's performance. As a result, although gold production was in line with guidance, silver production fell below our expectations.

Total silver production was 56.3 moz, up by 4.7% from 53.7 moz in 2022, with the ramp-up at Juanicipio, together with higher ore grade at San Julián Veins, partially offset by lower ore grades at San Julián DOB and Fresnillo.

Gold production decreased to 610.6 koz, a reduction of 4.0% from 635.9 koz in the previous year. This was primarily due to lower production at Noche Buena as the mine approached the end of its life.

Attributable by-product lead and zinc production increased 9.2% and 8.6% to 57,833 tonnes and 107,705 tonnes respectively, primarily due to the increased contribution of Juanicipio and higher ore grades and volumes of ore processed at Saucito.

During 2023, the average realised silver price was US$23.6 and that for gold US$1,957.7, an increase of 8.8% and 8.8% respectively. The average price for zinc decreased by 22.6% while the average lead price remained broadly unchanged at US$0.95 per pound. With central banks around the world raising interest levels to counter inflation, I believe that silver and gold prices established a floor during the year. The fact that prices did not fall below US$20 per ounce and US$1,800 per ounce for silver and gold respectively shows the strength and long-term sustainability of these metals, even through tough economic times.

While forecasting global economic conditions is always difficult, I expect that falling interest rates and increased demand for silver in particular – driven by the expansion of green investments and specifically in solar panels, for which silver is a key component – should strengthen prices in 2024.

Our strategy in action

Our strategy is the engine that drives Fresnillo plc forward. It comprises four strategic pillars and here I report on how we have performed against each one.

Maximising the potential of existing operations

Ensuring that our operational mines are performing as efficiently as possible is our primary strategic objective – and this is an area where we rely heavily on the skills and availability of our people. Following the Mexican Government's introduction of labour reforms in 2021, we initiated a series of recruitment and training campaigns. These continue to be successful, and all our mines were again fully staffed throughout the year.

Across the portfolio, we are continuing to address the ongoing impact of inflation and the revaluation of the Mexican peso by investing in initiatives including the greater use of technology and autonomous drilling. We are also launching schemes to reduce haulage costs, which become more significant when we work more distant seams that require greater haulage. At the Fresnillo mine, for example, the deepened San Carlos shaft is set to reduce distances, speed up haulage and cut costs. This is expected to drive a marked improvement in our ability to efficiently access seams which account for more than half of the mine's reserves.

At Saucito, our initiatives include efforts to stabilise areas of poor rock quality. New equipment was delivered towards the end of the year, leading to development rates returning to 3,000m per month in December, an achievement that sets us up well for the year ahead.

We completed the safe ramp-up of our new Juanicipio mine in the third quarter of 2023 and it is now running at nameplate capacity in line with expectations. Juanicipio will have a positive impact on both silver and gold production, helping to offset the lower production at Noche Buena as it nears its end of life, with higher production of both lead and zinc further supporting our overall performance.

With recovery rates at the new Pyrites Plant at Fresnillo initially falling short of anticipated levels, we initiated some technical works and conducted tests to improve performance. We subsequently took the decision to only process historical tailings, as recovery rates improved significantly when following this strategy, and we will continue on the same path in 2024. This means that volumes processed will inevitably be lower than originally planned – although recovery rates and profitability will be higher than would be the case if we processed both current and historical tailings.

Delivering growth through development projects

With our two most recent development projects – the new mine at Juanicipio and Phase II of the Pyrites Plant at Fresnillo – being commissioned and therefore moving into our portfolio of existing operations, we are now focusing on enabling potential new projects to flow from the pipeline and deliver further growth.

We are continuing to concentrate on identifying M&A targets, not only in Mexico but also in the wider region. Establishing operations in different jurisdictions will enable us to de-risk the business by reducing country risk.

However, several of the projects I discuss under the next strategic pillar are close to moving from the pipeline and becoming standalone projects in their own right. Our teams are now working to identify which are most suitable in terms of operational and financial feasibility.

Once further exploration or metallurgical studies have been completed, the project or projects identified as holding the greatest potential will be presented to the Board for approval, at which point capital expenditure will be granted and construction work can commence.

This is a very exciting moment for everybody at Fresnillo plc, as we work hard to define the next generation of projects for the development stage. Seeing a project transform from a possibility in the minds of our exploration experts through feasibility stages and development before emerging as an operational mine is something that galvanises each and every one of us. We have high hopes that the projects currently under consideration will play their part in boosting production, generating long-term shareholder value, providing employment, supporting communities, and delivering tax revenues that will benefit Governments.

Extending the growth pipeline

We have mining concessions and exploration projects in Mexico, Peru and Chile. These include four advanced exploration projects – Orisyvo, Rodeo, Guanajuato and Tajitos – as well as a number of other long-term prospects.

A low strip ratio, open pit, heap leaching disseminated gold project located in the Herradura Corridor of north-western Sonora state, Tajitos is currently progressing along our pipeline at a faster pace than other projects. We carried out 83,224 metres of core and reverse circulation drilling over 2023 and completed additional metallurgical investigations and geotechnical studies towards the end of the year. The next step is to produce a new preliminary economic study and to consider the possibility of purchasing more land for mine development.

Rodeo is following closely behind Tajitos. Rodeo is an open pit, heap leaching gold project in central Durango state, and we progressed several regional studies in 2023, including hydrological, environmental, and social base lines along with an analysis of power supply and infrastructure alternatives. Our exploration teams have worked with the local Ejidos to discuss land access agreements. Once these are concluded, we will commence pre-feasibility to feasibility level exploration, engineering, and development programmes.

Orisyvo is a world-class, high-sulphidation epithermal disseminated gold deposit located in the Sierra Madre mountains of Chihuahua state. We updated the project's pre-feasibility study in 2023 and strengthened our engagement with local communities. In addition, detailed geotechnical studies have been completed. While Orisyvo shows excellent production potential, there are challenges we need to address around the resources and capex required to progress the project.

At Guanajuato, a historic, world-class gold and silver epithermal vein field stretching more than 40 kilometres along the central Mexican state of Guanajuato, we intensified our exploration activities during the year, including the drilling of 83,576 metres which gave good results. We have also completed a preliminary economic study, and identified possibilities for conceptual mining and processing scenarios.

Elsewhere, we advanced greenfield drill programmes designed to test expansion targets at the Candameña and San Juan projects in Mexico and Capricornio in Chile. In Peru, we strengthened our engagement efforts with the local community and Government, enabling the resumption of drilling at the Pilarica project and the initiation of the programme at Santo Domingo.

With regard to exploration prospects around our existing operations, we have continued to investigate opportunities at Juanicipio, which show good potential, in the wider Fresnillo district and also at San Julián. In total, we completed 933,185 metres of drilling during 2023, a decrease of 2.4% over 2022. Around 92% of this total was devoted to brownfield targets.

Silver in consolidated overall mineral resources remained broadly unchanged vs. 2022 at 2.2 bn oz as the positive exploration results at the Guanajuato exploration project and San Julián veins were offset by mining at the mine sites, and higher costs and increased cut-off grades. Gold in consolidated overall mineral resources decreased 3.1% vs. 2022 to 37.9 moz primarily driven by extraction, and higher cost and cut-off grades at Herradura, Saucito and Soledad and Dipolos (no mining), partly mitigated by the positive exploration results and increased mineral resources at Guanajuato and Centauro Profundo exploration projects and the Ciénega mine.

Silver in consolidated overall ore reserves decreased 10.0% to 356.6 moz mainly from mining depletion and higher costs and cut-off grades at San Julián (DOB), Juanicipio and Ciénega, partly offset by increased ore reserves at Fresnillo. Gold in consolidated overall ore reserves decreased 13.7% to 7.1 moz mostly as a result of extraction and higher costs and cut-off grades at Herradura and Saucito and the end of the Noche Buena mine life.

For 2024, the exploration budget will remain broadly in line with that for 2023.

<u>Advancing and enhancing the sustainability of our operations</u>

The wellbeing of our workforce is integral to the sustainable mining of silver and gold. It forms an essential component of our Purpose. It is one of the beacons that guide us in everything we do: no amount of silver and gold production, successful exploration, or other accomplishments can compensate for any degree of harm befalling our people. Violations to our policies or standards, and behaviours that could endanger our workforce, will not be tolerated.

The tragic loss of four contractors' workers in 2023, and one in early 2024, was not only unforeseen but also profoundly distressing for everyone at Fresnillo plc. The long-term trend of our health and safety metrics has shown continued improvement over the years, with steady reductions in both the Total Recordable Injury Frequency Rate (TRIFR) and the Lost Time Injury Frequency Rate (LTIFR). However, recent events have cast a shadow across our hard-earned reputation, with our TRIFR and LTIFR rising to 12.08 and 7.40 respectively, focusing efforts like never before.

The occupational health and well-being of our people stand as our foremost priorities, and we are committed to strengthening our culture of proactive risk prevention across the organisation. Looking ahead, we have laid plans to intensify our preventive efforts, reinforcing a safety-centric culture that effectively manages high potential and critical risks. This includes an even sharper focus on visible leadership and further enhancing how we implement lessons learnt. This is a long journey and there are no easy fixes, but we are resolute in our unyielding pursuit of zero harm, ensuring that all our team members return home safely. Anchored by the continuous evolution of our 'I Care, We Care' programme, we are confident that these initiatives will pave the way to safeguarding lives and preventing incidents – and to firmly restoring our safety record on its intended course.

From increasing productivity, embracing our safety culture and driving innovation, our workforce plays an important role in the delivery of our strategy. We continue to maintain a close working relationship with both unionised and non-unionised employees to build trust and mutual accountability. These engagements have become increasingly relevant post the labour and mining reforms. After several years without any labour

disputes, we experienced a temporary suspension of activities at Herradura in the second quarter of the year. The illegal stoppage by a very small group of unionised personnel was not approved by the union and did not have a material impact on the operations at Herradura. We will continue to have constructive dialogue with our workforce to better understand their concerns and expectations in these complex regulatory and economic environments.

Since our endorsement of the UN Global Compact in 2009, our commitment to responsible business practices has been a cornerstone of how we operate. Every year, we communicate our progress and hold ourselves accountable to the highest standards. Guided by our Purpose, our commitment to sustainability was further demonstrated during 2023 through the strategic alignment with 11 of the UN's Sustainable Development Goals across our four ESG pillars: doing business ethically and responsibly; caring for our people; protecting the environment; and partnering with our communities.

Our achievements during 2023 – together with our ongoing plans for future years – demonstrate good progress against our ESG commitments.

For example, during the first half of the year, the Board approved our new Tailings Policy. We have successfully implemented our Tailings Storage Facilities (TSFs) governance framework across our operations, and all mining units are now subject to Dam Safety Inspections. We also commenced the design stage of the TSF at Orisyvo. We developed a facility at Ciénega that conforms to the guidelines of the Mining Association of Canada (MAC), the International Commission on Large Dams (ICOLD) and the Canadian Dam Association (CDA). Moving forward, we expect to conclude Potential Failure Mode Assessments (PFMA) for each site in 2024, enabling us to assess and pre-emptively manage major risks, thereby optimising efficiency.

We continue to champion operational and energy efficiency measures. The multimodal fuel station project that supplies Liquid Natural Gas (LNG) and diesel in our Herradura mine was finally approved by the Government during the period, allowing better control and more efficient operation of our dual-motor haulage fleet and the optimisation of the LNG-diesel substitution ratio. We look forward to benefitting from lower costs and a reduced carbon footprint in 2024.

We also continued to engage with the Mexican Government to explore how we could increase the share of renewables in our energy matrix. Following an administrative rearrangement of our current energy portfolio, we sourced over 50% of our energy needs from wind. This is similar to 2019 levels, and is particularly noteworthy considering the increase in our overall electricity consumption since then, due to our expanding operations. By optimising our available renewable sources across our facilities, we are confidently moving back on track to achieving our ambitious goal of 75% renewables by 2030.

Regarding our climate change mitigation and adaptation strategies, we have now harmonised our risk framework with the central Enterprise Risk Framework (ERM), enabling us to allocate divisional and site-level risks and controls to designated risk owners, with the goal of further refining site-specific nuances through a standardised methodology. At the same time, we have satisfactorily concluded our regional climate modelling. This has generated industry-valuable insights and enabled us to undertake decarbonisation pathway analyses in two of our most representative facilities. These analyses aim to identify feasible decarbonisation technologies and scenarios, while providing further crucial insights to guide our overall decarbonisation journey.

Last year, I expressed disappointment that we had been omitted from the FTSE4Good Index due to heightened climate change requirements. Our commitment to reclaim our position in this prestigious index remains a top priority for Fresnillo plc – and I am confident that the work underway will pay dividends in the near future, not

only enhancing our reputation but, most importantly, fortifying our risk management and operational resilience. As we forge ahead, our institutional practices will continue to exemplify our proactive stance in shaping a more sustainable future for our business, our stakeholders and the planet.

We fully recognise the importance of close, proactive working relationships with the Government in Mexico and its departments, as well as with their equivalents in Peru and Chile where we have exploration projects. Several changes to the laws governing mining were approved in May 2023. While we do not believe these will have any material impact on our current operations or advanced exploration projects, certain aspects of the new legislation are harmful to the industry. Others may require additional clarifications, which have yet to be issued. We continue to engage with the Government regarding these and other matters in order to obtain a positive outcome for all – for the Government, for the people of Mexico and for our business.

Looking ahead

We expect the global economic landscape to remain challenging, with greater uncertainty driven by geopolitical tensions, faltering economies and destabilising events including the wars in Ukraine and the Middle East. In Mexico, the forthcoming election may bring a change of Government and a new set of priorities. We will continue to work with the Government, regardless of its political leanings, to make sure that the mining industry in general and Fresnillo in particular can continue to bring prosperity and jobs to the people of Mexico.

For our business, 2024 and the following two to three years are about stable production and managing our costs while at the same time developing projects that will form the basis of future growth.

In addition to redoubling our efforts to protect the health and safety of our people, we will strive to mitigate the impact of inflation and exchange rates on our costs, working with our internal teams and as well as suppliers to identify efficiencies across the business which will enable us to achieve more without increasing resources. We are well-positioned from a financial standpoint with strong cash flow and a robust balance sheet in place to ensure that we are able to seize opportunities – whether for M&A or to develop new growth projects – as they arise.

Our pipeline continues to be a major source of optimism. Last year I reported that some potential projects could shortly be making their way into our operational portfolio, and I expect us to make further progress during the year ahead.

When times are difficult, collaboration and cooperation become more critical than ever. From the teams in our mines, offices and Boardroom to suppliers, local communities, Government officials and investors, we have worked together to deliver a sound performance for the year, with the prospect of better times in the long term. I would like to thank everybody associated with Fresnillo for your unwavering support during the year.

-Octavio Alvídrez
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 intends to explain the

main factors affecting performance as well as provide a detailed analysis of the financial results in order to enhance the understanding of the Group's Financial Statements. All comparisons refer to 2023 figures compared to 2022, unless otherwise noted. The financial information and year-on-year variations are presented in US dollars, except where otherwise indicated.

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

Commentary on financial performance

The Group's financial performance in 2023 reflects the operational challenges faced at the mines, coupled with the adverse effects of the revaluation of the Mexican peso vs. the US dollar and inflationary pressures across the cost base.

Adjusted revenue[1] increased 10.5% vs 2022 to US$2,869.1 million. This was primarily due to the higher volumes of silver sold, and to a lesser extent, the increase in volumes of lead and zinc sold, combined with the higher gold and silver prices. Revenue increased 11.2% year-on-year to US$2,705.1 million due to the increase in adjusted revenue, partly offset by higher treatment and refining charges.

Adjusted production costs[2] increased 12.3% vs 2022. This was primarily driven by the adverse impact caused by the revaluation of the Mexican peso/US dollar exchange rate which, on average, appreciated 11.7%, a 3.9% in cost inflation, the additional costs from the start-up of the flotation plant and ramp up of the mine at Juanicipio and the start-up of the pyrites plant at Fresnillo, together with longer haulage distances, maintenance and contractors at San Julián (DOB and Veins), Ciénega and Herradura.

As a result, gross profit and EBITDA[3] decreased to US$503.2 million and US$655.7 million, a 6.1% and 12.7% decrease vs 2022 respectively.

We maintained our strong financial position, with US$534.6 million in cash and other liquid funds as of 31 December 2023 notwithstanding paying dividends of US$108.4 million in accordance with our policy, investing US$483.4 million in capex, repaying the US$317.9 million Senior Notes due in November 2023, and spending US$182.4 million on exploration expenses.

In early 2024, the Group signed a five-year committed revolving line of credit for up to US$350 million. This facility is part of Fresnillo's strategy to maintain a strong balance sheet and financial flexibility, which are core to the Company's capital structure and investment case.

Income statement highlights

	2023 US$ million	2022 US$ million	Amount change US$ million	Change %
Adjusted revenue[1]	**2,869.1**	2,597.2	271.9	10.5
Total revenue	**2,705.1**	2,433.0	272.1	11.2
Cost of sales	**(2,201.8)**	(1,897.0)	(304.8)	16.1
Gross profit	**503.2**	536.0	(32.8)	(6.1)
Exploration expenses	**182.4**	165.8	16.6	10.0
Operating profit	**142.5**	283.6	(141.1)	(49.8)
EBITDA[3]	**655.7**	751.1	(95.4)	(12.7)
Tax income net of special mining rights[4]	**(174.3)**	(59.7)	(114.6)	192.0
Profit for the period	**288.3**	308.3	(20.0)	(6.5)
Profit for the period, excluding post-tax Silverstream effects	**282.9**	295.1	(12.2)	(4.1)
Basic and diluted earnings per share (US$/share)[4]	**0.317**	0.369	(0.052)	(14.1)
Basic and diluted earnings per share, excluding post-tax Silverstream effects (US$/share)	**0.310**	0.351	(0.041)	(11.7)

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 Tax income resulted from the favourable impact of the revaluation of the Mexican peso vs. the US dollar.

5 The weighted average number of Ordinary Shares was 736,893,589 for 2023 and 2022. 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 beyond of our control, including a number of macroeconomic variables, affect our financial results. These include:

Metals prices
The average realised silver price increased 8.8% from US$21.7 per ounce in 2022 to US$23.6 per ounce in 2023, while the average realised gold price rose 8.8% to US$1,957.7 per ounce in 2023. The average realised zinc by-product price decreased 22.6% to US$1.18 per pound, while the lead by-product price decreased 1.4% vs 2022 to US$0.95 per pound.

MX$/US$ exchange rate
The Mexican peso/US dollar spot exchange rate at 31 December 2023 was $16.89 per US dollar, compared to the exchange rate at 31 December 2022 of $19.36 per US dollar. The 12.8% spot revaluation had a favourable effect on taxes and mining rights.

The average spot Mexican peso/US dollar exchange rate appreciated by 11.7% from $20.13 per US dollar in 2022 to $17.77 per US dollar in 2023, thus having an adverse effect of US$113.3 million on the Group's costs denominated in Mexican pesos (approximately 45% of total costs) when converted to US dollars.

Cost inflation
In 2023, cost inflation was 3.9%. The main components driving our cost inflation are listed below:

Labour
Unionised workers received on average an 8.5% increase in wages in Mexican pesos, while non-unionised employees received on average a 7.5% increase in wages in Mexican pesos; when converted to US dollarsthis resulted in a weighted average labour inflation of 22.5%.

Energy
Electricity
The weighted average cost of electricity in US dollars increased 4.8% from US$9.26 cents per kW in 2022 to US$9.70 cents per kW in 2023, due to the higher average generating cost of the Comisión Federal de Electricidad (CFE), the national utility.

Diesel
The weighted average cost of diesel increased 17.0% in US dollars to 106.9 US cents per litre in 2023, compared to 91.4 US cents per litre in 2022. 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-on-year change in unit price %
Lubricants	27.5
Other reagents	8.7
Steel for drilling	7.4
Tyres	5.0
Steel balls for milling	(3.4)
Explosives	(3.8)
Sodium cyanide	(5.9)
Weighted average of all operating materials	**1.0**

The weighted average unit prices of all operating materials increased by 1.0% over the year as the unit prices of lubricants and reagents continued to increase in US dollar terms reflecting global inflationary pressures and supply disruptions. This was partly offset by the decrease in the unit price of sodium cyanide, explosives and steel balls for drilling. There has been no significant impact on the unit cost of operating materials from the revaluation of the Mexican peso/US dollar exchange rate as the majority of these items are dollar-denominated.

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, among others. Contractor costs are mainly denominated in Mexican pesos and are an important

component of our total production costs. In 2023, 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 14.4% in US dollars, after considering the revaluation of the Mexican peso vs the US dollar.

Maintenance

Unit prices of spare parts for maintenance increased by 12.5% on average in US dollar terms.

Other costs

Other cost components include freight which increased by an estimated 26.6% in US dollars and insurance costs which increased by 4.8% in US dollars, mainly due to higher market premiums. The remaining cost inflation components experienced an average inflation of 5.4% in US dollars vs 2022.

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

	2023 US$ million	2022 US$ million	Amount US$ million	Change %
Adjusted revenue[5]	**2,869.1**	2,597.2	271.9	10.5
Metals prices hedging	**0.0**	(3.8)	3.8	0.0
Treatment and refining charges	**(164.0)**	(160.5)	(3.5)	(2.2)
Total revenue	**2,705.1**	2,433.0	272.1	11.2

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

Adjusted revenue increased by US$271.9 million primarily driven by the higher volumes of silver sold, and to a lesser extent, of lead and zinc sold and the higher gold and silver prices. Treatment and refining charges increased 2.2% as explained below. As a result, total revenue increased to US$2,705.1 million, an 11.2% increase against 2022.

Adjusted revenue[1] by metal

	2023		2022					
	US$ million	% contribution	US$ million	% contribution	Volume variance US$ million	Price variance US$ million	Total net change US$ million	Change %
Gold	**1,186.2**	**41.4**	1,114.2	42.9	(27.8)	99.8	72.0	6.5
Silver	**1,310.6**	**45.7**	1,089.2	41.9	128.1	93.3	221.4	20.3
Lead	**121.5**	**4.2**	106.6	4.1	16.4	(1.6)	14.8	14.0
Zinc	**250.8**	**8.7**	287.2	11.1	32.6	(69.1)	(36.5)	(12.7)
Total adjusted revenue	**2,869.1**	**100.0**	2,597.2	100.0	**149.4**	**122.4**	**271.9**	**10.5**

The increase in volumes of silver sold was primarily due to the ramp up of production at Juanicipio. The volumes of gold sold decreased, mainly driven by the lower production at Noche Buena as it approached the end of its mine life. The volumes of lead and zinc sold benefitted from the higher contribution from Juancipio and the higher volume of ore processed and ore grade at Saucito (for further detail, see Review of operations). The total sale volume effect (higher silver, zinc and lead volumes sold partly offset by lower gold volumes sold), resulted in a positive effect on adjusted revenues of US$149.4 million, representing 54.9% of the total variation. The remaining 45.1% of the increase in adjusted revenues was primarily explained by the higher silver and gold prices, mitigated by the lower 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 silver to total adjusted revenues increased from 41.9% in 2022 to 45.7% in 2023, while that for gold decreased from 42.9% in 2022 to 41.4% in 2023.

