Steady progress through challenging times

Fresnillo plc | Annual Report and Accounts 2022

Fresnillo plc is the world's leading silver producer and one of Mexico's largest gold producers, listed on the London and Mexican stock exchanges.

Our Purpose

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

During the year, our Purpose was instrumental in helping us to address the impact of the recent labour reform and the Covid-19 pandemic, while reaching our production targets. Our approach to our people sits at the heart of what makes Fresnillo a responsible business and an employer of choice – and we worked hard to give our teams the help and support they and their communities needed.

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Performance highlights

Despite challenges including a tight labour market, inflation, supply chain issues and the ongoing impact of Covid-19, we made steady progress in 2022 due to the quality of our assets, the commitment of our people and the strength of our approach to ESG.

Attributable gold production

635.9koz

-15.3%

Attributable gold resources

39.1moz

+0.3%

Attributable silver production (Including Silverstream)

53.7moz

+1.2%

Attributable silver resources

2,203.9moz

-5.0%

Mario Arreguín, Chief Financial Officer

Operational highlights

Attributable silver production of 53.7 moz (including Silverstream), in line with guidance, slightly above 2021 due to increased production from Juanicipio and higher volumes of ore processed at Fresnillo, offset by the lower ore grade at San Julián (Disseminated Ore Body).

Attributable gold production of 635.9 koz, in line with guidance, decreased 15.3% vs. 2021 due to a decrease in recovery rate and lower ore grade at Herradura, and a decrease in the volume of ore processed and lower ore grades at Noche Buena, Saucito and Ciénega.

The tie in of the Juanicipio flotation plant to the national grid was concluded by year end, with commissioning starting immediately afterwards.

Due to the prioritisation of the connection at Juanicipio, the tie in of the Pyrites plant at Fresnillo was delayed.

Gold resources remained stable at 39.1 moz; silver resources decreased 5.0% primarily due to depletion and higher costs and cut-off grades at Fresnillo, Saucito and Ciénega, partly offset by positive exploration results at the Guanajuato exploration project.

Gold reserves increased 4.4% primarily due to resource model improvements at Herradura, partly offset by mine depletion at Noche Buena.

Silver reserves decreased 5.6% to 396.1 moz mainly due to depletion and higher costs and cut-off grades at Fresnillo and Saucito, and depletion at San Julián (DOB), partly mitigated by exploration at San Julián (Veins).

We regret to report that one fatality occurred during 2022.

For more information
see pages 30-51.

Financial highlights

Revenue of US$2,433.0 million, down 10.0% over 2021 due to lower adjusted revenue and higher treatment and refining charges.

Adjusted revenue[1] of US$2,597.2 million, down 8.8% over 2021 due to the lower volumes of gold sold and the decrease in silver price, mitigated by the increase in silver production and higher zinc price.

Adjusted production costs[2] of US$1,445.4 million, up 15.2% over 2021 due to inflationary pressures, costs from Juanicipio and higher maintenance and personnel costs following the labour reform. Cost of sales of US$1,897.0 million, up 7.4% over 2021.

Gross profit of US$536.0 million, down 42.8%; EBITDA[3] of US$751.1 million, down 37.7%.

Profit from continuing operations before net finance costs and income tax of US$283.6 million, down 57.5%.

Strong balance sheet and low leverage ratio; cash and other liquid funds[4] of US$969.1 million, down 21.6% driven by lower cash flow generated at the operating mines, an investment of US$592.1 million in capex and dividend payments of US$202.0 million in accordance with our dividend policy.

For more information
see pages 52-61.

ESG highlights

Pledged reduction targets in our Fatality Rate and Total Recordable Injury Frequency Rate (TRIFR) to reach benchmark ranges set by the International Council on Mining and Metals (ICMM).

Initiated our Women for Women Mentorship Programme with a first generation of mentors and mentees to foster female talent.

Developed and constructed our inaugural TSF following the Mining Association of Canada's international standards in Juanicipio.

Conducted thorough evaluations of technical and environmental factors in Noche Buena as part of its closure plan.

Collaborated with UNAM Foundation and different local, federal and health authorities to deploy Community Health Weeks across our units, benefiting 139 communities and almost 8,000 people.

Although Fresnillo was excluded from the FTSE4Good Index in 2022, we remain totally committed to decreasing carbon emissions and setting science-based targets in the future.

Generated an economic impact of US$2,228.7 million in 2022 through wages, taxes and payments to suppliers. 67.25% of our workforce are from the regions where we operate.

For more information
see pages 62-119.

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 53.
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 59.
4 Cash and other liquid funds are disclosed in note 17 and 31(c) 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 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 1.7 million hectares in Mexico, securing valuable employment for just over 21,700 people and contributing some US$2,228.7[1] million to the country's economy each year.

Key Assets

Operating mines

Asset	Type	Main metal	EBITDA	Reserves (Silver)[4]	Reserves (Gold)[3]	Year[2]
1 **Fresnillo**	Underground	Silver primary	US$142.1m	91.6 moz	291 koz	1554
2 **Saucito**	Underground	Silver primary	US$130.3m	115.9 moz	516 koz	2011
3 **Juanicipio**	Underground	Silver primary	US$135.7m	83.3 moz	448 koz	2022
4 **San Julián**	Underground	Silver primary	US$134.2m	73.6 moz	311 koz	2016
5 **Ciénega**	Underground	Gold/Silver	US$19.2m	31.6 moz	295 koz	1992
6 **Herradura**	Open pit	Gold	US$175.7m		6,225 koz	1997
7 **Soledad-Dipolos**[3]	Open pit	Gold	Excluded in 2022			2010
8 **Noche Buena**	Open pit	Gold	US$34.5m		92 koz	2012

1 Total economic impact. This is considered to be a social performance measure. For more details see page 113.
2 Represents start of commercial production.
3 Operations at Soledad-Dipolos are currently suspended.
4 As of 31 May 2022.

Read more in our Review of operations on pages 36-51.

