WORKING TOGETHER TO BUILD A SUSTAINABLE FUTURE

WE ARE THE WORLD'S LARGEST SILVER PRODUCER AND MEXICO'S LARGEST GOLD PRODUCER.

16
Chief Executive's Statement

STRATEGIC REPORT

Our Purpose

TO CONTRIBUTE TO THE WELLBEING OF PEOPLE THROUGH THE SUSTAINABLE MINING OF SILVER AND GOLD.

Our Purpose springs directly from how we operate as a business. It guides everything we do and how we do it, and ensures that we deliver for all our stakeholders, including our teams, shareholders, local communities, suppliers, the authorities and the environment.

For the latest investor relations
www.fresnilloplc.com/investors

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

PERFORMANCE HIGHLIGHTS

Despite challenges, including a tight labour market, inflation, the revaluation of the Mexican peso and supply chain issues, we made steady progress in 2023 due to the quality of our assets, the commitment of our people and the strength of our approach to ESG.

Attributable gold production

610.6 koz

-4.0%

Sustainability at the core of our Purpose
p78

Attributable gold resources

37.9 moz

-3.1%

Review of operations
p42

Financial review
p64

Attributable silver resources

2,219.7 moz

+0.7%

Attributable silver production (Silverstream)

56.3 moz

+4.7%

Operational highlights

Attributable silver production of 56.3 moz (including Silverstream) was slightly below expectations but up 4.7% vs 2022, driven by the ramp-up at Juanicipio and higher ore grade at San Julián Veins.

Attributable gold production of 610.6 koz decreased 4.0% vs 2022, in line with guidance, due to 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.

The flotation plant at Juanicipio was commissioned and production was successfully ramped up, reaching nameplate capacity in 3Q23.

The tie in of the Pyrites plant at Fresnillo to the national power grid completed in 2Q23, with commissioning starting immediately afterwards.

Silver resources remained broadly unchanged vs 2022 at 2.2bn oz as exploration results, mainly at the Guanajuato exploration project and San Julián veins, balanced the mining depletion at mine sites, and higher costs and cut-off grades.

Gold resources decreased vs 2022 to 37.9 moz primarily driven by 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.

Silver reserves decreased 10.0% due to 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 reserves decreased 13.7% to 7.1 moz mostly due to extraction, higher costs and cut-off grades at Herradura and Saucito, and depletion at Noche Buena as it reached the end of its mine life.

For more information
see pages 42-63.

Financial highlights

Revenue of US$2,705.1 million, up 11.2% vs 2022 due to increased Adjusted revenue.

Adjusted revenue[1] of US$2,869.1 million, up 10.5% vs 2022 due to the increased volumes of silver and zinc sold and higher gold and silver prices.

Adjusted production costs[2] of US$1,624.1 million, up 12.3% vs 2022 primarily due to the revaluation of the Mexican peso vs the US dollar, cost inflation, 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.

Cost of sales of US$2,201.8 million, up 16.1% vs 2022 due to higher adjusted production costs and the decrease in inventories at Juanicipio, as a result of the start-up of the beneficiation plant, and at Noche Buena as the mine approached the end of its life.

Gross profit of US$503.2 million, down 6.1%; EBITDA[3] of US$655.7 million, down 12.7%.

Profit from continuing operations before net finance costs and income tax of US$142.5 million, down 49.8%.

Strong balance sheet and low leverage ratio; cash and other liquid funds[4] of US$534.6 million, down 44.8% driven by an investment of US$483.4 million in capex, the redemption of the outstanding US$317.9 million principal amount of 5.500% Notes due in November 2023, and dividend payments of US$108.4 million in accordance with our dividend policy.

For more information
see pages 64-75.

ESG highlights

Action taken to overhaul our 'I Care, We Care' programme after a regrettable four fatalities in 2023, 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.

Approved the Tailings Policy and Commitments for Responsible Tailings Management, which established the roles, responsibilities and duties of the different participants in the management system of our TSFs.

Increased our electricity supply from renewable sources from 35.6% in 2022 to 53.3% in 2023.

Signed a collaboration agreement with the Fresnillo municipality for the rehabilitation and operation of a water potabilisation plant. This initiative aims to supply clean water to Fresnillo city, enabling a reduction in our mine water consumption by substituting it with treated municipal wastewater.

Provided training to 82% of employees and 92% of unionised staff.

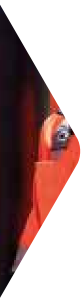
Began the deployment of the Living in Balance programme, promoting healthy habits and emotional wellbeing across the organisation.

Promoted the first Women in Mining Survey in Mexico – with 1,230 participants – to improve understanding of how to develop opportunities for women in mining.

Collaborated with UNAM Foundation and different local, federal and health authorities to deploy Community Health Weeks across our units, benefiting 198 communities and 6,013 people.

Generated a positive economic impact of US$2,347.8 million in 2023 through wages, taxes and payments to suppliers. 73.74% of our workforce is drawn from the regions where we operate.

For more information
see pages 78-150.



Find out more online at
www.fresnilloplc.com

1 Adjusted revenue is the revenue shown in the income statement adjusted to add back treatment and refining costs and gold, lead and zinc hedging. The Company considers this a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices. The reconciliation of Adjusted revenue to revenue as shown in the income statement is provided on page 66.
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 gross profit plus depreciation less administrative, selling and exploration expenses. The reconciliation of EBITDA to amounts determined in accordance with IFRS can be found on page 71.
4 Cash and other liquid funds are disclosed in note 17 to the consolidated financial statements.

WHERE WE OPERATE

Based in Mexico, Fresnillo draws on the country's significant geological resources and strong potential for continued growth. We benefit from Mexico's skilled workforce and solid infrastructure and we are proud to continue playing an important part in a rich mining tradition that stretches back more than 500 years. Our mining concessions extend to approximately 1.6 million hectares in Mexico, securing valuable employment for 19,776 people and contributing some US$2,347.8[1] million to the country's economy each year.

Key assets

Operating mines

Asset	Type	Main metal	EBITDA	Reserves (Silver)[4]	Reserves (Gold)[4]	Year[2]
1 **Fresnillo**	Underground	Silver primary	US$93.1m	98.8 moz	272 koz	1554
2 **Saucito**	Underground	Silver primary	US$123.5m	110.9 moz	411 koz	2011
3 **Juanicipio**	Underground	Silver primary	US$240.4m	68.4 moz	437 koz	2022
4 **San Julián**	Underground	Silver primary	US$111.7m	56.5 moz	218 koz	2016
5 **Ciénega**	Underground	Gold/Silver	(US$1.3m)	21.9 moz	213 koz	1992
6 **Herradura**	Open pit	Gold	US$157.2m		5,507 koz	1997
7 **Soledad-Dipolos**[3]	Open pit	Gold		Excluded in 2023		2010
8 **Noche Buena**	Open pit	Gold	US$6.1m		–	2012

1 Total economic impact. This is considered to be a social performance measure. For more details see page 142.
2 Represents start of commercial production.
3 Operations at Soledad-Dipolos are currently suspended.
4 As of 31 May 2023.

Read more in our Review of operations on pages 48-63.

Advanced exploration projects

Asset	Main metal	Resources (Silver)[5]	Resources (Gold)[5]
9 **Orisyvo**	Gold	12.7 moz	9,575 koz
10 **Guanajuato**	Silver/Gold	252.1 moz	2,293 koz
11 **Rodeo**	Gold	13.8 moz	1,331 koz
12 **Tajitos**	Gold		1,029 koz

5 As of 31 December 2023.

In addition, we have many further early stage projects and prospects located in Mexico, Peru and Chile.

For more on our exploration projects and prospects
See pages 42-47.

1 Au: Ag ratio of 1:80.

WORKING TOGETHER WITH OUR PEOPLE

Fresnillo has been built on the skills, experience and commitment of our people – and our close working relationship with them is the foundation stone for our continuing track record as a profitable and sustainable Company.

We fully recognise our responsibility to generate value for our employees and their families, and we are committed to providing a safe, respectful, equitable and fair workplace where everybody in our workforce – contractors as well as unionised employees – feels valued and empowered.

Increasing safety

Our safety performance in 2023 was unacceptable and has led to an even greater focus on safety, as we work hard to bring our performance back in line with its historical trajectory. The full and rigorous implementation of our 'I Care, We Care' programme will continue to play a key role, together with dedicated safety meetings, such as the 11th Safety Symposium which was held in 2023 and served as a forum for communication, reflection and training.

For more information, see pages 98-102.

Unblocking potential

We are striving to embed a culture that further encourages inclusion, creativity, innovation and collaboration – helping to unlock the full potential of our workforce. For example, we provide internships, residencies and programmes such as Engineers in Training to create meaningful career paths and secure our talent pipeline. We also offer a wide range of programmes to improve wellbeing such as flexible working arrangements.

For more information, see pages 90-95.

Improving productivity

We engage with our unions and contractors to foster a safety culture, drive proactive collaboration and increase productivity. Improved training programmes – supported by close supervision – and updated mining works contracts ensure that our contractors share our goals, and know how to reach them safely and efficiently.

For more information, see pages 30-36.

We are dedicated to providing a supportive work culture that prioritises the safety and wellbeing of our workforce.

19,766

Total number of employees

64

Average of 64 hours of training per worker, including 28 hours on HSECR

WORKING TOGETHER THROUGH OUR ESG APPROACH

Our ESG approach guides our business practices across our entire value chain. We behave responsibly and ethically at all times – working with communities and partners, being accountable for our actions and impacts, and sharing the benefits of mining with our stakeholders.

During 2023, we again demonstrated our commitment to ESG through a wide range of initiatives and developments, including in the four areas outlined below.

Ethics culture

In 2023, we carried out a major review of our Code of Ethics and Conduct, ensuring that everything we do reflects our corporate values of Confidence, Responsibility and Respect, Integrity and Loyalty (CRIL). We also implemented an internal survey to identify where we are performing well and, just as important, where we can do better.

For more information, see pages 82-84.

Climate change

The regulatory uncertainties that had slowed progress towards our goal of supplying 75% of our electricity from renewable sources were largely resolved in 2023 – and we achieved 53.3%, up from 35.6% in 2022. In addition, we finalised our regional climate modelling and initiated a decarbonisation roadmap assessment that will inform decisions regarding climate-related initiatives.

For more information, see pages 111-128.

Community relations

As well as creating value through employment, procurement, talent development and taxes, during 2023 we continued to invest in education, health and sports, water and capacity building in line with the UN's Sustainable Development Goals.

For more information, see pages 139-150.

Water stewardship

Mining can consume vast amounts of water, often in regions where water is scarce. In 2023, we established a dedicated corporate water management team charged with supporting the implementation of sustainable water management. We also signed an agreement to rehabilitate and operate a facility that will increase potable water for people in Fresnillo city, as well as the availability of treated wastewater for our operations.

For more information, see pages 134-136.

We are committed to reducing our environmental impact. We do this by optimising our resources, mitigating adverse effects and ensuring we are accountable by transparently communicating our environmental footprint.

53.3%

Electricity from renewables

84.86%

Water reuse efficiency

Local and regional labour as a percentage of the total workforce is

73.74%

$2,347.8m

Total economic impact

WORKING TOGETHER WITH THE MINING INDUSTRY

We depend on the support of our industry stakeholders in order to build and maintain a sustainable and profitable business. We engage with these companies, authorities and other organisations through respectful partnerships based on trust and mutual benefits.

Supply chain

We work with key industry suppliers – such as truck, equipment and ventilation system companies – to identify efficiencies that can improve logistics, manage inflationary pressures and reduce costs. We also participate in the mining clusters of Zacatecas, Sonora and Chihuahua. These clusters contribute to the development of regional suppliers, strengthening their participation in the value chains of mining companies.

For more information, see page 35.

Governments

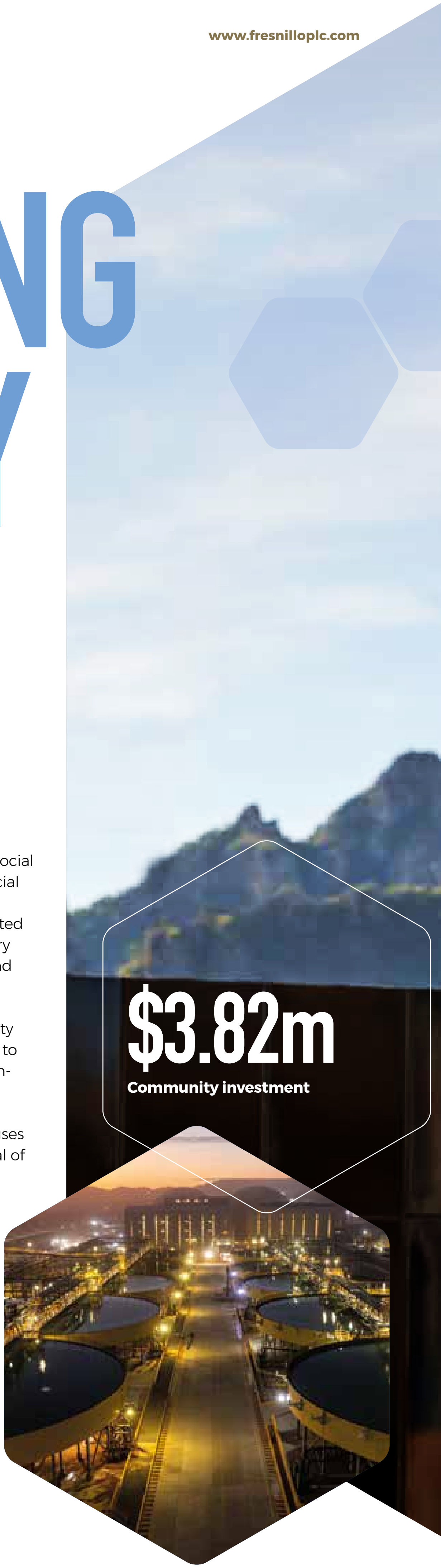
Local and national governments are important stakeholders – and the taxes we pay demonstrate our commitment to sharing the benefits of mining. Guided by our 'Alliance for the Common Good' strategy, we maintain transparent two-way relationships with all levels of government, supported by high standards of corporate governance and compliance with regulatory, legal and tax obligations. We also engage constructively with regulators and lawmakers through industry associations, and via partnerships that promote projects that are valuable to local communities.

For more information, see pages 34 and 142-143.

Industry partners

We work with a range of partners to enhance quality of life and long-term wellbeing, with a focus on environment, education, health and social integration, entrepreneurship and social infrastructure. In partnership with the Mexican Mining Chamber, we promoted the first Women in the Mining Industry 2023 survey, which aims to understand and develop female talent. Among many partnerships, we also worked with FUNAM to deploy our Community Health Weeks and with PROEMPLEO to promote and train small and medium-sized enterprises in San Julián. In addition, we forged new partnerships with the Chihuahua and León campuses of La Salle University, benefiting a total of 21 students.

For more information, see pages 139-150.



Our vision is to creatively promote the diversification of local procurement, contributing to our value chain. Through our programmes, partners and strategic alliances, we create and support high-quality projects that develop individuals' capabilities and that strengthen our relationships.

CHAIRMAN'S STATEMENT
ALEJANDRO BAILLÈRES

WORKING TOGETHER TO BUILD A SUSTAINABLE FUTURE

"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."

Alejandro Baillères
Chairman

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.

For more details on our financial performance see pages 64-75.

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 macroenvironment

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 Mexican peso – US 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.

Adjusted revenue

US$2,869.1m

CHAIRMAN'S STATEMENT CONTINUED

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 Charles 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.

For further details of the Board's activities, please see my introduction to the Governance Report on page 188.

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 Mexican peso – US 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 macroeconomic 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.

Please find more details on production at each of our mines on pages 48-63.

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. Please see pages 28-29 for more details on prices and how they have been influenced by market dynamics.

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.

Gold production

610.6 koz

Silver production

56.3 moz

CHIEF EXECUTIVE'S STATEMENT CONTINUED

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

Octavio Alvídrez
Chief Executive Officer

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 2.2bn oz as the positive exploration results at the Guanajuato exploration project and San Julián veins were offset by mining activities, 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-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 conclusion of mining at Noche Buena.

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

Advancing and enhancing the sustainability of our operations
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 wellbeing 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 benefiting 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 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

BUSINESS MODEL

Our ability to create value is underpinned by the quality of our assets, the capability of our people, our operational performance, mitigation of risks and disciplined capital allocation.

Strategic resources and relationships

People
We rely on the skills, experience and commitment of our people to create sustainable value. Attracting, developing and retaining the best people is crucial in enabling us to meet our business goals. We have a skilled workforce of 7,260 unionised workers and employees and 12,516 contractors who provided services along our full value chain during 2023, supported by an experienced and purpose-led leadership team.

Natural resources
Our operations rely on a range of natural resources, including surface land, water, energy and fuel.

- 1.6 million hectares in mining concessions in Mexico.
- 3,806 megalitres of recycled water (efficiency of 84.86%).
- 53.3% of our electricity consumption comes from renewable sources.

Relationships with key stakeholders
Our stakeholders include governments, communities, suppliers, customers, shareholders and our workforce. We maintain purposeful engagements with these stakeholders to understand the issues that matter to them, address them collaboratively and gain their trust. We are active members of several mining organisations and associations, where we use our influence to promote greater recognition of the advantages that mining brings to society.

Financial strength
Our business is underpinned by a disciplined approach to capital allocation and strict cost controls. Today, our balance sheet is a key strength, providing a resilient platform to invest though the cycles to generate sustained returns to shareholders.

- Total equity of US$4,067.2 million.
- Net debt to EBITDA 0.46x[1].

Property and equipment
Our assets include properties, infrastructure, processing plants and mining equipment.

- Net book value of property, plant and equipment of US$2,860.9 million.

Technology
Digital transformation, in particular connectivity, is a leading driver of the modern economy. We continue to adopt smart technology to address productivity, growth and sustainability challenges through leveraging the knowledge of our partners, identifying and implementing innovative and effective solutions across our value chains.

1 Net debt (Debt at 31 December 2023 – Cash and other liquid funds at 31 December 2023) divided by the EBITDA generated in the last 12 months. This ratio measures our ability to pay off our debt.

How we operate – Our competitive advantage

Fresnillo is a leading precious metals mining company with a world-class portfolio of mining operations and undeveloped resources.

1 EXPLORE

With a sustained and realistic exploration strategy that invests across price cycles, we have a proven track record of discovering world-class gold and silver mines through our respected team of 84 geologists in Mexico, Peru and Chile, supported by 90 specialists across claims management, land negotiation, community relations and environmental control. Our team, which also comprises 300 assistants drawn from local communities, has access to realistic budgets and is hugely respected across our industry.

For more information
See pages 42-47.

2 DEVELOP

We assess each potential operation against a set of strict criteria including risk, potential returns, and the long-term sustainability and value to our stakeholders. We only approve projects with the potential to create value across precious metals price cycles. Approved projects have the ability to optimise long-term productivity at minimal risk, drawing synergistic benefits from our district consolidation strategy while also creating opportunities for costs to be shared through our association with the Peñoles Group and members' common requirements across a number of service areas.

Our approach to sustainable mining

For more information
See pages 78-81.

Risk management and strict corporate governance

Creating shareholder value is the reward for taking and accepting risk responsibly. Our risk management process aims to strike a balance between mitigating and monitoring our risks and maximising the potential reward. We have a structured internal risk management process in place to identify risks while simultaneously considering the views and interests of our stakeholders.

3 OPERATE

Through our commitment to sustainable business practices, we have built a portfolio of high-quality assets and ample mineral resources, sustained through continued investment in infrastructure and technological improvements. At all times, we target safe, environmentally-responsible working practices and a high-performing culture that delivers production at competitive costs. We aim to improve productivity by evolving our mining practices, optimising capacity and beneficiation processes.

For more information
See pages 48-63.

4 SUSTAIN

Embedded within our business philosophy is the conviction that mining operations must integrate responsible business practices at every level of the decision-making process and that stakeholder concerns are addressed comprehensively. We aim to surpass expectations in the areas of ethical conduct, health and safety, environmental stewardship and governance, complemented by a keen awareness of the needs and aspirations of local communities. Guided by an ethical culture and an extensive understanding of Mexico's economy, culture and communities, we take pride in our reputation as a trusted corporate leader, committed to sharing the benefits of mining with wider society.

For more information
See pages 78-150.

Sustainable mining
We believe that mining must be compatible with high stakeholder expectations in terms of ethical, social and environmental performance. This underlines the importance of integrating responsible business practices deeply into our business model and considering factors that affect stakeholders at every critical decision-making level.

Stakeholders
We rely on strong relationships with our stakeholders to fulfil our Purpose of contributing to the wellbeing of people, through the sustainable mining of silver and gold. Embedded in our culture, our values are the compass that guides how we engage with all our stakeholders – including local communities as well as employees, unions, contractors and suppliers – to foster prosperity and wellbeing. We also engage with governments and regulators and ensure open communications with investors.

Build trust
An organisational culture based on trust enhances the resilience of strategic relationships. We are committed to building and maintaining a strong relationship with our stakeholders; through active engagement, we balance the issues that matter to them, ensuring the social acceptance of our operations and maintaining our licence to operate in order to create shared value and achieve long-term success.

Sharing the benefits

Economic value distributed is considered to be a social performance measure.

Wages and benefits to workers (US$)
151.7m

Payments to suppliers (contractors) (US$)
1,983.2m

Payments to federal government (US$)
200.2m

Payments to local governments (US$)
12.6m

Total economic impact (US$)
2,347.8m

Effective risk management is an essential part of our culture and strategy. The accurate and timely identification, assessment and management of key risks gives us a clear understanding of the actions required throughout the organisation in order to achieve our objectives.

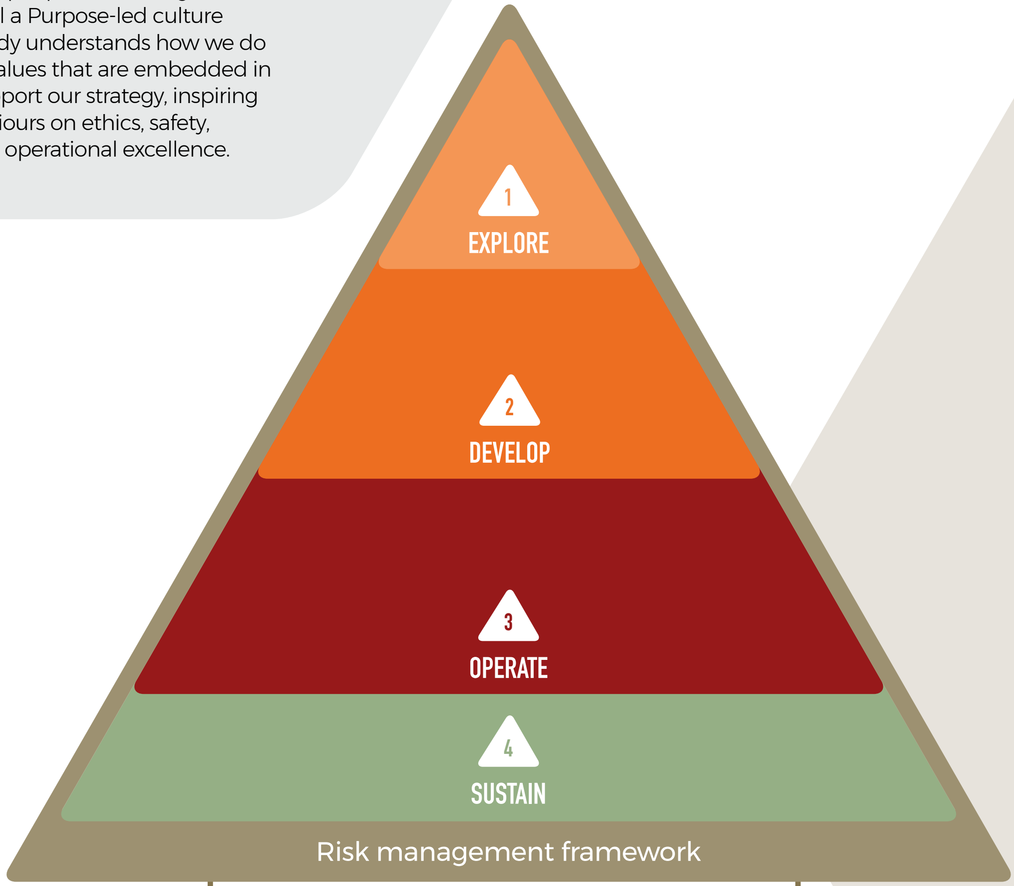
Risk can manifest as opportunities or threats that can affect our business performance. Our risk management framework reflects the importance of risk awareness across the Company. The framework enables us to identify, assess, prioritise and manage risks in order to deliver the value creation objectives defined in our business model.

We ensure that our networks, systems and data are secure, in accordance with best practice, and also follow best practice in terms of corporate governance.

OUR STRATEGY

Our Purpose is to contribute to the wellbeing of people, through the sustainable mining of silver and gold.

We engage our people in our long-term strategy to instil a Purpose-led culture where everybody understands how we do business. The values that are embedded in our culture support our strategy, inspiring winning behaviours on ethics, safety, innovation and operational excellence.



Our culture

We are committed to fostering a culture that values long-term engagement, and promotes empowerment, flexibility, collaboration, transparency and active involvement. Guided by these principles, we embrace:

- Holding ourselves accountable for individual and collective work (build trust and act ethically).
- Building our future together through ecosystems and co-creation, recognising that our differences strengthen us (leverage diversity).
- A transformational leadership model that recognises, empowers, motivates, integrates and inspires (lead transformatively).

Values and behaviours

Our values, embedded in our culture, are the compass that guide our efforts to foster prosperity and wellbeing. These values are Confidence, Responsibility and Respect, Integrity and Loyalty.

For more details see Our culture on pages 88-89.

Principal risks

- Potential actions by the government (political, legal and regulatory).
- Security.
- Global macroeconomic developments (energy and supply chain disruptions, inflation, productivity and cost).
- Impact of metals prices (commodity prices and exchange rates).
- Human resources (attract and retain requisite skilled people/talent crisis).
- Cybersecurity.
- Projects (performance risk).
- Safety (incidents due to unsafe acts or conditions could lead to injuries or fatalities).
- 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).

For more details see Managing our risks and opportunities on pages 151-183.

1 EXPLORE

Extend and maintain a robust growth pipeline.

Strategic priorities for 2024-2025

- Continue to invest in our exploration pipeline, focused on brownfield exploration to maximise probability of returns.
- Replenish reserves mined during the year.
- Convert reserves into the proven category at our underground operations.
- Continue discussions with local communities at the Rodeo project to resume intensive infill, step-out, condemnation and geotechnical drilling programme.
- Advance pre-feasibility to feasibility level studies at Orisyvo.
- Delineate the main Tajitos ore bodies, conduct additional metallurgical and geotechnical test work, and advance conceptual studies.
- Accelerate exploration drilling at the most promising areas of the Guanajuato district, and update preliminary economic assessments.

Long-term strategic priorities

- Continue to invest in our exploration pipeline.
- Increase the resource base to drive future growth.
- Increase gold production to replace decreases at Noche Buena and Herradura.
- Identify silver resources in the Fresnillo, San Julián and Guanajuato Districts.
- Concentrate on identifying M&A targets, not only in Mexico but also in the wider region.

2 DEVELOP

Deliver profitable growth, optimise cash flow and returns.

Strategic priorities for 2024-2025

- Monitor infrastructure projects to make sure they are developed in accordance with the mine plans.
- Advance the Rodeo and Tajitos projects.

Long-term strategic priorities

- Progress the Orisyvo and Guanajuato projects.
- Identify two further world-class assets with the potential to complement our portfolio.
- Continue advancing projects in the exploration pipeline towards development.

3 OPERATE

Maximise the potential of our operations.

Strategic priorities for 2024-2025

- Maintain ore throughput and improve ore grades, primarily in the Fresnillo district.
- Focus on initiatives to capture efficiencies and reduce costs.
- Continue to improve the Company's geological models as well as the reserves and resource estimates.
- Improve short- and medium-term planning processes.
- Conclude testing the recommendations of the pit slope optimisation programme at Herradura in different domains of the pit, and finalise the life of mine plan.
- Implement the mine closure plans at Noche Buena and San Julián DOB.

Long-term strategic priorities

- Focus on the profitability of our mines.

4 SUSTAIN

Advance and enhance the sustainability of our business.

Strategic priorities for 2024-2025

- Establish a management system for industrial hygiene and begin the improvement of project designs in the mining units.
- Advance our 'I Care, We Care' safety strategy by maturing our High-potential incidents, critical risks and controls initiatives and ensuring accountability.
- Continue to mature our safety preventive reporting (near-misses), identifying failed or missing critical controls and enabling workers to make timely decisions.
- Continue to increase the participation of women at the mine site managerial levels to 8% and in all our workforce to 12% by 2025.
- Renew our cybersecurity governance framework, building upon the three lines of defence model.
- Implement a targeted training plan covering anti-bribery, corruption prevention and regulatory compliance for key areas.
- Ensure safe management of tailings storage facilities by maintaining focus on governance and engineering best practices.
- Continue to mature our climate change adaptation and mitigation strategies.
- Generate a strategic level decarbonisation roadmap that considers multiple decarbonisation levers, their impact on emissions reductions, the speed of implementation and their financial implications.

Long-term strategic priorities

- Attract and develop people committed to our Purpose of contributing to the wellbeing of people, through the sustainable mining of silver and gold.
- Continue strengthening general working conditions, training, education and productivity, as well as health and safety.
- Mature our safety culture and reduce TRIFR and fatality rates to the ICMM range.
- Consolidate safety leadership practices across all organisational levels and transversal processes.
- Make progress on our development and management of inclusive talent.
- Develop water stewardship to improve our performance and increase collaboration with our stakeholders.
- Supply 75% of our electricity from renewable sources by 2030.
- Enhance our decarbonisation strategy with the addition of robust energy efficiency, and technologically and economically-feasible initiatives.

OUR STRATEGY CONTINUED

FINANCIAL

Earnings per share excluding post-tax Silverstream revaluation effects
This is calculated as attributable profit available to equity shareholders, excluding the revaluation effects of the Silverstream contract, divided by the weighted average number of shares in issue during the period. It measures net profit levels generated for equity shareholders.

EBITDA, EBITDA margin and cash flow from operating activities before changes in working capital
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.

EBITDA margin is EBITDA divided by total revenue.

Both EBITDA and cash flow from operating activities before changes in working capital measure the Group's ability to generate cash from its core business.

1 EXPLORE

2023 Goals
- Invest US$175 million with a continued focus on the San Julián and Fresnillo districts and advanced exploration projects.
- Further develop resource modelling and reserve engineering activities initiated in 2020, with the aim of reporting proven reserves for all operating assets.
- Convert resources into reserves at all our operating mines.
- Continue the exploration programme at Juanicipio to delineate the Valdecañas vein and advance the evaluation of nearby veins.
- Continue discussions with local communities at the Rodeo project and conduct an intensive infill, step-out, condemnation and geotechnical drilling programme.
- Complete the required studies to deliver an updated pre-feasibility study by year-end at Orisyvo and strengthen the engagement plan with stakeholders.
- Complete the delineation of the main Tajitos ore bodies and conduct additional metallurgical testwork; update the project's preliminary economic assessment.
- Accelerate exploration drilling at the most promising areas of the Guanajuato district.

2023 Progress
- US$186.0 million was invested in risk capital in exploration.
- Geotechnical and economic modelling continued to progress. However, proven reserves were only reported at Juanicipio and the open pit mines.
- Higher costs and increased cut-off grades at the mines affected conversion of resources into reserves, apart from silver reserves at the Fresnillo mine.
- Core drilling continued at the main Valdecañas and subsidiary veins, confirming the structure continues at depth, albeit with lower silver grades.
- Negotiations with private landowners continued at Rodeo. However, exploration and development works remained on stand-by during 2023.
- Several pre-feasibility level studies, land acquisition and community engagement programmes progressed as scheduled at Orisyvo.
- Core and reverse circulation drilling were intensified at the Tajitos project, with good results in infill and step-out holes.
- Drilling programme at Guanajuato continued with good results, including the discovery of a significant ore shoot and the extension of vein and stockwork ore bodies.
- Drilling programmes were completed at Pilarica and Santo Domingo in Peru.
- Drilling and additional targets delineation continued with promising results at Capricornio in Chile.

2024 Targets
- Invest US$190 million with a continued focus on the Fresnillo and San Julián districts and advanced exploration projects.
- Further develop resource modelling and reserve engineering activities initiated in 2020, with the aim of reporting proven reserves for all operating assets.
- Convert resources into reserves at all our operating mines.
- Continue the exploration programme at Juanicipio to fully delineate the Valdecañas vein at depth.
- Advance pre-feasibility to feasibility level studies at Orisyvo.
- Complete the full delineation of the Tajitos ore bodies and advance metallurgical, geotechnical and conceptual studies.
- Accelerate drilling in the Guanajuato District and conduct detailed metallurgical investigations. Update the Preliminary Economic Assessment of priority areas.
- Continue discussions with the local communities at Rodeo and conduct an intensive infill, step-out, condemnation and geotechnical drilling programme upon completion of agreements.
- Continue drilling several targets at Capricornio in Chile, resume drilling at Supaypacha and work towards permitting the drill-testing of targets at Santo Domingo and Pilarica in Peru in 2025.

2 DEVELOP

2023 Goals
- Ramp-up production of the flotation plant at Juanicipio to full capacity by 3Q 2023.
- Subject to permits being obtained, start and ramp-up the Pyrites plant at Fresnillo.

2023 Progress
- The flotation plant at Juanicipio reached its nameplate capacity of 4,000 tpd by 3Q 2023.
- Permits to tie in the Pyrites plant at Fresnillo were granted in 2Q23. We conducted tests and technical work to improve recovery rates and defined a strategy to optimise performance.

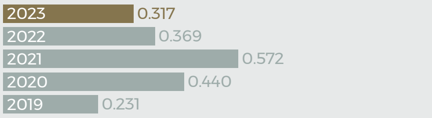
2024 Targets
- There are no projects currently under development as Juanicipio and the Pyrites plant at Fresnillo have both been commissioned and are now reported as part of our operations, and additional work is required before our projects in the advanced exploration phase can become development projects.

2023 Group KPIs/performance

Earnings per share excluding post-tax Silverstream revaluation effects

(US$/share)

0.317

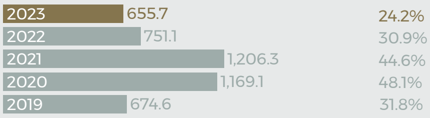


Lower profits divided across an unchanged weighted average number of shares in issue.

EBITDA and EBITDA margin

(US$ and %)

655.7m **24.2%**

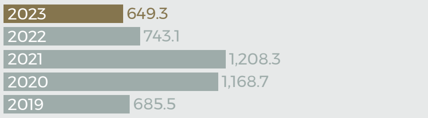


Decreased vs 2022 due to the lower gross profit, increase in administrative and corporate expenses and higher exploration expenses.

Cash flow from operating activities before changes in working capital

(US$)

649.3m



Decreased vs 2022 due to the lower profits.

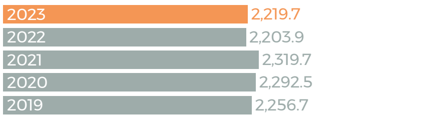
2023 Group KPIs/performance

Quantified, measured, indicated and inferred resources at all our assets; an indicator of the Group's growth potential and ability to discover and develop new ore bodies.

Attributable silver resources[1]

(millions of ounces)

2,219.7



Silver resources remained broadly unchanged vs 2022 as exploration results, mainly at the Guanajuato exploration project and San Julián veins, balanced depletion at mine sites, and higher costs and cut-off grades.

1 2023 resources from the mines are presented as of 31 May 2023. Resources from the exploration projects are presented as of 31 December 2023.

Attributable gold resources[1]

(millions of ounces)

37.9

Gold resources decreased vs 2022 primarily driven by 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 Guanajuanto and Centauro Profundo exploration projects and the Ciénega mine site.

1 2023 resources from the mines are presented as of 31 May 2023. Resources from the exploration projects are presented as of 31 December 2023.

2023 Group KPIs/performance

Ability to adhere to forecasted schedules and budgets. This measures management's forecast accuracy and execution capabilities.

Total capex to date

There are no figures for 2023 as there are no projects under development.

OUR STRATEGY CONTINUED

3 OPERATE

2023 Goals

- Produce between 57-64 moz silver and 590-640 koz gold.
- Prevent fatal or serious accidents.
- Focus on increasing productivity.
- Conduct an assessment of optimal development rates.
- Implement efficiency and cost reduction initiatives.

2023 Progress

- Produced 56.3 moz of silver (including Silverstream) and 610.6 koz of gold.
- Four fatal accidents during the year, three at the Saucito mine and one at the Tajitos project.
- Productivity increased at most of the mines as training campaigns were completed and additional mine equipment purchased.
- An assessment at Fresnillo and Saucito was conducted and concluded that current development rates will suffice to sustain production levels going forward.
- Works to deepen the San Carlos shaft concluded, but commissioning was delayed due to the installation of key equipment and a number of modifications to improve the design of the service infrastructure.
- Cost reduction initiatives were implemented and mitigated the adverse effects of the revaluation of the Mexican peso vs US dollar and inflation.

2024 Targets

- Produce between 55-62 moz silver and 580-630 koz gold.
- Prevent fatal or serious accidents.
- Focus on cost reduction initiatives.
- Improve short- and mid-term planning processes at the Fresnillo district.
- Implement contractor cost improvement initiative.

4 SUSTAIN

2023 Goals

- Appoint an Ergonomics Committee to develop projects to improve ergonomics and industrial hygiene.
- Decrease our Total Recordable Injury Frequency Rate (TRIFR) by 5%.
- Consolidate the 'I Care, We Care' operating committee to guarantee the deployment of a consistent safety strategy across our operations.
- Further analyse reporting frameworks to improve how we report on our strategy to increase the participation of women, as well as the positive impacts achieved to date.
- Continue to strengthen harassment prevention by reinforcing, consolidating and evolving the programme and strengthening confidence in our whistleblowing mechanism.
- Perform an ethical culture evaluation to benchmark our progress against our previous performance and amongst our peers.
- Approve and publish our tailings storage facilities policy.
- Advance our climate change strategy by maturing our regional climate modelling to determine climate variables that may inform engineering decisions.
- Standardise and mature assessed climate risk controls, determine a baseline and estimate deployment costs.

2023 Progress

- Launched an Ergonomics Committee pilot in Herradura.
- Established the Occupational Health Transversal Committee and Wellbeing Committee to promote healthy habits and wellbeing.
- Total Recordable Injury Frequency Rate (TRIFR) increased vs 2022 and we suffered four fatalities.
- The 'I Care, We Care' operating committee held monthly sessions, conducted leadership field practices, and endorsed the Leadership Standard.
- Launched the second generation of the Women-to-Women Mentorship programme and activated a network of women at our headquarters.
- 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.
- Streamlined climate risk in scoring and criteria to the ERM framework.
- Finalised the regional climate modelling and initiated a decarbonisation roadmap assessment that will guide decision-making in climate initiatives.

2024 Targets

- Define a plan to establish ergonomics committees at all mining units and define a work programme to 2025.
- Expand the 'Living in Balance' programme to include emotional and family dimensions, with oversight by the Wellbeing Committee.
- Make progress on our pledges to decrease our fatality rates and TRIFR.
- Continue to consolidate the 'I Care, We Care' operating committee to guarantee the deployment of a consistent safety strategy across our operations.

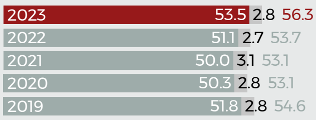
Production: Monitors total production levels at our mines and contributions from advanced development projects.

2023 Group KPIs/performance

Attributable silver production

(millions of ounces)

56.3



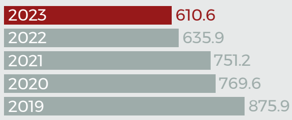
Attributable silver production increased vs 2022 due to the ramp-up at Juanicipio and higher ore grade at San Julián Veins, partly offset by the lower ore grade at San Julián (DOB) and Fresnillo.

Graph: illustrates silver production from our own mines, with shaded portion representing additional ounces accrued under the Silverstream contract.

Attributable gold production

(thousands of ounces)

610.6



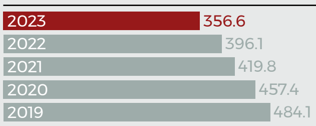
Attributable gold production decreased vs 2022 primarily driven by the decrease in gold production at Noche Buena as the mine approached the end of its life, partially mitigated by the ramp-up at Juanicipio and the higher ore grade at Herradura.

Proven and probable reserves: A measure of the quality of the Group's operating assets and our ability to extend the life of operating mines at profitable levels.

Attributable silver reserves[1]

(millions of ounces)

356.6



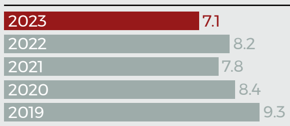
Attributable silver reserves decreased mainly due to mining depletion and higher costs and cut-off grades at San Julián (DOB), Juanicipio and Ciénega, partly offset by increased ore reserves at Fresnillo.

1 2023 reserves are presented as of 31 May 2023.

Attributable gold reserves[1]

(millions of ounces)

7.1



Attributable gold reserves decreased mainly due to extraction and higher costs and cut-off grades at Herradura and Saucito and the end of the Noche Buena mine life.

1 2023 reserves are presented as of 31 May 2023.

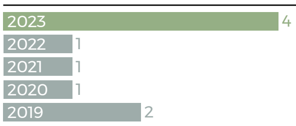
- Sustain and improve on our current gender targets (8% women in managerial roles and 12% of total share of the workforce).
- Conduct third-party periodic evaluations of the Ethics Culture and Compliance programmes.
- Strengthen confidence in our Whistleblowing Mechanism through Company-wide dissemination campaigns and workshops for key departments.
- Designate three more Engineers of Record (EoR) to our TSFs to continue to implement best in class industry standards.
- Continue maturing the climate risk management framework on a site-specific basis.
- Advance our climate change strategy, based on insights from assessments tailored specifically to our operations.

2023 Group KPIs/performance

Fatalities

(Number of fatal injuries to employees or contractors)

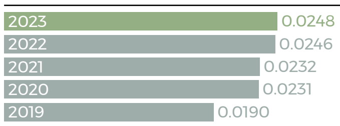
4



Greenhouse gas intensity

(Tonnes of CO_2e per tonne of mineral processed)

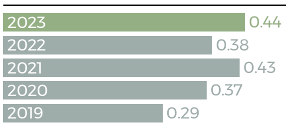
0.0248



Water intensity

(m^3 per tonne of mineral processed)

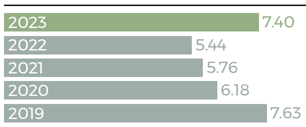
0.44



Lost time injury frequency rate (LTIFR)

(For every 1,000,000 hours worked)

7.40



OUR MARKETS

WORKING TOGETHER TO MEET OUR CHALLENGES AND SEIZE OUR OPPORTUNITIES

Political and economic landscapes – along with the dynamics of the precious metals market – are evolving rapidly and can take unexpected turns. A number of key trends influence our operating environment, including:

Price volatility
The performance of our top line is tied to the volatility of precious metals prices, which is in turn driven by industry production and market sentiment. Ongoing geopolitical tensions and changing monetary policies have combined to create a climate of uncertainty which can have a knock-on impact on investment decisions.

Energy transition
Metals play essential roles in numerous clean energy technologies. Our industry will need to step up the supply of these metals in order to meet increased demand driven by the transition to net zero.

Cost inflation
Increased consumer demand, coupled with supply chain constraints, has led to greater inflation in many economies across the globe. The consequent increase in the cost of labour, equipment and energy directly impacts the mining industry.

Labour shortages
Attracting and retaining talent continues to pose challenges for the mining industry. The talent shortage is particularly acute for workers with the skills and experience required to support the industry's shift towards greater use of technology, including automation, as outlined in 'Advancements in technology' below.

Government regulation
Government policy has to strike a delicate and difficult balance between encouraging economic prosperity, environmental preservation and social welfare, while also addressing climate change by supporting the development and implementation of sustainability-led initiatives across all aspects of industry and public life.

Advancements in technology
A key area of focus for the mining industry is to improve planning and increase efficiency through the greater use of technology, including automation. The successful implementation of new technologies will help the industry manage challenges posed by rising costs, particularly of labour.

Gold and silver prices
During 2023, uncertain economic growth, high inflation and rising interest rates led to significant volatility in Gold and silver prices. The continuing geopolitical tensions between Russian and Ukraine, along with a complex and evolving situation in the Middle East favoured safe haven assets. As a result, the price of gold trended upwards throughout the year. While the price of silver also showed strength, it underperformed relative to gold.

GOLD

Gold as a safe haven

Opportunities

- Increased market volatility and uncertainty due to ongoing geopolitical tensions.
- Central banks' holdings and purchases.
- Portfolio diversifier and risk hedge.
- Increased demand from growing social economic development in emerging markets.

Threats

- Competition from other assets that provide income (interest, dividends).
- Emerging alternatives perceived as solid investments.
- Storage and insurance costs.

Industrial applications

Opportunities

- Increased demand for consumer electronics globally.
- Emerging applications in printed circuit boards in the automotive, aerospace and high-speed computing sectors.
- Need for high-end wireless chips in the long term.

Threats

- Worsening global economic conditions could affect disposable incomes, limiting demand for electronics.
- Trade restrictions and supply chain issues may impact production of electronics.

Gold price chart
(US$ per ounce)

1,942.67

2023	1,942.67
2022	1,802.37
2021	1,798.89
2020	1,773.73
2019	1,393.34

SILVER

Silver as a safe haven

Opportunities

- Increased market volatility and uncertainty due to ongoing geopolitical tensions.
- Portfolio diversifier and risk hedge.
- Cheaper alternative to gold.

Threats

- Competition from other assets that provide income (interest, dividends).
- Emerging alternatives perceived as solid investments.
- Storage and insurance costs.

Advancing technology

Opportunities

- Increase in demand for electronics and electrical goods.
- Installation of 5G networks.
- Potential growth of nanotechnology in the food, medical and electronics sectors.

Threats

- Worsening global economic conditions could affect disposable incomes, limiting demand for electronics.
- Thrifting if silver price increases to specific levels.

Climate change

Opportunities

- Significant expansion of the photovoltaic market as countries decrease reliance on fossil fuels.
- Increased use of silver in the automotive sector, such as electric vehicles (EVs).
- Supporting infrastructure for EV charging stations.

Threats

- Thrifting as manufacturers seek to control costs.
- Delays in investments in infrastructure.

Silver price chart
(US$ per ounce)

23.40

2023	23.40
2022	21.78
2021	25.14
2020	20.69
2019	16.22

OUR STAKEHOLDERS

BUILDING TRUST – RELATIONSHIPS WITH KEY STAKEHOLDERS

We rely on strong relationships with our stakeholders to fulfil our Purpose of contributing to the wellbeing of people, through the sustainable mining of silver and gold.

Our values, embedded within our culture, are the compass that guides our engagement efforts to foster prosperity and wellbeing. To this end, we engage purposefully with the communities in which we operate, as well as with employees, unions, contractors and suppliers. We also work closely with the government to ensure open communications with investors.

Why we engage

We are committed to building and maintaining strong relationships with our stakeholders, recognising that they are key to our value-creation and long-term success. The feedback and insights we gain from this stakeholder engagement allow us to balance their interests, needs and concerns, and the continuity, profitability and sustainability of our Company.

Our stakeholders

We have identified our relevant stakeholders by considering their influence on the success of our business model and strategy, including:

- how they are relevant to our business model and strategy;
- their interests, needs and concerns;
- how engagement is conducted;
- how management and governance activities are implemented;
- the actions and outcomes from engagement;
- the metrics used to monitor relationships; and
- what risks could affect our relationships with them.

How we engage

Fresnillo uses a variety of engagement opportunities to generate both direct and indirect feedback. Through collaboration and dialogue, we are able to gather each stakeholder's concerns and priorities on specific topics.

Read more see pages 32-36.

The insights form the basis for the discussions and actions of our Board and Executive Committee. Further information regarding their principal decisions and actions can be found on pages 38-39.

Employees and unions

Relevance

An experienced and motivated workforce is fundamental to Fresnillo's ability to be a sound business and deliver strong financial and ESG performance.

Why we engage

To understand employee areas of interest and concern, along with fostering open dialogue and collaboration with unions that will inform decision-making.

The difference it makes

From our culture and workplace health and safety to diversity, equity and inclusion, we develop more positive and effective relationships.

Read more see page 32.

Communities

Relevance

Mutually beneficial community relationships build long-term trust and collaboration.

Why we engage

To better serve our local communities and the environment that they live within.

The difference it makes

By focusing on minimising the negative impacts of our business we can implement initiatives that deliver positive outcomes now and in the future.

Read more see page 33.

Government

Relevance

Building strong relationships will support positive recognition and outcomes.

Why we engage

To address a wide range of strategic issues that are of importance to policymakers, governments and the private sector, with a particular focus on the mining industry.

The difference it makes

The development of meaningful partnerships strengthens our vision of joint responsibility with governments for the common good of the mining industry and the communities it serves.

Read more see page 34.

Contractors and suppliers

Relevance

Capable contractors are valuable members of our workforce, performing specialised works and services that provide essential support to our operations, projects and exploration.

Why we engage

To strengthen our safety culture and alignment with our values and ethics.

The difference it makes

As valuable members of our workforce they strengthen our culture and contribute to our ability to deliver our Purpose and strategy, safely and effectively.

Read more see page 35.

Minority shareholders

Relevance

Continuous investment makes it possible to contribute to the wellbeing of people, through the sustainable mining of silver and gold.

Why we engage

To gain valuable feedback and insights regarding our strategy, performance, risks and ESG performance.

The difference it makes

Investor support for our strategy, governance and long-term objectives is essential for the continuous development of our business and its long-term success.

Read more see page 36.

OUR STAKEHOLDERS CONTINUED

EMPLOYEES AND UNIONS

Engaging our stakeholders for the long term to instil a long-lasting culture where everybody understands our Purpose and how we do business.

How we engage with employees and unions

Management

- Union engagement across relevant employment, workplace safety and critical controls.
- Safety symposium and LEAL survey, in collaboration with the union.
- Surveys to better understand the issues that matter to our workforce.
- Interviews and focus groups to understand employee perceptions of our social performance in the communities where we operate.
- Comprehensive programme to prevent and address harassment in the workplace.

Executive Committee and Board

- The CEO and COO engage with union leaders in constructive dialogue on safety, productivity and collaboration.
- Our designated Non-executive Director for workforce engagement brings workforce feedback to the Board through periodic town hall meetings.

What issues matter to our employees and unions

- Ethics and integrity.
- Health and safety in the workplace.
- Security in the regions where we operate.
- Organisational culture.
- Remuneration (including statutory profit-sharing).
- Labour and human rights.
- Preventing and addressing workplace harassment.
- Diversity, equity and inclusion.

Outcomes from our engagement

Actions

- Maintain a synergistic relationship with the union and authorities.
- Strengthen our health strategy by promoting wellness programmes, preventive care and healthier lifestyles.
- Champion skills development through immersive workshops tailored for unionised local committee members, newcomers and aspiring individuals.
- Deploy the leadership standards, laying out responsibilities and accountability both for leaders and operational teams, aimed at fortifying our preventive safety culture.
- Enhance operational discipline by intensifying efforts in safety awareness, training, and supervision along our entire command line.

Decisions

- Intensify the 'I Care, We Care' programme with an enhanced focus on verification of critical controls, visible leadership, operational discipline and accountability, safety training and empowerment.
- Create the 'Wellbeing Committee' to provide oversight of the deployment of the 'Living in Balance' programme's initiatives.

Outcomes

- Positive relations with workers and unions.
- No strikes affecting our capacity to operate.
- Increase in near-miss reporting.
- Continued improvement in gender diversity.
- Certification of mining units as Safe and Healthy Working Environments (ELSSA) by the Mexican Social Security Institute (IMSS) voluntary programme.

Metrics

- Fatal injuries.
- Total Injury Frequency Rate.
- Lost Time Injury Frequency Rate.
- New cases of occupational diseases.
- Turnover rate.
- Gender diversity and payment gap.
- Honour Commission and whistleblowing mechanism KPIs.

Associated principal risks

- Security: risk rating #2.
- Human resources: risk rating #5.
- Safety: risk rating #8.
- Union relations: risk rating #9.

For more information, please refer to the Managing our risks and opportunities section on pages 151-183.

COMMUNITIES

Building trust in the communities where we operate, acting ethically, being accountable for our impacts and sharing the benefits of mining.

How we engage with communities

Management

- Social investment portfolio with emphasis on education, health and sports, water access and decent work opportunities.
- Engagement with formal and informal leaders, local and regional authorities to understand and discuss their concerns and aspirations.
- Biennial social studies to identify and evaluate issues that matter to our communities.
- Grievance mechanisms to address the concerns and enquiries of local communities.

Executive Committee and Board

- Meetings with key government officials.

What issues matter to our communities

- Safety.
- Security.
- Clean water access.
- Education quality and infrastructure.
- Public infrastructure and services: roads, health, water and sanitation, public lighting and garbage collection.
- Inflation.
- Unemployment.
- Our transparency and access to information.
- Our environmental performance.

Outcomes from our engagement

Actions

- Medical services – Collaboration with public health and local authorities to facilitate free healthcare through the 'Community Health Weeks'.
- Social Investment – Emphasis on education, health and sports, water access and decent work.

Outcomes

- No conflicts with communities affecting our ability to operate our active mines.
- Social investment.
- Local employment and procurement.
- Economic value distributed throughout the regions where we operate.

Metrics

- Social investment.
- Local employment.
- Economic value distributed.
- Tax payments to the Fund for Sustainable Development of Mining States and Municipalities.
- Environmental performance KPIs.

Associated principal risks

- Security: risk rating #2.
- Access to land: risk rating #10.
- Licence to operate: risk rating #11.

For more information, please refer to the Managing our risks and opportunities section on pages 151-183.

OUR STAKEHOLDERS CONTINUED

GOVERNMENT

Collaborative and respectful relations for the common good with policymakers and representatives of local, state and federal government.

How we engage with governments and regulators

Management

- Meetings with federal authorities through trade associations such as CAMIMEX (Mexican Mining Chamber), CONACAMIN (Mexican Confederation of Industrial Chambers) and CCE (Business Coordinating Council), and sustainability associations such as CESPEDES (Mexican Chapter of the World Business Council for Sustainable Development) and the CCA (Mexican Water Advisory Council), and at state-level through the Mining Clusters Associations, COPARMEX offices and independent hearings.
- Provision of data-based information to decision-makers about the mining sector and adoption of an open-door approach to enable greater understanding of mining processes.
- Direct meetings with policymakers and federal, state and local authorities regarding safety in operations, security, mining royalties, environmental permitting, etc. in the regions where we operate.

Executive Committee and Board

- The Chairman and Non-executive Directors lend assistance on tax matters as may be necessary through liaison with government officials, including by providing an industry perspective.
- The CEO meets with key municipal, state and federal authorities on safety, security, mining regulations and tax issues to support positive public policy implementation for the sector.
- The CFO meets with tax authorities.

What issues matter to governments and regulators

- Employment and regional development.
- Nearshoring of value chain.
- Public policies and programmes that benefit communities where mines are located.
- Social benefits for communities where mines operate.
- Support for public events.
- Tax payments.
- State and municipal sources of revenue such as property, payroll, environmental, taxes, etc.
- Health, safety, environmental and social best practices focused on their jurisdictions.
- Accountability and transparency of information relating to each mining company.

Outcomes from our engagement

Actions

- Participation in health, safety and environmental certifications by the Mexican authorities and international standards.

Outcomes

- Regional employment and procurement.
- Economic value distributed through payment of taxes and levies.
- Compliance record on health, safety and environment recognised by national and international awards and certifications.

Metrics

- Economic value distributed: taxes and levies paid.
- Social investment.
- Royalties paid according to the Federal Royalties Law.
- Health, safety and environment KPIs.
- Compliance with laws and regulations.

Associated principal risks

- Potential actions by the government: risk rating #1.

For more information, please refer to the Managing our risks and opportunities section on pages 151-183.

CONTRACTORS AND SUPPLIERS

Collaborative partnerships with contractors and suppliers to improve productivity and safety.

How we engage with contractors and suppliers

Management
- Recognition of contractors as valuable members of our workforce.
- Regular engagement and capacity building through the 'I Care, We Care' initiative.
- Involvement of contract owners in accident or incident investigations.
- Enhanced controls to assure compliance with their tax and labour obligations.
- Necessary endorsement of our Code of Conduct for Third Parties.
- Due diligence procedures to verify the ethical profile of new contractors and suppliers.
- Capacity building of contractors to implement measures to prevent and address harassment.
- Focus groups with contractors to better understand our social performance in local communities.

Executive Committee and Board
- HSECR Committee oversight of safety performance KPIs.
- Reviews by the Board and the Audit Committee of the contractor engagement elements of the anti-bribery and corruption programme.
- The CEO and COO meet with key contractors on production and safety matters.
- The COO monitors and supervises safety performance.

What issues matter to contractors and suppliers
- Productivity/development rates.
- Health and safety in the workplace.
- Security in the regions where we operate.
- Labour and human rights.
- Preventing and addressing harassment.
- Diversity, equity and inclusion.
- Ethics and integrity.

Outcomes from our engagement

Actions
- Safety meetings between management and key business partners at each mining unit, addressing safety opportunities and cross-functional cases for implementation.
- Dissemination of the 'Right to say no' policy to halt unsafe working conditions.
- Capacity building for contractors and accountability through the 'I Care, We Care' and anti-harassment programmes.
- Monitored the security situation and maintained clear communications with contractors.

Decisions
- Intensify the field presence of operational leaders to ensure the systematic involvement, detection and addressment of potential risks.
- Update the safety annexe in mining works contracts to align and comply with our Company's prescribed guidance and standards.
- Facilitate effective communication and collaboration on issue addressment, transversal learning, regular meetings and tours, systematic monitoring and verification mechanisms.

Outcomes
- Implementation of corrective actions to reinforce engineering control, personnel competencies and strengthening of the accountability processes.
- Training of contractor companies in the implementation of the mechanism to prevent workplace harassment.

Metrics
- Fatal injuries.
- Total Injury Frequency Rate.
- Lost Time Injury Frequency Rate.
- Gender diversity.

Associated principal risks
- Security: risk rating #2.
- Human resources: risk rating #5.
- Safety: risk rating #8.

For more information, please refer to the Managing our risks and opportunities section on pages 151-183.

OUR STAKEHOLDERS CONTINUED

MINORITY SHAREHOLDERS

Strong and transparent relationships to invest through the cycles and generate sustained returns.

How we engage with minority shareholders

Management

- Conference calls and roadshows.
- Investment forums and conferences.
- Physical and virtual engagement.

Executive Committee and Board

- The Company's 2023 Annual General Meeting (AGM) was held physically, with all the necessary precautions and Covid-19-related measures in place.
- The CEO and CFO meet with analysts, hold conference calls after production reports and engage shareholders via roadshows.
- The Senior Independent Director engages directly with shareholders.

What issues matter to minority shareholders

- Operating, financial and cost performance.
- Capex project execution.
- Country risk uncertainty.
- Environmental, social and governance performance.

Outcomes from our engagement

Actions

- Ensure their interests are always considered in decision-making, and that all transactions with related parties are transparent and fully documented.
- Report our Environmental, Social and Governance (ESG) performance and strategy in a transparent and timely fashion.

Decisions

- Support for a 2023 Business Plan and Budget that balances responsibly the operating performance targets and the considerations that matter to our stakeholders.
- Declaration of an interim dividend considering the principle of balancing growth with shareholder returns and following a comprehensive review of the current and expected near-term financial position and the Company's ability to adapt its operations and growth plans to adverse scenarios.

Outcomes

- Declaration of a final dividend as well as interim dividend in 2023.
- Sound financial and operational performance.
- Safeguarding and preservation of the Company's assets.

Metrics

- Financial and operational performance.
- Dividend payments.
- Health, Safety, Environment and Social KPIs.

Associated principal risks

- Human resources: risk rating #5.
- Safety: risk rating #8.
- Climate change: risk rating #13.
- Tailings dams: risk rating #14.
- Environmental incidents: risk rating #15.

For more information, please refer to the Managing our risks and opportunities section on pages 151-183.

SECTION 172 COMPANIES ACT STATEMENT

In compliance with sections 172 ('Section 172') and 414CZA of the UK Companies Act, the Board of Directors of the Company (the 'Board') makes the following statement in relation to the year-ended 31 December 2023:

We are committed to building and maintaining a strong relationship with our stakeholders as we recognise that they are key to our value-creation and long-term success. Taking a holistic and stakeholder-oriented approach to decision-making, particularly when it comes to principal decisions that have significant long-term implications and consequences, allows us to build trust and foster a sense of shared purpose, make better decisions that benefit all parties involved and contribute to the overall health and wellbeing of our organisation. We believe that by purposefully engaging our stakeholders, we are able to balance their interests, needs and concerns, thereby promoting the continuity, profitability and sustainability of our Company.

Our Section 172 Statement identifies our stakeholders, explains how we consider them in our principal decision-making processes, and reports on how these are connected to our business model and overall strategy. Rapidly evolving environmental, social and governance (ESG) factors are the subject of increasing interest from society and investors, as well as the focus of international regulatory trends, and this is therefore an important area of focus and prioritisation for the Board of Directors.

Our materiality assessment (page 79) identifies the ESG factors that are significant to our stakeholders and material to our operations. Our 'Building Trust – relationship with key stakeholders' section pages 30-36 introduces our stakeholders, explains why they are important and provides details on the engagement strategies we deploy to build and maintain strong relationships. Our 'Managing our risks and opportunities' section (pages 151-183) evaluates the risks associated with these relationships and the strategies we use to mitigate them.

Our stakeholders

We have identified our relevant stakeholders by considering their influence on the success of our business model and strategy, including:

- how they are relevant to our business model and strategy;
- their interests, needs and concerns;
- how engagement is conducted;
- how management and governance activities are implemented;
- the actions and outcomes from engagement;
- the metrics used to monitor relationships; and
- what risks could affect our relationships with them.

Our principal decisions

We consider 'principal decisions' to be those decisions linked with our strategy, or resulting from major regulatory changes, that have significant implications for our stakeholders and the Company's future. We have developed a pro forma template that identifies the relevant stakeholder considerations for inclusion in the papers which accompany Board discussions whenever principal decisions are considered.

During 2023, several of the Board's principal decisions had relevant implications for our stakeholders and the Company's future, including:

i. The approval of the Company's 2024 Business Plan and Budget.
ii. The approval of the Tailings Policy and Commitments for Responsible Tailings Management.

On pages 38-39, we provide the following information on our principal decisions:

- Context of the decisions.
- Decision-making process.
- Stakeholder considerations.
- Impact on communities and the environment.
- Strategic actions supported by the Board.
- Impact of these actions in the long term.
- Outcomes of the decisions.

The Company, its Board of Directors and management are fully committed to effectively engaging with all key stakeholders. Further information about the Board's approach to stakeholder engagement is also set out in the 'Board Leadership and Purpose' section of the Governance Report on pages 201-203.

Approved by the Board of Directors on:
4 March 2024.

PRINCIPAL DECISIONS

Decision:	Approve the 2024 Business Plan and Budget	
Context	The Business Plan and Budget is aligned with the Strategic Plan and Company Purpose; it considers site-specific priorities and challenges, sets the annual production targets and the resources necessary to achieve them, while responsibly managing the impacts of our activities. Even though approving a business plan and budget is a recurring decision year-on-year, the relevant context and circumstances change annually; the Company therefore deploys strategies and actions that might affect stakeholders differently each year. This period's business planning took place in a still-challenging environment with uncertainty driven by geopolitical tensions, high inflationary pressures, an unfavourable exchange rate that impacts our costs, as well as challenging new regulations for the mining industry.	
Decision-making process	The Executive Committee presents the Business Plan and Budget for the Board's discussion and approval. The discussion and decision-making of the Board is complemented by a pro forma template, distributed within the Board papers, that identifies relevant stakeholder considerations that are required to be taken into account, with a focus on: · Generating long-term value for all our stakeholders in a challenging and changing environment characterised by increasing demands and expectations. · Prioritising social and environmental performance to maintain the trust of our stakeholders, providing essential support for our business model.	
Stakeholder interests considered	Employees and unions	· Enhance safety culture and implement preventive management across our operations through the 'I Care, We Care' programme, focusing on critical risk control protocols and verifications, visible leadership and top-safety engagements with the workforce, among others. · Promote comprehensive health programmes focusing on preventive care to reduce occupational illnesses and chronic diseases, seasonal campaigns to prevent respiratory diseases, foster healthier lifestyles, sport and nutrition, sleep hygiene, emotional wellbeing and increase overall workers' satisfaction. · Make progress on our diversity, equity and inclusion (DEI) strategy by deploying Group-specific programmes and initiatives (Women Mentorship programme, inclusive recruitment strategies, disability sensibilisation campaigns, etc.). · Carry out continuous campaigns to promote programmes on harassment, corruption and bribery prevention, and raise awareness of and trust in the whistleblowing mechanism. · Support free elections for the ratification of Collective Bargain Agreements (CBAs) by unionised workers. · Reinforce security protocols for personnel due to rising levels of insecurity surrounding our projects and operations, and of safety surveillance technology. · Provide specific technical and soft skills training for onboarding and career development plans. · Maintain an adequate level of compensation and benefits.
	Community	· Deploy social investment through local programmes that contribute to the economic prosperity and self-sufficiency of the communities where we operate. · Establish partnerships to foster projects that improve local infrastructure, leading to endorsement and financing by local authorities. · Prioritise the delivery of clean water to the Fresnillo district through the rehabilitation and operation of a municipal potabilisation plant and increase wastewater treatment capacity. · Promote local procurement and employment.
	Government and regulators	· Continue high standards of corporate governance and compliance with regulatory, legal and tax obligations. · Engage constructively with regulators and lawmakers through industry associations. · Collaborate in partnerships to promote projects that are valuable to our communities and operations.
	Contractors and suppliers	· Foster engagement, enhanced communication and updated mining works contracts aligned to the Company's standards to improve safety performance. · Expand comprehensive wellbeing initiatives to contractors. · Identify efficiencies across the business and opportunities to improve supply chain logistics to achieve operational goals, managing inflationary pressures and reducing costs.
	Minority shareholders	· Pay dividends in accordance with the Company's dividend policy. · Manage and operate the Company in a sustainable and sound way, both financially and operationally. · Capitalise operational efficiency projects to reduce costs and reduce our environmental impact. · Ensure their interests are always considered in decision-making, and that all transactions with related parties are transparent and fully documented. · Report our environmental, social and governance (ESG) performance and strategy in a transparent and timely fashion.
	Environmental considerations	· Manage tailings storage facilities (TSFs) responsibly and invest continuously to ensure operational excellence and storage capacity throughout a mine's lifecycle. · Continue to capitalise investments and operational efficiency projects to reduce our carbon emissions footprint, resource consumption and waste. · Decrease freshwater consumption through closed circuits for water reuse, operational efficiency and investments in wastewater treatment facilities to enable its use as an alternative to municipal wastewater. · Ensure that reporting is aligned with Task Force on Climate-related Financial Disclosures guidelines.

Decision:	**Approve the 2024 Business Plan and Budget** continued
Strategic actions supported by the Board	The strategic actions of the Business Plan supported by the Board to generate value for stakeholders are: · Promotion of safety culture, incident prevention and consolidation of the 'I Care, We Care' operational committee. · Follow-up of commitments and launch of new initiatives in response to feedback gathered via workforce engagement mechanisms. · Strengthening of community relations through community programmes, local employment and procurement opportunities. · Strong governance of our TSFs and execution of planned investments to ensure safe operations for our people, communities and the environment.
Impact of these actions in the long-term success of the Company	The Business Plan and Budget 2024 is expected to balance responsibly the operating performance targets and the considerations that matter to our stakeholders in the short and long term, including but not limited to health and safety, wellbeing, environmental performance and social licence to operate.
Outcome	In October 2023, the Board discussed and supported the draft 2024 Business Plan and Budget (subject to final review and approval by the Board in early 2024, which occurred at the first Board meeting of 2024).

Decision:	**Approve the Tailings Policy and Commitments for Responsible Tailings Management**	
Context	Safe tailings management is a key consideration in the design, construction, operation, closure and post-closure of our mining operations. Recent tailings accidents in the industry have served as a reminder of the complex nature of these structures. The Company is committed to the continuous goal of zero harm to people and the environment, implementing best practices in the engineering and governance of TSFs, and has made significant progress in maturing both the governance and operational aspects of its TSF management system. The purpose of the Tailings Policy and Commitments for Responsible Tailings Management (the 'Policy') is to establish a clear statement regarding TSFs, including relevant roles and responsibilities of each operating unit to manage, operate and oversee day-to-day operations of TSFs.	
Decision-making process	The tailings management team, in collaboration with internal and external expert teams and advisors, drafted the Policy. Subsequently, the HSECR Committee reviewed and initially approved it. Following recommendations from both the Executive Committee and the HSECR Committee, the Board of Directors concurred, officially endorsing and approving the Policy during the 1 March Board meeting.	
Stakeholder interests considered	Employees and unions	Foster health and safety, minimising any potential harm to individuals.
	Community	Engage with parties that have an interest in or perceive being impacted by the construction, operation, closure and management of TSFs.
	Government and regulators	Ensure that tailings management complies with regulatory requirements.
	Contractors and suppliers	Foster health and safety, minimising any potential harm to individuals.
	Minority shareholders	Manage TSFs in a manner that meets performance and ESG requirements, reducing impacts, risks and liabilities.
	Environmental considerations	Ensure the proper handling of mineral waste in operational, inactive and closed TSFs to minimise environmental impact.
Strategic actions supported by the Board	The strategic actions of the Business Plan supported by the Board to generate value for stakeholders are: · Define roles and responsibilities for the strong governance of TSFs to ensure safe operations for our workforce, communities and the environment. · Ensure alignment with sound engineering practices, design criteria, corporate standards and guidelines to minimise operational risk. · Implement a programme to review and continually enhance health, safety and environmental performance.	
Impact of these actions in the long-term success of the Company	The strategy to establish the strong governance, meticulous operation, and rigorous accountability of TSFs' management, supports the Company's risk management, mitigates social and environmental impacts, and reduces overhead and insurance costs.	
Outcome	In March 2023 the Board discussed and approved the Policy.	

WORKFORCE ENGAGEMENT

Our workforce is the foundation of our business success, and their dedicated contribution is instrumental in building a more sustainable future, both for our business and the planet. The Board strives to create a workplace culture where everyone feels valued, supported and inspired to contribute their best, encouraging creativity, innovation and collaboration through open communication, empathy and a shared commitment to wellbeing.

The Board and its Committees receive information related to the workforce through a range of channels, including direct engagement, as shown in the diagram opposite. This Board-level engagement process enables the Board to understand the views of the workforce on their experiences of working for the Company as well as providing an additional mechanism to raise concerns. For this purpose, Mr Arturo Fernández has been designated as the Non-executive Director to represent the workforce in the boardroom.

In response to the Covid-19 restrictions in 2020, 2021 and 2022, the Company adapted its approach to workforce engagement by conducting virtual online sessions. However, with the declaration of the end of the global health emergency by the World Health Organisation in 2023, the Company made a strategic shift towards in-person sessions. This decision was driven by the intention to capitalise on lessons learnt from previous exercises, to strengthen communication foster more personal connections and cultivate a heightened sense of trust within the workforce. However, the option remains for Mr Fernández and top management to consider holding certain sessions in a mixed virtual and physical format in the future.

During 2023, Mr Fernández led two in-person sessions in Fresnillo city to gain first-hand knowledge of the views of our workforce. These sessions brought together representatives from the Company's operations in the Fresnillo district (Fresnillo, Saucito and Juanicipio), including unionised and non-unionised personnel, with the appropriate balance of demography and responsibilities. The sessions' agendas reflected relevant workforce-related issues to encourage a candid discussion regarding 'safety and wellbeing' from a holistic perspective.

The areas of most concern expressed by workers were: (i) insecurity surrounding our operations, which also increases stress levels and affects personal harmony; (ii) fair compensation in the context of the increasing cost of living and travel for non-locals; (iii) safety-related incidents; and (iv) scepticism of the whistleblowing mechanism. Other areas of concern included the need for more training and professional growth opportunities, high turnover, burnout and a call for an improved work-life balance. On a positive note, the workforce expressed warm appreciation for the Company's early engagement with young professionals through a variety of programmes, appropriate technical training, increased diversity, equity and inclusion, and a solid safety strategy. Overall, the workforce believes that the Company provides great job opportunities that have enabled our people to build successful careers.

Mr Fernández's effective communication of specific workforce concerns during 2023 Board meetings has been immensely valuable in shaping the Board's ongoing and subsequent discussions and influencing our decision-making processes. His input has raised the standard for how we define and refine Board-level engagement, and has played a major part in informing our management programmes and practices.

Building on the insights gained through our workforce engagement efforts, we have implemented comprehensive, multifaceted initiatives to address longstanding concerns in three key areas:

- **Strengthening industrial safety:** we are working to enhance accountability, operational discipline, rigorous verification of critical controls, near-miss reporting and visible leadership, while also promoting the 'workers right to say no to unsafe conditions' campaign.
- **Understanding health holistically:** our objective is to encourage healthy habits and disease prevention through permanent campaigns; we also implement initiatives that address emotional aspects, supporting our psychosocial risk factors prevention strategy.
- **Improving whistleblowing awareness:** we aim to provide certainty and trust in the whistleblowing process, in particular around confidentiality and protection from retaliation.

This is an iterative process that identifies areas for improvement while creating a positive and productive work environment with employee wellbeing and satisfaction at its core. Through our unwavering commitment to understanding and addressing workforce needs, we foster an engaged workforce committed to shared goals and continued collaboration to create a more successful business together.

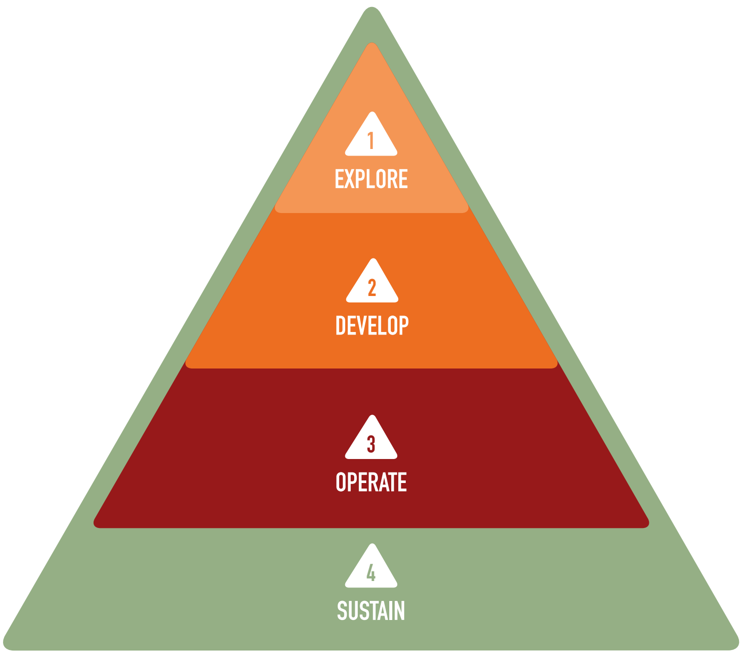
Workforce engagement: communication and feedback

REVIEW OF OPERATIONS

A STRONG GROWTH PIPELINE

Our pipeline of exploration projects is key to our ongoing strategy of organic growth. The diagram below shows our operations, projects and prospects across all stages.

Projects and prospects portfolio



Systemic project generation

1

1.1 Prospecting and drill target generation (37)
Chiclayo/Peru, Pencahue/Chile, Escritorio, Buenavista

1.2 Early stage drilling (14)
Capricornio/Chile, Santo Domingo-Supaypacha/Peru, Fresnillo district

1.3 Advanced exploration
Pilarica/Peru, San Juan, Candameña, Lucerito

1.4 PEA – Feasibility
Orisyvo, Rodeo, Guanajuato, Tajitos

2

Development projects
No projects under development.

3

Mine operations
Fresnillo, Saucito, Herradura, Noche Buena, Soledad-Dipolos*, San Julián, Ciénega, Juanicipio

* Operations at Soledad-Dipolos are currently suspended.

Expected delivery of growth

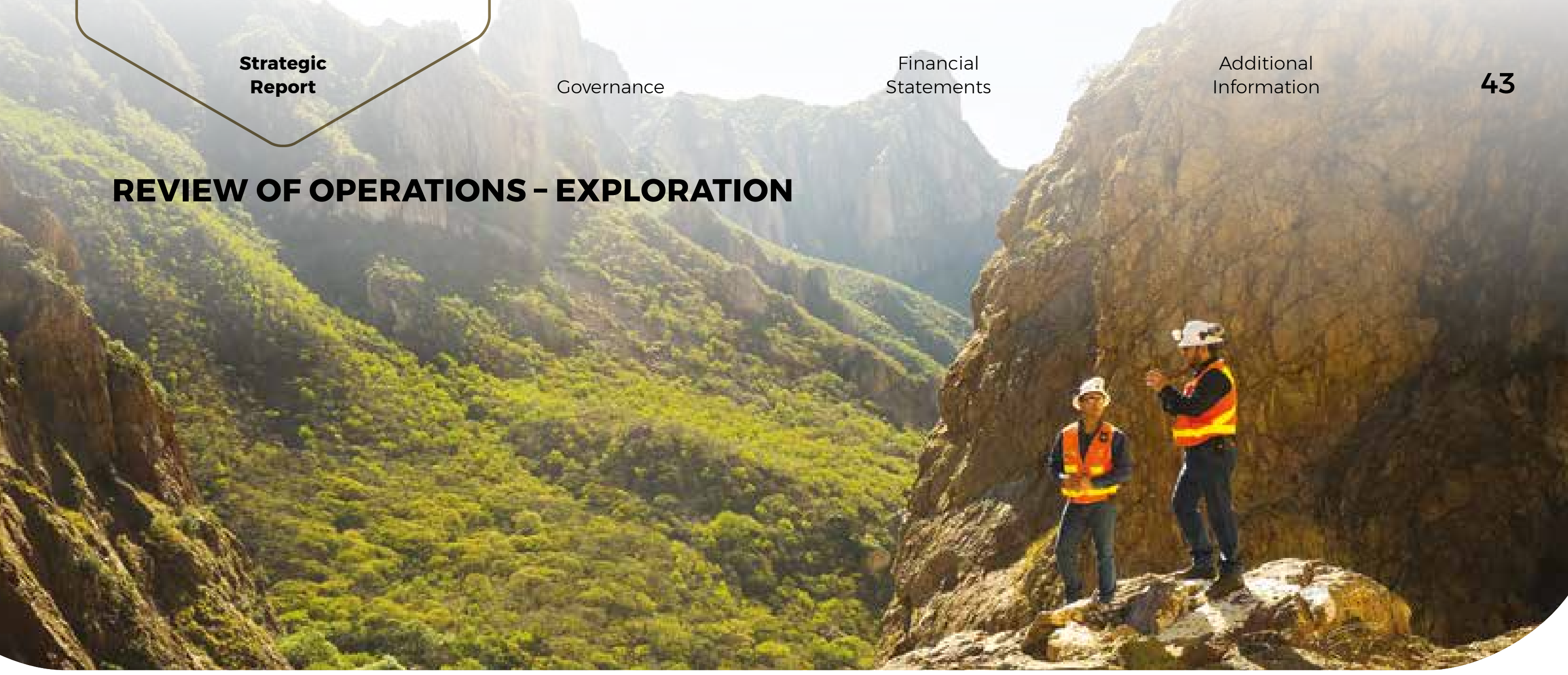
Expected avg. annual production[1]	Project	2024 – 2030
130 – 150 koz Au	Rodeo	Infill drilling exploration, feasibility, development and construction → Production
140 – 165 koz Au	Orisyvo	Final metallurgical testing, feasibility, development and construction → Production
Resources		Early stage project, indicative timetable
1.0 moz gold	Tajitos	Exploration to increase resources. Update the preliminary economic assessment, start pre-feasibility assessment level studies → Production
2.8 moz gold 275 moz silver	Guanajuato	Exploration to increase resources. Update the preliminary economic assessment, start pre-feasibility assessment level studies. Refine conceptual development scenarios → Production

Approved by the Board (Rodeo, Orisyvo) · Subject to ongoing internal review (subject to Board approval) (Tajitos, Guanajuato)

Greenfield project development to be complemented with brownfield growth possibilities at the Herradura and Guanajuato Centro Districts.

1 Total average annual production.
Subject to pre-feasibility and feasibility assessment, final feasibility assessment and Board approval.

REVIEW OF OPERATIONS – EXPLORATION



Highlights of 2023

- Invested US$185.9 million of risk capital in exploration during the year.
- Silver in consolidated overall mineral 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, balanced mining depletion at mine sites, and higher costs and cut-off grades.
- Gold in consolidated overall mineral 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.
- 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 reserves at Fresnillo.
- Gold in consolidated overall ore reserves decreased 13.7% to 7.1 moz primarily as a result of extraction, and higher costs and cut-off grades at Herradura and Saucito, and the Noche Buena mine reaching the end of its life.
- Progress and focused development efforts towards reporting proved ore reserves continue at all sites.
- Drilling of the vein system in the southern part of the San Julián district continues to deliver good results. Several new drill targets were identified at the Fresnillo district and are under evaluation. Drilling of new targets will be prioritised systematically.
- 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 in 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.
- The exploration programme at Rodeo remained on stand-by while land access negotiations with the local communities progressed. Social, environmental, hydrological and power supply studies advanced, supported by the continuation of the community relations programme in the region.
- In Chile, drilling and the delineation of additional targets continued with promising results at Capricornio. The ongoing prospecting programme at Pencahue showed several gold-silver targets with good exploration potential.
- Drilling programmes were completed at Pilarica and Santo Domingo in Peru; several large-volume exploration targets were delineated at the latter. Agreements have been reached with several communities at the Supaypacha-Alto Dorado porphyry cluster. The community engagement programme was strengthened at all our Peruvian projects, including the new Chiclayo prospect.

Priorities for 2024

- Invest a further US$190 million in exploration during the year.
- Continue to focus mine exploration on upgrading mineral resources into ore reserves, with special emphasis on the San Julián and Fresnillo districts.
- Continue the exploration programme at Juanicipio to fully delineate the deeper areas of the Valdecañas vein and advance the evaluation of nearby veins; start drilling in new potential areas.
- Further develop and strengthen our mineral resource modelling and ore reserve engineering capability, with the aim of providing a stronger technical value foundation and reporting proved reserves for all operating assets.
- Advance pre-feasibility to feasibility level studies at Orisyvo, under a continued community and government engagement programme.
- Complete the full delineation of the Tajitos ore bodies and advance metallurgical, geotechnical and conceptual studies to support an updated preliminary economic assessment for a new open pit heap-leaching gold mine. Advance the drilling programme across additional existing targets.
- Continue drilling at an accelerated pace at two areas of the Guanajuato district and conduct detailed metallurgical investigations. Update the preliminary economic assessment for these areas.
- Conduct detailed metallurgical investigations at Candameña and Lucerito.
- Continue discussions with the local communities at Rodeo, aiming at implementing an intensive infill, step-out, condemnation and geotechnical drilling programme and conducting detailed metallurgical test work once agreements are reached.
- Continue drilling several targets at Capricornio in Chile and advance an additional project to the drill-ready stage.
- Maintain a strong community relations programme at our Peruvian projects. Resume drilling at the Supaypacha porphyry cluster and work towards permitting the drill-testing of targets at Santo Domingo and Pilarica in 2025.

Our firm and unchanging commitment to exploration sets us apart from many of our peers and provides a solid platform for our future success.

REVIEW OF OPERATIONS – EXPLORATION CONTINUED

Where many major mining companies seek to grow through acquisition, we believe that the most effective and sustainable route to growth is achieved by creating our own pipeline of reserves and resources which demands a long-term commitment to exploration. By continuing to invest in exploration across all precious metals price cycles and regardless of the peaks and troughs of economies, we aim to keep our pipeline well-stocked both to replace reserves mined each year and to create a steady flow of opportunities.

Our exploration teams have a proud and highly-respected reputation in the Mexican mining industry. They have been responsible for our most significant breakthroughs, such as those at San Julián and Saucito, and are ideally qualified to identify and develop new opportunities. One of the most important roles our teams have is engaging with local communities and seeking their participation at an early stage of a project. Not only does this help safeguard our licence to operate, it also gives us the opportunity to meet and consult with local people, thereby ensuring that we are able to tailor any subsequent community support programmes to meet their specific needs.

For more details on community engagement see pages 139-150.

Our focus remains on Latin America, and in particular on maximising the geological potential in and around our current operations. At the same time, we continue to look to locate and consolidate new districts in Mexico, Chile and Peru where we have identified favourable gold-silver potential.

All our exploration projects are measured against a set of strict criteria to ensure they meet our operational and revenue objectives. For example, we will only proceed with a standalone project if it offers a minimum potential of 150 moz of silver or 2 moz of gold. We also consider a range of additional factors before commencing activities, such as ore grades, metallurgical recoveries, extraction costs, environmental impact, and sustainability and community investment, as well as the available infrastructure. Only those projects that score well against these requirements receive the green light.

2023 performance

Mineral resources and ore reserves

Estimations of our mineral resources and ore reserves are developed by our corporate technical staff in line with industry standards and audited every year by independent expert firms prior to public statement under the JORC Code reporting standards. 2023 underground mineral resources and ore reserve estimates were based on price assumptions of US$1,450/oz gold and US$20.0/oz silver, with open pit ore reserves and mineral resources estimated at US$1,515 and US$1,650/oz gold respectively.

Silver in consolidated overall mineral 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, balanced mining depletion at mine sites, and higher costs and cut-off grades.

Gold in consolidated overall mineral 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.

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 reserves at Fresnillo.

Gold in consolidated overall ore 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 Noche Buena mine reaching the end of its life.

In 2020, we initiated a major technical development effort to upgrade our mineral resource modelling and ore reserve engineering functions, both of which again made significant progress in 2023. With a dedicated team of 27 specialists, geotechnical, ventilation and economical modelling continued to advance, as did the underground and open pit ore reserve engineering and reconciliation processes.

The corporate technical team will continue to develop all disciplines in 2024, with a special focus on mining reconciliation, as well as further process improvement, integration and documentation.

In 2023, our drilling programmes decreased by 2.4% compared to 2022, with a total of 933,185 metres drilled. 92% of drilling activities were carried out at, or close to, our existing operations, in line with our continued focus on brownfield exploration which maximises the possibility of good returns. The following section provides details about our exploration pipeline, highlighting the progress made in 2023 as well as outlining our plans for the year ahead. We drilled 78,576 metres in greenfield targets where we are consolidating districts.

Exploration at our existing mines

Excellent exploration potential exists around our operating mines, where numerous drill targets have been identified using geological, geochemical, geophysical and remote sensing data, which is analysed and interpreted by our expert team. Exploring these targets represents a good opportunity to add value to our current operations by increasing our resource and reserve base. In line with this approach, 92% of the 933,185 metres drilled in 2023 were devoted to brownfield targets, including 642,598 metres drilled by the mine operation teams, and 212,011 metres completed by the exploration and projects divisions.

The objectives of the drilling campaigns at our mines are threefold: (i) replenish and augment our mineral reserves, converting inferred resources into the indicated category with infill drilling; (ii) increase the total and inferred resources by drilling at extensions of known mineralisation and also by testing new targets; and (iii) continue to ensure the quality of the reserves blocks scheduled to be mined in the short term, with selected additional drilling carried out wherever deemed necessary due to grade variations. We work hard to ensure the long-term sustainability of our business and to drive growth by replenishing depleted reserves and maintaining a robust growth pipeline.

Fresnillo district

While Fresnillo is one of the most important silver districts in the world, our exploration activities show that it remains under-explored. We are addressing this opportunity through an integrated approach based on detailed mapping, geophysics and geochemistry. We are following up three high-priority exploration targets located within the area of influence of the processing facilities, with positive results.

Across the district, the mines and exploration teams drilled 416,858 metres during the year. 65% of the drilling by the mine teams was infill drilling, both within reserves and inferred resources, and 35% to vein extensions and other purposes. Good results were obtained from the San Alberto, Santa Elena, San Carlos and San Demetrio veins at the Fresnillo mine. Good results were also obtained at the Saucito mine, where good silver grades and vein continuity were found at the Natalias, Roble and Ramal Oriente structures, along with the Saucito and Desprendido vein in the southern part of the mine.

Juanicipio – (56% Fresnillo plc, 44% MAG Silver)
22,015 mine + 13,272 exploration metres of core drilling were completed during 2023 over the main NW-trending Valdecañas and subsidiary veins, carried out by both the exploration division and the mine teams. The programme was designed to define the vein character at depth, where silver grades are decreasing but lead, zinc and local copper show higher grades over good widths. A significant portion of the programme was devoted to increasing the potential of secondary veins, such as Preanticipada, Ramal 1 and the oblique Venadas and Valentina veins.

Herradura district
We drilled a total of 73,036 metres in the Herradura district in 2023, with activities focused in the final Centauro pit to identify additional mineralised sections and to better define reserve blocks, to advance the evaluation of high-grade veins and disseminated ores outside the final pit limits and to finalise the exploration programme around the Noche Buena pit, which was exhausted in 2023.

31,024 metres of drilling was carried out in the Herradura pit, 60% focused on improving the certainty of the reserve grades and distribution, 30% on resource conversion from inferred to indicated and 10% on the search for extensions of known mineralisation. 33,966 metres of drilling focused on defining high-grade veins and related disseminated mineralisation outside the current final pit model which were incorporated into the Centauro Profundo ore bodies. Good results were obtained from the Ocotillo area and in the evaluation of high-grade structures in the San Andres and Yaqui areas.