Adjusted revenue by mine

Herradura continued to be the greatest contributor to adjusted revenue, representing 24.7% (2022: 24.4%). Saucito's contribution remained relatively unchanged at 18.4%, whilst Juanicipio became the third most important contributor to adjusted revenue, with its share increasing to 17.2% (2022:

10.0%). Fresnillo's contribution decreased to 16.7% in 2023 (2022: 18.3%), albeit generating a similar level of adjusted revenue year on year. San Julián's contribution to the
Group's adjusted revenue decreased to 14.1% in 2023 (2022: 16.0%) primarily due to the lower volumes of silver and gold sold. Ciénega's contribution to the Group's adjusted revenue decreased to 5.9% (2022: 6.9%) as a result of the lower volumes of all metals sold, mitigated by the higher gold and silver price. Noche Buena's contribution to adjusted revenue decreased to 3.0% in 2023 (5.5% in 2022).

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.

	2023		2022		
	(US$ million)	**%** contribution	(US$ million)	% contribution	Change %
Herradura	**708.7**	**24.7**	634.9	24.4	11.6
Saucito	**527.8**	**18.4**	485.9	18.7	8.6
Juanicipio	**492.5**	**17.2**	259.0	10.0	90.2
Fresnillo	**479.6**	**16.7**	475.8	18.3	0.8
San Julián (Veins)	**205.1**	**7.1**	175.1	6.7	17.1
San Julián (DOB)	**201.3**	**7.0**	242.5	9.3	(17.0)
Ciénega	**169.3**	**5.9**	180.3	6.9	(6.1)
Noche Buena	**84.8**	**3.0**	143.8	5.5	10.5
Total	**2,869.1**	**100**	2,597.2	100	11.6

16 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

	2023	**% contribution of each mine**	2022	% contribution of each mine	Change %
Silver (koz)					
Juanicipio	**15,318**	**27.4**	8,697	17.3	76.1
Fresnillo	**11,535**	**20.7**	12,222	24.4	(5.6)
Saucito	**10,387**	**18.6**	10,620	21.2	(2.2)
San Julián (DOB)	**6,544**	**11.7**	8,117	16.2	(19.4)
San Julián (Veins)	**5,368**	**9.6**	4,502	9.0	19.2
Ciénega	**3,864**	**6.9**	4,344	8.7	(11.0)
Pyrites plant at Saucito	**1,799**	**3.2**	854	1.7	110.7
Herradura	**615**	**1.1**	777	1.5	(20.8)
Pyrites plant at Fresnillo	**378**	**0.7**	0	0.0	100.0
Noche Buena	**5**	**0.0**	9	0.0	(44.4)
Total silver (koz)	**55,813**		50,142		11.3

Gold (oz)					
Herradura	**358,210**	**59.2**	351,156	56.7	2.0
Saucito	**64,507**	**10.7**	65,689	10.6	(1.8)
San Julián (Veins)	**40,253**	**6.7**	42,516	6.9	(5.3)
Noche Buena	**39,203**	**6.5**	71,921	11.6	(45.5)
Ciénega	**33,407**	**5.5**	35,275	5.7	(5.3)
Juanicipio	**31,803**	**5.3**	20,268	3.3	56.9
Fresnillo	**30,234**	**5.0**	28,277	4.6	6.9
Pyrites plant at Saucito	**4,713**	**0.8**	2,585	0.4	82.3
San Julián (DOB)	**1,739**	**0.3**	1,546	0.2	12.5
Pyrites plant at Fresnillo	**718**	**0.1**	4	0.0	>100
Total gold (oz)	**604,787**		619,237		(2.3)
Lead (t)					
Fresnillo	**19,441**	**33.5**	19,667	39.2	(1.1)
Saucito	**17,732**	**30.6**	16,114	32.1	10.0
Juanicipio	**11,783**	**20.3**	4,487	8.9	162.6
San Julián (DOB)	**6,363**	**11.0**	6,677	13.3	(4.7)
Ciénega	**2,682**	**4.6**	3,267	6.5	(17.9)
Total lead (t)	**58,001**		50,212		15.5
Zinc (t)					
Fresnillo	**37,636**	**39.0**	35,890	41.9	4.9
Saucito	**27,211**	**28.2**	23,604	27.6	15.3
Juanicipio	**16,796**	**17.4**	6,758	7.9	148.5
San Julián (DOB)	**11,929**	**12.4**	14,771	17.3	(19.2)
Ciénega	**2,989**	**3.1**	4,564	5.3	(34.5)
Total zinc (t)	**96,561**		85,587		12.8

Treatment and refining charges
Treatment and refining charges[3] are reviewed annually using international benchmarks. Treatment charges per tonne of zinc concentrate increased in dollar terms by 4.9%, while treatment charge per tonne of lead concentrate and silver refining charges decreased by 10.5% and 41.2% vs 2022, respectively. The higher treatment charges per tonne of zinc and increase in volumes of lead and zinc concentrates shipped from our mines to Met-Mex, combined with the lower treatment charges per tonne of lead and silver refining charges resulted in a 2.2% increase in treatment and refining charges set out in the income statement in absolute terms when compared to 2022.

Cost of sales

Concept	**2023 US$ million**	2022 US$ million	Amount US$ million	Change %
Adjusted production costs[4]	**1,624.1**	1,445.8	178.3	12.3

Depreciation	**497.3**	500.6	(3.3)	(0.7)
Profit sharing	**2.2**	9.6	(7.4)	(77.1)
Hedging	**(0.2)**	0.0	(0.2)	(100.0)
Change in work in progress	**52.6**	(61.6)	114.2	N/A
Unproductive costs including inventory reversal and unabsorbed production costs[5]	**25.9**	2.6	23.3	896.2
Cost of sales	**2,201.8**	**1,897.0**	**304.8**	**16.1**

Cost of sales increased 16.0% to US$2,201.8 million in 2023. The US$304.8 million increase is due to a combination of the following factors:

- An increase in Adjusted production costs (+US$178.3 million; +12.3%). I) the adverse effect of the 11.7% average revaluation of Mexican peso vs. the US dollar (US$113.3 million); ii) underlying cost inflation excluding the revaluation of the Mexican peso vs. US dollar (US$56.9 million) – these two factors combined resulted in a cost inflation in US dollars of 12.4%, which increased adjusted production cost by US$170.2 million; iii) costs from the start-up of the beneficiation plant and mine ramp up at Juanicipio (US$43.4 million); iv) others (US$32.9 million); v) longer haulage distances and increase in maintenance and contractors at San Julián (DOB and Veins), Ciénega and Herradura (US$29.7 million); and vii) costs from the start-up of the pyrites plant at Fresnillo (US$8.8 million). These adverse effects were mitigated by: i) a decrease in mining costs as depositing activities stopped at Noche Buena as part of the mine closure process which started in May (-US$81.9 million) and cost reductions due to economies of scale and operating efficiencies at Saucito and Fresnillo (US$24.7 million).
- The variation in the change in work in progress had an adverse effect of US$114.2 million vs 2022. This resulted mainly from the decrease in inventories of ore at Juanicipio, as the flotation plant was commissioned and it ramped up to full capacity, and the decrease of gold content on the leaching pads at Noche Buena. In 2022, there was a positive effect in relation to the increase in inventories of ore at Juanicipio and gold content at the leaching pads at Herradura.
- The variation in unproductive costs, which had an unfavourable effect of (+US$23.3 million). In 2023, US$25.9 million was registered as unproductive costs. These costs related mainly to the temporary stoppage of activities at Herradura and fixed costs incurred at Noche Buena from the conclusion of mining activities.

These negative effects were slightly mitigated mainly by:

- Profit sharing (-US$7.4 million) mainly due to lower profits.
- Depreciation (-US$3.3 million). This is mainly due to lower depreciation at Noche Buena - as it approaches the end of its mine life and the majority of the assets have been fully depreciated - and at San Julián due to a lower depletion factor. This was partly offset by the higher depreciation at Juanicipio.

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 non-productive costs from the temporary suspension of activities at Herradura and non-productive fixed mine costs incurred at Noche Buena from the finalisation of mining activities.
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		**2023**	2022	% change
Fresnillo (standalone)	US$/tonne milled	**97.8**	91.5	6.9
Fresnillo pyrites process	US$/tonne milled	**3.3**	N/A	N/A
Fresnillo Total	US$/tonne milled	**101.1**	91.5	10.5
Saucito (standalone)	US$/tonne milled	**122.0**	113.3	7.7
Saucito pyrites process	US$/tonne milled	**19.2**	6.2	209.7
Saucito Total	US$/tonne milled	**141.2**	119.5	18.2
Juanicipio	US$/tonne milled	**114.8**	N/A	N/A

San Julián (Veins)	US$/tonne milled	**109.0**	91.0	19.8
San Julián (DOB)	US$/tonne milled	**50.0**	44.8	11.6
Ciénega	US$/tonne milled	**135.8**	116.3	16.8
Herradura	US$/tonne deposited	**24.2**	19.7	22.8
Herradura	US$/tonne hauled	**5.4**	4.7	14.9
Noche Buena	US$/tonne deposited	**13.1**	13.9	(5.8)
Noche Buena	US$/tonne hauled	**3.9**	3.9	0.0

Fresnillo: Cost per tonne increased 10.6% to US$101.1 in 2023, primarily driven by the adverse effect of the 11.7% revaluation of the Mexican peso vs the US dollar and underlying cost inflation. This was mitigated by the higher volume of ore processed, as well as cost reductions due to economies of scale and operating efficiencies.

Saucito: Cost per tonne increased 18.2% to US$141.2, mainly driven by the adverse effect of the revaluation of the Mexican peso vs. the US dollar, cost of raw material, underlying cost inflation and the increased consumption of reagents at the pyrites plant. This was partly mitigated by the increased volume of ore processed.

San Julián Veins: Cost per tonne increased 19.8% to US$109.0, primarily driven by the adverse effect of the revaluation of the Mexican peso vs. the US dollar, the underlying cost inflation and an increase in the use of maintenance services and infrastructure contractors.

San Julián DOB: Cost per tonne increased 11.6% to US$50.0, mainly driven by the adverse effect of the revaluation of the Mexican peso vs. the US dollar and cost inflation.

Ciénega: Cost per tonne increased 16.8% to US$135.8, driven by the revaluation of the Mexican peso vs. the US dollar, underlying cost inflation and a lower volume of ore processed, an increase in development and a greater use of infrastructure contractors.

Herradura: Cost per tonne of ore hauled increased 22.8%, primarily as a result of the longer haulage distances and increase in maintenance, the adverse effect of the revaluation of the Mexican peso vs. the US dollar, and underlying cost inflation.

Noche Buena: Cost per tonne decreased to US$13.1 in 2023, primarily driven by the lower mining costs incurred as extraction ended in 2Q23, partly offset by the revaluation of the Mexican peso vs. the US dollar and underlying cost inflation.

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		**2023**	**2022**	% change
Fresnillo	US$ per silver ounce	**10.2**	5.7	78.9
Saucito	US$ per silver ounce	**8.7**	4.5	93.3
Juanicipio	US$ per silver ounce	**6.8**	N/A	N/A
San Julián (Veins)	US$ per silver ounce	**9.6**	7.1	35.2
San Julián (DOB)	US$ per silver ounce	**11.8**	6.9	71.0
Ciénega	US$ per gold ounce	**1,597.8**	518.5	208.2
Herradura	US$ per gold ounce	**1,378.8**	1,155.5	19.3
Noche Buena	US$ per gold ounce	**1,780.8**	1,269.9	40.2

Fresnillo: Cash cost per silver ounce increased to US$10.2 (2022: US$5.7) mainly due to the increase in cost per tonne, the lower silver ore grade, an increase in mining rights and the lower zinc by-product credits. Margin per ounce decreased 16.3% to US$13.4 (2022: US$16.0). Expressed as a percentage of the silver price, it decreased to 56.8% (2022: 73.7%).

Saucito: Cash cost per silver ounce increased to US$8.7 per ounce (2022: US$4.5 per silver ounce) mainly as a result of a higher cost per tonne, increased mining rights, and lower zinc by-product credits per silver ounce. Margin per ounce decreased 13.1% to US$14.9 in 2023 (2022: US$17.2). Expressed as a percentage of the silver price, it decreased from 79.3% to 63.1%.

San Julián Veins: Cash cost per ounce of silver increased to US$9.6 per ounce, mainly due to the higher cost per tonne and lower gold by-product credits per silver ounce, and increased mining rights, mitigated by a higher silver ore grade. Margin per ounce decreased 4.8% to US$14.0 (2022: US$14.7), while margin expressed as a percentage of the silver price decreased from 67.5% in 2022 to 59.3% in 2023.

San Julián DOB: Cash cost increased to US$11.8 per ounce of silver driven by a lower silver ore grade, the increase in cost per tonne and lower zinc by-product credits per silver ounce. Margin per ounce decreased 20.3% to US$11.8 (2022: US$14.8), while margin expressed as a percentage of the silver price decreased from 68.2% in 2022 to 50.0% in 2023.

Ciénega: The increase in cash cost per gold ounce from US$518.5 in 2022 to US$1,597.8 in 2023 was primarily due to a higher cost per tonne, increased mining rights and a decrease in zinc and lead by-product credits per gold ounce. Margin per ounce decreased 71.9% to US$359.9 in 2023 (2022: US$1,280.8). Expressed as a percentage of the gold price, the margin decreased to 18.4% (2022: 71.2%).

Herradura: Cash cost per gold ounce increased to US$1,378.8 per ounce of gold, mainly due to the higher cost per tonne. Margin per ounce decreased 5.6% from US$643.8 to US$578.9, while margin expressed as a percentage of the gold price decreased from 35.8% in 2022 to 29.6% in 2023.

Noche Buena: Cash cost per gold ounce increased to US$1,780.8, mainly due to the consumption of inventories on the leaching pads, and a lower gold ore grade, partly mitigated by a lower cost per tonne. Margin per ounce decreased 66.6% to US$176.9 in 2023 (2022: US$529.4). Expressed as a percentage of the gold price, it decreased from 29.4% to 9.0% in 2023.

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		**2023**	2022	% change
Fresnillo	US$ per silver ounce	**20.43**	16.27	25.6
Saucito	US$ per silver ounce	**21.63**	16.8	28.8
Juanicipio	US$ per silver ounce	**11.4**	N/A	N/A
San Julián (Veins)	US$ per silver ounce	**23.92**	21.84	9.5
San Julián (DOB)	US$ per silver ounce	**14.50**	8.79	65.0
Ciénega	US$ per gold ounce	**3,178.47**	2,011.14	58.0
Herradura	US$ per gold ounce	**1,608.67**	1,527.36	5.3
Noche Buena	US$ per gold ounce	**1,873.04**	1,359.63	37.8

Fresnillo: All-in sustaining cost increased by 25.6% to US$20.4, explained by the higher cash cost and an increase in capitalised development, partly mitigated by the lower sustaining capex.

Saucito: All-in sustaining cost increased 28.8% to US$21.6 per ounce due to the increase in cash cost and higher sustaining capex per ounce, partly offset by a decrease in capitalised mine development cost per ounce.

San Julián Veins: All in sustaining cost increased 9.2% to US$23.9 per ounce due to the increased cash cost and higher sustaining capex, partly mitigated by lower capitalised mine development per ounce.

San Julián DOB: The 65.0% increase in all in sustaining cost was mainly driven by the increase in cash cost, increased sustaining capex and a higher capitalised development cost per ounce.

Ciénega: The US$1,167.4 per ounce increase in all-in sustaining cost was primarily driven by the higher cash cost and, to a lesser extent, an increase in mine development per ounce, partly offset by the lower sustaining capex.

Herradura: All-in sustaining cost increased 5.3% to US$1,608.7 per ounce, mainly due to the higher cash cost.

Noche Buena: The 37.8% increase to US$1,873.0 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 6.1% from US$536.0 million in 2022 to US$503.2 million in 2023.

The US$32.8 million decrease in gross profit was mainly due to: i) the variation in change of inventories (-US$145.1 million); ii) the MXP/USD revaluation effect (-$113.3 million); iii) the lower zinc and lead prices (-US$70.4 million); iv) underlying cost inflation of 3.9% (-$56.9 million); v) the decrease in silver equivalent ounces produced (-US$24.3 million); vi) increase in unproductive costs primarily from the illegal stoppage at Herradura and Noche Buena (-US$19.0 million); vii) others (-US$17.3 million); and viii) higher haulage distances and spare parts for maintenance at Herradura (-US$16.5 million).These negative effects were mitigated by: i) the start up of the beneficiation plant and ramp up of the Juanicipio mine (US$206.2 million); ii) higher gold and silver prices (US$192.9 million); and iii) the positive effect of the gold inventory uplift at Herradura (US$30.9 million).

On a per mine basis, Juanicipio became the largest contributor to the Group's consolidated gross profit, reflecting the successful ramp up of production at the flotation plant. Herradura dropped to second contributor, decreasing its percentage share from 27.5% to 25.1%. The higher costs at Saucito and Fresnillo significantly affected the gross profit at both mines, which decreased by 18.4% and 41.6% vs 2022, respectively, thus decreasing their contribution to the consolidated gross profit. San Julián's contribution to the Group's gross profit remained broadly unchanged at 11.4% in 2023, despite the 6.6% decrease in gross profit. The decrease in production volumes, together with the cost pressures, significantly affected profitability at Ciénega and Noche Buena.

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

	2023		2022		Change	
	US$ million	% contribution	US$ million	% contribution	US$ million	%
Juanicipio	**202.8**	**41.0**	132.8	24.8	70.0	52.7
Herradura	**124.2**	**25.1**	147.1	27.5	(22.9)	(15.6)
Saucito	**80.4**	**16.2**	98.5	18.4	(18.1)	(18.4)
Fresnillo	**61.2**	**12.4**	104.8	19.6	(43.6)	(41.6)
San Julián	**56.3**	**11.4**	60.3	11.3	(4.0)	(6.6)
Noche Buena	**(0.1)**	**0.0**	3.3	0.6	(3.4)	(103.0)
Ciénega	**(29.8)**	**(6.0)**	(11.3)	(2.1)	(18.5)	163.7
Total for operating mines	**495.0**	**100**	535.5	100	(40.5)	(7.6)
Metal hedging and other subsidiaries	**8.2**		0.5		7.7	>100.0
Total Fresnillo plc	**503.2**		536.0		(32.8)	(6.1)

Administrative and corporate expenses

Administrative and corporate expenses increased 36.5% from US$94.1 million in 2022 to US$128.4 million in 2023, mainly due to the adverse effects of the revaluation of the Mexican peso vs the US Dollar on administrative expenses denominated in pesos, including personnel salaries, and the increase resulting from the review of the Shared Services Agreement with Peñoles in line with the increased services provided.

Exploration expenses

Business unit/project (US$ million)	**Exploration expenses 2023**	Exploration expenses 2022	**Capitalised expenses 2023**	Capitalised expenses 2022
Fresnillo	**22.9**	12.3	**–**	–
San Julián	**19.6**	24.6	**–**	–
Saucito	**13.5**	12.0	**–**	–
Juanicipio	**7.3**	11.7	**–**	–
Ciénega	**6.7**	7.2	**–**	–
Herradura	**5.7**	4.8	**–**	–
Noche Buena	**0.7**	1.4	**–**	–
Guanajuato	**18.6**	11.6	**1.6**	1.0
Orisyvo	**6.7**	4.0	**0.6**	–
Valles (Herradura)	**4.3**	5.8	**–**	–
Centauro Deep	**0.4**	0.5	**–**	–
Others	**76.1**	69.9	**1.3**	0.8
Total	**182.4**	165.8	**3.5**	1.8

As expected, exploration expenses increased by 10.1% from US$165.8 million in 2022 to US$182.4 million in 2023, 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$16.7 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; together with the adverse effect of the revaluation of the Mexican peso vs. the US dollar. An additional US$3.5 million was capitalised, mainly relating to exploration expenses at the Guanajuato project. As a result, risk capital invested in exploration totalled US$185.9 million in 2023, compared to US$167.6 million in 2022 (of which US$1.8 million was capitalised). This represents a year-on-year increase of 11.0%.

EBITDA

	2023 US$ million	2022 US$ million	Amount US$ million	Change %
Profit from continuing operations before income tax	**114.0**	248.6	(134.6)	(54.1)
– Finance income	**(50.6)**	(26.5)	(24.1)	90.9
+ Finance costs	**88.8**	81.6	7.2	8.8
– Revaluation effects of Silverstream contract	**(7.7)**	(18.8)	11.1	(59.0)
– Foreign exchange loss, net	**(2.0)**	(1.4)	(0.6)	42.9
– Other operating income	**(35.3)**	(71.9)	36.6	(50.9)
+ Other operating expense	**51.2**	38.8	12.4	32.0
+ Depreciation	**497.3**	500.6	(3.3)	(0.7)
EBITDA	**655.7**	751.1	(95.4)	(12.7)
EBITDA margin	**24.2**	30.9	–	–

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 2023, EBITDA decreased 12.7% to US$655.7 million primarily driven by the lower gross profit and higher administrative and exploration expenses. As a result, EBITDA margin expressed as a percentage of revenue decreased, from 30.9% in 2022 to 24.2% in 2023.

Other operating income and expense

In 2023, a net loss of US$15.8 million was recognised in the income statement mainly as a result of the illegal extraction of ore from the leaching pads at Soledad-Dipolos by third parties. This compares unfavourably to the net gain of US$33.1 million recognised in the income statement in 2022 which was mainly 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 2023 income statement was a gain of US$7.7 million (US$48.4 million amortisation profit and US$40.7 million revaluation loss), which compared negatively to the net gain of US$18.8 million registered in 2022. The negative revaluation was mainly driven by a decrease in the production plan following an update to the Sabinas silver reserves and a lower inflation forecast.