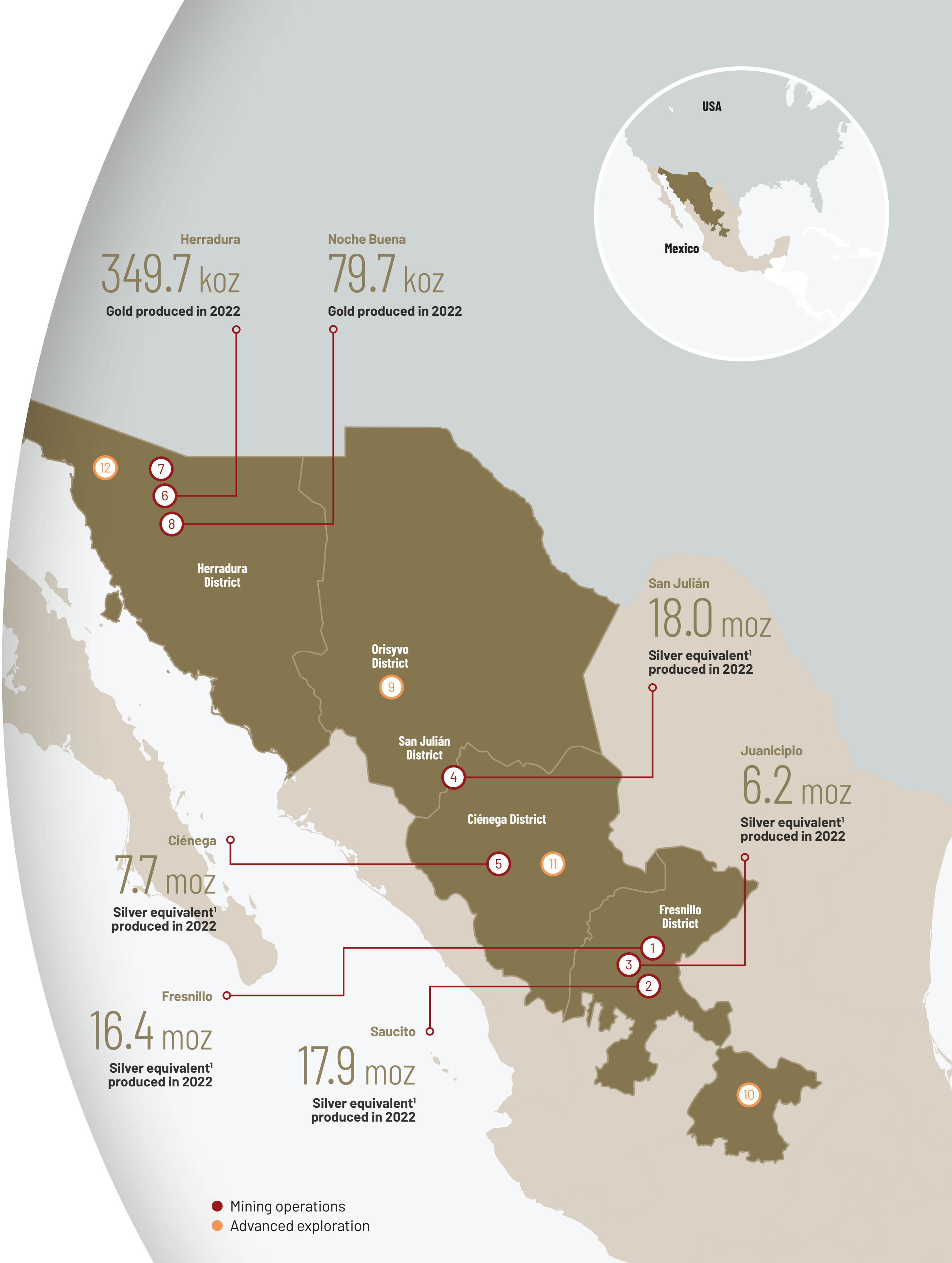
Advanced exploration projects

Asset	Main metal	Resources (Silver)[5]	Resources (Gold)[5]
9 **Orisyvo**	Gold	12.7 moz	9,575 koz
10 **Guanajuato**	Silver/Gold	152.3 moz	2,202 koz
11 **Rodeo**	Gold	13.8 moz	1,331 koz
12 **Tajitos**	Gold		1,093 koz

5 As of 31 May 2022.

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 30-35.



1 Au: Ag ratio of 1:80.

Steady progress in challenging times

"We recognise that we live in uncertain times and will always approach each challenge with an open mind, tailoring our response to meet the circumstances we encounter."

Alejandro Baillères
Chairman

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

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

Reaching our targets

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

We achieved US$2,597.2 million in adjusted revenue during the year. This represented a decrease of 8.8%, primarily due to the decrease in the volume of gold produced and lower prices for silver. Gross profit decreased year-on-year by 42.8% to US$536.0 million, primarily driven by the decrease in the volume of gold sold, lower silver prices, the adverse effect of cost inflation, and the increased consumption of operating materials, maintenance and contractors, which significantly impacted cost of sales. Cash and other liquid funds decreased from US$1,235.3 million to US$969.1 million as the use of funds, primarily the investment in capital expenditure and dividend payments, was higher than the cash generated by the mines. Please see pages 52-61 for further details on our financial performance.

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

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

Navigating global challenges...

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

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

...as well as those closer to home

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

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

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

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

Adjusted revenue

US$2,597.2m

Gross profit

US$536.0m

Since 2018, we have sourced an average of over 47% of electricity from wind power. However, we have been frustrated in some of our attempts to play our part in mitigating climate change. Our goal is for wind power to provide 75% of our electricity by 2030, but our ability to reach that target requires the support of Mexico's energy policy. Furthermore, although we have now completed our investment in the facilities to enable our Herradura haulage fleet to run on dual fuel (diesel and LNG) engines, which will further cut our carbon emissions, approval from the authorities to use certain infrastructure was delayed but has now been approved.

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

Board activities

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

The Board also conducted strategy discussions on the direction of the Company as well as on both the Diversity Programme and the Sustainability Strategy. As we report in more detail on page 77, in 2022 the Group successfully increased the participation of women in the workforce, in line with our Purpose and our values. We regard the increasing participation and inclusion of women as the first step in our journey to making diversity a competitive advantage. The 'Women for Women Mentoring Programme' is now in place, and we are actively developing leadership and support networks. One of the programme's key outcomes will be the appointment of more women to superintendent positions across our operations.

"Once again, our Purpose will be the corporate and ethical compass that directs all our actions."

Turning to the Sustainability Strategy, through the HSECR Committee the Board has continued to develop a programme and framework for monitoring and responding to the potential risks of tailings dams, as well as to climate-related risks and opportunities and our TCFD obligations in particular. Please see pages 85-101 for more details. Although it was disappointing that Fresnillo was excluded from the FTSE4Good Index in 2022, we remain totally committed to decreasing carbon emissions and setting science-based targets in the future, subject to Mexican energy policy. The steps we are taking require heavy investment and time to yield results – but we are confident that we are heading in the right direction and will look to return to the FTSE4Good Index as soon as that is possible.