3,849 metres of drilling peripheral to the Noche Buena pit and 4,196 metres drilled in a nearby prospect area failed to identify additional resources.

Ciénega district
56,635 metres of core drilling were completed at Ciénega during 2023, 40% of which was focused on increasing the resource base in targets within trucking distance from the mill. The remainder was evenly distributed between reserve infill and resource conversion. The Stockwork and the Jessica Transversal shallow ore shoots, located within the mine workings, delivered good gold and silver grades, and resources and reserves were incorporated into the current mining plans.

San Julián district
An intensive drilling programme amounting to 180,435 metres was implemented by the mine and district exploration teams.

124,073 metres were drilled by the mine team, with infill drilling of reserves and resource conversion accounting for 70% of the total; the remainder was focused on exploration for additional disseminated sulphides and extensions to known veins. Positive results were obtained at the Ultima Tierra and Santa Cecilia structures, where a new vein was discovered in the footwall, and good continuity was proven over a NNW trend, respectively.

The exploration division team drilled 56,362 metres, focused on following-up the vein system in the southern part of the district. Good results were obtained at the Dura del Bajo, Blanca del Alto, Eliza and Andrea veins. Drilling targets were refined at the Ceniza prospect area, slated for drilling in 2024 once environmental and social permits are granted. A district-wide review of geophysical and geochemical information is ongoing, aiming to generate additional exploration targets based on improved, drill-tested geophysical modelling and the incorporation of detailed multi-elemental geochemistry and hyperspectral data built into an integrated understanding of the San Julián mineral system.

Greenfield exploration
Greenfield exploration, preliminary economic assessments and feasibility studies
We look for projects that have shown good potential for supporting our growth ambitions to bring forward into this category. For projects in the relatively early stages we may conduct preliminary economic assessments (PEAs), which comprise an economic analysis of the potential viability of mineral resources.

For more advanced projects, we undertake extensive de-risking activities to refine models, explore the extent of mineralisation and provide comprehensive support to a project as it moves into and through the development stage – a key moment in the journey towards becoming an operational mine.

Advanced exploration projects
Orisyvo
Several pre-feasibility level studies are advancing well, with completion targeted in 1H 2024, to be followed by a final feasibility study in 2025. Studies in progress include mining and processing scenarios for an underground mine development, location of suitable tailings disposal sites, and alternatives for road access and water and energy supply. Environmental and geohydrological studies, additional land acquisition and a thorough risk analysis coupled with a robust social and government engagement plan (including indigenous consultation) also show good progress. Different options for the mineral processing of sulphide ores, including the bio-oxidation and Albion processes, are under review. These options, together with high-efficiency cutting-edge milling technologies, are expected to produce significant reductions in capital expenditures and operating costs, and will be addressed in the feasibility study.

Rodeo
The Rodeo deposit contains 1.3 moz of gold in oxidised ores, amenable to low strip-ratio, open pit mining and gold recovery using heap-leach technologies. Potential for expansion exists in several exploration targets in the district. While we have not yet reached a land access agreement with the two main relevant communities, during 2023 we continued to strengthen a region-wide community relations programme and have already acquired some land from private landowners. Simultaneously, we are advancing pre-feasibility level hydrological, infrastructure and environmental studies, and analysing alternatives for water and energy supply.

Tajitos
Tajitos is an open pit, heap-leach, disseminated gold project displaying fully oxidised ore bodies up to 200 metres in depth, containing 1.03 moz of gold, 68% in the indicated category. An intensive core and reverse circulation drilling programme amounting to 83,224 metres was completed in 2023, focused on step-out and infill holes in the main area of resources. Some drilling was also completed in new exploration targets in the western part of the district, showing promising results.

REVIEW OF OPERATIONS – EXPLORATION CONTINUED

Column test work completed to date has delivered good gold recoveries; a second stage of detailed column metallurgical test work performed on the historic core available is underway, with attractive preliminary gold recoveries; these studies will be supplemented by a third stage to be carried out over large-diameter core from a current dedicated drill programme. The preliminary economic assessment for Tajitos will be updated in 2024, incorporating the evaluation of social, infrastructure, water and energy supply risks. Given its location in Fresnillo-owned land with excellent access and available infrastructure and labour, Tajitos displays good preliminary indications to be fast-tracked into pre-feasibility and feasibility stages.

Guanajuato

Guanajuato is a historic, world-class gold and silver mineral system, displaying numerous attractive exploration targets that have the potential to increase its large precious-metals endowment. The drilling programme was intensified in 2023, with 83,576 metres of core drilling completed over priority vein zones in the central and southern portions of the district. This programme included 19,805 metres drilled underground from the Peregrina and Veta Madre historical mine workings.

The application of our upper-level epithermal model over the large hydrothermal alteration zones in the southern part of the district, supported by detailed field mapping and hyperspectral and geochemical studies, continued to deliver good results. The El Roble ore shoot grew to circa 2.7 moz of in-situ gold equivalent with good grades, widths, continuity and preliminary metallurgical gold and silver recoveries. This discovery highlights the exploration potential of this area, largely over Fresnillo claims. A preliminary economic assessment for a potential underground operation is ongoing.

At Guanajuato Centro significant growth was achieved both in terms of total gold and silver ounces and indicated resources in veins and stockwork zones, the latter being amenable to low-cost underground bulk mining methods. Metallurgical investigations are ongoing over the largest ore zones detected so far. Conceptual mining and processing scenarios are under consideration for the Veta Madre, Peregrina and San Gregorio vein clusters.

Prospects

Mexico

5,309 metres of core drilling was completed at Candameña in 2023 at a large high-sulphidation epithermal silicic alteration zone, which unfortunately delivered long interceptions of uneconomic grade. Drilling will continue in 2024 over significant exploration targets displaying attractive gold values at surface elsewhere in the district. The focus will be on the search for porphyry-type mineralisation and on detailed metallurgical investigation of sulphide ores from the current resources.

At San Juan, a sizeable, gold and silver-bearing vein system, 5,391 metres of drilling continued to evaluate near surface mineralisation discovered in 2022. Good results of attractive gold and silver grades over tens of metres were obtained. The resource estimation of this new area has been delayed until results are received from metallurgical studies to define the most suitable processing method.

Elsewhere in Mexico, initial drilling was carried out in two projects, and the team continues to apply its expertise in the evaluation of our extensive claim portfolio, using state-of-the-art technologies supported by field work to generate new projects with good potential for the discovery of gold and/or silver deposits.

Peru

In 2023 drilling resumed at the Pilarica and Santo Domingo projects, following the return of normal social and political conditions to the country. Long intervals of anomalous to marginal gold and silver grades were found; however, both projects still have significant exploration potential for veins as well as large-volume deposits. The process to obtain social and government permits is in progress, with the aim of resuming the drilling programmes in 2025. At the Supaypacha and Alto Dorado gold-copper porphyry cluster, our strengthened community engagement programme allowed us to start negotiations for the resumption of drilling at several targets in 2024. Our regional prospecting team successfully defined several gold (± copper) targets on Fresnillo concessions; this portfolio has been prioritised and the most attractive targets will be followed up in 2024 to secure social acceptance for future drilling.

Chile

At the Capricornio project, located in the Antofagasta region, a reverse-circulation and core drilling programme amounting to 14,526 metres was carried out. Good results were obtained from several veins of the epithermal field over significant widths, including the discovery of veins below caliche cover. Mineralisation is shallow and oxidised with potential for open pit mining. Good gold recoveries were obtained in preliminary metallurgical testing. The exploration programme will continue in 2024, searching for additional veins and following-up on targets delineated by geochemical and geophysical surveys. In southern Chile, a significant gold-bearing vein field is in the target definition stage and will be drilled once claim consolidation and social/government permits are obtained.

Early-stage exploration

We routinely carry out activities at all six exploration offices to accumulate regional geological, geophysical, structural and geochemical data and analyse it in a GIS environment. Areas identified with good potential are followed up by gathering remote sensing hydrothermal alteration data commissioned from international high-quality service providers. The information gained is integrated into the database to refine our understanding of the targeted ore deposit systems. Furthermore, our regional prospecting teams in Mexico, Peru and Chile carry out the field work required to validate the exploration targets and eventually incorporate them into our prospect pipeline.

Project	Location	2023 Drilling (metres)	Mineral resources (attributable)	Status
Guanajuato	Guanajuato	83,576	2023: **2,786 koz Au and 275 moz Ag** Change vs 2022: **584 koz Au; 123 moz Ag**	In drilling
San Julián Sur	Chihuahua/ Durango	56,362	2023: **214 koz Au and 54 moz Ag** Change vs 2022: **-136 koz Au; 2 moz Ag**	In drilling
San Juan	Durango	5,391	2023: **581 koz Au and 54 moz Ag** Change vs 2022: **6 koz Au, 1 moz Ag**	In drilling [1]
Candameña	Chihuahua	5,309	2023: **1,371 koz Au and 32 moz Ag** Change vs 2022: **nil**	In drilling [1]
Tajitos	Sonora	83,224	2023: **1,029 koz Au** Change vs 2022: **-64 koz Au**	In drilling
Fresnillo district	Zacatecas	10,536	Mexico Nuevo, Jaralillo (Additional resources in drilling not estimated yet)	In drilling
Centauro Profundo	Sonora	33,966	2023: **3,376 koz Au** Change vs 2022: **201 koz Au**	In drilling
Orisyvo	Chihuahua	–	2023: **9,575 koz Au and 13 moz Ag** Change vs 2022: **nil**	In PFS level studies
Lucerito	Durango	–	2023: **2,826 koz Au and 205 moz Ag** Change vs 2022: **nil**	Metallurgical investigations
Rodeo	Durango	–	2023: **1,331 koz Au and 14 moz Ag** Change vs 2022: **nil**	Land access
Juanicipio	Zacatecas	13,272	2023: **839 koz Au and 154 moz Ag** Change vs 2022: **-1 koz Au; -4 moz Ag**	In drilling [2]
Pilarica	Peru	4,793	2023: **110 koz Au and 56 moz Ag** Change vs 2022: **nil**	Standby
Others	Mexico, Peru and Chile	28,125	–	–

1 No new resources model; updated metal prices only.
2 Mineral resources quoted reflect Fresnillo plc's attributable 56% ownership.

REVIEW OF OPERATIONS – MINES IN OPERATION

FRESNILLO

2023 Objectives
- Conclude the deepening of the San Carlos shaft project.
- Subject to permits being obtained, start up the Pyrites plant at Fresnillo and ramp-up to nameplate capacity.
- Sustain our development performance at the required levels.

2023 Performance
- Deepening of the San Carlos shaft concluded. However, commissioning was delayed due to the installation of key equipment and a number of modifications to improve the design of the service infrastructure.
- Permits to tie in the Pyrites plant at Fresnillo were granted in 2Q23, with commissioning and process stabilisation both progressing well.
- Development rates averaged 3,105 metres per month.
- Ore milled increased to an average of 7,816 tpd.

2024 Objectives
- Conclude the connection of the two sections and the commissioning of the San Carlos shaft during Q1.
- Sustain our development performance at circa 3,250 metres per month.
- Improve short- and mid-term planning processes.
- Focus on key cost reduction initiatives.
- Improve our safety performance and continue strengthening our safety-centred culture.

One of the world's longest continuously operated mines, Fresnillo produced 22.7% of the Group's total silver in 2023 and generated 16.7% of total Adjusted revenue.

Ownership: **100% Fresnillo plc**
In operation since: **1554**
Mine life (years): **4.6 at 7,816 tpd** (2022: 4.8), **(2,462k tpy)**
Facilities: **Underground mine and flotation plant**
Workforce: **1,564 employees, 2,572 contractors**
Location: **Zacatecas**
Milling capacity (2023): **8,000 tpd/2,640,000 tpy**

Mine production[1]	2023	2022	% change
Ore milled (kt)	**2,619**	2,462	6.3
Silver (koz)	**12,772**	13,609	(6.2)
Gold (oz)	**36,909**	34,432	7.2
Lead (t)	**21,373**	21,756	(1.8)
Zinc (t)	**45,386**	43,343	4.7
Silver ore grade (g/t)	**170**	189	(9.8)
Total reserves[2]			
Silver (moz)	**98.8**	91.6	7.9
Gold (koz)	**272**	291	(6.5)
Avg ore grade in reserves			
Silver (g/t)	**253**	242	4.5
Gold (g/t)	**0.70**	0.77	(9.1)
Cut-off grade (g/t AgEq)	**274**	298	(8.1)
Total resources[3]			
Silver (moz)	**670.9**	706.7	(5.1)
Gold (moz)	**1.50**	1.63	(8.0)
Avg ore grade in resources			
Silver (g/t)	**399**	373	7.0
Gold (g/t)	**0.90**	0.86	4.7
Cut-off grade (g/t AgEq)	**210**	203	3.4

Key developments in the year
Silver production decreased by 6.2% vs 2022, driven by the increased volume of ore extracted from the Western areas of the mine with lower silver ore grades.

The average development rate in the year increased 6.0% year-on-year to 3,105 metres per month (2022: 2,929 metres per month) primarily due to the higher productivity of the unionised personnel.

We expect to maintain a development rate of circa 3,250 metres per month for the foreseeable future.

The relocation of the tunnel boring machine (TBM) to develop the haulage level to the west continued, albeit at a slower pace than anticipated due to difficult transport conditions, including the need to cross a geological fault. Activities were also carried out to ensure the TBM

1 Fresnillo mine production excludes ore processed and production from the Juanicipio development project.
2 2023 reserves as of 31 May 2023.
3 2023 resources as of 31 May 2023.

was in optimal condition. These works were concluded in 2H 2023 and the TBM's contribution to development rates is expected to resume in 2024.

Productivity, calculated as tonnes of ore milled per person, increased vs 2022 driven by the higher volumes processed following training conducted for unionised personnel, post the labour reform and the normalisation of development rates, which gave access to additional stopes.

Progress at the San Carlos shaft continued with the installation of key equipment and a number of modifications to improve the design of the service infrastructure. As a result, commissioning of the shaft was delayed from 2Q 2023 to early 2024, thus providing more time to optimise the haulage of ore via ramps while the two sections of the shaft are connected. This project, once fully operational, is expected to support a reduction in haulage costs.

Pyrites plant at Fresnillo

The tie in of the Pyrites plant to the national electricity grid was completed in 2Q 2023, with commissioning following immediately afterwards. However, recovery rates did not reach anticipated levels. Following some tests and technical work, it was decided to only process the historical tailings as this strategy significantly improved recovery rates. We will continue on this path in 2024, which means that volumes processed will inevitably be lower than originally planned but recovery rates and profitability will be higher than when processing both current and historical tailings. As a result, output from the Pyrites plant at Fresnillo, together with the production from the Pyrites plant at Saucito, is expected to average circa 2 moz silver per year.

Reserves and resources

Silver reserves increased 7.9% as additional mineral resources converted to ore reserves and offset depletion. Silver in overall mineral resources decreased 5.1% due to extraction, increased costs and a higher cut-off grade and lower grade exploration results.

Capital expenditure

Total capital expenditure in 2023 was US$97.8 million, which included sustaining capex, mine development, the deepening of the San Carlos shaft and the tailings management programme.

2024 Outlook

For 2024, the silver ore grade is expected to be in the range of 180-200 g/t, with the gold ore grade around 0.60-0.70 g/t.

We will review our short- and mid-term planning processes to achieve a better balance between the western and eastern areas of the mine, and optimise volumes and ore grades.

The majority of our investment in the year ahead will focus on mine development and sustaining capex, as well as the tailings management programme.

Financial performance[4]

Financial highlights	2023	2022	% change
Revenue (US$m)	**423.1**	418.5	1.1
Adjusted revenue (US$m)	**479.6**	475.8	0.8
Adjusted production costs (US$m)	**264.8**	225.2	17.6
Depreciation (US$m)	**95.5**	88.1	8.4
Segment profit (US$m)	**156.8**	197.0	(20.4)
Capital expenditure (US$m)	**97.8**	106.6	(8.3)
Exploration (US$m)	**38.1**	20.8	83.2
Cost per tonne (US$) (standalone)	**97.8**	91.5	6.9
Pyrites plant (US$)	**3.3**	–	100.0
Cost per tonne total (US$)	**101.1**	91.5	10.5
Cash cost (US$/oz silver)	**10.2**	5.7	78.9
Margin (US$/oz)[5]	**13.4**	16.0	(16.3)
Margin (expressed as % of silver price)	**56.8**	73.7	
All-in sustaining cost (US$)	**20.4**	16.3	25.6

Adjusted revenue, excluding inter-segment sales, remained stable at US$479.6 million, principally due to the higher silver and gold prices offset by the lower volumes of silver sold.

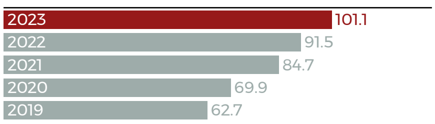
Cost per tonne increased 10.5% to US$101.1 in 2023, primarily driven by the adverse effect of the 11.7% revaluation of the Mexican peso vs the US dollar and underlying cost inflation. This was mitigated by the higher volume of ore processed, as well as cost reductions due to economies of scale and operating efficiencies.

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%).

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.

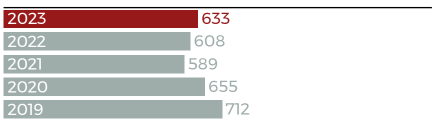
Fresnillo
(US$/tonne milled)

101.1



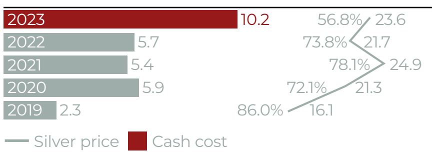
Fresnillo ore milled per person
(Tonnes)

633



Fresnillo cash cost
(Silver US$/ounce)

10.2



% figures represent margin between cash cost and silver price.

4 Financial figures for Fresnillo exclude ore sales from Juanicipio.
5 Margin defined as average realised price less cash cost per ounce.

SAUCITO

2023 Objectives

- Increase volume of ore processed to the optimal run rate of 7,000 tpd.
- Conduct an assessment of the optimal development rate going forward.
- Continue the deepening of the Jarillas shaft.
- Implement cost reduction initiatives.
- Continue to stabilise operations.

2023 Performance

- Volume of ore processed increased albeit not to 7,000 tpd as mine preparation was impacted by equipment availability and a reassessment of ground control methods in certain areas.
- An assessment of the optimal development rate was undertaken and concluded. The current rate of 3,000 metres per month is sufficient to sustain production levels.
- Deepening of the Jarillas shaft progressed as expected.
- Cost reduction initiatives were implemented. However, the impact of these initiatives was lessened by the revaluation of the Mexican peso vs the US dollar and underlying cost inflation.
- Volume of ore milled increased and silver ore grade was within guidance.

2024 Objectives

- Increase volume of ore processed to the optimal run rate of 7,000 tpd.
- Continue progressing the deepening of the Jarillas shaft.
- Focus on key cost reduction initiatives.
- Improve our safety performance and continue strengthening our safety-centred culture.

Saucito contributed 21.5% to total silver production in 2023 and generated 18.4% of total Adjusted revenue.

Ownership: **100% Fresnillo plc**

In operation since: **2011**

Mine life (years): **4.6** (2022: 6.6)

Facilities: **Underground mine and flotation plant**

Workforce: **1,494 employees, 1,993 contractors**

Location: **Zacatecas**

Milling capacity (2023): **7,000 tpd/2,600,000 tpy**

Mine production[1]	2023	2022	% change
Ore milled (kt)	**2,164**	2,073	4.4
Silver (koz)	**12,102**	11,977	1.0
Gold (oz)	**72,763**	73,497	(1.0)
Lead (t)	**19,535**	17,816	9.6
Zinc (t)	**32,991**	28,415	16.1
Silver ore grade (g/t)	**195**	201	(3.1)
Gold ore grade (g/t)	**1.34**	1.40	(4.3)
Total reserves[2]			
Silver (moz)	**110.9**	115.9	(4.3)
Gold (koz)	**411**	516	(20.3)
Avg ore grade in reserves			
Silver (g/t)	**343**	264	29.9
Gold (g/t)	**1.3**	1.2	8.3
Cut-off grade (g/t AgEq)	**346**	309	12.0
Total resources[3]			
Silver (moz)	**383.9**	428.4	(10.4)
Gold (moz)	**1.7**	1.9	(10.5)
Avg ore grade in resources			
Silver (g/t)	**328**	282	16.3
Gold (g/t)	**1.47**	1.27	15.7
Cut-off grade (g/t AgEq)	**267**	225	18.7
Pyrites plant production[4]			
Ore processed (t)	**162,344**	135,044	20.2
Silver (koz)	**861**	529	62.6
Gold (oz)	**1,960**	1,959	0.1
Silver ore grade (g/t)	**248**	164	51.0
Gold ore grade (g/t)	**1.59**	1.44	10.4

1 Saucito mine production excludes ore processed and production from the Juanicipio development project.
2 2023 reserves as of 31 May 2023.
3 2023 resources as of 31 May 2023.
4 Includes concentrates of Fe from Saucito and Fresnillo.

Key developments in the year

Silver production increased slightly to 12.1 moz in 2023 due to the higher volume of ore processed as productivity increased and equipment availability improved throughout the year. This was partly offset by the lower ore grade due to the increased dilution in narrower veins.

Annual gold production decreased 1.0% due to the lower ore grade.

Mine development rates increased year-on-year to an average of 2,920 metres per month in 2023 (2022: 2,550 metres per month), primarily due to the increased availability of mine equipment and improved workforce productivity. An assessment to define the optimal level of development was carried out, and concluded that current development rates of 3,000 metres per month are sufficient to sustain production levels going forward.

Productivity increased vs 2022 as personnel hired and trained post the labour reform became more experienced.

In 2023, we focused on cost reduction initiatives such as decreasing contractor, maintenance and pumping costs, optimising the haulage process and reassessing our ground control methods depending on the rock quality of the area.

The Pyrites plant at Saucito produced 861 koz of silver and 2.0 koz of gold during the year. This was higher year-on-year due to the contribution of the Pyrites plant at Fresnillo, partly offset by the decrease in volume of iron concentrates processed from Saucito.

The project to deepen the Jarillas shaft from 630 metres to 1,000 metres continued to advance, with further progress made in horizontal development and supporting infrastructure. However, a tight labour market and changes to detailed engineering have delayed this project, which is now expected to be completed by 2027.

Reserves and resources

Silver in ore reserves decreased 4.3% due to depletion and higher costs and cut-offs. This was partly balanced by the conversion of additional mineral resources to ore reserves in the period.

Similarly, silver in overall mineral resources decreased by 10.4% as a result of increased costs, a higher cut-off grade and extraction.

Capital expenditure

Capital expenditure in 2023 totalled US$125.1 million, mainly allocated to sustaining capex, in-mine development, the tailings dam and the project to deepen the Jarillas shaft.

2024 Outlook

We expect volume of ore processed to continue increasing to circa 7,000 tpd in 2024 as we increase equipment availability.

The silver ore grade is expected to be in the range of 200-220 g/t, while the gold ore grade is expected to average between 1.1-1.3 g/t.

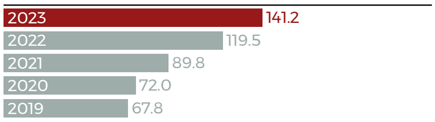
Capex will primarily be allocated to required mine development, sustaining capex, increasing the capacity of the tailings dam and the deepening of the Jarillas shaft.

Financial performance

Financial highlights	2023	2022	% change
Revenue (US$m)	**487.3**	442.7	10.1
Adjusted revenue (US$m)	**527.8**	485.9	8.6
Adjusted production costs (US$m)	**305.5**	247.6	23.4
Depreciation (US$m)	**104.4**	95.0	9.9
Segment profit (US$m)	**186.0**	197.8	(6.0)
Capital expenditure (US$m)	**125.1**	118.0	6.0
Exploration (US$m)	**31.2**	30.2	3.3
Cost per tonne (US$) (standalone)	**122.0**	113.3	7.7
Pyrites plant (US$)	**19.2**	6.2	209.7
Cost per tonne total (US$)	**141.2**	119.5	18.2
Cash cost ($/oz silver)	**8.7**	4.5	93.3
Margin ($/oz)	**14.9**	17.2	(13.4)
Margin (expressed as % of silver price)	**63.1**	79.3	
All in sustaining cost (US$)	**21.6**	16.8	28.8

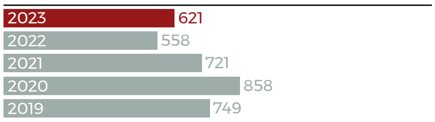
Saucito
(US$/tonne milled)

141.2



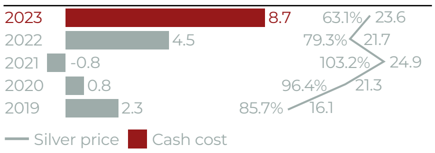
Saucito ore milled per person
(Tonnes)

621



Saucito cash cost
(Silver US$/ounce)

8.7



% figures represent margin between cash cost and silver price.

Adjusted revenue at Saucito increased 8.6% year-on-year, mainly as a result of the higher silver and gold prices and, to a lesser extent, the increased volumes of lead and zinc sold.

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.

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 13.4% 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%.

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

2023 Objectives
- Implement cost reduction initiatives.
- Continue exploration in the region, targeting a similar disseminated ore body.
- Conclude the pilot project to confirm the feasibility for the extraction of ore panels under paste fill.

2023 Performance
- Cost reduction initiatives were implemented. However, costs were negatively impacted by the revaluation of the Mexican peso vs the US dollar and underlying cost inflation.
- Exploration continued in the area. However, no additional resources were discovered at San Julián DOB.
- The recovering of ore panels under paste fill started and progressed as expected.

2024 Objectives
- Successfully conclude DOB mining.
- Continue exploration in the region with the aim of increasing the resource base.
- Convert inferred resources to reserves at San Julián Veins.
- Focus on key cost reduction initiatives at Vein operations.
- Improve our safety performance and continue strengthening our safety-centred culture.

The San Julián silver-gold mine started operations in 2016. In 2023, it contributed 23.7% to total silver production and generated 14.2% of total Adjusted revenue.

Ownership: **100% Fresnillo plc**
In operation since: **2016 (Veins)/2017 (Disseminated Ore Body)**
Facilities: **Underground mine, flotation plant and a dynamic leaching plant**
Workforce: **792 employees, 1,256 contractors**
Location: **Chihuahua/Durango border**
Mine life (years): **3.8 Veins** (2022: 4.8), **1.1 Disseminated Ore Body** (2022: 2.8)

Key developments in the year
Silver production at San Julián Veins increased 19.8% year-on-year, primarily due to the higher ore grade in the San Antonio, Elisa and San Atanasio areas of the mine. Gold production decreased 5.5% due to the lower ore grade and a decrease in volume of ore processed due to the lower availability of trucks to haul ore to the beneficiation plant.

Silver production decreased at San Julián Disseminated Ore Body year-on-year, mainly due to the expected lower ore grades in the areas on the periphery of the ore body and structural geological features which slowed down the long hole drilling cycles.

Productivity decreased due to the increase in unionised personnel as additional activities that were previously carried out by contractors were internalised, and lower volume of ore throughput driven by the reduced availability of haulage trucks.

Additional drilling, geotechnical studies and development were carried out to recover ore panels under paste fill. Mining works will continue in 2024, with the aim of extracting the last remaining ore at DOB.

Reserves and resources
Silver in ore reserves at San Julián Veins remained stable year-on-year as exploration balanced extraction and higher costs and cut-offs grades, while gold reserves decreased mainly due to the combination of the aforementioned factors and lower gold grades in new areas.

Silver in overall mineral resources at San Julián Veins increased 9.1% due to exploration, while gold in overall mineral resources decreased 3.8% as a result of the lower gold grade.

Silver and gold in ore reserves and mineral resources at San Julián DOB decreased year-on-year driven by mining depletion, changes to pillar design as well as higher costs and cut-off grades.

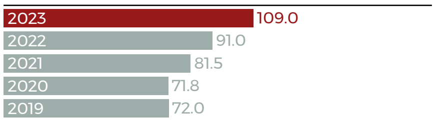
Capital expenditure
Capital expenditure in 2023 was US$74.8 million, mainly allocated to mining works and sustaining capex.

Mine production	2023	2022	% change
Total production			
Gold (oz)	**44,487**	46,727	(4.8)
Silver (koz)	**13,349**	14,252	(6.3)
Production San Julián Veins			
Ore milled (kt)	**1,142**	1,176	(2.8)
Silver (koz)	**5,559**	4,638	19.8
Gold (oz)	**41,009**	43,397	(5.5)
Silver ore grade (g/t)	**166**	135	23.1
Gold ore grade (g/t)	**1.17**	1.21	(3.3)
Production San Julián Disseminated Ore Body			
Ore milled (kt)	**2,074**	2,093	(0.9)
Silver (koz)	**7,791**	9,614	(19.0)
Gold (oz)	**3,478**	3,330	4.5
Lead (t)	**6,843**	7,105	(3.7)
Zinc (t)	**14,410**	17,487	(17.6)
Silver ore grade (g/t)	**136**	168	(18.9)
Gold ore grade (g/t)	**0.08**	0.08	0.0
Lead ore grade (%)	**0.43**	0.43	0.0
Zinc ore grade (%)	**0.94**	1.09	(13.8)
Reserves San Julián Veins[1]			
Silver (moz)	**45.3**	45.7	(0.9)
Gold (koz)	**210**	294	(28.6)
Avg ore grade in reserves San Julián Veins			
Silver (g/t)	**327**	252	29.8
Gold (g/t)	**1.52**	1.62	(6.2)
Cut-off grade (g/t AgEq)	**240**	218	10.1
Reserves San Julián Disseminated Ore Body[1]			
Silver (moz)	**11.2**	27.9	(59.9)
Gold (koz)	**8**	17	(52.9)
Avg ore grade in reserves San Julián Disseminated Ore Body			
Silver (g/t)	**157**	148	6.1
Gold (g/t)	**0.1**	0.1	0.0
Cut-off grade (g/t AgEq)	**138**	113	22.1
Resources San Julián Veins[2]			
Silver (moz)	**141.1**	129.3	9.1
Gold (koz)	**955**	993	(3.8)
Avg ore grade in resources San Julián Veins			
Silver (g/t)	**262**	216	21.3
Gold (g/t)	**1.77**	1.66	6.6
Cut-off grade (g/t AgEq)	**175**	162	8.0
Resources San Julián Disseminated Ore Body[2]			
Silver (moz)	**39.5**	70.4	(43.9)
Gold (koz)	**25.1**	53.0	(52.6)
Avg ore grade in resources San Julián Disseminated Ore Body			
Silver (g/t)	**170**	138	23.2
Gold (g/t)	**0.1**	0.1	0.0
Cut-off grade (g/t AgEq)	**118**	102	15.7

1 2023 reserves as of 31 May 2023.
2 2023 resources as of 31 May 2023.

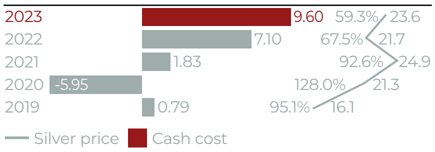
San Julián (Veins)
(US$/tonne milled)

109.0



San Julián (Veins) cash cost
(Silver US$/ounce)

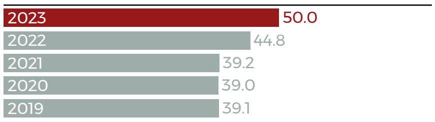
9.60



% figures represent margin between cash cost and silver price.

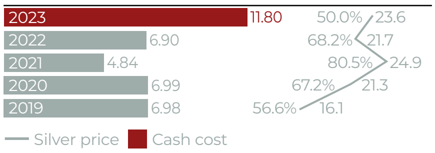
San Julián (DOB)
(US$/tonne milled)

50.0



San Julián (DOB) cash cost
(Silver US$/ounce)

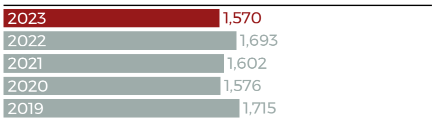
11.80



% figures represent margin between cash cost and silver price.

San Julián (Veins and DOB) ore milled per person
(Tonnes)

1,570



REVIEW OF OPERATIONS – MINES IN OPERATION CONTINUED

SAN JULIÁN CONTINUED

2024 Outlook
For the year ahead, the silver ore grade at the San Julián Veins is expected to be in the range of 160-180 g/t, with the gold ore grade expected to average 1.0-1.20 g/t.

For the San Julián Disseminated Ore Body, silver ore grade for 2024 is forecast to be in the range of 80-100 g/t as the mine approaches the end of its life, with the gold ore grade remaining around 0.08 g/t.

On 10 January 2024, Fresnillo learnt that Mexico's Supreme Court had granted a ruling in a case in which Fresnillo, as an affected third party, expects an impact to the water concessions that supply water to Minera San Julián that were granted by the Mexican State. The Mexican State is identified as the defendant in this case. The Company has not yet been formally notified of this ruling but expects it to take place in the coming weeks, and will thereafter fully assess the ruling itself and its potential implications. This ruling affects Minera San Julián although, based on current information, any impact to the Company's production is expected to be immaterial.

Budgeted capex for 2024 will be allocated to mining works, sustaining capex, and the tailings management programme.

Financial performance
Adjusted revenue decreased compared to 2022, mainly due to the lower volumes of silver sold from San Julián DOB and of gold from San Julián Veins, partly mitigated by higher gold and silver prices.

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.

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.

All in sustaining cost increased 9.6% 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)
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.

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.

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.

"Additional drilling, geotechnical studies and development were carried out to recover ore panels under paste fill. Mining works will continue in 2024, with the aim of extracting the last remaining ore at DOB."

Financial performance

Financial highlights	2023	2022	% change
Revenue (US$m)	**385.5**	392.1	(1.7)
Adjusted revenue (US$m)	**406.4**	417.6	(2.7)
Adjusted production costs (US$m)	**228.1**	200.7	13.7
Depreciation (US$m)	**101.9**	129.0	(21.0)
Segment profit (US$m)	**158.7**	190.8	(16.8)
Capital expenditure (US$m)	**74.8**	64.5	16.0
Exploration (US$m)	**30.0**	32.5	(7.7)
Cost per tonne (US$) (Veins)	**109.0**	91.0	19.8
Cash cost (US$/oz silver) (Veins)	**9.6**	7.1	35.2
Margin (US$/oz) (Veins)	**14.0**	14.7	(4.8)
Margin (expressed as % of silver price) (Veins)	**59.3**	67.5	
All in sustaining cost (Veins) (US$)	**23.9**	21.8	9.6
Cost per tonne (US$) (Disseminated Ore Body)	**50.0**	44.8	11.6
Cash cost (US$/oz silver) (Disseminated Ore Body)	**11.8**	6.9	71.0
Margin (US$/oz) (Disseminated Ore Body)	**11.8**	14.8	(20.3)
Margin (expressed as % of silver price) (Disseminated Ore Body)	**50.0**	68.2	
All in sustaining cost (Disseminated Ore Body) (US$)	**14.5**	8.8	65.0

REVIEW OF OPERATIONS – MINES IN OPERATION CONTINUED

CIÉNEGA

2023 Objectives
- Decrease personnel rotation.
- Increase productivity and implement efficiency and cost reduction initiatives.
- Advance exploration programmes to generate resources.

2023 Performance
- Several initiatives were implemented to decrease personnel rotation, with the impact expected to materialise in 2024.
- The contractor base was optimised and the productivity of unionised personnel increased.
- Several cost reduction initiatives continued to be implemented.
- Gold resources increased, silver resources were replenished.

2024 Objectives
- Focus on key cost reduction initiatives.
- Continue the exploration programme in the region and reevaluate mineral hauled from satellite veins.
- Decrease personnel rotation.
- Improve our safety performance and continue strengthening our safety-centred culture.

Ciénega is our most polymetallic mine, contributing 5.9% to total gold production and 7.7% to total silver production. The mine generated 5.9% of total Adjusted revenue during 2023.

Ownership: **100% Fresnillo plc**
In operation since: **1992**
Mine life (years): **2.5** (2022: 4.2)
Facilities: **Underground mine, flotation and leaching plant**
Workforce: **693 employees, 953 contractors**
Location: **Durango**
Milling capacity (2023): **4,000 tpd/1,340,000 tpy**

Mine production	**2023**	2022	% change
Ore milled (kt)	**1,065**	1,114	(4.5)
Silver (koz)	**4,335**	4,709	(8.0)
Gold (oz)	**35,934**	37,466	(4.1)
Lead (t)	**2,881**	3,518	(18.1)
Zinc (t)	**3,550**	5,387	(34.1)
Silver ore grade (g/t)	**147**	152	(3.2)
Gold ore grade (g/t)	**1.14**	1.14	0.0
Total reserves[1]			
Silver (moz)	**21.9**	31.6	(30.7)
Gold (koz)	**213**	295	(27.8)
Avg ore grade in reserves			
Silver (g/t)	**253**	211	19.9
Gold (g/t)	**2.46**	1.96	25.5
Cut-off grade (g/t AgEq)	**Multiple**	Multiple	
Total resources[2]			
Silver (koz)	**126,441**	126,713	(0.2)
Gold (koz)	**1,476.3**	1,412.2	4.5
Avg ore grade in resources			
Silver (g/t)	**279**	229	21.8
Gold (g/t)	**3.26**	2.56	27.3
Cut-off grade (g/t AgEq)	**Multiple**	Multiple	

1 2023 reserves as of 31 May 2023.
2 2023 resources as of 31 May 2023.

Key developments in the year

Gold and silver production decreased year-on-year due to the decrease in volume of ore processed, in accordance with the mine plan, and a lower silver ore grade.

Productivity increased as the programme to optimise the contractor base and increase the productivity of unionised personnel bore fruit and more than offset the lower volume of ore processed.

Several initiatives to decrease personnel rotation were implemented during the year, including adjusting the work schemes to offer more flexibility, reviewing career plans and training programmes, and improving infrastructure and facilities on site to enhance the quality of life of our workers and their families.

A number of cost reduction initiatives were also implemented. These included a comprehensive analysis of areas of opportunity to decrease consumption of certain operating materials, increase the efficiency of the maintenance process, re-evaluate ground support alternatives and optimise extraction from satellite areas. Together with the rationalisation of the contractor base and the increased productivity of the unionised personnel, these initiatives are expected to decrease costs in 2024.

Reserves and resources

Silver and gold in ore reserves decreased 30.7% and 27.8% respectively year-on-year as a result of extraction as well as higher costs and cut-offs. Gold in mineral resources increased 4.5% year-on-year due to exploration results, while silver in mineral resources remained stable as exploration results offset higher costs, cut-off grades and depletion.

Capital expenditure

Capital expenditure in 2023 totalled US$43.8 million and was allocated primarily to mine development, sustaining capex and safety and environment, including the construction of the tailings dam.

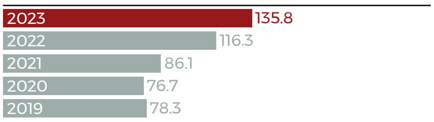
2024 Outlook

In 2024, the average gold ore grade is expected to be between 1.1-1.3 g/t, with the silver ore grade expected to average 160-180 g/t.

Budgeted capex for 2024 will continue to be primarily focused on mining works and sustaining capex.

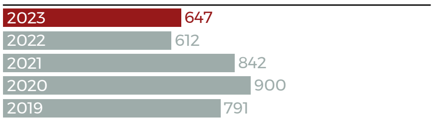
Ciénega
(US$/tonne milled)

135.8



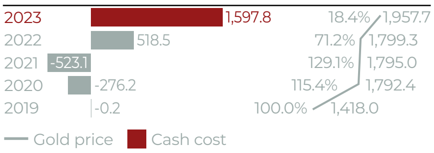
Ciénega ore milled per person
(Tonnes)

647



Ciénega cash cost
(Gold US$/ounce)

1,597.8



% figures represent margin between cash cost and gold price.

Financial performance

Financial highlights	2023	2022	% change
Revenue (US$m)	**162.0**	169.5	(4.4)
Adjusted revenue (US$m)	**169.3**	180.3	(6.1)
Adjusted production costs (US$m)	**144.6**	129.6	11.6
Depreciation (US$m)	**48.7**	50.9	(4.3)
Segment profit (US$m)	**18.9**	39.6	(52.3)
Capital expenditure (US$m)	**43.8**	47.0	(6.8)
Exploration (US$m)	**7.8**	9.6	(18.8)
Cost per tonne (US$)	**135.8**	116.3	16.8
Cash cost ($/oz gold)	**1,597.8**	518.5	208.2
Margin ($/oz)	**359.9**	1,280.8	(71.9)
Margin (expressed as % of gold price)	**18.4**	71.2	
All in sustaining cost (US$)	**3,178.5**	2,011.1	58.0

Adjusted revenue decreased 4.4% vs 2022, mainly due to lower volumes of gold, silver, lead and zinc sold, and lower zinc prices. Ciénega is the Group's most polymetallic mine, a fact demonstrated by the 61.3% contribution from silver, lead and zinc in 2023 (2022: 64.8%).

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.

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%).

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

2023 Objectives
- Commission and ramp-up the Carbon in Column project.
- Develop pit slope optimisation pilot programme.
- Initiate the construction of the 15th leaching pad.

2023 Performance
- The Carbon in Column project was commissioned in 2Q 2023, with ramp-up starting in 2H 2023.
- The pit slope optimisation programme continued and recommendations are being tested in different geotechnical domains of the pit.
- Construction of the 15th leaching pad was delayed as its location was under review to consider the growth of the pit.

2024 Objectives
- Conclude the life of mine plan review and implement relevant recommendations.
- Focus on key cost reduction initiatives.
- Improve our safety performance and continue strengthening our safety-centred culture.

One of Mexico's largest open pit gold mines, Herradura produced 58.2% of the Group's total gold in 2023 and generated 24.7% of total adjusted revenue.

Ownership: **Minera Penmont (100% Fresnillo plc)**

In operation since: **1997**

Mine life (years): **10.2** (2022: 10.9)

Facilities: **Open pit mine, heap leach and Merrill Crowe plants; two dynamic leaching plants (DLP)**

Workforce: **1,929 employees, 839 contractors**

Location: **Sonora**

Mine production	2023	2022	% change
Ore deposited (kt)	**20,224**	22,195	(8.9)
Total volume hauled (kt)	**99,542**	120,370	(17.3)
Gold (oz)	**355,485**	349,715	1.6
Silver (koz)	**611**	776	(21.3)
Gold ore grade (g/t)	**0.76**	0.69	9.9
Total reserves[1]			
Gold (moz)	**5.5**	6.2	(11.3)
Avg ore grade in reserves			
Gold (g/t)	**0.83**	0.80	3.7
Cut-off grade (g/t Au)	**Multiple**	Multiple	
Total resources[2]			
Gold (moz)	**6.7**	7.8	(14.1)
Avg ore grade in resources			
Gold (g/t)	**0.85**	0.81	4.9
Cut-off grade (g/t Au)	**Multiple**	Multiple	

1 2023 reserves as of 31 May 2023.
2 2023 resources as of 31 May 2023.

Key developments in the year

Annual gold production increased year-on-year as a result of the higher ore grade in the sulphides and positive variations with the geological model. These factors were partly offset by the decreased volume of ore processed at the dynamic leaching plant (I and II) as a result of the electrical failure in 3Q 2023.

Waste material hauled decreased 17.3%, in accordance with the mine plan. However, the portion of waste material hauled charged to costs, rather than capitalised, increased in 2023 compared to 2022. This was due to the lower stripping ratio for the main component of the mine during the year compared to the prevailing stripping ratio for the life of the mine (LOM) of this component. This impacted costs because all the stripping was registered as cost in the income statement. In 2022, the stripping ratio was above the average LOM stripping ratio as mineral benches that would be accessed in the future were prepared, leading to a greater portion of the stripping costs being capitalised.

Productivity decreased vs 2022 as personnel hauled material over greater distances, combined with the impact of the temporary suspension of operations following an illegal stoppage by a very small group of unionised employees in the first half of the year.

The Carbon in Column project to increase gold recovery from the old leaching pads was commissioned in 2Q 2023. Ramp-up started in 2H 2023 with a few adjustments being required during the period.

The pit slope optimisation programme continued, and recommendations are being tested in different geotechnical domains of the pit. Once this is concluded, the mine design will be reviewed and adjusted accordingly.

Reserves and resources

Gold in ore reserves and mineral resources decreased 11.3% and 14.1% respectively, due to extraction, higher cost assumptions and cut-off grades and neutral exploration drilling results.

Capital expenditure

Capital expenditure in 2023 totalled US$56.9 million, which was focused on mining works, sustaining capex and the implementation of the activated carbon process to increase gold recovery.

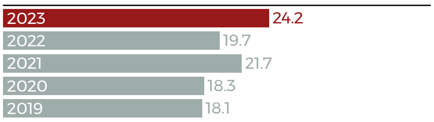
2024 Outlook

Gold ore grades in 2024 are expected to be in the range of 0.60–0.70 g/t.

Capex for 2024 will continue to focus primarily on sustaining capex, expansion of the tailings dam and construction of the 15th leaching pad.

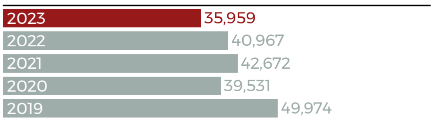
Herradura
(US$/tonne milled)

24.2



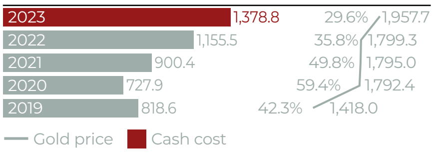
Herradura ore milled per person
(Tonnes)

35,959



Herradura cash cost
(Gold US$/ounce)

1,378.8



% figures represent margin between cash cost and gold price.

Financial performance

Financial highlights	2023	2022	% change
Revenue (US$m)	**708.2**	634.0	11.7
Adjusted revenue (US$m)	**708.7**	634.9	11.6
Adjusted production costs (US$m)	**490.9**	437.4	12.2
Depreciation (US$m)	**78.4**	81.5	(3.8)
Segment profit (US$m)	**157.2**	127.9	22.9
Capital expenditure (US$m)	**56.9**	105.3	(46.0)
Exploration (US$m)	**18.3**	19.2	(4.7)
Cost per tonne (US$)	**24.2**	19.7	22.8
Cost per tonne hauled (US$)	**5.4**	4.7	14.9
Cash cost ($/oz gold)	**1,378.8**	1,155.5	19.3
Margin ($/oz)	**578.9**	643.8	(10.1)
Margin (expressed as % of gold price)	**29.6**	35.8	
All in sustaining cost (US$)	**1,608.7**	1,527.4	5.3

Adjusted revenue increased year-on-year due to the higher gold price.

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.

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 10.1% 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.

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

REVIEW OF OPERATIONS – MINES IN OPERATION CONTINUED

NOCHE BUENA

2023 Objectives
- Close the open pit operation once reserves have been fully depleted.
- Continue to extract gold from the leaching pads.

2023 Performance
- The mine closure plan commenced. Ore extraction ended in 2Q 2023 although gold recovery from the leaching pads continued.

2024 Objectives
- Continue to leach remaining inventories.
- Continue site closure and reclamation programme.

Noche Buena, located in the Herradura district, produced over 1.4 moz of gold over its ten year life and generated total Adjusted revenue of US$1.9bn from 2012 to 2022.

Ownership: **Minera Penmont (100% Fresnillo plc)**	
In operation since: **2012**	
Mine life (years): **0.0** (2022: 0.8)	
Facilities: **Open pit mine, heap leach, Merrill Crowe plant and Carbon in Column process**	
Workforce: **218 employees, 73 contractors**	
Location: **Sonora**	

Mine production	2023	2022	% change
Ore deposited (kt)	**2,510.6**	7,428.2	(66.2)
Total volume hauled (kt)	**8,424.7**	26,855	(68.6)
Gold (oz)	**42,537**	79,669	(46.6)
Silver (koz)	**10**	20	(48.0)
Gold ore grade (g/t)	**0.47**	0.53	(11.3)
Total reserves[1]			
Gold (koz)	**0**	92	(100.0)
Avg ore grade in reserves			
Gold (g/t)	**0.0**	0.48	(100.0)
Cut-off grade (g/t Au)	**0.0**	0.22	(100.0)
Total resources[2]			
Gold (koz)	**94**	193	(51.3)
Avg ore grade in resources			
Gold (g/t)	**0.70**	0.59	18.6
Cut-off grade (g/t Au)	**0.20**	0.20	0.0

1 2023 reserves as of 31 May 2023.
2 2023 resources as of 31 May 2023.

Key developments in the year

Annual gold production decreased 46.6% vs 2022 as ore mining ended in 2Q 2023, in accordance with the mine plan, although gold recovery from the leaching pads continued. Productivity and all operating and financial indicators decreased as the mine nears its end of life.

The mine closure plan started with geochemical characterisation and remediation activities at the pit, the removal of access roads and comprehensive assessments of leaching pads and waste rock heaps. Further details of our closure activities are explained in the Sustainability section, page 138.

Reserves and resources

Gold in ore reserves and mineral resources were depleted in line with the mine's lifecycle.

Capital expenditure

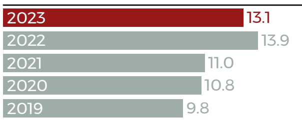
Capital expenditure in 2023 was immaterial and focused on sustaining capex.

2024 Outlook

Continue with our mine closure and reclamation programme and leach remaining inventories while it is economically feasible.

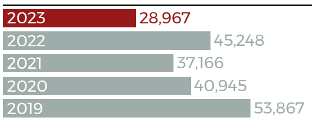
Noche Buena
(US$/tonne milled)

13.1



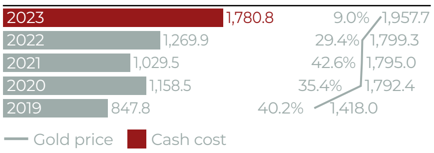
Noche Buena ore milled per person
(Tonnes)

28,967



Noche Buena cash cost
(Gold US$/ounce)

1,780.8



% figures represent margin between cash cost and gold price.

Financial performance

Financial highlights	2023	2022	% change
Revenue (US$m)	**84.2**	142.7	(41.0)
Adjusted revenue (US$m)	**84.8**	143.8	(41.0)
Adjusted production costs (US$m)	**32.9**	103.6	(68.2)
Depreciation (US$m)	**8.2**	39.4	(79.2)
Segment profit (US$m)	**5.6**	44.4	(87.4)
Capital expenditure (US$m)	**0.0**	0.4	(100.0)
Exploration (US$m)	**0.4**	1.4	(71.4)
Cost per tonne (US$)	**13.1**	13.9	(5.8)
Cost per tonne hauled (US$)	**3.9**	3.9	–
Cash cost ($/oz gold)	**1,780.8**	1,269.9	40.2
Margin ($/oz)	**176.9**	529.4	(66.6)
Margin (expressed as % of gold price)	**9.0**	29.4	
All in sustaining cost (US$)	**1,873.0**	1,359.6	37.8

Adjusted revenue at Noche Buena decreased to US$84.8 million as a result of the lower volumes of gold sold.

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 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.

The 37.8% increase to US$1,873.0 per ounce in all-in sustaining cost was the result of higher cash cost.

JUANICIPIO

2023 Objectives
- Complete commissioning and ramp-up production, with the objective of achieving nameplate capacity by 3Q 2023.
- Advance exploration programmes to generate resources and convert resources into reserves.

2023 Performance
- Commissioning was completed in 1Q 2023 and ramp-up commenced, achieving nameplate capacity in 3Q 2023 as planned.
- Exploration programme continued although ore reserves and mineral resources decreased due to extraction, increased costs and higher cut-offs.
- Mineralised material continued to be processed at the Saucito plant.

2024 Objectives
- Increase development rates.
- Advance exploration programmes to generate resources and convert resources into reserves.

Despite this project not being fully operational in the period due to the pending tie-in of the flotation plant to the national grid, the mine commenced operations and contributed 16.7% to the Group's total attributable silver production. The mine generated 17.2% of total Adjusted revenue during 2023.

Ownership: **56% Fresnillo plc, 44% MAG Silver**

In operation since: **Development ore processed from mid-2020, mineralised material processed from 2022, flotation plant expected to begin commercial operations in 2023**

Mine life (years): **12.1** (2022: 12.0)

Facilities: **Underground mine and flotation plant**

Workforce: **496 employees, 746 contractors**

Location: **Zacatecas**

Milling capacity (2023): **4,000 tpd/1,340,000 tpy**

Mine production	2023	2022	% change
Ore milled (kt)	**711**	362	96.4
Silver (koz)	**9,415**	5,180	81.8
Gold (oz)	**20,570**	12,461	65.1
Lead (t)	**7,202**	2,755	161.4
Zinc (t)	**11,368**	4,521	151.5
Silver ore grade (g/t)	**472**	520	(9.1)
Gold ore grade (g/t)	**1.27**	1.39	(8.7)
Total reserves[1]			
Silver (moz)	**68.4**	83.3	(17.9)
Gold (koz)	**437**	448	(2.5)
Avg ore grade in reserves			
Silver (g/t)	**248**	284	(12.7)
Gold (g/t)	**1.58**	1.53	3.3
Cut-off grade (g/t AgEq)	**277**	265	4.5
Total resources[2]			
Silver (koz)	**154,473**	158,351	(2.4)
Gold (koz)	**839**	840	(0.1)
Avg ore grade in resources			
Silver (g/t)	**276**	285	(3.2)
Gold (g/t)	**1.50**	1.51	(0.7)
Cut-off grade (g/t AgEq)	**209**	196	6.6

1 2023 reserves as of 31 May 2023.
2 2023 resources as of 31 May 2023.

Key developments in the year

The commissioning of the flotation plant at Juanicipio was completed in 1Q 2023 and ramp-up progressed as planned, achieving nameplate capacity in 3Q 2023. However, mineralised material from development and production stopes continued to be processed primarily at the nearby Saucito plant and, to a lesser extent, at Fresnillo in the first half of the year, while the commissioning and ramp-up were implemented. In total, production of silver, gold, lead and zinc materially increased year-on-year.

Silver and gold ore grades varied throughout the year with higher ore grade areas mined in 2Q 2023 and 3Q 2023 but trending down in the last months of the year as per mining sequence.

Mine development continued and reached an average of 1,239 metres per month in 2023.

Reserves and resources

Silver in ore reserves and mineral resources and gold in reserves decreased year-on-year reflecting extraction, increased costs and higher cut-offs. Gold in mineral resources remained stable vs 2022.

Capital expenditure

Capital expenditure in 2023 totalled US$82.2 million and was allocated primarily to mine development and purchase of equipment.

2024 Outlook

The average silver ore grade is expected to be between 380-420 g/t.

Budgeted capex for 2024 will continue to be primarily focused on mining works, sustaining capex and a haulage conveyor.

Financial performance

Financial highlights	2023	2022	% change
Revenue (US$m)	**454.7**	236.7	92.1
Adjusted revenue (US$m)	**492.5**	259.0	90.2
Adjusted production costs (US$m)	**156.7**	100.7	55.6
Depreciation (US$m)	**68.9**	22.1	211.8
Segment profit (US$m)	**271.6**	154.5	75.8
Capital expenditure (US$m)	**82.2**	149.6	(45.1)
Exploration (US$m)	**7.6**	7.8	(2.6)
Cost per tonne (US$)	**114.8**	N/A	N/A
Cash cost ($/oz silver)	**6.8**	N/A	N/A
Margin ($/oz)	**16.8**	N/A	N/A
Margin (expressed as % of silver price)	**71.2**	N/A	
All in sustaining cost (US$)	**11.4**	N/A	N/A

The flotation plant at Juanicipio was not in operation until 2Q 2023, thus there were no representative cost indicators (cost per tonne, cash cost and all in sustaining cost) in 2022.

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 full financial statements and their accompanying notes can be found on pages 262-313.

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$/share)[5]	**0.317**	0.369	(0.052)	(14.1)
Basic and diluted earnings per share, excluding post-tax Silverstream effects (US$/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 dollars this 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.

FINANCIAL REVIEW CONTINUED

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[1]	**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

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

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

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 Juanicipio 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

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

FINANCIAL REVIEW CONTINUED

	2023	% contribution of each mine	2022	% contribution of each mine	Change %
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[1] 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[2]	**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[3]	**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%[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 vi) costs from the start-up of the Pyrites plant at Fresnillo (US$8.8 million). These adverse effects were mitigated by 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.

1 Treatment and refining charges include the cost of treatment and refining as well as the margin charged by the refiner.
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 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.
4 Cost inflation would have been 3.9% excluding the effect of the Mexican peso revaluation.

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

Explanations regarding changes in cost per tonne by mine are covered in the Review of operations section, on pages 48-63.

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

Explanations regarding changes in cash cost per ounce by mine are covered in the Review of operations section, on pages 48-63.

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.

FINANCIAL REVIEW CONTINUED

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

Explanations regarding changes in AISC by mine are covered in the Review of operations section, on pages 48-63.

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$145.1 million); ii) the MXP/US$ revaluation effect (-US$113.3 million); iii) the lower zinc and lead prices (-US$70.4 million); iv) underlying cost inflation of 3.9% (-US$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.

FINANCIAL REVIEW CONTINUED

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 programme to manage its exposure to foreign exchange risk associated with the purchase of equipment denominated in euro (EUR). As of 31 December 2023, the total EUR outstanding net forward position was EUR5.08 million with maturity dates through September 2024. Volumes that expired during the second half of 2023 were EUR7.07 million with a weighted average strike of 1.1043 US$/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)

1 Cash and other liquid funds are disclosed in note 17 to the consolidated financial statements.

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).

FINANCIAL REVIEW CONTINUED

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[1].

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.

1 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.

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.

LETTER FROM THE CHAIRMAN OF THE HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY RELATIONS (HSECR) COMMITTEE

Dear Shareholder,

At Fresnillo, our ethical and responsible business practices extend across our entire value chain. Supported by a robust governance structure, a solid performance and guided by the UN Sustainable Development Goals, we strive to create value for all our stakeholders, with a view to consistently earning and upholding their trust.

The Health, Safety, Environment and Community Relations (HSECR) Committee, assists the Board by collaborating with management to meticulously supervise the Company's strategies, ensuring that they effectively address environmental, social and governance (ESG) considerations. As Chairman of the HSECR Committee, I share with you the key highlights of the period.

Despite improvement in recent years, the Company's safety record deteriorated across most indicators last year; most notably, a 12.08 Total Recordable Injury Frequency Rate (TRIFR) and 7.40 Lost Time Injury Frequency Rate (LTIFR), vs 10.26 and 5.44 in 2022, respectively. Regrettably, it is with deep sadness that I also report four fatalities at our operations during this period and one in January 2024. Most of the fatalities involved contractors' workers. On behalf of the Board of Directors, we express our heartfelt condolences to their families and loved ones. This is a matter of profound concern as we are dedicated to safeguarding our most invaluable asset – the lives and wellbeing of our workforce.

Recognising the gravity of our safety performance, strategic measures, swift action and enhanced accountability are imperative in order to address and rectify the underlying issues. So far, a series of measures that aim to strengthen a proactive, safety-centric culture have been deployed, with an enhanced performance-oriented focus to manage high-potential and critical risks.

We firmly uphold the principle of safety first – valuing life above business results – and our commitment towards the ultimate goal of achieving zero fatalities remains steadfast. Recognising that behavioural change is a key element of success, the Company is actively dedicating significant time and resources to enhance awareness through the continuous evolution of the 'I Care, We Care' programme. Under the stewardship of our Chairman, leadership standards were designed to strengthen our preventive safety culture. These standards were endorsed by the CEO, COO and Senior Management, and systematically rolled-out across all mining units, reaching our entire workforce. During the period, we also organised high-level safety engagements with the personal attendance of our Company Chairman, CEO, COO and top management; additionally, we also held a safety week as well as the 11th Safety Symposium.

As most fatalities involved contractors' staff, we have urged management to engage more effectively with contractors through enhanced communication mechanisms, training, closer supervision and updated mining works contracts aligned to Fresnillo's safety standards. We are also actively implementing corrective measures, including more thorough investigations, enhanced accountability (including increased sanctions for breaches of safety procedures), improved training, strengthened operational discipline and rigorous verification of critical controls, among other initiatives. Additionally, key strategic actions include the systematic involvement and field presence of operational leaders to guide and coach broader teams regarding risk assessments. Dissemination campaigns and workshops are also being deployed to empower any member of the workforce to halt operations under any unsafe conditions that may be detected through the 'Right to say no' policy. Notably, the results obtained in December 2023 were promising, with reductions in the TRIFR and LTIFR of over 40% compared to November, and of 15% and 40% respectively compared to the same period in 2022. These outcomes provide valuable insight into the efficacy of the overall strategy and give us some confidence in its potential to create sustained improvement in our safety performance moving forward. However, we recognise that further efforts are required to achieve our desired results and are committed to making ongoing improvements.

After the World Health Organization (WHO) and Mexican government announced the end of the Covid-19 public health emergency in 2023, the Company continued to diligently adhere to the recently updated Health Ministry's protocols, to monitor contagion cases – with an 82% decrease in comparison to 2022 – and to enforce comprehensive respiratory disease prevention measures. These included conducting influenza vaccination campaigns for workers and their families and providing reminders for essential practices such as vitamin C intake, amongst others. We made good progress in evolving the Health Department to a more holistic view of comprehensive health, with the 'Living in Balance Programme' promoting healthy habits and emotional wellbeing across the organisation. Furthermore, the establishment of the Occupational Health Transversal Committee and the Wellbeing Committee in 2023, as well as the plan to create unit-level Ergonomics Committees in 2024, demonstrates a forward-looking approach to address preventive actions and implement improvements going forward.

The Company remains committed to advancing its social investments with a dual focus on strengthening its relationships with communities and enhancing their capabilities over the long term. Our Community Relations strategy is built on a dedication to meaningful engagement that is aligned with community priorities, and on key departments within the organisation working together to achieve results. The Community Health Weeks – conducted in close collaboration with the UNAM Foundation, local authorities and civil society organisations – reached almost 200 communities and over 6,000 people across all areas influenced by our operations. Sports and educational programmes were also fully reinstated during the period, including summer camps, tournaments and workshops, all geared towards fostering social cohesion through open dialogue and interactive learning experiences.

The Company maintained its support to five existing FIRST Robotics teams and introduced a new one in Orysivo, underscoring our commitment to STEM education, teamwork and project management in neighbouring communities. At the Laguna Regional Championship, teams from Fresnillo, Ciénega and Guanajuato earned awards, with the Guanajuato team qualifying for the World Championship in Houston. The Company also received the 'Volunteer of the Year' award for the dedication of its outstanding volunteers. Leveraging the success of the robotics team, we have extended its impact through the Fresnillo – La Salle Excellence Scholarship Programme for the highest-performing students from each team. Following the inaugural generation's graduation in 2022, we forged new partnerships with the Chihuahua and León campuses of La Salle university, expanding its reach beyond Northeast and Laguna. The programme welcomed ten new students during the period, with a total of 21 students benefiting from this initiative.

Water scarcity and hydric stress persist as major concerns for both Fresnillo and our neighbouring communities and compelled us to take proactive measures throughout the year. In Penmont, Ciénega and San Julián, we conducted comprehensive studies and proof-of-concept projects aimed at improving local water infrastructure. These initiatives are conducted hand-in-hand with local communities and NGOs, emphasising the importance of securing endorsement and financial support from local authorities for their execution. In addition, we recently signed a collaboration agreement with the Potable Water, Sewage and Sanitation System of the Municipality of Fresnillo. Under this agreement, the Company will undertake the rehabilitation and operation of a water potabilisation plant and provide the resulting clean water to the municipality. This project serves a dual purpose: mitigating the region's water scarcity issues by reducing our freshwater consumption while also potentially increasing the availability of municipal wastewater for mining operations. By prioritising the delivery of clean water to the municipality, we have underlined our dedication to environmental protection and acknowledged the intrinsic value of ensuring access to a sustainable and clean water supply for our local communities.

The Committee has continued to thoroughly monitor management's efforts to ensure the safe operation of tailings storage facilities (TSFs). Several key milestones were passed during the year, including Board approval of the Tailings Policy and Commitments for Responsible Tailings Management, clearly establishing roles, responsibilities, and duties of the different participants of the TSFs management system. Management also approved the Tailings Management System's Corporate Tailings Guidelines, with this governance framework being successfully implemented across all mining units. Finally, Operation, Maintenance and Surveillance (OMS) Manuals as well as Emergency Preparedness and Response Plans (EPRPs) have been issued by all mining units and integrated into current procedures and existing plans. Potential Failure Mode Assessments (PFMA), which focus on prevention of major risks, also continue to progress. Management has plans for investments to improve the safety of TSFs. Overall, the Company's actions not only demonstrate our compliance and commitment to industry best practices, but further consolidate accountable and responsible TSF operations.

Climate change is a formidable challenge for our era, and the Committee diligently monitored the Company's progress towards achieving its 75% renewable energy target by 2030. We are pleased to report that by carrying out adjustments in the Company's energy portfolio, we successfully secured 53.3% renewables in the overall electricity supply during 2023. This achievement has restored the trajectory back onto its intended course, despite substantial increases in energy demand driven by expanding operations and setbacks in previous periods, including regulatory headwinds. Additionally, the Company continued to evolve the climate-risk assessment in the enterprise risk framework (ERM), revaluating the shortlist of climate-related risks and opportunities (CROs) and strengthening the scenario analysis, demonstrating Fresnillo's commitment towards operational resilience.

Looking ahead to 2024, we anticipate seeing results from the regional climate modelling and the decarbonisation roadmap studies. We aim to thoroughly analyse these studies to extract valuable insights that will support the development of a pragmatic, clear and feasible decarbonisation pathway, balancing economic realities, current technological limitations and regulatory uncertainty.

The HSECR Committee is determined to conduct a comprehensive assessment of matters under its remit and to advance the Company's ESG strategy and overall performance. As we move forward, our institutional practices will stand as a testament to the Company's unwavering and ongoing dedication to constructing a more sustainable business model in collaboration with its key stakeholders.

Yours faithfully,

Arturo Fernández
Chairman, Health, Safety, Environment and Community Relations Committee

Role of the Committee
The role and duties of the HSECR Committee are set out in its terms of reference, a copy of which can be found on the Company's website.

HSECR Committee membership
Mr Arturo Fernández (Chairman), Dame Judith Macgregor, Mr Fernando Ruiz and Ms Georgina Kessel.

Key contributors: Chief Executive Officer, Chief Operating Officer, CEO Engineering Services (Peñoles-Baluarte), Health, Safety and Environment Assistant VP (Peñoles-Baluarte), Sustainability and Community Relations VP (Peñoles-Baluarte), Safety and Environment Assistant VP, General Counsel, Health Corporate Manager, Community Relations Manager and ESG Compliance Manager.

HSECR Committee Activity
During the year, the Committee met in accordance with its terms of reference.

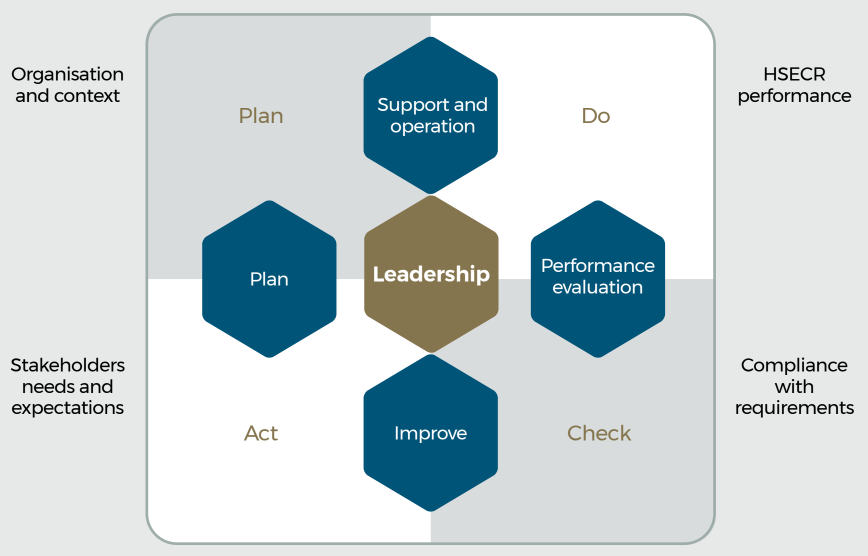
SUSTAINABILITY AT THE CORE OF OUR PURPOSE

OUR APPROACH TO SUSTAINABLE MINING

DOING BUSINESS ETHICALLY AND RESPONSIBLY	CARING FOR OUR PEOPLE	PARTNERING WITH OUR COMMUNITIES	PROTECTING THE ENVIRONMENT
For more information see pages 82-87.	For more information see pages 88-105.	For more information see pages 139-150.	For more information see pages 106-138.

We adhere to the principle that mining should align with the high ethical, social and environmental expectations of our stakeholders. This belief is embedded in our business model and influences every decision. During the year, we made good progress in our wellbeing programmes, underlining our commitment to employee physical and mental health, as well as promoting nutrition, sports and healthy habits. Our safety record has fallen short of our recent pledges to eliminate fatalities and reduce our Total Recordable Injury Frequency Rate (TRIFR) to ICMM's ranges. Nevertheless, we believe that we have defined and started to deploy a series of strategic measures with an enhanced performance-oriented focus to manage high-potential and critical risks, and that enhanced accountability will improve overall operational discipline. We have also continued to progress our climate change strategy, for example by improving our overall climate risk framework and launching initiatives that will better inform our decision-making in the upcoming years, as we continue to mature our decarbonisation ambitions. Finally, we continue to engage with our neighbouring communities throughout every stage of the mining life cycle, engagement, development and shared growth through programmes aligned to the Sustainable Development Goals (SDGs) on health, education, clean water and decent work.

HSECR management system



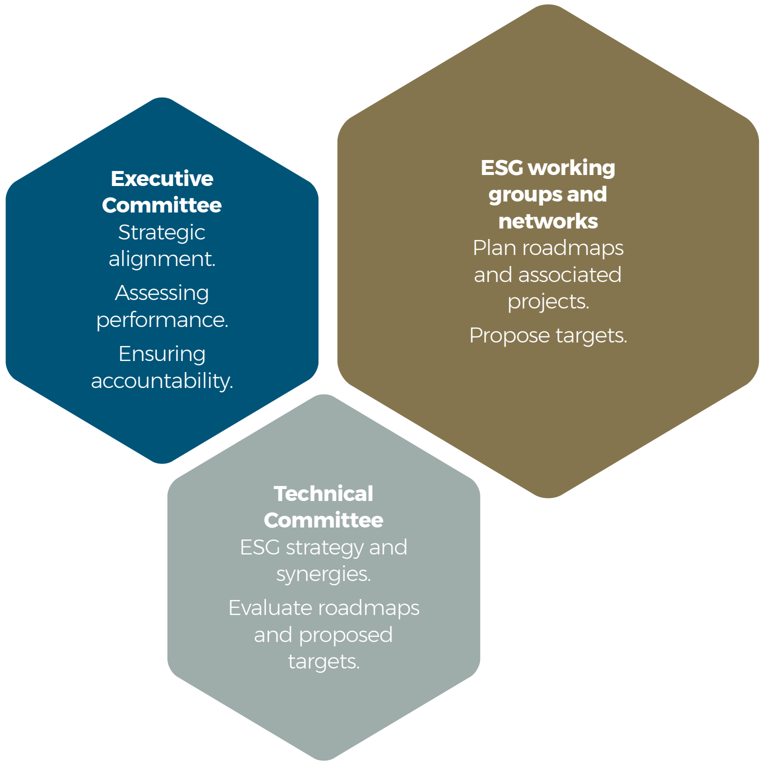
HSECR management system

Our focused approach to Environmental, Health, Safety and Community Relations (HSECR) matters ensures that any impact on workers or facilities is considered as a critical factor in shaping policies and strategies across all Fresnillo's operations. A systematic approach to HSECR management enables us to provide pertinent information to top management, fostering long-term success and creating opportunities to contribute to sustainable development. Each unit defines HSECR requirements with clear guidelines for implementation and assessment; the system establishes measurable goals, objectives and programmes, defining procedures for measurement, monitoring, and improvement, as well as periodic audits and reviews by top management.

Social-compatibility strategy

Last year marked the implementation of a comprehensive strategy, collaboratively executed both internally and in coordination with our Parent Company, Industrias Peñoles. This strategic initiative is designed to foster trust within society while ensuring the enduring success of our business. At its core, the strategy focuses on enhancing ESG performance in alignment with national and international standards and addresses the evolving demands of stakeholders and society at large, consolidating our approach to ESG.

To facilitate the effective implementation of this strategy, we have established a robust governance structure, comprising an Executive Committee, a Technical Committee, and ESG networks, along with associated working groups. These working groups address our most material issues: climate change, water, biodiversity, tailings storage facilities, mine closure, value chain, human rights, health and safety, and diversity, equity and inclusion (DEI). We continue to be committed to transparently communicating our progress in years to come.



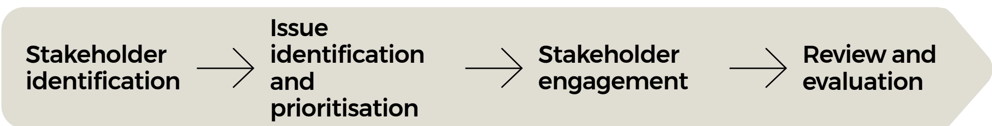
Awards

During 2023, we received recognition from several organisations, including: Ethics and Values in Industry from the Mexican Confederation of Industrial Chambers (CONCAMIN); the Exceptional Enterprises award from the Business Coordinating Council (CCE), Communication Council and Institute for the Promotion of Quality; the Socially Responsible Company award from the Mexican Centre for Philanthropy (CEMEFI); and we also obtained a Maximum Score in the Corporate Integrity survey, a joint initiative by the NGOs Mexicans Against Corruption and Mexican Transparency.

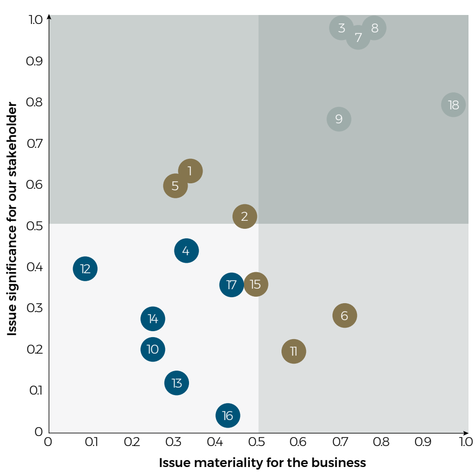
Materiality assessment

We actively engage our stakeholders to gain deeper insight into the issues that hold significance for them and that are material to our business. This process, known as materiality assessment, serves as a crucial tool in holding our sustainability strategy and shaping our reporting of non-financial issues. Because society and our industry are dynamic and expectations shift over time, we conduct in-depth materiality assessments every few years.

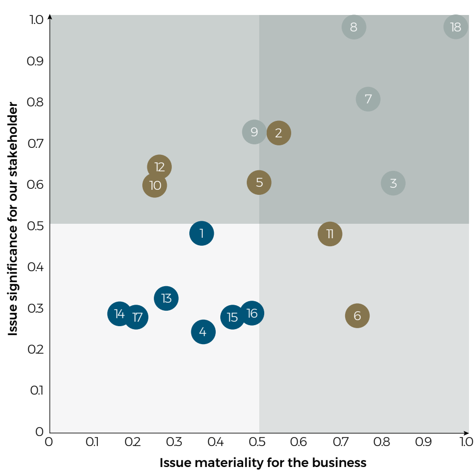
- Firstly, our relevant stakeholders are identified by a multidisciplinary team.
- Secondly, we employ a systematic approach to identify issues relevant to our industry by monitoring and evaluating reporting frameworks, international trends, regulations and compliance requirements, and review ESG questionnaires to capture emerging concerns and evolving expectations.
- Thirdly, we develop a structured engagement plan involving both internal and external stakeholders, utilising surveys and focus groups, to assess the current relevance of issues and include forward-looking questions to assess their anticipated relevance over the next decade.
- Finally, we integrate the materiality assessment outcomes into the sustainability strategy and reporting.



Materiality 2023



Materiality 2033



1. Biodiversity conservation
2. Climate change
3. Community relations
4. Data privacy and cybersecurity
5. Diversity, equity and inclusion
6. Environmental management
7. Ethics and corporate integrity
8. Governance, risk and crisis management
9. Health, safety and occupational wellbeing
10. Human rights
11. Innovation and technology
12. Mine closure
13. Relationship with government and authorities
14. Relationship with indigenous people
15. Responsible value chain
16. Talent development
17. Waste management
18. Water management

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

The latest assessment reflects the ongoing iterative process described earlier, with new material issues incorporated. Notably, some issues have maintained their significance throughout, such as water management, ethics, corporate integrity and safety. However, we observed shifts including the heightened importance of various granular subjects related to community relations, health, safety and occupational health and, conversely, the decreased prominence of other topics within the waste management and mine closure categories.

Next, we outline the key materiality issues underpinning our commitment to responsible business practices. These have been grouped into four pillars – Doing business ethically and responsibly, Caring for our people, Protecting the environment and Partnering with our communities. The following table provides further information about our key materiality issues, and how they are interlinked to the principal risks. Additionally, we highlight the strategic alignment of our core business with the United Nations Sustainable Development Goals (SDGs) and our contribution to them. For a general overview of the Company's risk assessment and strategies for mitigation, please refer to the Managing our Risks and Opportunities section in pages 151-183.

STAKEHOLDERS

PROTECTING THE ENVIRONMENT

We optimise resource use to curb our impacts and are accountable for our environmental footprint.

Key matters
- Environmental management.
- Energy.
- Climate change.
- Waste management.
- Water stewardship.
- Biodiversity.
- Mine closure.

Material issues
- Climate change.
- Environmental management.
- Biodiversity conservation.
- Water management.
- Waste management.
- Mine closure.
- Innovation and technology.

Intersection with principal risks
- 13 Climate change.
- 14 Tailing dams.
- 15 Environmental incidents.

SDG Alignment

6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION; 15 LIFE ON LAND

How we contribute to the SDGs

Mitigate our impact by decreasing resource consumption, improving resource efficiency, increasing renewable energies, managing waste responsibly, and fostering biodiversity stewardship and land remediation across our operations.

BUILDING TRUST

PARTNERING WITH OUR COMMUNITIES

We engage meaningfully with our communities and support the issues that matter to them.

Key matters
- Community relations.
- Socioeconomic development.
- Respecting human rights.

Material issues
- Community relations.
- Relationship with indigenous people.
- Human rights.

Intersection with principal risks
- 2 Security.
- 10 Access to Land.
- 11 License to operate.

SDG Alignment

3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 6 CLEAN WATER AND SANITATION; 8 DECENT WORK AND ECONOMIC GROWTH

How we contribute to the SDGs

Engage with our communities to address their concerns with projects aimed at improving their livelihoods and reducing poverty.

Key contribution of silver and gold to the UN SDGs

- 6 CLEAN WATER AND SANITATION: Make water safer.
- 7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION: Used in technologies to generate clean energy.
- 3 GOOD HEALTH AND WELL-BEING: Protect health by reducing infections and through use in rapid testing.
- 11 SUSTAINABLE CITIES AND COMMUNITIES: Present in innovative electronics that improve lives.

DOING BUSINESS ETHICALLY AND RESPONSIBLY

We affirm our ethical culture through our behaviour and actions.

Key matters
- Ethics culture.
- Responsible business.

Material issues
- Ethics and corporate integrity.
- Responsible value chain.
- Data privacy and cybersecurity.
- Relationship with government and authorities.

Intersection with principal risks
- 1 Potential actions by the government.
- 5 Human resources.
- 6 Cybersecurity.

SDG Alignment

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

How we contribute to the SDGs

Promote and maintain an ethical culture in the way we conduct ourselves and our business, taking responsibility and being accountable for our actions across our value chain.

BUILDING TRUST

CARING FOR OUR PEOPLE

We prioritise our workforce's health, safety and wellbeing.

Key matters
- Our culture.
- Safety.
- Health.

Material issues
- Health, safety and occupational wellbeing.
- Talent development.
- Human rights.
- Diversity, equity and inclusion.
- Innovation and technology.

Intersection with principal risks
- 5 Human resources.
- 8 Safety.
- 9 Union Relations.

SDG Alignment

5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH

How we contribute to the SDGs

Cultivate an inclusive and diverse culture, invest in training and development, prioritise the health and safety of our workforce to create a workspace where everyone is safe, respected and has equal access to opportunities.

STAKEHOLDERS

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

DOING BUSINESS ETHICALLY AND RESPONSIBLY

We affirm our ethical culture through our behaviour and actions.

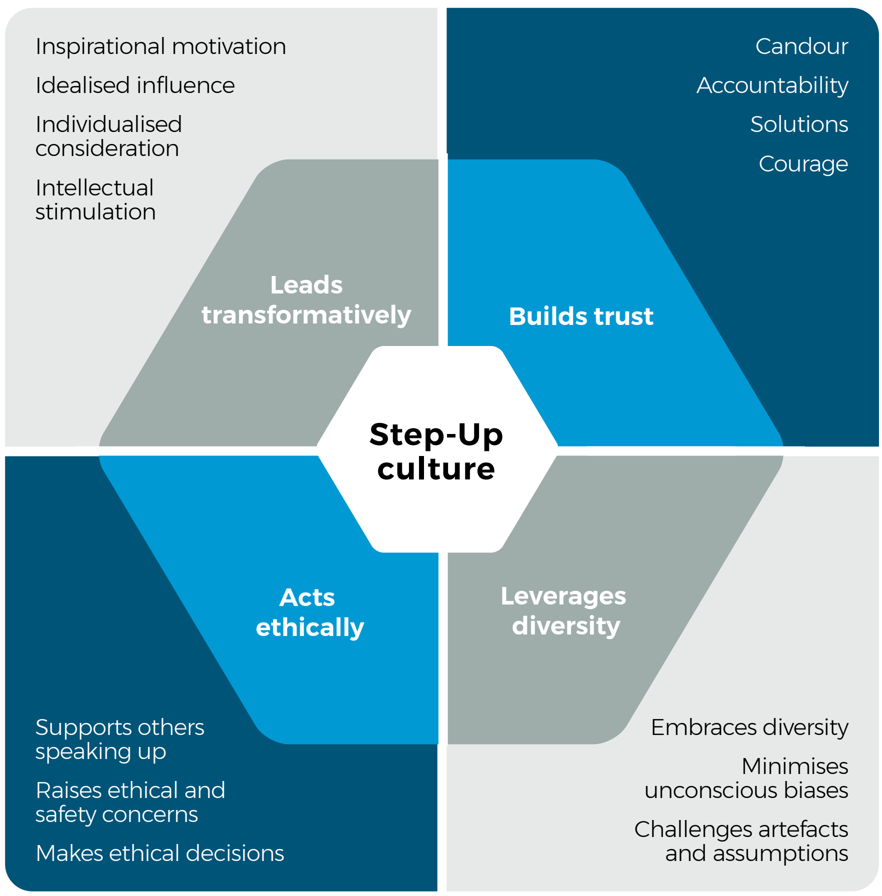
Ethics culture

As a Company, we hold ourselves to the highest ethical standards and believe that our actions and behaviour should always reflect our corporate values: Confidence, Responsibility and Respect, Integrity and Loyalty (CRRIL). We expect our workforce and related third parties to consistently embody and adhere to these standards and to our Code of Conduct.

To further promote ethical decision-making and align our behaviour with our overall strategy, in 2013 we began a journey to embed ethics into our organisational culture, implementing a framework known as 'Step-Up' culture: in the first phase (2013-2016), our objective was the reduction of behavioural risk – the gap between intended, expressed and actual behaviours. The second phase (2016–present) has focused on raising awareness and developing the ethical decision-making competencies of our workforce.

In 2023, we conducted a comprehensive review of our Code of Ethics and Conduct, streamlining and categorising all aspects related to legal and regulatory compliance. This included crucial matters such as the prevention of money laundering, safeguarding personal data and contracting specialised services in alignment with the Mexican labour reform, that although already embedded within internal policies, required further clarification and transparency. As an additional measure, we also introduced a provision requiring our personnel to decline any gifts from third parties. Since 2016 we have actively participated

'Step-Up' culture framework



in Ethisphere's™ Most Ethical Companies survey, using its Ethics Quotient® to regularly assess and monitor our ethical culture and identify international best practices, as well as to track our progress towards maintaining and improving our own practices. As a result of our latest exercise, we have generated initiatives that we will roll-out during 2024 to strengthen our ethical culture and integrity practices in the following years.

Training and capacity building

Our Compliance programme and communications aim to foster a desired set of culture and behaviours within the Company and our stakeholders.

Our workforce undergoes mandatory online training to set expectations for desired behaviours. During the period, we held an integrity-related onboarding workshop for new generations of Engineers in Training, with additional workshops addressing key integrity and compliance matters across different areas and business units in the Fresnillo district: regulatory compliance, conflicts of interest and harassment prevention. In addition, we delivered periodic compulsory courses on:

- Our Code of Conduct (the 'Code'): onboarding session covering key compliance policies – such as donations, political contributions, promotional expenses, government relations, and the use of the whistleblowing line – and an annual evaluation and endorsement of the Code, requiring a declaration of potential conflicts of interest; in 2023, we introduced an interactive form facilitating a user-friendly experience while ensuring a more efficient means of storing data for subsequent processing.
- Labour and Sexual Harassment: designed for non-unionised workers and covering fundamental concepts around harassment, emphasising our zero-tolerance stance. The course also provides guidance on the reporting mechanism for any situations they may experience or witness.

We also conduct permanent campaigns to engage our entire workforce through various channels, such as emails, posters, infographics, videos, computer screensavers and a dedicated internal portal for ethics and compliance topics to ensure that key aspects of our Code of Conduct and internal policies are effectively communicated and understood. Dissemination efforts in 2023 included:

- Awareness of cybersecurity.
- Knowledge of gifts and services.
- Semi-annual statistics on the whistleblowing mechanism.
- Education on the right of access, rectification, cancellation, and opposition of the holders regarding their personal data (ARCO rights).
- Recognition of conflicts of interest.
- Endorsement of the 2023 commitment to integrity.

For third parties in our value chain – including owners, legal representatives and residents – we also provided online workshops, covering essential topics to enable alignment with our integrity policy, organisational values and Third-Party Code of Conduct. Subjects included human rights responsibility, due diligence, conflicts of interest, bribery and corruption, expected behaviours and our whistleblowing mechanism.

Moving forward, our commitment remains unwavering. We will persist in our efforts to prioritise the wellbeing of our people through ongoing training, addressing grievances promptly, dispelling myths surrounding workplace culture, fortifying our organisational values and actively encouraging the use of our various reporting channels, with a particular emphasis on our whistleblowing mechanism. Through these measures, we aim to sustain a workplace where every individual feels heard, respected and secure.

Harassment Prevention programme

In line with our purpose to enhance the wellbeing of people, we believe that a positive work environment not only contributes to overall wellbeing but also significantly influences productivity. The Harassment Prevention programme serves as a cornerstone for fostering this positive environment. Through comprehensive training, we provide our workforce with the tools to effectively identify, prevent, and report workplace and sexual harassment. The delivery of face-to-face awareness workshops has also played a crucial role in establishing trust in the whistleblowing mechanism.

These workshops go beyond traditional training methods; they actively cultivate a welcoming and inclusive space for the exchange of ideas and experiences through hands-on activities and group dynamics, empowering them to effectively address harassment. The impact of these workshops is evident as attendees often respond positively, challenging and re-evaluating ingrained norms such as chauvinism or gender-based violence. Importantly, participants gain new perspectives and strategies to constructively address these issues.

During 2023, we conducted workshops for 4,732 employees and contractors. This ongoing effort ensures that every member of our team is well-versed in the Company's stance on workplace and sexual harassment since onboarding, fostering a collective commitment to maintaining a safe and respectful workplace.

Onboarding Harrassment Prevention programme for new personnel, 2023

Business unit	People
Fresnillo	1,471
Juanicipio	1,382
Saucito	1,357
San Julián	231
Ciénega	208
New projects	66
Penmont	17
Total	**4,732**

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Ethics culture continued

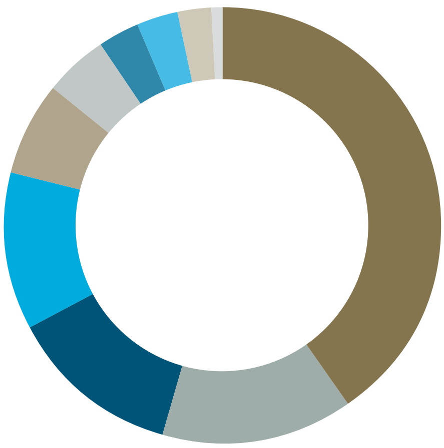
Whistleblowing mechanism

Our whistleblowing mechanism, known as 'Línea Correcta', serves as a confidential and secure channel for raising concerns regarding the Company's operations or any unethical behaviour. It is operated by Ethics Global, an external third-party provider, which ensures the anonymity of whistleblowers when filing a report. The whistleblowing mechanism is widely available to our employees, contractors, and other stakeholders such as suppliers and members of surrounding communities. The reports received are reviewed quarterly by the Honour Commission and monitored by the Audit Committee. Twice a year, the Board of Directors also receives reports at meetings.

We recently conducted a third-party survey to assess employee trust in the whistleblowing mechanism. Leveraging these insights, we developed a comprehensive plan aimed at enhancing the reception, handling and resolution of reports related to unethical conduct. The overarching goal is to reduce risks associated to information leakage, reprisals and to foster improved communication with the potential whistleblowers who utilise any reporting channel for violations to our Codes of Ethics and/or Conduct. This plan will be implemented during 2024, featuring a campaign disseminating key aspects such as confidentiality, protection against retaliation and how to effectively collaborate in an investigation. Additionally, we will also target workshops to strengthen the capabilities of key departments that are frequently featured in such reports.