Since the IPO, cumulative cash of US$809.9 million has been received vs US$350 million initially paid in 2007. The Group expects that further unrealised gains or losses related to the valuation of the Silverstream contract 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$38.2 million compared favourably to the US$55.2 million recorded in 2022. The US$17.7 million decrease was primarily due to the positive effect of the increased interest gained in short term deposits and investments. In addition, the 2023 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 2023, the Group capitalised US$2.1 million of borrowing costs (2022: US$8.5 million).

Foreign exchange

A foreign exchange gain of US$2.0 million was recorded in 2023, which compared favourably to the US$1.4 million gain in 2022.

The Group also enters into certain exchange rate derivative instruments as part of a program to manage its exposure to foreign exchange risk associated with the purchase of equipment denominated in Euro (EUR). As of December 31st 2023, the total EUR outstanding net forward position was EUR 5.08 million with maturity dates through September 2024. Volumes that expired during the second half of 2023 were EUR 7.07 million with a weighted average strike of 1.1043 USD/EUR, which have generated a marginal result in the period of -US$0.163 million.

Taxation

Tax income for the period was US$205.0 million, which compared favourably to the US$67.4 million tax income in 2022. The effective tax rate, excluding the special mining rights, was -179.8%, compared to the 30% statutory tax rate. The reason 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 12.8% revaluation of the Mexican peso/US dollar spot exchange rate in 2023 versus the 5.9% revaluation in 2022 on the tax value of assets and liabilities (-US$214.5 million); and ii) the inflation rate (Mexican Consumer Price Index), which impacted the inflationary uplift of the tax base for assets and liabilities (-US$54.8 million).

The reason for the positive effective tax rate in 2022 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 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 iii) the benefit from the lower border zone tax which applied to Herradura and Noche Buena operations (-US$17.5 million).

Mining rights in 2023 was US$30.8 million compared to mining rights of US$7.7 million charged in 2022.

Profit for the period

Profit for the period decreased from US$308.3 million in 2022 to US$288.3 million in 2023, a 6.5% 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$295.1 million to US$282.9 million, a 4.1% decrease.

Profit due to non-controlling interests increased from US$36.4 million in 2022 to US$54.4 million in 2023 reflecting the higher profit generated at Juanicipio, where MAG Silver owns 44% of the outstanding shares.

Profit attributable to equity shareholders of the Group decreased from US$271.9 million in 2022 to US$233.9 million in 2023, down 14.0%.

Cash flow

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

	2023 US$ million	2022 US$ million	Amount US$ million	Change %
Cash generated by operations before changes in working capital	**649.3**	743.1	(93.8)	(12.6)
Decrease/increase in working capital	**20.6**	(66.1)	86.7	(131.2)
Taxes and employee profit sharing paid	**(244.0)**	(174.7)	(69.3)	39.7
Net cash from operating activities	**425.9**	502.2	(76.3)	(15.2)
Silverstream contract	**40.2**	33.4	6.8	20.4
Capital contributions and loans by minority shareholders	**(0.6)**	8.3	(8.8)	N/A
Proceeds from the layback agreement	**22.8**	15.0	7.8	52.0
Purchase of property, plant and equipment	**(483.4)**	(592.1)	108.7.	(18.4)
Repayment of interest-bearing loans	**(317.9)**	-	(317.9)	100.0
Dividends paid to shareholders of the Company	**(108.4)**	(202.0)	93.6	(46.3)
Financial expenses and foreign exchange effects	**(6.4)**	(27.2)	20.8	(76.5)
Net (decrease)/increase in cash during the period after foreign exchange differences	**(434.5)**	(266.2)	(168.3)	63.2
Cash and other liquid funds at 31 December[1]	**534.6**	969.1	(434.5)	(44.8)

Cash generated by operations before changes in working capital decreased by 12.6% to US$649.3 million, primarily due to the lower profits generated in the year. Working capital decreased US$20.6 million, mainly due to: i) a decrease in ore inventories of US$54.6 million; and ii) a US$10.4 million decrease in prepayments mainly to contractors. This was partly offset by a US$45.6 million increase in trade receivables from related parties.

Taxes and employee profit sharing paid increased 39.7% vs 2022 to US$244.0 million mainly due to an increase in provisional tax payments paid in 2023; and the higher final income tax paid in 2023, net of provisional taxes paid, corresponding to the 2022 tax fiscal year. This was partially offset by a decrease in mining rights payments and lower profit sharing paid.

As a result of the above factors, net cash from operating activities decreased 15.2% from US$502.2 million in 2022 to US$425.9 million in 2023.

The Group received other sources of cash, including: i) the proceeds of the Silverstream contract of US$40.2 million; and ii) proceeds from the layback agreement granting Orla the right to expand the Camino Rojo oxide pit onto Fresnillo's mineral concession of US$22.8 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$483.4 million. Capital expenditures for 2023 are described below:

Purchase of property, plant and equipment

	2023 US$ million	
Saucito mine	**125.1**	Mine development, purchase of in-mine equipment, deepening of the Jarillas shaft and tailings dam.
Fresnillo mine	**97.8**	Mine development and mining works, purchase of in-mine equipment, deepening of the San Carlos shaft and tailings dam.
Juanicipio mine	**82.2**	Mine development and equipment.
San Julián Veins and DOB	**74.8**	Mining works, tailings dam and purchase of in-mine equipment.

Herradura mine	**56.9**	Stripping, carbon in column project and purchase of in-mine equipment.
Ciénega mine	**43.8**	Mining works, purchase of in-mine equipment and construction of tailings dam.
Other	**2.8**	Minera Bermejal.
Total purchase of property, plant and equipment	**483.4**	

ii) Dividends paid to shareholders of the Group in 2023 totalled US$108.4 million, a 46.3% decrease vs 2022, in line with our dividend policy which includes a consideration of profits generated in the year. The 2023 payment included the 2022 final dividend of 13.3 cents per share paid in May 2023, totalling US$98.0 million, and the 2023 interim dividend paid in September of US$10.3 million.

iii) Financial expenses and foreign exchange effects of US$6.4 million, a decrease of 76.5% vs 2022. Financial expenses in 2023 and 2022 included: i) interest paid on the US$317.9 million from the US$800 million 5.500% Senior Notes due November 2023; and ii) interest paid on the 4.250% Senior Notes due 2050. In addition, financial expenses in 2022 included the interests paid in relation to the voluntary amendment to the income tax and mining rights' treatment of the stripping costs and the deduction of exploration expenses.

The sources and uses of funds described above resulted in a decrease in net cash of US$434.5 million (net decrease in cash and other liquid assets), which combined with the US$969.1 million balance at the beginning of the year resulted in cash and other liquid assets of US$534.6 million at the end of December 2023.

Balance sheet

Fresnillo plc continued to maintain a solid financial position during the period with cash and other liquid funds[1] of US$534.6 million as of 31 December 2023, despite decreasing 44.8% vs 31 December 2022. Taking into account the cash and other liquid funds of US$534.6 million and the US$839.0 million outstanding Senior Notes, Fresnillo plc's net debt was US$304.4 million as of 31 December 2023. This compares to the net debt of US$198.7 million as of 31 December 2022. Considering these variations, the balance sheet at 31 December 2023 remains strong, with a net debt/EBITDA ratio of 0.46x[2].

Inventories decreased 9.3% to US$532.7 million mainly due to the decrease of inventories of gold content, at the leaching pads and to be processed at the dynamic leaching plants at Herradura, as well as the decreased inventories at Juanicipio, partly offset by increased inventories of operating materials and spare parts.

Trade and other receivables increased 19.3% to US$482.4 million as a result of an increase in receivables to Met-Mex and in value added tax receivables.

The change in the value of the Silverstream derivative from US$511.5 million at the end of 2022 to US$482.3 million as of 31 December 2023 reflects proceeds of US$36.9 million corresponding to 2023 (US$31.8 million in cash and US$5.1 million in accounts receivables) and the Silverstream effect in the income statement of US$7.7 million.

The net book value of property, plant and equipment remained broadly stable at US$2,860.9 million at 31 December 2023.

The Group's total equity was US$4,067.2 million as of 31 December 2023, a 3.8% increase vs 31 December 2022. This was mainly explained by the increase in retained earnings, reflecting the 2023 profit.

Dividends

Based on the Group's 2023 performance, the Directors have recommended a final dividend of 4.20 US cents per Ordinary Share, which will be paid on 29 May 2024 to shareholders on the register on 19 April 2024. 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 1.40 US cents per share amounting to US$10.3 million. This final dividend is lower than the previous year due to the decrease in profits in 2023. It remains in line with the Group's dividend policy to pay out 33-50% of the profit attributable to equity shareholders of the company after making certain adjustments to exclude extraordinary non-cash effects in the income statement, which this year in particular included taking out the income tax benefit resulting from the effect of the revaluation of the Mexican peso on the tax value of assets and liabilities, which increases in dollar terms the deduction of future depreciation expenses (in peso terms, which is used for Mexican tax purposes, there is no impact). However, this favourable effect in dollar terms could be reversed in the future if the Mexican peso devalues.

As 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. The 2023 final dividend will be subject to this withholding obligation.

2 Net debt is calculated as debt at 31 December 2023 less Cash and other liquid funds at 31 December 2023 divided by the EBITDA generated in the last 12 months.

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 effective management of risk is integral to good management practice and fundamental in living up to our purpose and delivering our strategy. By understanding, prioritising and managing risk, we safeguard our people, our assets, our values and reputation, and the environment, and identify opportunities to best serve the long-term interests of all our stakeholders.***

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

Our approach

Effective risk management enables us to manage both the threats and the opportunities associated with our strategy, operations and projects. 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.

At the front-line operational level, all employees are required and empowered to identify and manage the risks that arise within their area of responsibility. This governance structure supports our risk management framework and enables effective management of material risks.

The top risks of 2023 range across the spectrum of geopolitical, security, operational, safety, regulatory, cyber, climate change and ESG risks. We have implemented risk techniques and processes to identify new risks associated with these topics, while also analysing their impact on all our risks. Our risk management methodology is applied to all our operating units, projects, exploration activities and support areas so that we have a comprehensive view of the uncertainties that could affect the achievement of our strategic goals. The framework is based on ISO 31000 and COSO ERM.[2]

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. All 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 new mining law and the labour law in Mexico, security close to our business units, the increase in the cost of operations, geopolitical instability, our licence to operate and climate disruption all 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 the 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.

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[2] The Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management framework.

It is important to recognise that the Board, the Audit Committee, the HSECR 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 gathered, and adjustments are made according to the factors influencing each risk. In addition, the HSECR Committee continues to meet 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 ratings:

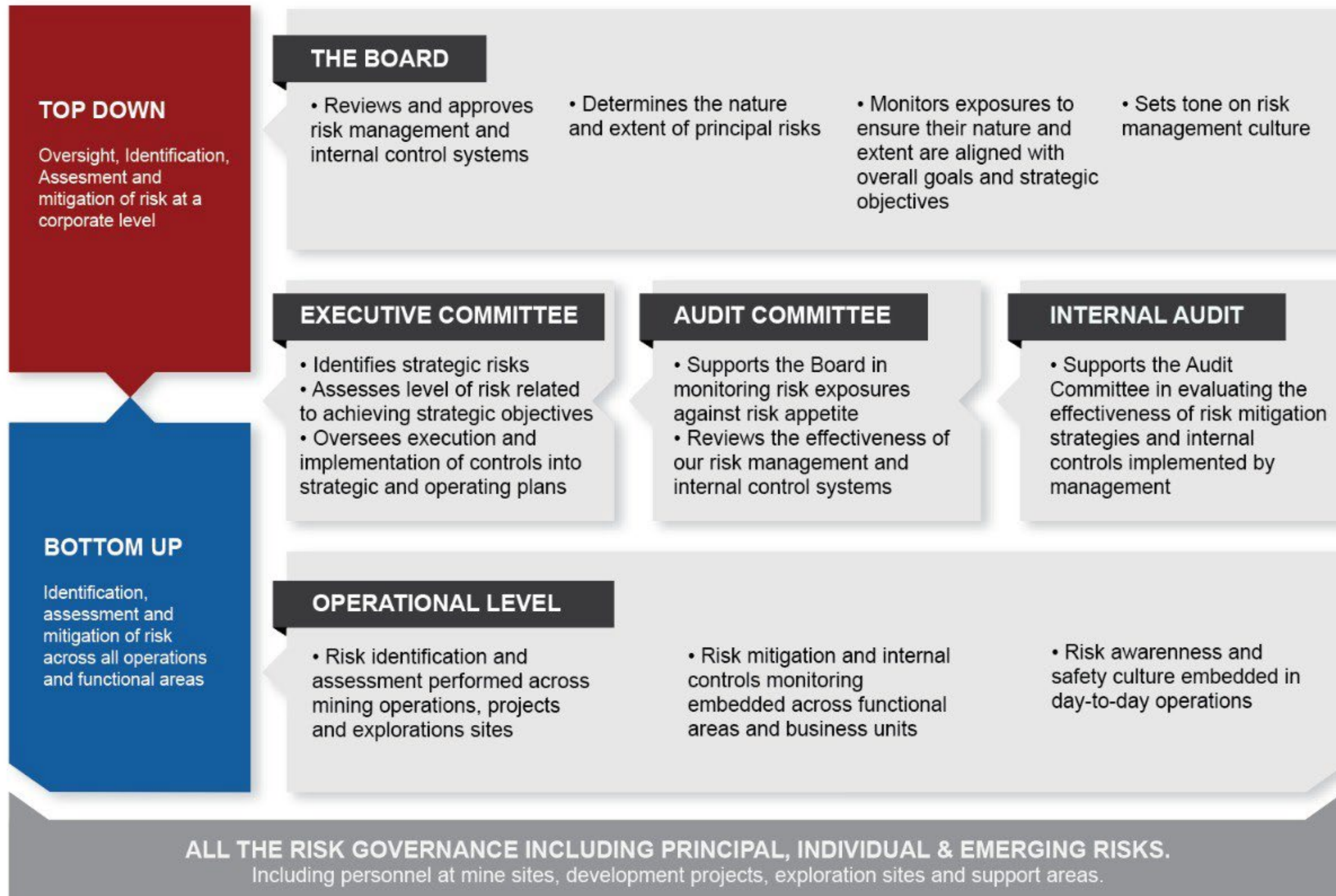
Principal Risks	Emerging Risks	Operational Risks	Cybersecurity Risks	ESG Risks	Legal & Compliance Risks	Finance Risks
Potential actions by the government (*political, legal and regulatory*)	Geopolitical instability	High potential incident and critical risk *(e.g., rock fall, lack of ventilation, electrocution, 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 *(bribery and corruption)*	Credit risk
Global macroeconomic developments *(energy and supply chain disruptions, inflation, productivity and cost)*	Transition to a low-carbon future (decarbonisation)	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 metals 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/talent crisis*)	Future of the workforce	Ability to access and replace mineral reserves *(mine development)*	Lack of ownership of cybersecurity		Corruption and illegal practices	
Cybersecurity	Increased expectations of society and investors	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			
Safety *(incidents due to unsafe acts or conditions could lead to injuries or fatalities)*	Pandemics and infectious diseases		Stoppage or loss of operations			
Union Relations (*labour relations*)						

Access to Land	
Licence to Operate (*community relations*)	
Exploration (*new ore resources*)	
Climate change	
Tailings dams *(overflow or collapse of tailings deposits)*	
Environmental Incidents *(cyanide spills and chemical contamination)*	

Risk Rating

Risk Governance Basis

The Board and the Executive Committee oversee our principal risks, and the Audit Committee and Internal Audit monitor the overall effectiveness of our risk management and internal controls framework. In addition, the operational level of our mining units also oversee risk management in their areas of responsibility, with insights from assurance and compliance activities. This process is explained in the following executive table:



Three lines of defence	Responsibilities	Accountability to
1st. - 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
2nd. - 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*
3rd. - Group Internal Audit.	Providing independent verification that risks are being managed and internal controls are being operated effectively	Board and Committees

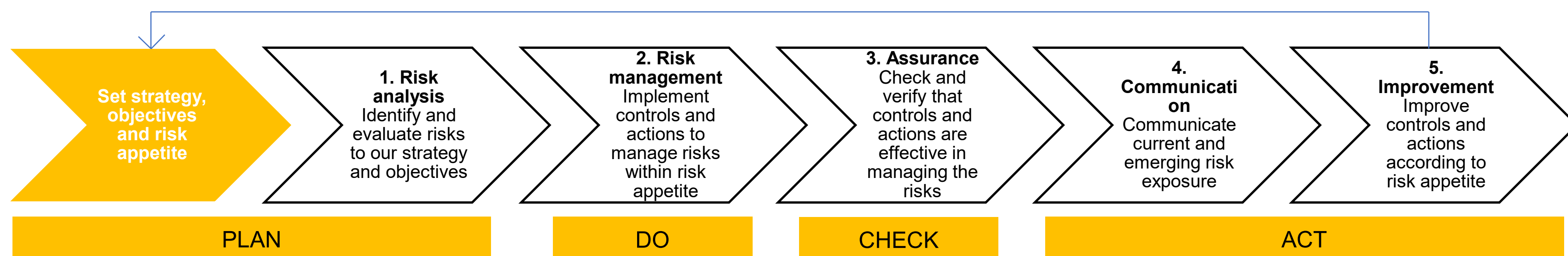
**A virtual structure in Peñoles that coordinates and provides technical and administrative services to Fresnillo plc and subsidiaries.*

<table>
<tr><td>Risk assurance</td><td rowspan="6">Risk management system</td><td>Risk management framework</td></tr>
<tr><td>-Assurance for management that risks and critical controls are being managed effectively.</td><td>-Group roles and responsibilities, standards, procedures and guiding principles for effective, consistent and integrated risk management.</td></tr>
<tr><td>Capability and culture</td><td>Risk analysis and management</td></tr>
<tr><td>-Risk identification capability built through coaching and training for leaders and teams across our business.
-Risk culture of active management of risk is embedded into how we run our business.
-Risk culture fosters collective ability to identify and understand, openly discuss and respond to current and future risks.</td><td>-The measurement, monitoring and management of risks requires that the performance of critical controls is also measured, monitored and managed.
-Risks and their control information are current, transparent and connected.
-Leader-led analysis and management.</td></tr>
<tr><td>Systems, technology and data analytics</td><td>Reporting oversight and insights</td></tr>
<tr><td>-Leverage systems and data analytics to support risk analysis, management and oversight.</td><td>-Management´s oversight is supported by proactive reporting and effective escalation.
-Decision-making is supported by connected and insightful risk analysis.</td></tr>
</table>

- ***Our strategy, values and risk appetite inform and shape our risk management framework. We embed risk management at every level of the organisation to effectively manage threats and opportunities to our business and host communities, as well as our environmental impact.***

- ***Our risk management process can be described as a Plan-Do-Check-Act System. We monitor how well we manage material risks to our objectives by checking and verifying the implementation of our response plans (actions and controls) and our actual performance against objectives. We enhance the check and verify step by applying the three lines of defence approach.***

Our risk management system



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 analysis 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.

Disruption to global markets post COVID-19 lockdowns, as well as the impact from Russia's war with Ukraine, Hamas' war with Israel and attacks on commercial shipping in the Red Sea by Iran-backed Houthi rebels, has exposed vulnerabilities in the security of supply of certain raw materials for industrial production. The mining sector, like many others, faces a new reality of having to mitigate inflationary impacts across a range of inputs while dealing with macroeconomic shocks that may impact operations and costs.

Global trade restrictions are likely to further impede supply chains with certain constraints on the supply of strategic commodities being experienced at an operational level. Rising geopolitical tensions and conflicts are likely to further exacerbate supply blockages for goods and services and will contribute to cost increases.

Gold and silver resources are finite, and this presents challenges for growth that requires investment in exploration and the maintenance of high-quality mines.

Mining is a long-term business, and so our strategy aims to create sustained value over the life of our mining operations and beyond. This involves careful allocation of key resource inputs – the natural, human, intellectual, financial, manufactured, and social and relationship capitals – which are essential to achieving this aim.

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 risk management framework, during 2023 we carried out activities to: (i) identify new emerging risks in light of geopolitical instability, technological disruption and climate change; (ii) re-assess the emerging risks identified in 2022; (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. These activities involved workshops, surveys and meetings with the 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: "Geopolitical instability" and "Water stress and drought".

Relevant emerging risks are discussed below:

Emerging Risk	Description	Potential Impact	Mitigations Actions	Time Scale

1	**Geopolitical instability** *(Linked to Global macroeconomic development Principal Risk)*	Current global geopolitical tensions, such as the war between Russia and Ukraine and Hamas and Israel, the problems between Taiwan and China, the US-China tariff issues as well as the upcoming US presidential election and attacks on commercial shipping in the Red Sea by Iran-backed Houthi rebels, may affect our operations and projects.	Disruptions and shortages in the supply chain of critical mining inputs such as cyanide, ammonia, spare parts, equipment, etc. Increases in the prices of key inputs such as steel, diesel, cement, etc. Volatility in the prices of precious metals and the Mexican peso/US dollar exchange rate.	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 inefficiencies.	< 5 Years
2	**Water stress and drought** *(Linked to Climate Change Principal Risk)*	Increased depletion of water resources to meet the demand for water consumption in a region, coupled with extreme heat waves 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. Water use efficiencies are generated and water leaving the operation is reused. A dedicated team was created to manage all water related topics, including the impact of climate change.	< 5 Years
3	**Transition to a low-carbon future** *(Linked to Climate Change Principal Risk)*	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	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 decarbonisation pathways in 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).	> 5 Years

		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 investment support for clean energy.		We have used a well-below two-degree decarbonisation pathway to evaluate the flexibility of the energy strategy.	
4	**Technological disruption** *(Linked to Cybersecurity Principal Risk)*	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 therefore 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 technologies.	> 5 Years
5	**Future of the workforce** *(Linked to Human Resources Principal Risk)*	Create a culture of talent under an inclusive, empowered and confident culture, together with the appropriate career paths, to generate a future-ready workforce.	A lack of experienced and skilled operators, and of talent in some areas of the mines and projects such as planning, maintenance and safety is anticipated. There is a need to develop personnel to fill these positions in the future so that we have the right capabilities in place to operate the mines.	The Human Resources department has a highly specialised training programme in place for key roles in our operations, as well as a training programme to develop personnel focused on filling vacant positions.	< 5 Years
6	**Increasing societal and investor expectations**	There is increasing expectation and focus on social equality, fairness and sustainability. Financial institutions are also placing greater emphasis on environmental, social and governance (ESG)	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 also has	We work hard to 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 listed among the world's most ethical companies by Ethisphere and	< 5 Years

		considerations when making investment decisions.	the potential to impact how we operate.	placed second in the Corporate Integrity Ranking in Mexico.	
7	**Replacement on depletion of ore reserves** *(Linked to Exploration Principal Risk)*	The inability to replace depleted 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.	A number of interesting exploration projects such as Orisyvo, Rodeo and Guanajuato could replace the mineral reserves that are currently being depleted. We also have several camps that explore new territories every day in search of minerals in Mexico, Peru and Chile.	> 5 Years
8	**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. For example, a new epidemic of infectious cases emerged in China at the end of 2023, which could possibly lead to another global pandemic.	Mine and project personnel are continually monitored by the medical team and receive medical examinations to ensure that there are no outbreaks of contagion. Our medical teams monitor international news and medical advances, in order to be prepared for a new pandemic.	< 5 Years

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.***

- ***We define a principal risk as a risk or combination of risks that would threaten the business model, future performance, solvency or liquidity of Fresnillo plc. These risks are subject to our normal procedures to identify, implement and oversee appropriate mitigation actions, supported by internal audit work to provide assurance over the status of controls or mitigating actions. These principal risks are considered over the next three years as a minimum, but we recognise that many of them will be relevant for a longer period.***

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 Fresnillo plc risk universe (185 individual risks grouped into 33 risk groups) 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 and Hamas-Israel wars, climate disruptions, the effects of global inflation, and the security, safety and environmental situations close to our operations, it has been necessary to reassess the principal risks and reorder their materiality, likelihood and impact, as well as to reassess related mitigation actions. During the first half of 2023, 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.