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

For further details of the Board's activities, please see my introduction to the Governance Report on pages 158-159.

Board changes

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

Outlook

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

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

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

Alejandro Baillères
Chairman

Steady progress through

our ESG approach

A responsible approach to Environmental, Social and Governance matters is embedded in our business – it underpins how we work and interact with all our stakeholders.

Ethics culture

Our behaviour and actions should always reflect our corporate values of Confidence, Responsibility, Integrity and Loyalty (CRIL). During the year, we held our first CRIL forum and continued to develop the ethical decision-making competencies of our people. We tracked progress through a survey that identified where we are performing well and, just as important, where we can do better.

For more information, please see Doing business ethically and responsibly on pages 68-72.

Community relations

We engage meaningfully with our communities and support the issues that matter to them. As well as creating value through employment, procurement, talent development and taxes, during 2022 we continued to invest in education, health, water and capacity building in line with the UN's Sustainable Development Goals. In addition, we provided Covid-19 vaccination campaigns and also helped communities prepare for a safe return to school.

For more information, please see Partnering with our communities on pages 110-119.

Climate change

We strive to curb our impacts and hold ourselves accountable for our environmental footprint. While progress towards our goal of supplying 75% of our electricity from renewable sources slowed due to government policies, we continued to advance key schemes such as ventilation on demand in our mines, dual fuel (diesel/LNG) engines in our haulage fleet, and our regional climate modelling project.

For more information, please see Climate change on pages 85-101.

Since 2019, electricity supplied from renewable sources averaged

c.47%

Water stewardship

Mining can consume vast amounts of water, often in regions where water is scarce. Our stewardship strategy is based on four pillars: efficiency and reuse; pollution prevention; watershed and community engagement; and transparency and accountability. In 2022, we approved a project that will lead to us only using treated wastewater at our operations in the Fresnillo District – reducing our freshwater usage and cutting costs.

For more information, please see Water stewardship on pages 106-107.

Steady progress through

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.

Safety culture
Nothing is more important than the safety of our people. We continued to extend the 'I Care, We Care' programme during the year, verifying safety practices at five mines and establishing a dedicated committee to oversee uniform implementation across our operations. Although we were saddened to experience one fatality, we saw our overall performance improve and are 100% committed to further improvements in the coming years.

For more information, please see Safety on pages 79-82.

Comprehensive healthcare
In 2022, we launched a new strategy that is bringing together our programmes to ensure a more holistic approach that embraces emotional and intellectual support, as well as physical health. While we continued to ensure emergency preparedness, promote healthy habits, and the early detection and management of health risks, we also focused on psychological care and nutritional support, among other initiatives.

For more information, please see Comprehensive healthcare on pages 83-84.

Training and development
We aim to attract and retain top talent by providing long-term career growth opportunities, training and mentorship programmes. During the year, we continued to deliver technical training on day-to-day mining operations, together with managerial programmes focusing on technical and administrative competencies, including components of soft skills and leadership. We also advanced our programme to prevent harassment, bribery and fraud.

For more information, please see Training and development on page 75.

Diversity, equity and inclusion (DEI)
We want Fresnillo to be an inclusive workplace where all employees feel respected and have equal access to opportunities. The last 12 months saw us achieve the target of our workforce comprising 12% women, and also increased female participation in managerial roles. Among other initiatives, we published a new Labour Equity and Non-Discrimination Policy and established a committee to determine and oversee our DEI strategy.

For more information, please see Diversity, equity and inclusion on pages 77-78.

Read more in Sustainability at the core of our Purpose on pages 64-119.


1,710
Non-unionised employees
6,360
Unionised employees
Workforce
21k+
13,639
Contractors

Steady progress through

our assets

In recent years, we have focused significant efforts on action plans to enhance our portfolio of assets – and in 2022, these initiatives began to generate results.

Performance at Fresnillo and Saucito

The oldest silver mine in the world, Fresnillo continues to offer great potential. Improved operational execution and a new pumping station helped us to regain access to several areas of the mine during the year, driving an 11.1% increase in ore processed. At the nearby Saucito mine, the installation of new geomechanical monitoring equipment and improved planning enabled us to access higher ore grade areas and achieve a 9.8% increase in silver ore grades.

For more information, please see Operations on pages 36-39.

Enabling start-up of production at Juanicipio

With an anticipated average annual production of 11.7 moz of silver and 43.5 koz of gold over the life of the mine, Juanicipio is now taking its place as a key asset in our portfolio. Following a thorough process and collaboration with the electricity regulators, the flotation plant was successfully tied-in to the national grid towards the end of 2022. We are currently working to complete commissioning and ramp up production, with the objective of achieving nameplate capacity by 3Q 2023.

For more information, please see Operations on pages 50-51.

Reserves and resources estimations

Our exploration team has a proud track record of identifying new resources – on greenfield sites as well as at our existing operations – and converting those resources into proven reserves. During the year, we identified additional mineralised sections at Herradura and improved the definition of reserve blocks, leading to a 10.7% increase in gold reserves. At Juanicipio, we reported mineral resources and proven reserves for the first time.

