

## 8. EXPLORATION

### 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.

In addition to the growing level of insecurity and access to land detailed in previous risks, other risks that may impact prospecting and converting inferred resources include: the lack of a robust portfolio of prospects in our pipeline with sufficient potential in terms of indicated and inferred resources; and insufficient concession coverage in target areas.

We also risk the loss of purchase opportunities due to insufficient speed in decision making.

As our production escalates and more mines approach the end of their lives, replenishing our reserves becomes increasingly challenging.



### RESPONSE/MITIGATION

During 2018, we invested a total of US\$181.2 million in exploration activities. Our objectives for 2019 include a budgeted risk capital investment in exploration of approximately US\$140 million. The approximate spending split is 43% for operating mines, 19% for exploration projects, 25% for prospects and regional prospecting and 13% for mining rights.

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 in-field activities to upgrade the resources category and convert inferred resources into reserves.

- A team of highly trained and motivated geologists, both employees and long-term contractors.
- Advisory technical reviews by international third party experts, up-to-date and integrated GIS databases, drone technology, remote sensing imagery and software for identifying favourable metallogenic belts and districts to be field-checked by the team.
- Drill-ready high priority projects.



See pages 44-48 for more on our exploration programmes and investment.



### DESCRIPTION OF RISK LEVEL

Maintaining a reasonable investment in exploration, even when metal 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. During 2018 we saw a decrease in our total silver resources, especially at our mining operations.

Additionally, we are addressing certain issues with the geological model at the Fresnillo and Saucito mines.

### 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.

### RISK APPETITE

#### MEDIUM

#### Risk rating (relative position)

2018: Medium (8)

2017: Medium (9)

### LINK TO STRATEGY



### CHANGE IN HEAT MAP