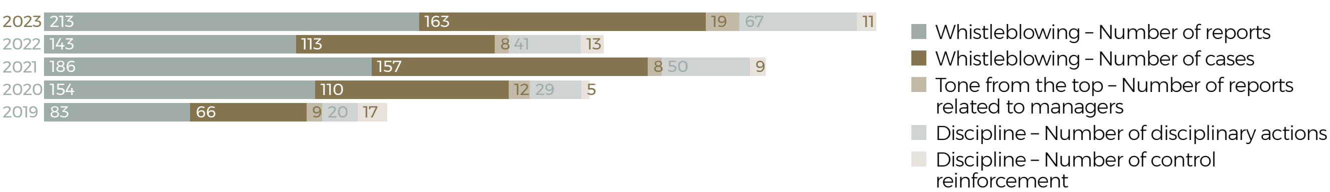
In 2023, we observed an increase in complaints related to labour and sexual harassment compared to the previous year. We attribute this result to the continued dissemination of our reporting mechanisms and, notably, the growing trust among our personnel to report instances of workplace harassment. We anticipate this trend will continue into 2024, supported by the project to enhance trust in the whistleblowing mechanism.

2023 cases



Type	2023	2022
Labour harassment	**66**	43
Sexual harassment	**23**	11
Inappropriate arrangements with suppliers	**21**	15
Abuse of authority	**19**	17
Other	**11**	3
Non-compliance with internal policy	**8**	7
Conflict of interest	**5**	6
Professional negligence	**5**	4
Unsafe conditions	**4**	–
Fraud	**1**	–
Misuse of assets	**–**	3
Breach of trust	**–**	2
Inappropriate behaviour at work	**–**	2
Total	**163**	113

Ethical Conduct KPIs



What's next

- Continue our efforts to eliminate all forms of workplace violence, raising awareness to prevent labour and sexual harassment, and strengthening confidence in our whistleblowing mechanism.
- Roll-out a Company-wide dissemination campaign highlighting key elements for whistleblowing along with workshops to enhance capabilities in key departments that often feature in such reports.
- Permanent 'tone from the top' dissemination campaigns on ethics culture and compliance.
- Third-party periodic evaluations of the ethics culture and compliance programmes.

Responsible business

Modern slavery and commitment to human rights

Fresnillo plc is committed to upholding human rights and does not tolerate any form of modern slavery, including forced labour and human trafficking. We are dedicated to ensuring that these practices are not present in any aspect of our business or our value chain. Inspired by our purpose to contribute to the wellbeing of people through the sustainable mining of silver and gold, we prioritise the promotion of best practices on human rights due diligence, which includes the identification, mitigation and remediation of any negative impacts on human rights.

At the core of Fresnillo's commitment to being a responsible business and an employer of choice lies our profound dedication to our people. We have invested significant efforts in providing comprehensive assistance and unwavering support to our workforce and our communities, recognising their unique needs, and striving to meet them with utmost care and diligence.

For more information, please refer to our website for the latest available Modern Slavery Statement.

Bribery and corruption prevention

The ethical conduct of our workforce is key to achieving the Company's purpose. Adhering to applicable laws on bribery and corruption, including the UK Bribery Act 2010, the Mexican General Law of Administrative Accountability, the Mexican Federal Criminal Code, and the federal and state secondary laws applicable to anticorruption, is a fundamental commitment with which all our personnel comply. We also vigilantly monitor transactions and report on vulnerable activities, ensuring compliance with regulations on operations involving illicit funds and money laundering.

Our anti-bribery and anticorruption mechanisms align with international best practices and guidelines, including the United Nations Global Compact, fundamental conventions of the International Labour Organization (ILO) and guidelines promoting corporate responsibility issued by the Organization for Economic Cooperation and Development (OECD).

Our policy mandates:

- Maintain a zero-tolerance stance regarding any form of corruption and bribery.
- Report suspected bribery and corruption through our institutional whistleblowing mechanism ('Línea Correcta').
- Investigate all bribery and corruption reports.
- Avoid doing business with third parties where concerns have been raised regarding bribery or corruption, or suspicions raised that the third party may engage in such activities on our behalf, following our analysis and due diligence evaluation process.
- Record transactions accurately and transparently in accounting books and accounts.

We engage with diverse third parties, such as contractors, suppliers, logistics, law and advisory firms, unions, donation recipients and government officers. We prioritise the cultivation of positive relationships while proactively managing potential risks such as bribery, corruption, money laundering, fraud and human rights violations.

We operate with a robust compliance framework that oversees strategies and initiatives with a preventive focus to avert situations related to bribery and/or corruption, to ensure compliance with applicable internal regulations. These efforts encompass processes, areas and individuals responsible for maintaining an anti-bribery and anti-corruption stance due to their nature or high level of exposure. Disciplinary measures for individuals involved directly or indirectly in bribery and corruption, including third parties, may range from legal measures to the termination of their employment contract, in the case of our workforce, or termination of business relationships in the case of third parties.

In 2023, we enhanced processes and documented procedures to ensure compliance with external regulations across various subjects and operational processes. Collaborating with different departments and stakeholders, this effort

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

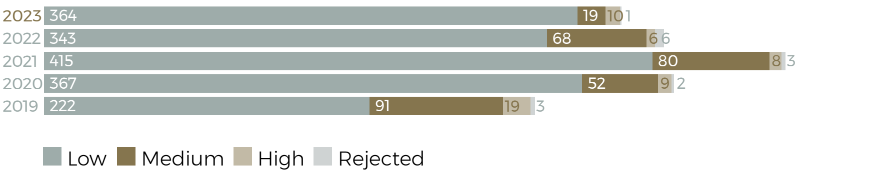
Responsible business continued

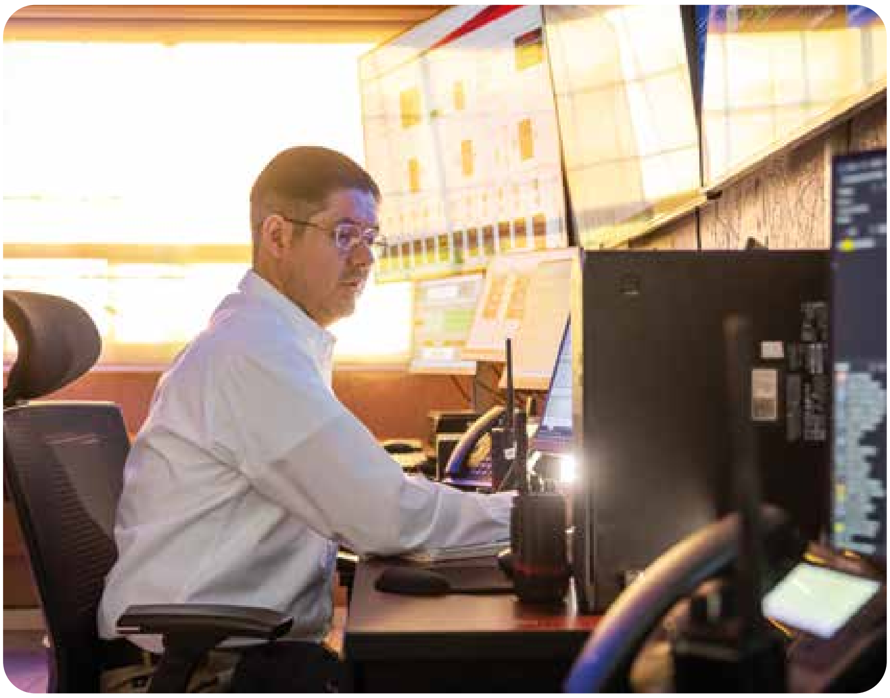
aligned with sites visited during the year. Following the 2022 third-party anti-bribery and corruption programme verification, we developed an action plan to implement improvement in high-risk processes, updating procedures for construction and services contracting, procurement, due diligence and financial operations. The significance of regulatory compliance and its value to the organisation has been effectively communicated through the 'Compliance Matters' campaign. Additionally, a 2024 training plan is in place for high-risk areas.

Since 2013, we have conducted ethical due diligence that precedes any business relationship and is tailored to the specific risks and characteristics of each party. Continuous compliance monitoring is carried out, and adjustments to arrangements with third parties are made as needed. If risks cannot be mitigated, business relationships are suspended.

In 2023, we successfully implemented new software to automate and optimise the third-party due diligence process. This transformation and standardisation considers the criticality of each third-party category with a risk-based approach, enabling us to efficiently detect alerts and establish a precise methodology for quantifying risk levels. The software facilitates informed decision-making regarding the initiation and continuation of business relationships with third parties. It also enhances greater traceability in operations with third parties, reduces response times, and streamlines the process for both external partners and internal personnel. Our efforts reflect our commitment to staying ahead of regulatory requirements, fostering efficiency and transparency in our operations.

Third-party due diligences performed, by risk level





Cybersecurity

At Fresnillo, we recognise that information is a key asset that demands collective responsibility from all our workforce for its protection, ensuring digital security across all technological processes. Maintaining a pervasive awareness of cybersecurity at all organisational levels is integral to our strategy, and we focus on updating and strengthening cybersecurity in alignment with our strategic objectives.

We employ various methods to foster and elevate our cybersecurity culture, including workshops, communications, campaigns and exercises. Our collaborative ethos extends to working closely with information technology departments, contributing to the definition and establishment of best practices and security standards. This collaborative effort ensures that our business processes, powered by technological innovation, adhere to the highest standards of security and reliability. In parallel, our cybersecurity governance initiatives actively enhance our regulatory capabilities to meet the diverse compliance requirements applicable to our Company.

During the period, we laid robust foundations for adherence to the Mexican Federal Law for the Protection of Personal Data in Possession of Private Parties (LFPDPPP). We successfully completed the second phase of a third-party audit of our personal data management system, a significant stride towards achieving certification across our business units.

In line with our commitment to safeguarding information, we also plan to renew our cybersecurity governance framework, building upon the three lines of defence model. This approach will engage all levels and areas of our business.

Government payment transparency

Mining can drive economic and social progress when carried out responsibly. However, corruption and inadequate governance can undermine the benefits that society should receive from mining revenue. At Fresnillo, we believe that transparency in government payments fosters trust and strengthens society.

As required by the UK Reports on Payments to Governments Regulation 2014, its amendment in December 2015 and the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA), since 2016 we have reported an overview of payments to governments made by our Company and its subsidiaries during the previous reporting year.

The payments disclosed are those arising from activities involving the exploration, prospecting, discovery, development and extraction of minerals (extractive activities), based on materiality established by such regulations (where a payment or a series or related payments have exceeded £86,000).

The type of payments that were disclosed for the 2022 fiscal year are:
- Taxes: there are taxes paid by Fresnillo on its income, including special mining rights. In accordance with the UK Regulations payments made in relation to consumption, sales or employee taxes were excluded.
- Royalties.
- Licence fees, rental fees, entry fees and other considerations for licences or concessions: these are fees paid as consideration for acquiring a licence for gaining access to an area where extractive activities are performed.

For more information, please refer to our website for the latest available report on payments to governments.

Transparency and accountability

Transparency and accountability for social and environmental impact are crucial in establishing trust. By disclosing important non-financial information, we enable our investors to make better investment decisions. Mitigating negative impact is crucial to ensuring our business model is socially responsible. We therefore conduct regular perception studies in the communities where we operate, monitor media, hold regular meetings with stakeholders and operate grievance mechanisms to engage people who might be adversely affected by our activities.

We disclose our environmental, social and governance (ESG) information using the appropriate channels, such as:
- Annual Report and Accounts.
- Carbon Disclosure Project (CDP).
- Corporate Sustainability Assessment (CSA).
- Corporate website.
- Ethisphere BELA.
- Meetings and traditional media to inform stakeholders.
- Modern Slavery Report Statement.
- Workforce Disclosure Initiative (WDI).

During the period, we received the following recognitions: Ethics and Values in Industry from the Mexican Confederation of Industrial Chambers (CONCAMIN); the Exceptional Enterprises award from the Business Coordinating Council (CCE), Communication Council, and Institute for the Promotion of Quality; the Socially Responsible Company award from the Mexican Centre for Philanthropy (CEMEFI); and obtained a Maximum Score in the Corporate Integrity survey, a joint initiative by the NGOs Mexicans Against Corruption and Mexican Transparency.

What's next
- Carry out continuous monitoring of Group-related operations with vulnerable activities, along with the necessary adaptation to emerging regulatory changes.
- Continue onboarding training for all personnel, emphasising harassment and fraud prevention, specifically tailoring modules for areas and personnel with a higher likelihood of encountering bribery risk.
- Implement a targeted training plan covering anti-bribery, corruption prevention and regulatory compliance for areas more susceptible to bribery and corruption.
- Renewal of our cybersecurity governance framework, building upon the three lines of defence model.
- Continue participating and improving our performance in transparency and accountability initiatives.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

CARING FOR OUR PEOPLE

Our workforce is the driving force behind our ability to contribute to the wellbeing of people through the sustainable mining of silver and gold.

8 DECENT WORK AND ECONOMIC GROWTH

Our culture

Our organisation initiated its cultural evolution journey in 2021 and has consistently progressed, prioritising the workforce's wellbeing, and enhancing company effectiveness and efficiency. We are committed to fostering a culture that values long-term engagement, promotes empowerment, flexibility, collaboration, transparency and active involvement. Guided by these principles, we embrace:

- Holding ourselves **accountable** for individual and collective work (build trust and act ethically).
- Building our future together through **ecosystems** and co-creation recognising that our differences strengthen us (leverage diversity).
- Our **transformational leadership** model recognises, empowers, motivates, integrates and inspires (lead transformatively).

Embedded in our core values, this cultural ethos fosters innovation and encourages wholehearted dedication to results and operational excellence; it enhances productivity but also drives cost reduction and reduces our environmental footprint:

Values

Trust: *Fosters appreciation and resilience in strategic relations.*
We foster trust by actively engaging with our people, communities, authorities, and shareholders on the issues significant to them. Our principal decisions prioritise stakeholders, ensuring the preservation of their trust. Trust in our people and their talents forms the foundation for delivering on our Purpose.

Responsibility and respect: *Cultivates care and accountability for our actions, decisions and outcomes.*
We manage our operations and projects responsibly. Our social acceptability relies on being accountable for our impacts on our people, communities and the environment. We recognise the inherent value of every person and welcome different opinions and beliefs.

Integrity: *Prevents adverse consequences of unethical actions through complete transparency and honesty.*
Our behaviours and actions should always reflect our well-established ethical culture. Operating with integrity is the only way to contribute to the wellbeing of people.

Loyalty: *Builds long-term and reciprocal relationships aligned with our organisational principles.*
Strong relationships with our workforce, communities, authorities and shareholders ensure our ability to create long-lasting value.

Winning behaviours

Relationship principles
- Agility based on trust.
- Effective communication.
- Inclusive collaboration.
- Commitment to results.
- Emotional intelligence.

Way of working
- Accountability.
- Teamwork.
- Co-creation.

Operational principles
- Health and safety.
- Sustainability.
- Risk management.
- Operational and financial discipline.
- Efficiency and innovation.

Transformational leadership
- Inspires.
- Motivates.
- Recognises.
- Integrates.
- Leverages diversity.

Engagement

Board's oversight
- Ensuring the alignment of Purpose, strategy, culture and workforce engagement.
- Monitoring the culture and the outcomes on engagement, safety, ethics, diversity, equity and inclusion.

Workforce engagement
- Comprehensive wellbeing strategy.
- 'I Care, We Care' programme.
- Union relations.
- Cultural evolution strategy.
- Ethics culture training and capacity building.
- Harrassment Prevention programme.
- Diversity, equity and inclusion initiatives.

Monitoring our culture
- Engagement: Basher methodology, organisational climate, and leadership assessment surveys.
- Safety Culture: 'I Care, We Care' and LEAL surveys.
- Ethics culture: integrity. environment survey and Ethisphere's™ Ethics Quotient® surveys.
- Whistleblowing mechanism KPIs.
- Diversity KPIs.
- Turnover rate.

Outcomes from monitoring our culture
- Robust strategies to support our business objectives by embedding diversity, collaboration and agility in decision-making, based on a sound understanding of our culture and winning behaviours.
- Transformational leadership that thrives and promotes our people's wellbeing.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Our culture continued

Our workforce

At the heart of our commitment lies the goal of attracting, developing, and retaining top talent and fostering a long-term relationship with our workforce. We prioritise maintaining a corporate culture deeply rooted in ethics and a genuine concern for our people's wellbeing. This commitment extends to respecting labour rights, engaging in constructive dialogue with union representatives and embracing diversity in our workforce, comprising unionised employees, non-unionised employees and contractors.

Commencing with a breakdown of the workforce composition based on age groups and employment categories, the data reveals relatively similar percentages for non-unionised and unionised employees, and contractors, with the largest group being people over 30 and below 50 (56.8%), then people below 30 (35.7%), and finally, people above 50 (7.5%).

Over the years, we have made substantial strides in gender diversity, steadily increasing the percentage of women in our workforce, reaching 11.88% in 2023, up from 9.73% in 2019. We continue to close the gap on the country average, which currently stands at 17.3% according to data from the Mexican Mining Chamber. While proud of our progress, we acknowledge there is more work to be done. For a detailed overview of our strategies to foster female talent, refer to the Diversity, Equity, and Inclusion section on pages 96-97.

During the period we experienced an 8.9% decrease in our total workforce, motivated by the administrative reorganisation that was undertaken to achieve efficiencies and cost reductions, as well as the workforce consolidation at the Herradura district following the progressive closure of mine operations at Noche Buena, thus affecting both the labour turnover figures compared to its historical trend and our share of women in the workforce. We expect these trends to stabilise in the future.

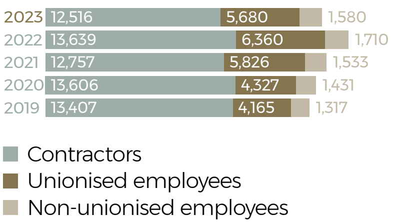
	Men	Women	Total
Employees (unionised and non-unionised)	6,254	1,006	**7,260**
Senior managers	*151*	*14*	***165***
Contractors	11,173	1,343	**12,516**
Total workforce	**17,427**	**2,349**	**19,776**

Engaging our people

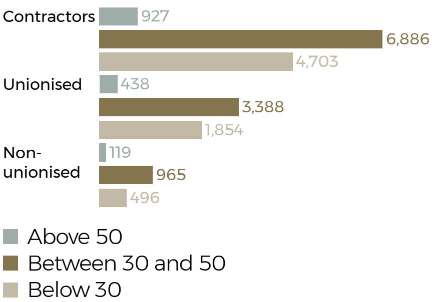
We administer biennial engagement surveys employing the Basher methodology to monitor organisational climate. It encompasses 60 items across seven key areas to evaluate employee and contractor satisfaction. The survey employs a dual evaluation scale, combining responses with the relevance they hold for each individual. The outcomes undergo comprehensive analysis across different cohorts, leading to discussions among leadership teams and relevant departments. Areas with the lowest scores, as well as specific items, are pinpointed and incorporated into existing programmes or integrated as focal points of new improvement plans.

Topics:	Cohorts analysed:
Our working practices.	Process/Department.
Industrial safety.	Organisational roles.
Code of Conduct and compliance.	Age groups.
Management and leadership.	Seniority.
Work environment.	Gender.
Trust.	Key personnel.
Teamwork.	

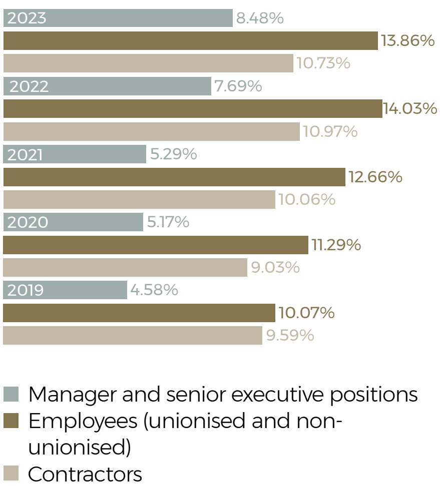
Workforce composition, by contract



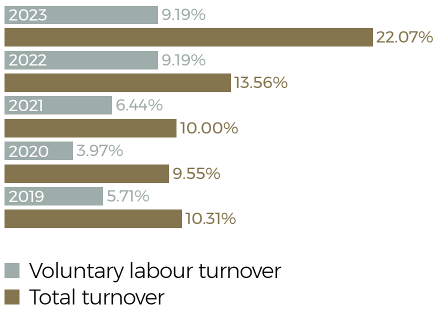
Workforce composition, by age



Percentage of women, by group



Labour turnover



Labour turnover includes unionised and non-unionised personnel.

To unlock the full potential of our workforce and maximise their contribution, we are dedicated to cultivating a supportive work culture that encourages inclusion, creativity, innovation and collaboration. Regular discussions with our designated Non-executive Director (NED) and biennial workforce engagement surveys keep us aware of their needs. These exercises provide valuable insights, informing our strategies for future policies and initiatives aimed at enhancing employee satisfaction and driving organisational success. For a detailed overview of the designated NED's engagement with the workforce, refer to the Workforce Engagement section on pages 40-41.

We prioritise initiatives to enhance the overall wellbeing of our workforce. In recent years, we embarked on a cultural evolution journey aimed at integrating the dimensions that contribute to an individual's development. These pathways are designed to help individuals reach their fullest potential and unlock both collective and individual 'comprehensive wellbeing'.

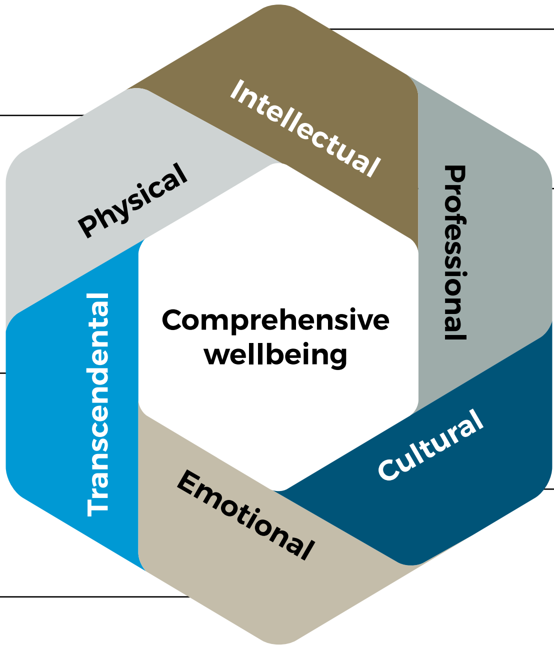
Recognising the significance of a contemporary work environment and building on our commitment to improve the holistic wellbeing of our workforce, we have expanded health, nutrition and cultural programmes. Our facilities also boast state-of-the-art sports infrastructure, including gyms, pools and basketball courts. Additionally, we accommodate diverse needs within our operating units through flexible working arrangements. For locations with limited family support structures, we have implemented fly-in-fly-out schedules and variable workdays, offering enhanced flexibility. For nursing mothers, we allow a more flexible working schedule to fulfil their breastfeeding rights. For a detailed overview of our strategies to improve our workforce's wellbeing, refer to the Health section on pages 103-105 and for our strategies to accommodate women in our workforce refer to the Diversity, Equity, and Inclusion section on pages 96-97.

Routes for our Comprehensive Wellbeing

Physical: Ensuring a sense of physical security, wellbeing and vitality, enabling individuals to relish life fully and execute their responsibilities with satisfaction.

Transcendental: Elevating consciousness, uncovering life's purpose, experiencing love, joy, peace and a sense of achievement (self-fulfilment) to attain personal excellence and contribute to the wellbeing of others.

Emotional: Cultivating the recognition, management and appropriate expression of emotions and feelings, adeptly navigating stress, and nurturing positive self-relationships and interpersonal connections.



Intellectual: Fostering optimal cognitive abilities for thoughtful reflection, informed decision-making, continuous learning and adaptability to change.

Professional: Cultivating skills and competencies aligned with roles and responsibilities, fostering a culture of continuous learning and development, promoting collaborative engagement with colleagues and leaders, and achieving overall job satisfaction.

Cultural: Blending traditions, beliefs and personal values into a cohesive corporate culture, capable of adapting to socioenvironmental shifts and fostering meaningful relationships with the community.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

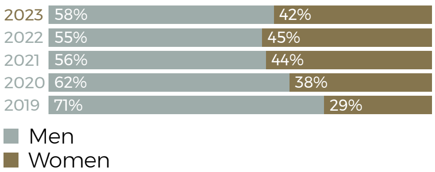
Our culture continued

Training and development

In our drive to secure a robust pipeline for future success, we prioritise the attraction, retention and development of top talent. Long-term career growth is highly-valued, and our investment in training and mentorship programmes reflects our commitment to helping employees reach their full potential, helping our people grow and develop, serving as a cornerstone of our retention strategy.

Our recruitment approach involves a cohort-based system for both short-term and long-term interns through internships, residencies, and our flagship programme, 'Engineers in Training'. Collaborating with leading Mexican educational institutions, we tap into a diverse pool of young talent pursuing mining and metals-related degrees in fields such as mining, geology, metallurgy and various engineering disciplines. These programmes allow for a steady talent pipeline aligned with our growth strategy. Significantly, they engage students early in their college education but also promote increased participation of women in the mining industry. Over time, we have actively worked towards achieving more gender-balanced cohorts.

Diversity in talent attraction



Long-term internships and Engineers in Training.
Junior non-unionised positions.

During our onboarding procedures, we provide essential courses designed to seamlessly integrate both our unionised and non-unionised personnel into our organisational culture. Through immersive, in-person sessions, we dive into crucial topics such as health, environment and industrial safety, fostering a deep understanding and commitment to these vital aspects. In the case of our contractors, we hold onboarding sessions through an online platform known as 'Virtual Campus' with the purpose of training them on these subjects before their access to our facilities, ensuring safe operations from the start. At the core of our onboarding experience is the dissemination of the 'I Care, We Care' programme, embodying our collective commitment to our workforce's wellbeing. It aims to strengthen our approach to work-related risk prevention and the implementation of critical risk controls across our operations, building a strong sense of responsibility and accountability to ensure that each individual is actively committed to our shared pursuit of safety and operational excellence. For a detailed overview of our safety strategy, refer to the Safety section on pages 98-102.

Recruitment programmes

Internships

- The programme encompasses students undergoing professional internships.
- It covers both the traditional one-month continuous internship in mining units and specialised programmes like 'Dual Internships', in which, participants spend one week per month at work centres, reinforcing the knowledge acquired during their academic coursework.

Residencies

- Designed to accommodate students from earth sciences disciplines such as mines, metallurgy, geology, topography, and maintenance, primarily from leading universities.
- The programme extends over three months in mining units, where students undertake impactful projects for the organisation, presenting their findings to an interdisciplinary team.
- Residencies provide eligibility for the Engineers-in-Training programme.

Engineers in training

- This programme targets recent undergraduates who also completed the residency programme.
- Participants undergo an integral training programme over a six month period.
- The programme aims to develop their skills in each mining production process: geology, planning, mine operations, plant operations and maintenance.
- It provides comprehensive technical, administrative and occupational safety competencies.
- Each student is paired with an operations team coach, ensuring guidance and performance evaluations.
- High-performing interns are subject to potential offers for permanent positions.

Institutional onboarding

Virtual campus	Company overview	HSECR management system, ethics, compliance and antibribery
Virtual campus	Safety and hygiene	'I Care, We Care', critical risk control protocols, hazard identification and risk assessment
Virtual campus	Safety regulation	Mexican Official Standards (NOMs) on safety, shift start meeting, defensive driving, rock mechanics, self-rescuer
Virtual campus	Health and environmental regulation	NOMs on occupational health, first aid and environment
In person training at site	Labour relations	Company overview, work harassment, psychosocial risks factors in the workplace
In person training at site	Basic safety	Behaviour based safety, 'I Care, We Care', critical risk controls
In person training at site	Mine safety regulation	NOMs on special permits, principal risks in mine and plant
In person training at site	Health and first aid regulation	NOMs on first aid and PCR
In person training at site	Training container tours	Virtual practice on critical risk controls protocols at training centres

We currently operate three evaluation centres at our facilities in the Fresnillo district, which are registered with the National Council for Standardisation and Certification of Labour Competencies (CONOCER). The purpose of strengthening and certifying technical competencies is to fortify core business processes and critical areas such as rock mechanics, ventilation, safety, environment, planning, and metallurgy. In addition, the aim is to achieve reductions in occupational risks, incidents and damage to equipment. We also prioritise initiatives that foster a safety culture through the 'I Care, We Care' programme, identifying critical risks and controls, and strengthening workforce capabilities. These strategies contribute to the development of our people and the fulfilment of our strategies.

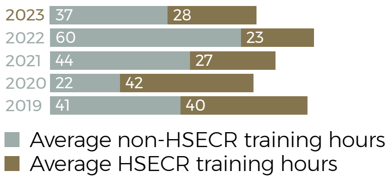
SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Our culture continued

Our non-technical development programmes target leadership growth. These programmes facilitate valuable knowledge transfer, expertise sharing and serve as a catalyst for inspiration and engagement. For area managers and supervisors, the emphasis is on immediate tools for effective team management and instigating a change in attitudes and behaviours. Middle managers benefit from programmes that hone leadership skills and refine technical competencies in mining, planning, mineral processing and managerial soft skills. Executive programmes concentrate on enhancing competencies in finance, accounting, human resources, corporate social responsibility and leadership. These programmes, including Leadership Plus, Leaders with Vision, Leaders in Training, BAL Managerial Diploma and Capital Project Diploma, are conducted in collaboration with the prestigious Autonomous Technological Institute of Mexico (ITAM).

Our commitment to individual performance appraisal and formal feedback remains unwavering. This process not only enables us to identify specific training needs but also serves as a key tool for pinpointing promising candidates for our institutional development programmes at different organisational levels. During the year, we maintained an average of 64 training hours per worker, including an average of 28 hours on HSECR training.

Training hours



Case study

Training the engineers of the future

In partnership with premier Mexican educational institutions – such as the Autonomous University of Zacatecas (UAZ), the National Autonomous University of Mexico (UNAM), the Guanajuato University and the Technological Institute of León (ITL), among others – we actively seek out and nurture a diverse array of young professionals specialising in mining, geology, metallurgy and a range of engineering fields in the early stages of their academic journey. Over the last six years, we have seen a total of 529 engineers graduate through this scheme, and our current retention rate stands at 80.3%. Breaking down their roles, 0.3% of graduates are in operational leadership, 11.1% in senior engineer positions, 85% in junior engineer positions and 3.5% in assistant positions and roles.

The Engineers in Training programme comprises 29 weeks of training and is structured as follows:

Institutional onboarding (1.5 weeks)

Company induction, organisational competencies, productive processess and value chain, integrity and social responsibility, asset security, mine and plant visits, among others.

Safety standard onboarding (1 week)

Workshop on workplace harassment.

Introduction to industrial safety, 'I Care, We Care', risk control hierarchy and safety tools, protocols for managing critical risks, and specific risks associated with plant and mining operations.

Regulatory standards in safety and health, first aid and environmental care.

Take part in containers training tour.

Short tours (1.5 weeks)

Broad understanding of mining unit overarching process and interconnections:
- Geology and rock mechanics.
- Planning and surveying.
- Mine operations.
- Processing plant.
- Maintenance.
- Safety.
- Human resources.
- Financial control.
- Warehouse and procurement.

Focused tours (21 weeks)

Tailored training in the area to which they are assigned.

Delve deeper into directly related processes to understand how outcomes impact one another.

Area specific training (4 weeks)

Enhance their technical and process specific skills.

An expert mentor will guide them, providing support throughout the process.

Programme graduation

Case study continued

The Engineers in Training programme was an incredibly enriching experience for me. It allowed me to reinforce my academic foundations and equipped me with essential professional skills. I am convinced that some skills and insights can only be acquired through hands-on experience, and I was lucky to be guided by mentors rich in expertise and eager to share their wisdom. I am eternally grateful to my mentors, who were not just technical and professional advisers but also life mentors, showing me how to grow and develop both professionally and personally.”

Adriana Arroyo, Mining Operations Centre Superintendent

The Engineers in Training programme has been a cornerstone in developing my technical, administrative and interpersonal skills, offering me a comprehensive overview of the Company’s value chain. This programme laid a strong foundation for my organisational competencies through continuous training, enabling me to progress professionally across various roles within the organisation. My upcoming pursuit of a graduate degree stands as a testament to Fresnillo’s substantial commitment to investing in the growth and education of its workforce.”

Daniel Álvarez, Engineering and Planning Superintendent

I joined the Engineers in Training programme in 2013, shortly after earning my degree in Mining and Metallurgical Engineering. I found this initiative to be invaluable for talent development, providing me the opportunity to enhance both my technical and interpersonal skills for my initial role as junior engineer. Reflecting on this time brings both nostalgia and deep appreciation, as I was involved in key projects at San Julián mine. The programme’s structured approach to learning and mentorship were crucial in motivating me, instilling the confidence to foresee a promising career trajectory within the Company. Furthermore, I wish to express my gratitude towards the programme’s counterparts for their patience and willingness to share knowledge and experience, a practice that significantly enriches our organisational culture.”

Tania Pineda, Mining Operations Centre Superintendent

Labour relations

Unions play a pivotal role in our commitment to enhancing productivity and fostering a robust safety culture. We believe that maintaining fair and respectful relationships with unions is essential to building trust and mutual accountability. Our approach is centred on upholding workers’ rights to freedom of expression, free association and collective bargaining. We actively engage with unions through regular dialogue, leadership development initiatives and wellbeing programmes – including sports and cultural events – as well as collaborative projects focused on continuous improvement to reinforce our partnership ethos.

Regular interactions take place between the CEO, Head of HR and union senior leadership, while at the operational level, our business units maintain close ties with local union committees and delegates. These engagements underscore our dedication to open communication and foster collaboration for capacity-building initiatives, particularly for newly elected committees. Annual Safety Symposiums, conducted in partnership with unions and authorities, provide a platform for exchanging best practices and promoting meaningful discussions on industry challenges and opportunities. Additionally, we partner with unions to conduct the ‘LEAL’ survey on work behaviours and wellbeing, leveraging insights to enhance our workforce engagement strategy.

In 2023, operations at Herradura mine experienced a temporary suspension following an illegal stoppage by a very small group of unionised personnel. The stoppage prevented site access for other workers, and was not approved by the union, nor supported by the vast majority of unionised workers at Herradura, with whom we have a very constructive and long-term relationship. This situation was rapidly resolved with no significant impact to the operations at Herradura.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Our culture continued

Diversity, equity and inclusion

Our commitment is to foster an inclusive culture where diversity is not just acknowledged but celebrated, empowering every employee to realise their full potential. We understand that equity and inclusion are catalysts for talent attraction, retention and development, fostering innovation and creativity. Upholding the principle of equality, we strive to create a workplace where everyone enjoys equal opportunities and is treated with respect. Our emphasis on openness, belonging and respect establishes a supportive environment, enabling each individual to make a meaningful impact.

Our dedication to advancing diversity and inclusivity begins with a focus on increasing the representation and participation of women, recognising the inherent competitive advantage in embracing diversity. To achieve this, we have set two key objectives:

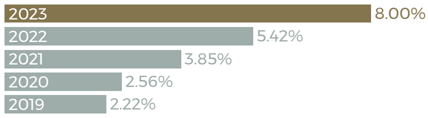
1. Enhance the contribution of women to the success of the Company.
2. Have a positive impact on female employees.

In 2020, we committed to raising the overall representation of women in our workforce from 10% to 12% by 2025 and breaking the glass ceiling at the operating manager and superintendent levels, with the aim of increasing the percentage of women in these roles from 2% to 8% by 2025. In recent years, the Company has made significant strides in improving both indicators, although considerable reconfigurations to our workforce initiated in 2023 saw an 8.9% overall decrease in headcount and shifted the organic historical trends in gender diversity. We expect the figures to stabilise during 2024, and will continue to keep them under review, seeking to expand our female representation in the future — including in our senior management and leadership roles.

Since 2019, we have actively embraced the Women's Empowerment Principles established by the UN Global Compact and UN Women. In 2020, we entered the PAR Ranking, the largest ranking system in Latin America measuring gender equality performance. Subsequently, in 2021, we contributed to the Women Matter Mx – a comprehensive study of diversity and gender in Mexico, conducted by McKinsey & Company. In the same year, we launched our Women's Leadership programme. Our commitment continued in 2022, with dedicated efforts to enact recommendations from both diagnostics, strategically outlined in a DEI masterplan. This master plan is built across three pillars, containing several priority initiatives:

Total percentage of women

Glass ceiling



Period	Cultural transformation	Leadership and government	Processes
2022	· Disseminate the DEI initiative · Promote a culture of zero tolerance towards harassment	· Establish the Labour Equity and Non-Discrimination (LEND) Committee	· Create inclusive talent attraction processes · Issue the LEND policy (based on the Mexican voluntary norm NMX-R025-SCFI-2015)
2023	· Establish a network for women	· Establish mentorship programmes	· Develop DEI KPIs
2024+		· Create DEI champions programme · Endorse the UN's Women's Empowerment Principles (WEP)	· Implement and disseminate policies and procedures with a DEI focus · Finalise the development and implementation of DEI KPIs · Enhance safety conditions · Develop and manage inclusive talent

During the period, the LEND Committee met for the first time, to develop comprehensive DEI work proposals. As a strategic initiative, our senior executives underwent targeted training on preventing labour and sexual harassment, facilitated by an external consultancy. The Virtual Campus also played a pivotal role by delivering 188 microlearning capsules on discrimination and DEI to employees, contributing to a more informed and inclusive workplace culture.

On our female talent development strategy front, we launched the call for the second generation of the Women-to-Women Mentorship programme and activated a network of women in our workplaces in the Torreón and Mexico City Headquarters to create a safe and trusting space; we expect to be able to replicate these across all mining units. In partnership with the Mexican Mining Chamber, we also promoted the first Women in the Mining Industry 2023 survey, aiming to understand the development of female talent and the benefits their expertise and professionalism bring to companies, with 1,230 women participating in total across the country.

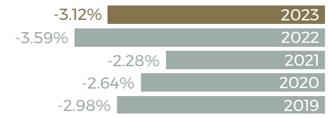
We also achieved significant progress in advancing disability inclusion initiatives during the year. We conducted 'Inclusive Leadership' training, led by Éntrale, a leading advocate for the labour inclusion of individuals with disabilities, specifically tailored to sensitise senior leadership to the importance of fostering an inclusive workplace. Another noteworthy accomplishment was the completion of the initial phase of mapping our workforce's disabilities: through a survey involving 980 participants, we identified essential accommodations and adjustments for optimal performance. This process also led to the establishment of criteria, protocols, processes, and formats for the implementation of these accommodations. Furthermore, we conducted training for recruitment personnel, emphasising inclusive practices to mitigate unconscious biases and prioritise the selection of candidates based on their abilities and job requirements, irrespective of disability. Finally, we actively participated in the BAL Group's DEI week, an annual event that features conferences and discussions on disability awareness and best practices on labour inclusion, contributing to our ongoing effort to create an inclusive and supportive work environment.

Since 2022, we have extended our commitment to fostering inclusion by hosting annual inclusion rallies in Caborca, Sonora, in collaboration with the TELETON Sonora Foundation and the local National System for Integral Family Development (DIF). The goal is to enhance awareness and cultivate a more inclusive society and workplace environment. In the 2023 edition, the University of Sonora played an active role, contributing valuable insights to the discussions by involving both teachers and students. These two-day workshops and conferences cater to a diverse audience, including students, teachers, physiotherapists, physicians, psychologists, individuals with disabilities and the general public. They are designed to equip participants with tools for early interventions that contribute to the holistic growth and fulfilment of individuals with disabilities.

Gender Pay Gap

We are committed to paying an equal wage for an equal job. Based on salary scales, we have policies in place to close the gender pay gap. In 2023, the gender pay gap for non-unionised, non-executive employees was -3.12% compared to -3.59% in 2022. The gap is calculated using the weighted average salary per hierarchical level. The head count per hierarchical level and business unit is used to determine the weights in the overall average gap calculation. We are committed to closing this gap and to promoting women in our operations, projects and exploration activities.

Overall gender pay gap



	Open pit operations	Underground operations	Advanced exploration	Exploration offices	Support and administrative staff	Average gap per hierarchical level
First level – Senior engineer	-6.32%	-8.59%	-18.67%	-5.09%	-14.11%	-8.32%
Second level – Junior engineer	-2.26%	-1.17%	-12.43%	11.90%	-2.88%	-0.23%
Third level – Assistant	12.70%	-6.14%		7.07%	64.37%	1.41%

What's next

- Strengthen the labour inclusion programme.
- Implement a DEI module in onboarding virtual trainings.
- Continue rolling-out our DEI strategy.
- Continue analysing reporting frameworks to improve how we report on our strategy to increase the participation of women and the positive impacts achieved to date.

Case study

Promoting breastfeeding in the workplace

To raise awareness about the significance and benefits of breastfeeding, we launched a communication campaign during the 2023 World Breastfeeding Week. Our goal was to nurture a culture of comprehensive wellness that supports the balance of work, family and personal life.

The campaign featured two webinars led by doctors specialising in the field. The first, titled 'Breastfeeding for the working mother: A holistic wellness approach' and the second, 'Work and breastfeeding: Making it possible', were made available to all our workforce. Additionally, the campaign also highlighted the benefits of breastfeeding through both printed and digital posters, and provided guidance on how to successfully express, store and transport breast milk, mindful of the challenges faced by our female workers in remote locations.

This initiative underscores our commitment to our employees' wellbeing, and dedication to creating an inclusive and supportive work environment that values and supports the health of the mothers in our workforce as well as their children.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Safety

Our vision is clear: secure operations that function effectively and safely, ensuring zero fatalities, zero accidents, zero injuries and zero harm.

Strategy

At Fresnillo, safety is a fundamental value ingrained in our Sustainability policy, reflecting a preventive culture and our moral obligation to ensure our workers' wellbeing. Our goal is clear – operating without fatal accidents, minimising exposure to risk, preventing harm to people and damage to assets, while maintaining an ethical and safe work environment, with strong and visible leadership at all organisational levels.

Prevention is at the heart of our safety culture, supported by our 'I Care, We Care' philosophy. Spanning from exploration to operations, this approach addresses all inherent risks by promoting five strategic lines of action: leadership, accountability, risk competencies for both behaviours and systems and cross-functional learning. These pillars aim to establish critical and performance controls in every operation, making all personnel responsible for verifying standards and identifying gaps. This empowerment ensures a continuous cycle of improvement, effectively reducing risks through the right tools and training.

Since its inception in 2017, 'I Care, We Care' has evolved and steadily improved. The technical components prioritise critical risks – those with the potential for fatalities or serious harm to individuals – while the operational framework ensures that all risks are systematically addressed; it enables a comprehensive risk management strategy and continuous innovation in safety practices, risk management and emergency readiness. Since 2021, we have also implemented the process of reporting near-misses – which identify missed or failed critical controls that could lead to harm – to promote a proactive approach to management and encourage worker involvement in an early warning system, thereby monitoring operational safety and facilitating timely decision-making.

The 'I Care, We Care' cycle

'I Care, We Care' strategic pillars

1. **Leadership:** Values-driven leadership
   - Higher-education courses for senior leadership.
   - Education courses for supervisors.
   - Training for our people.

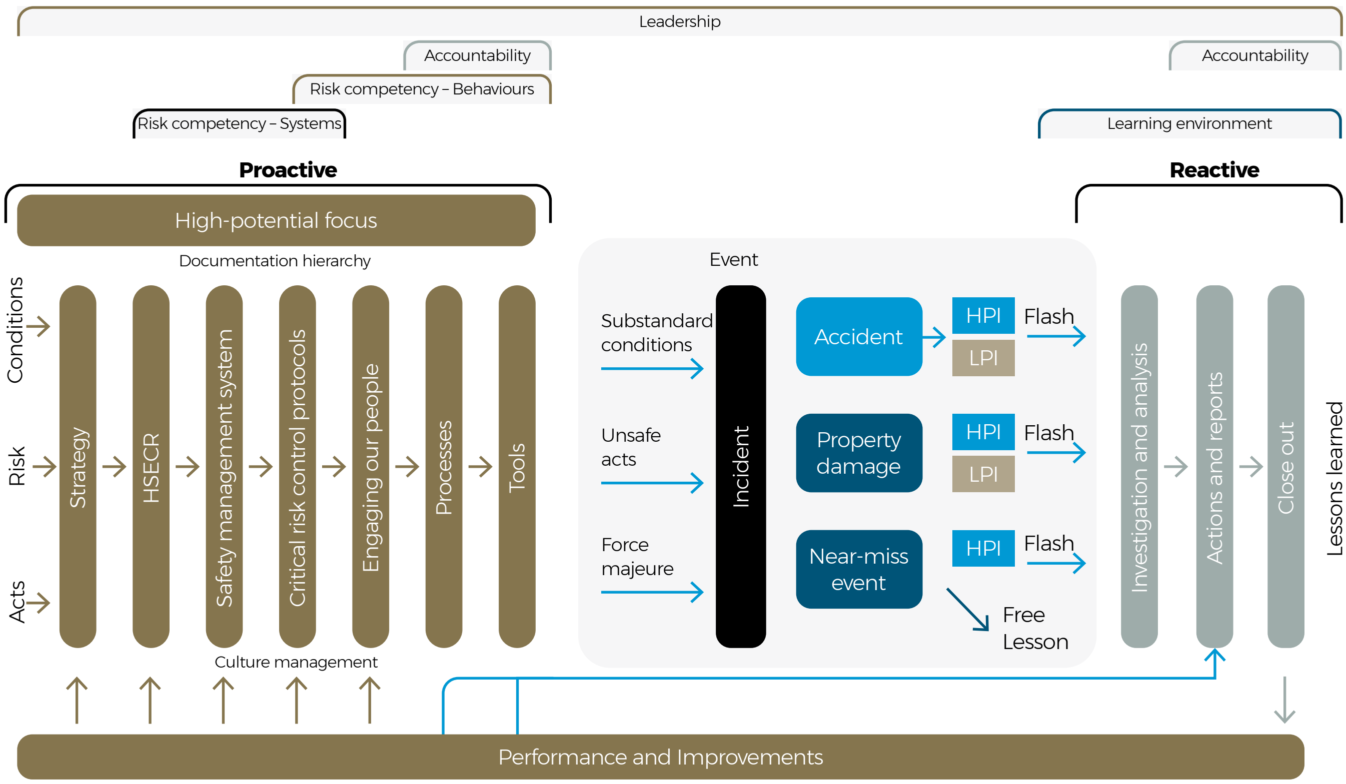
2. **Accountability:** Integrating safety and operational management systems
   - Promoting recognition of safety as the responsibility of line management.
   - Senior management involvement in monitoring processes, systems, operations and reporting policies.

3. **Behaviours risk competencies:** A mature and resilient safety culture.
   - Step back (a method used to raise awareness and identify safety risks in work areas).
   - Positive recognition.

4. **Systems risk competencies:** Establish a risk-based management system.
   - Internal documentation aligned to ISO standards.
   - Critical risk control standards and organisational deployment.

5. **Learning environment:** Reduce risks through engineering, systems, behaviours and lessons learnt.
   - Communicate and implement improvements and corrective actions.
   - Investigation – Risk watch.

'I Care, We Care' conceptual map: risk management based on systems, behaviours and infrastructure



Management

The safety operating plan concentrates on the uniform and cross-functional implementation of critical controls. This includes their verification, proper deployment and the practice of visible leadership both in the field and through active participation and engagement of workers at every organisational level. We have various mechanisms in place for identifying and assessing risks and establishing controls, all with an operational focus and with the aim of minimising risks in the execution of activities in the field.

- For general risks, each operating unit carries out the process based on the NOM-023-STPS-2012 standard. For routine activities, employees and business partners use general tools to evaluate risk and establish controls; for non-routine activities, we deploy the Safe Work Analysis mechanism, permits and authorisations for high-risk work.
- Our approach to critical risks begins with the Workplace Risk Assessment and Control (WRAC), prepared by the leadership team of each operating unit. This is followed by a bow-tie analysis to identify and review the controls with the goal of avoiding or mitigating the risk, carried out with risk owners, critical control owners and risk experts. This analysis leads to critical control verification tools: a checklist before initiation of critical risk associated activities, performance standards, the establishment of parameters and quality criteria to guarantee critical controls, and a portfolio of critical risks derived from their previous identification and evaluation.

Leadership in the field

At Fresnillo, we uphold safety as a 'Life Value' through our commitment to values-driven visible leadership. Responsibility and accountability are ingrained at every level of our organisation.

We systematically deliver leadership programmes in the field for all leaders, from facilitators to management teams, with a focus on instilling values into their actions and leading by example. This ensures control and verification of the implementation of critical risks and their respective critical controls, contributing to the strengthening of the preventive culture and visible leadership.

Furthermore, our leadership practices aim to empower people by enabling them to take responsibility for their right and their obligation to halt any unsafe activity resulting from the absence or failure of critical controls. This empowerment persists until the situation is corrected or until safe operation is ensured.

2023 marked a significant step in the implementation of leadership practices, symbolised by the delivery of the leadership standard, which lays out our leaders' expected behaviours and tasks. This initiative, guided by our Chairman and CEO, aims to fortify our preventive safety culture, and was endorsed by senior management. This endorsement process was replicated across all business units to ensure widespread deployment and dissemination.

Participation

At all levels of the organisation, our workforce has various roles and responsibilities to support our safety strategy and actively participate in hazard identification, risk assessment and control-establishment processes. Specialists are assigned to all operations and projects to train, guide and advise our workforce on safety management. We utilise various forms of collaboration and participation, such as committees, health and safety commissions, and emergency teams, to carry out safety-focused activities such as training and risk management projects to enhance our safety culture. Hand-in-hand with the union, our Health and Safety Committees, or business partner committees, also conduct facility safety inspections to identify hazards and unsafe practices, make suggestions for preventive measures and conduct accident investigations.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Safety continued

In 2022, we established the **'I Care, We Care' operational committee** to assist the Executive Committee and management in risk management and ensure a uniform and cross-functional deployment of the safety strategy across operations. Led by our operational leaders, the committee comprises general operational superintendents, service area leaders with an impact on risk control, technical specialists from various disciplines related to risks and safety leaders. The committee's objective is to manage workplace safety risks, challenges and opportunities; track and report safety performance; implement clear, compatible corporate guidelines; monitor and follow-up on risk verifications according to our leadership standards; conduct in-depth verifications; and foster cross-functional learning. Throughout 2023, this committee held monthly sessions, conducted leadership field practices and symbolically endorsed the leadership standard.

Throughout 2023, **safety meetings were held with key business partners;** management teams from each mining unit, along with our partners' key representatives, collaboratively engaged to align their operational standards, performance reporting and evaluation with our 'I Care, We Care' programme. During these engagement sessions, safety opportunities were addressed collaboratively and cross-functional learning cases presented for implementation.

2023 also saw the **11th Safety Symposium** take place in Fresnillo, Zacatecas. This unprecedented event served as a key forum for communication, reflection and training in safety – and it brought together the union, the Company, business partners and authorities. At this event, agreements were reached with the National Miners and Metallurgists' Union FRENTE to reinforce the synergy between each local executive committee and business unit leaders, and to strengthen safety culture through the implementation of leadership practices. The event drew 816 attendees over three days, representing all union sections from seven Mexican states.

Training

We maintain our firm belief in developing competencies to underpin our safety culture, covering safety induction, regulatory courses, risk analysis, risk control protocols, operational procedures, practices for high-risk tasks, permits and authorisations, safety management, hazardous material handling, business goals, preventive safety tools, brigade training and accident investigations using various methodologies, among others. Additionally, we continue to strengthen the professionalism of our workforce through certification in competency standards accredited by the National Council for Standardization and Certification of Labour Competencies (CONOCER). We also maintain emergency response teams trained in mine rescue, firefighting, first aid, hazardous materials handling and evacuation. For a detailed overview of our training and development strategies, refer to Our culture section on pages 92-95.

Certifications

	Juanicipio	San Julián	Fresnillo	Saucito	Ciénega	Herradura	Noche Buena
OHSAS 18001/ISO 45001 Sets out criteria for international best practice in occupational health and safety management.							
	–	–	Certified	Certified	–	Certified	Certified

As part of our commitment to strengthen the safety culture, we have also established a synergistic relationship with the National Miners and Metallurgists Union, FRENTE. Together, we engage in coordinated efforts to champion skills development through immersive workshops tailored for local committee members, newcomers and aspiring individuals.

Certifications and awards

We hold safety related certifications relevant for our industry in our mining units, such as ISO 45001, and the International Cyanide Management Code; refer to Protecting our environment section for more information on the Code. For the third consecutive year, Centauro Profundo received the 'Jorge Rangel Zamorano' Silver Helmet award for its safety performance in the category 'Underground mining – up to 500 workers', granted by the Mexican Mining Chamber.

Performance

The executive team is committed to safeguarding our people and promoting zero harm. To this end, our 2026 vision is to achieve zero fatalities and decrease our TRIFR to International Council on Mining and Metals (ICMM) standards. Furthermore, we aim to minimise individuals' risk exposure, protect assets, and use advanced technology to increase preventive reporting and enable proactive decision-making – such as critical control automation, software to ensure proper scaling and safety analytics, among others.

We have continued to mature our preventive reporting (near misses), identifying failed or missing critical controls. These instances, which do not represent energy release or damage, allow operational leaders to promptly address potential hazards to individuals or equipment. In addition to its management focus, our cultural objective is to ensure workers' participation in an early warning system, enabling them to understand the safety environment and make timely decisions. In 2023, we generated 34,638 near miss reports, marking a 75% increase compared in 2022, showcasing the significant progress in our preventive reporting efforts.

While our safety performance has exhibited a positive trend in recent years, we deeply regret that four colleagues tragically lost their lives while performing their operational duties – one unionised worker and three contractors. We recognise that maturing our safety culture is an ongoing journey and that these disappointing incidents underscore the urgent need for a top-down, organisation-wide approach to prevent recurrence. We are resolute in our determination to foster a disciplined application of controls, enhance leadership qualities, and improve accountability processes at every level.

Our foremost priority is to safeguard the most invaluable asset – the lives, safety and integrity of our workforce. Our response to fatalities has been to implement a series of contingency, control and improvement measures, with a focus on addressing organisational root causes. Noteworthy actions include:

- Conducting thorough investigations using the Incident Cause Analysis Method (ICAM) to guarantee more meticulous analysis and an enhanced focus on organisational causes. Currently, corrective actions are being implemented across our operations to reinforce engineering controls, personnel competencies, and improve the application and verification of critical controls in the field, along with strengthening the accountability process.

- Intensifying the field presence of all operational leaders – from supervision to management, including business partners – to guarantee systematic involvement, detection and addressment of potential risks. Additionally, to enhance communication with the workforce and provide guidance and coaching through regular deployment.
- Engaging more effectively with business partners through two key strategies: 1) Updating the safety annex in mining works contracts to align and comply with our prescribed guidance and standards; and 2) Facilitating effective communication and collaboration by fostering synergy to address issues, encourage transversal learning, conducting regular meetings and coordinated tours, and establishing systematic monitoring and verification mechanisms.
- Enhancing operational discipline by intensifying efforts in awareness, training and supervision along our entire command line, recognising that the risks associated with the 2023 fatal incidents (interaction and rock fall) are both recognised under the critical risks protocols. Yet despite controls being implemented controls in the field, we have failed to avoid recurrence.
- Empowering our entire workforce to halt activities if safety conditions or controls are compromised, through the 'right to say no' policy, disseminated through permanent workshops and communication campaigns.
- Establishing a robust verification and monitoring mechanism within leadership practices that informs decision-making.

2026 goals

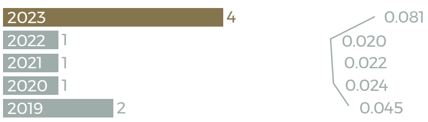
Short-term (1 year)

Decrease TRIFR by 5%:
- Mature risk management.
- Organise consultation forums.
- Consolidate 'I Care, We Care' operating committee.
- Strengthen leadership practices.

Medium and long-term (3-5 years)

Reduce TRIFR and fatality rate to ICMM range:
- Consolidate risk management.
- Improve risk management across scenarios and stakeholders.
- Improve personnel competencies and training.
- Implement projects to improve safety.

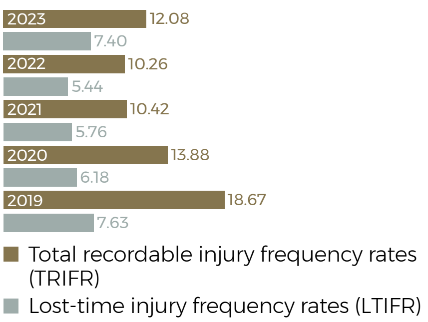
Fatal injuries and fatal injury frequency rates



Fatalities: Number of fatal injuries to employees and contractors.

Fatality frequency rate: Number of fatal injuries to employees and contractors for every 1,000,000 hours of hours worked.

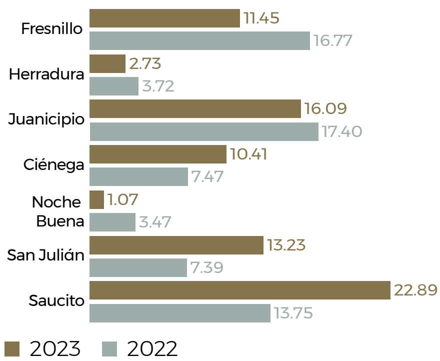
Injury frequency rate for every 1,000,000 hours



Recordable Injuries: Lost-time cases + restricted work cases + medical treatment per 1,000,000 hours worked.

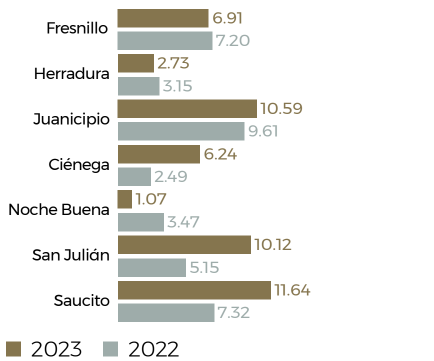
Lost-time injuries: Number of lost-time injuries per 1,000,000 hours worked.

Total recordable injury frequency rate (TRIFR) for every 1,000,000 hours



Recordable Injuries: Lost-time cases + restricted work cases + medical treatment per 1,000,000 hours worked.

Lost-time injury frequency rate (LTIFR) for every 1,000,000 hours



Lost-time Injuries: Number of lost-time injuries per 1,000,000 hours worked.

What's next

- Continue progress on our pledges to decrease our fatality rates and TRIFR.
- Roll-out new technologies – including data analytics – and promote automation to improve risk management and the wellbeing of our workers.
- Consolidate the 'I Care, We Care' operating committee to guarantee the deployment and homogenous safety strategy across our operations.
- Establish and consolidate leadership practices across all organisational levels and transversal processes.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Safety continued

Case study

Safety innovations at our newest mine

Following 15 years of exploration, pre-feasibility studies, design and construction, and an investment of $440 million, we began commercial operations at Juanicipio in 2023. As befits our newest mine, we have introduced a suite of advanced operational technologies, which will continue to evolve in the coming years, reaffirming our commitment to ensuring the safe management of operations. These technologies include:

- **Intelligent Geomechanical Cables:** Initiated in 2021, this technology plays a crucial role in pre-emptively adjusting and refining fortification strategies, especially in permanent structures and zones characterised by suboptimal rock conditions (critical terrains).
- **Anticollision System:** Launched in 2021, this project included 70% coverage of both heavy and light equipment by 2023, and incorporates detection, alert and visualisation features. We aim to achieve full coverage of real-time tracking and geolocation of personnel, in addition to the anticollision system on equipment, by 2024.
- **Mining Operations Control (COM):** Real-time monitoring, alerts and control of key operational metrics. The goal is the preventative control of variables and processes, such as mine traffic coordination and control, and to facilitate swift decision-making, such as emergency response protocols, incident command and crisis committee activation.
- **Fire Detection, Alerts and Network Control:** Functions automatically in the mining operations' control room, ensuring immediate response capabilities.
- **Telemetry and Equipment Health:** Software for assessing the integrity and status of heavy equipment and primary components, operational and maintenance profiles, and reporting; it facilitates informed decision-making over assets and operations and currently covers 20% of equipment.
- **Remote Operation Centre:** Based at the surface, this centre operates tele-remotely counterpoise drills, long-hole drilling jumbos and scoop trams.
- **Training Simulators:** Available for equipment training and retraining, including the LH517i Loader, DD421 Jumbo, DL431 Long-Hole Drilling Jumbo and TH551i Truck.
- **Remote Ventilation System Control:** This demand-controlled ventilation system allows for remote controlled main ventilation, bulkheads and gates.
- **Electricity Demand Monitoring and Control System:** Ensures uninterrupted supply, avoiding losses while maximising efficiency and control over the power distribution.

Case study

Using radar systems to detect risks

Since its establishment in 1990, Penmont has consistently demonstrated its commitment to safe operations through the adoption of operational technologies for risk detection, monitoring, alert and control.

For example, back in 2016 we acquired the first radar system for the Noche Buena mine before expanding the initiative to the Herradura mine, both part of Penmont. This risk detection technology and its ability to predict potential failures proved its true value in 2018, following the impact of Hurricane Rosa, a Category 4 hurricane. The radar systems detected all ground movements and enabled us to develop a comprehensive equipment relocation strategy that guaranteed 'zero damage'.

Today, Penmont boasts a fleet of 11 state-of-the-art radar systems, safeguarding 94% of the entire pit area and earning Penmont its reputation as the mining operation with the most extensive coverage in Mexico. The radar-based detection, monitoring, alerting and control system is operated around the clock, 365 days a year, generating automated reports and a wealth of data to support predictive analysis. The technology also significantly enhances decision-making processes regarding operational timings and methods (when and how to operate), contributing to both productivity and safety.

Embracing a culture of continuous improvement and the sharing of best practices, Penmont has also become the first mine in Mexico to install slope stability radar systems at its tailings storage facilities. This proactive approach to safety has culminated in Penmont achieving a 'zero events/zero accidents' record related to slope stability, underlining its leadership in the implementation of advanced safety measures in our country's mining industry.

Health

We prioritise the health, safety and wellbeing of our workforce.

Comprehensive health

Our foremost commitment is to safeguard the wellbeing of our people by ensuring a safe and healthy work environment. Our comprehensive approach extends across several aspects of workplace health, supported by a multidisciplinary focus through specialists in the health sector and organisational development. This collaborative effort aims to continually enhance our processes, ensuring the preservation of the physical and mental health of our workforce.

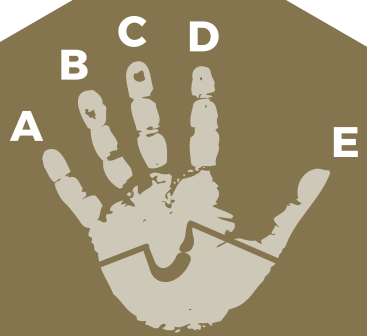
Our strategic framework encompasses emergency preparedness, the promotion of healthy habits, and the early detection and management of health risks, effectively preventing both occupational and chronic diseases. To mitigate these risks, we meticulously establish operating procedures, provide necessary equipment and training, and implement controls.

Prior to joining our workforce, individuals undergo a thorough health check that includes both physical and psychosocial evaluations. We also implement regular check-ups to screen for occupational diseases, and workers receive guidance on preventive care measures. We actively monitor exposure levels to physical and chemical risks, such as noise, dust, vibration, heavy metal contamination and extreme temperatures, and conduct biological monitoring to prevent sanitary risks. Behavioural change workshops are organised to promote personal wellbeing and prevent accidents and workplace stress. Additionally, we continually assess and enhance the ergonomics of our work environment to prevent musculoskeletal disorders and operate rehabilitation facilities to expedite recovery from workplace injuries.

External audits of the health and safety management system are conducted regularly at the Fresnillo, Saucito and Penmont units, with the aim of strengthening and continually enhancing our processes. To ensure accountability, heads of medical services participate in a structured mechanism and present results during end-of-month meetings; these sessions also serve as forums to reach agreements and establish commitments, contributing to the overall efficacy of our health and safety measures.

In recent years, our health departments have evolved to embrace a more holistic perspective that extends beyond occupational health programmes. Our health plans and programmes emphasise comprehensive wellbeing, addressing both physical and mental health – promoting nutrition, sports and healthy habits, psychological care, wellness in the workplace and at home – as well as focusing on hygiene, ergonomics, health surveillance, women's health and implementation of health-oriented technologies in the workplace. Aligned with our 'I Care, We Care' programme, this health management system addresses five main courses of action.

Five comprehensive health courses of action



A. **Health care:** Check-ups, medical consultations and health campaigns

B. **Comprehensive wellbeing:** Nutritional support, sports promotion and psychological support

C. **Industrial care:** Ergonomics and industrial hygiene

D. **Innovation and development:** Health technologies and software

E. **Emergencies:** Emergency preparedness and training

In line with our commitment to workforce wellbeing and operational efficiency, we initiated a groundbreaking ergonomics committee pilot in Herradura during 2023. This marked the beginning of our broader plan to establish ergonomics committees across all mining units. Over the next two years, we plan to implement a comprehensive training programme encompassing six strategic initiatives, ranging from early diagnosis to the establishment of processes for continual improvement:

1. Historical review of work-related risks with ergonomic implications.
2. Specialised academic training in ergonomics for our industrial hygienists.
3. Development of a matrix for identifying ergonomic risks specific to mining units.
4. Analysis and evaluation of ergonomic risks within the mining unit.
5. Conveying the findings to the mining unit's leadership team.
6. Formation of a comprehensive ergonomics committee for ongoing monitoring and continuous improvement.

At the same time, our dedication to community health has continued through the regular deployment of our Community Health Weeks, a flagship programme renowned for its popularity and success among neighbouring communities. In collaboration with local and federal authorities, health agencies and the National Autonomous University of Mexico (UNAM) Foundation, we offer free dental care, eye care and physical therapy to our communities. In 2023, the programme had a positive impact on over 6,000 individuals across almost 200 communities. For a comprehensive overview of our Community Health Weeks and other health-related initiatives dedicated to our neighbouring communities, please refer to the Socioeconomic development segment in the Partnering with our communities section on pages 142-149.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Health continued

Certifications

In 2023, Saucito achieved certification as a Cardio-Protected Space, a recognition backed by Civil Protection of Zacatecas, the National Association of Cardiologists of Mexico (ANCAM), the Mexican Resuscitation Committee, the Inter-American Heart Foundation and the Mexican Society of Cardiology (SMC). Over 2,000 employees were trained and equipped with the necessary skills in Cardiopulmonary Resuscitation (CPR) and how to use an Automated External Defibrillator (AED). In the event of a sudden cardiac arrest within our facilities, these trained individuals are prepared to provide immediate care until emergency services arrive. We expect to continue certifying other units in the coming years.

	Juanicipio	San Julián	Fresnillo	Saucito	Ciénega	Penmont
Safe and healthy working environment (ELSSA): IMSS voluntary programme to implement strategies and measures to improve health, safety and wellbeing of workers, as well as productivity and quality in the workplace.	Certified	In progress	Certified	Certified	Certified	Certified
Cardio-protected space: endorsed by Civil Protection of Zacatecas and other prestigious organisations, this guarantees that workers are trained in CPR and AED manoeuvres.	–	–	–	Certified	–	–

Case study

Living in Balance

Our 'Living in Balance' programme is continuing to help our people gain insights into their current physical, mental and emotional wellbeing – and to empower and guide them on a holistic journey towards an enhanced quality of life.

First introduced in 2022, 'Living in Balance' includes a survey to assess general wellness, identify opportunities for dietary improvements and reveal levels of work-related stress. This initial survey brought to light concerns related to inadequate sleep and signs of anxiety and depression. A follow-up survey, carried out in 2023, dived into more detail around the adoption of a healthy lifestyle and key drivers of change. The results of this diagnostics phase have enabled us to lay the foundations for an organisational plan strategically designed to proactively address the most pressing issues, fostering a transformative impact on our workforce's quality of life.

In the course of 2023, we also held the inaugural 'Living in Balance' fair in the Fresnillo district, with the participation of approximately 400 workers and their families. Two impactful master sessions, 'You are the key' and 'Living marvellously', emphasised the importance of wellness, self-care, and positive psychology. To complement these sessions, we organised information stands dedicated to the programme's dissemination, nutritional guidance, psychological education and physical therapy.

Furthermore, to amplify our commitment to employee wellbeing, we established the Wellbeing Committee in 2023 to follow-up on initiatives regarding physical and mental health, sports, culture and social activities. This committee will be fully operational in 2024, overseeing additional courses of action within the 'Living in Balance' programme, including: i) Sleep hygiene, ii) Depression, iii) Anxiety, iv) Work-related stress, and v) Drivers of change.

Through these concerted efforts, the 'Living in Balance' programme not only addresses immediate concerns but also aligns seamlessly with our broader organisational strategy, reinforcing our commitment to cultivating a thriving and supportive workplace culture.

'Living in Balance' timeline

2022

- First phase of diagnostics survey implementation

2023

- Results dissemination and integration to Health Plan
- Second phase of diagnostics survey implementation
- Working groups to review new comprehensive screening
- Creation of Wellbeing Committee

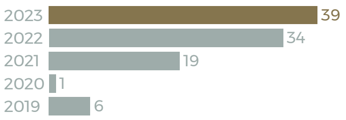
2024

- Deploy initiatives on emotional and family dimensions
- Evolve to a culture that places greater emphasis on recognising how work can impact health and wellbeing
- Share programme's insights with contractors
- Adopt new comprehensive screening

Occupational health

Our strategy is centred on proactively identifying and mitigating the health risks faced by our workforce. By cultivating a culture of health through proactive care and promoting healthy lifestyles, we aim to prevent specific chronic diseases and enhance overall wellbeing and fitness for work. Occupational health is a collective endeavour, necessitating the active participation and commitment of every individual within the organisation.

New cases of occupational diseases



Covid-19

During the year, we continued to adhere to the updated guidelines issued by the Health Ministry. As a result of the preventive measures ingrained in our robust Covid-19 protocol and the successful vaccination campaigns carried out with our workforce, we achieved an 82% reduction in cases compared to 2022.

Beyond our focused efforts on Covid-19, we continued our vigilance by encompassing other respiratory illnesses, such as seasonal influenza. This involved conducting comprehensive vaccination and vitamin fortification campaigns across all our work centres.

What's next

- Establish a management system for Industrial Hygiene and begin the improvement of project designs in the mining units.
- Define a plan for the establishment of the Ergonomics Committees across mining units, and define a work programme to 2025.
- Increase health epidemiological surveillance, with a particular focus on business partners.
- Launch the work plan to certify another mining unit as a cardio-protected space.
- Consolidate the fatigue management system at Juanicipio.
- Strengthen the labour inclusion programme.
- Continue strengthening general working conditions, training, education and productivity, as well as health and safety through:
  - The recertification of all our mining units as Safe and Healthy Working Environments (ELSSA).
  - The execution of the Secretary of Labor and Social Welfare's (STPS) new programme – the Voluntary Labour Verification Programme (VELAVO).

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

PROTECTING OUR ENVIRONMENT

We optimise resource use to curb our impact, and are accountable for our environmental footprint.

While acknowledging the critical nature of mining and the processing of precious metals as essential industries, we also recognise the environmental impact inherent in our operations, including factors such as water consumption, land disturbance, waste generation and Greenhouse Gas (GHG) emissions. To maintain our social licence to operate, it is imperative that we prioritise resource optimisation, mitigate adverse effects and transparently communicate our environmental footprint to our stakeholders.

Understanding that industry performance enhancement requires more than internal efforts, we are committed to fostering effective engagement by working together through partnerships with governments, non-governmental organisations, business associations and diverse stakeholders to collectively drive positive environmental and social impact. This collaborative approach is pivotal in producing crucial information, researching innovative solutions, allocating resources, and seamlessly sharing and implementing best practices.

Through the Silver Institute, we participate in an industry-wide initiative on silver and the low-carbon economy. The objective is to produce more carbon footprint information for stakeholders, showcase carbon abatement best practices and further study silver's life cycle and its role as a climate-smart metal. In addition, we actively endorse and participate in initiatives such as the Colorado Cleantech Challenge — a dynamic innovation showcase that facilitates connections between mining companies and clean technology solution providers. Our shared objective is to collaboratively address and overcome the environmental challenges inherent in our industry, as clean technologies play a pivotal role in advancing environmental performance and reinforcing the social acceptability of the mining industry.

Our engagement initiatives extend to companies and organisations in other industries. In Mexico, we are part of the Private Sector Study Commission for Sustainable Development (CESPEDES) – the Mexican Chapter of the World Business Council for Sustainable Development (WBCSD) – which shares best practices and engages with governments and society at large. In 2021, we also joined the Mexico TCFD Consortium. Following the success of the Japanese model, the consortium was created to share lessons learnt and assist companies that are starting to adopt these recommendations to shorten their learning curve, build capacity and improve TCFD engagement levels across the country.

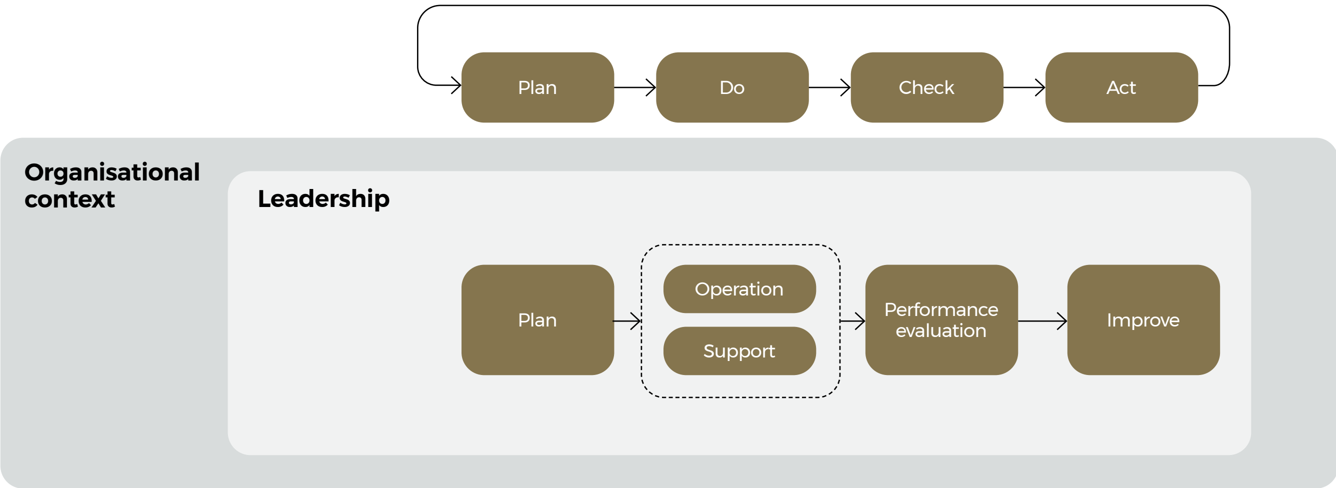
Additionally, as members of the World Environment Centre (WEC), a respected think tank, we actively contribute to advancing sustainable development and learning best practices on climate change strategy from leading member international companies. We also support Naturalia, a key NGO dedicated to the development and implementation of projects aimed at the safeguarding and conservation of Mexican ecosystems and their diverse wild species.

Environmental management

Our Environmental, Health, Safety and Community Relations (HSECR) approach focuses on our employees, teams and facilities – and it is a critical consideration that shapes policies and strategies across all our operations. To this end, we establish and maintain a HSECR management system, in accordance with ISO 14001:2015 and ISO 45001:2018 standards, incorporating environmental aspects, hazards, and risks.

Each unit defines HSECR requirements with clear guidelines for implementation and assessment. This process establishes measurable goals, objectives and programmes, defining procedures for measurement, monitoring and improvement as part of the system, as well as periodic internal and external audits and reviews by top management. Audits assess the adequacy and effectiveness of the implemented system and the fulfilment of defined objectives, while reviews analyse the state of the strategy and performance for decision-making purposes.

High level structure of our HSECR management system



A systematic approach to environmental management enables us to provide pertinent information to top management, fostering long-term success and creating opportunities to contribute to sustainable development by:

- Protecting the environment through the prevention or mitigation of adverse environmental impacts.
- Mitigating potentially adverse effects of environmental conditions on the organisation.
- Supporting the organisation in complying with legal and other requirements.
- Improving environmental performance.
- Controlling or influencing how the organisation designs, manufactures, distributes, consumes and disposes of products or services, using a life cycle perspective to prevent environmental impacts from being inadvertently transferred to another stage of the life cycle.
- Achieving financial and operational benefits resulting from implementing environmentally friendly alternatives that strengthen the organisation's market position.
- Communicating environmental information to relevant stakeholders.

Before embarking on any mining project, a top priority is to carry out thorough Environmental Impact Assessments (EIAs). These assessments meticulously identify potential impacts and outline the requisite actions for effective management. EIAs comprehensively address a spectrum of critical factors, encompassing surface and groundwater resources, water quality, air quality, soils, biodiversity (including threatened or endangered species), landscape and socioeconomic conditions. The valuable insights derived from these assessments serve as the cornerstone for the development of our environmental management plans and systems, including the adherence to ISO 14001 standards.

Certifications

						Penmont	
Certification/Award	Juanicipio	San Julián	Fresnillo	Saucito	Ciénega	Herradura	Noche Buena
ISO 14001 Framework and criteria for an effective environmental management system.	–	–	Certified	Certified	–	Certified	Certified
International Cyanide Management Code Sets criteria for the global gold mining industry on cyanide management practices.	–	–	–	–	–	Certified	Certified

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

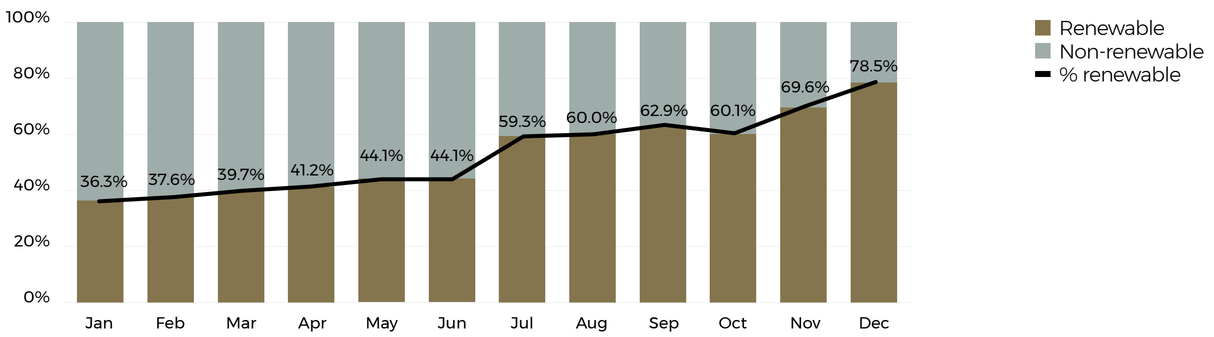
Environmental management continued

Energy

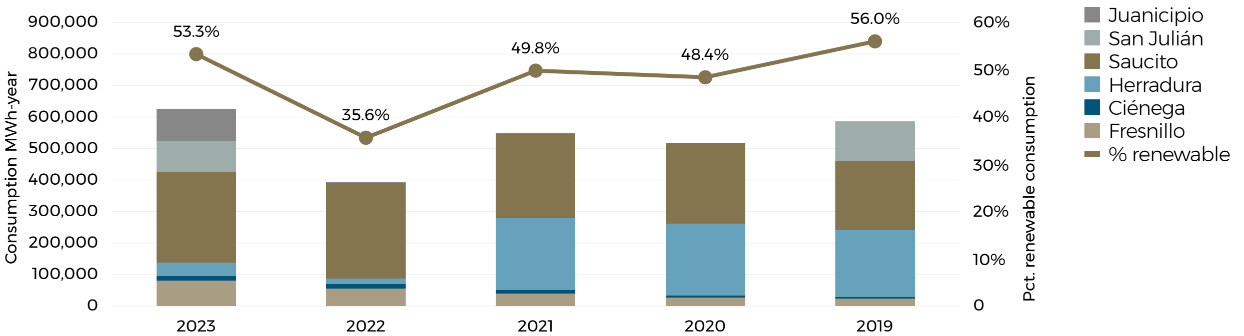
By its very nature, mining is an energy-intensive activity that demands significant inputs – in particular, energy. Fuel and electricity are crucial in order to extract, process and transport minerals from deep within the earth to the final stages of production and, at times, initiating subsequent industrial processes. Vigilant monitoring of energy consumption, GHG emissions and their respective intensities per tonne of processed mineral are central to our commitment to sustainability. This rigorous oversight helps us to mitigate risks and also identify opportunities for resource efficiency that may contribute to business continuity and cost efficiency.

We have been steadily increasing our use of renewable energy in recent years, aiming to achieve 75% renewables in our energy mix by 2030. However, regulatory uncertainties have caused delays to new renewable energy sources which were due to come online. Waiting times for modifications to transmission permission agreements have become extended, and as a result, in 2022, we had to rely more on electricity from the Mexican power utility, Comisión Federal de Electricidad (CFE), temporarily reducing our renewable energy consumption. This setback was resolved in 2023 through several measures: San Julián was reintegrated into the self-supply scheme with Coahuila Wind Force (EDC); one of Herradura's lines was migrated to the Wholesale Electricity Market (WEM), sourcing energy from Mesa La Paz Eolic windfarm through a Power Purchase Agreement; and Juanicipio and the Pyrites plant commenced operations late in 2022, also consuming electricity through the latter scheme. These developments enabled us to achieve 53.3% renewables, up from 35.6% in 2022 and representing a 59.9% increase in comparison to 2022, despite a 6.8% increase in average electricity demand.

Evolution in the share of renewable energy consumption in 2023



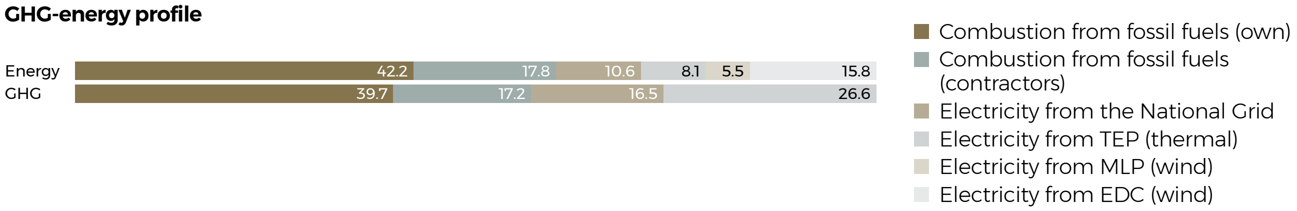
Renewable energy consumption by mine



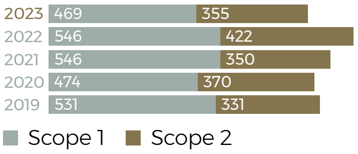
Performance

In 2023, 60% of our energy consumption came from fuels, mainly diesel and gasoline, while the remaining 40% was derived from electricity, 53.3% of which came from renewable energy. We also saw an overall increase in both energy intensity and GHG emissions intensity, of 0.9% and 10.6% respectively, despite a decrease in both energy and GHG emissions, of 14.9% and 6.8% respectively. This was due to a more than proportional decrease in mineral processed of 15.7%. For a detailed overview of initiatives to decrease our energy consumption and enhance our climate change resilience strategy, refer to the Climate change section in pages 111-128.

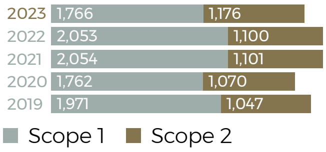
GHG-energy profile



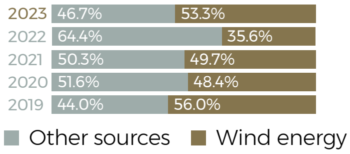
GHG emissions (kt of CO_2e)



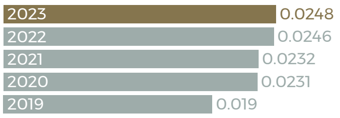
Energy (GWhe)



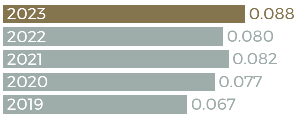
Electricity supply



GHG Intensity (tonnes of CO_2e per tonne of mineral processed)



Energy intensity (MWhe per tonne of mineral processed)



Global GHG emissions for the period 1 January 2023 to 31 December 2023

	GHG emissions (tonnes of CO_2e)				Energy (MWhe)			
	Reporting year	Previous year	% change	Comparison year	**Reporting year**	Previous year	% change	Comparison year
	2023	2022	2023-2022	2012	**2023**	2022	2023-2022	2012
Scope 1 and Scope 2	**824,387**	968,249	(14.9)	704,366	**2,941,925**	3,153,026	(6.7)	1,806,063
Scope 1 (direct): Combustion of fuel (mobile and stationary sources).	**469,146**	545,970	(14.1)	375,121	**1,766,162**	2,052,634	(14.0)	1,385,448
Diesel total	**428,015**	500,747	(14.5)	366,784	**1,580,181**	1,848,756	(14.5)	1,729,591
Diesel (Company-owned)	**288,762**	333,781	(13.5)	228,085	**1,066,088**	1,232,294	(13.5)	841,216
Diesel (contractors)	**139,254**	166,966	(16.6)	138,700	**514,094**	616,462	(16.6)	511,550
Gasoline total	**5,995**	7,512	(20.2)	3,686	**23,092**	28,934	(20.2)	12,234
Gasoline (Company-owned)	**3,487**	4,196	(16.9)	3,686	**13,432**	16,161	(16.9)	12,234
Gasoline (contractors)	**2,508**	3,316	(24.4)	0	**9,661**	12,773	(24.4)	0
Natural gas total	**30,657**	33,330	(8.0)	0	**143,192**	155,680	(8.0)	0
Natural gas (Company-owned)	**30,657**	33,330	(8.0)	0	**143,192**	155,680	(8.0)	0
Natural gas (contractors)	**0**	0	n/a	0	**0**	0	n/a	0
LPG total	**4,478**	4,380	2.2	4,650	**19,696**	19,264	2.2	20,448
LPG (Company-owned)	**4,243**	4,115	3.1	4,650	**18,663**	18,097	3.1	20,448
LPG (contractors)	**235**	265	(11.5)	0	**1,033**	1,167	(11.5)	0
Scope 2 (indirect): Electricity purchased from the grid and PPAs	**355,241**	422,279	(15.9)	329,245	**1,175,763**	1,100,392	6.8	420,615
Mexican National Grid (CFE)	**135,977**	203,486	(33.2)	69,966	**312,590**	467,784	(33.2)	135,461
Thermal – Thermoelectric Peñoles (TEP)	**219,265**	218,793	(0.2)	259,279	**236,889**	240,875	(1.7)	285,164
Wind – Coahuila Wind Force (EDC) & Mesa la Paz (MLP) - WEM	**0**	0	n/a	0	**626,284**	391,733	59.9	0
Intensity measurement: Emissions and energy reported above per tonne of mineral processed.	**0.0248**	0.0246	0.8	0.013	**0.088**	0.080	10.4	0.034

Methodology: We have reported on all the emission sources required under the Streamlined Energy & Carbon Reporting. These sources fall within our operational control. We do not have responsibility for any emission sources that are not included in our consolidated statement. The emissions and energy consumed in the United Kingdom and offshore as well as those pertaining to our exploration projects and corporate offices are negligible. We have used the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), and a 100-year time horizon Global Warming Potential (GWP) for Methane (CH_4) and Nitrous oxide (N_2O) equivalences. Updates to Scope 1 and 2 data vs previous periods are twofold: the former due to rectifications of fuel inventories derived from the external audits – but not material as they amount to an increase of less than 1.5% of GHG emissions – and the latter due to the Mexican National Grid emission factor for the period – usually published on a later date than this annual report. For the same reason, the emission factor of electricity consumed from the Mexican Power Utility CFE during 2023, corresponds to 2022.
Scope 1: Direct GHG emissions/energy consumed.
Scope 2: Indirect GHG emissions/energy consumed from purchased electricity.
Mineral processed: Corresponds to the mineral processed in the beneficiation and leaching plants and the mineral deposited in the leaching pads.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Environmental management continued

Scope 3 emissions

We have taken our first steps towards assessing Scope 3 emissions, which belong to our partners in the value chain and are outside our operating boundary. The following are the categories we have prioritised due to their materiality. We are committed to collaborating with internal and external stakeholders to refine our understanding of Scope 3 emissions, specifically those related to the downstream processing of our product.

		GHG emissions (tonnes of CO_2e)		
Category	Description	**2023**	2022	% change
Purchased goods and services	Our most relevant supplies are blasting agents (explosives), steel balls for milling, lube oil, shell liners for mills, tyres, steel for drilling and sodium cyanide. In this Scope 3 category we provide an estimate of emissions for blasting agents (explosives), steel balls for milling and lube oil.	**157,073**	168,947	(7.0)
Processing of sold products	The products sold by Fresnillo are intermediate products that require further processing (smelting and refining).	**456,390**	460,478	(0.9)
Downstream transportation and distribution	Products sold are transported to the metallurgical complex.	**16,371**	16,595	(1.3)
Investments	Emissions from the Silverstream contract.	**70,645**	67,022	5.4
Total		**700,480**	713,043	(1.8)

Case study

Improving how we manage and control energy

As energy is one of our Company's major costs, increasing consumption at the Fresnillo mine signalled the need for greater focus on energy control and management. Our response during 2023 was to pilot then implement an enhanced approach to energy load management and distribution. Guided by Lean Six Sigma principles, the initiative aimed to reduce demand by 1.7 MW versus the baseline.

Using a holistic strategy, the project mapped and involved a wide range of stakeholders across different roles, with particularly close collaboration between the operational and maintenance departments. Our team fine-tuned the timing of stoppages and start-ups of operational equipment, mitigating demand spikes during the more expensive electricity rate periods while guaranteeing production targets. This process was overseen from the Mining Operations Centre (COM), which is also responsible for coordinating and supporting the movement of ore loads on the surface.