Overview of the 2023 risk assessment exercise:

Analysis	Survey	Trend comparison and review	Added value

	Risk identified and assessed		
10 business workshops. *(Director and manager level)* 50 interviews with risk owners. *(Managers and leaders at units)* 15 workshops analysing the impacts of risks. *(With the areas of Security, Safety, Compliance, Legal and ESG)* 5 critical processes mapped and reviewed for impact and likelihood *(TSFs, Projects, Environmental incidents, Union and Exploration)* 8 risk analysis methodologies used. *(ISO-31000, ISO-22301, Markov, Bowtie, FMEA Model, Monte Carlo, RACI Matrix, Cause and consequence analysis)*	400+ colleagues in operations, exploration, projects, corporate and support areas of Baluarte Minero, including Internal Audit.	5 International institutions specialising in risks were consulted. *(Aon, AXA, Swiss Re, Hannover Re and Hawcroft)* 10 risk scenarios were built by mining industry risk specialists. 25 gold and silver mines *(15 in Mexico and 10 elsewhere in the world)* were consulted regarding their risks. 8 consulting firms' risk reports *(including Marsh, Zurich, EY, PwC, KPMG and Deloitte)* were reviewed.	200 colleagues were trained in basic risk topics. 150 colleagues were trained in advanced risk topics. 50 colleagues were trained in climate change risks and TCFD framework. 4 specific topics were included in the risk analysis: geopolitical instability; fraud and compliance; climate change and TCFD risks; and business continuity risk.

As a result of the annual risk assessment for the year 2023, the following main results were determined:

- The risk of **"Potential actions by the government"** is assessed as the main risk for the Company, exacerbated by the recent decisions of the current government, such as: (a) the new Mining Law published in May 2023, which complicates and limits mining activities in Mexico; (b) the restriction on the granting of new mining concessions; (c) the increase in tax audits and requirements; (d) the labour reform that prohibits outsourcing, generating complications in relations with contractors; (e) delays and complications in obtaining permits, licences and authorisations; (f) the implementation of policies that support the emission of carbon into the atmosphere and reduce the development of renewable energies; (g) the reform of the energy law 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 (h) 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 and Juanicipio mines (business units located in Fresnillo, Zacatecas, with the highest perception of insecurity in the country according to the reports published by INEGI[3]); the increase in high-impact crimes (homicide, kidnapping and extortion) in Zacatecas, Sonora and Guanajuato; and the sale and consumption of drugs inside the mines. Thefts of equipment, cars, machinery, tools and materials and threats of theft of ore, concentrates and mine and project assets have also increased.

- The **"Labour relations"** risk has always been a topic of close attention, especially given the changes to the Federal Labour Law in 2021, which allows for two or more unions in the Company. This year, "Union" risk has moved up in the likelihood range due to the labour conflict that occurred at the Herradura mine in April and May 2023. The conflict is under control and did not materially impact the operation of the mine; however, there are legal issues that continue to be processed and could have negative results for the Company.

- Critical risks in mining operations such as rock falls, loss of vehicle control, equipment interaction, energy contact, etc. have increased in the last three years. This is partly due to more reporting and follow-up of cases. This year we unfortunately had four fatalities, one because of rock falls inside the mine and three related to contact with heavy equipment. Because of this situation, the **"Safety"** risk has increased in likelihood.

- 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. This year we are including the risk "bribery and corruption" in the category of Fraud Risks. In all cases, internal controls and timely follow-up as well as preventive actions have been increased. Early detection actions were also reinforced. The internal audit area considered these results in its annual programme 2024.

- During 2023 we worked together with the ESG Department and Financial controllership 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

[3] National Institute of Statistics and Geography (INEGI)

increasing requirements from current emissions regulations", "Changes in the regulatory framework of renewables" and "Increase in energy prices".

- In terms of **"Insurable risks",** we made significant progress in 2023. For example, a team was created to manage Fresnillo plc's assets, one of the duties of which is to keep the asset inventory up to date and align operational processes relating to the maintenance of critical equipment. This makes it easier to ensure that the most important assets of the operation and the company are insured. We also reviewed the insurance policies for the assets of the business units to ensure that they are adequately considered, in particular the coverage related to assets (heavy mobile equipment & property) that could have a significant impact on financial issues and business interruption in case of loss. With the support of the external auditor specialised in business continuity ("*Hawcroft Consulting International Group*"), the seven units of the Company were inspected during 2023, obtaining acceptable ratings in all cases and reducing the degree of risk for Fresnillo plc. From 2021 to 2023, 234 recommendations related to business continuity risks have been resolved.

- This year, Fresnillo plc's **"Individual Risks"** increased from 130 to 185 risks, which are grouped into 33 risk groups, because of the analysis of fraud, water scarcity and management, business continuity, climate change (TCFD) and cyber security risks.

Risk appetite

- ***Defining risk appetite is key in embedding the risk management system into our organisational culture.***
- ***The Company's risk appetite statement helps to align our strategy with the objectives of each business unit, clarifying which risk levels are, or are not, acceptable.***
- ***It promotes consistent decision-making on risk, allied to the strategic focus and risk/reward balance approved by the Board.***

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 (February 2024)

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 Enviromental, Social and Governance (ESG) framework.

Relative position		Risk	Risk appetite	Risk Level		Risk Velocity*	Focus**	
2023	2022			2023	v. 2022			
1	1	Potential actions by the government (*political, legal and regulatory*)	Low	Very high	Increasing	High	Strategic, Economic, ESG	(V)
2	2	Security	Low	Very high	Stable	High	Operational, ESG	(V)
3	3	Global macroeconomic developments *(energy and supply chain disruptions, inflation, productivity and cost)*	Low	High	Stable	High	Economic, Operational	
4	4	Impact of metals prices *(commodity prices and exchange rates)*	High	High	Stable	High	Economic	(V)
5	5	Human Resources (*attract and retain requisite skilled people/talent crisis*)	Medium	High	Stable	Medium	Strategic, Operational	
6	6	Cybersecurity	Low	High	Stable	High	Strategic, Operational	
7	7	Projects (*performance risk*)	Medium	High	Stable	Medium	Economic, Operational	
8	10	Safety *(incidents due to unsafe acts or conditions could lead to injuries or fatalities)*	Low	High	Increasing	High	Operational, ESG	(V)
9	11	Union Relations (*labour relations*)	Low	High	Increasing	Medium	Operational, ESG	(V)
10	8	Access to Land	Medium	Medium	Stable	Medium	Strategic, Operational	(V)

11	9	Licence to Operate (*community relations*)	Low	Medium	Stable	Medium	Operational, ESG	
12	12	Exploration (*new ore resources*)	High	Medium	Stable	Low	Operational, Strategic	
13	15	Climate change	Medium	Medium	Increasing	Low	Operational, Strategic, ESG	(V)
14	13	Tailings dams *(overflow or collapse of tailings deposits)*	Low	Medium	Stable	High	Operational, ESG	(V)
15	14	Environmental Incidents *(cyanide spills and chemical contamination)*	Low	Medium	Stable	High	Operational, ESG	(V)

Risk rating

*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

(V) Risks that were considered for the viability assessment

**Focus:

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.

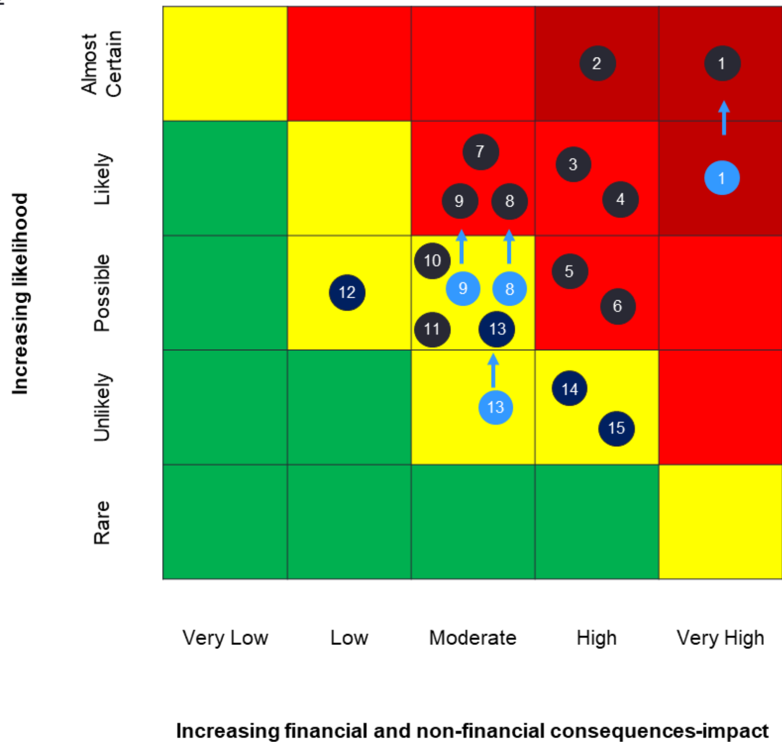
Environment – risks arising from our business that have the potential to impact air, land, water, ecosystems and human health.

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.

Risk heat map



	Principal Risk	Change	Reason for increase
1	Potential actions by the government (*political, legal and regulatory*)	⬆	New mining law
2	Security	=	
3	Global macroeconomic developments *(energy and supply chain disruptions, inflation, productivity and cost)*	=	
4	Impact of metals prices *(commodity prices and exchange rates)*	=	
5	Human Resources (*attract and retain requisite skilled people/talent crisis*)	=	
6	Cybersecurity	=	
7	Projects (*performance risk*)	=	
8	Safety *(incidents due to unsafe acts or conditions could lead to injuries or fatalities)*	⬆	Increase in the number of incident cases
9	Union Relations (*labour relations*)	⬆	Attempted strike by unionised staff at La Herradura
10	Access to Land	=	
11	Licence to Operate (*community relations*)	=	
12	Exploration (*new ore resources*)	=	
13	Climate change	⬆	Increased regulatory requirements for environmental compliance
14	Tailings dams *(overflow or collapse of tailings deposits)*	=	
15	Environmental Incidents *(cyanide spills and chemical contamination)*	=	

The risk impact scale has five levels of Probability and Impact:

Probability

Level	Quantitative	Qualitative
Almost certain	Once a week	Happens often
Likely	Once a month or more	Could happen easily and has occurred under similar conditions
Possible	Once or twice a year	Could happen and has happened in similar conditions
Unlikely	Once or twice every 10 years	Has not happened yet, but could happen
Rare	Once or twice every 50 years	Only in extreme circumstances

Impact

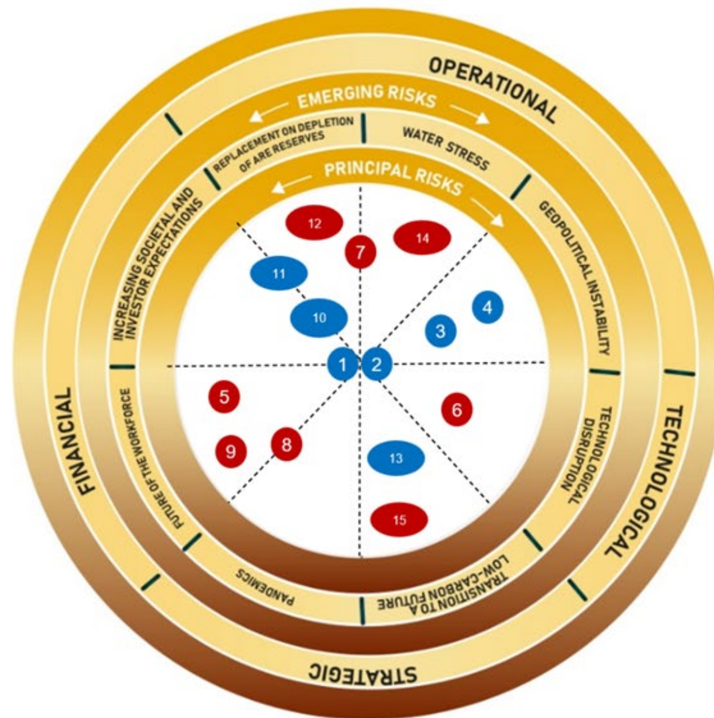
Level	EBITDA / Safety and Health / Environment / Communities / Legal / Reputation
Very High	Any incident with an impact of more than 50% of EBITDA. Accident-causing multiple fatalities or permanent disabilities. Irreversible environmental damage or serious incident that impacts a community, with long-term effects. Regulatory breaches which may lead to a revocation of operating permits or a financial impact exceeding 20% of EBITDA. Severe impact on Company's international reputation with long-term effects.
High	Any incident with an impact of between 20% and 50% of EBITDA. Accident that causes a single fatality or permanent disability. Reversible environmental damage or major incident affecting a community, with medium-term effects. Regulatory breaches which may lead to a criminal conviction or a financial impact of more than 20% of EBITDA. High impact on the Company's national reputation with medium-term effects.
Moderate	Any incident with an impact of between 10% and 20% of EBITDA. Accident resulting in lost time. Moderate environmental impact or small incident that affects a community, with short-term effects. Regulatory breaches which may lead to criminal charges or a financial impact of between 0.05% and 3% of EBITDA. Moderate adverse claims and in the national news for a medium-term period.
Low	Any incident with an impact of between 5% and 10% of EBITDA. Accident without lost time. Minor environmental or community impact. Regulatory breaches which may result in a financial impact of less than 0.05% of EBITDA. Moderate claims and in national news for a short-term period.
Very low	Any incident with an impact of less than 5% of EBITDA. Minor occupational accident. Very minor environmental or community impact, easily resolved. Regulatory breaches that will not result in a financial penalty. Claims that do not reach the formal media.

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 & emerging risks and the operational, technological, strategic and financial areas, 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, the security situation close to the business units, the potential actions by the government, the climate impact 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 the human resources risk and the future of the workforce; between the tailings dams risk and water stress; between the cybersecurity risk and technological disruption; and between the exploration risk and replacement on depletion of ore reserves.



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15	Environmental Incidents (*cyanide spills and chemical contamination*)

1

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

RISK DESCRIPTION
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. 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. It also 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. 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. In May 2023, the federal government published the new mining law that will negatively affect mining activity in the country by slowing down exploration, shortening the duration of concessions, raising problems of operational continuity and forcing negotiations with communities. The new law shortens concessions to 30 years (five years of preparation with 25 years of operation) from 50 years, with an automatic 25-year renewal followed by a tender that could add a further 25 years, with preference for the incumbent. The maximum total length of a concession has been shortened to 80 years from 100 years. The law affects new concessions but is still unsettled with regard to current concessions, pending final rules from the respective government secretaries. 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. We paid special attention to the following aspects: • Government actions that negatively impact the mining industry. • Regulatory changes to mining rights and adverse tax changes. • Changes in tax regulations. • Increased frequency of audits by tax authorities with particular scrutiny on the mining industry. • Complications and failures to obtain 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
In May 2023, the Mexican government approved a package of legal reforms to the following laws: "Mining Law", "Law on National Waters", "Law on Ecological Balance and Environmental Protection" and "General Law for the prevention and integrated management of waste in the field of mining and water concessions", which directly affect the mining sector, including, among others, the following notable aspects: • Granting of new concessions. Elimination of the concept of "free land" whereby the party requesting a concession in an area that is not occupied, currently has a right to request the concession on a "first come first served" basis. Now, all new concessions would be subject to a tender process *("licitación")* supervised by the Federal Government. • Exploration activities. The Federal Government will be in charge of the exploration activities directed by the public National Geological Service institution. It is possible to sign an agreement between the public institution and private entities to develop exploration activities for five years. The possibility of signing five-year agreements with the Mexican Geological Survey is envisaged so that mining companies can participate in the exploration process. • Duration of new concessions. New concessions would be valid for 30 years rather than the current 50 years, renewable exclusively for two periods of 25 years. For the second term of 25 years, the process will be open to tender. It is not clear how this would affect concessions that are already in the process of renewal – although from a legal view, no retroactive effect could be given to shorten the life of concessions granted before the time that the new mining law comes into effect. • Inclusion of free, prior and informed consultation with communities and indigenous peoples. In addition, the payment of 5% of profits to the communities will be added. • New grounds for cancellation of concessions, such as public utility, damage to the population, lack of indigenous consultation, and new conducts that are now considered crimes. • Exploration activity stands to be most affected by the new law. Although details remain to be defined in specific rules, exploration activities will be centralised with the Mexican Geological Service, previously a government led research agency, which will allow private exploration after reaching special collaboration agreements. This could result in public auctions of new concessions instead of a first applicant priority process. Furthermore, the concession requirements are the same for each stage of exploration resulting in a higher regulatory burden for early-stage projects. This includes the filing of future mine closure plans, when such details are hard to come by before exploration takes place. • Water concessions. Concession holders have the right to use water obtained from mining activities so long as water use rights are paid and the company complies with the administrative processes and regulatory standards required by the National Water Commission. However, the law states that concessions for human and domestic water use should be prioritised over mining, particularly in states where drought and water scarcity are common, which could limit water concessions granted for industrial use. 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 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 2023 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. With the news of the new mining law, risk scenarios were developed for each change and impact, considering the legal and operational criteria to implement the necessary mitigation and prevention measures. These scenarios are constantly being updated.

2. Commitment to constant communication with all levels of government.

3. Increased monitoring of the processes being implemented at the Ministry of Labour and Economy.

4. We continue to collaborate with other members of the mining community through the Mexican Mining Chamber 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.

5. 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.

6. 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.

7. We continue to comply with all applicable environmental regulations and are fully committed to sustainable activity.

8. 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.

9. We seek to maintain full compliance with tax authority requirements, and we continue to cooperate with any ongoing tax inspections. 10. We maintain a register and control of vaccinated staff and encourage all staff to be vaccinated as soon as possible. 11. We follow-up and comply with all suggestions from the health authorities in a timely manner.

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. • Indicators of positive progress in negotiations with deputies and senators on the new mining law through the Mexican Chamber of Mines.

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

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Increasing	2023: Very high (1) 2022: Very high (1)

2

SECURITY

RISK DESCRIPTION
We face the risk of theft of gold doré and silver concentrates as well as of items including equipment, machinery, tools and materials. These thefts can take place inside the mines or during transportation. Our employees, contractors and suppliers face the risk of theft, kidnapping, extortion, crossfire injury or damage due to insecurity in some of the regions in which we operate. 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. 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, ill-equipped and lack financial resources to combat organised crime, have low wages and are sometimes infiltrated by criminal elements. 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 2023, in the states where our business units and projects are located, such as Zacatecas and Sonora. The main risks we face are: • 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
A severe increased presence of organised crime in the vicinity of the mining units particularly in Fresnillo, Saucito and Juanicipio (Zacatecas State) and Penmont (Sonora State). An increase in the number of high impact crimes (homicide, kidnapping, extortion) and armed clashes in the regions where our mining units and projects are located. Increased consumption and sale of drugs at the mining units, particularly Saucito. Increased threats of theft of concentrates and assets at mining units and/or during transportation. Increased 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 2023. There are records of several vehicle thefts from company employees and organised crime checkpoints on the roads near Fresnillo and Saucito mines, as well as killings and clashes between criminal groups.

The Mexican state of Sonora is known to suffer constant attacks by organised crime gangs. Recently there have been several attacks in the areas of Magdalena, Santa Ana, Altar, Caborca, Pitiquito, Sonoyta and San Luis Río Colorado, which have endangered the continuity of mining operations and the physical integrity of workers at the Herradura and Noche Buena mines.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

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:

- We maintain close relationships with authorities at federal, state and local levels, and it is important to note that military facilities are located close to most of our operations.
- We interact and meet regularly with the National Guard; and in some cases with the Army and Navy.
- 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.
- Increase in logistical controls 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; and a reduction in the number of authorised stops to optimise delivery times and minimise exposure of trucks transporting ore concentrates or doré.
- We continue to invest in community programmes, infrastructure improvements and government initiatives to support the development of legal local communities and discourage criminal acts.
- We have increased the number of anti-doping tests conducted at the start of the day in the mining units.
- Frequent inspections are carried out inside the mines to verify that drugs are not consumed and sold.
- Drug consumption prevention campaigns are carried out, focused on employees.

KEY RISK INDICATORS

- Total number of security incidents affecting our workforce (thefts, kidnapping, extortion, etc.).
- Number of sites affected, and workdays lost, by region and type of site.
- Number of media mentions related to safety issues affecting the mining industry where we operate.
- Number of high-impact crime cases in the regions where we have operations and projects.

LINK TO STRATEGY	RISK APPETITE

1 – 2 – 3 – 4	Low

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Stable	2023: Very high (2) 2022: Very high (2)

3

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

RISK DESCRIPTION
Geopolitical tensions have the potential to impact our key markets, operations and investments. 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. 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. As a result of post-pandemic COVID-19, as well as the Russia-Ukraine and Hamas-Israel wars, and attacks on commercial shipping in the Red Sea by Iran-backed Houthi rebels, 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 and 2023, 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 2024. This situation could create an adverse impact on our operations, costs, sales and earnings, and potentially on the economic viability of projects. In macroeconomic terms, we have seen the following impacts in Mexico[4]: • The Mexican peso performed strongly during 2023 and is one of the strongest emerging currencies. On average during 2023 it traded at 17.5 pesos per US dollar. At the end of the year the dollar exchange rate was 17 pesos. • General inflation in Mexico was 4.6% for 2023. • Economic growth for Mexico during 2023 was 3.2%. Our sales are prenominal denominated in US dollars, although and important part of our operating costs are in Mexican pesos. Any strengthening of the Mexican peso may therefore negatively affect our financial results.