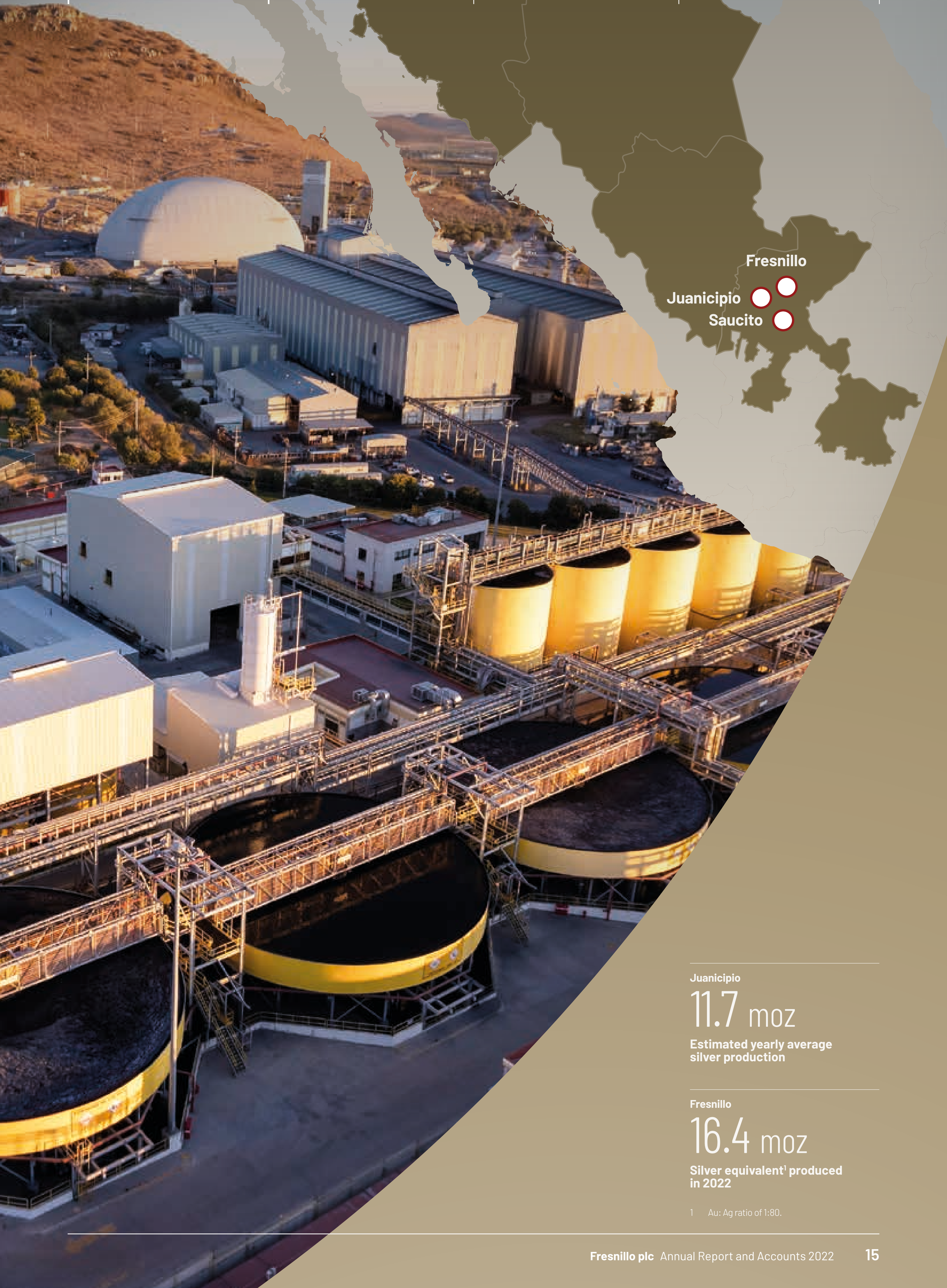
For more information, please see Exploration on pages 31-35.

Saucito

17.9 moz

Silver equivalent[1] produced in 2022

Read more in the Review of operations on pages 30-51.



Juanicipio

11.7 moz

Estimated yearly average silver production

Fresnillo

16.4 moz

Silver equivalent[1] produced in 2022

1 Au: Ag ratio of 1:80.

Addressing our challenges, achieving our goals

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

"Our Purpose guided all our efforts to address the impact of the recent labour reform and the Covid-19 pandemic."

Octavio Alvídrez
Chief Executive Officer

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

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

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

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

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

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

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

You can find more details on production at each of our mines on pages 36-51.

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

Barring more uncertainty impacting confidence, I believe precious metals prices have now established a realistic floor and the coming months are likely to see prices react positively. Please see pages 22-23 for more details on prices and how they have been influenced by market dynamics.

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

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

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

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

Did you know?

Supporting the switch to clean energy

With its excellent electrical and thermal conductivity, silver is a vital component in both solar photovoltaics and electric vehicles – two of the key clean energy technologies that are helping the human race mitigate climate change. Solar manufacturing already accounts for 20% of the world's silver consumption, while the transition from internal combustion engine (ICE) vehicles to hybrids, battery electric vehicles and, eventually, autonomous vehicles, will drive an ever-increasing demand for silver.

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

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

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

Delivering growth through development projects

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

Commissioning began immediately after the tie-in and Juanicipio will make a material contribution to our performance from 2023 onwards. We expect silver and gold production to reach annual averages of 11.7 moz and 43.5 koz respectively. During 2022, ore from Juanicipio continued to be processed through the Fresnillo and Saucito flotation plants.

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

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

Extending the growth pipeline

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

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

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

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

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

“

Everybody associated with Fresnillo was delighted to see our new mine at Juanicipio finally tied-in to the national power grid in December 2022.”

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

Advancing and enhancing the sustainability of our operations

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

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

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

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

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

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

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

Looking ahead

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

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

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

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

Octavio 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 meet our business goals. Attracting, developing and retaining the best people is crucial to our success and this was again a key area in 2022, following the labour reform. Despite a tight labour market, we were able to complete the staffing process at our mines by year end. During 2022, our workforce comprised 8,070 unionised workers and employees and 13,639 contractors who provided services along our full value chain, 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.

- 1.7 million hectares of surface land in mining concessions in Mexico.
- 2,372 megalitres of recycled water (efficiency of 82.3%).
- 35.6% of our electricity consumption comes from renewable sources.

Relationships with key stakeholders
Our stakeholders include governments, communities, suppliers, customers, shareholders and our workforce. 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$3,916.9 million.
- Net debt to EBITDA 0.26x[1].

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

- Net book value of property, plant and equipment of US$2,862.6 million.

Technology
Digital transformation, in particular connectivity, is a leading driver of the modern economy. We continue adopting 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 2022 – Cash and other liquid funds at 31 December 2022) 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 74 specialists across claims management, land negotiation, community relations and environmental control. Our team, which also comprises 305 assistants drawn from local communities, has access to realistic budgets and is hugely respected across our industry.

For more information
See pages 30-35.

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.

For more information
See page 30.

Our approach to sustainable mining

For more information
See pages 64-67.

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.

Effective risk management is an essential part of our culture and strategy. Accurate and timely

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 36-51.

4 Sustain

By embedding our ethical culture, meeting our own high standards and being aware of the needs and requirements of our local communities, we strive to reach the highest expectations of ethical behaviour, health and safety, environmental stewardship and governance. We have an extensive understanding of the economy, culture and communities in Mexico, and are proud of our reputation as a trusted corporate leader; one that follows responsible mining practices and shares the benefits of mining with wider society.

For more information
See pages 62-119.

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
Embedded in our culture, our values form 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 support wellbeing. We also engage with governments and regulators and ensure open communications with investors. The strong relationships we have built with stakeholders enable us to fulfil our Purpose.