Operators at the COM were given the critical task of optimising energy loads across pumping stations and production shafts, scheduling the usage of exploration drills and maintaining principal ventilation systems, subject to hourly industrial electricity rates set by the Mexican power utility, CFE. By meticulously calculating the impact of each process on energy demand, the team aimed to minimise operational disruptions and manage energy use more efficiently during peak rate periods.

Following its successful implementation, the project not only achieved an overall decrease of 4.8% in electricity demand, but also reduced the unit cost of electricity (average cost per kWh) by 6.5%. This delivered savings of over US$2.4 million compared to the period's original budget, and of 3.4% compared to 2022 energy costs. This successful implementation of demand control underscores our commitment to environmental stewardship by reducing our operational impact, as well as to operational efficiency by optimising energy use, contributing to a more sustainable and cost-effective business management.

Climate change

Task Force on Climate-related Financial Disclosures (TCFD) Compliance Statement

FCA Listing Rules

We have provided climate-related financial disclosures for the year ending 31 December 2023 according to the UK's Listing Rule 9.8.6R(8) of information to be included in the annual report and accounts, having taken into consideration the Listing Rule Guidance 9.8.6BG and LR 9.8.6DG for all sectors and non-financial sectors. This includes all four of the TCFD pillars and the 11 recommended disclosures set out in Figure 4 of Section C of the report entitled 'Recommendations of the Task Force on Climate-related Financial Disclosures' published in 2021 by the TCFD. In completing this work, we made use of TCFD guidance material including the TCFD technical supplement on the use of scenario analysis, TCFD Guidance on Metrics, Targets and Transition Plans, and the TCFD Guidance for All Sectors. Our report is partially consistent with the TCFD recommendations as outlined in the table below, with Strategy-recommended disclosures B and C, and Metrics and Targets recommended disclosure C still requiring further development. We are in the process of developing a roadmap to integrate adaptation measures into financial planning and maturing our approach to carbon pricing. We believe this will also allow us to mature the connections between climate change and other relevant environmental, social and governance (ESG) risks and incorporating them more explicitly into KPIs and targets. In 2024, we plan to continue our progress in reporting against all four pillars of the recommendations.

Task Force on Climate-related Financial Disclosures Statement. Summary of Fresnillo's TCFD response

TCFD Pillar	TCFD recommendation	Cross-reference for the disclosure in the report	Summary of progress to date	What's next
Governance	a) Board oversight.	Pages 112-113	Consistent: The HSECR Committee assists the Board and collaborates with management to provide oversight on the effectiveness of the Company's ESG strategies – including climate change – which is discussed at quarterly meetings; the Chairman of the HSECR reports insights from these meetings to the Board.	HSECR Committee evaluation of progress on TCFD disclosure, strategic determination of mitigation efforts, including the energy strategy. Oversight of the development of our approach to physical risks and transition risks. Develop synergy between the Audit and the HSECR Committees.
	b) Management's role.	Pages 113-114	Consistent: Within the senior and middle management tiers, the responsibility for climate change encompasses identifying strategic risks, evaluating their impact on achieving strategic objectives, and supervising the implementation of controls in both strategic and operational plans.	Define criteria and coordinate efforts to mature climate financial analysis.
Strategy	a) Climate-related risks and opportunities.	Pages 114-119	Consistent: CROs time horizons are defined based on the ERM framework and the operational frontiers of the Company's strategic planning. CROs shortlist includes detailed description of impact to our business and management approach.	Continue to improve and refine CROs financial materiality assessment.
	b) Impact on the Company's business, strategy and financial planning.	Pages 125-126	Partially consistent: Initiated two projects (regional climate modelling and decarbonisation roadmap) that will guide decision-making in climate initiatives.	Mature our approach to internal carbon pricing. Develop a roadmap to integrate adaptation measures into financial planning.
	c) Resilience of the Company's strategy.	Pages 120-125	Partially consistent: Strengthened climate-scenario analysis including a 2°C scenario and gathered key insights on risk exposure, both qualitative and quantitative.	Mature our approach to climate mitigation and adaptation strategies.
Risk management	a) Risk identification and assessment process.	Pages 126-127	Consistent: Achieved comprehensive CRO register that has been subject to several iterations and improvements.	Quantify our most prevalent climate-related opportunities.
	b) Risk management process.	Pages 126-127	Consistent: Design of climate-risk management framework, preliminary risk owners and associated controls.	Replicate climate risk management framework on a site-specific basis.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Climate change continued

TCFD Pillar	TCFD recommendation	Cross-reference for the disclosure in the report	Summary of progress to date	What's next
Risk management	c) Integration into overall risk management.	Pages 126-127	Consistent: Climate change has been streamlined in scoring and criteria into the ERM framework.	Continue maturing the climate-risk management framework.
Metrics and targets	a) Climate-related metrics to assess climate risks and opportunities.	Page 128	Consistent: Industry specific metrics disclosed.	Fully comply with cross-industry indicators.
	b) Scope 1, Scope 2 and, if appropriate, Scope 3 GHG metrics and the related risks.	Page 128	Consistent: GHG emissions aligned to GHG protocol methodology. Concurrent third-party verification of Scope 1 and Scope 2 GHG emissions.	Refine Scope 3 GHG inventory. Concurrent third-party verification of climate-related KPIs.
	c) Climate-related targets and performance against targets.	Page 128	Partially consistent: Set a 75% renewable goal in the Company's electricity consumption by 2030.	Analyse different GHG emission reduction setting approaches. Increase engagement activities on climate change with our partners in the value chain. Mature connections between climate change and other ESG risks, incorporating them more explicitly into KPIs and targets.

Introduction

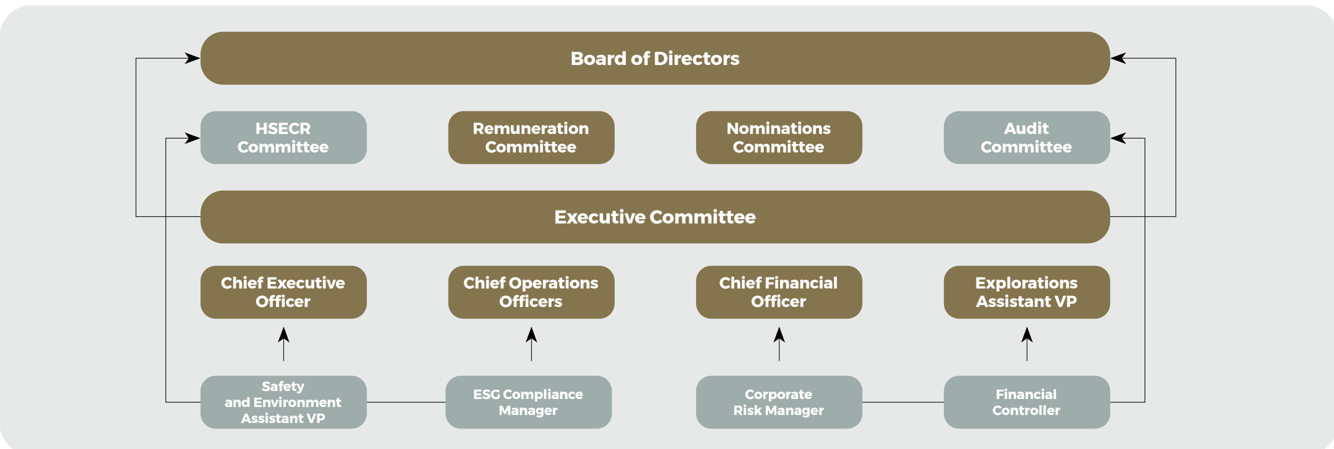
The Task Force on Climate-related Financial Disclosures (TCFD) provides a framework for businesses to report on the impact of climate-related risks and opportunities. While we recognise there are significant opportunities to increase our revenue, for example through increased demand for our products – e.g. silver for solar photovoltaic (PV) – climate change poses risks to our business (both transition and physical) such as increased drought and heat reducing business productivity. We have progressed on our TCFD disclosures year-on-year. This year, we have evolved our disclosure to consider the potential financial impact of physical risks and carbon pricing mechanisms through quantitative scenario analysis. This has further informed our strategy regarding climate-related risks and opportunities to ensure we are resilient in the short, medium and long term.

Governance

Board

Our governance structure is outlined below, with further details available in the Governance section. The Board oversees key risks and associated management strategies, while the Audit Committee evaluates the efficiency of risk management and internal controls. The Board has overall responsibility for the oversight of the climate change strategy and considers its impact on the business during decision-making regarding our strategy, risk management, investments and stakeholders. The Health, Safety, Environment and Community Relations (HSECR) Committee, assists the Board and collaborates with management to meticulously supervise the Company's strategies ensuring they effectively address ESG considerations, including climate change. The Board reviews this progress in quarterly meetings, during which the Chairman of the HSECR Committee presents updates. Directors actively engage in inquiries and provide recommendations during these sessions to guide management. Furthermore, the Board also receives quarterly updates from the CEO on sustainability performance, including advancements in our climate change strategy. In 2023, the main climate-related activities by the Board were:

- Review of the update provided to the Board by the HSECR Committee Chairman to the Board.
- Review of the CEO's report on the Company's areas of opportunity according to a 2022 TCFD gap analysis.
- Overview of ESG reporting, with a focus on climate change regulation and mining industry climate-target benchmarks (working session).



Relevant competencies of Board members for addressing climate change, particularly within the HSECR Committee, are detailed in the Board biographies on pages 194-197. Notably, Mr Arturo Fernández contributes extensive expertise in Mexican public policy and possesses a strong academic background in macroeconomics; Ms Georgina Kessel, former Minister of Energy (2006-2011), offers significant experience in energy and climate change; Dame Judith Macgregor, with extensive diplomatic experience, provides valuable international perspectives on climate change and Mr Fernando Ruiz contributes considerable experience in Mexican taxation and insights into evolving carbon pricing legislation. Additional information about the HSECR and Audit committees' Terms of Reference and their specific contribution to climate strategy, can be found on the Company's corporate website.

The Health, Safety, Environment and Community Relations (HSECR) Committee

The HSECR committee actively engages with Management to provide oversight on the effectiveness of the Company's ESG strategies. This involves assessing management's handling of climate-related risks and opportunities (CROs). Climate change is discussed at quarterly meetings, and the HSECR Chairman reports insights from these meetings to the Board. The HSECR Committee monitors the Company's progress against key targets and metrics at quarterly meetings through a dashboard produced by the ESG Compliance team with key inputs provided by the mining units. Discussions at these meetings include TCFD requirements, progress against renewables target, and intensity metrics on water, energy and GHG emissions.

In 2023, the main climate-related activities of the HSECR Committee were:

- Calibration of KPIs for review at the beginning of each session and definition of benchmarking against peers.
- Review of climate change KPIs trends.
- Review of Company's TCFD reporting gaps and recommendations for full compliance with regulations.
- Review of the TCFD 2023 programme to address a portion of the reporting gaps.

In previous years, briefings and capacity building have covered the basic principles of science-based targets, with a specific focus on the identifying, evaluating and prioritising CROs; a global perspective of TCFD reporting including benchmarks and gap analysis, has also been covered. During 2023, the committee was briefed on ESG rankings and ESG-criteria in credit ratings, TCFD's alignment with other relevant methodologies (FTSE4Good index, S&P's CSA, CDP's climate change questionnaire, among others), and delved deeper into analysing specific gaps that may hinder the Company's full TCFD compliance, strategically prioritising issues slated for resolution. The objective is to ensure that the Directors possess the necessary skills and competencies to oversee Fresnillo's regulatory compliance and overall climate strategy.

Audit Committee

The Audit Committee continues to have an active role in climate-related management after updating its terms of reference in 2022 to include the review and approval of the statement on climate-related financial disclosures. Its role has continued to include:

- Overseeing the TCFD disclosures and progress towards consistency with TCFD recommendations.
- Reviewing principal and emerging risks on a quarterly basis and monitoring the effectiveness of risk management and internal controls.

This year, the Audit Committee also approved the preparation for a third-party external assurance of our KPIs related to Scope 1 and 2 energy consumption and greenhouse gas emissions concurrent with the fiscal year reporting.

Management's role

Guided by the Board and Executive Committee leadership, and in alignment with our risk appetite tailored on a case-by-case basis, we systematically seek to understand, prioritise, and address our risks through a robust risk management framework. Within the senior and middle management tiers, the responsibility for climate change encompasses identifying strategic risks, evaluating their impact on achieving strategic objectives, and ultimately supervising the implementation of controls in both strategic and operational plans. A detailed breakdown of the responsibilities is provided in the table below:

Management's climate-related responsibilities

Management role	Responsibilities
Chief Executive Officer	Orchestrates the strategic connection between business strategy and CROs, overseeing target setting, communicating climate goals, and holding the organisation accountable for climate-related initiatives.
Chief Operations Officers (North and Centre Districts)	Lead operational initiatives that achieve energy and resource efficiency in current operations, contributing to GHG emissions reduction, addressing environmental risks, and identifying opportunities for cost-effective energy utilisation.
Chief Financial Officer	Collaborates with the COOs to identify operational efficiency opportunities and oversees compliance with climate-related regulations.
Industrial Safety and Environment Assistant VP	Ensures the organisation meets safety and environmental standards, regulations and targets, and that it adheres to industry's best practices.
Financial Planning and Executive Information Assistant VP	Provides critical financial insights to support strategic decision-making and guides the integration of streamlined climate-related analysis into existing financial analysis processes.
Financial Controller	Ensures transparency and accountability in financial climate-related disclosures.
Corporate Risk Manager	Manages corporate risks, including those associated with climate change, contributes to developing risk mitigation strategies and ensures alignment with the organisation's risk management framework. In addition, prepares scenarios of possible risks that could materialise.
ESG Compliance Manager	Ensures the organisation adheres to and complies with climate-related regulation, aligns with investors' and stakeholders' disclosure expectations, and collaborates across various departments to enhance overall maturity in addressing climate change.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Climate change continued

Management role	Responsibilities
Baluarte's CEO of Engineering Services	Contributes to the technology strategy for mineral processing, as well as design and operation of mine infrastructure such as tailings storage facilities (TSFs) and water reservoirs, which could potentially be affected by physical risks.
Baluarte's Energy Assistant VP	Manages the electric power portfolio of Fresnillo's Parent Company, optimising costs and demand, analyses and assesses energy sourcing and feasibility for advanced exploration projects and collaborates with mine managers for potential decarbonisation roadmaps.
Baluarte's Sustainability and Community Relations Assistant VP	Supports the Energy Assistant VP in decarbonisation initiatives, conducts research, offers strategic guidance and lends expertise for the execution of sustainability programmes, including climate change.

In 2021, a steering group, comprising representatives from finance, exploration, projects, operations, industrial safety and environment, and sustainability teams, formed to discuss the impact of climate change on operations. This group designated representatives to form an expert team for a scoping workshop, focusing on TCFD and climate risk management practices. The team explored the Fresnillo business model – its value creation mechanisms, operational control, influence across the value chain – identified risks and opportunities and laid the foundations for the comprehensive CROs assessment of that period. Fast forward to 2022, the finance team continued to deep dive into carbon pricing mechanisms and various approaches to assess their impacts in financial analysis.

Building on this momentum, 2023 witnessed a new initiative with representatives from risk, financial control and ESG compliance, forming a new steering team. This group reassessed the CROs long-list, concluded the harmonisation of the climate-risk framework with the central enterprise risk framework (ERM), and commenced a collaboration with the mining units to refine, homogenize and assign site-specific controls, key risk indicators (KRIs), mitigation strategies and risk owners for continuous monitoring moving forward.

Simultaneously, workshops were conducted for senior management and middle management focusing on climate scenarios and financial risk quantification to bolster climate-capacity building at key positions within the organisation. Strategic meetings with financial planning and long-term mine planning aimed to define criteria and coordinate efforts for 2024, setting new priorities towards our climate financial analysis and maturity. Finally, in the environmental department's annual meeting, we engaged in a comprehensive discussion on the latest climate-reporting practices to continue building capacities among our workforce.

Strategy

Climate risks, opportunities and strategic decision-making

Climate change represents a principal risk for Fresnillo, and the CROs it poses have strategic implications for our business. The world's transition to a low-carbon future depends on mining in providing the essential minerals required for technologies such as solar panels, wind turbines, electric vehicles and batteries. However, we must simultaneously decarbonise our operations to comply with increasing regulation supporting the global transition to a net-zero economy. Although Mexico, where our operations are based, does not currently have a net zero target, there is an increasingly robust regulatory framework aligned with the recently updated National Determined Contributions (NDC) of 30% reduction in economy-wide emissions by 2030, which necessitates heavy industry playing its part. Therefore, we must consider and prepare for risks such as carbon taxes, while using the opportunity to increase efficiency and incorporating renewables to reduce operational costs.

In 2021, we conducted a comprehensive review of our business model to identify CROs through the life cycle of mining. Our approach began with desktop research to establish a risk catalogue, drawing insights from industry benchmarks, by significant peers and climate change guidance documents, such as sector-specific and cross-industry guidance from TCFD. We also held interviews with key representatives and workshops involving personnel that represented every aspect of the business – including finance, exploration, projects, operations, industrial safety and environment, and sustainability – engaging in conversations about how climate change may affect our operations; this group designated representatives from different areas to form an expert team from administrative and operational areas across the Company to participate in a scoping workshop to leverage existing progress on TCFD and climate risk management practices.

The team discussed the Fresnillo business model – its value creation mechanisms, operational control, influence across the value chain and the risks and opportunities of growth and innovation plans – its current processes, criteria and thresholds to identify risks and opportunities, and explored additional exposure sources and consequences of climate change, setting the foundations for a comprehensive view on the matter that provided the raw material for the CROs assessment, thus achieving an initial robust and comprehensive CRO register, comprising 100 elements. The outcome was a comprehensive CROs register with detailed information on each identified risk including its TCFD category, external root cause, value chain impact and value driver affected. A longlist of 55 individual CROs was retained for evaluation and prioritisation.

In 2023, we revisited the original longlist of CROs, such that instead of assessing them with preliminary modelling for prioritisation, as we did in 2021, we might keep the complete universe, incorporating more general aspects onto the definitions. This approach was informed with interviews held with risk owners, such as industrial safety and environment, TSFs, water, mine planning, and maintenance, and rectified during two comprehensive workshops with Senior management and middle management. This process allowed us to reach a comprehensive 25 element universe of CROs that later was subject to assessment for likelihood and impact, according to the enterprise risk management (ERM) framework. What we saw in the original exercise – and continue to see as we have rebalanced and updated this analysis – is that most CROs are related to the operational phase of the value chain (extraction and beneficiation), as compared to others (development and construction, closure and post-closure, others).

We also defined time horizons for the materialisation of our CROs, set out in the table below, which align to the ERM framework, and the operational frontiers of the Company's strategic planning. While 2040 has been chosen to give a consistent long-term perspective of climate risk overall assessment for the business, some locations will cease operations before that. However, we have continued to include these locations in the assessment as the risk at these sites continues throughout the closure and post-closure stages of the mining life cycle.

Time horizon	Description
Short-term	Up to 5 years: 2024-2028
Medium-term	From 6-10 years: 2029-2034
Long-term	Over 10 years: 2035+

The CROs list is Red-Amber-Green (RAG) rated based on the ERM framework scoring. The following table outlines our prioritised CROs, based on the materiality of the risk rating in the current shortlisted analysis (high or more) and the corresponding time horizon. The strategic review of our CROs has informed our risk management approach and provided valuable insights to mature our climate strategy in the coming years. For more information on the ERM framework, please refer to the Managing our risks and opportunities section on pages 151-183.

Risk/Opportunity	Risk/Opportunity description and impact on business	Impact time horizon	How is this being managed?	Metrics and targets
Physical risks				
Acute: Extreme weather **Increase in frequency and intensity of floods, storms, cyclones and hurricanes.** **Risk rating: HIGH**	An increase in the frequency or intensity of floods, storms, cyclones and hurricanes could affect the health and safety of our people, damage assets and affect the continuity of our operations and exploration projects. This has occurred previously, with Hurricane Rosa halting operations temporarily. Potential impacts include: • Damage to mine infrastructure and access roads. • Flooding at development sites. • Disrupted transportation and supply chains. • Damage to energy infrastructure. • Discharges of untreated water into surrounding areas. • Decrease in slope and TSF stability. • Environmental impact on neighbouring communities. We conducted scenario analysis this year (see Climate change section) to understand which locations are likely to be most impacted by physical risk, including flooding caused by extreme rainfall and hurricane events. By understanding the location of these events, we can prioritise further mitigating actions.	Medium and long-term	We have developed business resilience plans, Emergency Preparedness Response Plans (EPRPs), personnel training and annual exercises to prepare for natural disasters to protect our people and facilities. We have collaborated with our communities in the response and recovery from natural disasters and developed plans to communicate and coordinate with local regional and state agencies. Our TSFs are monitored with state-of-the-art technology – Interferometric Synthetic Aperture Radar (InSAR), drones, etc. – their design, construction, surveillance, and maintenance follow industry guidelines and adhere to practices outlined by Mining Association of Canada (MAC), Canadian Dam Association (CDA) and International Commission on Large Dams (ICOLD) – which consider extreme weather events. We also continue to make progress in our ongoing efforts to prepare Potential Failure Model Assessments (PFMA) for each site. Our key mining infrastructure such as leaching pads and TSFs take into consideration measures and capacity to handle excess water to prevent discharges. Geotechnical engineering teams at our open pit operations use radars to monitor slope stability in real time to detect and predict potential failures. Herradura mine has also implemented this technology at its TSF. Operations implement energy efficiency measures including demand control and peak shaving to reduce electricity demand in peak hours. Mines are also equipped with back-up diesel plants to supply critical activities such as groundwater pumping to protect mining works in case of a loss of power.	Under development

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Climate change continued

Risk/Opportunity	Risk/Opportunity description and impact on business	Impact time horizon	How is this being managed?	Metrics and targets
Physical risks continued				
Acute: Extreme weather **Increase in frequency and intensity of cold, freezing conditions and snowfall.** **Risk rating: HIGH**	An increase in the frequency or intensity of cold, freezing conditions and snowfall could affect the health and safety of our people and the continuity of our operations and exploration projects. This has occurred previously, with the Texas winter storm temporarily shutting down the power grid. Impacts include: · Damage to mine infrastructure and access roads. · Disrupted transportation and supply chains, including energy. · Damage to energy infrastructure. · Discharge of untreated water into surrounding areas. · Reduced slope and tailings storage stability. · Negative impacts on our neighbouring communities.	Medium and long-term		Under development
Acute: Extreme weather **Increase in frequency and duration of heatwaves, wildfires and windspeed.** **Risk rating: HIGH**	Elevated temperatures during heatwaves pose a dual challenge, presenting risks to both workforce health and safety. These challenges manifest in the form of heat-related illnesses and potential impairment of decision-making capacities, thereby heightening the likelihood of accidents. The increased energy demand during these heatwaves place pressure machinery and equipment that might overheat, on our internal energy needs and the national grid's transmission capacity. The increased frequency and intensity of wildfire events pose multiple challenges. They could affect access roads, compromise local power supplies, and damage stored flammable critical inventory. Moreover, these events may hinder the successful restoration of mined land, leading to land degradation and higher closure costs. The heightened risk of high wind speeds not only intensifies the wildfire threat, promoting swift and extensive spread, but also raises the possibility of wind speeds causing damage to the liners of TSFs. We conducted scenario analysis this year (see Climate resilience section) to understand which locations are likely to be most impacted by physical risk, including heatwaves and wildfires, and assessing the financial impact of disruption and downtime on this. By understanding the location of these events, we can prioritise further mitigating actions.	Medium and long-term	Our strategy for addressing the increased frequency of heatwaves hinges on our comprehensive health and safety programmes. These initiatives assess potential hazards and closely monitor temperature conditions. In our open pit mines, fatigue monitoring is conducted using the Driver Safety System (DSS), directly engaging with the driver through alarms, and with the Vehicle Control Centre, staffed by safety advisors, who analyse data and may decide to implement driver switches when necessary. Operations implement energy efficiency measures including demand control and peak shaving to reduce electricity demand in peak hours. Mines are also equipped with back-up diesel plants to supply critical activities such as groundwater pumping to protect mining works in case of a loss of power. All mining units have firefighting systems as well as firefighting brigades, and adequate ventilation systems.	Under development

Risk/Opportunity	Risk/Opportunity description and impact on business	Impact time horizon	How is this being managed?	Metrics and targets
Physical risks continued				
Chronic: Changes to temperature and precipitation **Risk rating: HIGH**	A chronic increase in maximum temperatures will drive our demand for energy for cooling purposes. Reduced annual precipitation directly contributes to heightened water stress, potentially resulting in diminished water availability for critical activities, such as mining, agriculture and other industrial activities. This scenario intensifies competition for water resources in the regions where we operate. Drought conditions may consequently lead to revenue reductions through decreased throughput and can further extend to impede operations and extraction processes, simultaneously posing a detrimental impact on livelihood in our neighbouring communities. A persistent rise in maximum temperatures not only amplifies our need for energy for cooling but also exacerbates challenges tied to reduced annual precipitation, which exacerbates water stress, threatening the availability of water for vital activities like mining, agriculture and industrial processes. Consequently, competition for water resources may intensify. The potential emergence of drought conditions not only risks revenue reduction due to decreased throughput but also poses a significant threat to our water-dependent operations and extraction processes. Additionally, this scenario has a ripple effect on the wellbeing of our neighbouring communities.	Medium and long-term	Most of our water demand is supplied from groundwater which makes our mines more resilient to droughts. We also rely on closed system circuits and benefit from a high rate of water reuse. In addition, we have developed a new approach to technology for mineral processing in our TSFs, improving tailings deposition and water management, by piloting and implementing technologies such as high compaction thickener and colossal filters. Using treated municipal wastewater reduces our exposure in the Fresnillo district and may be a feasible option in operations and projects close to medium-sized communities. In San Julián, we have constructed a water reservoir to increase resilience to droughts. We actively engage communities to partner with them to improve their water access, infrastructure as well as water-related resilience.	Percentage of freshwater withdrawn in regions with high or extremely high water stress*. Percentage of freshwater consumed in regions with high or extremely high water stress*. Percentage of water reuse efficiency**. Water intensity**. Third party wastewater inputs**.

Note: * Refers to indicators shown at the end of this section. ** Refers to indicators shown elsewhere in the Sustainability chapter of this report.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Climate change continued

Risk/Opportunity	Risk/Opportunity description and impact on business	Impact time horizon	How is this being managed?	Metrics and targets
Transition risks				
Policy and legal: Introduction of carbon taxes or similar schemes **Risk rating: VERY HIGH**	Emerging regulations such as local or transborder carbon taxes, cap and trade systems or increasing requirements from current emissions regulations. Mexico's current pilot (non-binding) Emissions Trading System (ETS) programme excludes direct emissions from haulage and indirect emissions from electricity. However, an increase in ambition to curb climate change may drive a change in regulations of the ETS to increase the emissions sources regulated and their thresholds or requirements for the mining sector from the National Emissions Registry (RENE). Other carbon pricing mechanisms such as carbon taxes on fuels or products may also arise either nationally, sub-nationally or internationally (i.e. subnational environmental taxes, carbon border adjustment mechanisms, etc). We conducted a quantitative scenario analysis exercise this year (see section x) to understand the impact of a carbon price on our business. We used a range of prices to reflect the uncertainty of the current schemes proposed. The analysis suggests decarbonisation is required to minimise the cost from this risk.	Short to medium-term	We engage constructively with regulators and lawmakers on energy and climate change regulations through industry associations. National regulatory requirements for land change use requires us to engage in rehabilitation and reforestation activities throughout the life cycle of mining, in which we have considerable experience. We pursue a resilient energy strategy supported by renewables – which account for over 50% of our electricity consumption – and cost-effective energy efficiency projects, such as haulage route optimisation and mine shaft construction, harmonic filters, on demand ventilation systems, demand control and peak shaving. We have embarked on two projects whose results will help us make informed decisions regarding our climate change initiatives – the regional climate modelling and the decarbonisation roadmap in two of our largest assets – which we believe will provide more information on available and economically feasible technologies, informing our decarbonisation reduction ambitions.	Absolute Scope 1 and 2 GHG emissions*. Percentage of electricity from renewable sources*. Percentage of grid electricity*.
Policy and legal: Increase in number and stringency of government regulations **Risk rating: HIGH**	Fresnillo must ensure compliance with stringent regulations in Mexico relating to surface and groundwater use, particularly in the face of the updated mining law. Regulations pertaining to land-use change and land-use licences exert notable influence on construction and equipment costs. This extends to sectors like electricity, where the prevailing regulatory landscape, particularly in recent years, has not favoured self-supply initiatives, prioritising the state power utility. Additionally, it has constrained the growth of renewable supply integration into the grid. This in turn has the potential to affect electricity prices.	Short to medium-term	Our Executive Committee remains up to date with regulations and to track our progress against renewable energy targets. We have a robust regulatory and compliance programme, overseen by our compliance and legal team, with periodic reviews conducted by the audit department. A dedicated system tracks compliance dates, minimising the risk of non-compliance. We also engage constructively with regulators and lawmakers on energy and climate change regulations through industry associations. We have developed a new approach to technology for mineral processing in our TSFs, improving tailings deposition and water management, by piloting technologies such as high compaction thickener and colossal filters. We also rely on closed system circuits and have a high efficiency water reuse. Using treated municipal wastewater reduces our exposure in the Fresnillo district and may be a feasible option in operations and projects close to medium-sized communities. In San Julián, we have constructed a water reservoir to increase resilience to droughts.	Total freshwater withdrawn*. Total freshwater consumed*. Percentage of grid electricity*. Total energy consumed*.

Risk/Opportunity	Risk/Opportunity description and impact on business	Impact time horizon	How is this being managed?	Metrics and targets
Transition Risks continued				
Policy and legal: Impact of purchasing carbon offsets **Risk rating: HIGH**	In order to meet regulatory standards and improve market reputation in relation to decarbonisation, the Company may incur costs of offsetting the GHG emissions of its operations.	Medium to long-term	The Mexican Environmental Agency requires that operating mining units compensate for the impact they have throughout their life. We have considerable experience in reforestation and land rehabilitation, but further exploration of voluntary carbon markets and carbon offsets are still required.	External offset prices.
Transition opportunities				
Market: Increase demand of silver for solar PV **Opportunity impact rating: VERY HIGH**	Silver is used in the manufacturing of solar photovoltaic (PV) cells. Solar energy is expected to increase its role in the global energy mix as decarbonisation ambitions rise globally, and manufacturing becomes cheaper. PV manufacturing is expected to be one of the drivers of greater silver demand.	Short-term	We monitor the progress of this opportunity through the Silver Institute and specialised reports. Operating budgets have been boosted to favour silver production and new exploration projects such as Rodeo or Orisyvo focus on silver reserves. Our exploration projects in Latin America focus on product diversification, with a special interest in copper, which is also an important mineral for the energy transition.	Annual global industrial silver demand.
Resource efficiency: Switching to renewable sources of energy **Opportunity impact rating: HIGH**	Renewables offer cost-effective decarbonisation opportunities and build resilience to fossil fuel price volatility. Electrification could transform mining equipment and truck fleets in underground mines. Microgrids (off the grid) supported by renewables and energy storage offer opportunities for remote mining operations and for reducing dependence on the national grid. Green hydrogen (hydrolysis with renewable energy) represents an opportunity to decarbonise truck fleets in open pit mines.	Short-term	We follow a resilient energy strategy of self-supply to reduce dependence on the power utility and price volatility, supported by renewables – which account for over 50% of our electricity consumption. We use hydraulic electric drills in our underground mines and have the objective to test hydrogen-fuelled commuting trucks for personnel in the near future. In late 2023, we launched a decarbonisation roadmap in two mining units. Results are expected to bring further insight into the decarbonisation of operations. Furthermore, we engage with suppliers of truck equipment and ventilation systems, as well as with industry associations, to monitor the ways in which technologies are evolving; we also sponsor industry oriented cleantech challenges to foster the introduction of innovative solutions to the marketplace.	Percentage of electricity from renewable sources*.

Note: * Refers to indicators shown at the end of this section. ** Refers to indicators shown elsewhere in the Sustainability chapter of this report.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Climate change continued

Climate resilience

The scenarios used in scenario analysis (outlined in the table below) encompass a spectrum of potential futures shaped by various combinations of possible socioeconomic, regulatory and climate factors, among other variables. For evaluating physical risk, scenario data is sourced from the Intergovernmental Panel on Climate Change (IPCC), an intergovernmental body of the United Nations, dedicating to advancing scientific knowledge on climate change resulting from human activities. The IPCC scenarios are based on shared socioeconomic pathways (SSPs), which offer insights into possible social, economic, political and technological changes between the present and 2100.

Transition risks are evaluated using scenarios provided by the International Energy Association (IEA). The IEA uses a scenario approach relying on the Global Energy and Climate (GEC) Model to examine future energy trends, and to explore a variety of scenarios with different underlying assumptions. Two of these scenarios have been employed to assess the drivers of potential outcomes and analyse associated potential risks. These are the Net Zero Emissions (NZE) which shows a narrow but achievable pathway for the global energy sector to achieve Net Zero by 2050, and the Announced Pledges Scenario (APS), which considers all climate commitments made by governments around the world, including NDCs and Net Zero targets.

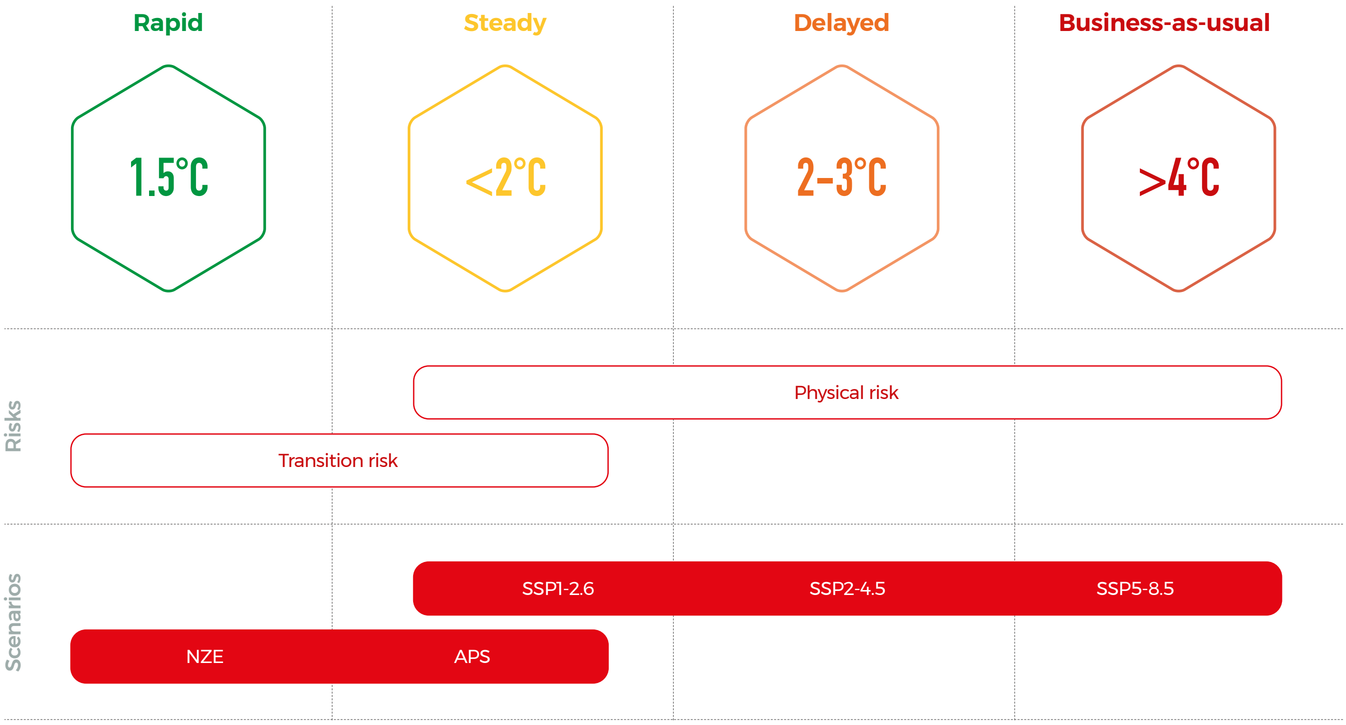
While scenario analysis is a hypothesised outcome rather than a forecast, our analysis enables us to understand the potential impact of climate change on our business under a selection of scenarios so we can plan accordingly, both operationally and financially. In previous years, we have conducted qualitative scenario analysis across our shortlist of climate change risks and opportunities. This year, we utilised quantitative scenario analysis to assess which physical risks our business is most exposed to, as well as how a carbon tax could impact our business financially. Only results for most material risks are included in the following analysis. Looking ahead, we envision employing similar scenario analysis techniques for all our climate risks, and to quantify our most significant opportunities, such as the increase in demand for metals and minerals in the global transition toward Net Zero.

Climate scenarios description

Warming trajectory by 2100	Scenario	Physical scenario source	Transition scenario source
1.5˚C	Rapid transition to a global low carbon economy.	Not considered	IEA NZE
<2˚C	Steady transition to a global low carbon economy in line with the Paris Agreement. This scenario aligns with a Net Zero target in the second half of the century, limiting peak warming below 2˚C compared to pre-industrial times. World economies move towards a more sustainable path that respects environmental boundaries through lower material growth and resource intensity.	IPCC SSP 1-2.6	IEA APS
2-3˚C	Delayed transition leading to notable transition and physical impacts. Considered a 'middle of the road scenario where both physical and transition impacts occur' and aligns to stated policy. Emissions start to decrease until 2045 and environmental systems experience degradation, global growth is moderate and income inequality persists, as does vulnerability to societal and environmental changes.	IPCC SSP 2-4.5	Not considered
>4˚C	Business-as-usual emissions, extreme warming, this is a worst-case scenario. Existing climate and energy policies are unsuccessful, resulting in a significant increase in global GHG emissions without constraint, intensifying physical risks. Additionally, competitive markets produce rapid technological progress and development, but coupled with abundant fossil fuel exploitation, and resource- and energy-intensive lifestyles.	IPCC SSP 5-8.5	Not considered

We expect that transition risks will emerge at a quicker pace compared to physical risks. This expectation is rooted in the belief that proactive climate action will avert the most severe consequences of climate change. Opting for a transition path to mitigate climate change impacts will bring about transition risks. Conversely, in the absence of limitations on greenhouse gas emissions, physical risks will manifest, growing in severity and frequency.

Climate scenarios pathways



Transition risk: Carbon price
There is significant potential exposure to increased costs from carbon pricing if our Company does not take actions to reduce our carbon emissions. Our analysis assumes 50% of increases in upstream value chain costs will be passed on to Fresnillo as a simplifying assumption to reflect both the possibility of costs from investment in new equipment and carbon costs being passed. It also assumes 0% of costs are passed onto customers and there is no impact from Scope 3 downstream emissions because we have no agency in final prices of our commodities as these are driven by the market. Greater granularity of carbon emission data across the value chain is required in order to fully understand the financial impact of carbon. We present the findings from our scenario analysis on page 124.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Climate change continued

Carbon pricing

Risk/Opportunity	Policy: Carbon pricing				
TCFD Category	Policy and legal				
The potential financial impacts of increased carbon taxes on emissions across our operations and supply chain.					
	Time horizon	1.5˚C		<2˚C	
		Developed economy pricing	Developing economy pricing	Developed economy pricing	Developing economy pricing
Potential Impact	Short term	US$127m	US$82m	US$123m	US$37m
	Medium term	US$165m	US$129m	US$141m	US$89m
	Long term	US$201m	US$161m	US$161m	US$129m
	• Direct increase in overhead costs, from Scope 1 and 2 emissions (e.g. cost of electricity and fuel). • Increased cost of raw materials, under Scope 3, due to upstream suppliers passing on increased costs. • Reduction in sales due to potential consumer shifts if increased costs from carbon taxes are passed on to the consumer.				
Scenario analysis	Scenario analysis was carried out under a Net Zero emissions pathway (1.5˚C) scenario and an announced pledges (2-3˚C) scenario. For our analysis, we used carbon prices provided by these scenarios (in the absence of current Mexican carbon prices), along with our GHG footprint by mine site and by emissions scope. Carbon prices used in the analysis were collated from the International Energy Agency (IEA) for both developing and developed economies. This is to represent the range of prices that may be introduced in Mexico in the future, and to also represent prices related to the introduction of the CBAM in the EU. **Key analysis** Under a Net Zero-aligned scenario, the potential financial impact of carbon taxes is US$127.7 million using developed economy carbon pricing, and US$82.1 million using developing economy pricing. This incorporates our current aim to reduce Scope 2 emissions by 75% by 2030 into the analysis. This risk is due to significant projected growth in carbon prices in both scenarios and in both types of economies modelled. Assuming constant emissions over the medium and long term, impacts continue to increase with rising carbon prices. This risk is reduced if we continue to reduce Scope 2 emissions beyond 2030 and formalise plans to reduce Scope 1 emissions. Indirect Scope 3 emissions account for the majority of our potential exposure to carbon costs, particularly upstream efforts to reduce emissions which may result in extra costs being passed on to us from our suppliers. We have limited ability to influence these costs as they will depend on the extent to which suppliers reflect carbon tax expenditure/mitigation expenditure within their prices. Regarding downstream passing on of costs, the ability for us to set and control prices is limited, and broadly controlled by global commodity prices and markets. **Assumptions** • A 75% reduction in Scope 2 emissions by 2030 has been assumed based on our target to have 75% of our energy coming from renewable sources by 2030. A 100% reduction in Scope 2 emissions by 2035 has also been assumed for the purposes of this analysis. • We expect our Scope 2 emissions reductions noted above to be cost neutral through the move towards renewable energy. • We have assumed that only 50% of the Scope 3 upstream emissions as pricing from suppliers is on an arm's length basis, therefore expect higher costs to suppliers to be passed on to us, although allows to reflect the costs from investing in new equipment as well. • We have assumed 0% of Scope 3 downstream emissions will be passed on to us and there is no room for negotiation in agreeing pricing with customers.				

Key

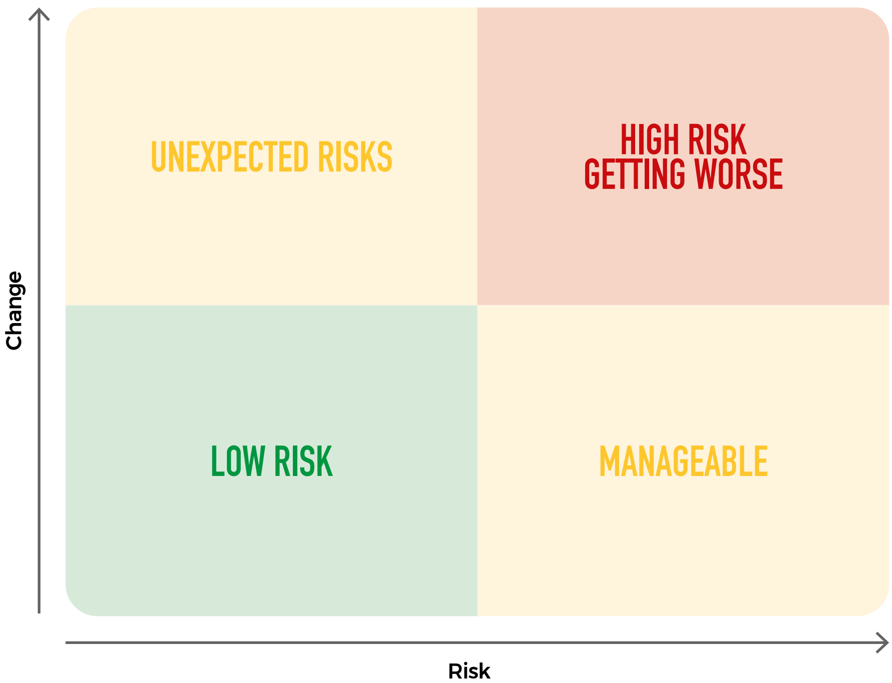
Impact rating	Financial impact range	Colour
Insignificant	$100,000 - $999,999	Green
Minor	$1,000,000 - $9,999,999	Yellow
Medium	$10,000,000 - $99,999,999	Orange
Significant/Major	$100,000,000 - $999,999,999	Red
Catastrophic/Extreme	> $1,000,000,000	Dark red

Note: The impact rating is obtained though the quantification of the risk rating, based in likelihood.

Physical risks
There are significant physical risks to our operations due to extreme weather events caused by climate change. The risks are diverse and will affect sites differently, primarily dependent on whether mines are underground or open pit, and in which region of Mexico they are located. Primary physical risks across sites are increasing events of excess heat, increased frequency and severity of wildfires and the potential for increased precipitation resulting in tailings dam breaches. Insurance covers some physical risk impact but not necessarily all physical risks associated with climate change. Our analysis focused on the total assessed impact from asset damage, business disruption and productivity loss. This risk will be mitigated to an extent by insurance and current and planned mitigation activities outlined on pages 115-117.

We conducted scenario analysis on eight physical risk hazards (wildfire, heat, flood, precipitation, drought, hail/thunderstorms, cold and wind). This analysis utilised the scenarios created by the IPCC, and was conducted over five-year intervals from 2020 to 2100. There were three areas of focus for our analysis: risk ratings; risk-specific metrics; and potential financial loss due to physical risks. Risk ratings for all eight hazards analysed allow us to compare the severity and frequency of these risks in the short term, with how these risks are modelled to change over time, specifically, over 2050. We use this information to identify sites exposed to physical risks in the nearer term, and also sites that may become exposed to risk in the future but may be currently at a much lower risk level, as explained in the figure below.

Current vs future physical risks



SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Climate change continued

We analyse the potential resulting impacts of certain hazards (flooding, wind, heat and wildfire), focusing on the damage to assets and infrastructure, as well as the disruption to revenue-generating activities; the most impactful to our business are wildfire and heat, which connect with emerging risks, particularly, water stress and droughts, which in turn, also connect with the principal risk climate change. Following, our insights into these results. For more information on emerging and principal risks, refer to the Managing our risks and opportunities section of this report in pages 151-183.

TCFD Category	Risk/Opportunity	Potential Impact	Scenario analysis findings
Physical – Acute	Impact of increased frequency and severity of **wildfire** on mine sites and infrastructure/equipment.	· Revenue disruption from the interruption of supply of electricity due to wildfire damage in the area surrounding a mine site. · Inefficiencies in production due to disrupted employee travel due to disruption to access routes caused by fires. · Increased facility and operational down time, due to damaged infrastructure and equipment with limited mobility. · Direct damage to critical inputs such as cyanide or plastic and rubber spare parts, which are more susceptible to wildfire than ore and mineral concentrates.	**Key analysis** Wildfire is one of the most material risks to Fresnillo, having a high impact on 75% of our operational sites. The highest risk sites are situated in the centre of Mexico, however, all of our sites are in the 'high' or 'very high' risk tiers in relation to wildfire, with small increases in risk between 2020 and 2050. Wildfire risk is likely to disrupt operations and damage site infrastructure and equipment. It also poses a safety hazard for our employees due to the risk from flames, excess heat and smoke. **Assumptions** · A wildfire event is assumed to cause complete site disruption, so that no work can be performed. · Damage/Disruption due to smoke and embers is not considered. · For the purposes of scenario analysis modelling, each wildfire is considered to be of the same intensity and strength.
Physical – Acute	Impact of increased frequency and severity of extreme **heat events** on mine sites and worker productivity.	· Reduction in the rate of revenue generation due to reduced productivity of our employees in instances of extreme high heat. · Increased reliance on cooling systems and increased potential for cooling system failure due to increased usage. · Increase in days exceeding 38˚C at all sites.	**Key analysis** Extreme heat can impact a business through a decrease in worker productivity or by impacting the performance of machinery without sufficient cooling equipment. Days exceeding 38˚C gives an indication of the number of days when business as usual operations could be disrupted due to extreme heat. For the high risk locations, there are expected to be 73–85 days exceeding 38˚C per year under a 2-3˚C scenario. Under a 4˚C scenario, there are expected to be 77–86 days. The impact is likely to be felt most at sites which have not historically experienced this level of heat, as mitigation measures are less likely to be in place. However, our mitigating actions are outlined on pages 116 and 117. Sites which have historically experienced extreme temperatures may be more prepared, but are at risk of extended periods of extreme temperatures. Our open pit mines in the north-west region will likely be most vulnerable to heat risk. **Assumptions** · Productivity losses occur by a uniform percentage above a temperature of 35˚C. · There is no distinction made between potential differences in productivity in accordance with genders, age or pre-existing conditions. · It is not taken into consideration whether workers are acclimatised to temperatures exceeding the threshold used (35˚C). · Absenteeism from health impacts of heat is not considered.

Risk ratings are detailed below for all hazards across all sites. Current risk ratings are rated on a scale from 'Lowest' risk to 'Highest' risk and are based on the severity of a given hazard in 2020 under a >4˚C scenario. The risk change ratings reflect the change in risk from 2020 under a >4˚C scenario to 2050 under the same scenario. These are on a scale from 'Lowest' risk change to 'Highest', with the additional rating option of 'Reduction in risk' (as the risk posed by a hazard can also decrease over time). We have provided the rating per hazard as a mean average for all sites included in our scenario analysis.

Average risk ratings for all mining sites assessed

Hazard	Current risk rating (2020)	Risk change rating (2020-2050)
Wildfire	High	Lowest
Wind	Low	Lowest
Heat	Low	Medium
Drought	Low	Reduction in risk
Precipitation	Low	Low
Cold	Low	Reduction in risk
Hail and thunderstorms	Low	Reduction in risk
Flood	Lowest	Lowest

Impact on the businesses, strategy and financial planning

In line with our commitment to robust governance, as described in the previous section, the thorough analysis of our CROs is intended to serve as a cornerstone for informed strategic decision-making for current operations and development projects. The Group has already made certain climate-related strategic decisions, such as to focus on decarbonisation and to increase wind energy and investments in energy and operational efficiency. Where decisions have been approved by the Board, the effects were considered in the preparation of the financial statements (for more information, see the Judgements section of the consolidated financial statements note on page 270). In anticipation of potential impacts, we recognise further work needs to be carried out to account for stand-alone effects, particularly concerning energy and operational efficiency measures. Strategic priorities include capitalising on the increased demand for silver in solar PV and optimising operational costs.

Climate change affects various stages of the mining life cycle, including exploration, development, operation, closure and post-closure. A comprehensive understanding and strategic planning on climate-related risks will allow us to implement effective measures that will mitigate the impact of, and reduce our exposure to transitional risks. Adapting to climate change will safeguard the wellbeing of our workforce, fortify our mining infrastructure, secure water supplies, allow us to collaborate with surrounding communities, and overall minimise the potential impact on our business. Therefore, our climate strategy goes beyond mere resilience; it embraces a proactive approach, aiming to both mitigate our impact on climate change and adapt to its physical consequences at the same time. In pursuit of this goal, we have initiated a transformative journey to enhance our practices and secure our long-term sustainability through two ongoing, impactful projects. While we are in the process of developing transition plans and strategies, we believe these two projects will enable us to anticipate and integrate associated costs and revenue streams with more accuracy. This will ensure that we align our financial strategies to deliver long-term profitability and resilience.

Project	Regional Climate Modelling	Decarbonisation roadmap
Background	Existing climate information for Mexico is insufficient to assess impacts on mining infrastructure, necessitating advanced, Company-tailored climate modelling to understand risk, vulnerabilities and adaptation measures for each stage of the mining cycle. The project methodology involves Global Climate Models (IPCC CMIP5 and CIMP6), dynamically scaled by regional physical models that feed a stochastic generator of climate ensembles trained with data from meteorological stations. Modelling was concluded during 2023 with inputs from the Company's key stakeholders.	We are committed to establishing decarbonisation commitments and targets: We understand our emissions, processes with the largest carbon footprint and have expertise in adopting technologies such as wind farms and dual motor vehicle fleets. While renewable electricity has been a primary lever in our decarbonisation strategy, the mining and metals industry faces challenges in decarbonising certain activities and processes. The project's purpose is to generate a strategic level decarbonisation roadmap in collaboration with our Parent Company, Industrias Peñoles, considering multiple decarbonisation levers, their impact on emissions reductions, the speed of implementation and their financial implications.
Relevant activities in 2023	**Virtual climate change workshop:** · A series of presentations on research projects related to climate change adaptation in the mining industry were presented by faculty from the University of Arizona's Center for Applied Hydroclimatic Sciences, with the participation of the School of Mining and Mineral Resources, the Center for Climate Adaptation Science and Solutions, and the Center for Sustainable Mining, among others. · The workshops were attended by representatives from different areas of the Company such as planning, projects, engineering, water, tailings and environment, among others, that will have a relevant role in climate change adaptation.	· **Definition of pilot sites:** Herradura open pit mine was selected based on its level of emissions and energy sourcing decarbonisation challenges; Fresnillo underground mine was selected due to its strategic role in our business model. · **Management involvement:** Received support from the Chairman of the Board of Directors, CEO, CFO, Executives and Operations Managers. · **Work ecosystem:** Integration of multidisciplinary teams, along with a steering committee for project oversight. · **Information collation:** Compiled site-level energy and emissions inventory to guide visits and develop projections for decarbonisation scenario analysis.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Climate change continued

Project	Regional Climate Modelling	Decarbonisation roadmap
	Workshop with UNAM researchers: · Presentation of the project objectives and methodology to UNAM's Engineering Faculty departments of Atmospheric Sciences, Climate Change and the School of Mining and Metallurgy. · The workshop generated interest in collaboration with the Company on climate modelling and capacity building projects for climate change adaptation in mining. **In-person climate change workshop:** · Raised awareness of climate change impacts, presenting climate modelling methodology and key results. · It brought together multidisciplinary teams across the Company with key roles in identifying vulnerabilities and planning climate change adaptation measures to discuss the approach, challenges and opportunities of climate change adaptation with an emphasis on environment, mine closure, water and TSFs.	· **Site visits:** Conducted visits to understand key processes' emissions, operations' energy efficiency initiatives, and discuss decarbonisation challenges and opportunities with operations' teams. · **Decarbonisation levers:** Preliminary identification of decarbonisation levers considering process alternatives, energy efficiency, green fuels replacement, electrification and renewables. · **Green energy analysis:** Analysis and assumptions considering potential opportunities for biomethane, biodiesel, bio-coke, green electricity and hydrogen technologies.
Next steps	Preparation and transfer of climate modelling results so they may be incorporated into engineering and operational decision-making.	· **Workshops (pilot sites):** Present research on decarbonisation levers, understand potential risks, align key assumptions and prioritise unit decarbonisation levers. · **Workshop (steering committee):** Establish decarbonisation ambition, analyse the baseline and key levers identified in the pilots, determine three scenarios for detailed analysis and align criteria for defining targets. · **Preparation of roadmaps:** Simulation for decarbonisation scenarios, definition of marginal abatement curves (MAC), prioritisation of technologies and development of site-level roadmaps. · **Presentation of results:** Communicate results to the work ecosystem and executive team.

Based on our thorough analysis of CROs, our management is confident in the Company's resilience and ability to thrive amidst the challenges of climate change. We are dedicated to sustainable operations and remain optimistic about our profit-generation capacity. With strong processes to manage and adapt to climate-related risks, we are well-equipped to successfully navigate the changing climate landscape, securing the long-term sustainability and success of our business.

Priorities for 2024

In last year's report, we announced our intention to mature our approach to internal carbon pricing, and during 2023, internal discussion took place among different departments with a stake in financial and long-term planning. An agreed action item for 2024 is to standardise of the long-term energy planning forecast to enable its incorporation into different internal operational and strategic reports, thus providing sufficient elements to continue maturing our financial analysis. We also aim to pursue the refining of quantitative analysis to examine our climate-related opportunities in the future.

Last year's report also described our interest in developing a roadmap to integrate mitigation and adaptation measures into our financial planning. For this purpose, we have embarked on two projects which will help us make informed decisions regarding our climate change initiatives. The regional climate modelling project was successfully concluded during 2023, providing industry-valuable insights that will continue to be further developed with the engineering teams throughout 2024. Additionally, an in-depth analysis of our two largest assets was launched at the end of 2023 to better understand the available the low-carbon technologies for the Company and the objectives we may realistically commit to for the decarbonisation of our mining operations. We believe these studies will also provide insights into engaging the value chain for Scope 3 reductions moving forward. All these initial efforts are geared towards making progress on our path to developing a transition plan that aligns with the framework outlined by the Transition Pathway Taskforce (TPT) in the years ahead.

Risk management

The Board has overall responsibility for our approach to risk management and delegates this responsibility to the Audit Committee. Climate change is considered a principal risk to the business, and we adopt a Group-wide approach to risk management see page 151-183 based on risk identification, assessment, prioritisation, mitigation and monitoring processes, which are continually evaluated, improved and enhanced in line with best practice. The principal risk of climate change connects with our emerging risks (see page 151-183), notably water stress and drought, transition to a low-carbon future and increasing societal and investor expectations.

Identifying and assessing climate risks and opportunities

The intricate and rapidly evolving nature of climate change amplifies various risks, including environmental incidents, access to water, workforce health and safety, government regulations, and social licence to operate. A robust climate strategy relies on a sound understanding of the CROs of our business model, taking into account the mining life cycle and our value chain. Our risk management system is based on risk identification, assessment, prioritisation, mitigation and monitoring, which are continually evaluated and improved in line with best practice.

In 2021, we successfully integrated climate change considerations into our annual risk appraisal. By 2023, this integration seamlessly became part of our enterprise risk management (ERM) framework, streamlining scoring and criteria. Our approach began with desktop research to establish a risk catalogue, drawing insights from industry benchmarks, by significant peers and climate change guidance documents. We also held interviews with key representatives and workshops involving personnel that represented every aspect of the business, thus achieving a robust and comprehensive CRO register.

In 2023, we reassessed this register, enhancing the prioritisation of risks. The integration process involved aligning the scoring criteria from the Company's ERM into the climate risk framework. Simultaneously, we consolidated the longlist of CROs into a concise compilation of the most material risks and opportunities. This entailed redefining some of the risks to ensure the definitions were generalisable to our business, but not too site-specific. The result was a more focused list of top priority CROs, allowing us more clarity to plan mitigation actions around, as well as confirm our risk appetite regarding these material climate risks.

In the future, we look to use scenario analysis techniques to quantify our most prevalent opportunities, such as the increase in demand for metals and minerals in the world's transition to net zero.

Managing climate risks

The business-wide impacts of climate change led the Company to include climate change as one of the emerging risks, as part of Provision 28 of the 2018 UK Corporate Governance Code; climate change is now a principal risk. Updates on the regulatory landscape are considered in line with business-wide regulatory monitoring processes. In this regard, climate change related risks have been included in the financial viability study, primarily hypothetical scenarios of winter storms and extreme rainfall.

For a more detailed overview of these scenarios, please see Viability statement on pages 120-125.

This year, our focus has been on fully integrating our assessment of climate-related risks and opportunities with our ERM framework. As a result, we have updated our climate risk framework to reflect the same scoring system and timeframes as our central ERM framework, enabling ranking of climate alongside other risks to our business. We also used scenario analysis to determine the scale and magnitude of the physical and one transition risk, namely carbon tax. We used three physical and transition scenarios against medium- and long-term horizons. This analysis informed the identification of risks and opportunities as well as the corresponding mitigation measures and implications for our strategy.

Our updated climate change risk management system is a collaborative effort involving operational and corporate departments such as mine operations, plant operations, maintenance, mine closure, environment, industrial safety, tailing storage facilities (TSFs), community relations, energy, financial planning, operational comptrollership, financial comptrollership, explorations comptrollership, legal, ESG and risk. Ongoing work focuses on the definition of risk owners, identifying current controls and mitigation actions, and collaboratively enhancing these through monitoring and management, across all operating units. Our purpose is to run this exercise periodically with risk owners to ensure accuracy of impact assessment and adequacy of mitigation actions moving forward.

Further work will be carried out in 2024 for the purpose of standardising and maturing controls and mitigation actions with their risk owners across our units, determining a baseline for each and planning ahead given our current analysis of our assets' vulnerabilities to physical risks.

Priorities for 2024

During 2024 we will be assessing physical risks in the business units more frequently with the support of weather stations, and we plan to implement a training programme on climate change issues for all environmental and industrial safety areas.

We will also continue to monitor our climate-related risks and opportunities, calibrating the risk management framework at the mining unit basis for the top priority identified in the 2023 reassessment exercise. This activity will be followed by a second phase, which we expect to achieve the same level of detail for the entire list of CROs.

Metrics and targets

Our target is to source 75% of electricity from renewable sources by 2030. We have steadily increased our consumption of renewables in recent years, despite regulatory uncertainties which have caused delays to new renewable supply sources coming online. Waiting periods for the modifications to our transmission permission agreements have increased and meant that we have been unable to move directly from our Wind-Power Purchase Agreements (PPAs) to our Wholesale Electricity Market (WEM) available wind-sources. In 2022, this led to us having to consume more electricity from the Mexican power utility, Comisión Federal de Electricidad (CFE). The result was a temporary reduction in renewable consumption, offset in 2023. We are currently running studies to gain insight into further target setting across other climate ambitions, as explained in the Strategy section.

Our primary climate-related metrics and targets are linked to our priority CROs, provided in Table on pages 115-119. Additionally the mining industry is energy and water intensive, and thus the rigorous monitoring of our usage of both resources is key to our operations. Our metrics are outlined on page 128. Further work is still needed to comply with the cross-industry metrics.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Climate change continued

TCFD cross-industry category	Metric	Unit of measurement	FY23	FY22	FY21
GHG emissions	Absolute Scope 1 and 2	tCO_2e	824,387	968,249	894,149
	Scope 1	tCO_2e	469,146	545,970	544,107
	Percentage of Scope 1 emissions under emissions limiting regulations	%	0	0	0
	Scope 2	tCO_2e	355,241	422,279	350,042
	Absolute Scope 3	tCO_2e	700,480	713,043	729,158
	GHG emissions intensity measurement	tCO_2e/tonne of mineral processed	0.0248	0.0246	0.0232
Energy management	Energy-intensity measurement	MWh/tonne of mineral processed	0.088	0.080	0.082
	Total energy consumed	GJ	10,590,930	11,350,894	11,327,936
	Percentage of grid electricity	%	10.6	14.8	10.0
	Percentage of electricity from renewable sources	%	21.3	12.4	17.4
Water management	Total freshwater withdrawn	thousand m^3	24,907	30,023	28,488
	Total freshwater consumed	thousand m^3	11,276	12,817	14,534
	Percentage of freshwater withdrawn in regions with high or extremely high baseline water stress	%	100	100	100
	Percentage of freshwater consumed in regions with high or extremely high baseline water stress	%	100	100	100
Tailings storage facilities management	Number of TSFs	Number	24	19	N/A

Note: Scope 3 GHG emissions categories include purchased goods and services, processing of sold products, downstream transportation and distribution, and investments. For more detail, refer to the energy section. TSF management is a new indicator. Detail is as follows: Active – 6 TSF, 3 Heap Leaching Facilities (HLF); 3 Water Storage Facility (WSF). Maintenance – 11 TSF, 1 HLF.

Waste management

Our goal is to protect local communities and the environment by managing waste responsibly.

Tailings and mineral waste

Tailings
Tailings are a by-product of mineral processing. The ore is reduced in sized by crushing and milling to obtain sand and silt-sized particles. The milled rock is then mixed with water and moved as a slurry for further processing to separate the valuable minerals from the milled rock. The remaining slurry of milled rock is known as tailings. Tailings are transported and stored in engineered structures known as Tailings Storage Facilities (TSFs) or combined with cement to be reused as paste backfilling in underground workings.

Waste rock
Mining operations remove waste rock to access the ore. Most mining waste is transported and deposited in waste piles for permanent storage, though some waste rock is used in underground cut and fill operations. Most of the Company's mineral waste is generated by the open pit operations and deposited in waste rock piles.

Heaps
Part of the disseminated ore deposits at Herradura and Noche Buena are processed using heap leaching. Channels surrounding the heaps and contingency ponds are hydraulically designed to handle flood flows caused by extreme rainfall events. Conditions both up and downstream are proactively monitored to detect changes in water quality. Once extraction of ore from the mine is complete, the piles are rinsed and allowed to drain down to protect the environment.

Governance framework of TSFs

Safe tailings management is paramount across the entire life cycle of our mining operations, encompassing design, construction, operation, closure and post-closure phases. Aligned with our commitment to achieve zero harm to people and the environment, we have embarked on a comprehensive journey to implement industry-leading best practices in the governance and operation of our tailings storage facilities (TSFs), yielding substantial results so far, as described below. There were no tailings-related failures at our operations in 2023.

Governance
Our governance framework establishes the roles, responsibilities and accountability of the groups involved in the design, construction, operation, maintenance and surveillance of TSFs in accordance with the diagram below. The Board's Health, Safety, Environment and Community Relations (HSECR) Committee is informed of compliance status, relevant issues or risks and recommended courses of action. The Independent Tailing Review Panel meets with the Company every two months and annually conducts field visits; findings are then presented to senior management for follow-up. The Tailings Review Executive Committee – composed of members of the Board of Directors, advisors and general managers – continues to hold monthly sessions that foster coordination across management and enables informed and opportune decision-making.

* Fresnillo plc's CEO is the Accountable Executive for operations and Baluarte's CEO of Engineering Services for Governances matters.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Waste management continued

During 2023, we successfully implemented the governance framework across all our mining units. The key milestones of the year included the internal issuance of the Tailings Management System's Corporate Tailings Guidelines and the Tailings Policy and Commitments for Responsible Tailings Management, both of which are essential pillars for a safety culture in mineral waste management. In 2023, we formalised the appointment of one Engineer of Record (EoR), adding to the EoR formalised in the previous period and further demonstrating our commitment to industry standards. Looking ahead, we aim to build on this commitment and have strategic plans to designate three more EoRs across our operations in 2024, with another appointment pending and expected at the earliest opportunity. This proactive approach demonstrates our compliance and commitment to industry standards, but also reinforces our internal capacity for leadership in tailings management.

Risk management

Continual evaluation is integral to upholding safety and environmental standards across the life cycle of TSFs. Adhering to best practices outlined by organisations such as the Mining Association of Canada (MAC), the Canadian Dam Association (CDA), the International Commission of Large Dams (ICOLD) and the International Council of Mining and Metals (ICMM), our design, construction, surveillance and maintenance follow industry guidelines with support from qualified engineering firms. Mine managers, guided by our protocols, operate facilities with a blend of shared services and internal resources. They are backed by a Regional Tailings Manager and an EoR through established Master Services Agreements with recognised consultancies. The Independent Tailings Review Panel (ITRP) and Dam Safety Inspections/Reviews (DSIs/DSRs) ensure compliance through renowned specialists and qualified consultants engaged by our tailings management and stewardship team. Routine surveillance, enhanced by advanced instrumentation and monitoring equipment enhance near real-time management of critical controls, condition reporting and response times, aligning with MAC guidelines.

Risk management framework of TSFs

Design and construction	Operation	Surveillance, maintenance and external reviews
· Compliance with best practices. · Site option studies (technology and construction). · Geotechnical investigation. · Quality assurance and controls.	· Site management. · Tailings management and stewardship team. · Master Services Agreement.	· Routine surveillance. · Intrumentation and monitoring. · OMS manuals development. · Independent experts, inspectors and auditors.

In line with the ITRP's recommendation, during 2023 we implemented a tracking platform and monitoring dashboard. This allows us to efficiently oversee and evaluate progress while prioritising the most salient issues. Additionally, we have also successfully applied the initial audit tool to assess compliance with our tailings management system, demonstrating an improved performance compared to 2022. This exercise has provided valuable insights to enhance and strengthen our practices moving forward. We also successfully concluded ITRP reviews of the sites scheduled for the year; one point of note is the reduction in the issuance of priority recommendations by 66% compared to 2022, reinforcing the integrity of our operations and our commitment to transparency and accountability.

During the period, Operation, Maintenance, and Surveillance (OMS) Manuals as well as Emergency Preparedness and Response Plans (EPRPs) were issued by all mining units and integrated into current procedures and existing plans, strengthening our ability to respond effectively to any situation. Ongoing efforts to prepare Potential Failure Mode Assessments (PFMA) for each site continue to progress; we expect to finalise them next year, further consolidating our responsible TSF standards and practices.

Strategy

We conduct a formal process to budget for the planning and resourcing of our TSFs, based on: i) Construction of current facilities; ii) Siting, design and construction of new facilities; iii) Improvement in instrumentation and monitoring; and iv) Technical services. During the year, our strategic investments focused on the growth of our existing TSFs, as well as the development of new facilities to ensure operational continuity. A total of seven projects were executed with an overall investment of US$70 million. Among the most outstanding projects were the following:

- Growth of San Julián's TSF.
- Construction of Saucito's cell number 4.
- Third phase of San Carlos' TSF at Fresnillo.

Our approach to technology takes into consideration its strategic priority and maturity, and evaluates the contribution that it can make to:

i) **Improve safety:** Surveillance, monitoring and alerting technology (i.e. inSar, drones, data analytics, etc.);
ii) **Improve operational efficiency:** Downstream processing technology (i.e. paste tailings and filtered tailings); and
iii) **Reduce environmental risks and footprint:** Upstream processing technology (i.e. selective processing, water and energy reduction, etc.).

Technological improvements have been implemented in the instrumentation and monitoring systems at the tailings deposits of San Julián and Herradura, with ongoing efforts continuing at Ciénega and Juanicipio. These enhancements include robotic stations for the automatic measurement of prisms and topographic controls on the main geotechnical structures of the deposits. In addition, they involve the remote, continuous and automatic measurement of vibrating-wire piezometers, contributing to the confidence and timeliness of the data collected.

In the analysis of alternatives for the necessary infrastructure for tailings management in our current and future operations, various options for pulp tailings management are considered and evaluated. This involves exploring different technologies for the filtration and drying of tailings. Currently, these technologies have not been implemented due to their lack of technical and economic feasibility with our current operations.

It is important to note the alternative use of tailings in some of our operations. In Fresnillo, the Pyrites plant further reprocesses some tailings with economical value. In line with their management plans, Fresnillo and San Julián are authorised to use tailings as mine fill. Saucito is authorised to use tailings as a complementary construction material for TSF embankments and buttresses. These initiatives aim to reduce the need for surface storage facilities and enhance mineral recovery from the deposit. The Company is actively working to extend these practices to all units, seeking the necessary approvals through applicable legal instruments. This not only adds value to mining waste but also reduces the quantity of waste deposited in situ, contributing to our ongoing efforts in waste management and environmental stewardship.

During 2023, we continued to strengthen our global presence and positive influence in TSF management. For example, we actively participated in various national and international forums in Mexico, Peru, Chile, Canada and the United States. We presented technical papers, allowing us to highlight the relevance and importance of the work we have done and the challenges we have faced during the course of implementing our strategy, and positioning Fresnillo as a benchmark in the utilisation of advanced technologies and innovative strategies in mining waste and water management.

Regarding the Global Industry Standard on Tailing Management (GISTM), we recognise its importance and relevance, having closely followed its development and progress. Although we do not currently intend to implement it, we understand the value and significance it brings to our industry and are committed to reviewing and assessing the impact of its potential implementation. As we previously explained in this section, we are working to develop and implement our Tailings Management System based on MAC's management protocol and we believe that achieving this milestone will enable us to meet many of the requirements outlined in the GISTM.

Performance
Mineral waste

		Unit	2023	2022	2021	2020	2019
Mine waste	Waste rock	Tonne	**88,241,010**	119,424,384	131,603,499	119,233,877	141,717,898
Processing waste from flotation – concentration	Tailings	Tonne	**8,980,310**	8,166,918	7,985,885	8,969,146	9,370,672
Metallurgical waste from heap and dynamic leaching facilities	Tailings	Tonne	**5,045,411**	5,993,498	6,224,972	5,909,107	6,137,482
	Heaps	Tonne	**21,208,753**	29,345,382	28,641,642	20,570,573	34,422,898

Case study

Setting the standards for TSF management

We understand the importance of effective TSF management and strive to lead our industry in terms of safety and reliability.

At our Fresnillo mine, the San Carlos TSF represented a significant challenge because it was originally designed and constructed based on criteria and practices that predated the implementation of our current Tailings Management System. Beginning in 2020, we carried out a comprehensive process grounded in studies and research to validate the stability of the deposit. This phase of the project was followed by the establishment of a rigorous quality control and assurance system to guide the construction of the facility's subsequent phases. These efforts culminated in 2023, with the formalisation of the Engineer of Record (EoR) supported by a robust governance framework that ensures that the operation, maintenance and monitoring of the TSF follows international best practices.

In the early part of 2023, TSF Number 3 at Ciénega marked a significant milestone by meeting the stability safety factors defined by the Canadian Dam Association (CDA). To achieve this, we conducted field research on the original structure, which informed the design and construction of strategic reinforcements to the main embankment. Today, this facility is prepared for any potential expansion to accommodate the mine's remaining operational lifespan, ensuring high safety standards aligned with the best in our industry.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Waste management continued

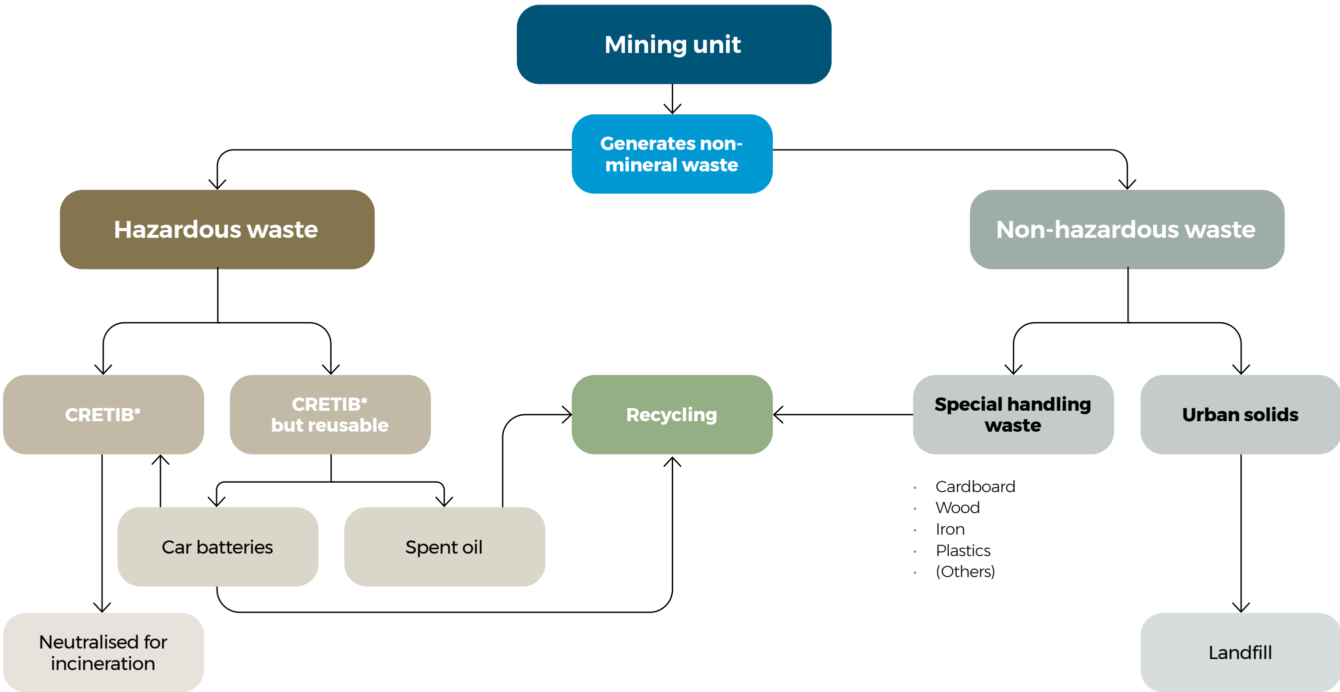
Non-mineral waste

We seek to optimise the use of resources, eliminating physical waste and maximising process efficiency.

We identify two categories of non-mineral waste: hazardous and non-hazardous. According to national regulation, we dispose of these two different categories as shown in the diagram below.

Mining operations require the use of engine oils, fuels and chemical compounds as well as the management of tailings that may contaminate the soil if accidentally spilled. Soil can also be polluted by air-blown dust from tailings storage facilities (TSFs). Our management system has procedures in place to prevent soil contamination.

Non-mineral waste disposal by category



* CRETIB: For its acronym in Spanish, means corrosive reactive, explosive, environmentally toxic, flammable and biologically infectious.

All final destinations are regulated, either authorised or certified by the competent authority.

Non-hazardous waste

Most of the non-hazardous waste generated by our mining operations involves recyclable materials such as cardboard, tyres, wood, steel and plastics, or urban solids. We place a strong emphasis on materials management, adhering to rigorous protocols for the proper handling of various non-hazardous waste streams.

Within various business units, dedicated sites are established for the storage of non-mineral waste. Waste that requires special handling as per regulations, including organic waste, is gathered and transported to a dedicated warehouse for meticulous segregation by trained operators. Here, we ensure the segregation of municipal solid waste from special waste (recyclables). Once classified, it undergoes reprocessing by accredited companies, ensuring compliance with regulatory standards.

Special waste is sent to facilities accredited by authorities for recycling and reuse, thereby extending the lifespan of waste generated by our business units. Urban solid waste undergoes a compaction process and is directed to sanitary landfills or approved disposal sites. In certain mining operations, organic waste is given a second life through composting or utilisation by nearby communities, further underscoring our dedication to environmentally-conscious waste management practices across our operations.

Hazardous waste

We are fully committed and aware of our responsibility in the handling of hazardous waste. As part of our awareness strategies, comprehensive training sessions are conducted for all personnel on proper waste management. These sessions emphasise the benefits of effective waste management, leading to a reduction in waste generation. The training covers the entire life cycle of waste for all personnel in the mining units. Additionally, preventive maintenance tasks are undertaken to ensure the efficient operation of equipment, minimising the risk of oil spills.

Hazardous waste is carefully stored, identified and organised before being dispatched for final disposal by authorised companies. Additionally, spent lubricating oil is sent for reprocessing to facilitate its reuse, aligning with our commitment to sustainable waste management practices.

Hazardous waste framework

Generation	Packaging and storage	Collection and storage	Final disposal
• Hazardous waste is generated at the end of the life cycle of hazardous materials, and as inputs in production processes or auxiliary services.	• Hazardous waste is labelled and packaged to prevent dispersion and facilitate handling according to its physical state, hazardous characteristics and compatibility. • Storage involves temporarily retaining hazardous waste in areas that comply with current regulations until transportation to an authorised facility.	• An authorised provider collects and transports hazardous waste to an authorised storage facility. Shipments are made with corresponding manifests.	• The service provider maintains a record of waste movements, specifying the handling method (reuse, recycling, co-processing, treatment or final disposal).

Acid mine drainage (AMD) is a major environmental challenge for the mining industry. Uncontrolled AMD represents a risk to surface and groundwater resources during mine operation as well as a legacy issue after closure. We analyse minerals and conduct geochemical tests to identify the AMD potential of ore mineral and waste rock. In our operations with AMD risk, notably the San Ramón satellite mine, we implement site-specific management strategies such as capping waste rock piles with a dry cover (to reduce the ingress of oxygen and water) and collecting and treating acid water.

Responsible cyanide management is critical for environmental protection and safety. We comply with international best practices as promoted by the International Cyanide Management Institute (ICMI) and the Mexican standard NOM-155 SEMARNAT-2007, which establish environmental requirements for gold and silver leaching systems (production, transportation, storage, usage and facilities decommissioning). As part of our commitment to safe cyanide management, we engage with local authorities and collaborate with fire departments and hospitals to build emergency response capabilities. We also provide comprehensive training to our personnel and make operational and environmental information available to our stakeholders, ensuring both open dialogue and trust, which strengthen our social licence.

We design and operate our gold producing mines in compliance with the International Cyanide Management Institute (ICMI):

- Purchase sodium cyanide from certified manufacturers.
- Protect the environment and communities during transport to our facilities.
- Protect our people and the environment during handling and storage.
- Follow working practices that prevent impacts on health or ecosystems.
- Optimise mineral processing to minimise the residual cyanide in tailings.
- Manage and monitor seepage to prevent impacts on groundwater.
- Decommission facilities responsibly to prevent legacy issues.
- Provide our people with emergency response training, and on how to engage authorities and communities.
- Provide training and organise drills for operational and emergency response personnel regarding cyanide management.
- Engage with communities and authorities to ensure the transparency of our processes, potential hazards and controls.

Visit us online at https://www.fresnilloplc.com/responsibility/environment/case-study/ to learn more about our responsible cyanide management practices.

Our operations at Herradura and Noche Buena are certified by the Cyanide Code, which accounts for each of their Merrill-Crowe processes and the dynamic leaching plants – the latter certifying its carbon column process in 2022. During 2023, there were no incidents related to cyanide management.

Performance

Waste disposal

	Unit	2023	2022
Total non-mineral waste	Tonne	**13,201**	13,148
Hazardous waste	Tonne	**3,206**	1,870
Non-hazardous waste	Tonne	**9,994**	11,279
Municipal solid waste	Tonne	**2,786**	2,337
Special handling waste	Tonne	**7,209**	8,941

Note: New indicator so historic figures not available.

Sodium cyanide (NaCN) consumption (tonnes)

2023	2022	2021	2020	2019
11,632	13,503	13,400	13,549	14,692

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Water stewardship

6 CLEAN WATER AND SANITATION

Our goals are to secure water access, minimise our water footprint and cooperate with our stakeholders.

Mining and ore processing operations demand substantial water resources, a challenge exacerbated in arid regions where local communities grapple with water scarcity. Prioritising responsible water use and minimising environmental impact are key objectives. We conduct Environmental Impact Assessments (EIAs) to comprehensively assess the state of local and regional water resources and their vulnerability before embarking on any project. Recognising the pivotal role of water access and responsible management in our operations' success, we have developed a robust stewardship strategy anchored on four key pillars and supported by activities implemented across our operations.

For a detailed overview of our Waste Management policies, specifically regarding tailings and cyanide, refer to the mineral or non-mineral waste sections on pages 129-131 and 132-133, respectively. For a detailed overview of our engagement with authorities and communities to increase clean water access, refer to the Social investment section on page 147. Finally, for a detailed overview on our sustainable development engagement initiatives, refer to the introduction of the Protecting our environment section on page 106 or the beginning of this chapter on pages 78-79.

Efficiency and reuse

- Implement closed water circuits to eliminate discharge into streams.
- Reuse wastewater from municipalities and our own operations to reduce freshwater usage.
- Evaluate and adopt mineral processing technologies (upstream and downstream) for improved safety, and reduced carbon and water footprints.

Pollution prevention

- Direct unused water from dewatering to settlement ponds to control suspended solids before discharging the cleaned water downstream.
- Ensure responsible cyanide management.
- Ensure the responsible operation of TSFs.

Stewardship

Watershed and community engagement

- Secure water rights from authorities before operational usage.
- Collaborate with water authorities and stakeholders to increase water access in our neighbouring communities.
- Share best practices with other industries and civil societies at relevant forums organised by business associations and NGOs.

Transparency and accountability

- Implement the Water Accounting Framework (WAF) from the Minerals Council of Australia.
- Adhere to water quotas and quality regulations, monitoring and improving withdrawals and discharges.
- Continuously improve water accounting practices.

River basin context

We operate in river basins that currently experience water stress. Climate change is expected to increase water stress under all scenarios.

	Current conditions		Water stress considering climate change scenarios*	
Business unit	Overall water risk	Water stress	Business as usual 2030	Pessimistic 2030
Fresnillo	Medium – High (2-3)	Extremely High (>80%)	1.4x increase	1.4x increase
Saucito	Medium – High (2-3)	Extremely High (>80%)	1.4x increase	1.4x increase
Juanicipio	Medium – High (2-3)	Extremely High (>80%)	1.4x increase	1.4x increase
Ciénega	High (3-4)	Extremely High (>80%)	1.4x increase	1.4x increase
Penmont	Extremely High (4-5)	Extremely High (>80%)	1.4x increase	1.4x increase
San Julián	Medium – High (2-3)	High (40-80%)	Near normal	1.4x increase

Water stress measures the ratio of total annual water withdrawal to average annual available blue water. This is a commonly used indicator also known as relative water demand.

* Climate change scenarios from WRI Aqueduct tool. Please check the climate change scenarios at: https://www.wri.org/aqueduct

Performance

In 2023, we established a dedicated corporate water management team charged with supporting the implementation of sustainable water management. This marked a pivotal step towards reinforcing our commitment to responsible water stewardship. Our new, specialised team is entrusted with overseeing the effective management of each of the four critical pillars and plays a central role in providing technical expertise and guidance to operational teams on crucial aspects such as hydrogeology, hydrology, developing water management plans, and the review and assurance of water balances and quality.

Over the last 12 months, tangible progress has been achieved, with the implementation of water management initiatives at various projects, gathering vital information which has enabled us to develop comprehensive water management and availability plans at our mining units and advanced exploration projects. Notably, we carried out key baseline studies encompassing hydrology, hydrogeology, water balance and water supply assessment at Orisyvo. In the Fresnillo district, we continue to increase our wastewater treatment capacity to reduce freshwater consumption for our operations. In 2023, we signed an agreement with the municipal government to rehabilitate and operate a potabilisation water facility that will increase potable water for Fresnillo city inhabitants, as well as the availability of treated wastewater for our operations. See the case study on page 136 for more detail.

During the year, we achieved a 7.19% decrease in our water consumption. A 15.63% decrease in our mineral processed resulted in a 10.01% increase in our overall water intensity. On a more positive note, we also achieved a 14.46% decrease in our water withdrawal and a 3.24% increase in our reuse efficiency, which rose to 84.95%. We did not detect any negative downstream impact on ecosystems or waterbodies due to our groundwater intake or water discharges.

Looking ahead, in 2024 we will focus on further developing standards and procedures for water management within our operations. This strategic move is geared towards continuous improvement, ensuring that our water management practices not only meet but exceed industry standards, solidifying our commitment to sustainable and responsible resource usage.

Water management in megalitres*

Category	2023	2022	2021	2020	2019
Total water withdrawn	**28,399**	32,180	30,707	21,138	20,941
Total water deviations	**13,631**	17,207	13,954	7,522	7,721
Total water consumed	**14,768**	14,973	16,753	13,616	13,220

* 1 megalitre = 1,000 m^3

Statement of water inputs and outputs in megalitres

For the period 1 January 2023 to 31 December 2023.

Category	Element	Sub-element	2023	2022
Input	Surface water	Rivers and creeks	**540**	617
	Groundwater	Mine water	**2,270**	5,154
		Bore fields	**7,959**	6,721
		Ore entrainment	**542**	353
	Third party	Waste water	**3,417**	2,094
		Total water inputs	**14,728**	**14,939**
Output	Surface water	Discharges	**36**	28
	Other	Water entrained in concentrates	**40**	35
		Total water outputs	**75**	**63**

Water deviations in megalitres

For the period 1 January 2023 to 31 December 2023.

Category	Element	Sub-element	2023	2022
Input	Surface water	Rivers and creeks	**0**	0
	Groundwater	Aquifer interception (dewatering)	**13,595**	17,179
		Total water inputs	**13,595**	**17,179**
Output	Surface water	Discharges	**13,394**	17,051
		Supply to third party (donation)	**202**	128
		Loss (evaporation, infiltration, etc.)	**0**	0
		Total water outputs	**13,595**	**17,179**

Statement of operational efficiency in megalitres

Efficiency for the period 1 January 2023 to 31 December 2023.

	2023	2022
Total volume to tasks	**71,653**	77,135
Total volume of reused water	**60,803**	63,025
Efficiency of reuse	**84.86%**	81.71%
Total volume of recycled water	**3,806**	2,401

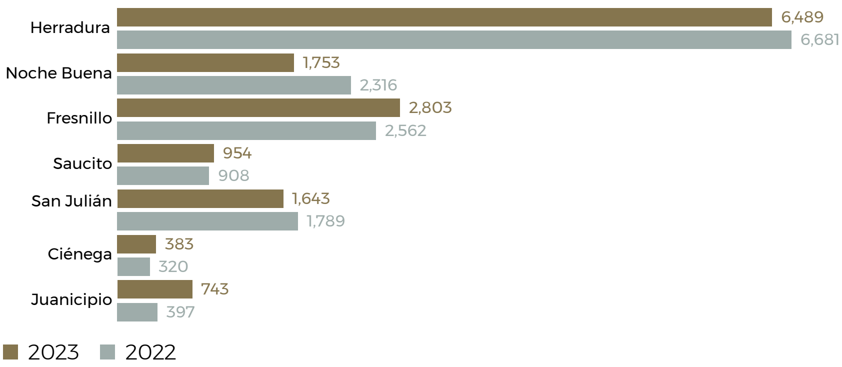
* To enhance transparency, we followed the International Council of Mining and Metals (ICMM) water reporting guidance and the Mineral Council of Australia's Water Accounting Framework.

	Unit	2023	2022	2021	2020	2019
Reuse efficiency	%	**84.86%**	81.71%	78.98%	81.66%	79.89%
Total volume of recycled water	Megalitre	**3,806**	2,401	1,955	1,716	982

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

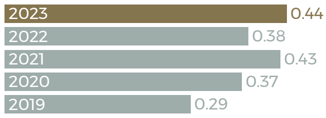
Water stewardship continued

Water input (megalitres)



Water consumption (megalitres)

Water intensity (m³/tonne of mineral processed)



Case study

Rising to the challenge of water stress

Home to three of our major mines – Fresnillo, Saucito and Juanicipio – the Fresnillo district experiences acute water stress challenges. Recognising our responsibility as a corporate citizen, we have embarked on a multifaceted strategy to tackle water stress head-on through a series of initiatives, including the deployment of wastewater, purification and water potabilisation treatment plants.