FACTORS CONTRIBUTING TO RISK
The unnerving combination of war, inflation, energy scarcity, disruption and restrictions to the supply of some of our key strategic inputs and climate change was unexpected, given that life was just beginning to move forward from the COVID-19 pandemic. Inflation has become a major concern for the global economy. 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. Interruption 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).

[4] Banco de Mexico / December 2023 Report

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.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

1. In macroeconomic terms, and trailing only India, China, Indonesia, and Turkey among the G20, Mexico's GDP grew 3.7% year on year in the first half of 2023. This expansion can be attributed to: firstly, the United States, which shared a good first half (2.2% YoY) with Mexico, is helping the nation through trade and remittances; secondly, a boom in private consumption, due to increases in real wages and a strong labour market; thirdly, gains due to nearshoring, observable through the recovery of business confidence and private investment; and, finally, major infrastructure projects (such as new refineries and transport systems), are now clearly evident in government expenditure and construction plans.

2. In microeconomics terms, 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.

- For more details see Review of operations

3. We execute operational excellence initiatives to counter inflation and improve margins, and also enhance cost competitiveness by improving the quality of the portfolio.

4. 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).

5. 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.

6. 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.

- For more detail see Sustainability at the core of our purpose

7. We have hedging policies for exchange rate risk, including those associated with project-related capex and a hedging policy for precious metals.

KEY RISK INDICATORS

- Percentage of delivery compliance by suppliers and contractors.
- Shortages of critical operational inputs.
- 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)
Stable	2023: High (3) 2022: High (3)

4

IMPACT OF METALS PRICES (commodity prices)

RISK DESCRIPTION
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. Our results are heavily dependent on commodity prices – principally gold and silver. These prices are strongly influenced by a variety of external factors, including wars, geopolitical disruption, global economic growth, inventory balances, industry demand and supply, possible substitution, etc.

FACTORS CONTRIBUTING TO RISK
The risk is further exacerbated when macroeconomic and geopolitical factors directly affect the price of commodities, both positively and negatively. Such factors include post pandemic COVID-19, the wars between Ukraine-Russia and Israel-Hamas, and generalised inflation around the world. Lately, the attraction of investing in other financial instruments such as cryptocurrencies, in addition to silver and gold, has increased. This could lead to investors reducing their investment activities in precious metals. However, geopolitical tensions ignited by the conflict in the Middle East, coupled with a continuing decline in inflation rates in the United States, have propelled a remarkable rally in gold prices. After two years of mid to low prices, gold posted double-digit gains at the end of November 2023 and surpassed $2,000 dollars, approaching its all-time high of $2,060 dollars per ounce reached in August 2020. The price continued to hover around the $2,000 dollars barrier, as the end of the ceasefire between Hamas and Israel saw investors flock to buy what is recognised worldwide as a safe-haven asset.[5]

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
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 focus on cost efficiencies and capital discipline to deliver competitive all-in sustaining cost. 4. We work to improve debt profile and reduce the annual interest bill. 5. We maintain long-term optionality by ensuring our pipeline of opportunities is continuously replenished. 6. 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

[5] US Federal Reserve / December 2023 Report

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.

7. 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.

KEY RISK INDICATORS
• Profit sensitivity to percentage change in precious metals. • EBITDA sensitivity to percentage change in metals prices and the Mexican peso/US dollar.

LINK TO STRATEGY	RISK APPETITE
1 – 2 – 3	High

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Stable	2023: High (4) 2022: High (4)

5

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

RISK DESCRIPTION
Fresnillo plc's most valuable asset is its workforce – and our people are critical to the successful execution of our strategy. We face multiple risks in the selection, recruitment, training and retention of talented people with technical skills and experience relevant to the mining sector. Obtaining qualified labour has become a major challenge, and our industry requires more and more people trained and experienced in mining processes. Unfortunately, there are not enough candidates with the required profiles. Managing talent and maintaining a high-quality labour force in a fast-changing technological and cultural environment is therefore a key priority. Any failures in this respect could have a negative impact on the performance of the existing operations and prospects for future growth. 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. 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. 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.

FACTORS CONTRIBUTING TO RISK
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 in the areas of 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 2023. 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.

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, 19.24% are women, as are 31.03% of new joiners, while 28.29% of the female population was 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 39 students from different Earth Science professions at our mining units to support their training, and 32 engineers took part in our training programme.

- CETLAR (Centre for Technical Studies of Peñoles), which trains mechanical and electrical technicians. All seven 2023 graduates 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.

During 2023, we conducted management and leadership skills development programmes with 14 superintendents, 49 advisors and 43 facilitators.

In order to keep our staff updated and trained, 82% of employees and 92% of unionised staff received training during the year. A total of 108 employees participated in institutional development programmes, which means that 60% of staff with more than two years of service have participated at least once. Of this 60%, 11.8% are women. 585 courses and studies were provided through external training, benefiting 456 employees. 82.9% 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.

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.

Support for employees' mental health: 24-hour helpline for all employees, access to psychological help, support for families and availability of 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 tests 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)
Stable	2023: High (6) 2022: High (5)

6

CYBERSECURITY

RISK DESCRIPTION
We are fully aware that information is a valuable asset that must always be protected and that requires confidentiality, integrity, and availability in all our business processes. As a mining company, we can be threatened by cyber-attacks from a wide range of groups, from hacktivists and hostile regimes to organised criminals. Their objectives range from reputational damage and the halting of operations to exploiting mining's role in regional supply chains, and affecting national and global economies. Some cybercriminals look to find unprotected, misconfigured, or unpatched mining systems to exploit, and with the industry's heavy reliance on technology and automated systems to support operations, this is becoming more prevalent. Others exploit social engineering (phishing) to obtain information that can compromise information systems and obtain sensitive data or even affect the operation. 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 the Peñoles/Fresnillo overall cybersecurity and privacy risk profile: • 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. • Lack of cybersecurity ownership - Failure to assign responsibility for implementing and adopting daily cybersecurity practices. • 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
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. Cybercriminals are using new techniques and tactics to carry out their attacks, making them more difficult to detect. Attacks targeting companies in the industrial and mining sector are becoming more sophisticated every day, due to the sector’s historically low level of cybersecurity coupled with a high potential for serious damage. 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).

Another important factor is the integration of digital technologies, such as Industrial Internet of Things (IIoT), Cloud, Artificial Intelligence (AI) and Machine Learning (ML), which can increase the scope for attack, due to their very design, features, and capabilities. These technologies can be used for legitimate and productive purposes (such as automating repetitive processes in a company or reinforcing its cybersecurity), but they can also be used by hackers to carry out cyberattacks.

In addition, the degree of maturity of cybersecurity and cybercrime regulations that could deter criminals is still developing at both national and global levels, but is not yet adequate.

Access to hacking services and tools is readily available, low-cost, and heavily automated. Without proper punishment for perpetrators globally, attackers can easily launch sophisticated attacks with little risk.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

The Cybersecurity function continues to update and strengthen cybersecurity in all our processes. Its activities are aligned with business strategies and responsible for safeguarding digital security as a second line of defence, reinforcing the activities that secure our information, from data repositories to the tools for transmitting and sharing information.

During 2023 we activated the following mitigation actions:

1. Aligned with business strategies, our cybersecurity programme is based on a governance model with three lines of defence, involving all operational, tactical, and strategic business levels to prevent and mitigate computer risks.
2. We maintain continuous awareness of cybersecurity at all levels of the organisation, through workshops, communications, campaigns, and exercises that allow us to understand and strengthen our cybersecurity culture. Cybersecurity is a risk that requires the more active involvement of Executive teams, and during 2023 we carried out awareness and training exercises focused on this level.
3. Our approach is also based on the NIST Cybersecurity Framework which is used to assess and improve our ability to prevent, detect and respond to cyberattacks.
4. Efforts to increase the maturity level of the Security Operations Centre (SOC) have enabled us to benefit from improved analytics that correlate information from multiple business unit sources, helping us to easily identify the impact of a threat and address the incident in a timely manner. Cybersecurity incident response plans are in place and regularly assessed to ensure we can respond quickly and effectively to cybersecurity incidents.
5. We conduct ongoing assessments of the technology controls implemented in operations and services to maintain our risk appetite at acceptable levels. We constantly monitor threat intelligence to analyse trends in the environment, allowing us to anticipate and apply necessary controls and adjustments in our operations.
6. In addition, our systems, networks, and assets are continuously monitored through cybersecurity tools that use Artificial Intelligence and Machine Learning technology to analyse behaviours across our networks, identifying and mitigating advanced threats.
7. We established solid bases for due compliance with the Mexican Law “Ley Federal de Protección de Datos Personales en Posesión de Particulares” (LFPDPPP). We carried out the second phase of the audit of our Personal Data Management System with the NYCE office, with the objective of achieving Certification in our business units.
8. Our plan for 2024 is to focus our efforts on reducing cyber risks, implementing and maturing controls in line with the threat landscape and emphasising the importance of individual

employee responsibility for remaining vigilant and alert to cyber threats. Risk Assessment, Disaster Recovery Plans, Data Loss Prevention, Pen testing and IT/OT Network Behavioural Analysis are among the initiatives that will increase our Level of Cybersecurity Maturity (based on NIST CSF)

A governance model, continuous risk monitoring, information security policies, cybersecurity tools, services and assessments, awareness-raising campaigns and training form the basis for our IT/OT operational guarantee.

KEY RISK INDICATORS
• Number of successful cyberattacks. • Number of cybersecurity incidents affecting our Company. • Number of data breaches. • Number of malware infections. • Cost of cyberattacks. • 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)
Stable	2023: High (6) 2022: High (6)

7

PROJECTS (performance risk)

RISK DESCRIPTION
The pursuit of advanced exploration and project development opportunities is essential to achieving our strategic goals. However, this carries certain risks: • Current or new government regulations that obstruct, limit or restrict the granting of mining concessions; delay or failure to obtain permits, licences, authorisations, etc. • 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 include: fluctuations in ore and recovery volumes; 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 key mining teams are not available on time. Other important risks: • 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. The following risks relate specifically to prospective projects in Chile and Peru: • 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

Uncontrolled increases in the costs of critical inputs directly affect the planning and progress of projects.

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 also identified the following threats to project development:

- Insufficient resources for project execution.
- Changes in operational priorities that can affect projects.
- Inadequate management structure for project supervision.
- Delays in obtaining necessary permits for construction and operation.
- Lengthy procedures for land acquisition, electricity supply and water.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

1. Our investment assessment process determines how best to manage available capital using technical, financial and qualitative criteria:

• 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 Project Management Institute (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 2023 included: Orisyvo (gold), Rodeo (gold), Guanajuato (silver & gold), and Tajitos (gold).

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	2023: High (7) 2022: High (7)

8

SAFETY

RISK DESCRIPTION
Nothing is more important than the safety and wellbeing of our employees, contractors and communities. The mining industry is inherently hazardous, with the potential to cause illness or injury, damage to the environment and disruption to communities. Our objective is first and foremost to have zero fatalities. We believe all incidents and injuries are preventable, so our focus is on identifying, managing and, where possible, eliminating risks. Major hazards include process safety, underground mining, surface mining and tailings and water storage. 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. 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. A poor safety record or serious accidents could have a long-term impact on morale and on our reputation and productivity.

FACTORS CONTRIBUTING TO RISK
We are saddened to report that four fatalities were recorded during 2023, and also that we experienced a significant increase in accidents related to: • Rockfall/terrain failure. • Loss of vehicle/equipment control. • Team-vehicle-person interaction. • Accident in transport of staff. • Contact with electric power. • Fire. • Contact with hazardous substances. During 2023 we had 396 high potential incidents, 6% more than 2022.[6] 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.

[6] Information provided by the Safety Department of Fresnillo plc

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
1. Quarterly meetings to discuss the main safety risks at each mining unit, projects and exploration sites, overseen by the Executive Committee. The Board receives regular updates on the main risks. 2. Implementation of technical and safety standards and procedures for slope geotechnical, tailings management, underground mining and process safety. 3. We constantly seek to improve our safety and health risk management procedures, with a focus on the early identification of risks and the prevention of fatalities. 4. Our “Safety and Occupational Health” strategy is based on four pillars: 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 performance. d. Reporting, research and learning from our accidents: we share good practices and learn from our mistakes. 5. 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. 6. Critical controls and verification tools are regularly strengthened through the verification programme and regular audits of critical controls for potentially high-risk activities. 7. The safety of our staff is an essential value and a way of life. We continually 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. 8. During the year, we continued to implement support measures to strengthen, address and prevent the causes of accidents, injuries and fatalities. Our activities included: • Strengthening safety objectives, including establishing proactive performance indicators that allow us to anticipate events. • Encouraging managers to own safety 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. • 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
• Fatality rate • Accident rate • Days lost rate • High potential incidents rate

LINK TO STRATEGY	RISK APPETITE
4	Low

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Increasing	2023: High (8) 2022: Medium (10)

9

UNION RELATIONS (labour relations)

RISK DESCRIPTION
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. We run the risk of an outside union seeking to destabilise the current union. National union politics could adversely affect us, as could pressure from other mining unions seeking to take over Fresnillo's labour contracts.

FACTORS CONTRIBUTING TO RISK
In May 2023, a very small group of unionised personnel at Herradura illegally prevented site access for other workers for a short period. 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) could include new labour and trade union provisions.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
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 into 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
• Union members' level of satisfaction. • Stoppages of operations, strike attempts and protests that may occur. • Number of media mentions related to mining union developments.

LINK TO STRATEGY	RISK APPETITE
2 – 3	Low

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Increasing	2023: Medium (9) 2022: Medium (11)

10

ACCESS TO LAND

RISK DESCRIPTION
Significant failure or delay in accessing key 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. The biggest risk is failing to gain full control of the land where we explore or operate. Possible barriers to access to land include: • Increasing landowner expectations. • Failure 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 issue with the ejido “El Bajío” remains unresolved.

FACTORS CONTRIBUTING TO RISK
The new mining law greatly complicates access to land and the procedures for obtaining permits. 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
1. Successful access to land plays a key role in managing our mining rights, focusing on areas of strategic interest or value. 2. Initiatives include: • 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 to manage social challenges during the negotiation and acquisition process.
- 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.

3. 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.

4. 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)
Stable	2023: Medium (10) 2022: High (8)

11

LICENCE TO OPERATE (community relations)

RISK DESCRIPTION
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 continual engagement and contributions to stakeholder development. 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. We monitor the following risks: • 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
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 fueling 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
1. Efficient risk management allows us to detect threats associated with our operation. This process helps us identify, assess, plan for, communicate and manage significant risks that could potentially impact our social licence. 2. The risk identification mechanism includes social studies, our complaints and claims process, and the deployment of community programmes, as well as meetings with key stakeholders and media monitoring. 3. We evaluate and prevent detected risks from materialising through specialised workshops, risk management and specific action plans for each risk.

4. Risks classified as High Risk are escalated to RED teams, which work to identify specific solutions and have the decision-making authority to offer concrete and timely actions.

5. Continual and direct contact is maintained with the leaders of each business unit to support the discussion and mitigation of the specific risks in their areas of responsibility.

6. We continually improve our governance of complaints. All complaints are received, evaluated and managed with the involvement of those directly responsible, with dissatisfied actors being kept informed about the status of each case until satisfactory closing agreements are reached.

7. We have implemented a digital 'hotline' reporting process which helps capture concerns from the community, with cases remaining anonymous if requested. This additional communications channel has increased the options available to communities and therefore their ability to bring concerns to our attention.

8. A community service programme has been implemented which includes the following features:

-Promotion of our social strategy, which encompasses all phases of the mining life cycle. Key activities include communicating our best practices in social and environmental responsibility in order to avoid the materialisation of risks or mitigate their effect should they arise.

-The strategy includes our desire for shared asset equity where permitted in the communities where we have a presence, maintaining our licence to operate based on trust. 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 paying our fair share of taxes contribute to regional development as part of local and state economic output.

-Our social investment portfolio focuses on supporting quality education, enabling affordable access to water, encouraging healthy communities through sport and promoting economic development. The aim is to make communities sustainable, working in collaboration with civil society organisations (NGOs) while always seeking government participation in tripartite partnership to ensure a sustainable balance between participants.

-Environmental performance: Optimising our use of resources, curbing any negative impacts of our activities and being transparent and accountable for our environmental footprint are crucial elements of sustainable mining and help us to be perceived positively by communities and regulators.

-Health and safety performance: we aim to instil a safety culture focused on "taking care of our people", based on shared values across the organisation, driven by senior management and focused on high potential incidents. Our "live in balance" approach to health aims to identify and proactively manage the risks of exposure of our workforce, who are our key community spokespeople.

- We take a responsible approach to managing the impacts of the reform to regulate subcontracting, with our response to the New Labour Legislation in Mexico ensuring compliance. By extending job offers to the qualified workforce, we have been able to mitigate 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)
Stable	2023: Medium (11) 2022: Medium (9)

12

EXPLORATION (new ore resources)

RISK DESCRIPTION
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. The growing level of insecurity, a more challenging land access scenario, and delays in obtaining government permits detailed previously, translates into a longer timeframe to deliver new discoveries and improve the category of resources. In addition, difficulties in obtaining new mineral concessions could hamper the exploration in new target areas. As our production increases and more mines approach the end of their lives, replenishing our reserves and maintaining low costs becomes increasingly challenging.

FACTORS CONTRIBUTING TO RISK
In Mexico, the new mining law published in May 2023 establishes that exploration activities in new concessions will be carried out solely by the Mexican Geological Survey. New concessions would be granted through a bidding process following exploration orders submitted to the survey. However, pre-existing concessions can continue to be explored by the owners and can be traded after obtaining authorisation from the federal Ministry of Economy. Fresnillo plc concession holdings (1.6M ha) will allow us to continue with our brownfield and greenfield exploration programmes, at least in the mid-term. Obtaining access to new concessions will become difficult. This year, we have seen complications and delays to the exploration programme, mainly for the following reasons: • Restrictions on new mining concessions. • Delays in procedures regarding access to land. • Presence of organised crime (insecurity) in the regions where we have projects and exploration camps. • Delays and failures to obtain permits and licences from government authorities. • Increased exploration costs. • In Chile, risk factors include lack of water in the “Atacama” desert in the north and possibility of conflict with forestry or agricultural interests in the south, overall higher costs compared to those in Mexico, seasonal restrictions to exploration in the High Andes, scarcity of open grounds for staking, poor infrastructure in remote zones, presence of anti-mining communities or NGOs, and strong competition for mining claims and staff. • In Peru, the main risk factors include the long lead time required to obtain social permits (emphasising the need for strong community relations teams and programmes), delays in obtaining government permits, poor infrastructure in mountainous regions, the presence of anti-mining communities or NGOs and the possibility of illegal mining.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
1. 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.

2. During 2023, we invested a total of US$186.0 million in exploration activities. Our objectives for 2024 include a budgeted risk capital investment in exploration of approximately US$190.0 million.

3. 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.

4. 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 2024 will allocate 38% to brownfield targets, 29% to advanced projects and 33% to early exploration stages including regional prospecting work.

5. Our exploration strategy also includes:

- 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, 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
• 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
1	Medium

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Stable	2023: Medium (12) 2022: Medium (12)

13

CLIMATE CHANGE

RISK DESCRIPTION
Climate change is one of the major challenges of our time and our commitment to being part of the global response presents both opportunities and risks for our business. Climate change is a systemic challenge that requires coordinated actions between nations, industries and by society at large. It demands a long-term outlook to address both physical risks and transition risks, and the uncertainties that both categories entail. The mining industry specifically is highly exposed and sensitive to climate change. 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. On the other hand, our operations and projects are expected to face acute physical risks from extreme weather events such as high temperatures, droughts, and extreme rainfall from more frequent and intense hurricanes in the Pacific. These natural disasters may affect the health and safety of our people, damage access roads and mine infrastructure, disrupt operations and affect our neighboring communities. In addition, the mining industry is also expected to face chronic risks, such as the rise in temperatures, which may increase our water demand, or a decrease in annual precipitation, that most certainly will exacerbate water stress in the regions where we operate. These risks may also intensify the competition to access water resources, increasing risks to the social licence to operate. Drought in northern and central Mexico is already affecting water availability in the Fresnillo (Zacatecas) and Penmont (Sonora) Districts, while higher than expected rainfall in the Sierra District (Durango and Chihuahua) is affecting infrastructure in the region. In addition, the increasing severity of storm surges is causing delays in the delivery of key supply materials. The most important risk we currently face relates to compliance with all the provisions and requirements of international agreements to reduce pollution and GHG emissions, and regulatory disclosure standards, which are subject to regulatory jurisdiction in both Mexico and the UK. Failure to adapt to the transition and physical impacts of climate change, include: • Government legislation to reduce social and environmental impact, including limiting 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
Simply staying up to date with the latest iteration of climate-related standards will no longer be seen as sufficient going forward.

The Mexican Government’s implementation of policies that support the use of coal will lead to more GHG emissions being released into the atmosphere and reduce the development of renewable energies in the country.

Current and emerging climate regulations, such as carbon pricing mechanisms, have the potential to result in increased cost, shift our products’ supply and demand dynamics, and create legal compliance issues and litigation, all of which could impact the Group’s financial performance and reputation.

Our operations also face business continuity risk due to the physical impacts of climate change, including extreme weather events, such as hurricanes or heavy rainfall, or chronic risks that may change climate patterns, such as more frequent droughts or increased temperatures.

Rising temperatures will exacerbate water stress in some regions, undermining the performance of water-dependent operations, complicating site restoration, and bringing companies into direct competition with communities for water resources.

Employee health and safety may 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 licence to operate will become more difficult in communities where climate change exacerbates existing vulnerabilities and increases direct competition for resources between the company and the community.

The supply of critical inputs to mining processes, such as water and energy, is also likely to face greater constraints and price surges.

Increased vulnerability to the aforementioned risks will make project financing more difficult to secure and drive up insurance costs.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

1. We recognise that climate change is a threat to human life and the planet as we know it today; we are therefore strengthening our company-wide climate change risk culture, underlining our commitment to take action to protect the planet's climate.

2. Climate change has formed part of our strategic thinking and investment decisions since our Initial Public Offering (IPO), demonstrated by our power self-supply strategy and evolution towards renewable sources.