Build trust
An organisational culture based on trust makes strategic relationships more resilient. We rely on strategic relationships with our key stakeholders in order to ensure social acceptance for our operations, to maintain our licence to operate and to create shared value. As a corporate leader, we build trust by engaging our workforce, communities, authorities and shareholders on the issues that matter to them, for example by maintaining a healthy and safe workplace for our people.

Sharing the benefits

Economic Value Distributed is considered to be a social performance measure.

Wages and benefits to workers (US$)
146.6m

Payments to suppliers (contractors) (US$)
1,817.3m

Payments to federal government (US$)
258.7m

Payments to local governments (US$)
6.2m

Total economic impact (US$)
2,228.7m

identification, assessment and management of key risks give 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.

Trends and drivers, opportunities and threats

We are impacted by global events and economic trends as well as by the business environment in Mexico and the dynamics of the precious metals markets. Key trends shaping our industry include:

Price volatility

Top-line performance is driven by precious metals prices, which reflect supply and demand dynamics that arise from the industry's production capacity and market sentiment. Market sentiment has become significantly less predictable recently in response to geopolitical tensions, tightening central bank monetary policy and macroeconomic variables.

Energy transition

Metals are essential components in many clean energy technologies and the transition to a net-zero economy will be metal intensive. Demand for these materials is forecast to increase rapidly and the mining industry will need to increase production to maintain adequate supply.

Cost inflation

The rise in consumer demand and supply chain constraints due to the pandemic, along with increasing energy and food costs following the invasion of Ukraine by Russia, have caused inflation to rise to levels not seen in decades in many countries. This in turn has driven up labour costs, energy prices and the cost of equipment for the mining industry.

Labour shortages

The mining sector has been facing a tight labour market, competing with other industries to attract and retain talent. This is particularly true for the skilled workforce and employees with technological backgrounds that are required to drive automation and evolution within the industry, given the nearshoring trends in Mexico.

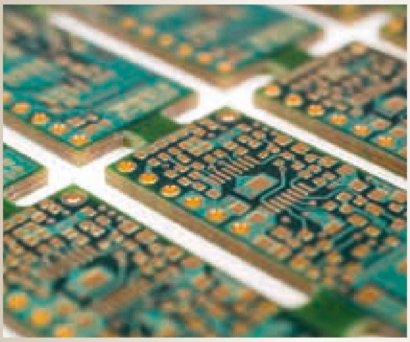
Government regulation

Progress in tackling climate change has been hampered by the rise of other challenges such as the pandemic and economic concerns, forcing governments to implement policies, prioritise actions and fund plans to address these emerging issues. However, governments are expected to lead the transition towards a more sustainable future in the coming years by balancing economic, environmental and social interests, coordinating efforts across different sectors to tackle the climate change challenge and to fund or incentivise innovation.

Advancements in technology

Improving efficiency and reducing the reliance on human input are key areas of focus for the mining sector. Through technological advancements there are opportunities to optimise operations by automising processes, improving mine planning and updating industrial manufacturing.

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.

Did you know?

Enabling new innovations

Gold is much more than the basis of beautiful jewellery or a safe haven for uncertain economic times – it offers a unique set of properties that make it the perfect choice for a wide range of innovative applications. In addition to its use in electronics, the malleability, reflectivity and versatility of gold mean that it is an important component in everything from radiant heat shields and spacesuits to the gold-glazed windows of landmark buildings such as the Royal Bank Plaza in Toronto.

Gold price chart
(US$ per ounce)

1,802.37

2022	1,802.37
2021	1,798.89
2020	1,773.73
2019	1,393.34
2018	1,268.93

Silver price chart
(US$ per ounce)

21.78

2022	21.78
2021	25.14
2020	20.69
2019	16.22
2018	15.71

The geopolitical tensions between Russia and Ukraine, together with inflationary pressures, boosted the price of gold and silver at the beginning of the year. However, interest rate hikes as central banks tried to control inflation drove bond yields up and significantly strengthened the US dollar, thus impacting gold and silver prices.

In the last quarter of 2022, precious metals prices bounced back driven by a recalibration of market expectations of US monetary tightening policy as economic indicators signalled that inflation was easing and the US economy was starting to slow. The easing of Covid restrictions in China and falling energy prices further supported sentiment towards industrial metals, including silver, by year end.

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.

Did you know?

Transforming our world

Digital technology is changing the way we all live, work and play. Highly ductile, corrosion-resistant and among the very best conductors of electricity, silver and gold are at the heart of the electronic devices that are making this new world a reality.

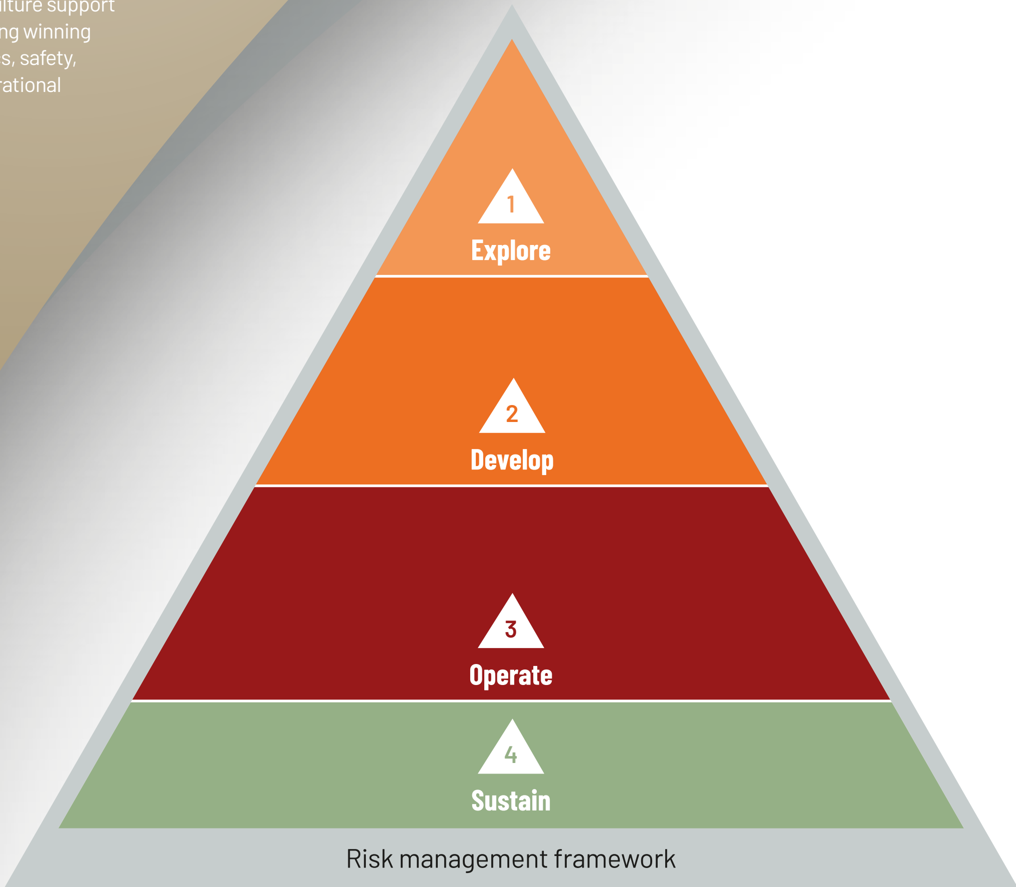
Industrial demand for silver was estimated to have increased by 5% in 2022 to