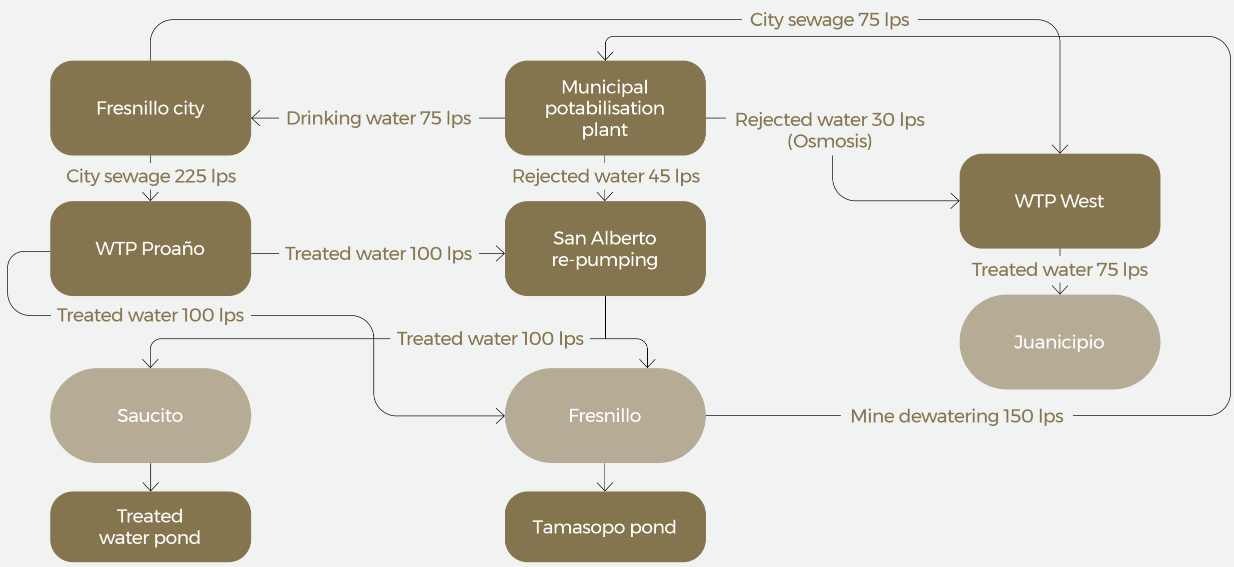
Our journey began in 2009 when we first began using municipal wastewater from Fresnillo city for our industrial processes, considerably reducing mine dewatering consumption. During 2023, we took an important next step by signing an agreement with the Potable Water, Sewage and Sanitation System of the Municipality of Fresnillo to rehabilitate and operate the city's potabilisation plant, which has a capacity to treat 150 litres per second (lps). This plant will treat Fresnillo's mine dewatering water: half of the treated water will be allocated to the residents of Fresnillo city for consumption, with the remaining rejected water from the potabilisation process being used in our industrial processes.

This strategic development underlines our commitment to working with local government to support the wellbeing of our neighbouring communities – and it bears testament to the long-term sustainability of our operations.

The results are expected to be significant and wide-ranging. Firstly, we are helping to ensure that communities facing water shortages receive the clean water they urgently need. At the same time, we are addressing the larger issue of water scarcity in the region by cutting down on our use of underground water. Secondly, the project will cut our operational expenses because treating municipal wastewater is over six times more cost-effective than using underground water from mine dewatering. Finally, by increasing the use of municipal wastewater in our processes, we are reducing our vulnerability to water stress and bolstering our operational resilience.

Our water treatment facilities are available to visitors and we also offer educational tours. On average, we welcome 3,500 students from our school district each year, sharing information on our environmental culture and, in particular, on water stewardship.

General flow diagram for water management in the Fresnillo district



Biodiversity

Our commitment is to implement sound measures to safeguard biodiversity and ensure that it is not adversely affected by our operations.

The depletion of natural capital in conjunction with climate change pose significant threats to the wellbeing of communities, the health of ecosystems and economic prosperity. Notably, we deliberately avoid Mexican Natural Protected Areas, UNESCO Natural World Heritage sites, UNESCO Man and the Biosphere Reserves, and Ramsar Wetlands of International Importance as well as International Union for Conservation of Nature (IUCN) Protected Areas.

Anchored in the Mexican biodiversity norm NOM-059-SEMARNAT-2010, our Environmental Impact Assessments (EIAs) and management plans serve as a robust framework, enabling us to responsibly manage biodiversity by identifying avoidance, mitigation and compensation measures. Before starting any project, and whenever significant events prompt a review – such as changes to permits or project expansion – we conduct comprehensive assessments to gauge our potential impact on biodiversity.

We identify species of special concern, capturing and releasing wildlife, relocating plant species, mapping, and providing periodic follow-ups, aligning with IUCN and Mexican biodiversity norm listings and species under protection status. Through collaborative efforts with state governments, we play an active role in safeguarding endemic endangered species. In particular, we contribute to the protection of the Sonoran pronghorn near Penmont and the golden eagle in the Fresnillo district. Moving forward, we are diligently working towards fulfilling the requirements to extend this protection to species such as the white-tailed deer and wild turkey in San Julián.

Within several of our mining sites, we have established Wildlife Conservation Management Units. These dedicated facilities aim to conserve natural habitats, wildlife populations and individual species. Their registry and management plans are approved by the Mexican Federal Environmental Agency, SEMARNAT. The unit at Fresnillo opens its doors to the public while those at both Fresnillo and Ciénega feature educational tours designed to engage and educate children on the critical importance of environmental preservation.

Conservation programmes

Mining unit	Programme	Started operations	Species of interest
Fresnillo	UMA	2001	Buteo Jaimaicensis, Parabuteo Unicinctus, Polyborus Plancus, Ovis musimon, Bubalus Bubalis, Bubo Virginianus, Canis Latrans, Linx rufus, Panthera Onca, Procyon Lotor, Ateles Geoffroyi, Ursus Americanus, Pecari tajacu, Crotalus atrox, Taxidea taxus, Gopherus agassizii, Podocnemis lewyana, Pituophis Deppei Jani, Spilogale acilis, Panthera tigris tigris, Iguana iguana, Buteo Swaisoni, Panthera Leo, Urocyon cinereoargenteus, Puma concolor, Python mulurus, Aquila chrysaetos, Ara militaris, Sulcata, Tyto Alba
Penmont	Agreement with local government	2008	Sonoran pronghorn
Ciénega	UMA – Cebollitas	2015	Odocoileus viginianus couesi
Ciénega	UMA – Ciénega	2017	Picea Chihuahuana
San Julián	UMA	2022	Pseudosuga menziesii glauca

We also carry out meticulous soil conservation work and plant material cordons for erosion control, contributing to an increase in humidity levels, which in turn reinforces natural rehabilitation of habitats. At Ciénega, we have designated a 1,000-hectare conservation area, incorporating reclaimed land from our operations and rehabilitated zones following deforestation.

Forestry nurseries established across all operations and projects play a pivotal role in fulfilling our commitment to restore sites to their pre-operation state, and support our conservation and restoration goals for endemic species. In order to properly operate these facilities, our personnel undergo comprehensive training encompassing operational and maintenance activities, including facility upkeep, planting, irrigation, protection from harmful agents and reforestation. In some cases, these facilities may also support environmental education and research in partnership with relevant authorities.

Forest Nurseries

Mining unit	Started operations	Species of interest	Production capacity (seedlings/year)
Ciénega	2003	Pinus duraguensis, Pinus engelmannii, Pinus arizonica, Picea chihuahuana, Pinus pseudotsuga, Pinus abies.	100,000
Saucito	2009	Pinus pinea, Pinus greggii, Fraxinus, Quercus, Schinus molle, Phoenix canariensis.	30,000
Fresnillo	2010	Fraxinus excelsior, Washingtonia robusta, Phoenix canariensis, Pinus pinea, Ligustros.	60,000
Penmont	2022	Olneya tesota, Cercidium microphyllum, Prosopis juliflora, Acacia greggii, Acacia constricta, Bursera microphylla.	150,000
San Julián	2022	Pinus Duraguensis, Pinus arizonica, Pinus pseudotsuga.	120,000

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Mine closure

Our mine closure vision is integral to the conceptual design and cost estimation of any project; it outlines the intended use and goals for the land after mining operations have ceased, significantly impacting both capital and operational costs.

Alongside addressing physical risks, the closure vision meticulously considers potential social impacts, and therefore demands early stakeholder engagement. Fresnillo collaborates closely with external stakeholders to ensure aspirations for a post-mining community are integrated into the closure plan through regular consultation. Social transition initiatives, including workforce training, local procurement, infrastructure transfer and ongoing monitoring, are integral components of our strategy. For a detailed overview of how we engage with communities throughout the life cycle of mining, refer to the Partnering with our communities section in pages 139-140.

Noche Buena is the first mine in the current portfolio that is planned for closure. Today, while it has stopped its pit operations, Noche Buena is continuing inventory recovery while it is economically feasible. Its progressive closure plan entails restoring land to its original pre-mining use, particularly for livestock and wildlife purposes. Guided by principles of restoration and long-term maintenance, our objectives encompass a 20-year post-closure period. This means removing most access roads, power corridors, water supply and other infrastructure, while retaining certain facilities until post-closure care obligations are fulfilled. All waste management facilities, processing areas and other structures will be closed to ensure the safety of livestock and wildlife. Demolition waste and debris will be responsibly removed off-site, while certain facilities, such as the leach yard, may require ongoing care.

Noche Buena's progressive closure plan is structured around three distinct phases of infrastructure: pits and waste rock heaps; industrial area; and leaching pads. Throughout 2023, various activities were initiated and will continue into 2024. These include ongoing mining works, geochemical characterisation, ecohydrological studies and comprehensive assessments of leaching pads, waste rock heaps and industrial areas. Further activities include dismantling and decommissioning processes, regulatory compliance reviews, and efforts related to reforestation, safety, environmental protection and social action plans.

Noche Buena's progressive closure plan stages

1. Pits and waste rock	Characterisation	Physical stability	Preparation of areas	Physical delimitation of pits	Wildlife monitoring	
2. Industrial area	Planning	Dismantling and demolition	Waste management	Site preparation	Revegetation	Monitoring and maintenance
3. Leaching pads	Characterisation	Physical stability	Ponds	Ground cover	Revegetation	

What's next

- Continue maturing our climate change strategy.
- During 2024 we will focus on further developing standards and procedures for water management within our operations.
- Progressively implement critical environmental risk management methodology guided by the International Council on Mining and Metals (ICMM) in our mining units.
- Continue to deploy Noche Buena's progressive closure plan.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

PARTNERING WITH OUR COMMUNITIES

We engage meaningfully with our communities and support the issues that matter to them.

Community relations

We earn and maintain the trust of communities through effective engagement and by being accountable for our impacts – and we recognise that this is the only way to obtain and preserve our social licence to operate. Our community strategy, which spans all phases of the mining life cycle, aims to build mutual understanding between our operations and local communities, ensuring that we engage, develop and grow together.

Engaging communities effectively in the life cycle of mining

In the global mining industry, stakeholders are placing a growing emphasis on social and environmental responsibility, along with enhanced corporate governance: there is an increasing expectation for responsible management of negative impacts, coupled with a desire for tangible contributions to community development. Therefore, we firmly believe in the responsible, timely and transparent management of these expectations. This approach aims to reduce opposition to projects and strives to avoid or mitigate negative impacts on the communities where we operate.

Our community engagement strategy is seamlessly integrated into every phase of the mining life cycle, fostering mutual understanding between our operations and local communities.

This comprehensive approach ensures that we not only engage, develop and grow together but also emphasises our commitment to address stakeholder concerns and expectations throughout the mining life cycle. Our projects are therefore carefully designed to avoid adverse impacts. Should challenges arise, we proactively employ mitigation measures, addressing community concerns responsibly. This overarching strategy is supported by a multifaceted approach:

- Monitoring public opinion to collaboratively identify industry challenges through partnerships with peers and business associations.
- Conducting social studies to gain insights into the community's perceptions of our Company's performance, guiding our engagement strategies.
- Engaging with communities through both formal and informal settings and ongoing social programmes to consolidate meaningful relations.
- Utilising a grievance mechanism to swiftly address concerns, mitigate potential escalation and foster proactive resolution processes.
- Aligning mitigation strategies with best practices in social and environmental responsibility.

We have procedures in place to detect potential risks, and conduct a thorough and strategic assessment, prioritising risks based on potential impact and location. Preventive and mitigation actions are established and overseen by dedicated monitoring committees for each risk, ensuring ongoing supervision. Strategic leaders in our mining units are kept informed, and mitigation strategies are collaboratively planned. Clear responsibilities are assigned to specialists, operating within an accountability framework for effective resolution. This process persists until the underlying conditions contributing to the risk are thoroughly addressed and resolved, resulting in the complete elimination of the risk.

Situations that may heighten potential risks include the negative perception of the Company's performance, failure to address community concerns, reduction in public spending, increased expectations and scrutiny, ineffective engagement and communication, competition for natural resources and anti-mining activism, among others.

Our exploration teams are the first to establish contact with a local community. We identify the relevant stakeholders and focus our engagement efforts on obtaining temporary access to explore land. We develop early local employment and procurement opportunities related to our

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Community relations continued

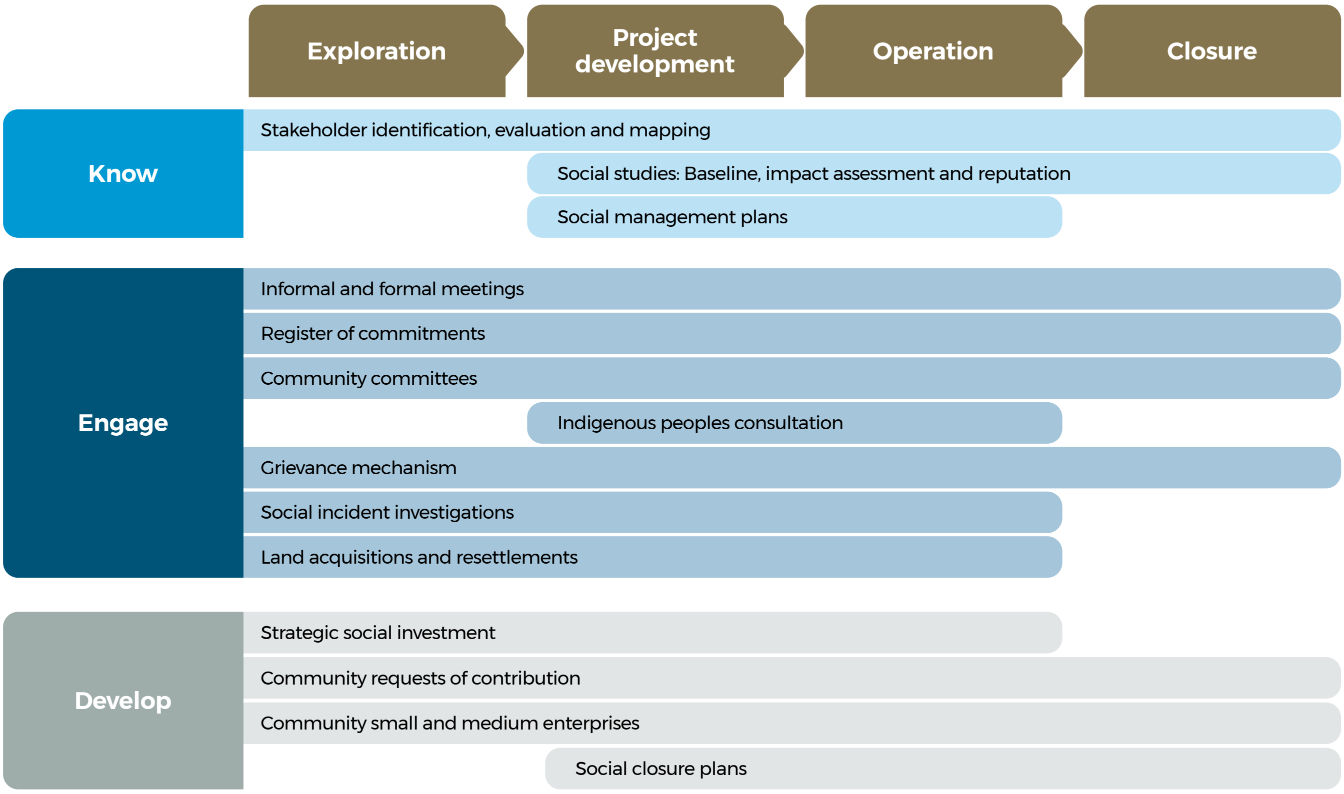
exploration activities. Social investment is channelled through donations and early-stage social programmes.

Our stakeholder relationships deepen during the project development, as we build trust through activities including local hiring, and contracts for project-related activities. For our advanced feasibility and development projects, we conduct social baseline and impact assessments, manage impacts responsibly and identify development opportunities.

During the operational phase of a facility, we regularly engage with the community via formal and informal meetings to manage expectations and detect risks and opportunities. Local employment and procurement are related to operation and support activities. We carry out comprehensive social studies to evaluate our social performance and reputation, as well as community concerns and development opportunities.

Finally, we prepare for closure through social studies and community engagement to identify impacts, mitigation measures and opportunities.

Framework for community engagement in the life cycle of mining



Community grievances

We maintain a strong track record of transparent engagement with our stakeholders to address any genuine concerns. Our grievance mechanism ensures a fair and effective resolution process to respond to concerns and resolve disputes. Each operating unit and current advanced project have dedicated community relations teams to effectively address stakeholder concerns. Grievances are documented and managed through a specialised system, with the community relations teams acting as mediators between the communities and the relevant areas responsible for the perceived grievance. The process involves thorough investigation and prompt resolution of concerns identified.

We do not assess the effectiveness of our grievance mechanism by solely considering the number of grievances received. Fluctuations may be influenced by various factors; for instance, an increase may signify improved communication channels, enhanced two-way trust or increased openness to community concerns. Conversely, a decrease may not necessarily indicate an improvement in performance. Instead, we focus on consistently understanding community needs and demands, sharing lessons across our operations, enhancing performance and preventing the recurrence of incidents. The true value of our grievance mechanism lies in fostering enduring relationships built on mutual trust and an effective procedure for fair and successful concern resolution.

Reception → **Evaluation** → **Investigation and recommendations** → **Response** → **Conclusion**

Grievances statistics

Category	2023	2022	2021
Outstanding grievances from previous periods	**10**	11	14
New grievances received in the period	**21**	11	22
Total grievances	**31**	22	36
Closed grievances in the period	**(25)**	(12)	(25)
Outstanding grievances at the end of the period	**6**	10	11

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Socioeconomic development

In addition to effective stakeholder engagement, the equitable distribution of mining benefits significantly contributes to the overall wellbeing of communities. Our commitment to creating value in the regions where we operate is demonstrated by our actions, which include providing job opportunities, local procurement, skills development, targeted community investments and fulfilling our financial responsibilities by paying our fair share of taxes.

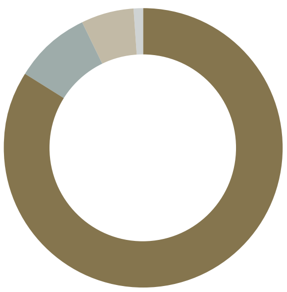
Economic impact

Our activities yield a positive economic impact in the regions where we operate. In particular, employment, contracting opportunities and contributions to governments demonstrate our commitment to sharing the benefits of mining. We consider our community investment to be an indirect economic impact of our activities and therefore present it separately from the Economic Value Distributed measure.

Economic value distributed

	2023 US$ million	2022 US$ million	% change
Wages and benefits to workers	**151.7**	146.6	3.5
Payments to suppliers (contractors)	**1,983.2**	1,817.3	9.1
Payments to local governments	**12.6**	6.2	104.9
Payments to federal government	**200.2**	258.6	(22.6)
Total economic impact	**2,347.8**	2,228.7	5.3

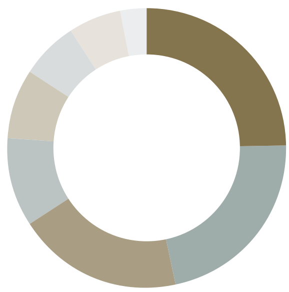
Economic value distributed by concept



- Payments to suppliers (contractors) 84%
- Payments to federal government 9%
- Wages and benefits to workers 6%
- Payments to local governments 1%

Economic value distributed is considered to be a social performance measure.

Economic value distributed by state



- Mexico City 24.8%
- Sonora 22.0%
- Zacatecas 19.3%
- Chihuahua 10.2%
- Durango 8.2%
- Coahuila 6.6%
- Guanajuato 6.0%
- Other 3.0%

Mining fund

In 2014, Mexico introduced a special tax to create a fund for the sustainable development of mining regions. This fund was intended to support communities close to mining operations. However, Congress has reallocated the Mining Fund to national public spending. We partner with the communities where we operate to engage the authorities and aim to encourage them to fund infrastructure projects that benefit mining communities.

The Fresnillo plc contribution to the Fund for Sustainable Development of Mining States and Municipalities was US$33.15 million in 2023.

2023 US$ million	2022 US$ million
33.15	48.66

* Current mining fund taxes are used in our sustainability review as a social performance measure.

Local employment and procurement

Local employment is a key driver of social acceptability and community development. We promote local employment from the early days of the exploration phase onwards. In the development and operational phases, for example, we offer employment opportunities directly or through our mining contractors. Our local and regional labour as a percentage of the total workforce is 73.74%.

We participate in the mining clusters of Zacatecas, Sonora and Chihuahua. These clusters contribute to the development of regional suppliers, strengthening their participation in the value chain of mining companies. Additionally, our Centre for Technical Studies (CETEF) and Peñoles Centre for Technical Studies in Laguna del Rey (CETLAR) train mining, instrumentation and maintenance technicians to meet our specific needs. Candidates are chosen from the communities surrounding our operations, thus securing talent and engaging the community in the long term.

Local employment

Social investment

We strive to maintain and strengthen our social licence to operate, securing a bright and self-determined future for our communities by prioritising their most pressing issues. We earn and maintain their trust through strong, accountable partnerships.

Aligned with the UN Sustainable Development Goals, we continuously strive to build a robust portfolio of social investments by collaborating with our communities. Our 'Alliance for the Common Good' strategy adopts a proactive approach, establishing transparent and participatory dialogues with all levels of government where we operate. By providing accurate, verifiable and pertinent information, we aim to influence decision-making in favour of our communities. We achieve this by presenting projects that directly address their most pressing concerns, leveraging funding opportunities across different government tiers. This ensures that public policy decisions within their jurisdiction enhance the state's presence in the region, but most importantly, contribute to the overall wellbeing of the community.

Our overarching goal is to fortify the long-term capabilities of neighbouring communities and cultivate enduring relationships with them, civil society organisations and all three government levels. These tripartite partnerships play a crucial role in preventing adverse conditions caused by external entities, ensuring our operational continuity from both a regulatory and public investment perspective, and facilitate the acknowledgment and promotion of our contributions to society by authorities. We firmly believe that only through collaborative efforts can we achieve a more significant and lasting impact.

For a detailed overview of our social investment performance, refer to the end of this section on page 149; for an overview of our payments to local and federal governments, refer to our economic impact indicators on page 142; finally, for a more thorough review of our government payment transparency policy, refer to our Responsible business section on pages 86-87.

Social investment portfolio
Creates long-term value with our communities

3 GOOD HEALTH AND WELL-BEING — Health and sports
Improve communities' health and habits

4 QUALITY EDUCATION — Education
Foster social cohesion and develop reading and STEM skills

6 CLEAN WATER AND SANITATION — Water
Work with communities to increase access to safe water

8 DECENT WORK AND ECONOMIC GROWTH — Capacity building
Develop community entrepreneurs and regional procurement

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Socioeconomic development continued

Education

We are committed to advancing inclusive and quality education, recognising its pivotal role in reducing poverty and inequality. We firmly believe that nurturing quality education increases learning and development opportunities for children and young people within our communities. This commitment is crucial given the evolving landscape of the Mexican education system, existing educational disparities and the lingering impacts of the Covid-19 pandemic. The results of the PISA test in Mexico have underscored concerning indicators that mirror the social reality of the nation's schools. The return to classrooms has enabled us to reactivate our educational initiatives since 2022, primarily focused on strengthening three foundational pillars: Reading, Mathematics and Science.

Key activities:

- The 'Picando Letras' programme, which is jointly operated alongside our strategic partner Ensamble Alejandría, was reactivated in-person at the Penmont, Ciénega, Juanicipio, Saucito, Fresnillo, San Julián units and Guanajuato project (see case study).
- The 'Tools for Peace Building' workshop was conducted to promote human rights, non-discrimination and the role of educators and students as peacebuilders at Penmont, in response to security concerns in the region.
- In alignment with our commitment to advancing STEM education in schools, we continue to sponsor teams in the FIRST Robotics competition. Notably, in the 2023-2024 season, the recently formed team from the Mineral de La Luz community in Guanajuato clinched the Rookie Team of the Year award at the Laguna Championship and earned a spot at the World Championship in Houston, Texas, where they also earned another recognition – the Inspiration Award (see case study). Additionally, a new team from the Orisyvo project joined this season, bringing the number of sponsored teams to six.
- In order to raise awareness among elementary and secondary school students about the causes and mitigation of climate change, we signed an agreement with the Cozcyt of the Government of Zacatecas to deliver the 'Latinamerica for Climate Education' course through our partner INNOVEC in the Fresnillo district.
- For the fourth consecutive year, we collaborated with Larousse Editorial to donate books focused on subjects that enhance the understanding of school topics for children and young people.
- We champion quality education through the Excellence Scholarship Programme in collaboration with Universidad La Salle campuses Laguna and Noroeste. During this academic year, we welcomed ten students from communities in San Julián, Guanajuato, Fresnillo, Ciénega and Penmont. Two students from the second generation graduated in 2023, in Marketing and Mechatronics, following the first four in 2022.
- In line with our drive to foster artistic education as a creative alternative for children and young people, we supported the establishment of the Children's Rondalla in the Presa de Linares community in Juanicipio and continue to support the Juan Álvarez Rondalla in Penmont.
- To support our commitment to encourage environmental responsibility and advocate for healthy nutrition among students, we have continued to promote School and Family Gardens in schools across communities within the Fresnillo district. This initiative is carried out with the valuable assistance of the Education Brigade for Rural Development No. 46 and our dedicated internal personnel.
- In partnership with Sonora's Secretary of Education and Culture and fellow mining companies in the Sonora Mining Cluster, we spearheaded initiatives to benefit school communities. These initiatives include the 'Reactivate your school', 'We are', and 'Smart with your school' programmes. Furthermore, we created a hybrid virtual-in person model for implementation in institutions such as UTHermosillo, UNISIERRA and CONALEP.

Case study

Revitalising communities through creative and playful reading

As the challenges presented by the pandemic receded, 2023 marked a significant turning point for community engagement and social interaction. In collaboration with Alejandría Ensemble, we were delighted to relaunch our widely respected 'Picando Letras' programme across all our mining units and at the Guanajuato advanced exploration project.

Designed around the concept of playful and creative reading, Picando Letras' fosters engaging spaces for community interaction and aims to narrow the educational gap caused by the pandemic-induced inactivity, which affected students and educators alike.

'Picando Letras' empowers children and young people to see themselves as independent and critical readers, awakening them to the transformative potential of literature. However, the programme is not just about reading – it brings together entire families, building participatory and inclusive communities.

The programme's relaunch was strategically planned, involving a total of 70 schools across 37 communities in two distinct phases:

- Phase 1 – a comprehensive assessment to gauge the post-pandemic educational backlog among children and evaluate the programme's relevance and impact. This phase also revisited the pre-pandemic state of learning resources, ensuring a tailored approach to current needs.
- Phase 2 – foundational training activities which laid the groundwork for effective deployment of the programme.

Together with other initiatives that fall under the Quality Education SDG, 'Picando Letras' underscores our dedication to nurturing resilient communities – providing brighter and better opportunities in the key moments of young people's development, and ensuring that education acts as the cornerstone for future prosperity and wellbeing.

Case study

Developing skills to help young people thrive

Since 2017, we have supported a leading project that gives high school students the skills they need to thrive in a world increasingly reliant on science and technology.

The FIRST Robotics competition uses robotics to engage students in Science, Technology, Engineering and Maths (STEM) subjects. Under the guidance of mentors, the aim is to kindle a spirit of healthy competition and collaboration, while developing skills in teamwork, leadership, business strategy and management.

Our support is rooted in our commitment to quality education and the cultivation of an environment where our communities' young people are engaged in science and engineering, but also empowered with self-confidence and instilled with the values of solidarity, respect and personal responsibility.

During 2023, we sponsored six teams from our local communities, with the Silverbots 9120 team from Mineral de La Luz, Guanajuato, achieving unprecedented success in their inaugural FIRST Robotics Competition season. Winning the 'Rookie Team of the Year' award at the Laguna Regional Championship gave Silverbots 9120 entry into the World Championship in Houston, where they won the prestigious 'Inspiration Award'.

The team comprised 25 dedicated students from the Advanced Baccalaureate and Higher Education Institute (SABES) who, along with their teachers and mentors, embarked on a mission to achieve excellence — and succeeded brilliantly. Representing their school and community on the international stage, travelling over 2,000 kilometres from their hometown, they showcased the transformative power of dedication, innovation and teamwork, obtaining a lifechanging experience on the way.

FIRST Robotics also brings together education and community service. Participation requires students to actively engage in the creation and execution of social programmes, aimed at supporting vulnerable groups within their communities. This component of the competition broadens their academic horizons by deepening their understanding of social responsibility. Coached by their mentors, the Silverbots 9120 engaged in community initiatives such as park clean-ups and reforestation, cultural trips, awareness on substance abuse and sports promotion.

3 GOOD HEALTH AND WELL-BEING

Health

We are dedicated to improving the health and wellbeing of our neighbouring communities through a preventive health approach. Our commitment involves advocating for initiatives that foster community wellbeing and encourage a healthy lifestyle. Following our response to the challenges posed by the Covid-19 pandemic, during 2023 we again worked with the authorities to organise events and promote actions that contribute to peace, self-esteem and the development of socioemotional skills among the younger population.

Key activities:

- In partnership with FUNAM, we continued to deploy our Community Health Weeks, involving Penmont, San Julián, Ciénega, the Fresnillo district and the Guanajuato project, benefiting over 6,000 people and 198 communities. In total, we managed to provide:
  - 2,424 optometry appointments and 2,109 items of corrective eyewear;
  - 2,617 odontology appointments and 17,838 dental procedures;
  - 620 physical therapy appointments; and
  - 1,303 general health appointments.
- Additionally, we promoted cataract surgeries among patients with sight deficiencies in Penmont.
- In the area of preventive healthcare, we organised the Breast Cancer Health Fair, featuring informative talks for women in communities around the Penmont, San Julián, Ciénega, Fresnillo district, and Guanajuato project.
- Through collaborative efforts, Penmont supported Sonora's Teleton Children's Rehabilitation and Inclusion Center (CRIT) by facilitating the transportation of patients from communities to receive medical care and physical therapy services.
- In response to the decline in social cohesion and increased violence in the regions, we continued our 'Leaders on the Horizon' programme in Penmont and recently launched it in the Guanajuato project (see case study).
- The Santos-Fresnillo Academy, which is committed to fostering sports, discipline and values among children in Penmont and the Fresnillo district, continues to make positive contributions.
- In the Fresnillo district, we are developing an integrated sports strategy, encompassing the deployment of sports clubs and academies to enhance community wellbeing, including the tennis club, BMX BiciCross races and baseball academies.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Socioeconomic development continued

Case study

Strengthening social fabric through sport in Guanajuato

Following its successful implementation in Penmont, during 2023 we launched the 'Leaders on the Horizon' programme within the Guanajuato advanced exploration project. In partnership with FutbolMas, this programme addresses the urgent need to counteract the effects of increasing violence in the region, which leaves children and young people vulnerable to stress and anxiety.

This programme is dedicated to enhancing the self-esteem and psychosocial abilities of the younger population by leveraging their love of sport and the structured discipline it offers. The initiative is designed to cultivate peace and harmony, thereby reinforcing the social cohesion of families within the community and raising awareness of the importance of protecting the environment.

'Leaders on the Horizon' revolves around sociosporting events that unite neighbourhoods or rural communities, with football serving as both the medium and the message. Uniquely, the matches feature the use of blue and green cards to encourage positive behaviours and attitudes while discouraging conduct that undermines shared values. The introduction of the blue and green cards represents a paradigm shift from the traditional yellow and red cards of football, which are often associated with threat and punishment. This innovative approach signifies a move towards positive reinforcement and the promotion of values associated with fair play and sportsmanship.

The programme currently positively impacts over 500 children and young people across seven communities in Guanajuato, laying the groundwork for establishing environments conducive to healthy, positive and friendly exchanges. Crucially, 'Leaders on the Horizon' has galvanised the community towards nurturing the wellbeing of its younger generations, ensuring a collective effort in fostering a supportive and uplifting environment.

6 CLEAN WATER AND SANITATION

Water and Environment

Our goal is to reduce our freshwater footprint and ensure that our communities have access to safe water. Our mining operations use closed-circuit water systems and have a high rate of water reuse; in the case of the Fresnillo district, we use treated municipal wastewater in our processes to decrease our freshwater consumption. Local governments benefit from the cost reduction to treat wastewater and the community benefits from a cleaner environment.

Key activities:

- We continue monitoring and maintaining 300 rainwater harvesting systems in San Julián. We actively participate in the Water Committee to oversee infrastructure projects in collaboration with FORMAC, among other community service initiatives.
- In Ciénega, we contributed to a third-party project for the potable water and sewage network; budget authorisation by local government is still pending.
- Within the Penmont local area, we actively contributed to the diagnosis and maintenance of wells serving ten communities. Through our collaboration with the Municipal Water, Sewage and Sanitation Operating Agency (OOMPAS), we play a crucial role in the Water Committee, which is dedicated to addressing the specific needs of the 15 de Septiembre community.
- In partnership with the Commission of Ecology and Sustainable Development of the State of Sonora (CEDES) and the Intercultural Center for the Study of Deserts and Oceans (CEDO), we actively participate in the protection of the Sonoran Pronghorn within the Pinacate Biosphere Reserve.
- In 2023, we experienced a substantial surge in family visits to the Environmental Management Unit (UMA) at the Fresnillo unit. Additionally, we introduced new recreational and sports facilities to encourage physical activity, sports and healthy community interactions (see case study).
- We maintain an ongoing tree donation campaign in communities within the Fresnillo district, providing tree species such as palms (Arecaceae), white cedar (Cupressus lindleyi), garden privet (Ligustrum ovalifolium), pineapple palm (Phoenix canariensis) and stone pine (Pinus Pinea) from the Fresnillo Nursery.

Case study

Providing opportunities for leisure

In line with our commitment to supporting the wellbeing of our local communities, we developed the Fresnillo Recreational Park in 2023, equipping it with premium, functional amenities designed to promote sports among children and teenagers. The park also features lush green areas and relaxation zones for family time.

Our aim was to create a flagship park that offers safe and reliable spaces for a range of sporting activities, children's playgrounds, and a pet-friendly area, all centred around an artificial lake bordered by a jogging path. These amenities are tailored to encourage physical activities, contributing positively to the health of local people, while the serene setting is designed to provide a peaceful retreat.

The park is an all-year-round venue and a vibrant hub for major events, including BMX competitions, football and baseball tournaments, as well as athletics competitions for both adults and children. During 2023, we added new pavilions, restrooms and sports facilities to further enrich the overall park facilities and users' experience.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Socioeconomic development continued

Case study

Enabling local communities to develop entrepreneurial businesses

In the heart of the Campodónico community, near Penmont, we have helped a determined group of female entrepreneurs to successfully launch a frozen crab meat venture that is both sustainable and self-sufficient.

Overcoming numerous obstacles, these women established the Bahía San Jorge Cooperative Society and Fishery Production, in partnership with the Intercultural Center for the Study of Deserts and Oceans (CEDO) and under the guidance of SMART-FISH. The business now aims to collaborate with CONAPESCA and the municipal government in order to distribute the product across restaurants and sales outlets in the urban zones of Caborca and Puerto Peñasco, broadening its market presence.

The support of Fresnillo demonstrates our commitment to nurturing entrepreneurial ventures within our local communities. By championing the development of small and medium-sized enterprises we can drive organic and sustainable economic growth, building the community independence and autonomy that is so important following a mine closure.

8 DECENT WORK AND ECONOMIC GROWTH

Decent work and economic growth

We are committed to driving entrepreneurship in our neighbouring communities through collaborative strategies, aiming to foster self-sustaining local economies. Our vision is to creatively promote the diversification of local procurement, contributing to our value chain. Working with strategic partners, we also focus on developing entrepreneurial skills that empower the establishment and success of small and medium-sized enterprises, facilitating an effective and independent economic transition after mine closure.

Through our programmes, partners and strategic alliances, we create and support high-quality projects that develop individuals' capabilities and that strengthen our relationships. As active members of the regional mining clusters in Zacatecas, Sonora and Chihuahua, we collaborate to promote regional procurement capabilities and skills development. These clusters play a crucial role as effective mechanisms for maintaining close relationships with key stakeholders, including state governments.

Key activities:

- In the Fresnillo district, we continue to take the lead in promoting economic development within our communities:
  - At Juanicipio, we supported families to establish Backyard Poultry projects in the communities of Presa de Linares and Col. El Obligado, in collaboration with the Agricultural Development Department of the Municipality of Fresnillo.
  - In Saucito and Fresnillo, we encouraged housewives in the production of cleaning products and materials.
  - A robust initiative is underway in Saucito for the meat commercialisation project (see case study).
  - In Juanicipio and Saucito, we support a project for the production of preserves.
  - In Juanicipio, Saucito and Fresnillo, we are supporting the implementation of eight self-development workshops in collaboration with the municipal National System for Integral Family Development (DIF).
  - We also promote the federal government's Field Schools programme in conjunction with the National Institute of Forestry, Agricultural and Livestock Research (INIFAP), advising on agricultural activities in the community of Presa de Linares.
- Minera Penmont actively supports the Fisheries Improvement for Women of the Desert and Sea Productive Project in crab meat processing and vacuum packaging, now commercially available (see case study).
- In partnership with our partner PROEMPLEO, we have strengthened efforts to promote and train small and medium-sized enterprises in San Julián through the Emprende programme, designed for people in the community.
- We have successfully introduced the EmprendeKids programme, which aims to instil an entrepreneurial culture in primary school children.
- We foster the technical skills of young students from our communities at the Fresnillo Technical Studies Center (CETEF) and the Laguna del Rey Technical Studies Center (CETLAR), equipping them to actively participate in the mining value chain.

Case study

Fostering entrepreneurial spirit among women

One of our major community objectives is to encourage entrepreneurship – helping the local economy diversify so the community can reduce its reliance on mining and navigate towards a self-sufficient economic future.

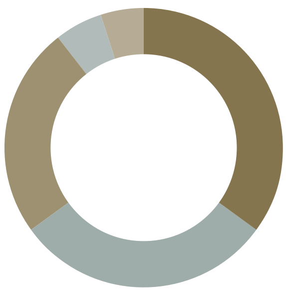
In celebration of International Women's Day and Rural Women, our team at Saucito launched the inaugural Entrepreneur Fair to highlight and promote the community's productive endeavours. A group of 52 women took centre stage, demonstrating the diverse talents and entrepreneurial spirit within the community. The group showcased a wide range of projects, including soybean cultivation, cleaning product manufacturing, material recycling, backyard economies, family gardens, baking and foraging for cactus.

Organised in partnership with Rural Development Education Brigade No. 46, the fair's highlights included the Meat Products Project. Organised by eight women, this project aims to establish a formal structure to market their products in a way that is both profitable and sustainable.

Performance

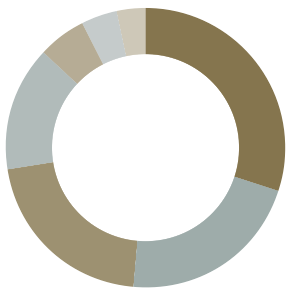
Community investment in (US$ million)

Community investment by strategic lever



Health	35.1%
Education	30.1%
Water	5.6%
Decent work	4.8%
Other	24.4%

Community investment by business unit



Fresnillo district	30.0%
Corporate	21.5%
Penmont	21.1%
Advanced exploration*	14.3%
Ciénega	5.7%
San Julián	4.0%
Exploration	3.3%

* Includes the Orisyvo, Rodeo and Guanajuato advanced exploration projects.

SUSTAINABILITY AT THE CORE OF OUR PURPOSE CONTINUED

Respecting human rights

Our due diligence approach centres on social assessments in the communities and development projects where we operate. These assessments enable us to identify risks and impacts on social, environmental, labour and human rights matters, with the findings guiding the continuous improvement of our stakeholder engagement strategy and social management plans. In addition, we employ processes to early identify the presence of indigenous peoples at our concessions, informing our engagement approach. We unequivocally condemn any threats or intimidation mechanisms for corporate benefits, fostering an ethics culture and conduct that does not condone attacks on anyone, including those who may oppose our activities.

Interactions with private security

We demand ethical conduct from our private security contractors, based on honest, respectful, transparent, equitable and fair relationships, in strict accordance with the law and guidelines in relation to environmental protection, corruption prevention, labour and human rights. Private security suppliers undergo a background screening process informed by national criminal databases.

The deterrent function of our private security forces is supported by technology and by collaboration with security authorities at the municipal, state and federal level. In alignment with our risk assessment, our private security forces remain unarmed to mitigate and avoid potential:

- Clashes with criminal groups that could endanger the lives of our workforce or communities.
- Violent confrontations with artisanal miners accessing our facilities illegally.

Interactions with public security

In 2020, Mexico's Federal Protection Agency formed a new police force specialising in providing security to mining facilities and operations. The Mining Police force is the result of collaboration between Mexico's Federal Protection Agency, the Secretariat of Economy and Mexico's Mining Chamber. Herradura was the first mining operation in Mexico to benefit from the deployment of the Mining Police, accompanied by a public commitment from Senior Government Security Officials, our CEO and the President of the Mexican Mining Chamber.

Members of the Mining Police undergo a 15-hour Human Rights training module, emphasising the protection of both mining facilities and human rights. The learning objectives are the identification of the core concepts of human rights and police action, and how to protect, respect, promote and guarantee human rights in their work activities and also in their daily lives. Criminal background checks of all Fresnillo plc employees are conducted during the hiring process with enhanced confidence controls for members of our security department.

Indigenous peoples

We are dedicated to meaningful engagement with indigenous peoples, respecting their right to free, prior and informed consent, and are committed to ensuring that every interaction with them respects their values, culture and traditions. We recognise that consultation is a fundamental right of indigenous communities and a mechanism to build trust. Good faith, transparency and accountability are the key values that guide our consultative approach.

Consultation allows us to understand the perspective of indigenous peoples on our projects and to address their concerns. Before the consultation phase, we assess the potential impacts and benefits of our projects and develop the capacities of the communities to fully exercise their right to consultation. During consultation, we consider their preferred method of engagement, present information in a culturally-appropriate manner and reach agreements on shared benefits.

In 2018, our commitment to constructive dialogue and inclusive participation was fundamental to obtaining the free, prior and informed consent of the Raramuri indigenous peoples to build and operate a water reservoir for our San Julián mine. In 2021, we engaged the indigenous peoples' committee to collaborate on roads and collective water monitoring. We have since provided guidance to Indigenous Consultations in Mexico based on our experience at San Julián, the Mexican regulatory framework and international best practices. We are also strengthening our relationships with the indigenous peoples of Orisyvo and San Julián.

Land acquisitions and resettlements

Our goal is to manage resettlement responsibly, respecting local laws and international best practices. Developing a mining project involves land acquisition and, in some cases, the resettlement of households. We recognise that these are complex and life-changing issues for communities. When poorly planned and managed, land acquisition and resettlement may adversely impact the livelihoods and social structure of communities, damage our relationships and even cause conflict. We recognise that the right to an adequate standard of living after land acquisition and resettlement projects is a basic human right, and strive to:

- Avoid resettlements whenever possible, by exploring alternative options.
- Work together with affected households, communities and governments to minimise adverse impacts, restoring or improving livelihoods and living conditions, if resettlements are unavoidable.
- Develop our competencies and internal processes to manage resettlements, including: social baseline and asset surveys, entitlement and compensation frameworks, negotiation, livelihood restoration programmes and ongoing monitoring and evaluation.

Performance

No community resettlements occurred at our operations or development projects during 2023.

We Identify indigenous communities, proactively conducting due diligence of our exploration concessions.

We engage respectfully in a culturally-appropriate manner that recognises their culture, values and aspirations.

We implement best practices regarding the free, prior and informed consent of indigenous peoples.

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 (see page 154) – 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 (see page 153) 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[1].

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.

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.

1 The Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management framework.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

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
Potential actions by the government (political, legal and regulatory)	Access to land	Geopolitical instability	High-potential incident and critical risk (e.g. rock fall, lack of ventilation, electrocution, etc.)
Security	Licence to operate (community relations)	Water stress and drought	Business continuity risks
Global macroeconomic developments (energy and supply chain disruptions, inflation, productivity and cost)	Exploration (new ore resources)	Transition to a low-carbon future (decarbonisation)	Increased operating costs and critical input supply shortages
Impact of metals prices (commodity prices and exchange rates)	Climate change	Technological disruption	Productivity and target achievement
Human resources (attract and retain requisite skilled people/talent crisis)	Tailings dams (overflow or collapse of tailings deposits)	Future of the workforce	Ability to access and replace mineral reserves (mine development)
Cybersecurity	Environmental incidents (cyanide spills and chemical contamination)	Increased expectations of society and investors	Tailings storage
Projects (performance risk)		Replacement on depletion of ore reserves	Follow-up to the most relevant findings determined by internal audit (red flags)
Safety (incidents due to unsafe acts or conditions could lead to injuries or fatalities)		Pandemics and infectious diseases	
Union relations (labour relations)			

Cybersecurity risks	ESG risks	Legal and compliance risks	Finance risks
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)
Unauthorised access	Sustainability risks (e.g. future risk from carbon pricing-scenario analysis)	Fraud (bribery and corruption)	Credit risk
Breach and theft of information	Corporate governance risks (e.g. ESG scores)	Environmental legal requirements	Liquidity risk
Business interruption	TCFD Provisions (physical and transitional risks)	Occupational health and safety requirements	
Lack of ownership of cybersecurity		Corruption and illegal practices	
Non-compliance with regulations		Other licences and authorisations	
Health and safety incidents			
Stoppage or loss of operations			

Risk rating

Very high High Medium Low Very low

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:

Risk governance basis

Top-down
Oversight, identification, assessment and mitigation of risk at a corporate level.

The Board
- Reviews and approves risk management and internal control systems.
- Determines the nature and extent of principal risks.
- Monitors exposures to ensure their nature and extent are aligned with overall goals and strategic objectives.
- Sets tone on risk management culture.

Executive Committee
- Identifies strategic risks.
- Assesses level of risk related to achieving strategic objectives.
- Oversees execution and implementation of controls into strategic and operating plans.

Audit Committee
- Supports the Board in monitoring risk exposures against risk appetite.
- Reviews the effectiveness of our risk management and internal control systems.

Internal audit
- Supports the Audit Committee in evaluating the effectiveness of risk mitigation strategies and internal controls implemented by management.

Bottom-up
Identification, assessment and mitigation of risk across all operational and functional areas.

Operational level
- Risk identification and assessment across mining operations, projects and exploration sites.
- Risk mitigation and internal controls monitoring embedded across functional areas and business units.
- Risk awareness and safety culture embedded in day-to-day operations.

All risk governance, including principal, individual and emerging risks.
Including personnel at mine sites, development projects, exploration sites and support areas.

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

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

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Risk assurance

- Assurance for management that risks and critical controls are being managed effectively.

Risk management framework

- Group roles and responsibilities, standards, procedures and guiding principles for effective, consistent and integrated risk management.

Capability and culture

- 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.

RISK MANAGEMENT SYSTEM

Risk analysis and management

- 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.

Systems, technology and data analytics

- Leverage systems and data analytics to support risk analysis, management and oversight.

Reporting oversight and insights

- Management's oversight is supported by proactive reporting and effective escalation.
- Decision-making is supported by connected and insightful risk analysis.

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 CO_2 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'.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Relevant emerging risks are discussed below:

	Emerging risk	Description	Potential impact	Mitigating actions	Timescale
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 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.	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). We have used a well-below two-degree decarbonisation pathway to evaluate the flexibility of the energy strategy.	> 5 years
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) considerations when making investment decisions.	The increasing focus on ESG has the potential to shape the future of the mining industry, supply cost structures, demand for global commodities and capital markets. While this presents us with opportunities for portfolio and product differentiation, it also has the potential to impact how we operate.	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 placed second in the Corporate Integrity Ranking in Mexico.	< 5 years
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

	Emerging risk	Description	Potential impact	Mitigating actions	Timescale
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.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Overview of the 2023 risk assessment exercise:

Analysis

10
business workshops
(Director and manager level).

50
interviews with risk owners
(Managers and leaders at units).

15
workshops analysing the impacts of risks
(in 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).

Analysis

8
risk analysis methodologies used
(ISO-31000, ISO-22301, Markov, Bowtie, FMEA Model, Monte Carlo, RACI Matrix, Cause and consequence analysis).

Survey risk identified and assessed

400+
colleagues
in operations, exploration, projects, corporate and support areas of Baluarte Minero, including internal audit.

Trend comparison and review

5
international institutions
specialising in risks were consulted. (Aon, AXA, Swiss Re, Hannover Re and Hawcroft).

10
risks scenarios
were built by mining industry risk specialists.

Trend comparison and review

25
gold and silver mines
(15 in Mexico and ten elsewhere in the world) were consulted regarding their risks.

8
consulting firms' risk reports
(including Marsh, Zurich, EY, PwC, KPMG and Deloitte) were reviewed.

Added value

200
colleagues were trained
in basic risk topics.

150
colleagues were trained
in advanced risk topics.

Added value

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[1]); 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. (For more information refer to the 'Safety' section on pages 98-102)
- 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 increasing requirements from current emissions regulations', 'Changes in the regulatory framework of renewables' and 'Increase in energy prices'. (For more information refer to the Climate change section on pages 111-128).
- 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 and 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 cybersecurity 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.

1 National Institute of Statistics and Geography (INEGI).

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

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 environmental, social and governance (ESG) framework.

Relative position 2023	2022	Risk	Risk appetite	Risk level 2023 vs 2022		Risk velocity	Focus	
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)

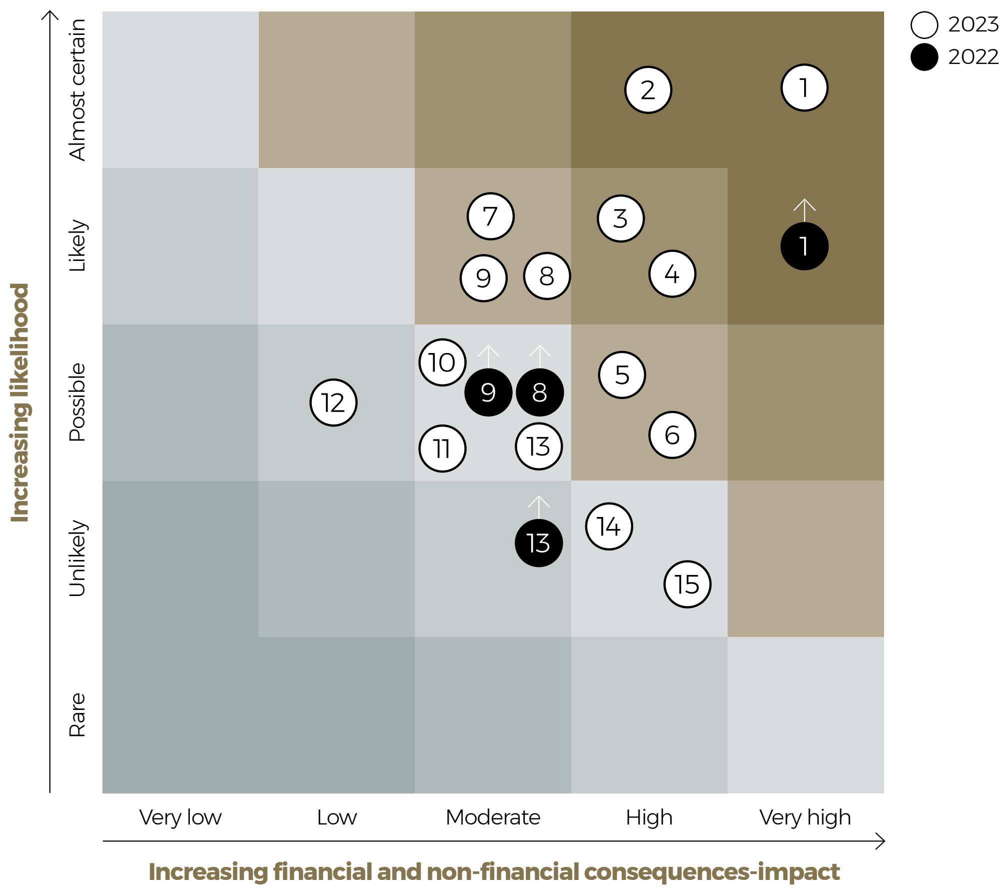
Risk rating

Very high High Medium

Risk velocity:
High: Impact within six months of risk occurring.
Medium: Impact between six 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.

Heat map



	Principle 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)	=	

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

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 ten years	Has not happened yet, but could happen
Rare	Once or twice every 50 years	Only in extreme circumstances

Impact

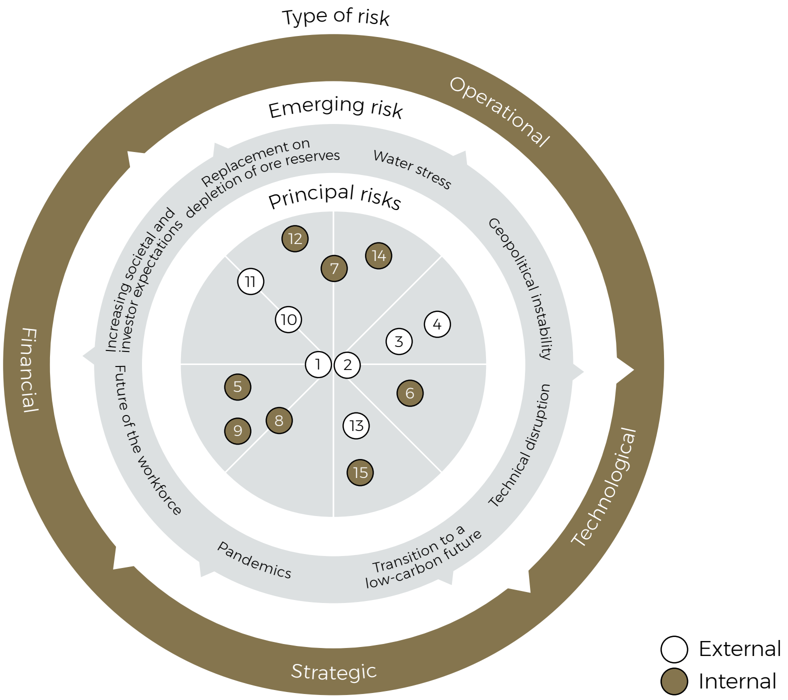
Level	EBITDA/Safety and Health/Environment/Communities/Legal/Reputation
Very high	• Any incident with an impact of more than 50% of EBITDA. • Accident-causing multiple fatalities or permanent disabilities. • Irreversible environmental damage or serious incident that impacts a community, with long-term 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 and 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.



Principal risk

1	Potential actions by the government (political, legal and regulatory)
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)
9	Union relations (labour relations)
10	Access to land
11	Licence to operate (community relations)
12	Exploration (new ore resources)
13	Climate change
14	Tailings dams (overflow or collapse of tailings deposits)
15	Environmental incidents (cyanide spills and chemical contamination)

MANAGING OUR RISKS – RESPONSE/MITIGATION TO OUR RISKS

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.

For more details see Caring for our people on pages 88-105.

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

For more details see Protecting our environment on pages 106-138.

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.

For more details see Partnering with our communities on pages 139-150.

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.

For more details see Health on pages 103-105.

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

1 2 3 4

Risk appetite

Low

Behaviour

Increasing

Risk rating (relative position)

2023: Very high (1)

2022: Very high (1)

MANAGING OUR RISKS – RESPONSE/MITIGATION TO OUR RISKS CONTINUED

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

1 2 3 4

Risk appetite

Low

Behaviour

Stable

Risk rating (relative position)

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[1]:

- 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.

1 Banco de México/December 2023 Report.

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).

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, México'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% year on year) 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 on pages 42-63.

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 on pages 78-150.

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

1 2 3

Risk appetite

Low

Behaviour

Stable

Risk rating (relative position)

2023: High (3)

2022: High (3)

MANAGING OUR RISKS – RESPONSE/MITIGATION TO OUR RISKS CONTINUED

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 US$2,000 per ounce, approaching its all-time high of US$2,100 per ounce reached in August 2020. The price continued to hover around the US$2,000 per ounce 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[1].

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.

For more details see Market review on pages 28-29.

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.

For more details see Financial review on pages 64-75.

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 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.

For more details see Financial review on pages 64-75.

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.

For more details see Financial review on pages 64-75.

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

1 2 3

Risk appetite

High

Behaviour

Stable

Risk rating (relative position)

2023: High (4)

2022: High (4)

1 US Federal Reserve/December 2023 Report.

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.

MANAGING OUR RISKS – RESPONSE/MITIGATION TO OUR RISKS CONTINUED

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.

For more details see Caring for our people on pages 88-105.

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

For more details see Occupational health on page 105.

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

1 2 3 4

Risk appetite

Medium

Behaviour

Stable

Risk rating (relative position)

2023: High (5)

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.

MANAGING OUR RISKS – RESPONSE/MITIGATION TO OUR RISKS CONTINUED

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' (LFDPPP). 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 cyber attacks.
- Number of cybersecurity incidents affecting our Company.
- Number of data breaches.
- Number of malware infections.
- Cost of cyber attacks.
- Number of media mentions related to cybersecurity issues affecting the mining industry.

Link to strategy

2 3

Risk appetite

Low

Behaviour

Stable

Risk rating (relative position)

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 and gold), and Tajitos (gold).

See Exploration section on pages 42-47.

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

2

Risk appetite

Medium

Behaviour

Stable

Risk rating (relative position)

2023: High (7)

2022: High (7)

MANAGING OUR RISKS – RESPONSE/MITIGATION TO OUR RISKS CONTINUED

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[1].

Frequent transportation of our people to remote business units is an ongoing feature of our operations. In many cases, these units have poor accessibility by road.

Failure to comply with safety programmes, measures and audits or with the findings of inspections, continues to be a safety risk.

Our people not being sensitive to the latent risks of our operations.

Omissions and failures to follow security protocols.

Controls, mitigating actions and outlook

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.

For more details see Safety on pages 98-102.

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.

For more details see Socioeconomic development on pages 142-149.

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.

For more details see Safety on pages 98-102.

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:

1 Information provided by the Safety Department of Fresnillo plc.

- 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 HSECR 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

4

Risk appetite

Low

Behaviour

Increasing

Risk rating (relative position)

2023: High (8)

2022: Medium (10)

MANAGING OUR RISKS – RESPONSE/MITIGATION TO OUR RISKS CONTINUED

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 programme, 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.

For more details see Caring for our people on pages 88-105.

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

2 3

Risk appetite

Low

Behaviour

Increasing

Risk rating (relative position)

2023: High (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 US dollars and percentage of project budget spent on HSECR activities, including community relations (on exploration projects and sites).

Link to strategy

1 2 3

Risk appetite

Medium

Behaviour

Stable

Risk rating (relative position)

2023: Medium (10)

2022: High (8)

MANAGING OUR RISKS – RESPONSE/MITIGATION TO OUR RISKS CONTINUED

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 fuelling opposition to mining.

Insecurity and access to water are the issues of greatest concern to people and community leaders in the regions where we have a presence.

The environmental impact of a mine is also an issue that can concern communities close to our operations.

Controls, mitigating actions and outlook

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.

For more details see Partnering with our communities on pages 139-150.

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

1 2 3 4

Risk appetite

Low

Behaviour

Stable

Risk rating (relative position)

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 (1.6 million hectares) 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.

For more details see Our strategy on pages 22-27.

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

1

Risk appetite

High

Behaviour

Stable

Risk rating (relative position)

2023: Medium (12)

2022: Medium (12)

MANAGING OUR RISKS – RESPONSE/MITIGATION TO OUR RISKS CONTINUED

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 neighbouring 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.
- 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.

For more details see Climate change on pages 111-128, Energy on pages 108-110 and Water stewardship pages 134-136.

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.

For more details see our TCFD disclosure on pages 111-128.

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.

For more details see TCFD disclosure on pages 111-128.

6. The pervasive and complex nature of climate change means that it can amplify other risks such as environmental incidents, access to water, health and 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.

For more details see TCFD disclosure on pages 111-128.

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.

For more details see Energy on pages 108-110, TCFD disclosure on pages 111-128 and Water stewardship on pages 134-136.

Key risk indicators

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

Link to strategy

1 2 3 4

Risk appetite

Medium

Behaviour

Increasing

Risk rating (relative position)

2023: Medium (13)

2022: Medium (15)

MANAGING OUR RISKS – RESPONSE/MITIGATION TO OUR RISKS CONTINUED

14

Tailings dams

(overflow or collapse of tailings deposits)

Risk description

Ensuring the stability of our tailings storage facilities (TSFs) during their entire life cycles 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 dams 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 life cycles, 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.

For more details see Tailings and mineral waste management on pages 129-133.

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 vs levels of operation.

Link to strategy

4

Risk appetite

Low

Behaviour

Stable

Risk rating (relative position)

2023: Medium (14)

2022: Medium (13)

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.

For more details see Protecting the environment on pages 106-138.

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.

For more details see Cyanide management on page 133.

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.

Link to strategy

4

Risk appetite

Low

Behaviour

Stable

Risk rating (relative position)

2023: Medium (15)

2022: Medium (14)

2023 LONG-TERM VIABILITY STATEMENT

Based on their assessment of prospects and viability, the Directors confirm that they have the expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

In accordance with provision 31 section 4 of the UK Corporate Governance Code and taking into account the Group's current position and its principal risks for a period longer than the 12 months required by the going concern statement, management prepared a viability analysis which was assessed by the Board for approval.

Mining is a long-term business and timescales can run into decades. The Group maintains life-of-mine plans covering the full remaining mine life for each mining operation.

As discussed above, we closely monitor and assess the impact of key principal and emerging risks on our long-term prospects and, where possible, proactively build response plans into our investment decisions.

Our long-term planning reflects our business model of running our business in ways that are safer, smarter and more sustainable. To ensure we remain resilient in the long term, our business model is continuously stress tested against the key uncertainties within the emerging risks, with recommended actions to mitigate potential downside.

The Directors reviewed the viability period and confirmed the suitability of a five-year period to December 2028. This period aligns with the mining industry's typical planning cycle and with the Company's five-year forecast period normally used to evaluate liquidity and contingency plans. It allows us to model capital expenditure and development programmes planned during the timeframe and reflects cash flows generated by the projects currently under development. Due to the long business cycles in our industry, the Directors considered that a shorter time period would be insufficient.

Reporting on the Company's viability requires the Directors to consider those principal risks that could impair the solvency and liquidity of the Company. In order to determine those risks, the Directors robustly assessed the Group-wide principal risks and operation-specific risks by undertaking consultations with executive management, mine managers and other personnel across our operations. These consultations also enabled the Directors to identify low probability, high loss scenarios – 'singular events' – with the potential magnitude to severely impact the solvency and/or liquidity of Fresnillo.

For the purpose of assessing the Group's viability, the Directors identified that of our principal risks, the following are the most important:

- **'Potential actions by the government'**, which could include a delay in obtaining permits and/or new regulations leading to restrictions on the granting of new mining concessions.
- **'Security'**, especially the theft of explosives in the most insecure region.
- 'Global macroeconomic developments', specifically inflation of costs of critical inputs to the operation.
- **'Impact of metals prices'**, notably volatility in the prices of gold and silver over a period.
- **'Access to land'**, especially due to disputes with the owners of the land where we have operations.
- **'Safety'**, particularly in scenarios that consider fire, severe flooding, and fatalities.
- **'Tailings dams'**, especially the failure, collapse or overtopping of a tailings dam.
- **'Union'**, the possibility of a strike by unionised workers at the La Herradura mine.

We also considered the impact of climate change on the viability scenarios, in particular the effects of winter storms and heavy rainfall. However, our conclusion was that the most important scenarios are not materially affected at this stage.

Having determined that none of the individual risks would in isolation compromise the Group's viability, the Directors went on to group principal risks into the following severe but plausible scenarios, in each case determining the risk proximity (how soon the risk could occur) and velocity (the speed with which the impact of a risk could be felt):

Scenario 1: Impact of metals prices and global macroeconomic developments. Our model assumes that prices for gold and silver in 2023 fall to US$1,622 per oz and US$20.7 per oz respectively. We further assume that precious metals prices remain at a low level for the following four years of the viability period, varying between US$1,622-US$1,667 per gold ounce and US$20.7-US$21.2 per silver ounce.

To create an impartial projection for a future low metals prices environment, the Directors used an average of the three lowest forecasts for each year of the assessment, based on consensus estimates published by institutional financial analysts. This environment was deemed to be the most significant risk, and pervasive across the Company. (Principal risk)

Scenario 2: Bench collapse at an open pit mine. A landslide occurs covering the lower pit of La Herradura mine. Due to the unexpected nature of the event, fatalities occur. Production is gradually ramped back up and re-established to full capacity. (Singular event)

Scenario 3: Tailings deposit breach at a mine. A tailings deposit collapses and tailings are released into the surrounding area, causing environmental damage. A fund is created by the Company to be used to remediate and compensate for any damage caused. The investigation into the causes of the event is drawn out and further time is required before all environmental permits are reinstated. As a result, the mine remains closed throughout the viability assessment period. (Principal risk)

Scenario 4: Flooding at a mine. A failure occurs in the rock mass of the Saucito mine that contains excess water, which causes a strong entry of water into the mine above the pumping capacity, thus stopping production in one of the main areas. This situation causes the loss of permits, additional costs and expenses, and reputational damage. Recovery to pre-event production levels begins once management determines it is safe to do so. (Singular event)

Scenario 5: Action by the government at a mine. Explosives are stolen at the Fresnillo mine, causing the authorities to suspend the mine's explosives permit. Production is halted while an investigation into the matter is completed. Once permits have been restored, production ramps back up to pre-event levels. (Principal risk)

Scenario 6: Fire in a process plant. A major fire breaks out at the DOB plant at the San Julián mine, causing multiple damage to operating equipment, significant business interruption and loss of licences and permits, as well as reputational and environmental damage. (Singular event)

Scenario 7: Total power failure at a mine. Power is totally lost at San Julián mine due to a severe winter storm in the Chihuahua and Durango region, resulting in business interruption, additional costs, and failure to meet established objectives and targets. (Singular event)

Scenario 8: Strike breaks out over union disagreements. Due to differences in profit sharing and other demands of unionised employees, a long-lasting strike breaks out in La Herradura mine, causing business disruption, additional costs and expenses, reputational damage and complications with communities near the mine. (Principal risk)

The hypothetical scenarios above are 'extremely severe' in order to create outcomes that have the ability to threaten the viability of the Group. However, multiple control measures are in place to prevent and mitigate any such occurrences and the likelihood of these risks materialising is very low. Should any of these scenarios take place, various options are available to the Company in order to maintain sufficient liquidity to continue in operation, including the deferral of capital and/or exploration expenditure. When quantifying the expected financial impact and remediation time required for each of these risks, management performed benchmarking against the Group's own experience and against publicly available information on relevant, comparable incidents in the mining industry.

All scenarios were first evaluated using metals prices based on average analyst consensus. As no mitigations were necessary, it was decided that there was no threat to the viability of the Company. To create a more stringent test and further challenge the resilience of the Group, all scenarios were then overlaid with scenario one, (low metals prices) and then re-evaluated.

When these scenarios were re-modelled, none led to an extremely low or negative cash balance because the strong cash and other liquid funds balance at the end of 2023 (US$534.6 million) positions Fresnillo plc in a healthy financial situation. In addition, metals prices contribute to the preservation of a positive cash balance position through the scenarios assessed.

The lowest cash balance level was identified in scenario number two (-US$751.3 million), in combination with the low metals prices scenario. However, by implementing mitigation measures, we could continue to operate under normal conditions without significant or relevant impacts. In addition, in January 2024 the Company contracted a US$350 million revolving credit line for a period of five years.

Risk management and internal control systems are in place throughout the Group. The internal control systems enable the Directors to monitor key variables that have the ability to impact the liquidity and solvency of the Group. We are confident that management is able to sufficiently mitigate any situations as they might occur.

Our risk mitigation and control measures include a Crisis Committee, while the Board would also be briefed and convened as necessary, in order to respond to events as they develop. At each level of our organisation, we have appointed dedicated personnel responsible for media management and engaging with authorities and other stakeholders, depending on the magnitude of the crisis.

Based on the results of this robust analysis and having considered the established controls for the risks and the available mitigating actions, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their detailed assessment. This longer-term assessment process supports the Directors' statements on both viability, as set out above, and going concern.

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 report on pages 2-187. The financial position of the Group, its cash flows and liquidity position are described in the Financial review in pages 64-75. 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 five 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.

NON-FINANCIAL INFORMATION STATEMENT

This section of the Strategic report constitutes Fresnillo plc's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act. The information listed is incorporated by cross-reference.

Non-Financial information	Policies and guidelines	Outcomes	Principal risk	KPIs
Environmental matters	· Sustainability[1]. · Code of Conduct[2]. · Recruitment, selection and training of personnel[3].	· Protecting our environment section pages 106-138.	· Tailings and environmental incidents. · Climate change	· GHG emissions. · GHG intensity. · Energy intensity. · Mining & metallurgical waste. · Water withdrawal. · Water intensity.
Company's employees		· Caring for our people section pages 88-105. · Safety section pages 98-103. · Doing business ethically and responsibly section pages 82-87. · Occupational Health section page 105.	· Security. · Safety. · Union relations.	· Labour turnover. · Training hours. · Injury frequency rates. · Cases of Occupational diseases. · Details of number of cases in HR matters. See page 84. · Number of disciplinary actions. See page 84.
Social matters		· Our approach to sustainable mining section on pages 79-80. · Partnering with our communities section of the ARA, on pages 139-150.	· Access to land. · Licence to operate.	· Economic value distributed. · Local employment. · Community investment. · Number of community grievances. See page 141.
Respect for human rights	· Sustainability[1]. · Diversity and inclusion[1]. · Code of Conduct[2]. · Harassment Prevention Protocol[3].	· Diversity, equity and inclusion section on pages 96-97. · Whistleblowing mechanism operated through labour commissions, more information on page 84. · Awareness training sessions in harassment prevention. See page 83.	· Human resources.	· % of women. · Diversity in talent attraction. · Gender pay gap.

Non-Financial information	Policies and guidelines	Outcomes	Principal risk	KPIs
Anti-corruption and anti-bribery (ABAC) matters	• Anti-bribery and corruption [1]. • Code of Conduct [2]. • Donations and Political Contributions [3]. • Promotional expenses (including gifts policy) [1]. • Third party Due Diligence [1]. • Government relations [3].	• Governance activities during 2023 included reviews of elements of the ABAC programme, which were presented periodically to the Board and to the Audit Committee. See pages 213-224. • During 2023 we continue performing our third party due diligence process (394 analysis, obtaining 10 high risk, 19 medium risk, 364 low risk and 1 third party non-recommended thus rejected). • Corporate Integrity 500 by NGO's Mexican Against Corruption and Mexican Transparency. See page 87. • Ethics Culture section on page 82.	• Potential actions by the government (e.g. taxes, more stringent regulations).	• Completion rate on training programme for employees. • ABAC policy certification by third parties. • Details of number of cases of alleged inappropriate arrangement with suppliers (some of them related with alleged bribes). See page 84. • Ethical conduct. See page 82.

1 https://www.fresnilloplc.com/responsibility/
2 https://www.fresnilloplc.com/responsibility/our-approach/code-of-conduct/
3 Public commitment as part of our Code of Conduct, detail on our stance and procedures available in our intranet policy site.

THE CHAIRMAN'S LETTER ON GOVERNANCE 2023

"For the second year running, in July we held a working meeting of the Board to provide Directors with a chance to discuss wider strategic issues more extensively with our executive team."

Dear shareholder

It is my honour to introduce this governance section of our annual report. As Chairman of Fresnillo plc, I continue to be well aware of the expectations that all our stakeholders place on the Board, particularly in respect of our leadership in promoting high standards of corporate governance. To demonstrate our commitment to those high governance standards, I am pleased to highlight some of the key areas of progress that we have made during 2023.

During the 12 months since our last annual report, the Board has responded to a number of new challenges which are discussed in the Strategic report and elsewhere in this annual report. The Board has taken the necessary time to understand how these challenges might impact our operations and has worked with the Management Team to respond accordingly. Consequently, we devoted significant Board time during the year to a review of the latest mining and regulatory developments in Mexico and the steps proposed by management in response to those developments. Furthermore, for the second year running, in July we held a working meeting of the Board to provide Directors with a chance to discuss wider strategic issues more extensively with our Executive Team. This year, the key topics for discussion included: a review of Fresnillo's Purpose, Mission, Vision, Values and Business Model; five megatrends in the global mining industry; the quantification of potential production growth; mine, exploration and development strategies; and ESG (environment, social and governance) and climate strategy. This meeting has proved to be a useful opportunity for the Board to keep its focus on strategic issues with our Executive Team outside of, and in addition to, the regular annual reviews of the business plan and budget.

The Board, supported in particular by the Audit and HSECR Committees, has continued to develop its arrangements for the oversight of ESG activities and climate-related risks and mitigation programmes. Fresnillo's disappointing safety record during 2023, which involved four fatal accidents (with one more occurring in January 2024), has been a cause of significant concern at Board level during the year and we cannot stress enough the urgent need for our Management Team to improve the safety culture across all of our sites, including the implementation of stricter disciplinary measures. In November 2023 the Board approved the creation of new executive roles for its operations and projects: Chief Operating Officer North and Chief Operating Officer Central. *Further details of the work of the HSECR Committee are set out in the Sustainability report on pages 78-150. Further information about the role split can be found on page 211.*

It was a privilege to be able to hold our 2023 Annual General Meeting (AGM) in person again in London in May. I was pleased and grateful that all of the resolutions proposed at the meeting were strongly supported by our shareholders, including some minor changes to our Directors' Remuneration Policy to allow the Board to reasonably increase Non-executive Directors' fees as necessary or advisable without recourse to shareholders. We do not anticipate making any further changes to the Directors' Remuneration Policy until the next scheduled renewal at the 2026 AGM.

It was also satisfying that shareholders supported the re-appointment of Charlie Jacobs and Bárbara Garza Lagüera as Independent Non-executive Directors at the 2023 AGM, despite the fact that they have now been on the Board for more than nine years. These are two high-calibre Directors, and I am grateful that we have had the benefit of Charlie and Bárbara's wisdom and support for another year. During the year the Nominations Committee was fully focused on the task of identifying suitable nominees as Independent Non-executive Directors and proposing them by the 2024 AGM. The Committee has recommended to the Board that Ms Luz Adriana Ramírez and Ms Rosa Vázquez be appointed at the forthcoming AGM as Independent Non-executive Directors in place of Bárbara and Charlie. Ms Ramírez is a dynamic senior executive who will bring a successful career across multiple industries. She is a strong leader, motivating teams to deliver on strategy and objectives. Ms Vázquez is a strong people leader with a track record of developing talent, motivating teams and driving engagement, and will bring the experience and technical knowledge to add value to the Board, particularly an orientation to best practices and governance. Further information about this process can be found in the Nomination Committee report on pages 209-211. I am also pleased to confirm that Dame Judith Macgregor will be replacing Charlie Jacobs as the Senior Independent Director with effect from the date of the AGM.

Being the third year since we last undertook an externally-facilitated Board effectiveness review, we invited Lintstock to manage our annual Board and committees review using both interviews and questionnaires, which they did in September and October. Their findings and recommendations were discussed by the Board at its meeting in October 2023. We were pleased to note that the key outcome of the review was that the Board and its committees continue to perform very well both in absolute and relative terms, compared to a wide sample of companies. There were some helpful suggestions made by Lintstock as a result of the review which we have considered and will act upon over the coming months. Further details about this exercise are set out on pages 206-208.

As ever, I would like to conclude this letter by thanking my Board colleagues for their continuing support both to me and to the Executive Team, as well as for their valuable contributions to the work of the Board and its committees during the year. We continue to face challenges in changing times, but I remain firm in my belief that the Board is well-placed to provide the right leadership and guidance to enable the whole Fresnillo plc team to respond to those challenges effectively during 2024 and the coming years.

I also wish to express my sincere thanks to our shareholders for their continued support as well as to all Fresnillo plc's personnel for their daily, continued efforts.

Yours faithfully,

Mr Alejandro Baillères
Chairman of the Board
4 March 2024

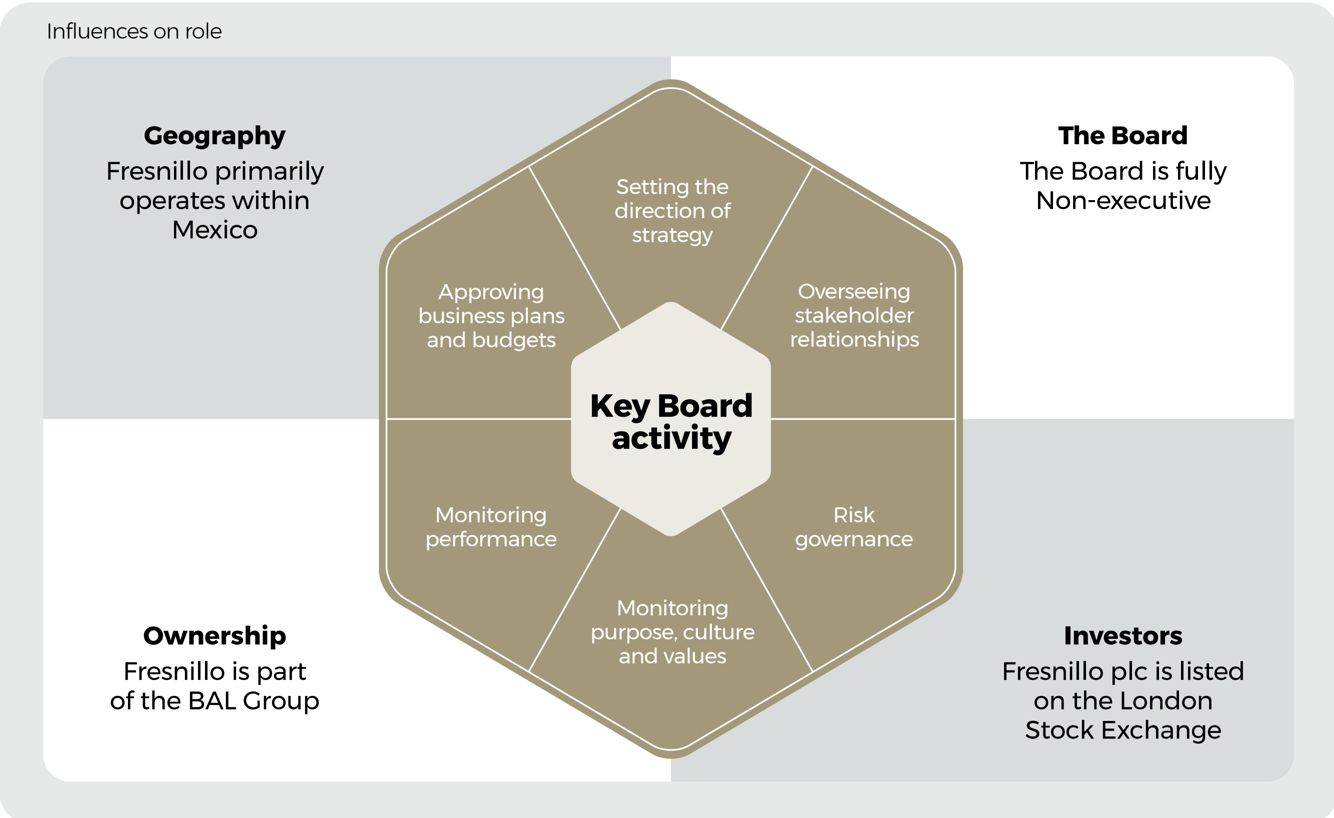
FRESNILLO'S APPROACH TO GOVERNANCE

The Board's leadership role

While Fresnillo's approach to governance reflects many of the usual characteristics of a FTSE 100 company, it is also influenced by four key factors:

- **Geography**: It predominantly operates within Mexico.
- **Ownership**: It benefits from the common umbrella and shared resources with other companies within the BAL Group of companies.
- **Board**: Its fully Non-executive Board of Directors is supported by the Executive Team.
- **Investors**: Its listing on the Main Market of the London Stock Exchange.

The leadership role of the Fresnillo plc Board



As a result of these contextual factors, the leadership provided to Fresnillo plc by the Board is essentially strategic and supervisory in nature.

The leadership and management of the Company's day-to-day operations is the responsibility of the Executive Committee (comprising the Chief Executive Officer, Chief Financial Officer, Vice President of Exploration, the Chief Operating Officer Central and the Chief Operating Officer North). Further information about changes to the Executive Committee can be found on pages 199-211. The Non-Independent Non-executive members of the Board (Peñoles-appointed Directors) maintain regular contact with the Executive Committee to challenge and/or support as appropriate.

This structure creates two levels of oversight for the Senior Management Team, initially from the Non-Independent Non-executive Directors, and then from the Board as a whole, including the Independent Non-executive Directors. Reports summarising the discussions which take place between the non-Independent Non-executive Directors and the senior Management Team are regularly provided to the Independent Non-executive Directors to assist them in understanding the dialogue which takes place before formal Board proposals are submitted for their review.

The Board sets the corporate values underpinning the culture by which the Group will continue to operate. The Board also supervises the management of the Group's activities, including the implementation of both the Group's long-term plans and commercial strategy. It also provides the governance framework within which the Executive Committee operates. The Board has a formal schedule of matters reserved for its approval which includes major expenditure, investments, key policies and systems of internal control and risk management. Certain specific responsibilities are delegated to the Board committees, being the Audit, Nominations, Health, Safety, Environment and Community Relations (HSECR) and Remuneration Committees, each chaired by a Board member, and each of which operate within clearly defined terms of reference and report regularly to the Board.

BOARD ACTIVITIES IN 2023

The Board's established programme of formal meetings remained unchanged during 2023 but all meetings were conducted via video conference.

During the year the Board focused on the following matters:

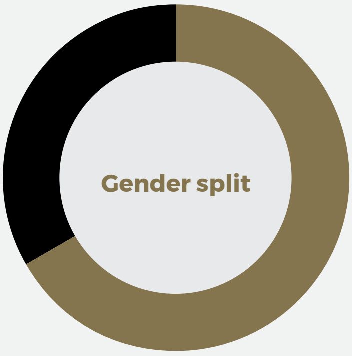
Health, safety and wellbeing	· Safety performance and 'I Care, We Care' programme updates. · Safety plan in response to the fatalities that occurred during the year and in early 2024. · Community relations initiatives updates.
Strategy and planning	· Long-term strategic plan at a separate working meeting held in July 2023. · Review and approval of revised Business plan and 2023 Budget. · Approval of 2024 Business plan and Budget. · Company's approach to the reform of the Mining Law.
Operational matters	· Juanicipio ramp-up. · Pyrites plant (Phase II) ramp-up at Fresnillo mine. · Rodeo and Orisyvo updates. · Split of the COO role into two roles (following recommendation from the Nominations Committee).
Stakeholders, including workforce	· Diversity, equity and inclusion training. · Diversity programme updates. · Prevention of Harassment programme updates. · Culture and Ethics programme updates. · Consideration of approach to Section 172. · Workforce engagement events.
Sustainability and environmental matters	· Tailings dam policy and reviews. · Energy efficiency plans. · Developments in climate change prevention. · Alignment of the Group's strategy with TCFD recommendations. · Water consumption initiative updates.
Finance and risk	· Review of risk matrix. · Confirmation of principal risks and uncertainties. · Consideration of emerging risks assessment. · Review of risk appetite. · Fraud risk assessment updates. · External anti-bribery and corruption plan review updates.
Governance	· 2023 Board and committee external effectiveness reviews. · Approval of succession plans (Non-executive Directors and Executive Committee (following recommendation from the Nominations Committee)). · Review of the current membership and composition of the Board and committees, including recommendations concerning new Board appointments. · Regulatory changes updates.

The Board's Section 172 Statement is shown on page 37.

ABOUT THE BOARD AND COMMITTEES

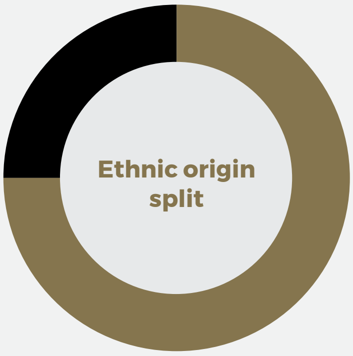
Board composition as at 31 December 2023

2023: 8 Male, 4 Female*



2022: 8 Male, 4 Female

2023: 9 Latin America, 3 Europe



2022: 9 Latin America, 3 Europe

2023: 7 Independent, 4 Non-Independent

2022: 7 Independent, 4 Non-Independent

* During 2023 the Company maintained the representation of women on the Board at 33%.

Board and Committee meetings

The table below sets out attendance at the scheduled meetings in 2023.

Directors	Board*	Audit Committee	Remuneration Committee	Nominations Committee	HSECR Committee
Chairman					
Alejandro Baillères	4/4		4/4	3/3	
Senior Independent Director					
Charles Jacobs	4/4			3/3	
Non-executive Directors					
Juan Bordes	4/4				
Arturo Fernández	4/4				4/4
Fernando Ruiz	4/4				4/4
Bárbara Garza Lagüera	4/4			3/3	
Georgina Kessel	4/4	5/5			4/4
Judith Macgregor	4/4				4/4
Alberto Tiburcio	4/4	5/5	4/4		
Guadalupe de la Vega	4/4		4/4		
Hector Rangel	4/4	5/5			
Eduardo Cepeda	4/4				

* Following on from the successful inaugural session in 2022, in July 2023 a working meeting was held to review specific matters relating to the Company's strategy and risk management. All Directors attended this meeting. The working meeting was in addition to the four scheduled meetings in 2023.

Board committee membership

Audit Committee

The members of the Audit Committee and their relevant financial and auditing experience is summarised as follows:

Committee member	Financial and auditing experience
Alberto Tiburcio (appointed to the Committee on 4 May 2016 and appointed Chairman of the Committee on 30 May 2018)	Previously Chairman and CEO of EY (Mexico). Experience in national and international accounting and audit practice and corporate governance.
Georgina Kessel (appointed to the Committee on 1 March 2021)	Public finance experience from her career in government. Has served on the Audit and Risk Committees of major companies in Mexico and Spain.
Hector Rangel (appointed to the Committee on 24 June 2021)	Extensive corporate and investment banking expertise.

The members of the Audit Committee are Independent Non-executive Directors thus complying with the requirements of the UK Corporate Governance Code (the 'Code').

Further information about the work of the Audit Committee during 2023 can be found in the Audit Committee report on pages 212-224.

Nominations Committee

The members of the Nominations Committee during 2023 were Alejandro Baillères, Bárbara Garza Lagüera and Charles Jacobs. Bárbara Garza Lagüera was appointed to the Committee on 14 May 2014; Alejandro Baillères and Charles Jacobs were appointed to the Committee on 29 April 2021. During the year, Bárbara Garza Lagüera and Charles Jacobs were both Independent Non-executive Directors and therefore the majority of the members of the Nominations Committee were independent in compliance with the requirements of the Code. Both Mr Jacobs and Ms Garza Lagüera will cease to be Independent Non-executive Directors after the 2024 AGM. The Board, at its meeting held on 28 February 2024, approved a recommendation from the Nominations Committee that Ms Georgina Kessel and Ms Guadalupe de la Vega be appointed as members of the Nominations Committee in place of Ms Garza Lagüera and Mr Jacobs, to be effective from the 2024 AGM.

Further information about the work of the Nominations Committee during 2023 can be found in the Nominations Committee report on pages 206-211.

Remuneration Committee

The membership of the Committee is made up of Non-executive Directors who are able to bring the following perspectives to the working of the Remuneration Committee:

- An understanding of shareholder expectations.
- An understanding of the general approaches to remuneration within the Mexican market.

The Code states that the Remuneration Committee should be made up of Independent Non-executive Directors. The members of the Remuneration Committee are Alberto Tiburcio, Alejandro Baillères and Guadalupe de la Vega. Guadalupe de la Vega was appointed as a member of the Committee on 1 March 2021 and Alberto Tiburcio and Alejandro Baillères were appointed as members of the Committee on 29 April 2021. Alejandro Baillères was non-independent at the time of his appointment to the Board (and therefore the membership makeup of the Remuneration Committee during the year does not comply with Provision 32 of the Code). At the time of the appointment of Alejandro Baillères to the Remuneration Committee in April 2021, the Board determined that his experience and knowledge of both the Group and the Mexican market and his considerable contribution to the Remuneration Committee's deliberations, justifies his membership of the Committee.

Further information about the work of the Remuneration Committee during 2023 can be found in the Remuneration Committee report on pages 225-243.

HSECR Committee

The members of the HSECR Committee are Arturo Fernandez, Judith Macgregor, Georgina Kessel and Fernando Ruiz.

A full report of the work of the HSECR Committee during 2023, can be found in the HSECR Committee report on pages 76-77.

Terms of reference

The terms of reference of all of the Board Committees were reviewed during the year. The terms of reference of the Nominations and Remuneration Committees were last updated in early 2020 (to take account of the requirements of the 2018 Code). The terms of reference of the HSECR Committee were last updated in October 2020. The terms of reference of the Audit Committee were updated in early 2023 (to consider the Company's obligations under TCFD, and on greenhouse gas reporting and other related topics). No further changes were made to any of the Committee terms of reference during the previous 12 months.