3. We measure and report our Scope 1 and 2 greenhouse gas emissions, backed by assurance in recent years. We are also committed to increasing the share of renewables in our energy portfolio. On water scarcity, we are reducing our reliance on underground water through more efficient water usage and increased use of municipal wastewater as a proportion of our total water consumption.

4. We report according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) regarding: a) Governance, b) Strategy, c) Risk Management and d) Metrics and targets. This year, the ESG, financial controllership and risk departments collaboratively reassessed the Company’s Climate Risk and Opportunities (CROs) analysis and recalibrated climate scenarios. Work is ongoing to define criteria for financial analysis. Additionally, strides have been made towards compliance with cross-industry and metals and mining industry indicators.

5. 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. Work is ongoing to strengthen the site-level climate risk framework.

6. 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 ESG and Risks departments support the process to refine the identification and risk assessment of physical and transitional risks. Additionally, other key departments are regularly involved in these discussions and assessments to refine calibration.

7. We use the guides from industry associations (i.e. ICMM), international scientific reports (i.e. IPCC, IEA), flagship reports from market and industry experts, reports from industry peers and reports by the Mexican Government to identify the physical impacts of climate change.

8. To gain a general understanding, we consult scenarios built by the Mexican Government Reports and use the Global Climate Models (GCMs), different Representative Concentration Pathways (RCPs) coupled with Shared Socioeconomic Pathways (SSPs) and International Energy Agency (IEA) transition scenarios.

9. In addition, we use Aqueduct, a tool developed by the World Resources Institute (WRI), to better understand water stress under different climate change scenarios for the 2020-2030 period.

10. 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.

11. Our operations and exploration prospects contribute to the supply of the materials essential to building a low-carbon economy.

12. We are analysing the feasibility of setting targets to reduce our GHG emissions over the short-, medium- and long-term.

KEY RISK INDICATORS
• Record of temperature and weather events (rainfall, storms, snowfall, frost, heat waves, etc.) by region. • Energy consumption / tons of mineral processed. • CO_2e emissions / tons of mineral processed. • Percentage of electricity from renewable sources.

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

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Increasing	2023: Medium (12)

	2022: Medium (15)

14

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, collapse or overtopping 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. Having permits, licences and certifications from the government to be able to operate becomes a risk due to the time involved in these procedures and the legal complications. Planning new tailings dams with the necessary time and to international standards is a major risk, due to the limitations of the land around our mines and the costs and time involved in construction. If we fail to plan or construct dams in a timely manner, we run the risk of disrupting operations.

FACTORS CONTRIBUTING TO RISK
Some historic tailings dams have been designed, constructed and operated, under old controls and standards, which do not comply with all recommended best practices. Historic tailings dams located in rural areas are now surrounded by facilities or residential areas, increasing the consequences of failure. Tailings dam failures could lead to landslides or cave-ins. The climate in recent years has become harsher in the regions where we operate, including more severe and prolonged rainfall and high winds that impact the geomembrane liners, as well as snowfall and frost that complicate operations, among other factors.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
1. 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. 2. 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. 3. 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. 4. 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.

5. 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.

6. 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.

7. 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.

8. In 2023 we launched a number of initiatives to align our governance practices with current best practices. These initiatives included:

- 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.

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

10. Periodically we are inspected by the ITRP, which issues corrective and preventive recommendations to keep the tailings dams in good condition.

11. The business continuity risks of all Fresnillo plc tailings deposits are reviewed annually by experts from Hawcroft Consulting Group.

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 ITRP • Dam safety inspections and dam safety reviews. • Storage capacity versus levels of operation

BEHAVIOUR	RISK RATING (RELATIVE POSITION)
Stable	2023: Medium (14) 2022: Medium (13)

LINK TO STRATEGY	RISK APPETITE
4	Low

15

ENVIRONMENTAL INCIDENTS

RISK DESCRIPTION
Environmental incidents are an inherent risk in our industry. These incidents include the cyanide spills and dust emissions, any of which could have a high impact on our people, communities and businesses. An operating incident that damages the environment could affect both our relationship with local stakeholders and our reputation, reducing the social value we generate. 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. Environmental issues directly related to climate change are considered under our specific Climate Change principal risk. We continue to be alert to the following risks: • Cyanide management risk. • Impact on the environment 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 SO_2, 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
Climate change in the regions where we operate is beginning to increase the risk of incidents impacting the environment, mainly due to more extreme rainfall. Due to disruptions and lack of supply of critical inputs for operations, there are moments in the mining units where there is an increased risk of an incident affecting the environment. Failure to address the recommendations of external audits, especially those related to the environment, could result in an environmental incident. 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.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK
1. 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.

2. Our environmental management system ensures compliance with national and international regulations and best practices. It 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 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.

5. 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.

6. Fresnillo and Saucito are ISO 9001 certified; Fresnillo, Saucito, Herradura and Noche Buena are ISO 14001 and ISO 45011 certified.

7. In addition, Fresnillo and Saucito achieved the badge of environmental excellence issued by the Environmental Protection Attorney's Office (PROFEPA). Our Herradura and Noche Buena leaching operations comply with the Cyanide Code issued by the International Cyanide Code Institute with the respective certification.

8. 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.

KEY RISK INDICATORS
• 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)
Stable	2023: Medium (15) 2022: Medium (14)

LINK TO STRATEGY	RISK APPETITE
4	Low

Consolidated Income Statement
for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 US$ thousands			Year ended 31 December 2022 US$ thousands		
		Pre-Silverstream revaluation effect	**Silverstream revaluation effect**	**Total**	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
Revenues	5	2,705,086		2,705,086	2,432,990		2,432,990
Cost of sales	6	(2,201,848)		(2,201,848)	(1,896,970)		(1,896,970)
Gross profit		**503,238**		**503,238**	**536,020**		**536,020**
Administrative expenses		(128,428)		(128,428)	(94,123)		(94,123)
Exploration expenses	7	(182,447)		(182,447)	(165,790)		(165,790)
Selling expenses		(34,023)		(34,023)	(25,619)		(25,619)
Other operating income	9	35,324		35,324	71,860		71,860
Other operating expenses	9	(51,169)		(51,169)	(38,755)		(38,755)
Profit before net finance costs and income tax		**142,495**		**142,495**	**283,593**		**283,593**
Finance income	10	50,623		50,623	26,460		26,460
Finance costs	10	(88,846)		(88,846)	(81,621)		(81,621)
Revaluation effects of Silverstream contract	14	-	7,732	7,732	-	18,785	18,785
Foreign exchange gain		2,014		2,014	1,354		1,354
Profit before income tax		**106,286**	**7,732**	**114,018**	**229,786**	**18,785**	**248,571**
Corporate income tax	11	207,367	(2,320)	205,047	73,009	(5,635)	67,374
Special mining right	11	(30,765)		(30,765)	(7,654)		(7,654)
Income tax	11	176,602	(2,320)	174,282	65,355	(5,635)	59,720
Profit for the year		**282,888**	**5,412**	**288,300**	**295,141**	**13,150**	**308,291**
Attributable to:							
Equity shareholders of the Company		228,497	5,412	233,909	258,747	13,150	271,897
Non-controlling interest		54,391		54,391	36,394		36,394
		282,888	**5,412**	**288,300**	**295,141**	**13,150**	**308,291**
Earnings per share: (US$)							
Basic and diluted earnings per Ordinary Share	12			0.317			0.369
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per Ordinary Share	12	0.310			0.351		

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

	Notes	2023 US$ thousands	2022 US$ thousands
		Year ended 31 December	
Profit for the year		**288,300**	**308,291**
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Gain on cash flow hedges recycled to income statement		-	3,770
Changes in the fair value of cost of hedges		-	(1,380)
Total effect of cash flow hedges		**-**	**2,390**
Foreign currency translation		(2,318)	234
Income tax effect on items that may be reclassified subsequently to profit or loss:	11	-	(717)
Net other comprehensive (loss)/income that may be reclassified subsequently to profit or loss:		**(2,318)**	**1,907**
Items that will not be reclassified to profit or loss:			
Losses recycled to the value of other assets		-	**(4,120)**
Changes in the fair value of cash flow hedges		452	4,733
Total effect of cash flow hedges		**452**	**613**
Changes in the fair value of equity investments at fair value through other comprehensive income (FVOCI)		(53,136)	(5,712)
Remeasurement loss on defined benefit plans	22	(126)	(712)
Income tax effect on items that will not be reclassified to profit or loss	11	15,826	1,644
Net other comprehensive loss that will not be reclassified to profit or loss		**(36,984)**	**(4,167)**
Other comprehensive loss, net of tax		**(39,302)**	**(2,260)**
Total comprehensive income for the year, net of tax		**248,998**	**306,031**
Attributable to:			
Equity shareholders of the Company		194,476	271,618
Non-controlling interests		54,522	34,413
		248,998	**306,031**

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Consolidated Balance Sheet
As at 31 December 2023

	Notes	As at 31 December 2023 US$ thousands	 2022 US$ thousands
ASSETS			
Non-current assets			
Property, plant and equipment (PPE)	13	2,860,916	2,862,564
Equity instruments at FVOCI	30 (b)	107,991	158,813
Silverstream contract	14	446,538	475,256
Deferred tax asset	11	665,302	343,688
Inventories	15	69,760	91,620
Other receivables	16	43,528	38,458
Other assets		4,553	3,700
		4,198,588	**3,974,099**
Current assets			
Inventories	15	462,973	495,744
Trade and other receivables	16	419,666	404,499
Prepayments		23,178	34,429
Income tax recoverable		62,740	-
Derivative financial instruments	30	79	231
Silverstream contract	14	35,802	36,218
Cash and cash equivalents	17	534,580	969,060
		1,539,018	**1,940,181**
Total assets		**5,737,606**	**5,914,280**
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	50	(91)
Fair value reserve of financial assets at FVOCI	18	42,591	79,786
Foreign currency translation reserve	18	(4,204)	(1,886)
Retained earnings	18	2,737,962	2,612,469
		3,771,852	3,685,731
Non-controlling interests		295,345	231,206
Total equity		**4,067,197**	**3,916,937**

Consolidated Balance Sheet
As at 31 December 2023

		As at 31 December	
	Notes	**2023 US$ thousands**	2022 US$ thousands
Non-current liabilities			
Interest-bearing loans	20	839,002	840,678
Notes payable	30(a)	22,726	95,853
Lease liabilities	25	9,777	9,920
Provision for mine closure cost	21	280,467	242,380
Pensions and other post-employment benefit plans	22	13,211	9,462
Deferred tax liability	11	133,202	111,120
		1,298,385	**1,309,413**
Current liabilities			
Trade and other payables	23	258,105	258,867
Interest-bearing loans	20	-	317,879
Notes payable	30 a)	72,634	9,109
Income tax payable		21,779	81,235
Derivative financial instruments	30	-	487
Lease liabilities	25	4,813	5,209
Provision for mine closure cost	21	11,849	4,827
Employee profit sharing		2,844	10,317
		372,024	**687,930**
Total liabilities		**1,670,409**	**1,997,343**
Total equity and liabilities		**5,737,606**	**5,914,280**

These financial statements were approved by the Board of Directors on 4 March 2024 and signed on its behalf by:

Mr Juan Bordes

Non-executive Director

4 March 2024

Consolidated Statement of Cash Flows
for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 US$ thousands	2022 US$ thousands
Net cash from operating activities	29	**425,922**	**502,185**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(483,409)	(592,129)
Proceeds from the sale of property, plant and equipment and other assets		1,592	1,357
Proceeds from Silverstream contract	14	40,158	33,355
Proceeds from the Layback Agreement	2 (c)	22,800	15,000
Purchase of equity instruments at FVOCI		(2,313)	-
Interest received		51,641	28,235
Net cash used in investing activities		**(369,531)**	**(514,182)**
Cash flows from financing activities			
Proceeds from notes payable	30(a)	22,726	8,140
Payment of notes payable	30(a)	(32,965)	(10,008)
Repayment of interest-bearing loans	20	(317,879)	-
Principal element of lease payments	25 (a)	(6,068)	(5,125)
Dividends paid to shareholders of the Company[1]	19	(108,351)	(201,950)
Capital contribution[2]		9,667	10,143
Interest paid[3]		(62,964)	(55,308)
Net cash used in financing activities		**(495,834)**	**(254,108)**
Net decrease in cash and cash equivalents during the year		(439,443)	(266,105)
Effect of exchange rate on cash and cash equivalents		4,963	(117)
Cash and cash equivalents at 1 January		969,060	1,235,282
Cash and cash equivalents at 31 December	17	**534,580**	**969,060**

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 2023 in respect of senior notes and notes payable less amounts capitalised and paid totalling US$2.1 million (2022: US$8.5 million) which were included within Purchase of property, plant and equipment (note 13).

	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
		Attributable to the equity holders of the Company										
												US$ thousands
Balance at 1 January 2022		**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**
Profit for the year		-	-	-	-	-	-	-	233,909	233,909	54,391	288,300
Other comprehensive income, net of tax		-	-	-	173	-	(37,195)	(2,318)	(93)	(39,433)	131	(39,302)
Total comprehensive income for the year		-	-	-	173	-	(37,195)	(2,318)	233,816	194,476	54,522	248,998
Hedging loss transferred to the carrying value of PPE purchased during the year		-	-	-	(32)	-	-	-	-	(32)	(50)	(82)
Capital contribution		-	-	-	-	-	-	-	-	-	9,667	9,667
Dividends declared and paid	19	-	-	-	-	-	-	-	(108,323)	(108,323)	-	(108,323)
Balance at 31 December 2023		**368,546**	**1,153,817**	**(526,910)**	**50**	**-**	**42,591**	**(4,204)**	**2,737,962**	**3,771,852**	**295,345**	**4,067,197**

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 financial information for the year ended 31 December 2023 and 2022 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 2023 and 2022 have been extracted from the consolidated financial statements of Fresnillo plc for the year ended 31 December 2023 which have been approved by the directors on 4 March 2024 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. 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 2023 99.9% of the production were sold to Peñoles' metallurgical complex, Met-Mex (2022: all the production), for smelting and refining. Further information about the Group operating mines and its principal activities is disclosed in note 3.

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 sand 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 in the Strategic Review. 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 hedging activities; 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 2025 (the 'going concern period'). The Directors have also considered the cash position as of 31 December 2023 (US$534.6 million) and the net current asset position (US$1,167.0 million). In addition, they reviewed a more conservative cash flow scenario with reduced silver and gold prices of US$22.8/ounce and US$1,793/ounce respectively throughout the going concern's period, whilst maintaining current budgeted expenditure while only considering projects approved by the Executive Committee. This resulted in a lower cash position, but still increase the cash balance year on year, maintaining sufficient liquidity throughout the period. Finally, to maintain a strong liquidity, during January 2024, the Company entered into a committed syndicated revolving credit facility ("the facility") with a maximum amount available of US$350.0 million. The terms of this facility include financial covenants related to leverage and interest cover ratios and the facility is available for a period of 5 years. Under all going concern scenarios modelled, management forecasts compliance with such covenants.

The Directors have further calculated prices (US$19.7/ounce and US$1,579/ounce for silver and gold respectively), which should they prevail to the end of 2025 would result in cash balances decreasing to minimal levels by the end of 2025, 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. On the other hand, 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.

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 2023 and 2022, 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 2022.

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

A number of new or amended standards (the Standards) became applicable for the current reporting period. The adoption of these Standards did not have any impact on the accounting policies, financial position or performance of the Group.

The Group has evaluated the applicability of Pillar II rules considering that the Parent Company and the main subsidiaries of the Group are tax resident in Mexico, management also assessed the status of the Pillar II legislation in the country, however no laws or regulations have been enacted to the date of this report.

Standards, interpretations and amendments issued but not yet effective

The International Accounting Standards Board (IASB) has issued other amendments resulting from improvements to IFRSs that management considers do not have any impact on the 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 2023 are:

Recoverability of Soledad and Dipolos assets:

In 2009, five members of the El Bajio 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 in 2013, resulting in the suspension of operations at Soledad & Dipolos. Whilst the claim and the definitive court order did not affect the Group's legal title over the mining concession or the ore currently held in leaching pads near the mine site, land access at the mine site is required to further exploit the concession at Soledad & Dipolos.

Penmont is the legal and registered owner of the land where the leaching pads are located but has not yet been able to gain physical access to these pads due to opposition by certain local individuals. This land was purchased by Penmont from the Federal Government of Mexico in accordance with legal procedures. 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 the different legal proceedings that Minera Penmont has presented in order to regain access to the land, and other proceedings that members of the El Bajío agrarian community have presented seeking the cancellation of Penmont's property deed over this area, which 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.

In regard to the inventory, during the first half of the year the Company identified certain suspected illegal extraction of gold content at its Soledad-Dipolos leaching pads. The Company estimates a loss of approximately 20,000 ounces of gold content and consequently recognised a write off of US$21.9 million regarding the Soledad-Dipolos gold contents in inventory, which has been presented as other expenses in the Consolidated Income Statement. The Company took relevant actions with the support of diverse authorities to stop the illegal extraction. During the second half of the year, a procedural visit by authorities took place. During the visit of the authorities to the mine site it was confirmed there were no personnel carrying out any illegal mining activities at Soledad & Dipolos leaching pads. Thus, the Company does not currently expect any further losses of this inventory.

The inventory write-off considered both the estimation of recoverable amount of gold existing at the leaching pad, and potential volume of solution being irrigated on the area that is believed to have been leached to date. However, the nature of estimation means that actual outcome may differ from those estimates.

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, as appeals are progressing as expected. 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 2023.

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.

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 received upon the approval of COFECE, US$15.0 million that was received in November 2022 and US$22.8 million that was received in November 2023.

Due to the fact that the contracts were negotiated together, the Group 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 was 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. In December 2022 the Group successfully provided the required support to Orla with respect to the negotiations relevant to the acquisition of the rights to access from the local ejido, which was a performance obligation in accordance to the Layback Agreement. Thus, the Company considered at that point that all the obligations established in the Layback Agreement to have been completed and recognised the total value of the agreement (US$67.2 million) in profit or loss as other income.

Juanicipio project:

Commercial production is the term used for the point at which a mining operation is available for use and capable of operating in the manner intended by management. This generally means that the operation can produce its intended output at stable and sustainable levels. The determination of when a mine reaches commercial production can be complex and judgemental. The Group considered a number of factors when making this judgement, including completion of substantially all construction development activities in accordance with design, a production ramp up period which achieved an average throughput of 70% of mill nameplate capacity, grades in line with mine plan and recoveries consistent with design.

The Group assessed the production start date for the mine and the plant separately. The Group had determined that the Juanicipio mine started operations from 1 January 2022. After connecting the plant to the national electricity grid, the Group has concluded Juanicipio plant has reached commercial production on 1 June 2023 following a successful commissioning period of the plant and facilities. As commercial production has been achieved, the Group has started to depreciate all the plant assets and recognised the corresponding charge as production cost.

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 the use of 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.

The Group monitors the metallurgical balances to confirm the grade and recovery of the ore in inventories. Based on new technical information and the reconsideration of actual recovery grades and updated leaching targets, the Group updated its estimate of gold content in leaching pads increasing this by 30.7 thousand ounces of gold as at 1 January 2023.

This change in estimation was incorporated prospectively in inventory from 1 January 2023. The increase in the number of ounces reduced the weighted average cost of inventory. Had the estimation not changed, production cost during 2023 would have been US$30.9 million higher, with an offsetting impact against the work-in-progress inventory balance as of 31 December 2023.

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 a portion of mineral resources considering the expected rate of conversion to reserves 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. 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. Estimated cash flows are not significantly sensitive to reasonable possible changes to key assumptions on which management bases the recoverable value calculations. The carrying value of deferred tax assets is disclosed in note 11.

(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 based on actual life of mines are as follows:

	Years
Buildings	6
Plant and equipment	10
Mining properties and development costs[1]	10
Other assets	5

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.

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 FVOCI, 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 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. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired..

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 effective interest rate (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 considering proven and probable reserves 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 based on the estimated mine production which includes ore reserves and a certain amount of mineral resources. 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 costs 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 customers 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 recognised when control of the asset sold is transferred to the customers. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risk and rewards and customers 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.

Invoiced revenues to our customers for products other than refined silver and gold, 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 customers. Refining and treatment charges represent an element of the cost that will be incurred by our customers in processing the products further to extract the metal content for onward sale to its customers (See note 5(c)).

(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, which are identified by project, in areas where the Group carriers out exploration activity. Currently the Group carries out exploration activities in Mexico and Latin America.
- 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 (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 and commodity 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 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 note 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 2023, 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 Cienega mine, located in the state of Durango, an underground silver-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.

The operating performance and financial results for each of these mines are reviewed by management. As the Group´s chief operating decision maker (CODM) 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. Administrative expenses, Exploration expenses, Selling expenses, and Other income and expenses not related to production activities included in the consolidated income statement are not allocated to operating segments. Also, the Group's financing (including finance cost and finance income) and income taxes are managed on a Group basis and 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 2023 99.9% of revenue was derived from customers based in Mexico (2022: 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 2023 and 2022, respectively. Revenues for the year ended 31 December 2023 and 2022 include those derived from contracts with customers and other revenues, as showed in note 5.

										Year ended 31 December 2023
US$ thousands	Fresnillo	Herradura	Cienega	Saucito	Noche Buena	San Julian	Juanicipio[4]	Other[5]	Adjustments and eliminations	Total
Revenues:										
Third party[1]	422,963	708,242	162,013	590,269	84,210	385,469	351,920	-	-	2,705,086
Inter-segment	4,254	-	-	-	-	-	90,368	52,287	(146,909)	-
Segment revenues	**427,217**	**708,242**	**162,013**	**590,269**	**84,210**	**385,469**	**442,288**	**52,287**	**(146,909)**	**2,705,086**
Segment profit[2]	**156,849**	**157,233**	**18,926**	**185,995**	**5,632**	**158,663**	**271,558**	**33,602**	**14,312**	**1,002,770**
Depreciation and amortisation in cost of sales										(497,303)
Employee profit sharing in cost of sales										(2,229)
Gross profit as per the income statement										**503,238**
Capital expenditure[3]	97,809	56,923	43,841	125,052	52	74,824	82,167	2,741	-	483,409

1 During 2023 all segment revenues were derived from Met-Mex, except in Juanicipio which includes sales to another customer of US$0.6 million.

2 The Group's CODM primarily uses this measure to monitor the operating results directly related to the production of its business units separately to make decisions about resource allocation and performance assessment. 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 the construction of tailing damns at San Julian and Saucito mines.

4 Some of 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 Bermejal, S.A. de C.V; capital expenditure mainly corresponds to Minera Bermejal, S. de R.L. de C.V.