539moz[1]

1 Silver Institute, 2022 Interim Silver Market Review, 2022.

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

We engage our people in the long term 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.



Values and behaviours

Trust, responsibility, integrity and loyalty demonstrate our ethical culture and are embedded in our behaviours:

- **Lead transformatively** – We expect our people to be role models, to be empathic, to stimulate creativity and to be an inspiration for their team.
- **Build trust** – We encourage people to create a culture of candour, to be accountable and to find solutions to their ethical dilemmas, and to have the courage to implement them.
- **Leverage diversity** – We encourage our people to embrace diversity, to learn how to deal with and minimise unconscious biases, and to challenge the existing organisational culture.
- **Act ethically** – Every employee should support others speaking up, raise ethical concerns and make correct decisions.

For more details see Ethics culture on page 68.

Principal risks

- Potential actions by the Government (political, legal and regulatory).
- Security.
- Global macroeconomic developments.
- Impact of metals prices (commodity prices and exchange rates).
- Human resources.
- Cybersecurity.
- Projects (performance risk).
- Access to land.
- Licence to operate (community relations).
- Safety.
- Union relations (labour relations).
- Exploration (new ore resources).
- Tailings (overflow or collapse of tailings deposits).
- Environmental incidents (cyanide spills and chemical contamination).
- Climate change.

For more details see Managing our risks and opportunities on pages 127-152.

	1 Explore Extend and maintain a robust growth pipeline	2 Develop Deliver profitable growth, optimise cash flow and returns	3 Operate Maximise the potential of our operations	4 Sustain Advance and enhance the sustainability of our business
Strategic priorities for 2023/2024	• Continue to invest in our exploration pipeline, focused on brownfield exploration to maximise probability of returns. • Convert resources into reserves. • Convert reserves into the proven category at our underground operations. • Resume exploration at Rodeo, focusing on infill drilling to upgrade resources into the indicated category, while advancing and preparing metallurgical and engineering studies to pre-feasibility study level. • Conclude geotechnical model at Orisyvo, advance engineering studies and update the pre-feasibility study incorporating the updated resource model and metallurgical studies completed in 2021. • Delineate the main Tajtos ore bodies and conduct additional metallurgical testwork. • Accelerate the exploration drilling at the most promising areas of the Guanajuato district.	• Subject to permits being obtained, start and ramp up the Pyrites plant at Fresnillo. • Monitor infrastructure projects to make sure they are developed in accordance with the mine plans. • Advance the Rodeo project.	• Commission the Juanicipio plant and ramp up commercial production to nameplate capacity by 3Q 2023. • Reduce workforce rotation and secure new mine equipment to replace that previously provided by contractors. • Increase ore throughput to full capacity, primarily in the Fresnillo District. • Conduct assessments to confirm the optimal rates of development, based on reserves and production levels. • Develop pit slope optimisation pilot programme at Herradura. • Continue to improve the Company's geological models as well as the reserves and resources estimates. • Advance the Noche Buena mine closure plan. • Monitor maturing programmes to capture efficiencies and reduce costs.	• Advance our 'I Care, We Care' safety strategy by maturing our High Potential Incidents and Critical Controls initiatives and ensuring accountability. • Foster collaboration, accountability and teamwork by continuing our Cultural Evolution initiatives. • Continue to implement our diversity and anti-harassment programmes. • 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.
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.	• 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.	• Operate our mines efficiently and profitably. • Maintain a competitive cost profile.	• Mature our safety culture and practices to reach our goal of zero harm. • Continue to increase the participation of women at the operating manager and superintendent level to 8% by 2025. • Supply 75% of our electricity from renewable sources by 2030. • Enhance our decarbonisation strategy with the addition of robust energy efficiency and technological strategies. • Develop water stewardship to improve our performance and increase collaboration with our stakeholders. • Continue to engage our people in order to instil a purpose-led culture where everybody understands how we do business. • Attract and develop people committed to our Purpose of contributing to the wellbeing of people, through the sustainable mining of silver and gold.

Financial

Earnings per share excluding post-tax Silverstream revaluation effects
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. Monitors 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

2022 Goals

- Invest US$180 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 investigate the deeper areas of the Valdecañas vein.
- Reach land access agreements at the Rodeo Project, increase the total resources and produce metallurgical and geotechnical data to advance the project to pre-feasibility level.
- Continue engineering, social and environmental studies and advance land acquisition at Orisyvo; refine the mining and ore processing methods progressing towards a feasibility study.
- Advance drilling programmes at our Chilean projects; continue to strengthen our community relations programmes and resume drilling at our Peruvian projects.

2022 Progress

- US$167.6 million was invested in risk capital in exploration.
- Geotechnical and economical 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, except for gold reserves at Herradura and silver reserves at San Julián veins.
- Core drilling continued to define the Valdecañas vein at depth; results confirmed the structure continues with significant widths, but silver grades decrease.
- Negotiations with private landowners continued at Rodeo, however, exploration and development works remained in stand-by during 2022.
- Several PFS level studies, land acquisition and community engagement programmes progressed as scheduled at Orisyvo.
- Drilling continued at Capricornio in Chile, started at Santo Domingo and resumed at Pilarica in Peru. Community programmes continued at our exploration sites.

2023 Targets

- 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.

2 Develop

2022 Goals

- Subject to permits being obtained, start and ramp up the Pyrites Plant at Fresnillo mid-2022.
- Subject to permits being obtained, start and ramp up the Juanicipio plant's commercial production to 85-90% of nameplate capacity by the end of 2022.