Copies of all of the Committee terms of reference are available on the Company's website (https://www.fresnilloplc.com/about-us/corporate-governance/terms-of-reference/).

THE BOARD OF DIRECTORS

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

	Alejandro Baillères Chairman	**Juan Bordes** Non-executive Director
Date of appointment	16 April 2012 as Director and 28 April 2021 as Chairman	10 January 2008
Committee membership	Nominations Committee (Chairman) Remuneration Committee	None
Current external listed company directorships	All four of the BAL Listed Entities (as defined below), and Fomento Económico Mexicano S.A.B. de C.V.	All four of the BAL Listed Entities.
Other key current appointments	Mr Baillères is President of Grupo BAL and a member of the board of trustees of Instituto Tecnológico Autónomo de México. He is Chairman of the board of directors of Centro Cultural Manuel Gómez Morin, A.C.	Mr Bordes is a member of the board of trustees of Instituto Tecnológico Autónomo de México. Mr Bordes is a director of Profuturo Pensiones, S.A. de C.V.; Profuturo Afore, S.A. de C.V., Valores Mexicanos Casa de Bolsa, S.A. de C.V. and EnerAB, S. de R.L. de C.V.
Key strengths and experience	· Insurance and related financial services in Mexico. · Broad board-level commercial experience in Mexico. As President of Grupo BAL and former Chief Executive Officer of Grupo Nacional Provincial (a leading insurance company in Mexico), Mr Baillères brings knowledge and experience of Mexican and international business to his role.	· Senior executive (CEO-level) responsibilities over many years. · Board membership of companies spanning a broad range of sectors and industries. During his career, Mr Bordes has held both senior Executive Management roles and board responsibilities with companies spanning a number of different sectors, particularly within Mexico.

Note: Some Directors hold directorships of some or all of the following listed companies which are all part of the consortium known as Grupo BAL (along with Fresnillo plc, see also page 231): Industrias Peñoles S.A.B. de C.V., Grupo Palacio de Hierro S.A.B. de C.V., Grupo Nacional Provincial S.A.B. and Grupo Profuturo S.A.B. de C.V. In this section, these companies are jointly or individually referred to as the BAL Listed Entities.

Arturo Fernández
Non-executive Director

15 April 2008

HSECR Committee (Chairman)

All four of the BAL Listed Entities, Grupo Bimbo S.A.B. de C.V. and Fomento Económico Mexicano S.A.B. de C.V. (Alternate Director).

Mr Fernández is rector and a member of the board of trustees of Instituto Tecnológico Autónomo de México and a member of the board of Grupo Financiero BBVA México S.A. de C.V.

- International economics and public policy.
- Directorships of several Mexican companies.

Mr Fernández' career brings together a solid academic economics background, many years' experience within the Mexican public policy arena and broad commercial experience (through board directorships of leading businesses in a number of sectors in Mexico).

Fernando Ruiz
Non-executive Director

15 April 2008

HSECR Committee

Kimberly Clark de México S.A.B. de C.V. (Alternate Director), Grupo Cementos de Chihuahua S.A.B. de C.V., Grupo Mexico S.A.B. de C.V. and two BAL Listed Entities (Grupo Nacional Provincial S.A.B., and Grupo Palacio de Hierro S.A.B. de C.V.).

Mr Ruiz is a Non-executive Director of Rassini S.A.P.I de C.V. ArcelorMittal Mexico S.A. de C.V. and Cuatro B Materiales de Construcción, S.A.P.I. de C.V.

- Mexican tax and accounting experience.
- International board and audit committee experience.

Mr Ruiz was, until 2006, managing partner of Chevez, Ruiz, Zamarripa y Cia., S.C., tax advisers and consultants in Mexico and now serves on the board and audit committees of several Mexican and international companies. He has extensive knowledge of Mexican tax and accounting issues.

Eduardo Cepeda
Non-executive Director

24 June 2021

None

All four of the BAL Listed Entities, Bolsa Mexicana de Valores, S.A.B. de C.V. and RLH Properties, S.A.B. de C.V.

Mr Cepeda is a director of Profuturo Pensiones, S.A. de C.V.; Profuturo Afore, S.A. de C.V., Valores Mexicanos Casa de Bolsa, S.A. de C.V. and EnerAB, S. de R.L. de C.V.

- Finance, international markets and banking in the public and private sectors.

Mr Cepeda was President and Senior Country Officer for Mexico at JP Morgan from 1993 to 2019 and Chief Executive Officer of JP Morgan Wealth Management Latin America, also based in Mexico City from 2009 to 2012. Mr Cepeda has served as Vice President of the Mexican Bank Association and has also been a board member of the Woodrow Wilson International Center for Scholars and a counsellor in several organisations related to culture, education and health.

THE BOARD OF DIRECTORS CONTINUED

INDEPENDENT NON-EXECUTIVE DIRECTORS

	Charles Jacobs Senior Independent Non-executive Director	**Bárbara Garza Lagüera** Independent Non-executive Director	**Dame Judith Macgregor** DCMG, LVO Independent Non-executive Director
Date of appointment	16 May 2014	16 May 2014	23 May 2017
Committee membership	Nominations Committee	Nominations Committee	HSECR Committee
Current external listed company directorships	None.	Fomento Económico Mexicano S.A.B. de C.V., Promecap Acquisition Company S.A.B. de C.V., Grupo Aeroportuario del Sureste S.A.B. de C.V. and Grupo Financiero Santander Mexico S.A. de C.V.	None.
Other key current appointments	Mr Jacobs is co-head of UK Investment Banking at JP Morgan.	Ms Garza Lagüera is a Non-executive Director of Soluciones Financieras SOLFI and Vice President of ITESM Mexico City.	Dame Judith is Vice Chair of the University of Southampton's Governing Council, Chair of the International Strategic Advisory Group to UK Research and Innovation and Member of the UK Arts and Humanities Research Council. She continues being a Board member, and was previous Chair, of the British Tourist Authority and Member of the Board of Trustees of the University of Cape Town Foundation and the Caradon Lecture Trusts.
Key strengths and experience	· Board and governance experience. · Rare combination of legal and investment banking experience with a focus on capital markets, mining and metals. Mr Jacobs' background as the former Chairman of global law firm Linklaters and head of their mining sector, along with his previous Non-executive Directorships at Investec and the Shanghai International Financial Advisory Council, means he brings his 30 years of global experience in governance, mining, corporate finance, and legal and regulatory matters to the boardroom. As Senior Independent Director, Charles Jacobs is available to shareholders if they have concerns that have not been resolved through the normal channels of Chairman, Chief Executive Officer, Chief Financial Officer or Head of Investor Relations.	· Mexican commercial and industrial experience. · International Board experience. As an experienced director, particularly through her career at Coca-Cola FEMSA and Fomento Económico Mexicano, the largest franchise bottler of Coca-Cola products, Ms Garza Lagüera brings a broad experience of Mexican commercial and international business.	· International diplomatic experience. · Government relations in resource-rich countries. · International research collaboration. · Wide-ranging managerial and equity, diversity and inclusion (EDI) experience. Dame Judith's distinguished career as a British diplomat brings a range of international experience to her role. She has worked closely with and promoted the interests and profiles of UK companies across a wide range of sectors, including the mining sector, in a number of countries including Mexico.

			
Alberto Tiburcio **Independent Non-executive Director**	**Georgina Kessel** **Independent Non-executive Director**	**Guadalupe de la Vega** **Independent Non-executive Director**	**Héctor Rangel** **Independent Non-executive Director**
4 May 2016	30 May 2018	29 May 2020	24 June 2021
Audit Committee (Chairman) Remuneration Committee (Chairman)	Audit Committee HSECR Committee	Remuneration Committee	Audit Committee
Mr Tiburcio is an Independent Non-executive Director of Fomento Económico Mexicano, S.A.B. de C.V., Coca-Cola FEMSA, S.A.B. de C.V. and two BAL Listed Entities (Grupo Nacional Provincial S.A.B. and Grupo Palacio de Hierro S.A.B. de C.V.).	None.	Ms de la Vega is a director of Sitios Latinoamérica, S.A.B. de C.V.	Mr Rangel is an Independent Non-executive Director of a BAL Listed Entity (Grupo Nacional Provincial, S.A.B.).
Mr Tiburcio is an Independent Non-executive Director of Grupo Financiero Scotiabank Inverlat, S.A. de C.V. (a Mexican subsidiary of The Bank of Nova Scotia), Profuturo Afore S.A. de C.V., Transparencia Mexicana, and a member of the board of trustees of Instituto Tecnológico Autónomo de México and a non-independent Board Member of Tankroom S.A.P.I. de C.V.	Ms Kessel is a Non-executive Director of Grupo Financiero Scotiabank Inverlat, S.A. de C.V. (a subsidiary of The Bank of Nova Scotia) serving as Chair of the Board and member of the Risk, Audit, Human Resources and Corporate governance Committees. Ms Kessel is also a member of the board of trustees of Instituto Tecnológico Autónomo de México.	Ms de la Vega is a Director of a number of non-listed companies including Almacenes Distribuidores de la Frontera, S.A. de C.V., Maximus Inmobiliaria, S. de R.L. de C.V., Citibanamex, Coparmex, Ciudad Juárez and Altec Purificación, S.A. de C.V. She is also a Director of ITESM (Tec de Monterrey) and EISAC.	Mr Rangel is the President of BCP Securities Mexico, a joint venture with BCP Securities LLC, and presently serves on the board of Canadian Utilities Limited (an ATCO company), Polyforum Cultural Siqueiros, as well as the Board of Trustees of the Museum Franz Mayer. He is an Independent Non-executive Director of Profuturo Afore, S.A. de C.V.
· International and Mexican audit and accountancy and Mexican tax experience. · Mexican and international board and audit committee experience. Mr Tiburcio was the Chairman and CEO of Mancera S.C. (the Mexican firm of Ernst & Young LLP) from January 2001 until his retirement in June 2013 having been a partner for more than 30 years. He has served as auditor and advisor to many prestigious Mexican companies and now sits on the boards and audit committees of important Mexican companies and institutions, thus bringing Mexican tax and corporate governance knowledge as well as Mexican and international audit and accounting experience to the Board.	· Ministerial experience within Mexican government. · Knowledge of Mexican energy sector. Ms Kessel has broadened the Board's energy and climate change expertise having served as Minister of Energy from 2006 to 2011 and chaired the board of trustees of the Federal Electricity Commission. She also chaired the Board of Directors of Petróleos Mexicanos. She has previously held senior board positions at Iberdrola, S.A., Nacional Financiera and the National Bank of Foreign Trade. Ms Kessel also served as CEO of the National Bank of Works and Public Services. She was previously adviser to the Chairman of the Federal Competition Commission and Head of the Investment Unit at the Ministry of Finance and Public Credit of Mexico.	· Broad business leadership experience within Mexico and internationally. · Community and economic development programme leadership within Mexico. Ms De la Vega has held senior executive roles in a variety of Mexican businesses spanning a range of sectors and she has also been an investor in a number of those companies. She also serves on the boards of educational and cultural institutions and has a strong commitment to small enterprises working in health, economic and community development.	· Finance, international markets and banking. Mr Rangel was the Chief Executive Officer of Nacional Financiera S.N.C. and Banco Nacional de Comercio Exterior and a member of Mexico's cabinet under President Felipe Calderon. Mr Rangel held various executive positions with the Grupo Financiero Bancomer from 1991 until 2008, including Chairman of the Board. Mr Rangel has also been President of the Mexico Bank Association and President of the Mexican Business Council. Mr Rangel served on the Company's Board as an Independent Non-executive Director from April 2008 to January 2009.

EXECUTIVE COMMITTEE

	Octavio Alvídrez Chief Executive Officer	**Mario Arreguín** Chief Financial Officer	**Guillermo Gastélum** Vice President of Exploration
Date of appointment	15 August 2012	15 April 2008	1 January 2021
Committee membership	Mr Alvídrez is invited to attend Board, Audit Committee, HSECR Committee and Remuneration Committee meetings.	Mr Arreguín is invited to attend Board and Audit Committee meetings.	Mr Gastélum is invited to attend Board meetings.
Key strengths and experience	· Mine management within Mexico. · UK investor relations. Mr Alvídrez has extensive experience within the mining industry having previously held the position of General Manager of the Madero mine operated by Peñoles, which is one of Mexico's largest mines. Mr Alvídrez joined the Peñoles Group in August 1988, since then he has held a number of senior operational and financial positions across Peñoles and Fresnillo. Mr Alvídrez is a former director of the Lowell Institute for Mineral Resources of the University of Arizona. Mr Alvídrez continues being a Board member, and was previous President, of The Silver Institute. He is a member of the Mexican Mining Chamber and a Vice-president of the Advisory Board of the School of Mines of the University of Guanajuato, Mexico.	· Accountancy and treasury. · Investment banking. Mr Arreguín was previously employed by Peñoles where he held the position of Chief Financial Officer for 11 years and Group Treasurer for six years prior to this. Mr Arreguín has a background in investment banking and project management.	· Senior mining exploration experience in Mexico. · Geological engineering background. Mr Gastélum has extensive experience in the Mexican mining sector, most recently as Deputy Director of Northern Exploration at Fresnillo. Prior to this, Mr Gastélum was Regional Manager of Exploration at Peñoles. He started his career with Peñoles 33 years ago. He was appointed as Vice President of Exploration of Peñoles in 2007, having previously served as Subdirector of Exploration for northern Mexico and Chile and Regional Exploration Manager.

Tomás Iturriaga
Chief Operating Officer Central

19 November 2020

Mr Iturriaga is invited to attend Board meetings and on occasions the Audit Committee and HSECR Committee.

- Senior operational experience in Mexico and North America.
- Strong mining background.

Mr Iturriaga brings more than 20 years of professional experience and a significant track record in the mining sector. Since May 2018, Mr Iturriaga was Director of Health, Safety, Environment and Community Relations at Peñoles. Prior to joining Peñoles, Mr Iturriaga held several positions at Goldcorp, such as General Manager of Los Filos mine, Chief Operating Officer Mexico and Regional Vice-President and General Manager Mexico. He also held the position of Vice President North American Operations at Capstone Mining Corp in Canada and Vice President of Operations and Country Manager for Mexico of Endeavour Silver Corp.

Daniel Diez
Chief Operating Officer North

1 December 2023

Mr Diez is invited to attend Board meetings and on occasions the Audit Committee and HSECR Committee.

- Senior operational experience in South America, Australia and Pakistan.
- Strong mining background.

Mr Diez brings more than 24 years of sector experience and a broad understanding of the mining industry, acquired through significant corporate, operational and project development roles in Chile, Australia, Pakistan and Brazil. He joined from Gold Fields where he led its Chile operations overseeing the development of the Salares Norte project, a high-grade, gold-silver, open pit deposit situated in the High Andes of northern Chile. Previously he held several senior leadership positions at Yamana Gold. He has also served as Mining Expert (LATAM) at McKinsey & Company and development roles at both Xstrata and Antofagasta. He was a Board member of Minera Alumbrera Ltd. and has also been Chairman of the Board of Directors of MARA a (joint venture between Yamana, Glencore and Newmont) and Minera Alumbrera Limited.

The Company is committed to creating long-term value by maximising the potential of its operations and delivering profitable growth, whilst ensuring the wellbeing of its stakeholders. To further strengthen the oversight of its assets and focus on the advancement of its pipeline, with effect from 1 December 2023, the Company announced the creation of new executive roles for its operations and projects: Chief Operating Officer North and Chief Operating Officer Central.

Tomás Iturriaga, who has been leading the Company's operations over the last three years, will continue in his role as Chief Operating Officer of the Central Operations, comprised of the Fresnillo, Saucito and Juanicipio mines, together with the advanced exploration projects of Orisyvo and Guanajuato. To oversee the Herradura, Ciénega and San Julián mines, combined with the Tajitos, Rodeo and Capricornio projects, the Company appointed Daniel Diez as Chief Operating Officer of the Northern Region.

"Daniel is a fantastic addition to our senior team. He brings with him considerable experience in the mining sector, and a proven track record of developing mining assets. Daniel and Tomás will work together to further improve operational performance, while overseeing the development of our extensive pipeline in their respective regions."

Octavio Alvídrez
Chief Executive Officer

UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

As a Company with a premium listing on the London Stock Exchange, Fresnillo is required under the FCA Listing Rules to comply with the Provisions of the Code (a copy of which can be found on the website of the Financial Reporting Council www.frc.org.uk) or otherwise explain its reasons for non-compliance. The following statement is therefore made in respect of the year ended 31 December 2023.

For the financial year ended 31 December 2023 other than as set out below, the Company has complied with the provisions of the Code:

- *Code Provision 9* provides that 'the chair should be independent on appointment'. Mr Alejandro Baillères, who was appointed as Chairman on 29 April 2021, was appointed to the Board by Peñoles pursuant to the Relationship Agreement (see page 203); thus, at the time of his appointment, he was not independent. Having served as Deputy Chairman for more than three years and having received guidance from Mr Alberto Baillères, the previous Chairman, for many years, the Board considers that Mr Alejandro Baillères possesses significant knowledge and experience of the Company to carry out the role of the Chairman. The Board considers that the continued oversight of the Company's strategic and operational integrity through its membership of the Peñoles Group enhances the quality of its corporate governance rather than detracts from it (as explained further on pages 201-203). As a consequence, the Board values and endorses Mr Alejandro Baillères' chairmanship of the Company. The size, composition and balance of skills on the Board, including the independence and diversity of the Board and the existence of a Senior Independent Director and the adequacy of the succession plans, were assessed as part of the Board effectiveness review during the year and were considered to be highly satisfactory.
- *Code Provision 32*, which provides that the Board should establish a Remuneration Committee of at least three Independent Non-executive Directors. The Chairman of the Company, Alejandro Baillères, who was not independent at the time of his appointment, is a member of the Remuneration Committee. The Board believes that Mr Alejandro Baillères' experience and knowledge of both the Group and the Mexican market and his considerable contribution to the Remuneration Committee's deliberations, justifies his membership of the Remuneration Committee. Mr Alejandro Baillères is not involved in matters concerning his own remuneration.
- *Code Provision 36*, which provides that remuneration schemes should promote long-term holdings by Executive Directors that support alignment with long-term shareholder interests. The Company's approach to executive remuneration is explained in the Directors' Remuneration report on pages 225-243. The Company does not use share-based forms of remuneration because historically it has not been a common form of remuneration in Mexico. The annual bonus scheme sets targets which are aligned to the long-term strategic objectives so that these priorities are embedded within the day-to-day activities of the Company's business.

Information about compliance with the Code's Provisions may be found in the following sections of this report:

#1 Board leadership and purpose:
Pages 201-203.

#2 Division of responsibilities:
Pages 204-205.

#3 Composition, succession and evaluation: including the Nominations Committee report
Pages 206-211.

#4 Audit, risk and internal control: including the Audit Committee report
Pages 212-224.

#5 Remuneration: including the Directors' Remuneration report
Pages 225-243.

The following sections of this report also explain how the principles of the Code were applied and provide cross-references to other sections of the report and/or the Company's website (www.fresnilloplc.com) where more detailed descriptions are available.

The following documents are available on the Company's website:

- Schedule of Matters reserved for the Board.
- Statement of Responsibilities of the Chairman, Chief Executive Officer and Senior Independent Director.
- Terms of Reference: Audit Committee, HSECR Committee, Nominations Committee and Remuneration Committee.
- Directors' Remuneration Policy.

BOARD LEADERSHIP AND PURPOSE

REPORTING ON THE APPLICATION OF THE PRINCIPLE: BOARD LEADERSHIP AND PURPOSE #1

Principle A:
A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

The biographies of the Board members, detailed on pages 194-197, outline the wide range of experience available to the Company. The Board members continue to ensure that the business model and strategy, described on pages 20-27 and agreed by the Board, is delivered for the benefit of the Company's stakeholders. The section 172 Statement on page 37 examines how those different categories of stakeholders are considered.

Principle B:
The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

The Board has considered the Group's business model and strategy as outlined on pages 20-27; an explanation of the code of conduct which prescribes the Directors' role is given on page 201.

Principle C:
The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Application of principle C, to identify the resources needed to operate the business successfully, is delegated to the Executive Management whose experience is described on pages 198-199, although the Board monitors this against key performance indicators. Page 222 details the internal control structure in place and pages 151-155 describe in detail the risk management structure. During the year the Board held a working meeting with Executive Management to satisfy itself over the robustness of the Group risk management processes.

Principle D:
In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Engagement of stakeholders in accordance with Section 172 of the Companies Act is detailed on page 37, further details with regard to engagement with the community is outlined on pages 33 and 139-141, and with shareholders on page 36.

Principle E:
The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

The Board has appointed a Non-executive Director to be responsible for employee engagement, and the processes involved in that role are detailed on pages 40-41. The procedure to ensure that employees, and other stakeholders, can raise immediate concerns via the Company's whistleblowing procedures is explained on page 84.

Generation and preservation of Company value

Fresnillo's Business Model and Strategy is set out on pages 20-27 of the Strategic report and describes the basis upon which the Company generates and preserves value over the long term.

The Executive Committee members report on the implementation of strategy at each Board meeting, with particular reference to performance against the published strategic targets.

Purpose

Our Purpose is to contribute to the wellbeing of people, through the sustainable mining of silver and gold. The Purpose statement was approved by the Board in October 2019. During 2023, the Company has continued to contribute to the wellbeing of people including employees, local communities, customers and the end-users of our products by maintaining levels of production and investing in local health care, employment and education programmes.

The Board and culture

The Corporate Code of Conduct was last reviewed and approved by the Board in October 2022. The Code of Conduct sets down its cultural expectations for the activities of all Directors, executives, employees and related third parties (including contractors, suppliers and the community) in the conduct of the Company's business. It also helps to ensure a foundation of values and sets standards for behaviour that encourage an environment of ethics and responsibility for the benefit of the Company's stakeholders.

During the year, the Board monitored workforce culture and behaviour in a number of ways:

- Regular reviews of whistleblowing reports and actions taken by management in response to issues raised via that medium (see page 84 for a further summary of whistleblower hotline calls during the year).
- Receiving an update on the Prevention of Harassment programme, in particular the workshops that were held during the year for employees and unionised personnel.
- By monitoring progress with the Diversity, Equity and Inclusion programme and the development of an online training module on company, with the support of the University of Arizona.

BOARD LEADERSHIP AND PURPOSE CONTINUED

- Updates on the 'I Care, We Care' safety strategy (including elements designed to change behaviours and create a more mature and resilient safety culture). The Board receives and considers updates on health and safety performance at every Board meeting, in particular information analysing serious injuries and fatalities, Lost Time Injury Frequency Rate, Total Recordable Injury Frequency Rate and new cases of occupational disease. These metrics have been used to monitor the health and safety culture.
- By monitoring updates on the outsourcing reform and progress on the actions that the Company has implemented as a consequence of this reform and assessing the likely impacts on corporate culture which may result from these changes.

Further information on culture and workforce engagement is set out on pages 82-95.

Whistleblower hotline

The whistleblower hotline can be used by anyone who wishes to raise concerns, in confidence, about the Company's operations. The hotline is used by employees, contractors and, occasionally, other stakeholders such as suppliers and local communities. The use of the Company's whistleblower arrangements is monitored quarterly by the Audit Committee (see the Audit Committee report on page 218). The Audit Committee reviews updates on management responses to calls made to the whistleblower line and reports to the Board twice a year on the operation of the whistleblower hotline. The Board received these reports at its meetings in April 2023 (in relation to 2H 2022) and July 2023 (in relation to 1H 2023). In 2023, the Audit Committee and Board continued to monitor the reporting of incidences of harassment in line with the anti-harassment protocol.

Stakeholder engagement

The Executive Committee is responsible for the day-to-day stewardship of all stakeholder relationships and its members report to the Board on the key metrics and initiatives. The Board, either directly or through its Committees, engages or oversees engagement with the Company's stakeholders through a number of governance activities (which are described in more detail, along with further information about the Company's engagement with key stakeholders, in the stakeholder section on pages 30-36).

During the year, senior management and the HSECR Committee, on behalf of the Board, evaluated Covid-19 associated engagement strategies. The Company will continue to be cautious in order to safeguard the wellbeing of the workforce and neighbouring communities. More information on engagement with our communities can be found on pages 33 and 139-141.

Workforce engagement

Our workforce is the foundation that supports our business model. The Board believes that the wellbeing of our people and an ethical and inclusive culture are the drivers of higher levels of employee engagement and are essential to attract and retain talent.

Workforce engagement: communication and feedback

The Board and its Committees receive information related to the workforce through a range of channels (see workforce engagement diagram), including direct engagement. Mr Fernández has been designated as the Non-executive Director to act as a representative of the workforce in the boardroom. This enables the Board to understand the views of the workforce regarding their experiences of working for the Company as well as providing an additional mechanism to raise concerns.

During 2023, the Company undertook a workforce engagement session at the Fresnillo mine that was led by Mr Fernández. The session enabled Mr Fernández to listen to the views of employees directly. This session involved representatives from all of the Group's operations, functions and demographics and included unionised and non-unionised workers. The meeting agendas considered relevant workforce issues while remaining open to encourage ideas and concerns being raised.

The topics covered included:
- Security.
- Safety in operations.
- Whistleblowing line mechanism.
- Integral wellbeing.

The openness and candour expressed during this engagement session provided important insights such as: the sense of pride in working for the Company, appreciation of investment in training and professional development, recognition of good job benefits in comparison to our competitors and a recognition of the improvements in corporate communication. Areas of concern included security surrounding our operations, safety incidents and turnover rates, flexible working schedules, salary and wages in the context of inflation. Further details are provided on pages 40-41.

Feedback received from this workforce engagement session was discussed at the October 2023 Board meeting. The insights are hugely valuable for boardroom discussions and decision-making. Feedback was also very useful in informing management programmes and practices. Mr Fernández has shared with Company management the specific workforce concerns and is following these up to ensure that they are addressed appropriately.

Investment in the workforce

The Company invests in its employees through various training and development programmes and healthcare and wellbeing programmes.

Further details are provided on pages 88-105.

Engagement with shareholders

The Board monitors the views of the Company's minority shareholders through reports on investor and analyst communications prepared by the Chief Financial Officer, which are included in the papers for each Board meeting. Such reports identify issues raised by investors during meetings with management during the previous quarter.

The Chief Executive Officer and Chief Financial Officer meet with analysts, hold conference calls after quarterly production reports and engage with shareholders by participating in major roadshows in London and other key financial centres, after preliminary and half-yearly results are announced.

The 2023 AGM was held in person and shareholders were invited to attend. Nevertheless, shareholders were provided with an opportunity to submit questions to the Board via a dedicated email address ahead of the AGM.

The Head of Investor Relations in London is responsible for maintaining relations with analysts and major shareholders on a day-to-day basis, which is done by way of telephone calls and meetings in London. Contact with investors in Mexico is maintained through the Investor Relations Office in Mexico City. The Senior Independent Director, who is based in London, is available to speak with shareholders concerning specific corporate governance questions as and when they arise.

The Board and climate

In relation to climate change and risk, the Board considers climate change during its discussions and when making decisions regarding the Group's strategy, risk management, investments and stakeholders. On behalf of the Board, the HSECR Committee evaluates in greater detail, climate-related performance, risks and opportunities. Since 2020, climate change has been part of the agenda at all HSECR Committee meetings.

The HSECR Committee reviewed:

- The energy strategy and ambition of the Company's plans, factoring in the expectations of our stakeholders on setting ambitious targets and the current regulatory risks associated with renewable electricity in Mexico.
- The technology strategy to explore opportunities to reduce the carbon emissions and water footprint of mineral processing.
- The approach of the Company to identify, evaluate and respond to the risks and opportunities of climate change in the business model.
- The Company's approach to adopt the TCFD recommendations.
- The safe operation of TSFs.
- The approach to partner with the scientific community to use climate models to better understand physical risks and socioeconomic scenarios for transition risks.

The HSECR Committee periodically briefed the Board on climate change performance and the approach of the Company to adopt the TCFD recommendations. During the year the Board was also briefed by the Audit Committee on TCFD disclosure requirements and governance practices.

More information on this can be found in the Sustainability report on pages 111-128 and in the Audit Committee report on pages 213 and 218.

Conflicts of interest

The Group requires that Directors complete a Director's list which sets out details of situations where each Director's interest may conflict with those of the Company (situational conflicts). Each Director re-submitted their Director's list as at 31 December 2023 for the Board to consider and authorise any new situational conflicts identified in the re-submitted lists. In addition, at the beginning of each Board meeting, the Company Secretary reminds the Directors of their duties under sections 175, 177 and 182 of the Companies Act which relate to the disclosure of any conflicts of interest prior to any matter that may be discussed by the Board. Further information about related-party matters considered by the Board during the year are set out in the Audit Committee report on pages 216 and 223-224.

Relationship Agreement

Peñoles has entered into a relationship agreement with the Company (the 'Relationship Agreement') to ensure that relationships between the Fresnillo Group and the Peñoles Group are conducted at arm's length and on normal commercial terms. Messrs Alejandro Baillères, Juan Bordes and Arturo Fernandez have been appointed to the Board by Peñoles pursuant to the Relationship Agreement.

The Relationship Agreement complies with the independence provisions set out in Listing Rule 6.1.4DR for controlled companies. The Independent Non-executive Directors annually review the good standing of the Relationship Agreement (with the most recent review being undertaken in July 2023) and they are satisfied that the Company has complied with the independence provisions included in the Relationship Agreement during the financial year ended 31 December 2023. As far as the Company is aware, such provisions have been complied with during the financial year ended 31 December 2023 by Peñoles and/or any of its associates.

Peñoles has also undertaken not to exercise its voting rights to amend the Articles of Association in a way which would be inconsistent with the provisions of the Relationship Agreement. It has also agreed to abstain from voting on any resolution to approve a 'related-party transaction' (as defined in paragraph 11.1.5 R of the Listing Rules) involving any member of the Peñoles Group.

Director concerns

Directors have the right to raise concerns at Board meetings and can ask for those concerns to be recorded in the Board minutes. The Board has also established a procedure which enables Directors, in relevant circumstances, to obtain independent professional advice at the Company's expense.

DIVISION OF RESPONSIBILITIES

REPORTING ON THE APPLICATION OF THE PRINCIPLE: DIVISION OF RESPONSIBILITIES #2

Principle F:
The Chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive board relations and the effective contribution of all Non-executive directors, and ensure that directors receive accurate, timely and clear information.

The outcome of the Board evaluation process, detailed on pages 206-208, confirms that Board members are satisfied with the role that the Chairman takes to meet this principle. The Company Secretary working alongside the Chairman and Executive Management ensures that the Board receives timely and accurate information, and, again, the Board evaluation confirmed the Directors' satisfaction with this service.

Principle G:
The board should include an appropriate combination of Executive and Non-executive (and, in particular, Independent Non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

The structure of the Board is described in detail on page 211, and the Board, which is advised by the Nominations Committee, is satisfied that notwithstanding that there are no Executive Directors on the Board, that Principle G is met. As described on pages 204-205 the Nominations Committee has reviewed the independence of all Independent Non-executive Directors and is satisfied that they remain independent in line with the guidance of the Code. As described on pages 204-205 there is a written division of duties between the Chairman, Chief Executive and Senior Independent Director.

Principle H:
Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The Board has considered potential conflicts of interest of Board members, and is satisfied that they have sufficient time to discharge their duties. The Board evaluation exercise described on pages 206-208, has confirmed that all Directors continue to continue to contribute fully, and provide a robust level of challenge to management. A working meeting of the Board focused on the risk element contained within the proposed strategy, and the Board reviewed and challenged management thoroughly on their proposals.

Principle I:
The board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

As described on pages 206-208, the Board evaluation exercise confirmed that all Directors were satisfied with the support they got from the Company Secretary, and that appropriate information was provided to them on a timely basis.

Roles

The composition of the Board is structured to ensure that no one individual can dominate the decision-making processes of the Board. The Board is led by the Chairman. The Board as a whole currently consists of five non-Independent Non-executive Directors and seven Independent Non-executive Directors. One of the Independent Non-executive Directors is designated as the Senior Independent Director. The Executive Committee provides operational leadership to the Group and is headed by the Chief Executive Officer. The respective responsibilities of the Chairman, Chief Executive Officer and the Senior Independent Director are set down in a written statement which was last updated in October 2019.

Chairman's independence

Mr Alejandro Baillères, was appointed as the Chairman of the Company in April 2021, when his father Alberto Baillères stepped down from that role. Mr Alejandro Baillères is beneficially interested in more than 50% of the share capital of the Company through his interest in Industrias Peñoles S.A.B. de C.V., the Company's controlling shareholder. Mr Alejandro Baillères is the Chairman of Peñoles and other companies within the BAL Group, thus at the time of his appointment, he was not independent. With Peñoles having a significant stake in the Company, the Board believes that the Chairman's non-independence is not a hindrance for his involvement on the Board but an asset to other shareholders especially as related-party transactions are reviewed and approved by Independent Directors and the Audit Committee. The Board, therefore, believes that his involvement is a governance plus since it assures the Chairman's alignment with all shareholders interests. Having served as Deputy Chairman for more than three years and having received guidance from Mr Alberto Baillères for many years, the Board considers that Mr Alejandro Baillères possesses significant knowledge and experience of the Company which it believes underpins his effectiveness in carrying out the role of the Chairman. The Board also considers that the continued oversight of the Company's strategic and operational integrity through its membership of the Peñoles group enhances the quality of its corporate governance. Given Mr Alejandro Baillères' experience and understanding of Mexican business and its regulatory context, this assessment gains further validity in the continuing political and social environment in Mexico. Notwithstanding the expectations of the Code, the Board values and endorses Mr Alejandro Baillères' chairmanship of the Company.

The Relationship Agreement continues to provide a foundation for a transparent governance system, which ensures that the Company benefits from Mr Alejandro Baillères' leadership and experience while being able to demonstrate to other shareholders that the Fresnillo Group is capable of carrying on its business independently of any companies with which he is connected.

In particular, the Relationship Agreement ensures that transactions and relationships between the Fresnillo Group and its controlling shareholder are at arm's length and on competitive commercial terms.

Further information regarding the Relationship agreement can be found on page 203.

Directors' independence

During 2023, the Board considered the following Directors to be independent: Georgina Kessel, Dame Judith Macgregor, Hector Rangel, Alberto Tiburcio, Guadalupe de la Vega, Charles Jacobs and Bárbara Garza Lagüera. Mr Jacobs and Ms Garza Lagüera with effect from the May 2024 AGM will cease to be independent Non-executive Directors. The Board, through the Nominations Committee, has assessed each of these Directors by reference to the criteria set out in Provision 10 of the Code and the Board remains satisfied that they are each independent in character and judgement. In making this assessment for Mr Alberto Tiburcio, the Board notes that he was Chairman and Chief Executive Officer of Mancera S.C., the Mexican firm of EY, the Company's auditors, until June 2013 and that he was not involved in the provision of audit or any other services to the Company by Ernst & Young LLP prior to that date. Mr Tiburcio is an Independent Non-executive Director of Grupo Nacional Provincial, S.A.B. and Grupo Palacio de Hierro, S.A.B. de C.V., which are companies within the BAL Group. He is not involved in executive duties in any of those companies and has a similar obligation to be independent for those two companies as for Fresnillo. The Board does not consider that Mr Tiburcio's position as an Independent Non-executive Director of the Company is adversely impacted by those two appointments. The Board also considers that Mr Tiburcio's experience in Mexican and international business and his experience and knowledge of Mexican and international accounting and audit practice and corporate governance are particularly valuable to the Board and the Audit Committee.

Senior Independent Director

Charles Jacobs was the Senior Independent Director throughout 2023. He will step down as Senior Independent Director at the 2024 AGM in May. He will be succeeded by Dame Judith Macgregor. In February 2024, Mr Jacobs convened a meeting of the Independent Non-executive Directors to evaluate the performance of the Chairman and to assess the good standing of the Relationship Agreement. The Independent Non-executive Directors were satisfied that there were no issues or concerns in respect of either matter. Mr Jacobs provided feedback to the Chairman on those discussions.

Time commitment and overboarding

All Directors pre-clear any proposed appointments to listed company boards with the Chairman, prior to committing to them, and such appointments are ratified by the Board at the next possible meeting. During the 12 months prior to the date of this report Mr Cepeda notified the Board of his appointment as Director of the Board of Directors of RLH Properties, S.A.B. de C.V., a company listed on the Mexican stock exchange (BMV: RLH). No other Directors took on any significant new additional external appointments in the year.

The Non-executive Directors are required, by their letters of appointment, to spend 14 days per annum on Company business. The Nominations Committee is satisfied that all of the Directors, but particularly the non-Independent Non-executive Directors, spend considerably more than this amount of time on Board and committee activity. In particular, the Board is satisfied that Mr Cepeda is fully available to the Company and has enough time to fulfil his Board commitments to the Company.

The Nominations Committee annually reviews the time commitments to ensure that all Board members continue to be able to devote sufficient time and attention to the Company's business. Its philosophy in doing so, is to consider the total workload of each Non-executive Director and the particular value that each Director brings to the Board. In making this assessment, the Nominations Committee takes into account the following factors:

1. As a single-product Company with operations primarily in just one country, and because of the relative commonality of the Company's activities, the Board does not consider that it needs more than four scheduled Board meetings with additional working meetings per year, a factor which is reflected in the relatively modest fees that the Company pays its Non-executive Directors. Further information regarding fees paid to Non-executive Directors can be found on page 230.
2. This relatively low number of meetings is further justified by the degree of governance oversight of the Company. This comes by virtue of it also being a member of the BAL Group. The calendar for Board and Committee meetings is scheduled to align with the meetings of other companies, including listed companies, within the BAL Group ownership structure. This ensures that Fresnillo plc Directors who are appointed to the boards of other companies within the BAL Group do not have any time conflicts with their other commitments on BAL Listed Entity boards.

The other listed Company directorships of the Fresnillo plc Directors are set out on pages 194-197 of this report. The Board and Committee attendance record of each of the Directors during 2023 is set out on page 192 of this report.

Company Secretary

The advice and services of the Company Secretary (whose appointment and removal are matters reserved for the Board) are also available to the Directors. The Board also regularly receives advice on UK corporate governance and legal developments from its UK legal and corporate governance advisors.

REPORTING ON THE APPLICATION OF THE PRINCIPLE: COMPOSITION, SUCCESSION AND EVALUATION #3

Principle J:
Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Board is satisfied it has applied principle J. An explanation of the Board appointment and succession planning activities can be found on pages 209-211. The Company's policy on Board diversity is on set out on page 209 and details of the gender balance of senior management and the Company's approach to diversity, equity and inclusion is set out on page 209-210.

Principle K:
The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

Biographies of the Directors can be found on pages 194-197 and demonstrate a wide area of expertise relevant to both the business and areas of operation. This is augmented by Directors who have significant commercial and other relevant expertise. The length of service of Board members is detailed on page 210.

Principle L:
Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Full details of the Board evaluation process and disclosure of the outcome is shown on pages 206-208.

Performance evaluation

Board effectiveness review
The Board conducts an annual review of the effectiveness of the performance of the Board and its Committees. A combination of externally-facilitated and internally-run evaluations is carried out over a three-year cycle and forms the Board Development Programme. The Board recognises that a continuous and constructive review of its performance is an important factor in achieving its objectives and realising its full potential.

The cycle of the Board's evaluations is summarised as follows:

Year 1
Externally-facilitated Board evaluation using questionnaires and interviews.

Year 2
Follow-up on action plan prepared in response to Year 1 evaluation using internally-facilitated questionnaires.

Year 3
Focus on outstanding and emerging issues arising from the action plan using internally-facilitated questionnaires.

In 2023, Lintstock LLP were invited to undertake effectiveness reviews of the Board and the principal Committees of the Board. The reviews consisted of a combination of survey questionnaires and one-to-one interviews.

Board effectiveness review process in 2023

Mid-August
Surveys prepared and circulated to Directors to complete.

End August
Completed surveys received by Lintstock LLP and analysed.

Early September
Follow-up interview (45-60 minutes) conducted with all Directors.

Mid-late September
Draft reports prepared.

Early October
Draft reports reviewed by Chairman and approved for distribution.

Report circulation and Reviews

Reports
Board
Audit Committee
Nominations Committee
HSECR Committee
Remuneration Committee
Chairman and individual Director reports

Board report
Discussed at the Board meeting in October 2023.

Committee reports
Discussed at each Committee meeting following circulation of the respective Committee report.

At its meeting in October 2023, the Board discussed the results. The overall conclusion from the Board effectiveness reviews was that the performance of the Fresnillo Board is rated very highly, highlighting the excellent work culture established both in the Board and in the Committees, and therefore the recommendations were characterised as points of potential further improvement rather than material changes of approach. Particular areas of Board governance which were commended in the report included: Board composition; stakeholder oversight; Board dynamics; Board support and Board committees; the management and focus of meetings; oversight of strategy; and risk management and internal control.

There were three areas for change that the Board will consider over the coming year:

- Rebalancing the focus on key issues.
- Managing succession.
- Reconnecting in person.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Priorities for change for 2023 from the 2022 review

Priority	Actions	Progress
1. Focus on environmental, social and governance (ESG) issues and climate change, as well as on the impacts of technology, international operations and labour relations.	In 2023 a working meeting was held between Board members and management, in which these matters were analysed.	The Board has been made aware of all ESG and climate change developments to the UK regulations and the potential impact it could have on the business. The Board continues to oversee the Company's strategy related to ESG and climate change, as well as the TCFD disclosures-related recommendations.
2. Focus on risk management, including mitigation measures.	Risk management assessments during the year have explicitly considered the mitigation measures taken by management to face them.	The Audit Committee continues to follow up the risk assessment, management and mitigation measures implemented by management.
3. Spend less time on financial aspects of the business during the Board meetings.	Management was instructed on this recommendation.	Board agenda items concerning financial aspects have been improved and are now discussed efficiently.
4. Focus on the topics that were identified as the top strategic issues facing the Company over the next three to five years: (i) Growth and development; (ii) Political and regulatory environment; (iii) Climate change and ESG; (iv) Efficiency and cost control; (v) Technological developments; (vi) Security; and (vii) Geopolitical uncertainty.	The topics growth and development, ESG issues and technology were included in the agenda of the strategy working meeting that was held in July 2023 between Board members and management. The other topics had been discussed at regular Board meetings.	The Board has been made aware of all top strategic issues facing the Company over the next three to five years and continues to work on the implementation of strategies and actions to appropriately address these challenges.
5. Continue improving the Board's information packages.	Directors sent to management their specific proposals.	Information that the Board receives now complies with these recommendations.

Priorities for change for 2024 from the 2023 review

Priority	Actions
1. Rebalancing the focus on key issues	Time allocation in meetings will be reviewed. Management will facilitate a more open exchange on the key issues, both through the Board pack and their verbal presentations. An extended strategy session is being considered, in addition to the July working meeting, to examine the range of strategic challenges facing the Company in greater depth.
2. Managing succession	More information regarding the succession plans for both Directors and executives will be presented to the Board throughout the year.
3. Reconnecting in person	Ways to promote greater openness and a stronger relationship will be proposed. Directors are always welcome to visit the mines.

Management will continue to analyse the outcome of the evaluation and develop proposals on how to address Directors' recommendations.

Committee evaluation
The reports on each of the Board Committees prepared as part of the externally-facilitated Board effectiveness review were circulated to the members of each of the Committees in October 2023 and discussed by the Audit, HSECR and Remuneration Committees at their meetings in October 2023 and by the Nominations Committee at its meeting in February 2024. Overall, the reviews of the effectiveness of all of the Committees were very positive.

Director performance review
The Independent Non-executive Directors meet annually in order to evaluate the performance of the Chairman. A review meeting was held in February 2024 to consider the Chairman's performance over the prior year.

Non-executive Directors occasionally meet the Chairman without executives being present; the performance of the Executive Committee is discussed during such meetings.

Board development and induction
Senior management regularly presents on the Group's strategic initiatives to provide the Non-executive Directors with more information about the broader context of the Company's activities. In addition, there is a regular distribution of industry briefings on technical, market and sector issues.

Directors are encouraged to visit the Company's mines to familiarise themselves with the Fresnillo Group's operations, to meet staff and visit community projects supported by the Group.

Briefings by the Company's legal advisers are arranged for all new Directors. In addition, the Chairman discusses training or development needs with Board members from time to time.

NOMINATIONS COMMITTEE REPORT

Members and meetings in 2023	Meetings attended
Alejandro Baillères	3/3
Charles Jacobs	3/3
Bárbara Garza Lagüera	3/3

"The Committee continues to support the Directors of Fresnillo to ensure that its Board is diverse and able to continue to provide high-quality debate and decision-making as the Company develops."

Dear shareholder
I am pleased to introduce the Nominations Committee Report for the year ended 31 December 2023.

Independent Non-executive Directors' succession and appointment of the new COO North
The Committee was pleased that shareholders at the 2023 AGM agreed to the Board's recommendation that two Directors, Mr Charles Jacobs and Mrs Bárbara Garza Lagüera be re-elected at the AGM, despite the fact that both had completed nine years' service at that time. It has enabled the Committee to undertake a detailed search for suitable replacements, a task that presented challenges during 2022, due to the prevalent pandemic at that time. The Nominations Committee has been fully-focused on the task of identifying suitable nominees as independent Non-executive Directors and proposing them by the 2024 AGM. Therefore, two new Directors will be replacing Mr Jacobs and Ms Bárbara Garza Lagüera as independent Non-executive Directors. More detail on the search process is given on page 211.

In addition, during 2023 the Committee also reviewed the recruitment processes to separate the Chief Operating role by appointing a Chief Operating Officer for the Northern Region.

Board diversity policy progress
We continue to recognise and embrace the benefits of having a diverse Board, particularly the value that different perspectives and experience bring to the quality of Board debate and decision-making. We hold fast to the importance of making Board appointments on the basis of merit; but we also take seriously considerations such as background and experience, age, gender and shareholder perspectives in our reviews of the composition of the Board. We believe that setting targets for the number of people from a particular background or gender is not an effective approach and therefore we have no specific quotas or targets. Nevertheless, our direction of travel, as far as diversity is concerned, has been a progressive one. Our Board composition meets the target set by the Hampton-Alexander Review since at least 33% of our Board is comprised by female Directors. The Committee has considered the new Listing Rule requirement that: (i) this percentage should be 40%; and (ii) at least one senior Board post should held by a female appointee, and recommended to the Board that two new female Independent Non-executive Directors be appointed, and that Dame Judith Macgregor be appointed as Senior Independent Director with effect from the conclusion of the 2024 AGM. I am delighted that the Board has agreed with these recommendations.

Since February 2020, the Board has benefited from seven Independent Non-executive Directors out of 12, the largest number of Independent Directors the Company has ever had on the Board. This adds diversity of thought and input into our Board discussions.

It is pleasing to also note that in 2023 the Parker Review reported that Fresnillo plc has met its set ethnicity target for FTSE 100 companies. Since our IPO in 2008, the Board has consisted predominantly of Mexican Directors, alongside at least two British Directors, which enables the Board to benefit from a sound understanding of both the UK and Mexican cultural contexts of the Company in its decision-making.

NOMINATIONS COMMITTEE REPORT CONTINUED

Company-wide gender diversity

In April 2020 the Board approved the Company's adoption of the CLIMB framework (developed by McKinsey) which has been a useful tool to categorise the Company's current or planned initiatives on diversity. In April 2023, it was presented to the Board an update on the diversity programme that was implemented in 2020. The strategy includes several initiatives designed to: improve the leadership opportunities for women in the Company; develop a better human resources infrastructure; adopt and use metrics to improve management; and monitor and promote the right culture and behaviours.

The goal of this strategy is still to enhance the contribution of women to the success of Fresnillo whilst having a positive impact on the women that the Company employs. This is strategically important as well as being fair because it would enhance innovation, stakeholder engagement and risk management as experienced in Board composition and diversity. Further information on the implementation of this programme is set out on pages 96-97 in the Sustainability report.

Board evaluation

In 2023, the Board engaged Lintstock LLP to undertake an externally-facilitated review of the effectiveness of the Board, the Board Committees and the contributions of individual Directors, the results of which were collated by Lintstock into a Board discussion document. A summary of the overall approach adopted and findings arising from this review is set out on pages 206-208 of the Corporate Governance report. We were pleased that the overall conclusion from the reviews was that the performance of the Fresnillo Board of Directors and, indeed, the Nominations Committee, both continue to be rated very highly.

I would be happy to speak with any shareholders who have questions about the work of the Committee.

Yours faithfully,

Mr Alejandro Baillères
Chairman of the Nominations Committee

Role

The Nominations Committee is responsible for making recommendations to the Board on the structure, size and composition of the Board and its Committees and succession planning for the Directors and other senior executives. Before making appointments of new Directors and members of the Executive Committee, the Nominations Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board and identifying and nominating suitable candidates for approval by the Board. Prior to making such recommendations, the Nominations Committee considers the other time commitments and significant external interests of such candidates to ensure that they are able to contribute effectively to the Board.

The Nominations Committee has recommended Board Appointments and Diversity policies which provide the framework for the Nominations Committee and the Board's approach to Board appointments. The Board has also approved a Group Diversity policy. (Full versions of these policies may be found on the Company's website – www.fresnilloplc.com). A further explanation of the steps that the Company is taking to promote diversity across its businesses is set out in the Sustainability report on pages 96-97.

Board appointments policy

The Nominations Committee and Board are strongly committed to the principle of equality of opportunity when making new appointments to the Board while ensuring that appointments are based on merit. The Nominations Committee continues to consider the composition of the Board with this commitment in mind.

The criteria for determining the composition of the Board and future Board appointments continue to be based on:

- Relationship Agreement requirements and guidelines for appointments to the Board by Peñoles.
- The Company's leading position as a precious metals miner in Mexico.
- The Company's inclusion in the FTSE 100 Index.
- The specific functions on Board committees which independent Directors will be required to fulfil.
- The provisions set out in the current terms of reference of the Nominations Committee and the Board Diversity policy.

Directors' length of tenure

As at 31 December 2023	0 to 3 years	3 to 6 years	6 to 9 years	Over 9 years
Independent Directors	1	2	2	2
Non-independent Directors	1	–	–	4

The Nominations Committee has not previously used open advertising or retain any external consultants when making new appointments to the Board as it is not considered necessary considering the Company's contacts within Mexico and further afield.

Executive succession planning
In April 2023, in line with its usual practice, the Nominations Committee reviewed a schedule of possible successors for all the positions on the Executive Committee (Chief Executive Officer, Chief Financial Officer, Vice President of Exploration and Chief Operating Officer). This review considered both short-term emergency and long-term planning scenarios.

The Company is committed to creating long-term value by maximising the potential of its operations and delivering profitable growth, whilst ensuring the wellbeing of its stakeholders. To further strengthen the oversight of its assets and focus on the advancement of its pipeline, with effect from 1 December 2023, the Company announced the creation of new executive roles for its operations and projects: Chief Operating Officer North and Chief Operating Officer Central. More detail on the search process is given on page 209.

In 2024 the schedule of possible successors will be reviewed taking into consideration the split of the COO role into two roles.

Non-executive Directors succession planning
As advised to shareholders last year, Mr Charles Jacobs and Mrs Bárbara Garza Lagüera were proposed to shareholders for re-election at the AGM in 2023, despite the fact that they had been on the Board for more than nine years. The Board considered that they both remained fully independent, and shareholders approved their re-appointment for a further one year. During the year the Nominations Committee was fully focused on the task of identifying suitable nominees as independent Non-executive Directors and proposing them by the 2024 AGM. This year the Nominations Committee had the support of an external search consultancy which assisted the Committee in identifying suitable candidates. The search focused mainly on Mexico and the UK.

The Committee recommended to the Board that Ms Luz Adriana Ramírez and Ms Rosa Vázquez be appointed at the forthcoming AGM as Independent Non-executive Directors in place of Mr Charles Jacobs and Mrs Bárbara Garza Lagüera. Ms Ramírez is a dynamic senior executive who has had a successful career across multiple industries. She is a strong leader, motivating teams to deliver on strategy and objectives. Ms Vázquez is a strong people leader with a track record of developing talent, motivating teams, and driving engagement and will bring the experience and technical knowledge to add value to the Board, particularly an orientation to best practices and governance.

Other Committee activity during 2023
The Nominations Committee also considered the following matters as part of its usual programme of activity:

- **Time commitment:** A review of the time commitment required from each Director and their other external appointments, prior to making a recommendation to the Board supporting that all of the continuing Directors be proposed for re-election at the 2024 AGM. (Further analysis of the Nominations Committee's assessment is set out on pages 206-208).
- **Committee report:** Approval of the 2022 Nominations Committee report prior to publication.
- **Committee evaluation:** In February 2024, the Nominations Committee reviewed the outcome of the independent performance evaluation undertaken in 2023, which concluded that the Committee is performing very well.

Board skills and experience

Skill/Experience	Description	% of Board members
Commercial leadership	Sustainable commercial success in business at a senior executive level.	83
Strategy	Experience in enterprise-wide strategy development and implementation in industries with long cycles and developing and leading business transformation strategies.	83
Mexican business experience	Relevant experience and understanding of the Mexican political, cultural, regulatory and business environments.	92
Capital allocation and cost-efficiency	Extensive direct experience in environments requiring capital allocation, cost-efficiency and cash flow management disciplines, with proven long-term performance.	92
Health, safety, environment and community	Extensive experience with complex workplace health, safety, environmental and community risks, frameworks and issues.	75
Capital markets	Relevant experience and understanding of capital markets, institutional investor engagement and regulatory/governance expectations.	83
Mining and natural resources	Board-level experience and/or long-term knowledge gained through working with companies operating in the mining or natural resources sector.	67
Financial expertise	Relevant experience in financial regulation and the capability to evaluate financial statements, financial controls and risk.	75
Public policy expertise	Extensive experience of public policy or regulatory matters, including fiscal and economic, ESG (in particular climate change) and community issues, social responsibility and transformation issues.	67
Workforce wellbeing	Workforce learning and skills development, diversity and wellbeing.	92

REPORTING ON THE APPLICATION OF THE PRINCIPLE: AUDIT, RISK AND INTERNAL CONTROL #4

Principle M:
The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

An explanation of the independence and effectiveness of the external audit process can be found on page 219 with detail of the reappointment of the statutory auditor on page 220. The Board has a formal non-audit services policy which is included in the Company's terms of engagement with the external auditor. The Head of internal audit reports to the Audit Committee Chair and the Committee undertakes an annual evaluation of the effectiveness of internal audit. The Audit Committee undertook a detailed review of the integrity of the financial and narrative statements and was able to advise the Board in accordance with DTR 7.1.3 (5) that the Board could approve them.

Principle N:
The board should present a fair, balanced and understandable assessment of the company's position and prospects.

The process to ensure that the annual report for 2023 is fair balanced and understandable is detailed on pages 218 and 224.

Principle O:
The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

A description of the Group's risk framework can be found on pages 151-155, and the role of the Audit Committee in monitoring the risk matrix is described on page 221. During 2023 the Board held a working meeting with the Executive Management to challenge the risk levels involved in the Group's strategy. The role of internal audit in providing assurance around the Group's risk framework is described on pages 220 and 222.

AUDIT COMMITTEE REPORT

Members and meetings in 2023	Meetings attended
Alberto Tiburcio	5/5
Georgina Kessel	5/5
Hector Rangel	5/5

"The Audit Committee, in addition to its usual monitoring duties, is considering how best to develop the Company's processes with regard to the implementation of an enhanced governance regime in 2024."

Dear shareholder
It gives me great pleasure to introduce the Audit Committee report for the year ended 31 December 2023.

The continuing complex geopolitical environment and worldwide higher interest and inflation rates has made 2023 a further difficult trading year. Movements in the exchange rate between the Mexican peso and the US dollar in the year, made more difficult the economic environment for the Company. Companies have needed to respond proactively to the challenges presented.

The Committee has continued to focus closely on key financial processes, material risks and internal control. Further close attention has been given to the key areas of judgement and estimation in the financial statements. With the support of Internal Audit, Internal Control and Risk Management, the Committee concluded that the internal controls and processes were functioning appropriately, and no significant weaknesses have been identified. Close consultation and interaction by the Committee with the external auditor has also been maintained during the year. The Committee has also continued to consider the impact on the Company of changes arising from the new Mexican Mining Law.

The items of particular focus for the Committee during the year are detailed below:

- **Proposed changes to regulations**: The Committee has continued to monitor proposed changes to the Corporate governance regime required to be in place for Companies listed on the London Stock Exchange. Although there is renewed uncertainty as to the ultimate form and extent of the proposed changes and many of those will no longer be required to be in force for 2024, the Committee has continued to ensure that the Company can respond appropriately when needed and implement those proposed changes that merit early adoption.
- **Tax contingencies**: The Committee has continued to closely monitor tax contingencies, in particular the differences generated from prior years regarding payments related to the Silverstream contract, which are considered by the Company for tax purposes as a financial derivative transaction and are being challenged by the *Servicio de Administration Tributaria* (SAT), the Mexican Tax Authority. During 2023, the Committee has received regular reports from management on their discussions with the SAT, concerning this matter.
- **Climate-related financial disclosures**: This annual report includes disclosures consistent with the guidelines set out by the Taskforce on Climate-related Financial Disclosures (TCFD). These disclosure requirements were discussed by the Committee and were the subject of particular attention while reviewing the annual report and the financial statements. The Committee has also considered the role of the HSECR Committee in monitoring climate-related risks, the mitigating actions being taken to manage those risks, as well as its own responsibility to ensure that accurate reporting is achieved and published. The Committee is satisfied that the disclosures reflect the Company's current position and is aware of the further progress that the Company needs to make in this area in order to comply with the TCFD recommendations. Further details of the progress made during the year and actions expected to be taken during 2024 are set out in the letter from the Chairman of the HSECR Committee on pages 76-77 and in the Sustainability report on pages 111-128.

AUDIT COMMITTEE REPORT CONTINUED

- **Reserves and resources**: The Committee has been pleased to see an improvement in the timing of the delivery of the Reserves and Resources Statement by independent reserves auditors. The Company has continued to make progress in addressing the observations from prior years with the result that the Company was able to report its reserves and resources much timelier than in the past, allowing additional time for consideration of the potential accounting impacts and therefore preparation of the annual financial information.
- **Anti-bribery and corruption (ABAC)**: During the year, the Committee has continued to closely monitor management's plan to implement the recommendations proposed following the externally-facilitated ISO 37001 audit carried out in 2022 to assess the conformity of the Company's ABAC programme with ISO standards (in line with the UK Ministry of Justice Guidance). The Committee was kept informed of progress made on plan implementation. Further information about the Company's approach to bribery and corruption is set out on pages 85-86 of the Strategic report.
- **Cybersecurity**: IT (Information Technology) and OT (Operation Technology) security and data protection were also regularly reviewed by the Committee during the year to ensure that the need for improvements identified in previous years continue to be implemented on schedule. In 2023, the Committee continued to receive an update on the Group's IT strategy, and its linkage to the Group's overall business strategy, as well as the financial implications of that strategy for the business plan. It also monitored the progress of the Peñoles and Fresnillo Management Teams in developing the cybersecurity framework for the Group. Further information about the Group's approach to IT is set out on pages 86 and 171 of the Strategic report. The Company continues to make progress in this important area, and this will be monitored further by the Committee during 2024.
- **Fraud detection**: In response to the expected future regulatory changes, the Company has continued its efforts to strengthen its firm commitment to preventing and detecting fraud by enhancing its fraud risk assessment process, reinforcing the controls currently in place to prevent and detect material fraud. The Committee has been working closely with Internal Control, Risk Management and the internal audit teams on this area. The Internal Control area has been receiving feedback from its external auditors, as a result of this it was concluded that the Company's Fraud Risks assessment comply with the standards and requirement demanded by the Association of Certified Fraud Examiners (ACFE). More information on risk management systems can be found on pages 151-155.
- **Soledad-Dipolos assets**: During 2023 the Company recognised a write-off of US$21.9 million over the assets related to Soledad-Dipolos. This represents the estimated loss of inventory resulting from certain illegal mining activity in the leaching pads located along the portion of land owned by the Company but to which the Company does not have access. The Committee, based on the work performed by the Company and reviewed by external auditors, concluded that the write-off was reasonable. In addition, despite the fact that the Company has not had access since 2013 to a separate portion of land where property, plant, equipment and inventories are located, based on evidence presented to the Committee and discussions held with management and the external auditors, it was considered appropriate to continue recognising such assets in the balance sheet for a total amount of approximately US$106 million. The Company is confident that it will regain access to the Soledad-Dipolos assets. The Committee will continue monitoring the development on this matter in 2024.

In July 2023, a working session of the Board considered in detail the strategic issues of the Company's operations that the Board faced. Included in this discussion was consideration of ESG issues, including the emerging risks, and how the Company is continuing to prepare to deal with them.

In the second half of the year, an evaluation of the performance of the Board and its committees was carried out. With respect to the Audit Committee, I am pleased to report that the results of the evaluation were very positive. Nevertheless, we continue to look for ways to improve the efficiency of the meetings making sure that we remain well-briefed on the subjects of interest to the Committee.

At the end of the year, the Committee undertook a questionnaire-based evaluation of the performance of the internal audit function and was satisfied with the outcome.

In closing, I would like to acknowledge the effort and valuable contributions made by the members of the Committee, and by the Company executives who work closely with it; as well as the invaluable support and trust that the Committee continues to receive from the Board.

I would be happy to speak with any shareholders who have questions about the work of the Committee.

Yours faithfully,

Alberto Tiburcio
Chairman of the Audit Committee

Audit Committee activity in 2023 and early 2024

This report sets out the key activities of the Committee in discharging its duties during 2023, and those undertaken in 2024 in respect of the audit and publication of the financial statements for 2023. The Committee met five times during 2023 and once more in February 2024 with all the meetings being either hybrid or virtual via video conference. Notwithstanding this, the Committee was able to operate in accordance with its terms of reference and it was able to follow its usual pattern of work which is reported under the following headings:

Reporting

- **Financial reporting**: Overseeing the Company's financial and narrative reporting to shareholders (including considering whether it was fair, balanced and understandable).
- **Stakeholder relationships and reporting**: Overseeing the Company's reporting on certain stakeholder issues.
- **Whistleblowing**: Overseeing on behalf of the Board, the cases reported through the whistleblower line and the work of the Honour Commission.

Assurance

- **External audit**: Overseeing the work of and the Company's relationship with the external auditor.
- **Internal audit**: Overseeing the work and findings of internal audit.

Risk and controls

- **Risk**: Overseeing the operation of the Company's risk management framework.
- **Internal control**: Monitoring the Company's internal control environment.
- **Related parties**: Overseeing the financial aspects of the Company's commercial relationships with related parties.

Details of the membership of the Committee and the Committee's effectiveness review are set out on pages 193 and 207 respectively of the Governance section.

Reporting

Financial reporting

The Company reports to shareholders on its financial performance twice a year.

The principal steps taken by the Committee during the period from 1 January 2023 to the date of this report in relation to its review of the published financial statements were:

- Review of the financial statements and annual report for the year ending 31 December 2022 and consideration of EY's comments on these documents.
- Review of the 2023 interim financial statements and 2023 interim announcement and consideration of EY's comments on the drafts of these documents.
- Review of plan for preparing the financial statements and annual report for the year ending 31 December 2023.
- Review of the significant judgements and estimates that impact the financial statements (see below).
- Review of the financial statements and annual report for the year ending 31 December 2023 and consideration of EY's comments on these documents.

To aid the Committee members' understanding of the reported financial results during the year, the Chief Financial Officer updated the Committee on the Group's financial performance at each of its meetings in February, April, July, October and December.

Significant judgement areas

The Committee considered the principal areas of financial statement risk and judgements made in relation to both the interim and full-year financial statements, prior to recommending those financial statements to the Board for approval. In many cases, these significant judgement areas were the same as those considered in previous years; however, as the mining cycle progresses these areas of judgement or estimation evolve, and new ones may need to be considered while others may become less important.

AUDIT COMMITTEE REPORT CONTINUED

Reporting continued

Process for the review of significant judgements

The significant judgement process may be summarised in the following way:

Significant areas of judgement in 2023

The significant judgement areas considered by the Committee in 2023 are set out below. In each case, the Audit Committee concluded that the accounting treatment and disclosure in the financial statements are appropriate.

Related-party transactions including revenue recognition (see note 27 to the financial statements)

Assessment of risk:	Fresnillo has a controlling shareholder and as a result has very strong ties both to Peñoles and the broader BAL group. There is a risk that related-party relationships could be taken advantage of to manipulate earnings, otherwise distort the Company's financial position and/or transfer value to Peñoles or another BAL company inappropriately. Furthermore, related-party transaction disclosure requirements allow investors to understand the nature and extent of the Company's transactions with related parties and there is a risk that disclosures in the financial statements could be inaccurate or incomplete.
Variables considered:	Every year, the Committee scrutinises the probity of all major related-party transactions to ensure that they are entered into transparently and fairly to all shareholders. The Committee continued reviewing the implementation of the Baluarte Minero reorganisation, which started in 2021 (see the section of this report headed 'Related parties' on page 223), and the outcome continues to be evaluated.
Sources of assurance:	The Committee considered management reports on the transactions with related parties during the year. In particular, it received confirmation from the Chief Executive Officer on the trading relationship with Met-Mex and the basis on which pricing is determined (using a methodology which was adopted in 2019) (see the 'Related parties' section on page 223. The Committee discussed EY's procedures to ensure that related-party transactions are recognised accurately and correctly reported in the relevant disclosures in the annual report, as well as their related conclusions. Internal audit routinely review agreements between the Company and Peñoles, the results of which are reported to the Committee as part of its annual Internal Audit programme updates. In addition, PricewaterhouseCoopers (PWC) conducts annual reviews of the intercompany transactions each year (including related-party transactions). In previous years, these reviews have not resulted in any adverse comments thus providing a basis of assurance for the usual approach; however, the PWC 2023 transfer pricing review will not be completed until after the date of approval of this report.

Silverstream contract (see note 14 to the financial statements)

Assessment of risk:	The Silverstream contract represents a large asset on the balance sheet which can, as a result of movements in variables discussed below, give rise to significant albeit non-cash, movements in the income statement.
Variables considered:	The Silverstream contract is a derivative financial instrument which must be reflected at fair value at each balance sheet date. The fair value is most sensitive to the timing and volume of forecast production derived from the reserves and resources and production profile of the Sabinas mine, estimated future silver price and the discount rate applied in the valuation.
Sources of assurance:	The Committee discussed with management and EY the inputs into the valuation at the balance sheet date and associated sensitivity analysis. It also reviewed management's suggested disclosures relating to the Silverstream contract. It discussed with EY their procedures and conclusions for their audit of the valuation.

Recoverable amount of long-term non-financial mining assets (see note 13 to the financial statements)

Assessment of risk:	The recoverable amount of long-term non-financial assets is influenced by the level of reserves and resources for each mine at any moment in time, the likelihood that the resources can be economically mined and the expected phasing of planned production (mine plan). Other key variables considered include the expected metals prices, costs and discount rates. The estimated valuation of the recoverable amount of long-term mining assets will change year-on-year in response to changes in these inputs. If the financial statements are not adjusted accordingly there is a risk of significant financial misstatement.
Variables considered:	The estimation of reserves and resources, prices, costs, discount rates and related mine plans for each business unit, along with management's assessment of impairment indicators were considered.
Sources of assurance:	The Committee noted that the specialist third-party reports on management's estimates of reserves and resources and management's estimates of recoverable value had been prepared and then reviewed by EY, using specialists where necessary. The Committee also noted the reports from SRK and AMC on reserves and resources and scrutinised the process by which they were prepared to ensure that improvements made during the year had been properly implemented. Internal audit also followed up on steps taken by management during the year. The Committee further evaluated EY's assessment of management's position on the mines most at risk and sensitivities performed by EY for alternative metals price and discount rate scenarios.

Mineral reserves and resources (see pages 336-341)

Assessment of the risk:	Reserves and resources are a primary driver of Fresnillo's market valuation and a significant input into calculations of depreciation and assessments of impairment. Such calculations are dependent on significant amounts of geological data provided by the Company's business units. There were significant improvements in the timing of the delivery of the Reserves and Resources Statement by independent reserves auditors. The Company has continued to make progress in addressing the observations from prior years with the result that the Company was able to report its reserves and resources much more timely than in the past, allowing additional time for consideration of the potential accounting impacts and therefore preparation of the annual financial information.
Variables considered:	The estimation of mineral reserves and resources requires significant judgement, not only in respect of mineral physically in place but also metal price and cost assumptions used to determine the cut-off grade for identifying economically-viable ore bodies. There is also judgement in developing and maintaining the mine plans which estimate the timing and quantities of related production.
Sources of assurance:	During 2023, the Committee continued monitoring the process and have observed improvements to align more closely to International Practices, for example: the adoption of a new ore body modelling method (OSM), enhancement of a cost model and geotechnical model. The SRK and AMC reports were again delivered on time at the end of the year which allowed a robust analysis to be considered by the Committee.

Taxation and PTU (see note 11 to the financial statements)

Assessment of risk:	The taxation of mining companies in Mexico has been the subject of much attention as reflected by a number of tax inspections that are ongoing or have been initiated by the tax authorities. Some aspects of Mexican tax legislation are open to interpretation. During the year, the Committee has continued to closely monitor tax contingencies, in particular, the differences generated from prior years regarding the Silverstream contract and received reports from management on ongoing discussions with the tax authorities. Certain tax assets and liabilities are denominated in Mexican pesos and are revalued in US dollars during the period, resulting in foreign exchange gains or losses which need to be taken into account when assessing the tax charge for the period and the deferred taxes computation. In accordance with the Mexican legislation, local companies also pay employee profit sharing (PTU) at the higher of three-month's salary or the average PTU received in the last three years. Due to the complexity of computation and interpretation of some concepts, the base for PTU calculation is carefully reviewed.
Variables considered:	The Committee reviewed the status and potential outcomes of tax audits commenced during the year and ongoing dialogue concerning a previous agreement reached with the SAT. Further information is set out in the Stakeholder Reporting (Government/Tax Authorities) section below. The Audit Committee also reviewed reconciling items applied to accounting profit in determining profit subject to taxation and PTU as set out in papers prepared by management.

AUDIT COMMITTEE REPORT CONTINUED

Reporting continued

Sources of assurance:	Throughout the year the Committee received updates on the status of tax inspections. Reviews of tax related matters were also undertaken by internal audit. The Committee reviewed management's supporting memoranda on the consolidation of tax and PTU and sought EY's views on the same. It ascertained the degree to which judgements and adjustments are supported by internal and/or external subject matter experts and ensured that they corresponded with information presented during the year prior to approving the relevant disclosures in the annual report.

Ensuring that the annual report is fair, balanced and understandable

The Committee supports the Board in ensuring that the annual report is fair, balanced and understandable. The approach taken by the Board in relation to the annual report and financial statements for the year ended 31 December 2023 is described on page 224 of the Corporate Governance report. Different sections of the report were circulated to Board members during early February 2024 to provide time for comments to be passed back to management. In addition, internal audit undertook a review of the non-financial reporting (which is extracted from the Company's operational records). In support of this process, prior to deciding whether to recommend them to the Board for approval, the Committee also:

- Reviewed the annual report and financial statements, taking into account comments made and reports issued by EY and comments discussed with management.
- Reviewed with management the different disclosures relating to climate change throughout the annual report and, in particular, the TCFD reporting, including the statement of compliance.
- Discussed the annual report and financial reporting with the Company's Chief Financial Officer.
- Discussed with internal audit points arising from their review of the principal non-financial numbers in the annual report.

Stakeholder reporting

The Committee plays a role in overseeing, on behalf of the Board, some key aspects of the Company's reporting concerning its relationships with key stakeholder groups.

Employees: The Committee reviewed the work of the Honour Commission in relation to matters raised via the whistleblower line (see following section).

Government/Tax authorities: The Committee closely monitors the Company's relationship with the SAT, with the status of any outstanding tax audits reviewed at most meetings. The Committee receives regular reports from the Head of Tax on her interactions with the SAT concerning current tax audits.

During 2023, the Committee reviewed the Company's Payments to Governments data, published in June; and the Company's UK Tax Strategy Statement, published in November.

Environment/Climate: During the year, the Committee continued evaluating the role that it should play in overseeing the governance of climate change and environmental risks. In particular, it was agreed that the Committee should work closely with the HSECR Committee to ensure that the governance of climate-related risks and monitoring of KPIs associated with climate-related risks is aligned between Fresnillo's operations and financial reporting.

Whistleblowing

The 'Línea Correcta' whistleblower hotline allows stakeholders to anonymously report (via an independent third party) violations of the Group's Code of Conduct. The hotline is available for all stakeholders, including employees and third parties, so that any concerns about misconduct or impropriety may be raised and dealt with appropriately. All matters raised via the hotline are processed by an independent third party for review by the Honour Commission (which comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer North, the Chief Operating Officer Central, the Compliance Officer, the Vice President of Exploration and the Head of Legal). A summary of the whistleblowing cases, which also includes the decisions of the Honour Commission in relation to each case, is reviewed by the Committee twice a year (February and July meetings) and the Chairman of the Committee gives a report to the Board every six months on the key trends and steps taken as a result of these reviews. Changes to the format of reporting to the Committee and the Board during the year have enabled the Board and Committee to better evaluate the reasons for the incidents reported, although the trends remain consistent year-on-year.

In 2023, there were a total of 163 reports (compared to 113 in 2022). In 2023, 158 (96%) of the reports were concluded in the year with the remainder, having been raised in the latter part of the year, still under investigation. Further details about the whistleblowing reports in 2023 is set out in the Sustainability report on page 84. During the year, the Committee was satisfied that all matters had been or continue to be properly investigated with appropriate action taken.

Assurance

External audit

Relationship with EY

EY was re-appointed as the Company's auditor at the 2023 AGM. EY was originally appointed in 2008 and their appointment was re-confirmed in 2016 following a rigorous external audit tender process in 2015-2016. The next tender process is currently expected to be held in 2025. The current lead partner, Steve Dobson, has been in place since 2020. During 2023, the members of the Committee met twice with representatives from EY without management present and once with management without representatives of EY present, to ensure that there are no issues in the relationship between management and the external auditor which it should address. There were none noted as a result of such discussions.

The Company was in compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 during the year.

External audit process

The key steps in the Committee's interactions with EY during the period from 1 January 2023 to the date of this report were:

- The review of a report from EY providing their observations arising from the 2022 audit process and management responses to those observations in April 2023.
- Discussion with EY of the findings from their review of the interim results for the period ended 30 June 2023.
- The review of the 2023 half-year representation letter given to EY.
- The review and approval of the external audit plan, fees and terms of audit engagement.
- The review of the results of the 'hard close audit' for the ten months to 31 October 2023.
- The review of the representation letter given to EY for the 2023 full-year audit.
- The review of EY's report following completion of the audit for the year ended 31 December 2023.

Quality, objectiveness and independence of the external auditor: The Committee is mindful of its responsibility to ensure that the external auditor maintains its independence and objectivity and is appropriately qualified with sufficient resources and expertise to fulfil the role. The Committee specifically reviewed, and is satisfied with, the independence of EY as the external auditor based on disclosures provided by EY in accordance with UK Ethical Standards for the audit profession. The Committee discussed the quality, objectiveness and independence of the EY team with the Management Team and was satisfied that there were no concerns in this regard.

Non-audit services policy: The Committee has adopted a policy for the provision of non-audit services to the Fresnillo Group by the external auditor (the 'Policy'). The Committee has maintained an ongoing dialogue with EY during the year concerning the services that it provides to the Company and the wider Peñoles Group to ensure that where such services are provided, they are in line with the Policy or discussed with the Committee on a timely basis.

The current Policy permits the engagement of the external auditor to provide a narrow range of permitted services which are closely related to the audit and/or required by law or regulation. Any engagement of the external auditor to provide permitted services above US$5,000 is subject to the specific approval of the Committee. During 2023, EY provided audit-related assurance services in connection with the review of the interim financial statements (US$568,000) including the climate-related non-audit service and tax opinion. The ratio of fees paid for non-audit work in relation to audit work during the year was 0.34:1.00 (2022: 0.26:1.00).

Details of the fees paid to EY during the year are shown in note 28 to the financial statements.

Evaluation of the effectiveness of the external audit and the auditor

The Committee assesses the effectiveness of EY as its external auditor from two perspectives:

- Reviews of the work of EY's UK practice, as a firm, undertaken by the Financial Reporting Council's Audit Quality Review Team.
- Its own assessment of the effectiveness of the external audit process and the role played by both EY's UK and Mexican teams in the performance of the annual audit.

Audit quality review: The Committee reviewed the report of the FRC on its Audit Quality Review on EY as a firm and discussed with the EY Audit Partner whether any of the FRC's findings were relevant to the firm's audit of the Fresnillo financial statements. The conclusion from this review was that there were no major matters of concern to consider.

Audit Committee assessment of EY: Following the completion of the 2023 annual report, the Committee undertook a review of the performance and effectiveness of EY at its April 2023 meeting. As part of this process, the Chief Financial Officer and Finance Team were invited to provide their insights into their interaction with the EY teams during that process. The Committee concluded that EY was performing well with an overall consensus being that the working relationship was good.

AUDIT COMMITTEE REPORT CONTINUED

Assurance continued

Re-appointment of the external auditor

In February 2024, taking account of the reviews of the effectiveness of the external auditor, the Committee recommended to the Board the re-appointment of the external auditor, EY at the Company's 2024 Annual General Meeting. The re-appointment of the auditor will be made subject to a review of proposed fees for the 2024 audit in July 2024.

Internal audit

The 2023 Internal Audit annual plan was approved by the Audit Committee in October 2022, incorporating audits across all of Fresnillo's business units with a focus on strategic priorities and key risks. Internal audit continued to deploy technology and apply data analytics to achieve a satisfactory depth of audit coverage and gain deeper insights into Fresnillo's risk and control profile. Internal audit completed a number of risk reviews along with process and controls assessments focusing on efficiency, productivity, cost management and regulatory compliance. Also, as every year, internal audit verified the validity, accuracy and completeness of the non-financial information included in the 2023 annual report and reported the results to the Audit Committee at the beginning of 2024.

Due to the continued importance of cybersecurity and the evolving technology landscape, internal audit continue assessing aimed at validating the design and effectiveness of Fresnillo's cybersecurity, IT (Information Technology) and OT (Operational Technology) processes and controls. The Audit Committee continues to review progress made in raising the level of cybersecurity maturity and actions taken by management to ensure compliance with laws and regulations.

Towards the end of each year, internal audit presents the proposed annual internal audit plan and resourcing requirements for the following year. The 2024 internal audit plan was presented to the Committee and approved in October 2023. The plan was developed according to the International Standards for the Professional Practice of Internal Auditing, and considered the following:

Since 2022, the internal audit plan includes planned audits relating to strategic priorities and higher-risk areas such as exploration, ongoing capital projects, compliance with laws and regulations (e.g. environmental laws, labour law, permitting requirements), reserves and resources procedures, Tailings Dam management, health and safety, taxes, cybersecurity and IT-OT processes and multi-risk operational compliance processes at mines.

The Head of internal audit attended all Audit Committee meetings throughout the year. Members of the Audit Committee meet with the Head of internal audit twice a year without management present.

At each meeting during the year, the Audit Committee also monitored the progress made by management in addressing 'red flag' items (i.e. relevant control observations) identified through internal audit work. The Audit Committee's focus is to ensure that the management responses to remediation are appropriate, and that timely progress is made in reducing the number of red flags over time.

In addition, the Audit Committee monitored the quality of the dialogue between internal audit and the Executive Committee in reviewing internal audit findings and agreeing action plans with appropriate levels of operational buy-in to address the points raised. The Audit Committee met with the Chief Executive Officer and Chief Operating Officer (before the role split) several times during the year to review the outstanding internal audit points and is satisfied with the progress achieved through this dialogue.

At the end of the year, the Audit Committee carried out an evaluation of the performance of the internal audit function, based on a focused questionnaire, and was satisfied with the outcome.

Risk and Controls

Risk

The Committee monitors how the Company's risk management framework is operating. Operational responsibility for risk lies with line management (details of the risk management system are set out on pages 151-155). The Audit Committee discusses potential changes to the Group's risk profile through its regular reviews of the Risk Matrix and its consideration of any associated recommendations from management proposing changes to the Risk Matrix to take account of changing and emerging risk. The Company defines emerging risk as: '*A new manifestation of risk that cannot yet be fully assessed, risks that are known to some degree but are 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 to achieve the organisation's strategic plan.*'

The emerging risks were evaluated and reviewed by the Committee during the year. The Committee also considered that monitoring of two new emerging risk areas needed to be added for 2024 these were: (i) the impact on the Company's operations of water stress and drought; and (ii) geopolitical instability.

The Principal Risks and Uncertainties are reviewed every six months prior to the publication of both the interim and full-year reports. The Committee assessed the increased risk of potential actions by the government arising from the new Mining Law and the Labour Law, which contain relevant implications for mining operations and projects. In addition, the Committee recommended monitoring the following principal risks:

- **Security:** Increase in organised crime in the vicinity of all mining units and high-impact crimes (homicide, kidnapping and extortion) in the regions where we operate, mainly Zacatecas, Guanajuato and Sonora.
- **Safety:** Increased incidents in mining operations such as rock falls, interaction with heavy mobile equipment, roadkill, electrocution, etc.
- **Climate change:** Increased regulatory requirements for environmental impact.

Finally, the planned developments in UK regulatory matters relating to Corporate governance and FRC Guidance on audit were considered, as were the Company's initiatives to prevent fraud with updated internal controls.

Ethical risk

The Committee monitors the Company's Ethics and Compliance programme through regular reviews of progress with the Group's ABAC programme (including not just the online training programme but also consideration of reports received through the whistleblowing line). This demonstrates that the Group's corporate values and elements of the control culture in relation to ethics remain embedded throughout the organisation. To this end, during the year the Committee received reports on: the roll-out of training in relation to the disclosure of conflicts of interest; the Code of Conduct; Step-Up culture and harassment.

The Company widened the evaluation of its fraud risk assessment process to reinforce the controls to prevent and detect material fraud. Although the Company has always maintained a firm commitment to prevent and detect fraud through well-established practices and procedures, the Committee has been working closely with internal control and internal audit areas to identify any perceived weaknesses. The external auditors also expanded their procedures in this area.

In 2023. the Company carried out an externally-facilitated ISO 37001 audit to assess the conformity of the Company's ABAC programme with ISO standards (in line with the UK Ministry of Justice Guidance). Further information about the Company's approach to bribery and corruption is set out on pages 85-86 of the Strategic report.

Financial risk management

The Company's objectives and policies on financial risk management including information on the Company's exposures to market risk, such as foreign currency, commodity price, interest rate, inflation rate and equity price risks, credit risk and liquidity risk can be found in note 16 to the financial statements. During the year, the Committee reviewed the Company's Treasury Policy and concluded that no further changes were required.

Non-financial risk areas

The Committee regularly reviews and receives management updates on current issues and developments that could have potential to give rise to specific risks. In this, the Committee is guided by regular updates it receives from management on specific issues that it considers should be kept under review. Thus, during 2023, regular reports were received on legal matters (including land titles and litigation) and a review of the Group's compliance with mining licence conditions at each of its business units. Where new potential areas of risk are considered by management as part of their regular reviews of the Risk Matrix, the Committee may request further bespoke updates from management to supplement its general review of risk and internal controls. No new areas of non-financial risk were identified during 2023.

Information technology

In 2023, the Committee continued to receive updates on the Group's IT strategy, its linkage to the Group's overall business strategy and the financial implications of that strategy for the business plan. It also monitored the progress of the Peñoles and Fresnillo Management Teams in developing the cybersecurity framework for the Group. Further information about the Group's approach to IT is set out on pages 86 and 171 of the Strategic report.

AUDIT COMMITTEE REPORT CONTINUED

Risk and Controls continued

Going concern

The Directors must satisfy themselves as to the Group's ability to continue as a going concern for a minimum of 12 months from the approval of the financial statements. The Committee supported the Board in this assessment by considering whether the Company has adequate liquid resources to meet its obligations as they fall due. In February 2024, the Committee reviewed the Group's budget and cash flow forecasts for the period to 31 December 2025, taking into account the Company's anticipated production profiles at each mine, budgeted capital and exploration expenditure and the sensitivity of the cashflow forecasts to movements in metals prices, including stress testing those forecasts to identify the levels to which metals prices must fall to put pressure on working capital levels.

The Committee also considered EY's report on this assessment and on the reasonableness of assumptions therein, including their consistency with assumptions and estimates used elsewhere in the preparation of the financial statements. The Committee also challenged management on the feasibility of the mitigating actions and the potential speed of their implementation. Following this assessment, the Committee satisfied itself that the going concern basis of preparation is appropriate and the financial statements appropriately reflect the conclusions on going concern. The going concern statement is set out in the Strategic report on page 185.

Viability assessment

The Executive Team has developed a comprehensive approach to the viability assessment which is then reported in the Viability Statement. The key steps of this approach are explained within the Viability Statement, which is set out in the Strategic report on pages 184-185. In December 2023, the Committee received an update on the approach the Executive Team proposed to take in preparing the Viability Statement and confirmed that the scenarios presented in the previous year and the addition of a new scenario related to a possible strike at the Herradura mine, given the background in May 2023, are maintained for the purposes of the Viability Statement.

In February 2024, it reviewed the proposed Viability Statement. It also considered the potential steps that could be taken to mitigate the cashflow impacts arising from the most negative scenarios (including delaying project capex or reducing exploration expenditure).

Internal control

The Committee assists the Board in monitoring the effectiveness of the Company's internal control environment. This monitoring includes oversight of all material controls including financial, operational, regulatory and compliance. To accomplish this, there is a governance and organisational structure in place where internal control is secured by three lines of defence: process owners (1st line); committees, controllers, risk management and other oversight bodies (2nd line); and internal audit (3rd line). During the year, the Committee considered each of the quarterly internal control reports which were then circulated to the full Board for its review. At the end of the financial year, the Committee oversaw the annual process for monitoring the Group's system of internal controls. In this task, the Committee is directly supported by the independent work of the internal audit team.

Quarterly internal control reports

During 2023, the Committee continued to review each of the quarterly internal controls reports which were prepared and submitted to the Board at each of its regular meetings. This document specifically reports on developments in the Key Risk Indicators and the key internal control issues arising from the quarterly internal audit reports. From time to time, the Committee has proposed changes to those reports based on its own discussion of internal audit's findings.

Annual review of the system of internal controls

The Committee undertakes an annual review of the Group's system of internal controls in accordance with Provision 29 of the Code. This review aims to improve the understanding of how the various sources of assurance (through the three lines of defence) interact in the review and execution of material controls by identifying and addressing any gaps in the control framework. Consequently, once a year, the Committee oversees the review of the Group's system of internal controls through an assessment, conducted by management of the various sources of assurance over the execution of material internal controls. This is a comprehensive review incorporating operational management, financial management and Executive Management; along with the independent assessment of material risks and internal controls by internal audit within the third line of defence. This approach underpins assessment of the ongoing effectiveness of the Group's system of internal controls and the Committee provides oversight of this process.

Remediation actions arising from the control exceptions identified throughout the year were those related to: (i) continuing to improve the effectiveness of the reporting system on water consumption; ii) enhancing operative discipline and training for safety and environment processes; (iii) improving some IT security controls in mines; and (iv) strengthening cost controls on capital project processes.

The Chief Executive Officer, Chief Operating Officer (before the role split) and other senior managers were invited to meet with the Audit Committee to discuss their action plans and progress for remediating the issues identified.

On the recommendation of the Audit Committee, the Board agreed that the following statement be made about the review of the system of internal control in the 2023 annual report.

The Board has, through the Executive Committee and the Audit Committee (at its February 2024 meeting), reviewed the effectiveness of the Group's system of internal controls. Following this review, the Board considers that the measures that have been or are planned to be implemented, particularly those specifically highlighted in this report, complement Fresnillo's risk management framework and are appropriate to the Group's circumstances. The Board is committed to the continued development of its internal control regime with a view to achieving and maintaining best practice levels of risk management and internal control for international mining companies listed on the London Stock Exchange.

Related parties

With the Company's Parent Company, Peñoles, owning just under 75% of the issued share capital of the Company (see page 246), it has and will continue to have a significant level of influence over the affairs and operations of Fresnillo. Being part of the same Group provides an opportunity to achieve synergistic operational, financial and administrative improvements by combining the resourcing of common services that can be shared between Peñoles and Fresnillo. Although these arrangements are beneficial to Fresnillo, the Committee performs a role in overseeing these arrangements to ensure that they continue to operate impartially.

The principal arrangements entered into between the Company and related parties and reviewed by the Committee during the year were:

The Met-Mex agreement	As it does every year, the Audit Committee considered the reasonableness of proposed treatment and refining charges in respect of the Met-Mex arrangements for 2023, as disclosed in note 5 (c) to the consolidated financial statements. Management circulated a paper setting out the methodology to determine the charges, which takes industry benchmark charges and adjusts to reflect ore composition and transport costs. The same methodology used in 2023 was used as in the previous three years. The Committee reviewed this paper and recommended approval of the proposed charges by the Independent Directors at the Board meeting in October 2023. As part of its review of the Met-Mex arrangements, the Committee also confirmed with management that the transfer pricing assessments in respect of prior year transactions (which are undertaken for tax reasons by the Group's external adviser, PWC), had been completed with no issues noted. A similar assessment in respect of the 2023 transactions will be received in due course.
Other agreements	There are other dealings with related parties in the ordinary course of business (e.g. insurance brokerage) which, although not requiring approval by Independent Directors, will from time-to-time be reviewed by the Committee to ensure that the arrangements are on a reasonable arm's-length basis. During the year, the Audit Committee reviewed the annual insurance renewal for which Grupo Nacional Provincial, S.A.B., a related-party, acted as broker.