US$ thousands	Fresnillo	Herradura	Cienega	Saucito	Noche Buena	San Julian	Juanicipio[4]	Other[5]	Adjustments and eliminations	Total
										Year ended 31 December 2022
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 profit[2]	**197,043**	**127,919**	**39,551**	**197,791**	**44,436**	**190,842**	**154,544**	**106,275**	**(12,203)**	**1,046,198**
Depreciation and amortisation in cost of sales										(500,569)
Employee profit sharing in cost of sales										(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 The Group's CODM primarily uses this measure to monitor the operating results directly related to the production of its business units separately to make decisions about resource allocation and performance assessment. 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 Bermejal, S.A. de C.V; capital expenditure mainly corresponds to Minera Bermejal, 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. The country of incorporation or registration is also their principal place of business.

(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-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Minera Juanicipio, S. A. de C.V.	44%	44%	35,853	31,398	195,991	160,046
Equipos Chaparral, S. A. de C.V.	44%	44%	18,311	5,105	97,377	69,561
Other subsidiaries with non-controlling interests not considered to be material	-	-	227	(109)	1,977	1,599

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 2023 and 2022

	Minera Juanicipio, S. A. de C.V.		Equipos Chaparral, S. A. de C.V.	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Revenue	442,288	215,736	-	-
Profit before income tax	102,447	100,635	45,412	5,390
Income tax (charge)/credit	(20,962)	(29,277)	(3,797)	6,212
Profit for the year	81,485	71,358	41,615	11,602
Other comprehensive gain/(loss)	31	(248)	8	31
Total comprehensive income	81,516	71,110	41,623	11,633
Attributable to non-controlling interests	35,867	31,288	18,314	5,119
Dividends paid to non-controlling interests	-	-	-	-

Summarised statement of financial position as at 31 December 2023 and 2022

	Minera Juanicipio, S. A. de C.V.		Equipos Chaparral, S. A. de C.V.	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Current				
Assets	120,396	77,596	34,990	13,226
Liabilities	(197,260)	(80,984)	(35,708)	(31,299)
Total current net liabilities	(76,864)	(3,388)	(718)	(18,073)
Non-current				
Assets	776,156	630,418	222,030	202,263
Liabilities	(253,858)	(263,290)	-	(26,097)
Total non-current net assets	522,298	367,128	222,030	176,166
Net assets	445,434	363,740	221,312	158,093
Attributable to:				
Equity holders of parent	249,443	203,694	123,935	88,532
Non-controlling interest	195,991	160,046	97,377	69,561

Summarised cash flow information for the year ended 31 December 2023 and 2022

	Minera Juanicipio, S. A. de C.V.		Equipos Chaparral, S. A. de C.V.	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Operating	133,299	127,113	(33,126)	(28,354)
Investing	(48,936)	(115,961)	340	261
Financing	(57,448)	(24,777)	509	23,663
Net increase/(decrease) in cash and cash equivalents	26,915	(13,625)	(32,277)	(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	
	2023 US$ thousands	2022 US$ thousands
Revenues from contracts with customers	2,706,292	2,440,063
Revenues from other sources:		
Provisional pricing adjustment on products sold	(1,206)	(3,302)
Hedging loss on sales	-	(3,771)
	2,705,086	**2,432,990**

(b) Revenues by product sold

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Lead concentrates (containing silver, gold, lead and by-products)	1,320,155	1,090,735
Doré and slag (containing gold, silver and by-products)	708,036	648,002
Zinc concentrates (containing zinc, silver and by-products)	290,138	326,912
Precipitates (containing gold and silver)	301,707	238,171
Activated carbon (containing gold, silver and by-products)	84,416	129,170
Iron concentrates (containing silver, gold, lead and by-products)	634	-
	2,705,086	**2,432,990**

(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	
	2023 US$ thousands	2022 US$ thousands
Silver	1,319,423	1,089,189
Gold	1,177,386	1,114,168
Zinc	250,782	283,453
Lead	121,483	106,640
Value of metal content in products sold	2,869,074	2,593,450
Refining and treatment charges[1]	(163,988)	(160,460)
Total revenues[2]	**2,705,086**	**2,432,990**

1 The methodology to determine the refining and treatment charges takes into account industry benchmark charges and adjustments to reflect ore composition and transport costs (refer to note 27(b).

2 Includes provisional price adjustments which represent changes in the fair value of trade receivables resulting in a loss of US$1.2 million (2022: loss of US$3.3 million) and hedging loss of US$ nil million (2022: loss of US$3.8 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	
	2023 US$ per ounce	2022 US$ per ounce
Gold[2]	1,957.72	1,799.26
Silver[2]	23.64	21.72

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	
	2023 US$ thousands	2022 US$ thousands
Depreciation and amortisation	497,303	500,569
Contractors	393,997	367,003
Energy	256,507	231,505
Operating materials	292,450	269,720
Maintenance and repairs	299,924	252,907
Personnel expenses	210,583	175,508
Mine equipment leased [1]	69,754	48,991
Mining concession rights and contributions	23,045	22,044
Surveillance	23,983	18,741
Insurance	12,056	11,069
Freight	9,365	11,843
IT services	11,464	11,401
Other	23,154	34,675
Cost of production	2,123,585	1,955,976
Unabsorbed production costs[2]	25,920	2,592
Gain on foreign currency hedges	(232)	-
Change in work in progress and finished goods (ore inventories)[3]	52,575	(61,598)
	2,201,848	**1,896,970**

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 cost incurred during the testing period at Juanicipio plant and Fresnillo's pyrites plant as a result of the delays to the commencement of production of US$3.9 million and US$3.0 million respectively, non-productive cost for the temporary stoppage of activities in Penmont US$10.2 million and non-productive fixed mine cost incurred in Noche Buena resulting from finalisation of mining activities US$8.7 million (2022: Corresponds to costs incurred in Juanicipio plant activities (note 2 (c))).

3 Refer to note 2 (c) for more detail related to change in work in progress inventories for the year ended 31 December 2023 following a change in estimation.

7. Exploration expenses

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Contractors	122,973	111,981
Mining concession rights and contributions	28,777	25,570
Personnel expenses (note 8(a))	13,315	10,779
Assays	8,950	6,269
Administrative services	2,057	2,086
Rentals	570	603
Other	5,805	8,502
	182,447	**165,790**

These exploration expenses were mainly incurred in the operating mines located in Mexico; the Guanajuato, Orisyvo and Valles projects; and the Tajitos prospect. Exploration expenses of US$14.1 million (2022: US$17.9 million) were incurred in the year on projects located in Peru and Chile.

Cash flows relating to exploration activities are as follows:

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Operating cash out flows related to exploration activities	182,359	166,068

8. Personnel expenses

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Salaries and wages	109,470	87,534
Statutory healthcare and housing contributions	42,393	32,856
Other benefits	28,414	26,458
Bonuses	34,099	19,752
Employees' profit sharing	2,390	9,841
Post-employment benefits	12,799	8,792
Vacations and vacations bonus	6,541	5,448
Legal contributions	6,104	4,202
Training	2,532	3,749
Other	5,313	3,708
	250,055	**202,340**

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

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Cost of sales (note 6)[1]	215,952	175,508
Administrative expenses	20,788	16,053
Exploration expenses (note 7)	13,315	10,779
	250,055	**202,340**

1 Includes amounts recognised as unabsorbed production cost amounting US$5.4 million (2022: US$ nil).

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

	Year ended 31 December	
	2023 No.	2022 No.
Mining	3,497	3,967
Plant	1,091	1,074
Exploration	270	265
Maintenance	1,327	1,382
Administration and other	1,118	1,237
Total	**7,303**	**7,925**

9. Other operating income and expenses

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Other income:		
Reversal of accruals[1]	25,793	-
Recovery of personnel expenses	4,156	-
Gain on sale of property, plant and equipment and other assets	882	-
Layback Agreement (note 2 (c))	-	67,182
Rentals	35	767
Other	4,458	3,911
	35,324	**71,860**

	Year ended 31 December	
	2023 **US$ thousands**	2022 US$ thousands
Other expenses:		
Write-off of inventories (note 2 (c))	21,861	-
Cost subject to insurance claims	8,349	4,246
Environmental activities[2]	3,963	2,997
Maintenance[3]	3,477	2,939
Change in mine closure cost provision[4]	3,226	-
Write-off of PPE assets[5]	1,920	11,315
Donations	1,685	8,794
Consumption tax expensed	943	2,073
Other	5,745	6,391
	51,169	**38,755**

1 The Group has reversed the accrued energy costs recognised since July 2020, following the favourable ruling in favour of its related parties Termóelectrica Peñoles, S.A. de C.V. and Eólica de Coahuila, S.A. de C.V, filed against the Mexican Government regarding an increase of energy supply costs required to be recharged to its customers.

2 Main activities were related with improvement in tailing dams in Fresnillo and Cienega (2022: 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)).

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

4 Relates to changes in estimates after the completion of mining activities.

5 Mainly correspond to mobile equipment damaged (2022: mobile equipment damaged and mining works collapsed).

10. Finance income and finance costs

	Year ended 31 December	
	2023 **US$ thousands**	2022 US$ thousands
Finance income:		
Interest on short-term deposits and investments	47,592	20,956
Interest on tax receivables	2,479	4,507
Other	552	997
	50,623	**26,460**

	Year ended 31 December	
	2023 **US$ thousands**	2022 US$ thousands
Finance costs:		
Interest on interest-bearing loans and notes payables	60,741	51,395
Unwinding of discount on provisions (note 21)	22,578	15,243
Interest on tax amendment	-	11,519
Interest on lease liabilities (note 25(a))	1,220	720
Other	4,307	2,744
	88,846	**81,621**

11. Income tax expense

a) Major components of income tax expense:

	Year ended 31 December	
	2023 **US$ thousands**	2022 US$ thousands
Consolidated income statement:		
Corporate income tax		
Current:		
Income tax charge	80,769	134,896
Amounts under/ (over) provided in previous years	4,235	(1,710)
	85,004	133,186
Deferred:		
Origination and reversal of temporary differences	(292,371)	(206,196)
Revaluation effects of Silverstream contract	2,320	5,636
	(290,051)	(200,560)
Corporate income tax	**(205,047)**	**(67,374)**
Special mining right		
Current:		
Special mining right charge (note 11 (e))	22,708	38,230
Amounts under provided in previous years	1,686	1,954
	24,394	40,184
Deferred:		
Origination and reversal of temporary differences	6,371	(32,530)
Special mining right	**30,765**	**7,654**
Income tax expense reported in the income statement	**(174,282)**	**(59,720)**

	Year ended 31 December	
	2023 US$ thousands	2022 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)
Changes in fair value of cash flow hedges	(135)	(184)
Changes in the fair value of cost of hedges	-	414
Changes in fair value of equity investments at FVOCI	15,941	1,714
Remeasurement losses on defined benefit plans	20	114
Income tax effect reported in other comprehensive income	**15,826**	**927**

During 2022, following conversations held by the Company with the Servicio de Admnistracion Tributario (SAT) regarding its income tax audits for the years 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	
	2023 US$ thousands	2022 US$ thousands
Accounting profit before income tax	**114,018**	**248,571**
Tax at the Group’s statutory corporate income tax rate 30.0%	34,205	74,571
Exchange rate effect on tax value of assets and liabilities[1]	(214,521)	(72,888)
Inflationary uplift of the tax base of assets and liabilities	(54,763)	(62,666)
Incentive for Northern Border Zone	1,760	(17,491)
Deferred tax asset not recognised	11,688	7,893
Expenses not deductible for tax purposes	14,277	7,045
Inflationary uplift of tax losses	(5,361)	(7,843)
Current income tax underprovided in previous years	2,137	3,107
Non-taxable/non-deductible foreign exchange effects	16,689	1,167
Inflationary uplift on tax refunds	(744)	(1,352)
Special mining right deductible for corporate income tax	(9,230)	(2,296)
Other	(1,184)	3,379
Corporate income tax at the effective tax rate of (179.8%) (2022: (27.1%))	**(205,047)**	**(67,374)**
Special mining right	30,765	7,654
Tax at the effective income tax rate of (152.9%) (2022: (24.02%))	**(174,282)**	**(59,720)**

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 Norther 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	
	2023 **US$ thousands**	2022 US$ thousands
Opening net assets/(liability)	232,568	(1,445)
Income statement credit arising on corporate income tax	290,051	200,560
Income statement credit arising on special mining right	(6,371)	32,530
Exchange difference	26	(4)
Net charge related to items directly charged to other comprehensive income	15,826	927
Closing net asset	**532,100**	**232,568**

The amounts of deferred income tax assets and liabilities as at 31 December 2023 and 2022, considering the nature of the related temporary differences, are as follows:

	Consolidated balance sheet		Consolidated income statement	
	2023 **US$ thousands**	2022 US$ thousands	**2023** **US$ thousands**	2022 US$ thousands
Related party receivables	(181,236)	(158,797)	22,439	5,095
Other receivables	(6,233)	(3,974)	2,259	727
Inventories	152,378	115,383	(36,995)	(18,213)
Prepayments	(3,499)	(2,423)	1,076	(449)
Derivative financial instruments including Silverstream contract	(138,171)	(147,887)	(9,852)	(6,125)
Property, plant and equipment arising from corporate income tax	366,694	142,241	(224,453)	(192,396)
Exploration expenses and operating liabilities	107,711	91,265	(16,446)	19,724
Other payables and provisions	87,705	74,162	(13,543)	3,930
Losses carried forward	141,091	117,689	(23,402)	(27,250)
Post-employment benefits	2,100	1,504	(576)	(356)
Deductible profit sharing	852	3,095	2,243	1,842
Special mining right deductible for corporate income tax	7,445	10,738	3,293	12,954
Equity investments at FVOCI	1,368	(16,937)	(2,364)	(1,903)
Other	(17,416)	(11,172)	6,270	1,860
Net deferred tax asset related to corporate income tax	**520,789**	**214,887**		
Deferred tax credit related to corporate income tax			(290,051)	(200,560)
Related party receivables arising from special mining right	(44,963)	(39,541)	5,422	1,391
Inventories arising from special mining right	37,124	28,685	(8,439)	(7,353)
Property plant and equipment arising from special mining right	(11,689)	7,887	19,576	(27,185)
Other	30,839	20,650	(10,188)	617
Net deferred tax liability related to special mining rights	**11,311**	**17,681**		
Deferred tax credit			**(283,680)**	**(233,090)**
Reflected in the statement of financial position as follows:				
Deferred tax assets	665,302	343,688		
Deferred tax liabilities	(133,202)	(111,120)		

Net deferred tax asset	532,100	232,568

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$141.1 million (2022: US$117.7 million) has been recognised in respect of tax losses amounting to US$470.3 million (2022: US$391.6 million). If not utilised, US$7.1 million (2022: US$33.2 million) will expire within five years and US$463.2 million (2022: US$358.4 million) will expire between six and ten years. Of the total deferred tax asset related to losses, US$69.4 million (2022: US$34.4 million) is covered by the existence of taxable temporary differences, the remaining US$71.7 million (2022: US$83.3 million) corresponds to Fresnillo plc which maintained a deferred net asset position. Despite the accounting loss in the Parent Company in the current and prior periods, management has considered the taxable profit generated in the current year of US$91.3 million and based on a consideration of this, combined with future financial and tax projections, considers that there is evidence that sufficient taxable profits will be available against which these unused tax losses can be utilised.

The Group has also performed an assessment of the recoverability of tax losses from mining entities based on financial projections that are consistent with the Group's impairment assessment (refer to note 13), together with relevant tax projections which consider the amount and timing of certain tax deductions. Based on those assumptions, the Group expects to fully utilise its recognised losses.

The Group has further tax losses and other similar attributes carried forward of US$112.3 million (2022: US$91.9 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 expiry.

(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$1,015 million (2022: US$1,006 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. 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.

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 2023 and 2022, earnings per share have been calculated as follows:

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Earnings:		
Profit attributable to equity holders of the Company	233,909	271,897
Adjusted profit attributable to equity holders of the Company	228,497	258,747

Adjusted profit is profit as disclosed in the Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$7.7 million gain (US$5.4 million net of tax) (2022: US$18.8 million gain (US$13.2 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.

	2023 thousands	2022 thousands
Number of shares:		
Weighted average number of Ordinary Shares in issue	736,894	736,894

	2023 US$	2022 US$
Earnings per share:		
Basic and diluted earnings per share	0.317	0.369
Adjusted basic and diluted earnings per Ordinary Share	0.310	0.351

13. Property, plant and equipment

	Year ended 31 December 2023[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 2023	412,984	2,828,920	3,001,661	377,813	461,490	**7,082,868**
Additions	903	103,835	5,428	37,839	358,579	**506,584**
Disposals[5]	(308)	(26,480)	(2,763)	(12,345)	-	**(41,896)**
Transfers and other movements	22,305	226,170	236,380	49,741	(534,596)	**-**
At 31 December 2023	435,884	3,132,445	3,240,706	453,048	285,473	**7,547,556**
Accumulated depreciation						
At 1 January 2023	(222,166)	(1,810,484)	(1,947,868)	(239,786)	-	**(4,220,304)**
Depreciation for the year[1]	(24,837)	(205,238)	(240,595)	(30,276)	-	**(500,946)**
Disposals[5]	290	24,627	2,763	6,930	-	**34,610**
At 31 December 2023	(246,713)	(1,991,095)	(2,185,700)	(263,132)	-	**(4,686,640)**
Net book amount at 31 December 2023	189,171	1,141,350	1,055,006	189,916	285,473	**2,860,916**

1 Depreciation for the year includes US$498.5 million recognised as an expense in the income statement and US$2.5 million capitalised as part of construction in progress.

2 From the additions in "other assets" category US$28.1 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 2023 is US$37.2 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$1.9 million correspond to a write off of assets as disclosed in note 9.

	Land and buildings	Plant and equipment[4]	Mining properties and development costs	Other assets[2]	Construction in progress	Total
						Year ended 31 December 2022[3]
						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.

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

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Fresnillo	73,761	186,666
Saucito	94,092	80,566
Juanicipio	29,028	67,228
Cienega	13,432	53,204
San Julian	56,938	34,203
Herradura	13,307	27,208
Noche Buena	-	9,583
Other[1]	4,914	2,832
	285,472	**461,490**

1 Mainly corresponds to Minera Bermejal, S.A. de C.V. (2022: Minera Bermejal, S.A. de C.V.).

During the year ended 31 December 2023, the Group capitalised US$2.1 million of borrowing costs paid within construction in progress (2022: US$8.6 million). Borrowing costs were capitalised at the rate of 5.02% (2022: 5.02%).

Sensitivity analysis

As disclosed in note 2(f) management performs at each reporting date an assessment to determine whether there are any indicators of impairment. As at 31 December 2023, the carrying amounts of mining assets is supported by their recoverable values.

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.

The models are most sensitive to changes in commodity price assumptions, operating costs 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 2023:

- A decrease of 10% in gold and silver prices would result in an impairment charge of US$228.7 million.
- An increase of 10% in operating costs would result in an impairment charge of US$ million 116.1 million.
- A decrease of 5% in the forecasted volume of gold and silver produced would result in an impairment charge of US$92.2 million.

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. The agreement required an upfront payment of US$350 million by Fresnillo. 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 2023 was $5.65 per ounce (2022: $5.54 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 to the Group 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 24 years considering ore reserves and certain mineral resources based on the expected conversion rate to reserves. 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 2023 total proceeds received in cash were US$40.2 million (2022: US$33.4 million) of which, US$8.3 million was in respect of proceeds receivable as at 31 December 2022 (2022: US$4.8 million in respect of proceeds receivable as at 31 December 2021). Cash received in respect of the year of US$31.8 million (2022: US$28.5 million) corresponds to 2.29 million ounces of payable silver (2022: 2.06 million ounces). As at 31 December 2023, a further US$5.1 million (2022: US$8.3 million) of cash receivable corresponding to 278,342 ounces of silver is due (2022: 453,158 ounces).

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

	2023 US$ thousands	2022 US$ thousands
Balance at 1 January	511,474	529,544
Cash received in respect of the year	(31,816)	(28,513)
Cash receivable	(5,050)	(8,342)
Remeasurement gains recognised in profit and loss	7,732	18,785
Balance at 31 December	**482,340**	**511,474**
Less – Current portion	**35,802**	**36,218**
Non-current portion	**446,538**	**475,256**

The US$7.7 million unrealised gain recorded in the income statement (31 December 2022: US$18.8 million loss) resulted mainly from the financial profit obtained from the contract amortisation, which was partially compensated with lower reserves considered in the production mine plan and a lower inflation rate expected.

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 82.8 moz (2022: 103.2 moz)
  - Average annual silver to be produced and sold 3.5moz (2022: 4.0 moz)
- Weighted average discount rate 9.79% (2022: 9.82%)
- Future silver prices (US$ per ounce)

Year ended 31 December	Year 1	Year 2	Year 3	Year 4	Year 5	Long-term
2023	24.41	25.44	26.43	26.64	26.85	19.58
2022	24.45	25.53	26.22	27.12	27.33	18.81

The fair value of the Silverstream contract is determined using a valuation model including unobservable inputs (Level 3). This derivative has a term of 24 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 inflation and the discount rate used to discount future cash flows. In line with a market participant would consider, the model includes the proportion of resources that are expected to be converted into reserves. Out of the 82.8m ounces included in the model, 56% relates to reserves and 44% relates to resources (which were adjusted by a conversion factor of 50%). (2022: 55% and 45% respectively). For purposes of the fair value measurement, those resources are assumed to be mined once reserves are exhausted. This approach has been applied consistently in both 2023 and 2022.

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 reserves and resources over the life of mine. The sensitivity of these key inputs is as follows:

	Commodity price		Discount rate		Volumes produced	
Year ended 31 December	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	Increase/ (decrease) in reserves and resources	Effect on profit before tax: increase/ (decrease) US$ thousands
2023	10%	63,222	-	-	10%	48,141
	(10%)	(63,222)	(75)	27,473	(10%)	(48,141)
2022	20%	133,736	100	(41,860)	6%	30,600
	(15%)	(100,302)	(25)	11,452	(6%)	(30,600)

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.

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	
	2023 US$ thousands	2022 US$ thousands
Finished goods[1]	34,212	27,257
Work in progress[2]	314,802	375,603
Ore stockpile[3]	4,779	26,020
Operating materials and spare parts	185,624	163,947
	539,417	592,827
Allowance for obsolete and slow-moving inventories	(6,684)	(5,463)
Balance as 31 December	**532,733**	**587,364**
Less - Current portion	**462,973**	**495,744**
Non-current portion[4]	**69,760**	**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$292.7 million (2022: US$307.6 million) and in stockpiles US$22.1 million (2022: US$58.8 million) that will be processed in dynamic leaching plants (note 2(c)).