2022 Progress

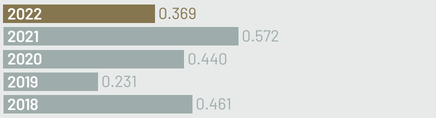
- Permits to tie in the Juanicipio plant to the national grid were obtained by year end. Commissioning started immediately afterwards.
- The tie in of the Pyrites Plant at Fresnillo was delayed to enable the prioritisation of progress at Juanicipio.

2023 Targets

- 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.

Earnings per share excluding post-tax Silverstream revaluation effects
(US$/share)

0.369

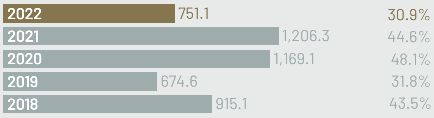


Lower profits divided across an unchanged weighted average number of shares in issue.

EBITDA and EBITDA margin

(US$ and %)

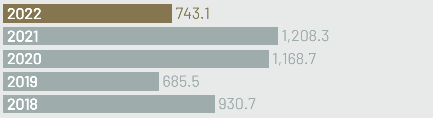
751.1m 30.9%



Decreased vs. 2021 due to the lower gross profit and higher exploration expenses, partly offset by lower administrative expenses.

Cash flow from operating activities before changes in working capital
(US$)

743.1m

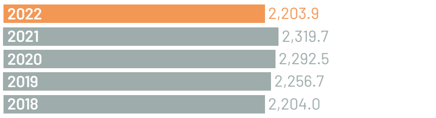


Decreased vs. 2021 due to the lower profits.

2022 Group KPIs/Performance

Attributable silver resources[1]
(millions of ounces)

2,203.9



Silver resources decreased over 2021 primarily due to depletion and higher costs and cut-off grades and a more conservative approach to resource estimation at Fresnillo, Saucito and Ciénega, partly offset by positive exploration results at the Guanajuato exploration project.

Attributable gold resources[1]
(millions of ounces)

39.1

Gold resources remained stable year-on-year.

1 2022 resources from the mines are presented as of 31 May 2022. Resources from the exploration projects are presented as of 31 December 2022.

2022 Group KPIs/Performance

An indicator of the Group's growth potential and ability to discover and develop new ore bodies.

Total capex to date
There are no figures for 2022 as both Juanicipio and the Pyrites Plant at Fresnillo were concluded in 2021 and 2020 respectively.

3 Operate

2022 Goals	2022 Progress	2023 Targets
• Produce between 50.5-56.5 moz silver and 600-650 koz gold. • Prevent fatal or serious accidents. • Focus on regaining workforce stability and securing mine equipment. • Gradually increase development rates and ore throughput, primarily in the Fresnillo District. • Advance infrastructure projects.	• Produced 53.7 moz of silver (including Silverstream) and 635.9 koz of gold. • One fatal accident at the Fresnillo mine during the year. • Completed recruitment and training campaigns by year end and purchased additional mine equipment, albeit with some delays in delivery. • Ore throughput increased at the Fresnillo mine, but lower productivity by new personnel impacted both ore throughput at Saucito and development rates in the Fresnillo District. • Works to deepen the San Carlos shaft progressed, but commissioning was delayed while adjustments were made to improve its functionality. • Deepening of the Jarillas shaft advanced as planned.	• 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.

4 Sustain

2022 Goals	2022 Progress	2023 Targets
• Advance climate change reporting by collaborating with the research community on regional climate modelling and identifying metrics to monitor climate change risks. • Continue maturing our climate change strategy by adding energy efficiency, based on renewable energy, to our current approach. • Advance our approach to water accounting and reporting. • Continue to strengthen harassment prevention by reinforcing, consolidating and evolving the programme, which has now been in operation for two years. • Open a new training centre with a focus on preparing, assessing and certifying our workforce and contractors at the Juanicipio mine in critical control management. • Publish our Tailings policy. • Further analyse 'Four for Women' and other reporting frameworks to improve how we report on our strategy to increase the participation of women and the positive impacts achieved to date.	• Delivered awareness campaigns aimed at eradicating harassment across the Group, with 1,453 people trained during the year. • Embedded preventive reporting in our safety culture by streamlining near-miss reporting, resulting in a reduction in the injury frequency of high potential incidents. • Achieved our 12% target of women in our workforce ahead of schedule and improved working conditions and facilities as part of our ongoing commitment to evolving our DEI strategy. • Optimised our energy portfolio to improve our renewable energy consumption from available sources in years to come despite regulatory uncertainty in the power sector. • Built our first TSF under the international standards of the Mining Association of Canada (MAC) and also updated to MAC standards our first TSF originally built under local standards. • Created a methodology for a climate risk management system, defining a risk catalogue and controls.	• 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 and the positive impacts achieved to date.

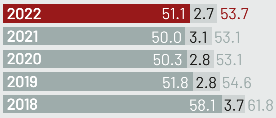
2022 Group KPIs/Performance

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

Attributable silver production

(millions of ounces)

53.7

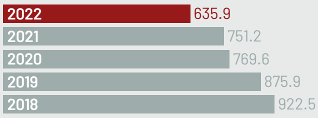


Attributable silver production of 53.7 moz (including Silverstream), slightly above 2021 due to a higher contribution from Juanicipio and increased volumes of ore processed at Fresnillo, offset by the lower ore grade at San Julián (DOB).

Attributable gold production

(thousands of ounces)

635.9



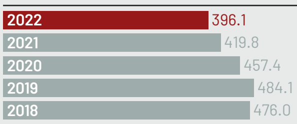
Attributable gold production of 635.9 koz, down 15.3% vs. 2021 due to a lower recovery rate and lower ore grade at Herradura, and a decrease in the volume of ore processed and lower ore grades at Noche Buena, Saucito and Ciénega.

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)

396.1

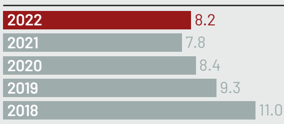


Silver reserves decreased 5.6% mainly due to depletion and higher costs and cut-off grades at Fresnillo and Saucito, and depletion at San Julián (DOB), partly mitigated by exploration at San Julián (Veins).

Attributable gold reserves[1]

(millions of ounces)

8.2



Gold reserves increased 4.4% primarily due to resource model improvements at Herradura, partly offset by mine depletion at Noche Buena.

1 2022 reserves are presented as of 31 May 2022.

2022 Group KPIs/Performance

- 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.