The Shared Services Agreement is an agreement between the Company and Peñoles which sets out, on an arm's-length basis, the basis, and terms under which several categories of services are provided to the Company by Peñoles (through Baluarte Minero, a specialised services unit within Peñoles). The Shared Services Agreement was renewed with effect from 1 January 2023 and must be renewed every five years. Internal audit conducts reviews of approximately one-third of main services provided each year to ensure that these services are provided in accordance with the agreed KPIs. As a result, all services are reviewed by internal audit over a three-year cycle. Internal audit reports to the Committee on its review of the Shared Services Agreement.

The Audit Committee concluded that the new five-year Shared Services Agreement was reasonable in all respects and was satisfied that new rates were agreed between both parties, taking into account the market price study performed by KPMG, and therefore recommended that the Independent Non-executive Directors approve signing of the Shared Services Agreement by the Company, which they did at the Board meeting in July 2023.

The following table summarises the approach taken to identify and manage related-party transactions under the Relationship Agreement.

Process	How this is managed	Responsibility
Monitoring of Directors' interests	If a Director has an interest in a company that could potentially enter into transactions with a Fresnillo Group Company, the Board will normally consider that interest under its arrangements for authorising conflicts of interest under s175, Companies Act 2006.	Directors

AUDIT COMMITTEE REPORT CONTINUED

Risk and Controls continued

Process	How this is managed	Responsibility
Contract negotiation and verification	The best possible commercial terms are negotiated by management and, where possible, they will seek to verify them against international benchmarking reports and/or independent valuation or assessment.	Fresnillo Executive Committee and management
Financial scrutiny	Review of the key financial terms of any major transaction which are verified where possible as to price and quality by external consultants or independent benchmarking.	Audit Committee
Independent Director approval	Under the Relationship Agreement and the Listing Rules, the Independent Non-executive Directors must approve any transaction with the Peñoles Group or its associates without the Non-independent Directors voting.	Independent Non-executive Directors

Ensuring that the annual report is fair, balanced and understandable

In relation to the annual report and financial statements for the year ended 31 December 2023, there are a number of steps that the Board undertook to ensure that the annual report is fair, balanced and understandable. An explanation of the process adopted in preparing the annual report and analysis of the basis upon which each requirement for it to be 'fair', 'balanced' and 'understandable' had been met was summarised in a paper which the Board reviewed at its meeting on 28 February 2024. The key features of this process were:

- The narrative sections of the annual report were drafted by the members of the team with specific responsibility for the areas referred to in the sections that they prepare. The individuals involved included the Head of Investor Relations, the Head of Risk, the Head of Sustainability, the Compliance Officer and Head of Legal, Company Secretary and Mine Managers.
- As narrative sections of the annual report were prepared, copies were circulated to Board members for review and comment. Such comments were incorporated into updated versions of the annual report.
- About a month prior to the annual report being approved by the Board, members of the Audit Committee and other Directors reviewed a current draft enabling them to assess whether the information was consistent with their understanding of the Company's business and the nature and content of discussions at the Board during the year. Comments were received from the Directors on most areas of the annual report, and these were incorporated into subsequent drafts of the annual report. The sections of the annual report which were particularly commented on included: the operations reporting, the Sustainability report and climate-related disclosures in particular, the presentation of information on diversity and inclusion and the presentation of health and safety information.
- Suggested changes put forward by the Directors, based on knowledge obtained through Board and Audit Committee papers and discussion and other interactions with management were considered by management in preparing the final version of the annual report.
- The disclosures relating to climate change, in particular the TCFD statements, were reviewed by members of the Board to ensure that they were consistent with the approach and discussions relating to climate-related change at Board and Committee (particularly the Audit Committee and HSECR Committee) levels.
- At the same time, internal audit undertook a review exercise of the principal non-financial numbers in the annual report which are extracted from the Company's operational records and their findings were appropriately reflected.
- The Audit Committee also reviewed the annual report and financial statements, taking into account comments made and reports issued by EY and decided to recommend them to the Board for approval.

As a result of the above procedures, the Board considers that, taken as a whole, the annual report is fair, balanced and understandable.

The Corporate Governance report which is set out on pages 188-248 has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Alberto Tiburcio
Independent Non-executive Director
4 March 2024

REMUNERATION

REPORTING ON THE APPLICATION OF THE PRINCIPLE: REMUNERATION

#5

Principle P:
Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.

The alignment of the Group's executive remuneration to the business model is described in the following report.

Principle Q:
A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

The process for determining executive remuneration is described on page 226 and is detailed in the Remuneration Committee's terms of reference which are available on the Company's website. Appropriate consultation with shareholders is undertaken when the Committee considers that a change to the Remuneration policy is needed.

Principle R:
Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

The Remuneration policy, approved by shareholders, details the level of discretion that the Remuneration Committee has when agreeing variable compensation pay outs for Executive Management.

DIRECTORS' REMUNERATION REPORT

Remuneration at a glance

Remuneration Policy in summary

The Company currently has no Executive Directors; however, as the Company has previously done, we treat the Chief Executive Officer as if he were an Executive Director for the purposes of the Remuneration Policy and for reporting on his remuneration.

Objective of the Remuneration policy

What does the Policy seek to achieve?

The Group's Remuneration policy seeks to ensure that the Company is able to attract, retain and motivate its Executive Directors and members of the Executive Committee. The retention of key management and the alignment of management incentives to the Group's purpose are essential objectives of this Policy.

Components of Directors' remuneration

How is executive remuneration structured?

Component	Salary	Bonus	Benefits	Pension
Rationale	Setting base salary levels for Executive Directors and members of the Executive Committee at an appropriate level is key to managerial retention in Mexico. Salaries are positioned within a range of possible salaries according to experience and length of service. Ordinarily, subject to performance, the same percentage will be applied to salary increases across the Company for senior management and other employees alike.	The annual bonus rewards the achievement of financial and strategic business targets and the delivery of personal objectives. Annual bonus is capped at six months' salary and is paid on the basis of metrics set out in the Remuneration policy.	Benefits are provided in line with the Group's policy on employee benefits.	The Group operates a defined contribution scheme for all employees. Executive Directors and key management are entitled to membership of the defined contribution scheme.

Additional features of Fresnillo's Remuneration Policy

Component	Long-term incentives	Share-based remuneration	Shareholding guidelines	Recovery of bonus
Rationale	The annual bonus scheme sets targets which are aligned to the Company's long-term strategic objectives so that these priorities are embedded within the day-to-day activities of our business. The Company does not operate a long-term incentive plan.	The Company does not use share-based forms of remuneration because they have not been a common form of remuneration in Mexico.	In the absence of share-based incentive schemes, the Company does not adopt shareholding guidelines for executives.	The absence of long-term incentives and the operation of Mexican law makes it difficult to adopt claw-back and malus arrangements. There is, however, scope within the bonus scheme for bonus awards to be adjusted downwards at the discretion of the Remuneration Committee.

Objective of the annual bonus

What does the annual bonus seek to achieve?

The annual bonus is set for, and based on, performance over a single-year period but the KPIs and targets are also designed to ensure that both short-term objectives and the long-term development of the Fresnillo Group are given broadly equal priority within variable remuneration.

Alignment of the Remuneration Policy to purpose and strategy

Our Purpose is to contribute to the wellbeing of people, through the sustainable mining of gold and silver

Strategic priorities

1 EXPLORE	2 DEVELOP	3 OPERATE	4 SUSTAIN
Extend and maintain a robust growth pipeline.	Deliver profitable growth, optimise cashflows and returns.	Maximise the potential of our operations.	Advance and enhance the sustainability of our business.

Relevant bonus metrics

EXPLORE	DEVELOP	OPERATE	SUSTAIN
• Replenishment and expansion of reserves and resources. • Exploration projects progress.	• Development projects progress. • Contractors' performance. • EBITDA.	• Production – increase in ounces produced. • Synergies and teamwork. • Management of contractors.	**Employees/ Contractors** • Safety (various metrics). • Labour relations. **Communities** • Project-based metrics. **Environment** • Environmental risk management. **Shareholders** • EBITDA.

Key components of the annual bonus in 2023

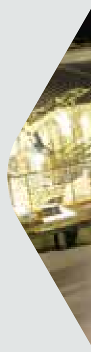
What was achieved?

		2023	2022	Change (%)
Performance				
1 EXPLORE	**Total silver reserves** (moz)	**356.6**	396.1	(10%)
	Total gold reserves (moz)	**7.1**	8.2	(13%)
2 DEVELOP	**EBITDA** (US$m)	**655.7**	744.0	(12%)
	Profit for the year (US$m)	**288.3**	299.7	(6%)
3 OPERATE	**Silver production** (moz)	**56.3**	53.7	5%
	Gold production (koz)	**610.6**	635.9	(4%)
4 SUSTAIN	**Total relevant environmental incidents**	**0**	0	0%
	Fatalities	**4**	1	300%
CEO's remuneration	**Total salary** (US$000)	**1,111**	**921**	**20.63%**
	Bonus (US$000)	**0**	**0**	**0%**

DIRECTORS' REMUNERATION REPORT CONTINUED
Chairman's Annual Statement

Members and meetings in 2023	Meetings attended
Alejandro Baillères	4/4
Alberto Tiburcio	4/4
Guadalupe de la Vega	4/4

The Remuneration Committee considers that its approach to executive remuneration incentivises the right priorities for our Executive Team for the benefit of stakeholders."



Dear shareholder
I am delighted to introduce the Directors' Remuneration report.

This year has been a year of reflection for the Remuneration Committee. We continue to welcome the support of our shareholders for our remuneration arrangements, and I was pleased to see that this support was again strongly demonstrated at our 2023 AGM. I would like to specifically thank our shareholders for their support in approving the latest changes to the Directors remuneration policy at that AGM.

For some time, however, the Remuneration Committee has been considering whether the annual bonus arrangements for our senior Management Team could be better aligned to our strategy. As the Company moves from a phase of rapid growth to one of consolidation, we believe that some realignment would be helpful. In 2023 we introduced minor changes to the KPIs to calculate the annual bonus to Executive Committee members and we are planning to review them again in 2024 to complete the alignment of these with our strategy.

The 2024 targets, performance against those targets and the basis of calculation of bonus points awarded will be disclosed in next year's report.

In our Remuneration report, we continue to publish remuneration information in respect of our Chief Executive Officer as if he were a member of the Board, even though that is not the case. As ever, I am always interested to hear the views of shareholders on our approach to executive remuneration.

During the year, we have applied the Remuneration Policy to executive remuneration without needing to exercise any form of discretion other than those elements of the executive bonus plan which require an element of judgement in determining outcomes for the year.

Salaries, bonus and our application of the Remuneration policy in 2023

Levels of salary increase for our Executive Directors and the Executive Committee continue to be aligned to the level of increase for all employees. The CEO's pay, and that of his Executive Team, was increased in line with the rest of the workforce.

The Committee decided in February 2024 that the Chief Executive Officer should not receive any bonus under the Annual Bonus Plan because his total points did not meet the minimum level at which bonuses are paid, and did not consider that there were any circumstances which justified the use of its discretion to make any adjustments to the points outcome' or similar.

Committee discussions during 2023

In the last 12 months, the Remuneration Committee met four times and its discussions and decisions included the following:

- Review of the performance of the Chief Executive Officer and members of the Executive Committee compared to the KPIs set for 2022 and 2023.
- Review of KPI targets for the Chief Executive Officer and members of the Executive Committee for 2023 and 2024.
- Review of the Non-executive Directors' fees. Due to the fact that there had not been a general increase in the Non-executive Directors' fees for the past few years, a general increase of 20% in the fees paid to Non-executive Directors was approved effective on 26 July 2023. No fees increase is considered for 2024.
- Discussion of the review of the Committee undertaken internally.
- Review and revision of the terms of reference of the Committee in response to UK regulatory developments.

I am always happy to discuss our approach to remuneration with shareholders and will attend the 2024 AGM to answer questions on this report. I would be happy to speak with any shareholders who have questions about the work of the Committee.

Yours faithfully,

Alberto Tiburcio
Chairman of the Remuneration Committee



DIRECTORS' REMUNERATION REPORT CONTINUED
Annual report on remuneration 2023

Introduction
This report sets out information about the remuneration of the Directors and Chief Executive Officer of the Company for the year ended 31 December 2023. In accordance with the regulations, the information provided in the section entitled 'Directors' remuneration – 1 January 2023 to 31 December 2023' and accompanying notes, has been audited by Ernst & Young LLP.

The Remuneration Committee has responsibility for making recommendations to the Board on the Group's Remuneration Policy for Executive Directors and the Chief Executive Officer and other members of the Executive Committee, and for determining specific remuneration packages for senior management, including pension arrangements and any compensation packages, as well as remuneration of the Chairman within agreed terms of reference.

Audited information – Directors' remuneration – 1 January 2023 to 31 December 2023
Single total figure of remuneration

The detailed emoluments received by the Executive and Non-executive Directors and the Chief Executive Officer during the year ended 31 December 2023 are detailed below:

	2023							2022						
US$ thousands	Salary/ Fees	Benefits	Bonus	Pension	**Total fixed pay**	**Total variable pay**	**Total**	Salary/ Fees	Benefits	Bonus	Pension	**Total fixed pay**	**Total variable pay**	**Total**
Chairman														
Alejandro Baillères	47	0	0	0	**47**	**0**	**47**	43	0	0	0	**43**	**0**	**43**
Non-executive Directors														
Juan Bordes	47	0	0	0	**47**	**0**	**47**	43	0	0	0	**43**	**0**	**43**
Arturo Fernández	47	0	0	0	**47**	**0**	**47**	43	0	0	0	**43**	**0**	**43**
Bárbara Garza Lagüera	47	0	0	0	**47**	**0**	**47**	43	0	0	0	**43**	**0**	**43**
Charles Jacobs	122	0	0	0	**122**	**0**	**122**	110	0	0	0	**110**	**0**	**110**
Georgina Kessel	54	0	0	0	**54**	**0**	**54**	49	0	0	0	**49**	**0**	**49**
Judith Macgregor	122	0	0	0	**122**	**0**	**122**	110	0	0	0	**110**	**0**	**110**
Fernando Ruiz	47	0	0	0	**47**	**0**	**47**	43	0	0	0	**43**	**0**	**43**
Alberto Tiburcio	68	0	0	0	**68**	**0**	**68**	61	0	0	0	**61**	**0**	**61**
Guadalupe de la Vega	47	0	0	0	**47**	**0**	**47**	43	0	0	0	**43**	**0**	**43**
Eduardo Cepeda	47	0	0	0	**47**	**0**	**47**	43	0	0	0	**43**	**0**	**43**
Héctor Rangel	47	0	0	0	**47**	**0**	**47**	49	0	0	0	**49**	**0**	**49**
Total	749	0	0	0	**749**	**0**	**749**	680	0	0	0	**680**	**0**	**680**
Chief Executive Officer														
Octavio Alvidrez[1]	1,111	157	0	102	**1,370**	**0**	**1,370**	921	120	0	(125)	**916**	**0**	**916**
Grand total[2]	1,860	157	0	102	**2,119**	**0**	**2,119**	1,601	120	0	(125)	**1,596**	**0**	**1,596**

1 Details of benefits and the bonus paid to Mr Alvidrez are set out in the tables below.
2 The Company does not operate a long-term incentive plan or any share-based incentives.

Benefits
The Chief Executive Officer participates in the Company-wide benefits scheme. The benefits provided to Mr Alvídrez during the year consisted of:

US$	**2023**	2022		**2023**	2022
Life insurance premiums	**65,023**	50,425	Medical insurance premiums	**9,373**	6,265
Chauffeur	**61,561**	47,174	Club memberships	**3,498**	2,583
Subsistence/meal benefits	**3,306**	3,605	Social security	**1,444**	1,183
Car	**12,928**	8,558			

Pension

The pension entitlement of the Chief Executive Officer is as follows and is explained further on page 234:

US$'000	Defined Contribution Scheme (DCS)	Defined Benefit Scheme (DBS)
Rights as at 31 December 2023	1,338	951
Additional benefit in the event that the Chief Executive Officer retires early.	In the event of early retirement, Mr Alvídrez is entitled to receive his accumulated contributions (both member and Company) to the DCS.	Mr Alvídrez is not currently entitled to any additional benefit on early retirement in the DBS.

	Accumulated accrued benefits (as at 31 December)		Increase (decrease) in accrued benefits during the year (see note)		Increase (decrease), before inflation and the effect of foreign exchange, in accrued benefits during the year	
US$ thousands	**2023**	2022	**2023**	2022	**2023**	2022
Octavio Alvídrez	**2,129**	1,704	**334**	(91)	**12**	(191)

Note: The increase in accrued benefits during the year includes a revaluation effect of +US$256k (2022: +US$21k) and inflation of +US$56k (2022: +US$79k).

Shares held by Directors

The number of Ordinary Shares of the Company in which the Directors were beneficially interested at 1 January 2023 and at 31 December 2023 was:

	1 January 2023	31 December 2023
Director		
Alejandro Baillères[1]	552,595,191	552,595,191
Juan Bordes	15,000	15,000
Arturo Fernández	–	–
Bárbara Garza Lagüera	–	–
Charles Jacobs	1,600	1,600
Georgina Kessel	–	–
Dame Judith Macgregor	–	–
Fernando Ruiz	30,000	30,000
Alberto Tiburcio	–	–
Guadalupe de la Vega	–	–
Eduardo Cepeda	–	–
Hector Rangel	–	–
Chief Executive Officer		
Octavio Alvídrez	–	–

1 Mr Alejandro Baillères is beneficially interested in more than 50% of the share capital of the Company through his interest in Industrias Peñoles S.A.B. de C.V. ('Peñoles'). The Company and Peñoles are part of the consortium known as Grupo BAL which is now controlled and directly or indirectly majority-owned by a Baillères Family Trust, Mr Alejandro Baillères being the major beneficiary. Mr Alejandro Baillères and companies controlled by him hold, in aggregate 68.9% of the issued share capital (and voting rights) of Peñoles. Peñoles holds 552,595,191 Ordinary Shares (74.99%) of the issued share capital in the Company.

Our stakeholders and remuneration

The Committee seeks to ensure that its approach to executive remuneration matters is aligned with the interests of all of its key stakeholders. In particular, the current Policy seeks to take account of the interests of our key stakeholders in the following ways:

Shareholders

- Feedback from major shareholders and proxy voting agencies provided prior to the AGM is considered by the Remuneration Committee in the course of its discussions during the following year.

Workforce

- Salary reviews for the members of the Executive Committee are decided after taking account of the average salary increases discussed and agreed with the unions.
- Metrics that promote good employment practices, e.g. appropriate management of health and safety and the relations with unionised employees and contractors, are included in the targets for the Annual Bonus Plan.

Communities and environment

- Metrics that promote good community relations and sound environmental stewardship are included in the targets for the Annual Bonus Plan.

DIRECTORS' REMUNERATION REPORT CONTINUED
Annual report on remuneration 2023 continued

Salary
Factors considered in setting salary and workforce engagement on remuneration

Policy on the consideration of wider employment conditions and remuneration
When setting pay and benefits for Executive Directors and members of the Executive Committee, the Remuneration Committee takes account of pay and conditions across the Group. It will consider the overall pay increase percentage negotiated each year with employee representatives as its starting point taking account of inflation and other information supporting the annual pay award for employees.

Benchmarking information on pay and employment conditions provided by Mercer, Hay Group and Data Compensation was used across the Group in determining salaries for all employee grades including senior management. These reports benchmarked salaries by reference to peer groups in mining, large companies in Mexico and internationally.

The Company negotiates salary increases with the unions annually, to take effect from 1 April each year. The agreed rates may also be used as the point of reference in setting the annual salary review for the Chief Executive Officer, members of the Executive Committee and non-unionised employees. In 2023, it was agreed that the Chief Executive Officer would receive a salary increase of 7.8% in 2023 in line with other employees. Consequently, the salary payable under Mr Alvídrez' service agreement is MX$1,172,462.6 per month, which excludes payments for holidays, Company-paid savings contributions and other cash benefits.

Policy on the alignment of executive remuneration and the market
Reviews of the Executive Director and Executive Committee members' remuneration is conducted by Willis Towers Watson from time to time at the request of the Remuneration Committee. These enable the Remuneration Committee to validate the Company's policy towards remuneration and ensure that it is globally as well as locally competitive. The analysis evaluates the elements of base salary, short-term compensation (guaranteed payments and short-term bonus) and long-term compensation (primarily stock programmes) separately. With assistance from Willis Towers Watson, the Remuneration Committee has established a peer group which will be used to benchmark any Executive Director's and any Executive Committee member's remuneration (the 'Peer Group') to ensure that it remains within the parameters set out in the policy.

The Peer Group will be updated where necessary, to ensure that it remains an appropriate comparator group of companies.

Benchmarking
The Remuneration Committee has agreed that the Chief Executive's salary should be set within a range of 25-75% of the Peer Group for base salary. This was reviewed in October 2023. The Peer Group consists of the following companies.

Policy benchmarking Peer Group

Region	Peer Group companies
Mexico	Southern Copper (Peru)* Alamos Gold
US/Canada	Agnico Eagle Mines Ltd Centerra Gold Hecla Mining Co. IAM Gold Newmont Goldcorp Pan American Silver Corp. Capstone Copper Corp.
Europe	Hochschild Mining Antofagasta

Variable remuneration

Policy on Annual Bonus Plan and variable remuneration
It is the Company's policy not to use its equity to incentivise long-term performance. The Company's core strategy is one of long-term sustainable growth. Sustainable growth in mining requires the steady and safe expansion of the Group's operations through the discovery of new resources and construction, maintenance and/or expansion of new mines. No distinction is therefore made between short and long-term incentives.

Factors considered in setting the bonus
The Annual Bonus Plan includes metrics and targets which are aligned to at least one of the four main themes of the Group's strategy (see remuneration at a glance section on pages 226-227).

The Remuneration Committee has set a cap on each of the KPIs (other than the Safety KPI) such that the points awarded on any KPI (other than Safety) cannot exceed 135% of the target set for that KPI at the beginning of the year.

Annual bonus

Mr Alvídrez achieved 56.8 points under the bonus scheme for the year ended 31 December 2023 (2022: 63.6 points) and therefore did not receive a bonus for 2023 (2022: nil).

The objectives, the measures associated with each objective, and the relative weighting between objectives, as applied to Mr Alvídrez' annual bonus payment, are detailed in the following table:

Objective[1]	Measure	Weighting points[1]	2023 Target	2023 Result	Points awarded
Financial[2]	(Adjusted EBITDA for the year/Budgeted EBITDA) x 100	20	**808**	**576**	0.0
Production[3]	Increase in silver equivalent ounces produced compared to the prior year production level	20	**122.8**	**117.8**	15.9
Exploration	Increase of total resources[4] (total resources for the year – total resources prior year) x 100	5	**0.5**	**-0.21**	0.0
	Upgrade from inferred to measured and indicated (MI) resources (MI resources for the year – MI resources prior year) x 100[5]	5	**0.5**	**-0.4**	0.0
	Reserves replenishment (Reserves at year end/Reserves prior year) x100	5	**100%**	**88%**	4.4
Compliance with cost control vs budget	Corporate + Admin. expenses + Adjusted production cost Note: Staying in budget: 11 points 1 points for each additional 1% reduction 1 point less for each 1% increase	11	**10%**	**10%**	1.4
Exploration projects' progress[6]	Progress compared to project plan for three key development projects (to be reviewed each year) (maximum 20% increase reaching 100% of the programme) Proportional decrease to 0 points below 90% progress	2 2 1	**90%** **90%** **90%**	**68%** **90%** **117%**	1.5 2.0 1.2
Projects	Progress according to programme (Real vs Plan) (to be reviewed each year) 3 points at 95% programme – Proportional to 6 points at 100%	3 4	**90%** **100%**	**101%** **103%**	6.0 5.2
	Unionised labour relations (discretionary award) (Score: 100 – Best relationships ...to... 0 – Worst relationships)	2	**90.0**	**90.0**	2.0
Safety	Fatal accidents[7]	0	**0**	**4**	0.0
	Sustainability area plan progress in implementing the safety plan for the year[8] (Target = 95% progress: Maximum = 100% progress, proportional decrease to nil points from 95% to 0%)	3	**95%**	**95%**	3.0
	Reduction in the Lost Time Incidence Ratio[9] compared to previous year (Including contractors)	3.5	**5.33**	**7.38**	2.3
	Reduction in the Incidence Frequency Rate[9] compared to previous year (Including contractors)	3.5	**10.26**	**12.06**	2.9
ESG[9]	Determined by Fresnillo coordinator and Chairman HSECR Committee according to annual programme.	5.0	**5.0**	**5.0**	5.0
	Water consumption (m^3/Tonne)[9]	2.5	**0.380**	**0.418**	2.3
	CO_2 emissions (CO_2/Tonne)[9]	2.5	**0.025**	**0.025**	2.5
Synergies and teamwork	Increase collective teamwork[10] Discretionary target as agreed by the Chairman	1	**95**	**95**	1.0
Total		**100**			**58.5**
Adjustments	Safety[7]	0	**0**	**4**	-1.8
	Environmental[11]	0	**0**	**0**	0.0
	Other: Special adjustment due to special/extraordinary events, determined by the Remuneration Committee (maximum 15 points)	0	**0**	**0**	0.0
Total		**100**			**56.8**

1 The performance evaluation's items, weights and targets (Budget) will be determined in a yearly basis according to the strategic plan.
2 Metal Prices, Silverstream and Devaluation effects will be eliminated.
Budgeted Metal Prices: Gold – 1,775 US$/oz; Silver – 21.85 US$/oz; Lead – 0.92 US$/lb; Zinc – 1.30 US$/lb Budgeted exchange rate: 20.00 MX$/US$
Increase of 1.0 point per each 1% increase in EBITDA. Decrease of 1 point in case of a 1% decline in EBITDA.
3 Total production in silver equivalent ounces. Silver production + (Gold production X 70) + Lead and Zinc production converted into Silver equivalent ounces at prevaling price and NSR terms). Same conversion rate will be used for real production and target.
Total production = 59.7 moz Silver + (0.622 moz Gold X 70) + (62,231 Lead Tonnes X .000100) + (110,459 Zinc Tonnes X .000121) 122.8 moz AgEq = 59.7 moz Silver + 43.5 moz AgEq from Gold + 6.2 moz AgEq from Lead + 13.4 moz AgEq from Zinc Increase of 1.0 point per each 1% increase. Decrease of 1 point in case of a 1% decline.
4 Proportional increase in points per increase in Resources above target. A proportional decrease in points will be applied in case of an increase in Resources below the target. Weighted Average Resources according to Quality.

DIRECTORS' REMUNERATION REPORT CONTINUED
Annual report on remuneration 2023 continued

5 Increase of 2.0 points per each 1% of Resources increase above target. A decrease of 2 point per each 1% below target will be applied. Weighted Average Resources according to Quality.
6 Relevant ongoing projects which progress will be mesured compared to plan.
7 10 points in case of zero fatal accidents (premium of 10 points over the weight). 0 points in case of one accident.
The total score will be reduced by 1% in the case of two fatal accidents. From the remaining total score, an additional 2% will be reduced in the case of three fatal accidents. In the case of four fatal accidents, an additional 3% will be reduced from the remaining total score and so on consecutively. Includes own workers and contractors.
8 Progress of the programme set by the Sustainable team. Chairman and coordinator will set the score.
9 Decrease of the previous year corresponding rate.
10 Foster teamwork and relationship improvement with Group companies. Chairman and coordinator will set the score.
11 The total score is reduced by 2% in the case of an environmental incident. From the remaining total score, an additional 3% will be reduced in the case of two incidents. In the case of three incidents, an additional 4% will be reduced from the remaining total score and so on consecutively.

Reconciliation of adjusted net profit targets and outcomes to the financial statements

US$ million	2023	2022
Profit for year as shown in financial statements	**288.3**	308.3
Interest, tax, depreciation and amortisation	**375.1**	461.6
Adjustments:		
Changes due to currency fluctuations	**100.6**	(2.0)
Changes due to year-on-year movements in metals prices (including the effects of metals hedging)	**183.7**	(56.20)
Changes due to the movement in the valuation of the Silverstream contract	**7.7**	(18.79)
Adjusted EBITDA total for bonus purposes	**572.5**	692.9

The Chief Executive Officer is prohibited from participating in the PTU scheme and may receive a bonus not greater than six months' pay. All other Mexican employees are eligible for PTU payments annually. The PTU payable in respect of 2023, payments are capped at the higher of three months' salary or the average PTU received in the last three years.

2024 Bonus targets
The Remuneration Committee agreed that 2024 indicators, weightings and measures should be similar as in 2023. In 2023 the Committee introduced minor changes to the KPIs to calculate the annual bonus to Executive Committee members and we are planning to review them again in 2024 to complete the alignment of these with the Company's strategy.

The 2024 targets, performance against those targets and the basis of calculation of bonus points awarded will be disclosed in next year's Directors' Remuneration report.

Pension entitlement

Policy on pensions
The Group operates two pension schemes: (i) a defined benefit scheme which was closed to new members on 1 July 2007 with benefits frozen at this date for existing members, subject to indexation with reference to the Mexican National Consumer Price Index; and (ii) a defined contribution scheme (which was introduced on 1 July 2007). Membership of the latter scheme is voluntary, members earning a salary of no more than 25 times the minimum wage in force from time to time may make contributions of 5% to the scheme.

On behalf of members earning a salary of no more than 25 times the minimum wage in force from time to time the employing company may make contributions of 5% to the scheme. The employing company may also make additional contributions between 5-8% of salary to this plan. Members may elect to match percentages between 5-8% of salary. Executive Directors may participate the Group's pension schemes on the same basis as any other employee.

Mr Alvídrez is a member of the defined benefit scheme in relation to services with the Company prior to 1 July 2007. He is also a member of the defined contribution scheme. He is expected to retire at his normal retirement age of 60 years.

Chairman and Non-executive Directors
Policy on Chairman and Non-executive Directors
The remuneration of the Chairman of the Company and the Non-executive Directors consists of fees that are paid quarterly in arrears. The Chairman and Non-executive Directors do not participate in any long-term incentive or annual bonus schemes, nor do they accrue any pension entitlement. The Chairman of the Company does not receive any fees for acting as Chairman other than his fees as a Non-executive Director.

With effect from 26 July 2023, the fees payable to Non-executive Directors were calculated on the following bases:
- A base fee of £42,000 per annum is paid to each non-UK-based Non-executive Director to reflect the time commitment and level of involvement they are required to make in the activities of the Board as a whole.
- There are no set fees for membership of any Board committees or for the chairmanship of the Board, other than as follows:
  - The UK-based Non-executive Directors receive a higher fee, currently £108,000 per annum, to reflect the additional time commitment that they make in order to travel to Board meetings in Mexico and for responsibilities as committee members and, where appropriate, as Senior Independent Director and/or Chairman of any committee.
  - The Chairman of the Audit Committee will receive an additional fee of £18,000 per annum.
  - Members of the Audit Committee will receive an additional fee of £6,000 per annum.

On 26 July 2023: (i) the basic fees paid to the Mexico-based Directors increased from £35,000 per annum to £42,000 per annum; (ii) total fees paid to members of the Audit Committee for being a member of that Committee (except for the Chairman of said committee) increased from £40,000 per annum to £48,000 per annum; (iii) total fees paid to the Chairman of the Audit Committee increased from £50,000 per annum to £60,000 per annum; and (iv) fees paid to UK-based Directors were adjusted from £90,000 per annum to £108,000 per annum.

The key terms of the Non-executive Directors' letters of appointment for the Directors serving at the end of the year are as follows:

Director	Date of original letter of appointment[1]	Notice period from Director to the Company	Duration of term[2]	Fees p.a.
Alejandro Baillères	16 April 2012	3 months	1 year	£42,000
Juan Bordes	15 April 2008	3 months	1 year	£42,000
Arturo Fernández	15 April 2008	3 months	1 year	£42,000
Fernando Ruiz	15 April 2008	3 months	1 year	£42,000
Bárbara Garza Lagüera	11 April 2014	3 months	1 year	£42,000
Charles Jacobs	11 April 2014	3 months	1 year	£108,000
Alberto Tiburcio	4 May 2016	3 months	1 year	£60,000
Dame Judith Macgregor	22 May 2017	3 months	1 year	£108,000
Georgina Kessel	7 May 2018	3 months	1 year	£48,000
Guadalupe de la Vega	30 May 2020	3 months	1 year	£42,000
Eduardo Cepeda	24 June 2021	3 months	1 year	£42,000
Hector Rangel	28 June 2021	3 months	1 year	£48,000

1 Copies of the Directors' letters of appointment and service agreements are available for inspection at the Company's registered office.
2 Unexpired term: the Non-executive Directors all have rolling contracts which are subject to the annual re-election at the Annual General Meeting. The current term expires on the date of the next Annual General Meeting, but the appointment will continue after that date provided that each Director is re-elected at the AGM.

Shareholders and remuneration

Policy on engagement with shareholders on remuneration
The composition of the Remuneration Committee has been designed to ensure that the views of the controlling shareholder (through the membership of the Chairman of the Board on the Committee) and the independent shareholders can be represented. The Remuneration Committee has considered the views of organisations such as Institutional Shareholder Services (ISS) and the Investment Association both generally and as reported to the Company in relation to its own executive remuneration practices prior to each Annual General Meeting, when considering the Remuneration Policy and its application.

AGM voting on the Remuneration report

The Remuneration Committee's approach to executive remuneration has received strong support from shareholders at every Annual General Meeting since the Company's listing on the London Stock Exchange in 2008. More than 65% of independent share votes cast on the advisory vote at each AGM have been in favour of the Directors' Remuneration report.

	All shares voted		Independent shares voted		No. of votes withheld
Year	For	Against	For	Against	
2022: Remuneration policy	97.94%	1.76%	89.21%	10.79%	32,689
2022: Remuneration report	98.24%	2.6%	90.77%	9.23%	34,737
2023: Remuneration policy	94.15%	5.85%	68.15%	31.85%	752,104
2023: Remuneration report	98.47%	1.53%	91.74%	8.26%	17,493

Advisers to the Remuneration Committee

Remuneration consultants (Mercer, Hay Group and Data Compensation) are engaged by Group companies to provide benchmarking information on remuneration across the Fresnillo Group but not to provide guidance on the structure of remuneration. Such information is taken into account when considering Executive Committee remuneration. Willis Towers Watson advises the Remuneration Committee on executive remuneration matters from time to time. During 2023 the Group paid Willis Towers Watson US$5k (2022: US$nil). All of the consultants that the Group uses are independent of the Company and each of the Directors. No remuneration consultants are directly engaged by the Remuneration Committee itself.

The Company Secretary ensures that the Remuneration Committee fulfils its duties under its terms of reference and arranges regular updates to the Remuneration Committee on relevant regulatory developments in the UK. The Group human resources department provides information on Mexican market trends and compensation structures for the broader employee population in the Fresnillo Group.

DIRECTORS' REMUNERATION REPORT CONTINUED
Annual report on remuneration 2023 continued

Additional information on remuneration

Share price performance

As required by the Regulations, the following graph sets out the performance of the Company's share price since its listing compared to the FTSE 100 Index. As the Company was a constituent of the FTSE 100 Index for most of the year, this is deemed to be the most appropriate index for comparative purposes for the year ended 31 December 2023.

Chief Executive Officer's service agreement

During the year, Mr Alvídrez served as Chief Executive Officer but was not a member of the Board. Mr Alvídrez is employed under a contract of employment with Servicios Administrativos Fresnillo S.A. de C.V., a subsidiary of Fresnillo plc. Mr Alvídrez' contract commenced on 15 August 2012 and is governed by Mexican Federal Labour Law. Mr Alvídrez' service agreement does not have a fixed term and may be terminated in writing by either party. There is no provision in Mr Alvídrez' service agreement entitling him to additional compensation for termination other than those required by Mexican labour laws for termination without cause. No benefits are payable on termination.

Under his service agreement, Mr Alvídrez is entitled to 26 working days' paid holiday per year. He is not entitled to profit-sharing (PTU). Mr Alvídrez is also entitled to life insurance, the use of a chauffeur and company car, the payment of medical insurance premiums covering limited expenses and check-ups, meals and subsistence payments and club subscriptions.

Total remuneration of the Chief Executive Officer

The total remuneration of the Chief Executive Officer for the past nine years, in US dollars, has been as follows:

Year ending 31 December	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
Total remuneration US$'000s											
Octavio Alvídrez	1,116	1,217	1,166	1,111	1,072	886	1,164	939	975	916	**1,370**
Percentage change on previous year	(41.5%)	9.1%	(4.2%)	(4.7%)	(3.5%)	(10.7%)	31.4%	(19.3%)	3.8%	6.1%	**49.6%**
Proportion of maximum bonus paid to CEO in year											
Octavio Alvídrez	33.33%	33.33%	33.33%	66.66%	33.33%	Nil%	Nil%	20.83%	Nil%	Nil%	**Nil%**

Changes in Directors' remuneration 2021-2023

The changes in Directors total remuneration between 2021 and 2023 and a comparison with changes in average employee over that period are as follows:

		Salary/Fees		Bonus		Benefits	
Year-on-year change (%)[3]		**2022-23**	2021-22	**2022-23**	2021-22	**2022-23**	2021-22
Directors[4]	Alejandro Baillères	**11.09%**	(13.12%)	**N/A**	N/A	**N/A**	N/A
	Juan Bordes	**11.09%**	(13.12%)	**N/A**	N/A	**N/A**	N/A
	Arturo Fernández	**11.09%**	(13.12%)	**N/A**	N/A	**N/A**	N/A
	Bárbara Garza Lagüera	**11.09%**	(13.12%)	**N/A**	N/A	**N/A**	N/A
	Charles Jacobs	**11.09%**	(14.66%)	**N/A**	N/A	**N/A**	N/A
	Georgina Kessel	**11.09%**	(11.33%)	**N/A**	N/A	**N/A**	N/A
	Judith Macgregor	**11.09%**	(13.12%)	**N/A**	N/A	**N/A**	N/A
	Fernando Ruiz	**11.09%**	(13.12%)	**N/A**	N/A	**N/A**	N/A
	Alberto Tiburcio	**11.09%**	(13.12%)	**N/A**	N/A	**N/A**	N/A
	Guadalupe de la Vega	**11.09%**	(13.12%)	**N/A**	N/A	**N/A**	N/A
	Eduardo Cepeda	**11.09%**	66.02%	**N/A**	N/A	**N/A**	N/A
	Hector Rangel	**11.09%**	66.02%	**N/A**	N/A	**N/A**	N/A
Chief Executive Officer[2]	Octavio Alvídrez	**20.63%**	5.98%	**N/A**	N/A	**30.83%**	25.00%
Average employee remuneration[1]		**35.95%**	11.06%	**87.34%**	11.49%	**29.65%**	6.26%

1 Average employee remuneration is calculated by dividing the relevant personnel costs (as disclosed in note 8 to the consolidated financial statements on page 286) by the average number of employees (as disclosed in note 8 (b) to the consolidated financial statements on page 286). PTU is excluded in order to make a like-for-like comparison with the Chief Executive Officer who does not receive PTU.
2 The Chief Executive Officer's salary, bonus and benefit amounts are excluded from the calculation of average employee remuneration. A bonus of 2.5 months was paid to the Chief Executive Officer for 2020, and no bonus was paid to the Chief Executive Officer for 2021, 2022 and 2023.
3 Calculated using the data from the single figure table in the annual report on remuneration (page 230) in US dollars. The Non-executive Directors are paid fees in UK sterling and therefore will be subject to year-on-year changes in exchange rates.
4 The Non-executive Directors do not receive bonuses or benefits from the Company.

Relative importance of the spend on pay

	2023	2022	% change
Staff costs (US$000s)[1]	**250,055**	192,499	28%
Distributions to shareholders (US$000s)	**108,351**	201,909	(46%)
Income tax mining rights and profit sharing paid	**244,043**	174,734	40%
Purchases of property, plant and equipment	**483,409**	592,129	(18%)

1 Staff costs are taken without PTU in order to make a like-for-like comparison with the Chief Executive Officer who does not receive PTU.

Payments to new or departing Directors

During the year, the Company has not recruited any Executive Directors; nor has it made any payments to past Directors or made any payments to Directors for loss of office.

This report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Alberto Tiburcio
Chairman of the Remuneration Committee
4 March 2024

DIRECTORS' REMUNERATION REPORT CONTINUED
Appendix: proposed Directors' Remuneration Policy

Introduction
The current Remuneration Policy of the Company has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations'). The Remuneration Committee has assessed the criteria recommended by provision 40 of the 2018 UK Corporate governance Code and believes that the Policy has always been inherently clear, simple, designed to avoid excessive rewards, predictable and proportionate. The effective date of the Policy is 23 May 2023. The full text of the current Remuneration Policy can be found on pages 206 to 210 of the Fresnillo plc 2022 annual report and accounts, which can be found on the Company's website (www.fresnilloplc.com).

As required by English law, the Company's approved Remuneration Policy is binding in relation to Directors. The Company currently has no Executive Directors who would be bound by the Remuneration Policy. However, the Company will (as it has previously done) treat the Chief Executive Officer as if he were an Executive Director for the purposes of the Remuneration Policy and for reporting on his remuneration.

Details of the remuneration paid to the Chief Executive Officer for the year ended 31 December 2023 can be found in this year's annual report on remuneration at page 236.

Remuneration policy
The Group's Remuneration Policy seeks to ensure that the Company is able to attract, retain and motivate its Executive Directors and members of the Executive Committee. The retention of key management and the alignment of management incentives and the creation of shareholder value being key objectives of this policy.

Setting base salaries for Executive Directors and members of the Executive Committee at an appropriate level is a key to managerial retention in Mexico. Therefore, the Remuneration Committee seeks to ensure that salaries are market competitive both within the Mexican context and internationally for comparable companies. Total compensation is set within a range around the median level for the Company's peer group within Mexico and internationally, total remuneration is benchmarked triennially to ensure that the whole remuneration package is maintained at this level over the long term. Salaries are positioned within the range according to experience and service.

The table below sets out the key elements of Executive Directors' pay set out in the Remuneration policy (the 'policy table'):

Base salary	
Provides the core reward for the role.	
Operation	Normally reviewed annually and fixed for 12 months starting on 1 April each year. Each review will take into account: · Role, experience and performance. · Average workforce salary adjustments. · Mexican economic factors. · Comparison with the Company's peer group in Mexico and internationally. · The effect an increase will have on the overall levels of the Executive Director's remuneration. When benchmarking salaries, the Remuneration Committee will normally benchmark by reference to companies of similar size and complexity to the Company in Mexico and internationally. Details of the peer group used will be disclosed in the annual report on remuneration.
Maximum value	Subject to the review process described above, the maximum value of an Executive Director's base salary will be determined by the Remuneration Committee in its absolute discretion and ordinarily it will be increased in line with increases applied across the whole workforce. In exceptional circumstances, an Executive Director's salary may be increased by up to, but never more than, 10% above the average pay increase for the whole workforce of the Company in any financial year. The rationale for any such increase will be fully explained in the annual report on remuneration.
Performance metric	The Remuneration Committee considers individual salaries at the appropriate review meeting each year by reference to the factors noted under the 'Operation' heading in this Policy Table.
Discretion	The Remuneration Committee established the Company's comparator peer group in Mexico and internationally as part of a triennial review which it undertook in October 2023 and will be reviewed again in April 2026, if not before. The Committee will report on the outcome of these reviews within the relevant annual report on remuneration.

Annual bonus	
Rewards the achievement of both short and long-term financial and strategic business targets and delivery of personal objectives.	
Operation	Targets are renewed annually and relate to the strategic aims of the business as a whole. A scoring system is used for the plan. Each objective set for the executive at the beginning of the year is allocated a points-rating which represents a median performance target for that objective. Upper and lower thresholds are set to allow for outstanding performance and to ensure that underperformance is not rewarded. For each member of the Executive Committee (including the Chief Executive Officer, the Chief Financial Officer, the Vice President of Exploration and the Chief Operating Officer), a bonus is only payable if the aggregate performance equals or exceeds 100 points. Bonus payments are paid for aggregate performance against target at or above 100 points are made on a prorated basis between two months' salary paid for the achievement of 100 points and six months' salary paid for the achievement of 115 points or more, as follows: **Number of points:** — **Months' salary paid** 100.00 — Two months' salary 100.01-115.00 — Prorated on a linear basis between two months' salary and six months' salary 115.01+ — Six months' salary
Maximum value	The maximum percentage of salary payable as an annual bonus to an Executive Director is 50% (six months' salary) and is paid where the Executive Director achieves 115.01 points or more under the Annual Bonus Plan (the target is 100 points).
Performance metric	The KPI targets set out in the previous table will apply and are intended to focus on risks that are within the control and influence of management. Thus, the management of safety, security, project, human resource, exploration teamwork, synergies, community and environmental risks are all currently implicitly covered within the KPIs. The KPIs and targets, which are set by reference to the reserves and resources and financial metrics at the previous year end and/or set in the budget for the forthcoming financial year are also designed to ensure that both short-term objectives and the long-term development of the Fresnillo Group are given equal priority. The achievement of project milestones will be used to measure project management performance and the Committee's discretion will be applied for subjective metrics such as teamwork. Details of the measures, targets and performance which are tested on an annual basis will be provided in the relevant annual report on remuneration. The Remuneration Committee considers that the KPIs, upon which bonuses are based, may need to evolve from year-to-year in line with the strategy and therefore it retains the discretion to make appropriate adjustments to the KPIs themselves, the bonus bands within the overall maximum and the individual KPI weightings from year-to-year.
Discretion	The Remuneration Committee retains the discretion to adjust bonus payments in the following circumstances: (i) A downward adjustment where the KPI outcomes would result, in the opinion of the Remuneration Committee, in a bonus payment which cannot be justified by the Company's financial or operational performance during the year (or in respect of previous years). (ii) A modest upward adjustment may be considered either: (a) where factors outside the control of Executive Directors (e.g. force majeure circumstances) have significantly depressed the level of points awarded (and in deciding whether and to what extent an adjustment is merited, the Remuneration Committee will consider the appropriateness of the response to those circumstances); and/or (ii) when the Executive Directors, individually or collectively, have demonstrated a level of performance which has resulted in significant benefits to the Company which, in the opinion of the Remuneration Committee, merits an increase in the number of points awarded. (iii) Poor executive response to adverse health, safety or environmental performance during the year, in which case a downward adjustment would be considered. (iv) Where the bonus payment is not, in the opinion of the Remuneration Committee, commensurate with the wider stakeholder experience (especially those of employees in relation to remuneration outcomes for the year and/or shareholders in relation to dividend payments), a downward adjustment may be considered. The use of any such discretions will be fully explained in the relevant annual report on remuneration.

Note: Any adjustment in individual KPI weightings will not result in their achievement being any less difficult to satisfy.

DIRECTORS' REMUNERATION REPORT CONTINUED
Appendix: proposed Directors' Remuneration Policy

Benefits	
Help recruit and retain employees.	
Operation	Executive Directors may (at the Company's discretion) be offered life insurance, meal and subsistence benefits, the payment of premiums for medical insurance covering expenses and check-ups (for themselves and their family members) death in service benefits and remote working expenses (as applicable). Benefits may be changed if the Company's policy on benefits changes.
Maximum value	The maximum value of any benefits provided will be determined by the Company policy on benefits that is applicable from time to time.
Performance metric	None.
Discretion	The Remuneration Committee may consider changes to the benefits made available to Executive Directors in line with any changes in the Company's policy for benefits provided to all employees.

Pension	
Rewards continued employment and sustained contribution.	
Operation	The Group operates a defined contribution scheme. Executive Directors are entitled to membership of the defined contribution scheme.
Maximum value	The maximum Company contribution for any employee (including Executive Directors) may not exceed 13% of salary. Company contributions made for Executive Directors will be aligned with Company contributions provided to the majority of the workforce from time to time.
Performance metric	None.
Discretion	The Remuneration Committee may consider changes to the pension contributions made for Executive Directors, including increases, in line with any changes in the Company's policy for pension contributions provided to all employees.

Alignment of executive remuneration and the market
In setting the fixed remuneration of Executive Directors and the members of the Executive Committee, information relating to the mining company comparators is provided by various consultants. Information relating to the Mexican economic metrics is collated by management for the Remuneration Committee to consider.

Reviews of the Executive Directors' and Executive Committee members' remuneration are conducted by Willis Towers Watson from time to time at the request of the Remuneration Committee. These enable the Remuneration Committee to validate the Company's policy towards remuneration and ensure that it is globally as well as locally competitive. The analysis evaluates the elements of base salary, short-term compensation (guaranteed payments and short-term bonus) and long-term compensation (primarily stock programmes) separately. With assistance from Willis Towers Watson, the Remuneration Committee has established a peer group which will be used to benchmark any Executive Director's and any Executive Committee member's remuneration (the 'Peer Group') to ensure that it remains within the parameters set out in this Policy (see page 232 of the annual report on remuneration). The Peer Group will be updated where necessary, to ensure that it remains an appropriate comparator group of companies.

The consideration of wider employment conditions and remuneration
When setting pay and benefits for Executive Directors and members of the Executive Committee, the Remuneration Committee takes account of pay and conditions across the Group. It will consider the overall pay increase percentage negotiated each year, with employee representatives as its starting point taking account of inflation and other information supporting the annual pay award for employees. Subject to the 10% limit in the Policy Table, the Remuneration Committee may agree pay increases above or below the agreed percentage in exceptional circumstances, where in its discretion it considers such variance to the norm to be justified. Other than the Willis Towers Watson report specifically commissioned by the Remuneration Committee, the same benchmark reports are used in the evaluation of executive and employee remuneration, thus providing a common approach to both.

Below Board level, a statutory profit-sharing arrangement (PTU) is operated which in some years has enabled employees to receive significant levels of bonus in line with the increased profitability of the relevant employing company. The Chief Executive Officer does not participate in a PTU scheme within the Fresnillo Group. Members of the senior management group below Board-level are employed by Servicios Administrativos Fresnillo S.A. de C.V. or Operaciones Fresnillo, S.A. de C.V., which pay annual PTU payments. However, such payments are modest.

The Group operates two pension schemes: (i) a defined benefit scheme which was closed to new members on 1 July 2007 with benefits frozen at this date for existing members, subject to indexation with reference to the Mexican National Consumer Price Index; and (ii) a defined contribution scheme (which was introduced on 1 July 2007). Membership of the latter scheme is voluntary, members earning a salary of no more than 25 times the minimum wage in force from time to time may make contributions of 5% to the scheme.

On behalf of members earning a salary of no more than 25 times the minimum wage in force from time to time the employing company may make contributions of 5% to the scheme. The employing company may also make additional contributions between 5-8% of salary to this plan. Members may elect to match percentages between 5-8% of salary.

Executive Directors may participate in the Group's pension schemes on the same basis as any other employee.

The Remuneration Committee does not consult with employees in setting Directors' remuneration. Engagement with employees as a stakeholder group is primarily the responsibility of the Board; however, where appropriate, the Remuneration Committee will consider any relevant feedback from employees to the Board in relation to remuneration matters when discharging its responsibilities under this Policy.

Engagement with shareholders on remuneration

The composition of the Remuneration Committee has been designed to ensure that the views of the controlling shareholder (through the membership of the Chairman of the Board on the Committee) and the independent shareholders can be represented. The Remuneration Committee has considered the views of organisations such as Institutional Shareholder Services (ISS) and the Investment Association both generally and as reported to the Company in relation to its own executive remuneration practices prior to each Annual General Meeting, when considering the Remuneration policy and its application. Following the Company's AGM in 2024, details of votes cast for and against the resolutions to approve the proposed Remuneration policy and annual report on remuneration for the year ended 31 December 2023, will be announced to the market.

Policy on recruitment

The Remuneration Committee will consider the remuneration of new Executive Directors by reference to the Policy Table set out above. The Remuneration Committee will not, as a matter of standard practice, pay sign-on payments or compensate new Directors for any variable remuneration forfeited from any employment prior to joining the Board. However, it may choose to do so in exceptional circumstances, when it considers this to be in the best interests of the Company (and therefore shareholders), in which case any buy-out payments will not exceed the remuneration relinquished and will mirror (as far as possible) the delivery mechanism, time horizons and performance requirements attached to that remuneration. Where possible this will be facilitated through the Company's existing Annual Bonus Plan, as set out in the Policy Table above, but if not, the Remuneration Committee may fulfil this requirement in line with the provisions of 9.4.2 of the Listing Rules.

For the avoidance of doubt, the value of any 'sign-on' and/or 'buy-out' payments will not count towards the limits on annual bonus in the Policy Table above. Any such payments will be fully explained in the next annual report on remuneration both as to the reason for payment and the rationale for the quantum.

Salary will be set so as to be market competitive both within the Mexican context and internationally for comparable companies and taking account of the experience and seniority of the appointee coming into the new role. The Remuneration Committee is likely to set base salaries below median on appointment while retaining discretion to award increases during the first and, possibly, subsequent years to bring salaries into the normal range expected for Executive Directors, in line with the Company's stated Policy. Such increases will not exceed the maximum level set out in the Policy Table. New Executive Directors will receive benefits and pensions in line with the Company's existing Policy and will be able to participate in the Annual Bonus Plan on a pro-rated basis for the portion of the financial year for which they are in post. The maximum level of variable pay for new recruits will be the same as that set out in the Policy Table for existing employees (pro-rated as necessary).

In the case of an internal appointment or promotion, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its original terms stipulated on grant or adjusted as considered desirable to reflect the new role.

Where appropriate to recruit, promote or transfer individuals to a different location of residence, the Remuneration Committee may also, to the extent it considers reasonable, approve the payment of one-off relocation and repatriation related expenses. It may also pay or make a contribution towards any legal fees appropriately incurred by the individual in connection with their employment by the Group.

Policy on loss of office

Other than in circumstances of gross misconduct, Executive Directors and members of the Executive Committee, including the Chief Executive Officer, leaving employment from the Group, will be entitled to receive salary and pro-rated annual bonus based on performance to the date of leaving. Statutory entitlements are payable according to Mexican labour law, based on length of service. Employee and Company pension contributions are payable in accordance with the applicable pension plan rules. Mexican labour law does not make any provision for employers and employees to give or receive notice of termination of employment. Therefore, the Committee will not generally make payments in lieu of notice to departing executives. However, the Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment or by way of contribution to legal fees appropriately incurred by the individual in connection with the termination of their employment by the Group. No contractual commitments concerning loss of office were entered into with any Director prior to 27 June 2012.

Annual Bonus Plan and policy on variable remuneration

It is the Company's policy not to use its equity to incentivise long-term performance. The Company's core strategy is one of long-term sustainable growth. Sustainable growth in mining requires the steady and safe expansion of the Group's operations through the discovery of new resources and construction, maintenance and/or expansion of new mines. No distinction is therefore made between short and long-term incentives.

DIRECTORS' REMUNERATION REPORT CONTINUED
Appendix: proposed Directors' Remuneration Policy

The Company operates a single cash-based Annual Bonus Plan for Executive Directors and the members of the Executive Committee, including the Chief Executive Officer as described in the Policy Table above. In the event of a change of control, the Remuneration Committee shall, in accordance with the Annual Bonus Plan rules, as amended from time to time and in its absolute discretion, determine whether and to what extent the annual bonus will vest and be paid early. The Committee may also decide that the bonus award will vest to a greater or lesser extent having regard to the Director's or the Group's performance or such other factors it may consider appropriate. The Remuneration Committee may decide that bonus awards will vest pro-rata to take account of early vesting or in full.

Recovery of bonus
The absence of long-term incentives and the operation of Mexican law makes it difficult to adopt claw-back arrangements in order to recover bonuses that have already been paid. The Remuneration Committee has considered whether claw-back provisions should be incorporated into the service agreement for the Chief Executive Officer. Given that the Company does not operate any remuneration plans with a timeframe of more than one year, the Remuneration Committee does not consider that there is much value in introducing claw-back provisions into the contractual arrangements with the Chief Executive Officer at this stage. However, within this Remuneration Policy, the Remuneration Committee reserves the right to apply malus to bonuses before they are paid where the KPI outcomes would result, in the opinion of the Remuneration Committee, in a bonus payment which cannot be justified by the Company's financial performance or the Executive Director's personal performance during the year (or previous years). In this case a downward adjustment to the bonus payment would be applied.

Illustrations of the application of the Remuneration Policy for the Chief Executive Officer
The following table sets out the fixed and variable remuneration of the Chief Executive Officer in the different scenarios where he receives, minimum, target and maximum variable pay (based on 31 December 2023 remuneration).

Component	Maximum value US$ thousands		Minimum	Target	Maximum
Share incentives[1]					US$1,766k
Annual bonus	US$396k	Annual variable pay[2, 4]		US$1,502k	22.4%
			US$1,370k	8.8%	
Pension benefits	102	Fixed pay[3]	100%	91.2%	77.6%
Other benefits	157				
Base salary	1,111				

1 Fresnillo plc does not operate any share option or share-based long-term incentive plans.
2 Variable pay consists only of remuneration where performance measures or targets relate only to one financial year.
3 Fixed pay includes salary, benefits and pension.
4 The Company does not operate any equity-based long-term incentives, consequently, the Company's share price does not have any impact on the variable remuneration paid to Executive Directors and members of the Executive Committee who do not sit on the Board.

External appointments
It is the Board's policy to allow Executive Directors to accept directorships of other quoted and non-quoted companies and retain any fees or other remuneration for doing so, provided that they have obtained the consent of the Chairman of the Company. Any such directorships must be formally notified to the Board.

Chairman and Non-executive Directors
The remuneration of the Chairman of the Company and the Non-executive Directors consists of fees that are paid quarterly in arrears. The Chairman and Non-executive Directors do not participate in any long-term incentive or annual bonus schemes, nor do they accrue any pension entitlement. Neither the Chairman nor any of the Non-executive Directors has a service contract with the Company; however, each has entered into a letter of appointment with the Company.

Non-executive Directors' letters of appointment
On their initial appointment, each of the Non-executive Directors sign a letter of appointment with the Company. The letters of appointment of serving Non-executive Directors are drafted in accordance with Provision 18 of the UK Corporate governance Code, thus obliging them to retire at each Annual General Meeting and be subject to annual re-election by shareholders to serve for a further term of one year. The amendments have been drafted such that renewed appointment will not necessitate a new letter of appointment.

The Chairman of the Company shall not receive any fees for acting as Chairman other than his fees as a Non-executive Director. Each Non-executive Director is expected to commit a minimum of 14 days per year in fulfilling their duties as a Director of the Company.

The total fees for Non-executive Directors, including the Chairman, will not exceed the maximum stated in the Company's Articles of Association.

The level of fees is reviewed periodically and takes into account the time commitment, responsibilities, market levels and the skills and experience required. Non-executive Directors normally receive a basic fee and an additional fee for specific Board responsibilities, including chairmanship or membership of Board committees or acting as the Senior Independent Director. Additional fees may be paid to Non-executive Directors on a per diem basis to reflect increased time commitment in certain limited circumstances.

Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax and social security due on the expenses.

Non-executive Directors may be provided with benefits to enable them to undertake their duties.

Shareholding guidelines

Fresnillo has not introduced share ownership guidelines. The Company does not operate share-based incentive arrangements given that the culture for incentives in the Mexican market does not favour share-based incentives. Consequently, there would be neither opportunity nor appetite for executives to build a shareholding in the Company and therefore the Remuneration Committee has not adopted any shareholding guidelines.

Payments under previous policies

Any remuneration payment or benefit, or any payment for loss of office which a Director received or became entitled to under a previous Remuneration Policy or before the person became a Director (unless the payment was in consideration of becoming a director) shall lawfully be paid out under this policy, even though it may not be consistent with, or otherwise provided for under, the Policy Table set out above.

FRESNILLO PLC DIRECTORS' REPORT 2023

In accordance with Section 415 of the Companies Act 2006, the Directors of Fresnillo plc present their report for the year ended 31 December 2023.

The Directors believe that the requisite components of this report are set out elsewhere in this annual report and/or on the Company's website www.fresnilloplc.com. The table sets out where the necessary disclosures can be found.

Business performance	
Results	Results for the year ended 31 December 2023 are set out in the Financial review on pages 64-75 and the consolidated income statement on page 262.
Dividends	Information regarding the proposed dividend can be found in the Financial review on page 75. Information regarding dividend payments can be found in the notes to the financial statements on page 297.
Strategic report	The Strategic report can be found on pages 2-187.
Corporate Governance statement	The Company's statement on Corporate Governance can be found on page 200.
Directors' Remuneration report	The Directors' Remuneration report can be found on pages 225-243.
Activities in research and development	The Company does not have any research and development activities.
Future developments	Details about the Company's future developments can be found in the Strategic report on pages 22-27.
Post-balance sheet events	There was a post-balance sheet event. Details are set out in note 32 to the financial statements on page 313.
Directors	
Directors	Directors that have served during the year and summaries of the current Directors' key skills and experience are set out in the Corporate Governance report on pages 194-197.
Directors' Interests	Details of the Directors' beneficial interests are set out in the Directors' Remuneration report on page 231.
Directors' indemnities	The Company has given indemnities to each of the Directors in respect of any liability arising against them in connection with the Company's (and any associated company's) activities in the conduct of their duties. These indemnities are subject to the conditions set out in the Companies Act 2006 and remain in place at the date of this report.
Directors' and Officers' Liability Insurance	Directors' and Officers' Liability Insurance cover is in place at the date of this report. Cover is reviewed annually.
Constitution	
Articles of Association	Any amendments made to the Articles of Association may be made by a special resolution of shareholders. The following is a summary of the structure, rights and restrictions of the Company's share capital: The Company has two classes of share capital: 736,893,589 Ordinary Shares of US$0.50 ('Ordinary Shares') and 50,000 deferred shares of £1.00 each ('Sterling Deferred Shares'). The Ordinary Shares are listed on the London Stock Exchange and the Mexican Stock Exchange. The rights and obligations attaching to these shares are governed by UK 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. On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share held. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies. There are no restrictions on the transfer of the Ordinary Shares other than: · the standard restrictions for a UK-quoted company set out in article 32 of the Articles of Association; · where, from time to time, certain restrictions may become imposed by laws and regulations (for example, insider trading laws); and · pursuant to the Listing Rules of the Financial Services Authority whereby certain Directors, officers and employees of the Company require the approval of the Company to deal in the Ordinary Shares.

Constitution	
	The appointment and replacement of Directors is governed by the Company's Articles of Association, the UK Corporate governance Code, the Companies Act 2006 and related legislation. The Articles of Association provide that a Director may be elected by ordinary resolution of the shareholders or appointed by the existing Directors either to fill a casual vacancy or as an additional Director, but so t hat the total number of Directors shall not thereby exceed the maximum in accordance with the Company's Articles of Association. At every Annual General Meeting, all Directors must automatically retire. A retiring Director is eligible for election or re-election, as applicable. Subject to the Articles, the Companies Act 2006 and related legislation and any regulations as may be prescribed by special resolution of the Company, the Directors may exercise all the powers of the Company. No shareholder holds securities carrying special rights as to the control of the Company. There are no limitations on the holding of securities. There are no restrictions on voting rights or any arrangements by which, with the Company's cooperation, financial rights carried by securities are held by a person other than the holder of the securities. There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of voting rights. The Sterling Deferred Shares only entitle the shareholder to payment of the amount paid up after repayment to ordinary shareholders on winding up or on a return of capital. The Sterling Deferred 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 Shares at a price of £1.00 or, as custodian, purchase or cancel the Sterling Deferred Shares or require the holder to transfer the Sterling Deferred Shares. Except at the option of the Company, the Sterling Deferred Shares are not transferable.
Branches outside the UK	The Company's operations are outside the UK. The Company, through various subsidiaries, has established branches in a number of jurisdictions in which it operates (mainly in Mexico).
Change of control	The following represents the likely effect on significant agreements with the Company were it to be subject to a change of control: • The Shared Services Agreement contains a discretionary provision for Servicios Administrativos Peñoles, S.A. de C.V., to terminate the agreement should they so wish if there is a change of control of Fresnillo plc. • There are no formal 'change of control' provisions within the Silverstream contract or Met-Mex arrangements. • The Group's mining concessions are held by several of its Mexican subsidiary companies. As long as the companies holding the mining concessions remain Mexican resident companies, there are no provisions within the concession agreements which would be triggered by a change of control of the Company. The Company does not have any agreements with any Non-executive Director, Executive Director or employee that would provide compensation for loss of office or employment resulting from a change of control.

FRESNILLO PLC DIRECTORS' REPORT 2023 CONTINUED

Stakeholders and policies	
Section 172 Statement	The Company's Section 172 Statement can be found in the Strategic report on page 37.
Employee engagement	Details of how the Company engages with its workforce can be found in the Strategic report on pages 40-41.
Stakeholder engagement on key decisions	Details of the key decisions and discussions of the Board during the year and the main stakeholder inputs into those decisions are set out in the Strategic report on pages 38-39 and Corporate Governance report on page 191.
Payments to governments	In June 2023, the Company approved and published a report disclosing payments made to governments. The report can be found on the Company's website. https://www.fresnilloplc.com/investors/regulatory-announcements/
Modern Slavery Statement	The Company has approved and published on its website its Modern Slavery Statement in accordance with the Modern Slavery Act 2015. https://www.fresnilloplc.com/responsibility/our-approach/modern-slavery/
Diversity policy	In February 2018 the Company approved and published on its website its policy on diversity and inclusion. https://www.fresnilloplc.com/media/nnwj11vk/fres-plc-diversity-and-inclusion-policy.pdf
UK tax strategy	The Company's UK tax strategy for the financial year ending 31 December 2023 is published on its website. https://www.fresnilloplc.com/media/wscmwkgl/091221-52-tax-strategy.pdf
Greenhouse gas emissions	Details of the Company's greenhouse gas emissions can be found in the Social and Sustainability report on page 128 of the Strategic report.
Political contributions	The Company did not make any donations to political organisations during the year.
Financial risk	Details of the Company's policies on financial risk management and the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 31 to the financial statements.
Shareholders and share capital	
Share capital	Details of the Company's share capital are set out in note 18 to the financial statements on pages 296-297.
Authority to purchase own shares	The Company was authorised by a shareholders' resolution passed at the Annual General Meeting held in May 2023 to purchase up to 10% of its issued Ordinary Share capital. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued and authorised share capital. This authority will expire at the forthcoming Annual General Meeting and a resolution to renew the authority for a further year will be proposed. No shares were purchased by the Company during the year.
Major interests in shares	As at 31 December 2023, in accordance with DTR 5, the Company had been advised of the following notifiable interests (whether directly or indirectly held) in its voting rights: T. Rowe Price Associates holds 26,894,011 shares (3.65%) and BlackRock Inc holds 22,459,233 shares (3.04%). As at 4 March 2024, the Company has been advised no changes to those notifiable interests.
2023 Annual General Meeting	At the 2023 Annual General Meeting, all resolutions put to shareholders were passed by a majority. Prior to the AGM, the Company consulted with a number of shareholders in relation to the resolutions to re-elect the Directors. In accordance with UK Listing Rules applicable to companies with a controlling shareholder, the resolutions relating to the re-election of the Independent Non-executive Directors required approval by a majority of votes cast by independent shareholders as well as all the shareholders of the Company. Further to the Code provisions, details of proxy voting are presented at the AGM and final figures are announced to the London Stock Exchange and uploaded to the Company's website as soon practicable after the AGM.

Shareholders and share capital	
2024 Annual General Meeting	The Company's 16th Annual General Meeting will be held in May 2024 and the Notice of Meeting will be issued to all shareholders 20 business days before the meeting date. In planning the business of each AGM, the Board takes account of institutional shareholder guidelines on pre-emption rights, share buy-backs and shareholder rights in relation to general meetings when drafting the usual resolutions dealing with those matters. In each case, resolutions are presented to the AGM to give the Board flexibility to respond to market developments.
Auditors and audit	
Auditor reappointment	A resolution to re-appoint Ernst & Young LLP as auditor will be proposed at the 2024 AGM.
Audit information	Each of the Directors at the date of the approval of this report confirms that: • So far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware. • He/she has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of the information. • The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.
Listing rules disclosures	
Listing Rule 9.8.4C	Disclosure requirements under Listing Rule 9.8.4 C, where applicable to the Company, are identified below along with cross-references indicating where the relevant information is set out in the annual report: • Capitalised interest of the year ended 31 December 2023 and information regarding tax relief can be found on page 293. • Details of significant contracts with controlling shareholders can be found on page 223. • Details pertaining to services provided to the Company by Peñoles are set out on pages 303-305. • A statement in relation to the agreement that the Company has entered into with the controlling shareholder can be found in the Corporate Governance report on page 203.

The Directors' report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Alberto Tiburcio
Independent Non-executive Director
4 March 2024

Fresnillo plc
Registered Office:
21 Upper Brook Street
London, W1K 7PY
United Kingdom
Company Number: 6344120

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with applicable United Kingdom law and regulations.

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

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

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

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

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

Directors' responsibility statement under the UK corporate governance code

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

Responsibility statement of the Directors in respect of the annual report and accounts

Each of the Directors whose names are listed on pages 194-197 confirm that to the best of their knowledge:

a) the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

b) the annual report (including the Strategic report encompassed within the 'Overview', 'Strategic report', 'Performance' and 'Governance' sections) includes a fair review of the development and performance of the business, and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board.

Alberto Tiburcio
Independent Non-executive Director
4 March 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC

Opinion

In our opinion:

- Fresnillo plc's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fresnillo plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise:

Group	Parent Company
Consolidated balance sheet as at 31 December 2023	Parent Company balance sheet as at 31 December 2023
Consolidated income statement for the year then ended	Parent Company Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Parent Company Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 17 to the financial statements, including material accounting policy information
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 32 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We did not provide any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

We provided limited assurance services on ESG key performance indicators to the Group in addition to the audit and which have not been disclosed in the annual report or financial statements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We walked through the process to confirm our understanding of management's going concern assessment process;
- During January 2024, the Group entered into a US$350 million revolving credit facility that contains financial covenants. We confirmed through inquiries of management, review of bank statements and subsequent event procedures that, as of the date of our audit opinion, no amounts have been drawn;
- We verified the terms, maturity, interest rates, and any restrictions or covenants that are relevant to the senior notes and revolving credit facility held by the Group at the date of approving of the financial statements against the original contracts;
- We assessed management's forecasting accuracy by comparing forecasts to actuals for the year ended 31 December 2023 and assessing the reasons for differences, including the effect of market-driven factors;
- We assessed the completeness of the factors included in the going concern assessment by verifying the consistency of key assumptions with our understanding of the business and the environment within which it operates;
- We obtained management's going concern assessment and test of compliance with covenants, including cash forecast for the going concern period which extends to 31 December 2025. The Group has modelled plausible adverse changes and applied reverse stress testing in respect of prices to assess the impact on the forecast liquidity of the Group (before considering the new facility);
- We tested the factors and assumptions included in the base case and most severe adverse scenario for the cash forecast, in particular comparing forecast metals prices to analyst forecasts and comparing production forecasts to 2023 production, plant capacity and our understanding of the business and its future plans;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC
CONTINUED

- We considered the mitigating actions available to management and challenged whether these are within management's control, although these were scarcely modelled due to the level of headroom in the plausible adverse cases;
- We have challenged management's reverse stress test to assess whether the required price reduction to exhaust liquidity was remote. We requested an additional scenario with a combination of price reductions and cost increases to evaluate liquidity and compliance with covenants, and assessed the likelihood of such a scenario;
- Given that the additional reverse stress test scenario did not factor in the full use of the new facility, we performed a further assessment to determine what level of price reductions would lead to the Group utilising all liquidity during the going concern period. Our assessment is that the likelihood of this reverse stress test scenario eventuating is remote;
- We reviewed the Group's going concern disclosures included in note 2 of the financial statements, in order to evaluate whether the disclosures were appropriate.

Our key observations:
- The Directors' assessment forecasts that the Group will maintain sufficient liquidity and will comply with the financial covenants throughout the going concern assessment period in all scenarios.
- Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period which extends to 31 December 2025.
- In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.
- Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group or Parent's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• Out of 12 components in scope, we performed an audit of the complete financial information of eight components being the six operating mining units (Fresnillo, Penmont, Saucito, Juanicipio, San Julián and Ciénega), the Parent Company and the entity which holds the Silverstream contract. (Comercializadora de Metales Fresnillo). These components represented 100% of revenues, 100% of the Silverstream revaluation effects and 97% of total assets • We performed specified procedures on certain balances at a further three components. These components represented 3% of total assets.
Key audit matters	• Recognition of related party transactions, including revenue recognition • Valuation of the Silverstream contract • Recoverable amount of mining assets • Recoverable amount of investments in subsidiaries (Parent Company only) • Re-estimation of quantities held in leaching pads at Penmont.
Materiality	• Overall Group materiality was set at US$17.0 million which represents 5% of the five-year average of profit before tax prior to Silverstream revaluation effects and material non-recurring items (Adjusted Normalised Profit).

An overview of the scope of the Group and Parent Company audits
Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 15 reporting components of the Group, we selected 12 components covering entities within Mexico and Chile, which represent the principal business units within the Group.

Of the 12 components selected, we performed an audit of the complete financial information of eight components ('full scope components') which were selected based on their size or risk characteristics. For the remaining three components ('specified procedures scope components'), we performed audit procedures on specific accounts within each component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. We perform other procedures on one additional component.

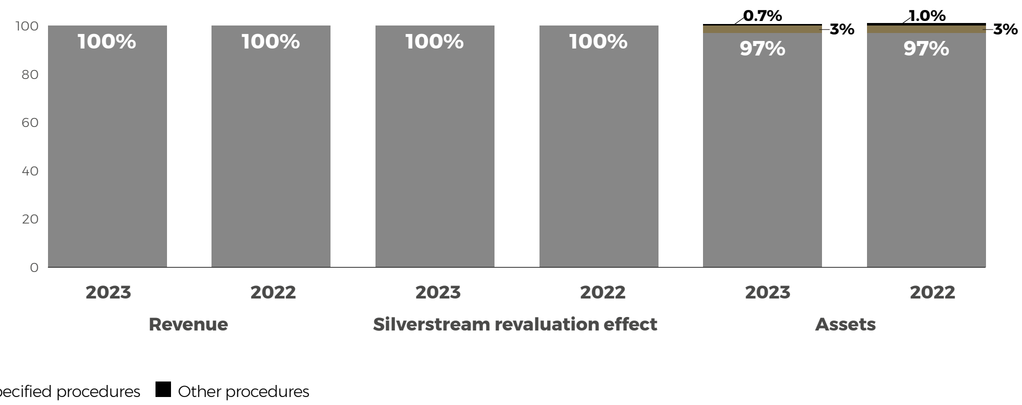
The reporting components where we performed audit procedures accounted for 100% (2022: 100%) of the Group's revenues, 100% (2022: 100%) of the Silverstream revaluation effects and 99% (2022: 99%) of the Group's total assets. For the current year, the full scope components contributed 100% (2022: 100%) of the Group's revenues, 100% (2022: 100%) of the Silverstream revaluation effects and 97% (2022: 97%) of the Group's total assets.

We noted that some entities presented financial losses in 2023, which distorted the coverage assessment over the Group's Adjusted Normalised Profit. Therefore, when calculating their overall contribution, this shows a coverage exceeding 100% of the Group's Adjusted Normalised Profit (2022: 96%).

The specified procedures scope components contributed 3% (2022: 3%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

The remaining components represent less than 1% (2022: 1%) of the Group's total assets. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Changes from the prior year
There are no changes to the scope compared to prior year.

Involvement with component teams
All of the Group's significant operations are in Mexico and are audited by local teams under our direct supervision.

	Work performed by	
	Primary team	Component team under our direct supervision
Full scope components	●●* (Including the Parent Company)	●●●●●●
Components on which specified audit procedures are performed		●●●●*

* These represent one component relating to the valuation of the Silverstream contract: the Primary team performs principal procedures relating to estimation directly and the component team performs certain supporting procedures on the estimation of reserve and resource quantities and the related mine plan at the Sabinas mine, and also regarding cash receipts (both represent a full scope component).

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the eight full scope components, audit procedures were performed on one of these directly by the primary audit team and, on another component, procedures were performed in conjunction by the primary and component teams. For all full scope components and specified procedures components where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

Senior members of the component team and the Peñoles audit team attended our virtual global planning meetings during the planning phase of the audit, and we discussed the results of interim procedures and interacted regularly with the local team in Mexico. The primary engagement team is predominantly composed of Spanish speakers to further enhance our interactions with both the component team and management.

The primary team visited Mexico during both the planning and execution phases, including the Senior Statutory Auditor for the latter, with members of the team working with and supervising the component team in Mexico for a number of weeks over two visits. These visits involved discussion and oversight of the component team audit approach, consideration of significant accounting and auditing issues arising from their work, reviewing key audit working papers, meeting with management and attending closing meetings.

The primary team was responsible for the scope and direction of the audit process. For certain procedures, in particular areas involving significant judgement and heightened audit risk, we performed work ourselves with support where required from the component team. In other cases, we reviewed key working papers including, but not limited to, the risk areas described below.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC
CONTINUED

Based upon the above approach we are satisfied that we have been able to perform sufficient and appropriate oversight of our component team and the work performed by the auditor of Peñoles relevant to our audit. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Fresnillo plc. The Group has determined that the most significant adverse future impacts from climate change on its operations are likely to be from water stress and drought, transition to a low-carbon future and increasing societal and investor expectations. These are explained on pages 111-128 in the Task Force for Climate Related Financial Disclosures and on pages 180-181 in the principal risks and uncertainties, which form part of the 'Other information' rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements. As explained in note 2 (c) to the Group and Parent Company financial statements, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards and in accordance with the provisions of the Companies Act 2006. Significant judgements and estimates relating to climate change have been described in note 2 (c).

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 180-181, have been appropriately considered in the assessment of indicators of impairment of long-term non-financial assets and the timing and quantum of future cash flows underpinning the provision of mine closure costs and associated disclosures. We also considered whether other assets and liabilities were susceptible to material changes in measurement as a result of climate risks and opportunities. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit. Details of our procedures and findings on the assessment of impairment indicators are included in our key audit matters below where relevant.

We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter, however we have incorporated climate change considerations into our procedures over key audit matters where applicable.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter: Recognition of related party transactions, including revenue recognition ➊

- Approximately 99% of the Group's current year revenue from the sale of goods being concentrates, doré, activated carbon, slag and precipitates, excluding hedging (US$2,704.5 million; 2022: US$2,436.8 million), and a significant amount of its expenses incurred (US$240.4 million; 2022: US$163.2 million), arise from transactions with related parties (2022:100%). The Silverstream contract is also with a related party. These related parties are all subsidiaries of the Group's direct parent, Industrias Peñoles, S.A.B. de C.V. (Peñoles).
- Principal transactions include the sale of goods to the Met-Mex Peñoles refinery, administrative services received and the Silverstream contract.
- There is a risk that, if not at arm's length or not reflecting the goods or services provided in the period, such transactions could be used to manipulate earnings or to distribute profits to the Group's parent.
- There is also a risk that revenues are inappropriately recognised as a result of incorrect cut-off or inappropriate measurement of product sold.
- There is an ongoing focus by the Mexican tax authorities on transfer pricing as reflected by recently concluded and ongoing tax inspections. There is therefore the potential risk of tax exposures arising from related party transactions.

Our judgement is that the level of risk in this area remains consistent with the prior year.

We have not made significant changes to our audit response compared to the prior year.

Related party transactions are disclosed in note 27 to the consolidated financial statements, revenues in note 5 and relevant accounting policies in note 2.

Our audit response	
We performed full scope audit procedures over this risk area in eight components, which covered 100% of the aggregate risk amount relating to revenue, 100% of the risk related to the Silverstream contract and 96% relating to related party expenses. In addition, we performed specified procedures in components which covered 4% of related party expenses.	
Identification of related parties and related party transactions	· We read new and amended contracts and agreements with related parties, including Met-Mex Peñoles, to understand the nature of the transactions. · We evaluated the appropriateness of management's process for identifying, recording and reporting related party transactions. For this purpose, we have performed a walkthrough of management's process, we inquired of management and tested relevant controls. · As part of our procedures on completeness of related party transactions, we reviewed those transactions that have been identified, monitored, reviewed and approved by the Audit Committee. · We made inquiries of management at various levels and inspected board minutes and confirmation letters to assess the completeness of related parties. · We performed a consistency check with our other audit procedures in order to identify any related party transactions not already identified by management or that are outside the normal course of business.
Revenue recognition	· In order to test completeness of revenue transactions, we obtained confirmations from Peñoles of 100% of the revenue, including quantities delivered, and the period-end receivable balance. · We evaluated the risk of material misstatement due to assay adjustments at 31 December 2023 by performing a retrospective review of the quantum of previous adjustments made during the year and determining the maximum plausible adverse effect on period-end provisional sales. · We performed revenue cut-off testing, by reference to shipment dates. · On a sample basis, we performed testing to verify physical deliveries of product in the year. Since this is a significant risk, our testing threshold was lower and our sample sizes are larger than they would otherwise have been. · We obtained an understanding of the basis of the treatment and refining charges (T&RCs) negotiated between the Group and Peñoles for the current year, as these are part of the pricing calculation for revenue. · We compared principal inputs to external benchmarks or other external evidence. We recalculated T&RCs based on actual production and contractual terms. · We performed overall analytical procedures which consisted of comparing actual revenues on a disaggregated basis to detailed expectations developed based on production in the year and market prices for relevant metals and obtained explanations for any material variances.
Silverstream contract	· We tested a sample of cash receipts in respect of silver that was payable to Fresnillo under the contract in the year. · The valuation of the Silverstream contract is described separately as a key audit matter below.
Other transactions with related parties	· On a sample basis, we tested related party expenses against underlying contractual terms. · We compared actual results against detailed expectations of income statement line items impacted by related party transactions to determine whether there was any evidence of manipulation.
Accuracy of disclosures	· We verified that related party disclosures in the financial statements are consistent with the results of our audit procedures.
Transfer pricing considerations	· We read new and amended contracts and agreements with related parties, including Met-Mex Peñoles and Baluarte to understand the nature and accounting impacts of related transactions. · We obtained the most recent transfer pricing studies provided to management by its external transfer pricing specialist, which we reviewed with our internal transfer pricing specialist. · Assisted by our internal transfer pricing specialists, we reviewed the updated letter provided by the external specialist for the year ended 31 December 2023 (providing an update since the final 2022 studies). We met with the specialist to further understand the content of the update letter and review any changes made. · For any changes made from the initial study, we obtained supporting evidence to corroborate the conclusions reached. · We confirmed the principal inputs to external benchmarks used to determine transfer pricing ranges. In respect of T&RCs, these include confirmations from the auditor of Peñoles in respect of T&RCs charged to other customers.
Management override	· We performed overall analytical review procedures applying a low variance threshold at a disaggregated level, comparing production quantities against mine plans. We obtained explanations for variances through interviews with management and members of the Executive Committee, internal reporting to the Executive Committee and published production reports. Where relevant, we corroborated those explanations to general ledger data and external sources of information. · We utilised general ledger data analysis tools to interrogate entire data sets for potential related party transactions by reference to management's list of related parties.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC
CONTINUED

Key observations communicated to the Audit Committee ➊

- Our procedures did not identify issues with the identification, recording or reporting of related party transactions.
- We concluded that revenue recognition in the year is appropriate, including the treatment of related provisional pricing terms.
- As result of our consistency check with other audit procedures, we did not identify any additional or undisclosed related party transactions.
- In respect of transfer pricing in transactions with related parties, we confirmed that the methodology for determining transfer pricing in respect of the transactions with other Peñoles companies has not changed during the year and remains reasonable.

Key audit matter: Valuation of the Silverstream contract ➋

- The valuation of the Silverstream contract (asset value: US$482.3 million at 31 December 2023; 2022: US$511.5 million; revaluation effect: US$7.7 million pre-tax gain in 2023; 2022: US$18.8 million pre-tax gain), a derivative financial instrument, is estimated by management using a discounted cash flow model.
- Key assumptions are the estimation of the reserves and resources and the related production profile of the Sabinas mine (owned and operated by Peñoles), future silver prices and the discount rate applied. These assumptions require management judgement and estimation.
- The resulting valuation is sensitive to changes in future silver prices, total volume of production and the discount rate applied which may result in material revaluation effects in the financial statements.

Our judgement is that the level of risk in this area remains consistent with the prior year.

We have not made significant changes to our audit response compared to the prior year.

The nature of the Silverstream contract and related valuation considerations are disclosed in note 14 to the consolidated financial statements and the relevant accounting policies in note 2.

Our audit response

We performed full scope audit procedures over the valuation of the Silverstream contract at 31 December 2023 and related income statement revaluation effects. Consistent with 2022, these procedures covered 100% of the risk amount.

Valuation model	• In conjunction with our valuation specialists, we evaluated the appropriateness of the valuation approach and integrity of the model used by the Company to determine the fair value of the Silverstream contract under IFRS 9 'Financial instruments' by ensuring consistency in the methodology applied and review of formulas used in the model, corroborating key inputs to internal and external sources of evidence, as applicable. • We assessed whether any of the key inputs to the valuation model required changes related to climate-related risks through our inquiries of management and our understanding of the Sabinas mine.
Reserves and resources and production profile of the Sabinas mine	• With the assistance of our external specialist geologist, we made inquiries of the Sabinas mine geologist, in order to understand the assumptions used in the estimation of reserves and resources and movements in the estimation in the year. • We made inquiries of management in financial and operational areas in respect of their review of the Sabinas mine plan prepared by Peñoles, focusing on the comparisons between the current year plan and the 2022 plan. • We confirmed that the members of the Sabinas mine planning team involved in the preparation of the mine plan underpinning the Silverstream valuation have the appropriate experience to do so. • The reserves and resources estimate as well as the mine plan are some of the key inputs to the valuation. We therefore issued instructions to the auditor of Peñoles to perform procedures and report to us in respect of the reserves and resources estimate and the mine plan of the Sabinas mine. These procedures detailed in the instructions included: - conducting walkthroughs to confirm our understanding of Peñoles management's processes to estimate quantities of reserves (as included in the Sabinas mine plan) and resources and how those were included in the valuation model; - gaining an understanding of reasons for changes in estimates of reserves and resources in the year; - assessing the professional competence, capabilities and objectivity of the Sabinas mine geologist involved in the estimation of reserves and resources quantities; and - evaluating the reasonableness and appropriateness of inputs to the reserves and resources estimates and Sabinas mine plan that were used in the valuation of the contract as at 31 December 2023. • We discussed the results of the above procedures with the auditor of Peñoles and reviewed their key working papers.
Key economic assumptions in the valuation	• With assistance from our valuation specialists, we challenged key economic assumptions in the valuation, including future silver prices and the discount rate applied. • This challenge included comparison to market data to consider the appropriateness of silver price and discount rate assumptions when considered together in the valuation model and analysis of the consistency of assumptions to other accounting estimates, such as recoverable amounts of mining assets. • We performed sensitivity analysis on the combination of silver price assumptions and discount rate.
Appropriateness and completeness of disclosures	• We assessed the appropriateness and completeness of disclosures included in the notes to the financial statements and their consistency with the disclosures made in the front half of the annual report.

Key observations communicated to the Audit Committee ❷

- The valuation model methodology is consistent with that used in prior periods and we consider this appropriate for the nature of this long-term derivative contract. Also, we tested the model's integrity noting no exceptions.
- Our procedures confirmed that the reserves and resources volumes, as well as the mine plan underpinning the valuation were appropriately estimated.
- We demonstrated the sensitivity of the valuation in respect of economic input assumptions, mainly prices, total production and discount rates.
- We concluded that the overall valuation of the contract is reasonable.
- We confirmed the appropriateness and completeness of relevant disclosures in the financial statements.

Key audit matter: Recoverable amount of mining assets ❸

- The identification of indicators of impairment requires management judgement, as changes in key economic assumptions are subject to risk and uncertainty that may be beyond the control of the Group.
- The key assumptions underpinning management's assessment of the recoverable amount of mining assets are reserves and a portion of resources with high likelihood of being converted into reserves, related mine plans and production profiles, estimated future operating and capital expenditure, future commodity prices, exchange rates and the discount rates applied.
- The estimation of mineral reserves and resources quantities of the Group's mines requires significant judgment and estimation.
- The Group's estimates of mineral reserves and resources are audited by third party specialists engaged by management ('Reserves and Resources Specialists').
- Changes to assumptions could lead to material changes in estimated recoverable amounts, resulting in impairment of property, plant and equipment (net book value being US$2,860.9 million, 2022: US$2,862.6 million). There is no impairment recorded in prior years that may be reversed.

Our judgement is that the level of risk in this area has increased from prior year due to the identification of impairment triggers in Fresnillo, Ciénega, Saucito and San Julián mining units.

We have considered the possible effect of climate change in the impairment trigger assessment, in line with the prior year.

Management's assessment of the judgement and estimation required is set out in note 2 to the consolidated financial statements, with the results of management's assessment for impairment in note 13. The reserves and resources tables are presented after the Parent Company notes to the financial statements.

Our audit response

We performed full scope audit procedures over this risk area in seven components and specified procedures over this risk in one component, which covered 100% of the risk amount.