3 As at 31 December 2022 ore stockpile included ore mineral obtained during the development phase at Juanicipio which has been processed during 2023.

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 2023 and 2022 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$2,201.8 million (2022: US$1,906.8 million). During 2023 and 2022, 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$1.2 million (2022: US$2.6 million).

16. Trade and other receivables

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Trade receivables from related parties (note 27)	306,668	275,844
Value Added Tax receivable	93,010	85,979
Other receivables from related parties (note 27a)	11,509	8,377
Other receivables from contractors	2,662	52
Other receivables	6,170	8,697
Other receivables arising from the Layback Agreement (note 2 (c))	-	25,994
	420,019	404,943
Expected credit loss of ‘Other receivables’	(353)	(444)
Trade and other receivables classified as current assets	**419,666**	**404,499**
Other receivables classified as non-current assets:		
Other receivable from contractors	773	1,638
Value Added Tax receivable	42,755	36,820
Trade and other receivables classified as non-current assets	**43,528**	**38,458**
Total trade and other receivables	**463,194**	**442,957**

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$316.3 million (2022: US$311.7 million), and in Mexican pesos US$147.6 million (2022: US$131.2 million)

Balances corresponding to Value Added Tax receivables and US$6.2 million within Other receivables (2022: US$8.7 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 2023 is US$0.4 million (2022: US$0.4 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	
	2023 US$ thousands	2022 US$ thousands
Cash at bank and on hand	3,556	2,516
Short-term deposits	531,024	966,544
Cash and cash equivalents	**534,580**	**969,060**

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:

	As at 31 December			
		2023		2022
Class of share	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 2022	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2022	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2023	736,893,589	$368,545,586	50,000	£50,000

As at 31 December 2023 and 2022, 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 2023 and 2022 are as follows:

	US cents per Ordinary Share	Amount US$ thousands
Year ended 31 December 2023		
Final dividend for 2022 declared and paid during the year[1]	13.3	98,007
Interim dividend for 2023 declared and paid during the year[2]	1.4	10,317
	14.7	**108,324**
Year ended 31 December 2022		
Final dividend for 2021 declared and paid during the year[3]	24.00	176,855
Interim dividend for 2022 declared and paid during the year[4]	3.40	25,054
	27.4	**201,909**

1 This dividend was approved by the Shareholders on 23 May 2023 and paid on 26 May 2023.

2 This dividend was approved by the Board of Directors on 31 July 2023 and paid 14 September 2023

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

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

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	
	2023 **US$ thousands**	2022 US$ thousands
Dividends declared	108,324	201,909
Foreign exchange effect	(1)	-
Dividends recognised in retained earnings	**108,323**	**201,909**
Foreign exchange and hedging effect	28	41
Dividends paid	**108,351**	**201,950**

The directors have proposed a final dividend of US$4.2 cents per share, which is subject to approval at the annual general meeting and is not recognised as a liability as at 31 December 2023. 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 in the Irish Stock Exchange. The proceeds were partially used to finance the repurchase mentioned above.

On 13 November 2023, the Company paid the outstanding amount of the 5.500% Notes at its maturity date including due interest for a total of US$326.6 million.

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

	As at 31 December	
	2023 US$ thousands	2022 US$ thousands
Opening balance	1,158,557	1,157,545
Payments of 5.500% Notes	(317,879)	-
Accrued interest	53,919	56,475
Interest paid[1]	(56,371)	(56,371)
Amortisation of discount and transaction costs	776	908
Closing balance	839,002	1,158,557
Less - Current portion	-	317,879
Non-current portion	839,002	840,678

1 Interest was payable semi-annually on 13 May and 13 November for 5.500% senior notes and is payable semi-annually on 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 2023, the discount rates used in the calculation of the parts of the provision that relate to Mexican pesos range from 9.87% to 11.19% (2022: range from 10.08% to 10.62%). The range for the current year parts that relate to US dollars range from 3.70% to 4.68% (2022: range from 3.08% to 4.44%).

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 estimation of reserves and resources, which ranges from 2 to 21 years from 31 December 2023 after the ending of mine operation at Noche Buena mine (1 to 22 years from 31 December 2022). As at 31 December 2023 the weighted average term of the provision is 10 years (2022: 12 years).

	As at 31 December	
	2023 **US$ thousands**	2022 US$ thousands
Opening balance	**247,207**	**260,307**
(Decrease) increase to existing provision	(2,111)	23,757
Effect of changes in discount rate	1,436	(63,061)
Unwinding of discount rate	22,578	15,243
Payments	(4,376)	(1,085)
Foreign exchange	27,582	12,046
Closing balance	**292,316**	**247,207**
Less - Current portion	**11,849**	**4,827**
Non-current portion	**280,467**	**242,380**

The provision is sensitive to a reasonably possible change in discount rates, exchange rate US Dollar compared to Mexican peso, and change in future costs. The sensitivity of these key inputs is as follows:

	Discount rate		Foreign currency		Estimated costs	
Year ended 31 December	Basis point increase/ (decrease) in interest rate	Effect on provision: increase/ (decrease) US$ thousands	Strengthening/ (weakening) of US dollar	Effect on provision: increase/ (decrease) US$ thousands	Increase/ (decrease) in estimated costs	Effect on provision: increase/ (decrease) US$ thousands
2023	50	11,710	10%	(21,990)	5%	14,616
	(50)	(24,205)	(5%)	12,731	(5%)	(14,616)
2022	50	12,030	5%	(8,679)	5%	12,360
	(50)	(13,110)	(5%)	9,593	(5%)	(12,360)

Change on the provision would be principally offset by a change to the value of the associated asset unless the asset is fully depreciated, in which case the change in estimate is recognised directly within the income statement.

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 1 January 2023	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 financial assumptions	Sub-total included in OCI[1]	Contributions by employer	Defined benefit decrease due to personnel transfer	Balance at 31 December 2023
												US$ thousands
Defined benefit obligation	(26,014)	(1,797)	(2,559)	(3,952)	(8,308)	2,133		(457)	(457)		(25)	(32,671)
Fair value of plan assets	16,552		1,871	2,527	4,398	(2,133)	331		331	332	(20)	19,460
Net benefit liability	(9,462)	(1,797)	(688)	(1,425)	(3,910)	-	331	(457)	(126)	332	(45)	(13,211)

		Pension cost charge to income statement					Remeasurement gains/(losses) in OCI					
	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 financial assumptions	Sub-total included in OCI[1]	Contributions by employer	Defined benefit decrease due to personnel transfer	Balance at 31 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)

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$13.9 million (2022: US$10.7 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	
	2023 **%**	2022 %
Discount rate	10.08	10.23
Future salary increases (National Consumer Price Index)	5.25	5.25

The life expectancy of current and future pensioners, men and women aged 65 and older will live on average for a further 23.2 and 26.0 years respectively (2022: 23.9 years for men and 26.7 for women). The weighted average duration of the defined benefit obligation is 8.7 years (2022: 10.8 years).

The fair values of the plan assets were as follows:

	As at 31 December	
	2023 **US$ thousands**	2022 US$ thousands
State owned companies	337	-
Mutual funds (fixed rates)	19,123	16,552
	19,460	**16,552**

As at 31 December 2023 and 2022, 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 2023 is as shown below:

Assumptions	Discount rate		Future salary increases (NCPI)		Life expectancy of pensioners
Sensitivity Level	0.5% Increase	0.5% Decrease	0.5% increase	0.5% decrease	+ 1 Increase
Year ended 31 December 2023					
(Decrease)/increase to the net defined benefit obligation (US$ thousands)	(1,152)	1,243	215	(226)	289
Year ended 31 December 2022					
(Decrease)/increase to the net defined benefit obligation (US$ thousands)	(967)	1,044	176	(174)	145

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	
	2023 US$ thousands	2022 US$ thousands
Trade payables	118,110	140,297
Other payables to related parties (note 27(a))	56,434	35,969
Accrued expenses	54,749	60,321
Other taxes and contributions	28,812	22,280
	258,105	**258,867**

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 taxes 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 mines and development project is as follows:

	As at 31 December	
	2023 US$ thousands	2022 US$ thousands
Saucito	30,761	33,980
Fresnillo	26,503	48,629
San Julian	14,655	9,745
Juanicipio	12,246	47,809
Herradura	6,610	11,024
Cienega	2,984	10,753
Noche Buena	206	227
Other[1]	4,040	414
	98,005	**162,581**

1 Mainly corresponds to Minera el Bermejal, S. de R.L. de C.V.

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 2023 US$ thousands	31 December 2022 US$ thousands
IT equipment	10,387	10,914
Plant and equipment	3,501	3,776
Buildings	702	439
Total lease liability	**14,590**	**15,129**
Less - Current portion	**4,813**	**5,209**
Non-current portion	**9,777**	**9,920**

The total cash outflow for leases for the year ended 31 December 2023, except short term and low value leases, amounts to US$7.3 million (2022: US$5.8 million), including finance costs of US$1.2 million (2022: US$0.7 million). The table below details right-of-use assets included as property plant and equipment in note 13.

				Year ended 31 December 2023
	Buildings	**Computer equipment**	**Plant and Equipment**	**Total**
				US$ thousands
Cost				
At 1 January 2023	4,620	21,284	3,933	29,837
Additions	723	4,286	123	5,132
Disposals	(308)	(6,291)	-	(6,599)
At 31 December 2023	5,035	19,279	4,056	28,370
Accumulated depreciation				
At 1 January 2023	(2,585)	(12,394)	(234)	(15,213)
Depreciation for the year	(739)	(4,880)	(567)	(6,186)
Disposals	290	6,119	-	6,409
At 31 December 2023	(3,034)	(11,155)	(801)	(14,990)
Net book amount at 31 December 2023	**2,001**	**8,124**	**3,255**	**13,380**

			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**

Amounts recognised in profit and loss for the year, additional to depreciation of right-of-use assets, included US$1.2 million (2022: US$0.7 million) relating to interest expense, US$73.7 million (2022: US$60.4 million) on relating variable lease payments (note 6) of which US$4.2 million (2022: US$11.4 million) were capitalised as a part of stripping cost, US$0.9 million (2022: US$0.8 million) relating to short-term leases and US$2.9 million (2022:US$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 2023, 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.

  It is not practical to determine the amount of any potential claims or the likelihood of any unfavourable outcome arising from this or any future inspections that may be initiated. However, management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.
- 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.
- On 24 March 2022, the SAT initiated an audit of the income tax computation of Comercializadora de Metales Fresnillo for the year 2016. Findings were shared by the SAT on 22 March 2023, which mainly relate to the tax treatment of the Silverstream transaction. The Company responded on 20 April 2023 and began a Conclusive Agreement procedure before the Mexican tax ombudsman (PRODECON). On 16 June 2023 and on 5 July 2023, the Company provided additional documentation and information to the SAT through PRODECON. On January 31st 2024, the PRODECON closed the Conclusive Agreement procedure as no agreement was reached between the company and the SAT. It is expected that the SAT´s final conclusion on the matter will be notified to the Company no later than May 2024. The Directors believe that management´s interpretation of the relevant legislation and assessment of taxation is appropriate. Also, the Directors consider that no tax liability is required to be recognised in respect of these claims or risks as the SAT´s final conclusion is yet to be determined.

– 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 2023 and 2022 and balances as at 31 December 2023 and 2022.

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	
	2023 US$ thousands	2022 US$ thousands	**2023 US$ thousands**	2022 US$ thousands
Trade:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	306,668	275,844	5,840	421
Other:				
Industrias Peñoles, S.A.B. de C.V.[1]	5,050	8,342	-	-
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	261	-	739	-
Servicios Administrativos Peñoles, S.A. de C.V.	-	-	24,486	4,630
Servicios Especializados Peñoles, S.A. de C.V.	-	-	7,147	8,964
Fuentes de Energía Peñoles, S.A. de C.V.	-	-	6,239	1,062
Termoeléctrica Peñoles, S. de R.L. de C.V.	-	-	3,362	3,206
Peñoles Tecnología, S.A. de C.V.	-	-	1,261	490
Eólica de Coahuila S.A. de C.V.	-	-	2,986	13,466
Minera Capela, S.A. de C.V.	-	-	9	-
Grupo Nacional Provincial, S.A. B. de C.V.[2]	5,715	-	-	-
Other	483	35	4,365	3,730
Sub–total	318,177	284,221	56,434	35,969
Less–current portion	318,177	284,221	56,434	35,969
Non-current portion	-	-	-	-

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

2 This balance corresponds to excess payments to the defined contribution plan which will be refunded.

Related party accounts receivable and payable will be settled in cash.

Other balances with related parties:

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	482,340	511,474

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	
	2023 US$ thousands	2022 US$ thousands
Income:		
Sales:[1]		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.[2]	2,704,452	2,436,761
Insurance recovery		
Grupo Nacional Provincial, S.A. B. de C.V.	241	606
Other income	4,012	4,959
Total income	**2,708,705**	**2,442,326**

1 Figures do not include the effects of hedging as the derivative transactions are not undertaken with related parties.

2 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 (refer to note 5(c)).

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Expenses:		
Administrative services:		
Servicios Administrativos Peñoles, S.A. de C.V.[2]	56,636	34,755
Servicios Especializados Peñoles, S.A. de C.V.[3]	26,626	24,558
Peñoles Tecnología, S.A. de C.V.	5,343	4,356
	88,605	63,669
Energy:		
Termoeléctrica Peñoles, S. de R.L. de C.V.	28,454	20,630
Fuentes de Energía Peñoles, S.A. de C.V.	15,945	3,259
Eólica de Coahuila S.A. de C.V.	33,563	31,031
	77,962	54,920
Operating materials and spare parts:		
Wideco Inc	5,383	6,610
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	35,551	9,694
	40,934	16,304

Equipment repair and administrative services:		
Serviminas, S.A. de C.V.	10,068	7,492
Insurance premiums:		
Grupo Nacional Provincial, S.A. B. de C.V.	18,909	16,443
Other expenses:	3,960	4,395
Total expenses	**240,438**	**163,223**

2 Includes US$0.6 million (2022: US$0.8 million) corresponding to expenses reimbursed.

3 Includes US$9.6 (2022: US$ nil) 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	
	2023 US$ thousands	2022 US$ thousands
Salaries and bonuses	3,412	2,792
Post-employment benefits	290	244
Other benefits	435	316
Total compensation paid in respect of key management personnel	**4,137**	**3,352**

	As at 31 December	
	2023 US$ thousands	2022 US$ thousands
Accumulated accrued defined benefit pension entitlement	5,035	4,035

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 2023 and 2022 are as follows:

	Year ended 31 December	
Class of services	**2023 US$ thousands**	2022 US$ thousands
Fees payable to the Group's auditor for the audit of the Group's annual accounts	1,616	1,879
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	650	316
Audit-related assurance services[1]	773	437
Total	**3,039**	**2,632**

1 Includes US$0.6 million (2022: US$0.4 million) for the limited review of the Half Yearly financial report, US$0.1 million (2022: US$ nil) for the limited assurance services over certain GHG's KPIs and US$0.1 (2022: US$0.1 million) for the Mexican tax audit opinions.

29. Notes to the consolidated statement of cash flows

	Notes	**2023 US$ thousands**	2022 US$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the year		**288,300**	**308,291**
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation	13	498,469	501,769
Employee profit sharing	8	2,390	9,841
Deferred income tax credit	11	(283,680)	(233,090)
Current income tax expense	11	109,398	173,370
Write-off of assets	9	1,920	11,315
(Gain)/loss on the sale of property, plant and equipment and other assets		(882)	305
Net finance costs		36,974	55,148
Foreign exchange (gain)/loss		(1,142)	823
Difference between pension contributions paid and amounts recognised in the income statement		2,061	1,259
Non-cash movement on derivatives		(2)	-
Layback agreement	2 (c)	-	(67,182)
Changes in fair value of Silverstream	14	(7,732)	(18,785)
Change in mine closure cost provision	9	3,226	-
Other		38	-
Working capital adjustments			
(Increase)/decrease in trade and other receivables		(45,597)	7,199
Decrease/(increase) in prepayments and other assets		10,396	(14,064)
Decrease/(increase) in inventories		54,631	(99,562)
Increase in trade and other payables		1,196	40,282
Cash generated from operations		**669,964**	**676,919**
Income tax paid[1]		(233,060)	(158,343)
Employee profit sharing paid		(10,982)	(16,391)
Net cash from operating activities		**425,922**	**502,185**

1 Income tax paid includes US$187.0 million corresponding to corporate income tax (2022: US$116.1 million) and US$46 million corresponding to special mining right (2022: US$53.3 million), for further information refer to note 11.

30. Financial instruments
(a) Fair value category

As at 31 December 2023

US$ thousands

Financial assets:	Amortized cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables[1]	9,894	-	-	311,718
Equity instruments at FVOCI	-	107,991	-	-
Silverstream contract (note 14)	-	-	-	482,340
Derivative financial instruments	-	-	79	-

Financial liabilities:	Amortized cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans (note 20)	839,002	-	-
Notes payable[2]	95,360	-	-
Trade and other payables (note 23)	174,544	-	-

As at 31 December 2022

US$ thousands

Financial assets:	Amortized cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables[1]	27,719	-	-	284,186
Equity instruments at FVOCI	-	158,813	-	-
Silverstream contract (note 14)	-	-	-	511,474
Derivative financial instruments	-	-	231	-

Financial liabilities:	Amortized cost	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	-

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 6.72% to 7.36% with a maturity of nine to eighteen months US$72.6 million short-term and US$22.7 million long-term (2022: nine to eighteen months US$9.1 million short-term and US$95.8 million long-term,). During the year, proceeds and payments from these Notes amounted to US$22.7 million and US$33.0 million respectively (2022: US$8.1 million and US$10.0 million). Interest paid amount US$7.6 million (2022: US$4.2 million).

(b) Fair value measurement

The value of financial assets and liabilities other than those measured at fair value are as follows:

	As at 31 December			
	Carrying amount		Fair value	
	2023 US$ thousands	2022 US$ thousands	**2023 US$ thousands**	2022 US$ thousands
Financial assets:				
Trade and other receivables	9,894	27,719	9,894	27,719
Financial liabilities:				
Interest-bearing loans[1] (note 20)	839,002	1,158,557	645,745	990,588
Trade and other payables	174,544	176,266	174,544	176,266
Notes payable	95,360	104,962	95,324	104,962

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 2023			
	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	-	-	306,668	306,668
Other receivables from related parties[1]	-	-	5,050	5,050
Derivative financial instruments:				
Option and forward foreign exchange contracts	-	79	-	79
Silverstream contract	-	-	482,340	482,340
Other financial assets:				
Equity instruments at FVOCI	107,991	-	-	107,991
	107,991	**79**	**794,058**	**902,128**

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

				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	-	-	275,844	275,844
Other receivables from related parties[1]	-	-	8,342	8,342
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**

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

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:

	2023 US$ thousands	2022 US$ thousands
Balance at 1 January:	275,844	265,473
Sales	2,706,292	2,440,063
Cash collection	(2,674,262)	(2,426,390)
Changes in fair value	27,034	(20,178)
Realised embedded derivatives during the year	(28,240)	16,876
Balance at 31 December	**306,668**	**275,844**

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 2023, approximately 89.8% of the investments correspond to 9,314,877 shares (2022: 9,314,877 shares) of Mag Silver, Corp. for an amount of US$96.9 million (2022: US$145.5 million) and 5.1% of Endeavor Silver Corp. represented by 2,800,000 (2022: 2,800,000 shares) shares for an amount of US$5.5 million (2022: US$9.1 million). These equity investments are listed on the Toronto stock Exchange. The prices per share as 31 December 2023 were US$10.41 (2022: US$15.62) and US$1.96 (2022: US$3.24), respectively. During the year the Group purchased 1,000,000 shares of Osisko Mining Inc., a Canadian exploration company, for a total consideration of US$2.3 million.

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
2023	10%	(1,504)	(275)
	(5%)	871	276
2022	5%	742	1,120
	(5%)	(820)	3,610

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 profit before tax: increase/ (decrease) US$ thousands	Effect on equity: increase/ (decrease) US$ thousands
	Gold	Silver	Zinc	Lead		
2023	10%	10%	10%	10%	26,375	-
	(10%)	(10%)	(10%)	(10%)	(26,375)	-
2022	10%	20%	20%	15%	31,529	-
	(10%)	(15%)	(15%)	(15%)	(27,660)	-

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 as explained in note 14. 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 increase/ (decrease) in interest rate	Effect on profit before tax: increase/ (decrease) US$ thousands
2023[1]	-	-
	(75)	(3,307)
2022	100	8,667
	(25)	(2,167)

The sensitivity shown in the table above primarily relates to the full year of interest on cash balances held as at the year end.

1 Based on actual market conditions management considers an increase in interest rates is likely remote.

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
2023	40%	-	43,196
	(45%)	-	(48,596)
2022	10%	-	15,881
	(25%)	-	(39,703)

(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 2023 and 2022. 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 2023, 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 2023, being US$482.3 million (2022: US$511.5 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 2023					
Interest-bearing loans	37,986	75,973	75,973	1,685,699	1,875,631
Trade and other payables	180,565	-	-	-	180,565
Notes payable	72,634	22,726	-	-	95,360
Lease liabilities	5,944	7,502	2,829	494	16,769

US$ thousands

	Within 1 year	2–3 years	3-5 years	> 5 years	Total
As at 31 December 2022					
Interest-bearing loans	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	6,055	6,933	3,129	1,620	17,737
Derivative financial instruments – liabilities	487	-	-	-	487

The payments for financial derivative instruments 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 2023					
Inflows	5,777	-	-	-	5,777
Outflows	(5,587)	-	-	-	(5,587)
Net	**190**	**-**	**-**	**-**	**190**

					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)**

The above liquidity tables include expected inflows and outflows from currency option contracts which the Group expects to be exercised during 2024 as at 31 December 2023 and during 2023 as at 31 December 2022, 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 2023 and 2022 consisted of only cash and cash equivalents, which details are disclosed in note 17.

32. Subsequent events

During January 2024 the Company entered into a syndicated revolving credit facility ("the facility") with a term from January 2024 to January 2029. The maximum amount available under the facility is US$350.0 million. The facility is unsecured and has an interest rate on drawn amounts of SOFR plus an interest margin of 1.15%. The terms of this facility include financial covenants related to leverage and interest cover ratios. No amounts have been drawn from the facility to date.