Indicators of impairment and methodology used to estimate recoverable values	• We evaluated management's identification of indicators of impairment under IAS 36 'Impairment of assets' and considered whether climate risks could represent indicators. • We challenged management's assessment with particular emphasis on whether operational issues, cost increases and decreases in estimations of reserves and resources would result in an impairment trigger by performing our own independent assessment based on inputs calculated by our valuation specialists. • We verified information from our procedures in respect of reserves and resources (as described below) to management's indicator assessment to ensure that the most recent reserves information was used. • We considered the results of our other procedures, including in respect of the mine closure provision and our analytical review procedures over production to evaluate whether there were any unidentified indicators of impairment. • With the assistance of our valuation specialists, who independently assessed management's approach against industry practices, we assessed the methodology used by management to estimate the recoverable value of each mining asset for which an impairment test was performed to ensure that this is consistent with accounting standards.
Estimation process for reserves and resources including external specialists engaged by management	• We performed substantive procedures over the estimation of reserves and resources to evaluate the extent to which we can rely on those estimates when concluding whether an indicator of impairment existed. • We walked through the process of the estimation of the reserves and resources quantities and identified relevant controls. • We walked through the process of determining mine plans from estimated reserves and resources quantities. • We assessed the competence of the Reserves and Resources Specialists, as well as capabilities and objectivity as specialists engaged by management to audit the Group's estimates of reserves and resources and confirmed the scope of their work was appropriate for the purpose of financial reporting. • We assessed the potential impact of climate related matters on the estimates. • We read the reports prepared by the Reserves and Resources Specialists, gained an understanding of the changes in reserves and resources estimates in the year and considered their observations on the Group's reserve and resource estimation process insofar as they affect the financial statements. • We engaged our own specialist (geologist) to evaluate the information provided by the Reserves and Resources specialists. • We discussed directly with the Reserves and Resources specialists the results of their reports.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC
CONTINUED

Key assumptions used in management's estimate of the recoverable values of mining assets	· We compared related production profiles to the current mine plans for each mine where an impairment test was performed and considered their consistency with our understanding of future plans at the mines obtained through enquiries with both operating and senior management. · We assessed operating and capital costs included in the cash flow forecasts to ensure consistency with current operating costs, forecast mine production and other forecast information, by reviewing the cost assumptions and understanding the methodology applied by management in their budgeting process. We considered the possible effect of climate change on cost estimates. · With the assistance of our valuation specialists, we assessed management's assumptions relating to future metals prices and discount rates by comparing these to market data and also for consistency with other estimates used in the financial statements. · We performed sensitivity analysis on management's calculated recoverable values for alternative assumptions for metals prices, costs and the discount rate applied.
Sensitivity disclosures	· We assessed the appropriateness of sensitivity disclosures included in the financial statements in light of our other audit procedures.

Key observations communicated to the Audit Committee ❸

- We assessed the Reserves and Resources Specialists as appropriate specialists engaged by management for the purposes of auditing the reserves and resources of the Group.
- We concluded that indicators of impairment are present at Fresnillo, Saucito, Ciénega and San Julián mining units.
- We consider that management's discount rates applied are within the range of acceptable values for Ciénega, Soledad-Dipolos and San Julián, but below our independently calculated range for Fresnillo, Saucito, Herradura and Juanicipio. Consequently, we assessed the impact of using discount rates within our range and concluded that no impairment charges are required.
- We concluded prices used by management fall within our range of acceptable values calculated independently by our engaged specialists.
- Other inputs such as production and operational costs included in the models were considered to be reasonable.
- Based on the procedures performed, we concluded that the carrying values of mining assets of all cash generating units, including Fresnillo, are recoverable at 31 December 2023, and that therefore no impairment charges were required.
- We concluded that the sensitivity disclosures in the financial statements are appropriate.

Key audit matter: Recoverable amount of investment in subsidiaries (Parent Company only) ❹

Investments in subsidiaries (US$3,320.7 million, 2022: US$4,016.1 million) are more sensitive to changes in recoverable value than the Group's underlying mining assets because these investments were re-measured at fair value in 2008 when the Group was established ahead of its Initial Public Offering, and have been subject to previous impairment charges including last year.

- The principal driver of the recoverable amount of investments in subsidiaries is the estimated value of underlying mining assets held by the Group's subsidiaries. Refer to related considerations in the key audit matter above.
- In addition, management estimates the recoverable value of exploration projects in considering the recoverable value of subsidiaries.
- Changes to assumptions could lead to material changes in estimated recoverable amounts, resulting in either impairment or reversals of impairment taken in prior years (2023 aggregate net impairment of US$730.8 million, 2022: US$1,755.0 million).

Our judgement is that the level of risk in this area, on balance, remains consistent with the prior year.

As with the recoverable amount of mining assets, in the current year we have also considered the possible effect of climate change in the impairment trigger assessment.

Management's assessment of the judgement and estimation required is set out in note 2 to the Parent Company financial statements, with management's assessment of investments in subsidiaries included in note 5.

Our audit response

We performed full scope audit procedures over this risk area in one component, which covered 100% of the risk amount.

Indicators of impairment and methodology used to estimate recoverable values	· We assessed the methodology used by management to determine whether there were any indicators of impairment for each investment in subsidiaries to ensure that this is consistent with accounting standards. Refer to the 'our audit response' section of the key audit matter above with respect to procedures performed relating to the recoverable value of mining assets. · We evaluated management's approach to valuing exploration prospects.
Key assumptions used in management's estimate of the recoverable values of investments in subsidiaries	· Refer to the key audit matter above with respect to procedures performed relating to the recoverable value of mining assets. · We performed sensitivity analysis on management's calculated recoverable values for alternative assumptions for metals prices, production, costs and the discount rate applied.
Sensitivity disclosures	· We assessed the appropriateness of sensitivity disclosures included in the Parent Company financial statements considering our other audit procedures.

Key observations communicated to the Audit Committee ❹

- We confirmed that our observations with respect to reserves and resources set out in the key audit matter in respect of the recoverable amount of mining assets above are also relevant for the recoverable amounts of investments in subsidiaries.
- We considered the approach to determining the recoverable value of investments in subsidiaries, including the valuation of exploration assets, to be appropriate.
- Our procedures confirmed that the estimates of operating and capital costs are consistent with the production profiles of respective mines and related mine plans.
- We consider that prices used in the models are reasonable.
- We consider that management's discount rates applied are within the range of acceptable values for Ciénega, Soledad-Dipolos and San Julián, but below our independently calculated range for Fresnillo, Saucito, Herradura and Juanicipio. On this basis, we have assessed the impact of using discount rates within our range for the units where the discount rate was below our independent range on the impairment models. This would have resulted in an additional impairment charge of US$26.4 million, which was not adjusted by management and which we have determined is not material.
- We concluded that the impairment and sensitivity disclosures reflected in the Parent Company financial statements is appropriate.

Key audit matter: Re-estimation of quantities held in leaching pads at Penmont ❺

- The recoverable quantity of gold from leaching pads is an estimate requiring consideration of a number of variables and is likely to evolve over time as further information is obtained from ongoing leaching activities and the analysis of the ore deposited.
- We consider that there is a risk of manipulation of the estimate as a result of management judgement involved in interpreting the results of ongoing sales recovery information from the pads.
- There is also judgement involved in the timing of the recognition of any change in estimate and the related effects on the financial statements.
- An increase in estimated recoverable gold content would result in a reduction of the cost of inventory per ounce and therefore of cost of sales.

Our judgement is that the level of risk in this area has increased with respect to the prior year.

We have made significant changes to our audit response compared to the prior year.

Management's assessment of the judgement and estimation required is set out in note 2 to the consolidated financial statements, with the results of management's assessment in note 15.

Our audit response

We performed full scope audit procedures over this risk area in the impacted component, which covered 100% of the risk amount.

Methodology applied to make estimate	• We assessed the competence, capabilities and objectivity of management's geologist involved in estimating the recoverable quantity of gold from leaching pads. • We engaged an external specialist (geologist) to evaluate management's process for estimating the quantity of recoverable gold from leaching pads.
Calculation of estimate and related financial statement effects	• We challenged management's conclusion that there were sufficient operational indicators to suggest that a change to the estimated recovery rate was required at the beginning of the year by analysing various operational data points. • With geological input from our specialist, we challenged the acceptability of the methodology used by management to arrive at the estimated rate of recovery and the related assumptions. • We tested the inputs into the calculation of the quantities held in leaching pads, including those relating to the estimated recovery rate, and agreed these back to other audit evidence obtained during the course of the audit, where relevant.
Management override	• We considered indicators of management bias in estimating the recovery rate. • As the evaluation of related controls requires the evaluation of the assumptions used in, and the output of, that process, we do not seek to rely on these controls. We increased the level of challenge when performing our substantive procedures, including the engagement of a specialist as discussed above.
Appropriateness and completeness of disclosures	• We assessed the appropriateness and completeness of disclosures included in the notes to the financial statements.

Key observations communicated to the Audit Committee ❺

- Based on our knowledge of the Group's mining operations, we recognised that heap leach recovery rates are an estimate that continues to be refined as new information is obtained.
- We concluded that the prospective change to the estimated recovery rate from the outset of 2023 was appropriate.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

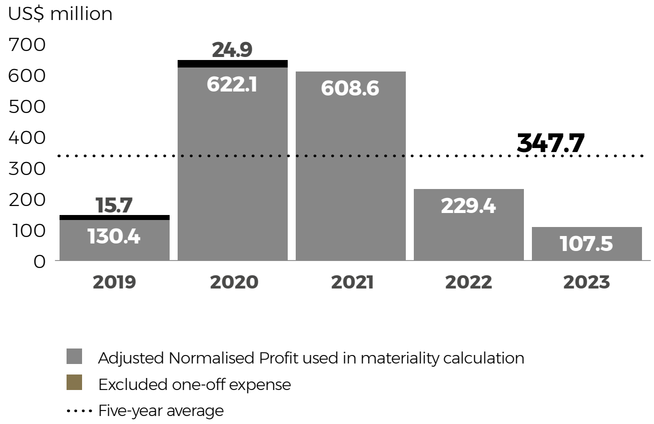
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC
CONTINUED

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US$17.0 million (2022: US$21.0 million), which is 5% (2022: 5%) of the five-year average profit before tax prior to Silverstream revaluation effects, adjusted for any material one-off transactions ('Adjusted Normalised Profit'). At planning, we use forecast profit figures to estimate materiality for 2023. We revisited our materiality at year-end noting that actual profits for the year supported our assessment made at planning. We believe this measure of profit represents one of the main considerations for members of the Group, particularly as the Silverstream revaluation effects are principally non-cash in nature and one-off transactions are not reflective of the ongoing operations of the business.

We have concluded that, solely for the purposes of determining materiality, there are sufficient indicators to normalise the basis for determining materiality using the five-year average, which is in line with the directors' viability assessment period. An illustration of our approach to Adjusted Normalised Profit is set out below, with profit before tax prior to Silverstream revaluation effects as the starting point.



We determined materiality for the Parent Company to be US$42.4 million (2022: US$47.1 million) which is 1% (2022: 1%) of equity. The materiality of the Parent Company is higher than that of the Group, reflective of the Parent Company's primary role being that of a holding company.

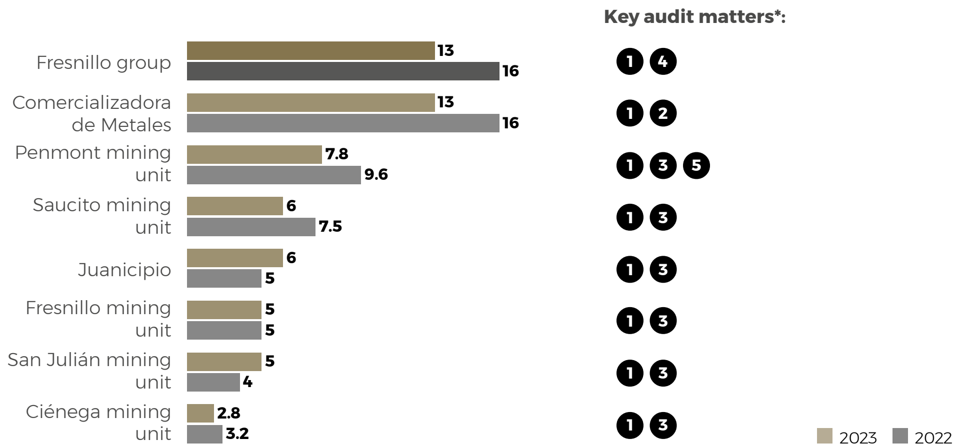
Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely US$13.0 million (2022: US$16.0 million) for the Group and US$31.8 million (2022: US$35.3 million) for the Parent Company. We have set performance materiality at this percentage due to the level of historical misstatements, our ability to assess the likelihood of misstatements and the effectiveness of the internal control environment.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component.

Assigned performance materiality decreased in all components, reflecting the overall performance of the Group. Where assigned performance materiality decreased, this represents the changes in the relative contribution of profit of that component. The allocation of performance materiality to full scope components is as follows:



* The icons correspond to the key audit matters set out above. Audit procedures in respect of the recoverable amount of investments in subsidiaries are performed at the performance materiality of the standalone parent company financial statements.

Reflecting the fact that dividends are a key focus for shareholders and that the dividends are derived from the operating results of the Group, we apply Group materiality to our procedures around dividends, including distributable reserves.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$0.85 million (2022: US$1.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC
CONTINUED

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatement in:
- the Strategic report or the Directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance statement has not been prepared by the Company.

Corporate Governance Statement
We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance statement is materially consistent with the financial statements or our knowledge obtained during the audit:
- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 185;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 184-185;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 185;
- Directors' statement on fair, balanced and understandable set out on page 224;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 221;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 221-222; and
- The section describing the work of the Audit Committee set out on pages 212-224.

Responsibilities of Directors
As explained more fully in the Directors' Responsibilities statement set out on page 248, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those related to the reporting framework (UK adopted international accounting standards and Companies Act 2006 and UK Corporate Governance Code), regulations impacting mining operations including mining laws, environmental and labour regulations and tax and employee profit-sharing requirements in Mexico.
- With the assistance of our forensics specialists, we understood how Fresnillo plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included using data analytics to test manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error. In the current year, forensic specialists reviewed our fraud risk assessment and assisted on our journal entry testing procedures.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of Group management and those charged with governance, legal counsel, internal audit, and the risk and compliance departments; journal entry testing, with a focus on manual journals and those indicating large or unusual journals based on our understanding of the business; and challenging the assumptions and judgements made by management in respect of significant accounting estimates. Where observations are raised about management's process or controls surrounding compliance with laws and regulations by us or others, we consider the potential effect of those observations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company at its annual general meeting in May 2008 to audit the financial statements of the Company for the period ending 31 December 2008 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor of the Company for the period ending 31 December 2017 and subsequent financial periods. Our total uninterrupted period of engagement is 16 years, covering periods from our initial appointment through to the period ended 31 December 2023.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Steven Dobson
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 March 2024

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December 2023 US$ thousands			Year ended 31 December 2022 US$ thousands		
	Notes	**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	Year ended 31 December **2023** **US$ thousands**	 2022 US$ thousands
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

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
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).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

		Attributable to the equity holders of the Company										
	Notes	Share capital	Share premium	Capital reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
												US$ thousands
Balance at 1 January 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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

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

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue by the Board of Directors of Fresnillo plc on 4 March 2024.

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 and in accordance with the provisions of the Companies Act 2006.

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above in the Strategic report on pages 2-167. The financial position of the Group, its cash flows and liquidity position are described in the Financial review in pages 64-75. 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 five 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

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-Dipolos assets:

In 2009, five members of the El Bajío agrarian community in the state of Sonora, who claimed rights over certain surface land in the proximity of the operations of Minera Penmont ('Penmont'), submitted a legal claim before the Unitarian Agrarian Court (Tribunal Unitario Agrario) of Hermosillo, Sonora, to have Penmont vacate an area of this surface land. The land in dispute encompassed a portion of surface area where part of the operations of the Soledad-Dipolos mine are located. The litigation resulted in a definitive court order, with which Penmont complied by vacating 1,824 hectares of land 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 and 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 that the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

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.
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued
(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 12 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

(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 recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

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.
  - 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 Julián 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

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 Ciénega 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 Julián 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 on page 282 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Segment reporting continued

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	Ciénega	Saucito	Noche Buena	San Julián	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 dams at San Julián 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.

Year ended 31 December 2022
US$ thousands

	Fresnillo	Herradura	Ciénega	Saucito	Noche Buena	San Julián	Juanicipio[4]	Other[5]	Adjustments and eliminations	Total
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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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[1]	**1,957.72**	1,799.26
Silver[1]	**23.64**	21.72

1 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 Ciénega (2022: Main activities were related with the evaluation of improvement in tailing dams in Fresnillo and Ciénega and closure activities in the San Ramón 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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: (24.0%))	**(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 Northern Border Zone. The future effects of inflation and exchange rate will depend on future market conditions.

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

	Year ended 31 December	
	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. Income tax expense continued

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 authorisation 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 amortisation, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. Property, plant and equipment

	Year ended 31 December 2023[3]					
	US$ thousands					
	Land and buildings	Plant and equipment[4]	Mining properties and development costs	Other assets[2]	Construction in progress	Total
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.

	Year ended 31 December 2022[3]					
	US$ thousands					
	Land and buildings	Plant and equipment[4]	Mining properties and development costs	Other assets[2]	Construction in progress	Total
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-off 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
Ciénega	**13,432**	53,204
San Julián	**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$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 US$2.00 in years one to five and US$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 US$5.65 per ounce (2022: US$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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Silverstream contract continued

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 3.5 moz (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 what a market participant would consider, the model includes the proportion of resources that are expected to be converted into reserves. Out of the 82.8 moz 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 12 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 27 (a))	**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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 transferable.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 two to 21 years from 31 December 2023 after the ending of mine operation at Noche Buena mine (one to 22 years from 31 December 2022). As at 31 December 2023 the weighted average term of the provision is ten 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** **(50)**	**11,710** **(24,205)**	**10%** **(5%)**	**(21,990)** **12,731**	**5%** **(5%)**	**14,616** **(14,616)**
2022	50 (50)	12,030 (13,110)	5% (5%)	(8,679) 9,593	5% (5%)	12,360 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. Pensions and other post-employment benefit plans continued

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$10.7 million) relates to statutory seniority premiums for unionised workers which are not funded. The expected contributions to the plan for the next annual reporting period are US$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 Julián	**14,655**	9,745
Juanicipio	**12,246**	47,809
Herradura	**6,610**	11,024
Ciénega	**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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
				US$ thousands
	Buildings	**Computer equipment**	**Plant and equipment**	**Total**
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
				US$ thousands
	Buildings	Computer equipment	Plant and equipment	Total
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 31 January 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 ongoing 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. Related-party balances and transactions continued

(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.[1]	**56,636**	34,755
Servicios Especializados Peñoles, S.A. de C.V.[2]	**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

1 Includes US$0.6 million (2022: US$0.8 million) corresponding to expenses reimbursed.
2 Includes US$9.6 million (2022: US$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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Auditor's remuneration

Fees due by the Group to its auditor during the year ended 31 December 2023 and 2022 are as follows:

Class of services	Year ended 31 December 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

Financial assets:	Amortised cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
				As at 31 December 2023
				US$ thousands
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:	Amortised 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**	**–**	**–**

Financial assets:	Amortised cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
				As at 31 December 2022
				US$ thousands
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:	Amortised 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 18 months US$72.6 million short-term and US$22.7 million long-term (2022: nine to 18 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:

	Carrying amount		Fair value	
				As at 31 December
	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. Financial instruments continued

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31. Financial risk management continued

(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.

	Increase/(decrease) in commodity prices					
Year ended 31 December	Gold	Silver	Zinc	Lead	Effect on profit before tax: increase/ (decrease) US$ thousands	Effect on equity: increase/ (decrease) US$ thousands
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 counterparty. 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 percent 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31. Financial risk management continued

(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.

PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2023

	Notes	As at 31 December 2023 US$ thousands	2022 US$ thousands
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**3,320,703**	4,016,111
Equity instruments at FVOCI	15	**107,991**	158,813
Deferred tax asset	4	**68,916**	61,689
Loans to subsidiaries	12	**28,924**	122,005
		3,526,534	4,358,618
Current assets			
Loans to subsidiaries	12	**1,358,798**	951,126
Income tax recoverable		**24**	109
Trade and other receivables	6	**708**	773
Derivative financial instruments	15	**79**	231
Cash and cash equivalents	7	**215,894**	559,681
		1,575,503	1,511,920
Total assets		**5,102,037**	5,870,538
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	8	**368,546**	368,546
Share premium	8	**1,153,817**	1,153,817
Merger reserve	8	**1,318,114**	2,048,880
Fair value reserve of financial assets at FVOCI	8	**35,708**	72,903
Retained earnings	8	**1,367,044**	1,064,540
Total equity		**4,243,229**	4,708,686
Non-current liabilities			
Interest-bearing loans	10	**839,002**	840,678
		839,002	840,678
Current liabilities			
Trade and other payables		**19,806**	2,808
Derivative financial instruments	15	**–**	487
Interest-bearing loans	10	**–**	317,879
		19,806	321,174
Total liabilities		**858,808**	1,161,852
Total equity and liabilities		**5,102,037**	5,870,538

The Company loss is US$319.9 million for the year ended 31 December 2023 (2022: loss of US$1,526.7 million). In accordance with the exemption granted under section 408 of the Companies Act 2006 a separate income statement for the Company has not been presented.

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

PARENT COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 31 December 2023 US$ thousands	Year ended 31 December 2022 US$ thousands
Net cash from operating activities	14	**15,736**	28,107
Cash flows from investing activities			
Capital contribution to subsidiaries	5	**(35,358)**	(32,490)
Loans granted to subsidiaries		**(2,303,026)**	(2,043,114)
Proceeds from repayment of loans granted to subsidiaries		**2,125,429**	1,900,729
Interest received		**102,920**	24,420
Dividends received		**233,610**	177,389
Purchase of equity instruments at FVOCI		**(2,313)**	–
Net cash generated from investing activities		**121,262**	26,934
Cash flows from financing activities			
Loans granted by subsidiaries		**50,000**	68,000
Repayment of loans granted by subsidiaries		**(50,000)**	(68,000)
Repayment of interest-bearing loans	10	**(317,879)**	–
Dividends paid[1]	9	**(108,267)**	(201,338)
Interest paid		**(56,422)**	(56,459)
Net cash used in financing activities		**(482,568)**	(257,797)
Net decrease in cash and cash equivalents during the year		**(345,570)**	(202,756)
Effect of exchange rate on cash and equivalents		**1,783**	(2,037)
Cash and cash equivalents at 1 January		**559,681**	764,474
Cash and cash equivalents at 31 December	7	**215,894**	559,681

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

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital	Share premium	Merger reserve	Fair value reserve of financial assets at FVOCI	Retained earnings	Total equity
Balance at 1 January 2022		368,546	1,153,817	3,803,882	76,901	1,038,138	6,441,284
Loss for the year		–	–	–	–	(1,526,691)	(1,526,691)
Other comprehensive loss net of tax		–	–	–	(3,998)	–	(3,998)
Total comprehensive income for the year		–	–	–	(3,998)	(1,526,691)	(1,530,689)
Transfer of reserves		–	–	(1,755,002)	–	1,755,002	–
Dividends declared and paid	9	–	–	–	–	(201,909)	(201,909)
Balance at 31 December 2022		368,546	1,153,817	2,048,880	72,903	1,064,540	4,708,686
Loss for the year		**–**	**–**	**–**	**–**	**(319,939)**	**(319,939)**
Other comprehensive loss net of tax		**–**	**–**	**–**	**(37,195)**	**–**	**(37,195)**
Total comprehensive income for the year		**–**	**–**	**–**	**(37,195)**	**(319,939)**	**(357,134)**
Transfer of reserves		**–**	**–**	**(730,766)**	**–**	**730,766**	**–**
Dividends declared and paid	9	**–**	**–**	**–**	**–**	**(108,323)**	**(108,323)**
Balance at 31 December 2023		**368,546**	**1,153,817**	**1,318,114**	**35,708**	**1,367,044**	**4,243,229**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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. The Company is a Mexican resident for taxation purposes with tax residency in Mexico City. For further information see note 4.

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 country of incorporation of Peñoles is Mexico. Copies of Peñoles' accounts can be obtained from www.penoles.com.mx.

The primary activity of the Company is as a holding company for the Fresnillo Group of companies (see note 5).

The financial statements of the Company for the year ended 31 December 2023 were authorised for issue by the Board of Directors of Fresnillo plc on 4 March 2024.

2. Significant accounting policies

(a) Basis of preparation and statement of compliance

The Company's separate financial statements have been prepared in accordance with UK adopted international accounting standards and the requirements of the Companies Act 2006.

The financial statements of the Company have been prepared on a historical cost basis, except for certain derivative financial instruments and equity securities which have been measured at fair value.

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

The basis of preparation and accounting policies used in preparing the financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless otherwise stated.

Going concern

The financial position of the Company and its cash flows are set out in the balance sheet and statement of cashflows respectively. In addition, note 16 includes: the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

In making their assessment of the Company's ability to manage its future cash requirements, the Directors have considered the Company budgets and the cash flow forecasts for the period to 31 December 2025 (being the going concern assessment period). The Directors have also considered the cash position as of 31 December 2023 (US$215.9 million) and the net current asset position (US$1,575.5 million).

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 financial statements.

(b) Changes in accounting policies

The accounting policies adopted in the preparation of the separate financial statements are consistent with those applied in the preparation of the separate financial statements for the year ended 31 December 2022.

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

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

The Company has evaluated the applicability of Pillar II rules considering that the Company is 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 IASB has issued other amendments resulting from improvements to IFRSs that management considers do not have any impact on the accounting policies, financial position or performance of the Company. The Company 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 Company's 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 financial statements. These judgements and estimates are based on management's knowledge of the relevant facts and circumstances, with regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is in the accounting policies and the notes to the financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

Judgements

Areas of judgement, apart from those involving estimations, that have the most significant effect on the amounts recognised in the separate financial statements for the year ended 31 December 2023 are:

Deferred tax asset (note 4):
The Company has recognised a deferred tax asset of US$68.9 million (2022: US$61.7 million) mainly in respect of tax losses amounting to US$239.0 million (2022: US$277.7 million). In accordance with there are no tax losses expiring in a period of four years (2022: US$26.5 million) and US$239.0 million (2022: US$251.2 million) will expire in a period between eight and ten years. The Company has performed an assessment of the recoverability of tax losses before their expiration based on financial and tax projections. Despite an accounting loss in the current and prior periods, management have considered the taxable profit generated in the current year of US$91.3 million and based on a consideration of this, combined with future projections of taxable profit, consider that there is evidence that sufficient taxable profits will be available against which the unused tax losses can be utilised.

Climate change:
We describe how climate-related risks and opportunities (CROs) may affect and was considered in the preparation of the financial statements in note 2 (c) to the Consolidated Financial Statements. Because the cash flows underpinning the recoverable amount of mining assets also underpin the recoverable amount of investments in subsidiaries holding those mining assets, the considerations set out in that note also apply to the Parent Company financial statements. The Company does not have any assets or liabilities for which measurement is directly linked to climate change performance (for example: Sustainability-Linked Bonds).

As disclosed in note 2 (c) to the Consolidated Financial Statements, 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 of the Group's assets and liabilities in future reporting periods, which could ultimately result in material changes in the carrying value of the Company's assets and liabilities. However, as at the balance sheet date, management believes there is no material impact on the Company's balance sheet carrying values of assets or liabilities.

Estimates and assumptions

The significant area of estimation uncertainty made by management in preparing the financial statements is:

- Recoverable value of investments in subsidiaries (notes 2 (e) and 5):
  The Company assesses investments in subsidiaries annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and the value in use. Due to the nature of the subsidiaries, the assessment of the recoverable amount is generally determined based on the net present value of future cash flows related to the subsidiaries requiring the use of estimates and assumptions such as long-term commodity prices, estimated and economically-proven and probable reserves, as well as certain other resources that are assessed as highly likely to be converted into reserves and the associated production profiles, discount rates, future capital requirements and productions costs. 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 determination of that rate requires certain judgements.

  Where an impairment charge has previously been recognised, the Company assesses at the end of each reporting period whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that investment, requiring similar estimates and assumptions as those for determining an impairment charge. At 31 December 2023 the Company recognised an impairment charge of US$730.8 million (2022: net impairment charge of US$1,755.0 million) resulting in a cumulative impairment relating to subsidiaries of US$4,471.5 million (2022: US$3,740.7 million).

(d) Foreign currency translation

The Company's financial statements are presented in US dollars, which is the functional currency of the Company. The functional currency for the Company is determined by the currency of the primary economic environment in which it operates.

Transactions denominated in currencies other than the functional currency of the Company 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 valued is determined.

(e) Investments in subsidiaries

Subsidiaries are entities which the Company controls due to it being exposed to, or having 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. Investments in subsidiaries are recognised at acquisition cost less any provision for impairment. Impairment charges and reversals, up to the value of the merger reserve, are reclassified from retained earnings to the merger reserve.

When the Company increases its capital investment in or where there is a return of share capital from its subsidiaries, such movements are recognised as an addition to, or return of the original cost recognised in investment in subsidiaries. Dividends are recognised as other income in the income statement when the right of payment has been established.

At each reporting date, an assessment is made to determine whether there are any indicators of impairment. Where an indicator of impairment exists, an estimate of the recoverable amount of the investment in subsidiary is made, which is considered to be the higher of the fair value less costs of disposal and the value in use. The Company usually determines FVLCD based on the net present value of the future cash flows related to its subsidiaries. If the carrying amount of an investment exceeds the recoverable amount, a provision is recorded in the income statement to reflect the investment at the recoverable amount.

Where an impairment charge has previously been recognised, an assessment is made at the end of each reporting period whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, an estimate of the recoverable amount is made. An impairment loss is reversed to profit or loss to the extent that the increased carrying value of the investment in subsidiary does not exceed that would have been determined had no impairment loss been recognised for the asset in prior years.

(f) Financial assets and liabilities

Financial assets

The Company 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 FVPL.

The classification depends on the Company'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 Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

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

Classification

The Company holds the following financial assets:

Amortised cost

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

The Company's financial assets at amortised cost include receivables from loans granted to subsidiaries.

Equity instruments designated as fair value through other comprehensive income

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI 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 income statement when the right of payment has been established, except when the Company 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 FVOCI are not subject to impairment assessment.

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

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 income statement as applicable.

The Company's derivative financial instruments 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 Company has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

For loans granted to subsidiaries the Company evaluate the expecting credit loss using a one-year probability of default corresponding to the mining industry determined by a specialised financial institution and considering an appropriate severity based on the cost of capital of the Company.

Financial liabilities

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 Company'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 Company are classified as financial liabilities at amortised cost.

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

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

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 income statement.

(g) 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.

(h) Share capital

Ordinary Shares issued by the Company are recorded at the net proceeds received, which is the fair value of the consideration received less costs that are incurred in connection with the share issue. The nominal par value of the shares issued is taken to the share capital account and any excess is recorded in the share premium account, including the costs that were incurred with the share issue.

(i) Dividends receivable

Dividends are recognised when the Company's right to receive payments is established. Dividends received are recorded in the income statement.

(j) Income tax

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 by the balance sheet date.

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 equity 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.

(k) Derivative financial instruments and hedging

The Company enters into derivative contracts in order to manage certain market risks derived from changes in foreign exchange and commodity prices which impact the financial and business transactions of its subsidiaries. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

In the Group’s consolidated financial statements certain of these derivative instruments are designated as cash flow hedges but for the purposes of the Company’s stand-alone financial statements the related hedged items are not held by the Company, so do not qualify as cash flow hedges.

Any gains and 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.

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 contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

(l) Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in notes 15.

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 Company.

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 considers 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 Company 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 Company 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 Company 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 15.

(m) 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.

Mexican Income Tax Law establishes a 10% withholding on earnings from 2014 and thereafter, for dividends paid to foreign residents and Mexican individuals.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (CUFIN). Dividends paid that exceed CUFIN are subject to an income tax payable at a rate of 30%. The tax is payable by the Company and may be credited against the normal income tax payable by the Company in the year in which the dividends are paid or in the following two years. Dividends paid from earnings previously taxed are not subject to any withholding or additional tax payment.

3. Segment reporting

Segmental information is not presented in the Company's stand-alone financial statements as this is presented in the Group's consolidated financial statements.

4. Income tax

(a) Movements in the deferred income tax liability and asset:

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Opening net asset	**61,689**	42,173
(Expense)/Income tax credit	**(8,714)**	17,802
Net credit related to items directly charged to other comprehensive income	**15,941**	1,714
Closing net asset	**68,916**	61,689

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

The amounts of deferred income tax assets and liabilities before offset as at 31 December considering the nature of the temporary differences are as follows:

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Prepayments and other assets	**(4,405)**	(4,737)
Provision for expected credit losses on loans granted to subsidiaries	**251**	104
Derivative financial instruments	**(10)**	–
Losses carried forward	**71,712**	83,259
Equity instruments at FVOCI	**1,368**	(16,937)
Net deferred tax asset	**68,916**	61,689

(b) Unrecognised deferred tax on investments in subsidiaries

The Company has not recognised all 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).

(c) Corporate Income Tax ('Impuesto Sobre la Renta' or 'ISR')

The Company is a Mexican resident for taxation purposes. The rate of current corporate income tax is 30%.

5. Investments in subsidiaries

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Opening balance	**4,016,111**	5,738,623
Impairment	**(730,766)**	(1,755,002)
Capital contributions	**35,358**	32,490
Closing balance	**3,320,703**	4,016,111

During 2023, the Company made an impairment assessment to determine whether the carrying value of each of its subsidiaries was recoverable as at 31 December 2023 and determine if prior year impairment could be reversed. As a result, a cumulative impairment loss of US$4,471.5 million is recognised with respect to certain of the Company's investment in subsidiaries (2022: US$3,740.7 million). The recoverable amount was estimated based on the Fair Value Less Cost of Disposal (FVLCD) model (2022: FVLCD).

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

5. Investments in subsidiaries continued

The following tables provide relevant information in respect of each impaired subsidiary:

	Year ended 31 December 2023			
	Impairment loss/ (reversal) in the year US$ thousand	**Cumulative impairment US$ thousand**	**Recoverable amount US$ thousands**	**Discount rate (post-tax)**
Minera Fresnillo, S.A. de C.V.	**484,667**	**2,962,556**	**916,935**	**5.96%**
Minera Mexicana la Ciénega, S.A. de C.V.	**158,723**	**850,484**	**308,907**	**6.07%**
Minera Saucito, S.A. de C.V.	**(106,844)**	**225,376**	**1,003,111**	**5.95%**
Minera San Julián, S.A. de C.V.	**120,570**	**122,120**	**501,537**	**5.97%**
Minera Penmont, S. de R.L. de C.V.	**1,071**	**178,089**	**822,812**	**5.99%**
Exploraciones Mineras Parreña, S.A. de C.V.	**72,579**	**132,860**	**89,473**	**5.96%**
	730,766	**4,471,485**		

	Year ended 31 December 2022			
	Impairment loss in the year US$ thousand	Cumulative impairment US$ thousand	Recoverable amount US$ thousands	Discount rate (post-tax)
Minera Fresnillo, S.A. de C.V.	1,058,307	2,477,889	1,329,522	6.75%
Minera Mexicana la Ciénega, S.A. de C.V.	185,498	691,761	366,078	6.25%
Minera Saucito, S.A. de C.V.	332,220	332,220	887,418	7.00%
Minera San Julián, S.A. de C.V.	1,550	1,550	538,877	6.25%
Minera Penmont, S. de R.L. de C.V.	177,018	177,018	807,470	7.00%
Exploraciones Mineras Parreña, S.A. de C.V.	409	60,281	162,053	5.93%
	1,755,002	3,740,719		

In determining FVLCD it is necessary to make a series of assumptions to estimate future cash flows including reserves and resources volumes and related production profile, price assumptions, cost estimates and discount rate. Accordingly, the fair value is categorised as Level 3 in the fair value hierarchy. The price assumptions used to calculate FVLCD are determined with reference analysts' consensus of long-term prices. As at 31 December 2023, the Company used long-term price assumptions of US$1,714/ounce (2022: US$1,838/ounce) and US$22.5/ounce (2022: US$24.1/ounce) for gold and silver, respectively.

Sensitivity analysis

As at 31 December 2023 management has performed a sensitivity analysis for those subsidiaries where cumulative impairment may be affected by a reasonably possible change in silver and gold prices. Management has considered a decrease in gold and silver of 10% and 10% respectively (2022: 10% gold, 15% silver). The sensitivity resulted in an additional impairment on Minera Fresnillo, S.A. de C.V. of US$251.4 million (2022: US$465.0 million), Minera Mexicana la Ciénega, S.A. de C.V. US$54.1 million (2022: US$91.4 million), Minera Saucito, S.A. de C.V. US$161.9 million (2022: US$133.0 million), Minera San Julián, S.A. de C.V. US$86.5 million (2022: 131.7 million) and Minera Penmont, S. de R.L. de C.V. US$190.4 million (2022: US$189.2 million).

Additionally, as at 31 December 2023 management has performed a sensitivity analysis for those subsidiaries where cumulative impairment may be affected by a reasonably possible change in future production and operating costs considering in isolation each input. Management has considered a decrease in future production of 10% (2022: 10%) and an increase in operating costs of 10% (2022: 8%). These sensitivities resulted in an additional impairment on Minera Fresnillo, S.A. de C.V. of US$122.1 million (2022: US$262.0 million) and US$149.9 million (2022: US$132.9 million) respectively, Minera San Julián, S.A. de C.V. of US$41.9 million (2022: US$nil) and US$36.6 million (2022: US$nil) respectively and Minera Penmont, S. de R.L. de C.V. US$94.3 million (2022: US$188.4 million) and US$119.7 million (2022: US$82.8 million) respectively.

Other than as disclosed above, management has considered that the fair value of the investments in subsidiaries are not significantly sensitive to reasonably possible change in any other key assumptions.

The subsidiaries in which investments are directly held as at 31 December 2023 and 2022 are as follows:

Legal company	Principal activity	Country of incorporation	Equity interest % Year ended 31 December 2023	2022
Minera Fresnillo, S.A. de C.V.	Production of lead/silver and zinc concentrates	Mexico[3]	**100**	100
Minera San Julián, S.A. de C.V.	Production of lead/silver and zinc concentrates	Mexico[3]	**100**	100
Minera Penmont, S. de R.L. de C.V.[1]	Production of doré bars (gold/silver)	Mexico[3]	**56**	56
Minera Mexicana La Ciénega, S.A. de C.V.	Production of lead and zinc concentrates and silver precipitates	Mexico[3]	**100**	100
Minera Saucito, S.A. de C.V.	Production of lead and zinc concentrates	Mexico[3]	**100**	100
Equipos Mineros Nazas, S.A. de C.V.	Leasing of mining equipment	Mexico[3]	**100**	100
Proveedora de Equipos Fresne, S de R.L. de C.V.[1]	Leasing of mining equipment	Mexico[3]	**56**	56
Equipos Mineros la Hacienda, S.A. de C.V.	Leasing of mining equipment	Mexico[3]	**100**	100
Proveedora de Equipos Jerez, S.A. de C.V.	Leasing of mining equipment	Mexico[3]	**100**	100
Equipos Chaparral, S.A. de C.V.	Leasing of mining equipment	Mexico[3]	**56**	56
Minera Juanicipio, S.A. de C.V.	Production of lead/silver and zinc concentrates	Mexico[3]	**56**	56
Comercializadora de Metales Fresnillo, S.A. de C.V.	Holds rights over silver production from Peñoles' polymetallic Sabinas mine through the Silverstream contract	Mexico[3]	**100**	100
Exploraciones Mineras Parreña, S.A. de C.V.	Exploration services	Mexico[3]	**100**	100
Exploraciones y Desarrollos Mineros Coneto, S.A. P. I. de C.V.	Exploration services	Mexico[3]	**55**	55
Minera El Bermejal, S. de R.L. de C.V.	Mining equipment leasing	Mexico[3]	**56**	56
Compañía Minera Las Torres, S.A. de C.V.	Mine project	Mexico[3]	**100**	100
Servicios Administrativos Fresnillo, S.A. de C.V.	Administrative services	Mexico[3]	**100**	100
Operaciones Fresnillo, S.A. de C.V.	Administrative services	Mexico[3]	**100**	100
Servicios de Exploración Fresnillo, S.A. de C.V.	Administrative services	Mexico[3]	**100**	100
Prestadora de Servicios Jarillas, S.A. de C.V.	Administrative services	Mexico[3]	**100**	100
Fresnillo Management Services, Ltd	Administrative services	UK[4]	**100**	100
Fresbal Investments, Ltd	Holding company for mining investments	Canada[5]	**100**	100
Fresnillo Perú, S.A.C.	Exploration services	Peru[6]	**100**	100
Parreña Perú, S.A.C.	Exploration services	Peru[6]	**100**	100
Fresnillo Chile, SpA	Exploration services	Chile[7]	**100**	100
Minera Capricornio, SpA	Exploration services	Chile[7]	**100**	100
Caja de Ahorros Fresnillo, S.C.[2]	Administrative services	Mexico[3]	**–**	–

The list of subsidiary undertakings presented in this note represents the full list of subsidiary undertakings, required to be submitted by Section 409 of the Companies Act 2006.

1 The remaining 44% interest in these companies are held by Comercializadora de Metales Fresnillo, S.A. de C.V. a wholly-owned subsidiary of the Company.
2 Whilst Fresnillo plc holds no direct ownership in Caja de Ahorros Fresnillo, S.C. the entire share capital of the Company is held through its subsidiaries.
3 The registered address for all Mexican subsidiaries is: Calzada Saltillo 400 No. 989, Torreón, Coahuila 27250.
4 Registered address is: Second Floor, 21 Upper Brook Street, London W1.
5 Registered address is: 355 Burrard Street, Suite 1800, Vancouver, BC, V6C 2G8.
6 Registered address is: República de Colombia 643, Piso 9, Distrito San Isidro, Lima 27.
7 Registered address is: Apoquindo 4775 oficina 1002 – Las Condes, Santiago de Chile.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

6. Trade and other receivables

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Other receivables from subsidiaries (note 12)	**–**	361
Prepayments	**708**	412
	708	773

As of 31 December for each year presented, other receivables from related parties were neither past due nor credit-impaired. In determining the recoverability of a receivable, the Company performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparty.

Balances corresponding to prepayments and other receivables are not considered as financial assets.

7. Cash and cash equivalents

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Cash at bank and on hand	**101**	188
Short-term deposits	**215,793**	559,493
Cash and cash equivalents	**215,894**	559,681

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 Company, and earn interest at the respective short-term deposit rates. Short-term deposits can be withdrawn at call without any penalty or loss in value.

8. 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 $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 transferable.

Reserves

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

Merger reserve
The merger reserve represents the difference between the value of the net assets acquired as part of the Pre-IPO reorganisation and the nominal value of the shares issued pursuant to the Merger Agreement. Movements in this reserve during 2023 and 2022 represent the impairment losses and reversals of the carrying value of Fresnillo's investments in subsidiaries transferred from retained earnings.

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

Retained earnings
This reserve records the accumulated results of the Company, less any distributions and dividends paid.

9. 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	**(56)**	(571)
Dividends paid	**108,267**	201,338

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 Company.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

10. Interest-bearing loans

Senior Notes

On 13 November 2013, the Company 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 Company 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 Company 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
Accrued interest[1]	**53,919**	56,475
Payments of 5.500% Notes	**(317,879)**	–
Interest paid	**(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 Company 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 Company 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 Company shall not pledge or allow a pledge on any property that may have a material impact on business performance (key assets). Nevertheless, the Company may pledge the aforementioned properties provided that the repayment of the Notes keeps the same level of priority as the pledge on those assets.

11. Contingencies

The Company is subject to various laws and regulations which, if not observed, could give rise to penalties. As of 31 December 2023, the Company has the following contingencies:

- 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 these or any future inspections that may be initiated. However, management believes that its interpretation of the relevant legislation is appropriate and that the Company 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.

12. Related-party balances and transactions

Related parties are those entities owned or controlled by the ultimate controlling party and include the Company's subsidiaries disclosed in note 5. Related-party balances will be settled in cash. All the balances as at 31 December 2023 and 2022 and the transactions carried-out with related parties for the years then ended correspond to subsidiaries.

(a) Related-party accounts receivable and payable

	Accounts receivable US$ thousands		Accounts payable US$ thousands	
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022
Loans[1]	**1,387,722**	1,073,131	**–**	–
Other (note 6)	**–**	361	**4,171**	1,249
Balance as 31 December	**1,387,722**	1,073,492	**4,171**	1,249
Less – Current portion	**1,358,798**	951,487	**4,171**	1,249
Non-current portion	**28,924**	122,005	**–**	–

1 Accounts receivable derived from loans with subsidiaries are net of provision for expected credit loss of US$0.8 million (2022: US$0.3 million).

Effective interest rates on loans granted to related parties in US dollar range between 7.14% to 7.49% (2022: 2.64% to 7.18%) and in Mexican peso range from 12.86% to 13.55% (2022: 7.74% to 12.76%).

During the year the Company granted short-term loans to its subsidiaries for an amount of US$2,303 million (2022: US$2,043 million).

(b) Principal transactions with related parties (apart from dividends, additional investments and returns of capital) are as follows:

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Income:		
Interest on loans	**129,094**	55,646
Total income	**129,094**	55,646

During the year the Company received short-term loans from its subsidiaries that were fully paid for an amount of US$50 million (2022: US$68 million).

	Year ended 31 December	
	2023 US$ thousands	2022 US$ thousands
Expenses:		
Administrative services	**7,346**	3,794
Interest	**52**	89
Total expenses	**7,398**	3,883

(c) Compensation of key management personnel of the Company

Key management personnel comprise Non-executive Directors. In 2023, their compensation was US$0.8 million (2022: US$0.7 million). This compensation paid is disclosed in the Directors' Remuneration report.

13. Auditor's remuneration

The auditor's remuneration for the Company was US$1.6 million (2022: US$1.9 million) in respect of the audit of its financial statements.

Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the stand-alone financial statements because Group financial statements are prepared which include these fees on a consolidated basis.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

14. Notes to the statement of cash flows

	Notes	Year ended 31 December 2023 US$ thousands	2022 US$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Loss for the year		**(319,939)**	(1,526,691)
Adjustments to reconcile profit/(loss) for the year to net cash inflows from operating activities:			
Impairment of investment in subsidiaries	5	**730,766**	1,755,002
Dividend income		**(233,610)**	(177,389)
Income tax loss/(credit)		**8,713**	(17,619)
Net finance gain		**(102,557)**	(2,719)
Foreign exchange (gain)/loss		**(71,383)**	652
Other expenses		**489**	–
Working capital adjustments			
Increase in trade and other receivables		**(1,147)**	(1,175)
Increase/(decrease) In trade and other payables		**4,313**	(2,257)
Cash generated from operations		**15,645**	27,804
Income tax recovered		**108**	369
Income tax paid		**(17)**	(66)
Net cash generated from operating activities		**15,736**	28,107

15. Financial instruments

(a) Fair value category

	As at 31 December 2023 US$ thousands		
Financial assets:	**Amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**
Loans to related parties	**1,387,722**	**–**	**–**
Equity instruments at FVOCI	**–**	**107,991**	**–**
Derivative financial instruments	**–**	**–**	**79**

Financial liabilities:	**At amortised Cost**	**Fair value through profit or loss**
Interest-bearing loans	**839,002**	**–**
Trade and other payables	**4,171**	**–**

	As at 31 December 2022 US$ thousands		
Financial assets:	Amortised cost	Fair value through OCI	Fair value through profit or loss
Loans to related parties	1,073,131	–	–
Equity instruments at FVOCI	–	158,813	–
Derivative financial instruments	–	–	231

Financial liabilities:	At amortised Cost	Fair value through profit or loss
Interest-bearing loans	1,158,557	–
Trade and other payables	1,249	–
Derivative financial instruments	–	487

(b) Fair values

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:				
Loans to related parties[1]	**1,387,722**	1,073,131	**1,1387,722**	1,073,131
Financial liabilities:				
Interest-bearing loans[2]	**839,002**	1,158,557	**645,745**	990,588
Trade and other payables	**4,171**	1,249	**4,171**	1,249

1 Loans to related parties are categorised in Level 3 of the fair value hierarchy. The carrying amount is a reasonable approximation of fair value due the short-term period of the receivable.

2 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 US$ thousands			
	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:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	**–**	**79**	**–**	**79**
Other financial assets:				
Equity investments	**107,991**	**–**	**–**	**107,991**
	107,991	**79**	**–**	**108,070**

	As of 31 December 2022 US$ thousands			
	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:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	–	231	–	231
Other financial assets:				
Equity investments	158,813	–	–	158,813
	158,813	231	–	159,044
Financial liabilities:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	–	487	–	487
	–	487	–	487

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.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

15. Financial instruments continued

The following valuation techniques were used to estimate the fair values:

Option and forward foreign exchange contracts

The Company 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 Company 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 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.

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 Company 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

Fair value of the Company's interest-bearing loan, is derived from quoted market prices in active markets (Level 1).

Loans with related parties

Fair value of the Company's loan to related parties is determined using a discounted cash flow method based on market interest rates at each reporting date.

16. Financial risk management

Overview

The Company's principal financial assets and liabilities, other than derivatives, are comprised of equity investment at FVOCI, cash, loans to related parties, interest-bearing loans and trade payables.

The Company enters into certain derivative transactions with the purpose of managing foreign exchange risk arising on the activity and transactions of its subsidiaries.

The Company has exposure to the following risks from its use of financial instruments:
- Market risk, including foreign currency, interest rate and equity price risks.
- Credit risk.
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risks and the Company'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 Company risk management framework.

The Company's risk management policies have been established to identify and analyse the risks faced by the Company, 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 Company activities. The Company, 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 Company risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. 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, or interest rates will affect the Company 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.

Foreign currency risk

The Company is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the US dollar. Transactions in foreign currencies include the purchase of services, payment or receipt of dividends and other items. As a result, the Company has financial 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 financial assets and financial liabilities to a reasonably possible change in the US dollar exchange rate compared to the Mexican peso, reflecting the impact on the Company's profit before tax with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods. There is no impact on the Company's equity other than the equivalent change in retained earnings.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands
2023	**10%**	**426**
	(5%)	**(735)**
2022	5%	1,294
	(5%)	(1,171)

The Company's exposure to reasonably possible changes in other currencies is not material.

Commodity risk

The Company's subsidiaries have exposure to changes in metals prices (specifically 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 Company uses derivative instruments to hedge against precious metals commodity price exposure in its subsidiaries. As the Company passes through the effect of derivatives to its subsidiaries, the Company is not sensitive to changes in commodity prices.

Interest rate risk

The Company 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. The Company's earnings are sensitive to changes in interest rates on any floating element of the loans with related parties and interest earned on cash balances. Interest-bearing loans 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 and loans from related parties (for which exposure is not material) are excluded from the table below.

The following table demonstrates the sensitivity of all financial assets and financial liabilities to a reasonably possible change in interest rate applied to a full year from the balance sheet date. There is no impact on the Company'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)	**(11,810)**
2022	100	15,108
	(25)	(3,777)

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

16. Financial risk management continued

Equity price risk

The Company has exposure to changes in the price of equity instruments that it holds as equity investments held at FVOCI.

The following table demonstrates the sensitivity of available-for-sale assets to a reasonably possible change in market price of these equity instruments, reflecting the effect on the Company's profit before tax and equity:

Year ended 31 December	Increase/ (decrease) in equity price	Effect on profit before tax: increase/ (decrease)	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 Company's ordinary course of business and is applicable to cash and cash equivalents, intercompany loans and derivative financial instruments.

The Company'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 Company's exposure to bad debts is not significant. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counter party. The Company's financial assets are with counterparties that the Company considers to have an appropriate credit rating. As disclosed in note 12, the counterparties to a significant proportion of these financial assets are related parties. At each balance sheet date, the Company's financial assets were neither credit-impaired nor past due other than 'Related party accounts receivables' as is disclosed in note 12. The Company's policies are aimed at minimising losses from the foreign currency and commodity hedging contracts. The Company's foreign currency and commodity derivative contracts are entered into with large financial institutions with strong credit ratings.

The Company's surplus funds are managed by Servicios Administrativos Fresnillo, S.A. de C.V., which manages cash and cash equivalents investing in several financial institutions. In order to minimise exposure to credit risk, the Company only deposits cash and cash equivalents with financial institutions with a credit rating of M-1 (Moody's) and mxA-1+ (Standard and Poor's) and above, and only for periods of less than three months.

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 15 (a) for the maximum credit exposure for other financial assets, note 7 for cash and cash equivalents and note 12 for related-party balances.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its risk of a shortage of funds using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

The table below summarises the maturity profile of the Company financial liabilities based on contractual undiscounted payments.

					US$ thousands
	Within 1 year	**2-3 years**	**4-5 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	**4,171**	**–**	**–**	**–**	**4,171**

					US$ thousands
	Within 1 year	2-3 years	4-5 years	> 5 years	Total
As at 31 December 2022					
Interest-bearing loans	374,249	75,973	75,973	1,723,686	2,249,881
Derivatives financial instruments – liabilities	487	–	–	–	487
Trade and other payables	1,249	–	–	–	1,249

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding estimated inflows based on the contractual terms:

					US$ thousands
	Within 1 year	**2-3 years**	**4-5 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	4-5 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 Company expects to be exercised during 2024 as at 31 December 2023 and during 2023 as at 31 December 2022, either by the Company or counterparty.

Management considers that the Company 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 Company'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 (note 10), as disclosed in the balance sheet and equity investments at FVOCI (note 15).

In order to ensure an appropriate return for shareholder's capital invested in the Company, 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 Company's dividend policy aims 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. The Company aim is to maintain enough flexibility to be able to react to movements in precious metals prices and seize attractive business opportunities.

17. 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.

CONSOLIDATED AUDITED MINERAL RESOURCE STATEMENT FOR UNDERGROUND OPERATIONAL PROPERTIES[1]
AS AT 31 MAY 2023

		Quantity	Grade				Contained metal			
Resource category	**Cut-off grade[2]**	**Tonnes (kt)**	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Au (koz)**	**Ag (koz)**	**Pb (kt)**	**Zn (kt)**
Minera Fresnillo – Fresnillo/Proaño Mine – Underground										
Measured	210 g/t AgEq	11,059	0.99	616	1.18	2.12	351	218,913	130	235
Indicated		15,501	0.94	312	1.95	4.42	471	155,353	302	685
Measured and indicated		26,560	0.96	438	1.63	3.46	822	374,266	432	920
Inferred		25,684	0.83	359	1.22	2.42	682	296,605	313	621
Minera Saucito – Saucito Mine – Underground										
Measured	267 g/t AgEq	6,329	2.51	387	1.73	2.98	511	78,778	109	189
Indicated		13,134	1.45	343	1.63	2.68	613	144,845	213	352
Measured and indicated		19,462	1.80	357	1.66	2.78	1,123	223,623	323	541
Inferred		16,967	1.10	294	1.44	3.14	599	160,250	244	533
Minera Ciénega – Ciénega Complex – Underground										
Measured	Multiple[3]	5,516	4.19	288	1.38	1.85	743	51,104	76	102
Indicated		3,780	2.82	282	1.01	1.42	342	34,332	38	54
Measured and indicated		9,297	3.63	286	1.23	1.68	1,085	85,436	115	156
Inferred		4,795	2.54	266	0.65	1.05	391	41,005	31	50
Minera San Julián – San Julián Mine Underground: Veins										
Measured	175 g/t AgEq	2,147	2.47	215	–	–	170	14,804	–	–
Indicated		7,818	1.81	288	–	–	456	72,493	–	–
Measured and indicated		9,964	1.95	273	–	–	626	87,297	–	–
Inferred		6,785	1.51	247	–	–	329	53,825	–	–
Minera San Julián – San Julián Mine Underground: Disseminated										
Measured	118 g/t AgEq	6,314	0.11	177	0.54	1.40	23	36,020	34	88
Indicated		753	0.06	123	0.42	1.15	2	2,986	3	9
Measured and indicated		7,068	0.11	172	0.53	1.37	25	39,006	37	97
Inferred		167	0.06	87	0.38	1.72	–	466	1	3
Totals – Underground										
Measured and indicated	Multiple	72,351	1.58	348	1.25	2.37	3,681	809,628	907	1,714
Inferred		54,398	1.14	316	1.08	2.22	2,002	552,151	589	1,207

1 Mineral resources are reported inclusive of ore reserves. Mineral resources are not ore reserves and do not have demonstrated economic viability. All figures rounded to reflect the relative accuracy of the estimates. Gold, silver, lead and zinc assays were capped where appropriate.
2 Mineral resources are reported at metal equivalent cut-off grades based on metal price assumptions*, variable metallurgical recovery assumptions (variable metallurgical recoveries as a function of grade and relative metal distribution), mining costs, processing costs, general and administrative (G&A) costs, and variable NSR factors (NSR factors include smelting and transportation costs). The AgEq variable cut-offs grades are calculated by dividing the applicable costs by a variable Ag net value factor which includes prices, recoveries and payabilities.
3 The cut-off grade for Ciénega's mineral resources varies between 289 and 330 g/t AgEq.
· All mineral resources were estimated by Fresnillo. William Cain, B.Sc, AIPG CPG 12063 of SRK, a Competent Person reviewed and audited the resource estimates for Ciénega. Benjamin Parsons, BSc, MSc Geology, MAusIMM (CP) #222568 of SRK, a Competent Person, reviewed and audited the resource estimates for Fresnillo and Saucito. Scott Burkett, SME-RM #04229765 of SRK Consulting (U.S.), Inc., a Competent Person, reviewed and audited the resource estimates for San Julián.
* Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US$/oz 1,450.00), Silver (US$/oz 20.00), Lead (US$/lb 0.90) and Zinc (US$/lb 1.15).

CONSOLIDATED AUDITED MINERAL RESOURCE STATEMENT FOR SONORA PROPERTIES[1,2]
AS AT 31 MAY 2023

		Quantity	Grade	Contained metal
Resource category	**Cut-off grade[2]**	**Tonnes (kt)**	**Au (g/t)**	**Au (koz)**
Minera Penmont: Herradura open pit[2]				
Measured	Multiple[3]	216,494	0.85	5,909
Indicated		28,093	0.88	794
Measured and indicated		**244,586**	**0.85**	**6,704**
Inferred		23	1.40	1
Minera Penmont: Noche Buena open pit				
Measured	0.20 g/t Au	2,749	0.54	48
Indicated		1,237	1.11	44
Measured and indicated		**3,987**	**0.72**	**92**
Inferred		143	0.33	2
Minera Penmont: Soledad-Dipolos open pit[4]				
Measured	0.20 g/t Au	71,211	0.49	1,117
Indicated		3,623	0.44	51
Measured and indicated		**74,833**	**0.49**	**1,169**
Inferred		178	0.41	2
Minera Penmont: Centauro Profundo Underground[1,5]				
Measured	2.10 g/t Au	513	6.57	108
Indicated		14,458	6.32	2,936
Measured and indicated		**14,971**	**6.33**	**3,045**
Inferred		1,717	6.00	331
Totals – Open pit				
Measured and indicated	**Multiple**	**323,406**	**0.77**	**7,964**
Inferred		344	0.44	5
Totals – Underground				
Measured and indicated	**2.10 g/t Au**	**14,971**	**6.33**	**3,045**
Inferred		1,717	6.00	331

1 Reasonable prospects for eventual economic extraction (RPEEE) criteria have been applied to open-pit mineral resources through the application of cut-off grades and the use of a constraining pit shells based on a US$ 1,650/oz Au price, using similar inter-ramp angles used for ore reserve pits. Underground mineral resources comprise material below the open pit reported above a cut-off grade.
2 Assays were capped where appropriate. All figures rounded to reflect the relative accuracy of the estimates.
3 Herradura open pit mineral resources are reported at various cut-offs dependent on material types and grade. Oxide material above 0.23 g/t Au and below 1.00 g/t Au reports to the heap leach; transitional and sulfide material above 0.24 g/t and below 0.51 g/t Au reports to the heap leach; oxide material above 1.00 g/t Au reports to the mill; transitional and sulphide material above 0.51 g/t Au reports to the mill.
4 The Soledad-Dipolos mine has been subject to legal actions regarding surface access; it is assumed these actions will eventually be settled favourably and mining operations resumed.
5 Centauro Profundo underground mineral resources estimated using an assumed underground mining scenario beyond the current Herradura mineral resources open pit, with appropriate cut-off grade considered at US$1,450/oz Au price, 93% metallurgical recovery.
· The mineral resources were estimated by Fresnillo. Dinara Nussipakynova, P.Geo. (EGBC #37412, PGO #1298) of AMC reviewed and audited the resource estimates for Herradura and Centauro Profundo. Michael O'Brien, P.Geo. (EGBC #41338, FAusIMM #206669) of Red Pennant reviewed and audited the resource estimates for Soledad-Dipolos and Noche Buena.

CONSOLIDATED AUDITED MINERAL RESOURCE STATEMENT OF EXPLORATION PROJECTS AND PROSPECTS[1]
AS AT 31 DECEMBER 2023

Deposit[1]		Quantity	Grade				Contained metal			
Fresnillo subsidiary	Cut-off grade*	Tonnes (kt)	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Gold (koz)	Silver (koz)	Lead (kt)	Zinc (kt)
Measured mineral resource										
Orisyvo – disseminated Au **	0.34 g/t Au	42,330	1.34	2	–	–	1,830	2,104	–	–
Candameña – disseminated Au **		–	–	–	–	–	–	–	–	–
Leones – breccia **		–	–	–	–	–	–	–	–	–
Lucerito – breccia/mantos **		–	–	–	–	–	–	–	–	–
Rodeo – disseminated Au		–	–	–	–	–	–	–	–	–
Manzanillas – veins	US$58.30/t	75	6.76	130	–	–	16	316	–	–
San Juan – veins		–	–	–	–	–	–	–	–	–
Opulencia – veins		–	–	–	–	–	–	–	–	–
Guanajuato Centro – veins	1.80 g/t Au-Eq	2,255	0.74	40	–	–	54	2,898	–	–
Guanajuato Sur – veins		–	–	–	–	–	–	–	–	–
Cebadillas – veins		–	–	–	–	–	–	–	–	–
La Yesca – veins		–	–	–	–	–	–	–	–	–
San Nicolas – veins		–	–	–	–	–	–	–	–	–
Pilarica – mantos		–	–	–	–	–	–	–	–	–
Total Measured		**44,660**	**1.32**	**4**	**–**	**–**	**1,900**	**5,318**	**–**	**–**
Indicated mineral resource										
Orisyvo – disseminated Au **	0.36 g/t Au	195,993	1.01	1	–	–	6,334	8,542	–	–
Candameña – disseminated Au **	0.59 g/t Au-Eq	49,863	0.79	18	0.04	0.10	1,267	28,232	19	51
Leones – breccia **	–	–	–	–	–	–	–	–	–	–
Lucerito – breccia/mantos **	1.00 g/t Au-Eq	105,285	0.41	27	0.29	0.47	1,373	90,608	310	500
Rodeo – disseminated Au	0.30 g/t Au	5,629	0.57	3	–	–	103	597	–	–
Manzanillas – veins	US$58.30/t	950	3.46	67	–	–	105	2,058	–	–
San Juan – veins	US$58.30/t	3,247	1.44	156	–	–	151	16,314	–	–
Opulencia – veins	1.87 g/t Au-Eq	2,189	3.45	148	–	–	243	10,440	–	–
Guanajuato Centro – veins	1.27 g/t Au-Eq	7,569	1.55	55	–	–	376	13,360	–	–
Guanajuato Sur – veins	1.87 g/t Au-Eq	580	5.08	765	–	–	95	14,261	–	–
Cebadillas – veins		–	–	–	–	–	–	–	–	–
La Yesca – veins		–	–	–	–	–	–	–	–	–
San Nicolas – veins		–	–	–	–	–	–	–	–	–
Pilarica – mantos	US$11.00/t	11,100	–	95	0.31	0.49	–	33,901	34	55
Total Indicated		**382,404**	**0.82**	**18**	**0.09**	**0.16**	**10,046**	**218,313**	**363**	**605**
Inferred mineral resource										
Orisyvo – disseminated Au **	0.35 g/t Au	68,539	0.64	1	–	–	1,410	2,103	–	–
Candameña – disseminated Au **	0.40 g/t Au-Eq	7,278	0.44	17	0.01	0.06	104	3,985	1	4
Leones – breccia **	60 g/t Ag	7,268	0.01	112	1.44	1.26	1	26,151	105	91
Lucerito – breccia/mantos **	1.00 g/t Au-Eq	112,240	0.40	32	0.26	0.45	1,453	114,374	290	500
Rodeo – disseminated Au	0.30 g/t Au	80,804	0.47	5	–	–	1,228	13,161	–	–
Manzanillas – veins	US$58.30/t	356	1.93	44	–	–	22	507	–	–
San Juan – veins	US$58.30/t	9,252	1.45	127	–	–	431	37,749	–	–
Opulencia – veins	1.87 g/t Au-Eq	2,848	2.14	103	–	–	196	9,456	–	–
Guanajuato Centro – veins	1.33 g/t Au-Eq	23,876	1.41	58	–	–	1,086	44,422	–	–
Guanajuato Sur – veins	2.24 g/t Au-Eq	9,686	2.36	578	–	–	736	180,046	–	–
Cebadillas – veins	1.87 g/t Au-Eq	2,152	2.50	63	–	–	173	4,362	–	–
La Yesca – veins	146 g/t Ag-Eq	1,460	0.71	133	–	–	33	6,234	–	–
San Nicolas – veins	1.87 g/t Au-Eq	2,167	1.61	225	–	–	112	15,684	–	–
Pilarica – mantos	US$27.26/t	7,154	0.48	94	1.55	1.57	110	21,596	111	112
Total Inferred		**335,082**	**0.66**	**45**	**0.15**	**0.21**	**7,095**	**479,830**	**507**	**708**

1 Mineral resources are not ore reserves and do not have demonstrated economic viability. All figures rounded to reflect the relative accuracy of the estimates. Composites were capped where appropriate. Mineral resources are reported at variable metal, metal equivalent or NSR cut-off grades, assuming reasonable metal recoveries. Orisyvo, Lucerito, Candameña and Rodeo mineral resources are reported inside a conceptual pit shell based on appropriate mining and processing costs and metal recoveries for oxide and sulphide material. Equivalent metal grades are based on US$1,450 per ounce of gold, US$20.00 per ounce of silver, US$1.20 per pound of zinc, US$0.90 per pound of lead and US$3.00 per pound of copper.

* Cut-off grade calculations assume variable metallurgical recoveries.

** Mineral resources statement prepared independently by SRK CA.

CONSOLIDATED AUDITED RESERVE STATEMENT FOR UNDERGROUND OPERATIONAL PROPERTIES
AS AT 31 MAY 2023

		Quantity	Grade				Contained metal			
Deposit	**Cut-off grade[1]**	**Tonnes (kt)**	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Au (koz)**	**Ag (koz)**	**Pb (kt)**	**Zn (kt)**
Minera Fresnillo – Fresnillo/Proaño Mine – Underground[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	274 g/t AgEq	12,139	0.70	253	1.48	3.11	272	98,847	180	377
Proven and Probable		**12,139**	**0.70**	**253**	**1.48**	**3.11**	**272**	**98,847**	**180**	**377**
Minera Saucito – Saucito Mine – Underground[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	346 g/t AgEq	10,056	1.27	343	1.30	2.04	411	110,894	131	205
Proven and Probable		**10,056**	**1.27**	**343**	**1.30**	**2.04**	**411**	**110,894**	**131**	**205**
Minera Ciénega – Ciénega Complex – Underground[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	Multiple[3]	2,693	2.46	253	0.85	1.20	213	21,873	23	32
Proven and Probable		**2,693**	**2.46**	**253**	**0.85**	**1.20**	**213**	**21,873**	**23**	**32**
Minera San Julián – San Julián Mine Underground: Veins[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	240 g/t AgEq	4,311	1.52	327	–	–	210	45,340	–	–
Proven and Probable		**4,311**	**1.52**	**327**	**–**	**–**	**210**	**45,340**	**–**	**–**
Minera San Julián – San Julián Mine Underground: Disseminated[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	138 g/t AgEq	2,208	0.11	157	0.50	1.09	8	11,170	11	24
Proven and Probable		**2,208**	**0.11**	**157**	**0.50**	**1.09**	**8**	**11,170**	**11**	**24**
Totals – Underground										
Proven		–	–	–	–	–	–	–	–	–
Probable	Multiple	31,407	1.10	285	1.10	2.03	1,113	288,124	345	639
Proven and Probable		**31,407**	**1.10**	**285**	**1.10**	**2.03**	**1,113**	**288,124**	**345**	**639**

1 All figures rounded to reflect the relative accuracy of the estimates. Mineral reserves are reported at metal equivalent cut-off grades based on metal price assumptions*, variable metallurgical recovery assumptions (variable metallurgical recoveries as a function of grade and relative metal distribution), mining costs, processing costs, general and administrative (G&A) costs, sustaining capital costs and variable NSR factors (NSR factors include smelting and transportation costs). Each AgEq cut-off is calculated by dividing the appropriate cost by the corresponding Ag net value factor which includes prices, recoveries and payabilities.

2 Reserves include planned dilution to a minimum mining width and to minable outlines. Additionally, based on mining method, floor dilution is included, and appropriate mining recovery factors are applied.

3 The cut-off grades for the Ciénega reserve vary between 303 and 388 g/t AgEq.

* Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US$/oz 1,450.00), Silver (US$/oz 20.00), Lead (US$/lb 0.90) and Zinc (US$/lb 1.15).

- The reserves are valid as of 31 May, 2023. All topography is valid as of 31 May, 2023.
- All ore reserves were estimated by Fresnillo. Joanna Poeck, BEng Mining, SME (#4131289RM) & MMSA (#01387QP) of SRK, a Competent Person, reviewed and audited the San Julián Mine Disseminated reserve estimate. Anton Chan, B.Eng, M.Sc., P.Eng, MMSAQP (#01546QP) of SRK, a Competent Person, reviewed and audited all other reserve estimates. All resource material classified as measured within the mine plan have been downgraded and reported by SRK as probable reserves due to insufficient confidence in geotechnical engineering and reconciliation work.

CONSOLIDATED AUDITED ORE RESERVE STATEMENT FOR SONORA PROPERTIES AS AT 31 MAY 2023

		Quantity	Grade	Contained metal
Reserve category	Cut-off grade	Tonnes (kt)	Au (g/t)	Au (koz)
Minera Penmont: Herradura open pit				
Proven		182,897	0.83	4,901
Probable	Multiple[1]	22,974	0.82	606
Proven and Probable		**205,872**	**0.83**	**5,507**
Totals – open pit				
Proven		182,897	0.83	4,901
Probable	Multiple	22,974	0.82	606
Proven and Probable		**205,872**	**0.83**	**5,507**

1 The Herradura ore reserves that are attributed to the heap leach are reported at cut-off grades of 0.25 g/t Au for oxide ore and 0.26 g/t Au for transition and sulphide ore. Oxide material above 1.14 g/t Au and transitional and sulphide material above 0.56 g/t Au are attributed to the mill.

- ore reserves and all topography are valid as of 31 May 2023.
- ore reserves are based on a US$1,515/oz Au price.
- Full mining recovery assumed. ore reserves have no additional dilution added to that inherent in the selective mining unit of 15 × 15 × 8 m3.
- Metallurgical recoveries are based on recovery curves but average 62% for Herradura oxide heap leach, 45% for Herradura transition/fresh heap leach, 91% for Herradura ore sent to the mill.
- ore reserves are converted from mineral resources through the process of pit optimisation, pit design, and production scheduling, and are supported by a cash flow model.
- All figures rounded to reflect the relative accuracy of the estimates; numbers may not compute exactly due to rounding.
- ore reserves were estimated by Fresnillo. David Warren, BSc, MSc, P.Eng. (EGBC #15053) of AMC, a Competent Person, reviewed and audited the ore reserve estimates

AUDITED MINERAL RESOURCE STATEMENT FOR JUANICIPIO
AS AT 31 MAY 2023

		Quantity	Grade				Contained metal			
Resource category	**Cut-off grade**	**Tonnes (kt)**	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Au (koz)**	**Ag (koz)**	**Pb (kt)**	**Zn (kt)**
Measured	209 g/t AgEq	1,441	2.19	780	1.42	2.70	102	36,130	20	39
Indicated		15,555	1.83	266	3.03	5.56	916	133,039	472	865
Measured and indicated		**16,996**	**1.86**	**310**	**2.89**	**5.32**	**1,017**	**169,169**	**492**	**904**
Inferred		14,051	1.06	236	2.41	6.12	480	106,676	339	860

Notes:
- Totals may not compute exactly due to rounding.
- Mineral resources are reported inclusive of ore reserves.
- Mineral resources are not ore reserves and do not have demonstrated economic viability.
- JORC Code was used for reporting of mineral resources.
- Mineral resources are reported above 209 g/t Ag equivalent
- Mineral resources are reported at values based on metal price assumptions, metallurgical recovery assumptions, mining costs, processing costs, general and administrative (G&A) costs, and variable smelting and transportation cost.
- Metal price assumptions considered for the calculation of metal equivalent values are Au (US$1,450.00/oz), Ag (US$20.00/oz), Pb (US$0.90/lb) and Zn (US$1.15/lb).
- Assumed metal recoveries of 75.84%, 87.06%, 86.33% and 74.48% for Au, Ag, Pb and Zn, respectively and NSR factors of US$30.71/g Au, US$0.46/g Ag, US$15.01/% Pb and US$11.36/% Zn were used.
- The mineral resources were estimated by Fresnillo. Dinara Nussipakynova, P.Geo. (EGBC #37412, PGO #1298) a Competent Person, reviewed and audited the mineral resources.

AUDITED ORE RESERVE STATEMENT FOR JUANICIPIO
AS AT 31 MAY 2023

		Quantity	Grade				Contained metal			
Reserve category	**Cut-off grade**	**Tonnes (kt)**	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Au (koz)**	**Ag (koz)**	**Pb (kt)**	**Zn (kt)**
Proven	280 g/t AgEq	735	1.48	545	1.05	1.99	35	12,865	8	15
Probable		14,622	1.59	233	2.72	4.94	746	109,357	398	722
Proven and Probable		**15,356**	**1.58**	**248**	**2.64**	**4.80**	**781**	**122,221**	**406**	**736**

Notes:
- Totals may not compute exactly due to rounding.
- All figures rounded to reflect the relative accuracy of the estimates. ore reserves are reported at variable cut-off value based on metal price assumptions, metallurgical recovery assumptions, mining costs, processing costs, G&A costs, sustaining capital costs, and variable trucking costs.
- JORC Code was used for reporting of ore reserves.
- NSR values are calculated as:
  - NSR = 30.71*Au+0.46*Ag+15.01*Pb+11.36*Zn. Units Au (g/t), Ag (g/t), Pb (%), Zn (%).
  - NSR factors are based on metal prices of $1,450/oz Au, $20.00/oz Ag, $0.90/lb Pb, and $1.15/lb Zn and estimated recoveries of 73.21% Au, 85.83% Ag, 86.63% Pb, and 76.10% Zn.
  - Payable metal assumptions for Au are 95% for lead concentrates, and 65% for zinc concentrate; for Ag: 95% for lead concentrates, and 70% for zinc concentrate. Lead 95% payable and zinc 85% payable.
  - The all-inclusive operating costs for longhole stopes and cut-and-fill stopes are $122/tonne and $150/tonne respectively (280 g/t AgEq based on weighted average for mining method). The marginal stope cut-off value is generally above $121/t for cut-and-fill and $93/t for longhole stopes.
  - An additional operational floor mucking dilution of 0.5m for longhole and cut-and-fill stopes is applied to the ore reserve calculation. An extra endwall dilution for longhole stopes is 0.5m.
  - Mining recovery factors are 95% for longhole stopes and 98% for cut-and-fill stopes. Mining recovery factor for ore drive development is 99%. Mining recovery factor for both sill pillars and rib pillars is 0%.
  - Exchange rate of 19 MXP to US$1.
  - The ore reserves were estimated by Fresnillo. Paul Salmenmaki. P.Eng. (EGBC #40227), a Competent Person, reviewed and audited the ore reserves.

OPERATING STATISTICS

							ORE PROCESSED (tonnes)							**SILVER (grammes/tonne)**
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Fresnillo	2,447,394	2,443,440	2,461,785	2,336,943	2,216,467	2,462,409	**2,618,509**	229.6	213.8	184.5	193.9	186.2	188.7	**170.2**
Ciénega	1,302,409	1,323,908	1,329,134	1,318,263	1,282,367	1,114,232	**1,064,543**	151.5	164.4	158.9	158.6	153.4	152.4	**147.5**
Herradura	26,027,466	22,156,792	22,926,542	19,797,063	20,311,876	22,195,187	**20,223,914**	0.9	2.7	2.9	2.6	2.1	1.6	**1.6**
Saucito	2,753,876	2,792,057	2,752,638	2,767,432	2,434,449	2,072,812	**2,163,982**	279.8	257.6	227.6	205.8	182.9	201.3	**195.2**
Saucito Pyrites	–	131,780	167,513	172,233	159,635	135,044	**109,433**	–	393.4	299.4	220.1	150.5	164.0	**199.6**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	17,820,817	18,195,744	12,166,900	6,682,617	8,996,842	7,428,189	**2,510,639**	0.1	0.1	0.2	0.7	0.2	0.2	**0.2**
San Julián – Veins	1,273,129	1,270,781	1,265,030	1,254,970	1,202,826	1,175,764	**1,142,309**	157.2	144.1	115.4	108.6	119.2	134.6	**165.6**
San Julián – DOB	945,057	2,221,433	2,226,956	2,229,612	2,070,563	2,092,971	**2,073,847**	180.3	154.4	139.5	150.3	220.6	167.9	**136.2**
Juanicipio (Total)	–	–	–	71,859	251,906	646,148	**1,268,757**	–	–	–	327.8	470.2	519.8	**472.4**

							ZINC CONCENTRATE (tonnes)							**SILVER (grammes/tonne)**
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Fresnillo	57,686	59,987	61,639	67,851	68,192	84,466	**89,932**	816	773	622	627	572	549	**504**
Ciénega	14,108	12,472	16,897	17,470	12,339	10,264	**7,219**	2,413	2,042	1,177	1,336	2,056	1,982	**3,548**
Herradura	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito	41,768	60,879	62,171	86,451	76,696	56,531	**65,273**	889	704	692	501	397	501	**532**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
San Julián – DOB	15,827	43,808	45,979	39,621	38,226	34,567	**29,350**	2,750	2,590	2,188	2,959	3,765	3,443	**3,227**
Juanicipio (Total)	–	–	–	576	4,117	16,438	**40,790**	–	–	–	1,835	1,528	1,159	**1,057**

							LEAD CONCENTRATE (tonnes)							**SILVER (grammes/tonne)**
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Fresnillo	58,675	53,930	58,679	60,157	52,035	60,094	**62,548**	7,950	7,859	6,241	6,042	6,415	6,272	**5,627**
Ciénega	16,508	12,951	13,032	14,450	9,725	8,375	**6,575**	6,966	10,689	10,797	9,292	12,465	12,519	**13,125**
Herradura	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito	53,082	63,756	56,844	71,982	64,825	47,130	**52,490**	11,731	8,978	8,632	6,110	5,499	7,304	**6,510**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
San Julián – DOB	8,634	13,434	16,200	14,363	16,644	14,657	**15,564**	11,524	12,847	10,478	11,924	14,801	12,281	**9,483**
Juanicipio (Total)	–	–	–	894	4,457	14,440	**31,157**	–	–	–	20,505	20,838	17,934	**15,127**

							DORÉ AND OTHER PRODUCTS (tonnes)							**SILVER (grammes/tonne)**
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Ciénega precipitates	67.5	70.5	56.5	58.9	54.7	46.8	**49.0**	277,557	321,707	348,315	366,889	417,407	454,399	**467,989**
Ciénega Gravimetric Concentrator	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito Pyrites precipitates	–	87.3	83.3	60.0	39.0	37.3	**26.7**	–	348,123	437,279	476,801	451,681	441,459	**551,136**
Herradura doré	44.3	79.1	79.7	66.6	53.7	46.0	**38.9**	393,103	604,868	606,458	583,752	529,334	532,056	**487,379**
Herradura slag	669.9	773.4	1,284.3	1,323.7	608.9	–	**34.8**	738	1,174	1,041	1,634	1,550	–	**480**
Soledad-Dipolos doré	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Soledad-Dipolos slag	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Fresnillo Concentrates from tailings dam	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena doré	6.7	7.7	7.8	0.4	–	–	**0.7**	31,252.3	24,479.9	98,118.4	269,785.8	–	–	**254,727.9**
Noche Buena slag	371.2	292.5	248.7	11.6	–	–	**158.7**	61.2	206.3	–	1,068.5	–	–	**962.6**
San Julián – Veins precipitates	218.4	202.1	155.6	142.8	151.1	172.2	**215.7**	845,230	836,331	862,812	877,909	869,458	837,831	**801,541**
Fresnillo precipitates	–	–	–	–	0.2	–	**21.2**	–	–	–	–	454,780	0	**566,560**
Juanicipio precipitates	–	–	–	–	0.4	15.5	**8.4**	–	–	–	–	625,852	623,760	**642,547**

							METAL PRODUCED[1,2] SILVER (ounces)							**GOLD (ounces)**
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Fresnillo	16,511,937	15,117,156	13,007,227	13,054,481	11,986,025	13,609,019	**12,771,803**	38,784	42,290	52,259	38,388	33,743	34,432	**36,909**
Ciénega	5,394,037	5,998,987	5,796,190	5,762,384	5,446,619	4,709,216	**4,334,581**	71,947	66,869	65,583	64,101	48,819	37,466	**35,934**
Herradura	551,476	1,523,453	1,563,060	1,305,572	925,825	775,948	**610,764**	473,638	474,168	482,722	425,288	421,535	349,715	**355,485**
Saucito	21,215,072	19,780,721	17,159,627	15,532,298	12,438,843	11,977,292	**12,101,782**	69,948	86,092	79,539	84,878	88,440	73,497	**72,763**
Saucito Pyrites	–	977,414	1,171,298	920,212	567,030	529,355	**473,912**	–	3,556	4,045	3,452	2,294	1,959	**1,228**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	31,324	51,616	57,754	39,340	31,574	19,830	**10,316**	172,282	167,208	127,166	87,998	96,835	79,668	**42,537**
San Julián – Veins	5,935,507	5,433,526	4,317,225	4,030,008	4,224,406	4,638,089	**5,558,565**	82,782	79,218	62,207	61,790	51,840	43,397	**41,009**
San Julián – DOB	4,598,421	9,196,272	8,691,636	9,276,125	12,547,642	9,613,719	**7,790,507**	1,750	3,125	2,393	3,134	4,006	3,330	**3,478**
Juanicipio (Attributable)	–	–	–	349,220	1,789,979	5,179,950	**9,414,788**	–	–	–	590	3,683	12,461	**20,570**
Fresnillo DLP	–	–	–	–	2,617	–	**386,609**	–	–	–	–	8	–	**733**
Fresnillo Total	54,237,774	58,079,146	51,764,018	50,269,639	49,960,562	51,052,420	**53,453,626**	911,132	922,527	875,913	769,618	751,203	635,926	**610,646**

1 Including production from Fresnillo's tailings dam.
2 All figures include 100% of production from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena).

	GOLD (grammes/tonne)							ZINC (%)							LEAD (%)						
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	0.64	0.70	0.89	0.73	0.68	0.61	**0.62**	1.72	1.75	1.80	2.07	2.20	2.38	**2.32**	0.92	0.90	1.01	1.08	1.01	1.05	**0.96**
	1.82	1.65	1.66	1.63	1.27	1.14	**1.14**	0.98	0.83	1.13	1.18	0.90	0.86	**0.63**	0.74	0.60	0.67	0.70	0.51	0.49	**0.44**
	0.64	0.76	0.80	0.77	0.76	0.69	**0.76**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	1.09	1.25	1.19	1.24	1.46	1.40	**1.34**	1.21	1.61	1.57	2.21	2.08	1.78	**1.96**	0.77	0.94	0.90	1.22	1.18	1.01	**1.06**
	–	2.77	2.32	1.92	1.50	1.44	**1.43**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	0.51	0.52	0.51	0.52	0.59	0.53	**0.47**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	2.10	2.01	1.61	1.61	1.42	1.21	**1.17**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	0.12	0.09	0.08	0.09	0.10	0.08	**0.08**	1.18	1.35	1.36	1.19	1.27	1.09	**0.94**	0.52	0.43	0.44	0.41	0.51	0.43	**0.43**
	–	–	–	0.73	1.13	1.39	**1.27**	–	–	–	0.60	1.20	1.72	**2.06**	–	–	–	0.33	0.60	0.90	**1.15**

	GOLD (grammes/tonne)							ZINC (%)							LEAD (%)						
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	2.3	2.3	2.6	2.2	1.9	1.7	**1.7**	52.0	51.8	51.2	50.3	50.6	51.3	**50.5**	–	–	–	–	–	–	**–**
	13.9	13.1	7.1	7.6	10.2	9.4	**16.1**	50.0	47.2	53.2	53.0	51.6	52.5	**49.2**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	3.8	2.8	3.1	2.4	1.6	1.6	**1.9**	48.7	48.5	47.2	49.5	48.9	50.3	**50.5**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	0.9	0.8	0.6	1.0	1.2	1.2	**1.3**	49.6	50.3	49.4	51.7	52.3	50.6	**49.1**	–	–	–	–	–	–	**–**
	–	–	–	3.7	3.6	2.4	**1.8**	–	–	–	45.9	44.9	49.1	**49.8**	–	–	–	–	–	–	**–**

	GOLD (grammes/tonne)							ZINC (%)							LEAD (%)						
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	18.3	21.8	25.0	17.3	17.6	15.4	**15.9**	–	–	–	–	–	–	**–**	35.0	36.4	36.6	35.4	36.1	36.2	**34.2**
	69.5	85.4	78.2	72.0	80.0	69.0	**73.0**	–	–	–	–	–	–	**–**	38.3	37.1	44.8	42.3	40.6	42.0	**43.8**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	0	0	0	0	0	0	**0**
	38.0	39.3	40.2	33.8	40.5	46.6	**40.8**	–	–	–	–	–	–	**–**	33.4	35.5	36.5	39.7	38.0	37.8	**37.2**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	0	0	0	0	0	0	**0**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	0	0	0	0	0	0	**0**
	4.6	4.5	2.8	4.0	4.8	4.2	**4.5**	–	–	–	–	–	–	**–**	41.7	45.4	47.2	49.5	51.3	48.5	**44.0**
	–	–	–	34.2	42.4	44.0	**33.6**	–	–	–	–	–	–	**–**	–	–	–	21.5	26.9	34.1	**41.3**

	GOLD (grammes/tonne)						
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	13,252	11,504	15,918	13,940	11,249	10,489	**10,647**
	–	–	–	–	–	–	**–**
	–	1,267	1,510	1,788	1,828	1,634	**1,428**
	344,604	196,925	190,981	192,426	248,538	241,449	**280,498**
	647	435	334	494	662	–	**3,833**
	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**
	602,221	509,555	406,858	475,146	–	–	**181,396**
	979	324	206	1,025	–	–	**7,584**
	11,788	12,193	12,432	13,461	10,670	7,839	**5,913**
	–	–	–	–	1,473	–	**1,074**
	–	–	–	–	972	1,131	**712**

	ZINC (tonne)							LEAD (tonne)						
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	30,021	31,094	31,530	34,116	34,530	43,342	**45,386**	20,514	19,619	21,472	21,319	18,796	21,756	**21,373**
	7,048	5,892	8,986	9,263	6,373	5,387	**3,550**	6,328	4,799	5,839	6,112	3,947	3,518	**2,881**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	20,348	29,506	29,365	42,774	37,469	28,415	**32,991**	17,714	22,662	20,764	28,592	24,615	17,816	**19,535**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	7,849	22,027	22,697	20,492	19,990	17,487	**14,410**	3,598	6,101	7,648	7,112	8,543	7,105	**6,843**
	–	–	–	148	1,036	4,521	**11,368**	–	–	–	108	671	2,755	**7,202**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	65,266	88,520	92,578	106,793	99,397	99,153	**107,705**	48,153	53,181	55,722	63,242	56,573	52,950	**57,833**

SHAREHOLDER INFORMATION

Financial calendar

Preliminary statement	5 March 2024
First quarter production report	24 April 2024
Annual General Meeting	21 May 2024
Second quarter production report	24 July 2024
Interim statement	30 July 2024
Third quarter production report	23 October 2024

Dividend payment schedule

2023 Final Dividend Record Date	19 April 2024
2023 Final Dividend Payment Date	29 May 2024
2024 Interim Dividend Record Date	9 August 2024
2024 Interim Dividend Payment Date	16 September 2024

Registrar
Equiniti Ltd
Aspect House, Spencer Road, Lancing
West Sussex BN99 6DA
United Kingdom

Registered office
21 Upper Brook Street
London W1K 7PY
United Kingdom

Corporate headquarters
Calzada Legaria No. 549
Torre 2, Piso 11
Delegación Miguel Hidalgo
11250 Mexico, D.F.
Mexico

Sponsor and corporate broker
JPMorgan Cazenove Limited
25 Bank Street
London E14 5JP
United Kingdom

Joint corporate broker
Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Travers Smith are Fresnillo plc UK Legal Advisers.

Share fraud warning
Share fraud includes scams where investors are called out of the blue and offered shares that turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms', mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money. Most victims are experienced investors, losing on average £20,000.

Protect yourself
If you are offered unsolicited investment advice, discounted shares, inflated prices for shares you own, or free company or research reports, take these steps before handing over any money:

1. Get the name of the person and organisation.
2. Check the Financial Services Register at www.fca.org.uk/register to ensure they are authorised.
3. Use the details on the Financial Services Register to contact the firm.
4. Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
5. Search the list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Report a scam
If you are approached about a share scam you should tell the FCA using the form at www.fca.org.uk/scams (where you can also review the latest scams) or call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters then contact Action Fraud on 0300 123 2040.

For further information, please visit our website:
www.fresnilloplc.com or contact:
Fresnillo plc
Tel: +44(0)20 7399 2470
Gabriela Mayor, Head of Investor Relations

WORLD
LAND
TRUST™

www.carbonbalancedpaper.com
CBP024385

MIX
Paper from
responsible sources
FSC® C008028
FSC
www.fsc.org

Printed on material from well-managed, FSC® certified forests and other controlled sources.

This publication was printed by an FSC® certified printer that holds an ISO 14001 certification.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land. Through protecting standing forests, under threat of clearance, carbon is locked-in, that would otherwise be released.

Designed and produced by emperor
Visit us at emperor.works

21 Upper Brook Street
Mayfair
London
W1K 7PY

www.fresnilloplc.com