Fatalities

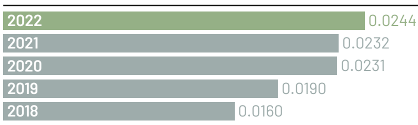
(Number of fatal injuries to employees or contractors)

1

Greenhouse gas intensity

(Tonnes of CO_2e per tonne of mineral processed)

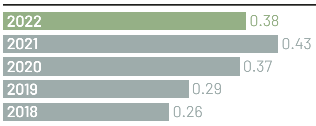
0.0244



Water intensity

(m^3 per tonne of mineral processed)

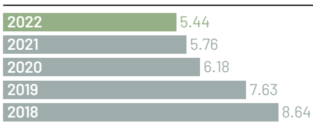
0.38



Lost time injury frequency rate (LTIFR)

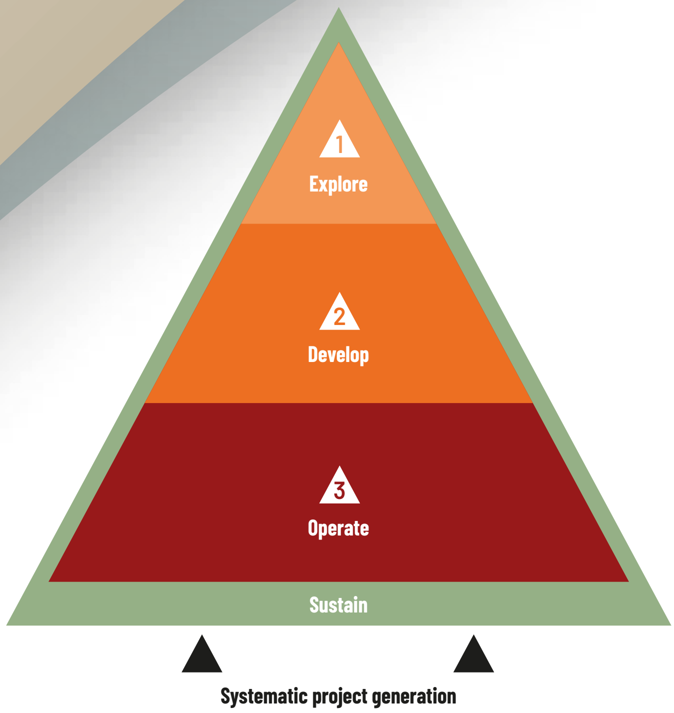
(For every 1,000,000 hours worked)

5.44



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.



1 Prospecting and Drill Target Generation (37)
Santo Domingo/Peru, Pencahue/Chile, Urite, Buenavista

Early Stage Drilling (14)
Mexico Nuevo, Urite, Capricornio/Chile, Santo Domingo/Peru

Advanced Exploration
Pilarica/Peru, San Juan, Candameña, Lucerito

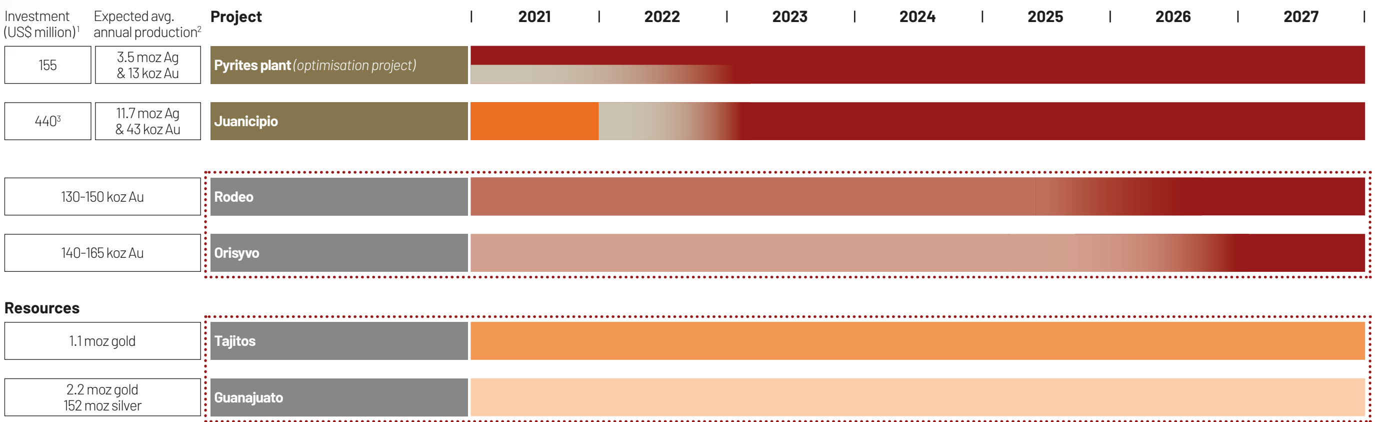
PEA – Feasibility
Orisyvo, Rodeo, Guanajuato, Tajitos

2 Development Projects

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



Production · Energy supply · Mine development and construction · Infill drilling exploration, feasibility, development and construction · Final metallurgical testing, feasibility, development and construction · Exploration to increase resources, update the PEA, start PFS level studies · Exploration to increase resources, update the PEA, start PFS level studies, refine conceptual development scenarios · Approved by the Board · Subject to ongoing internal review (subject to Board approval) · Subject to pre-feasibility and feasibility assessment

1 Estimated.
2 Total average annual production.
3 Total investment (of which 56% Fresnillo plc; 44% MAG Silver) as of 1 January 2018.

Review of operations – exploration

Highlights of 2022

- Invested US$167.6 million in risk capital in exploration during the year.
- Gold in mineral resources remained stable at 39.1 moz; silver in mineral resources decreased 5.0% to 2,203.9 moz primarily due to mining depletion, higher costs and cut-off grades and a more conservative approach to resource estimation in Fresnillo, Saucito and Ciénega, balanced in part by positive exploration results at the Guanajuato exploration project.
- Gold in ore reserves increased 4.4% to 8.2 moz mostly as a result of resource model improvements at Herradura, balanced in part by mining depletion at Noche Buena.
- Silver in ore reserves decreased 5.6% to 396.1 moz mainly from mining depletion and higher costs and cut-off grades at Fresnillo and Saucito, and depletion at San Julián (DOB), partly offset by increased ore reserves from exploration at San Julián veins.
- Measured mineral resources and proven ore reserves first reported for Juanicipio, adding to proven reserves for open pit operations; significant development progress towards reports of proven reserves at all sites.
- New veins discovered at the San Julián and Ciénega districts progressed through infill and step-out drilling into indicated and inferred categories. Drilling advanced at Juanicipio and other Fresnillo District target areas.
- Orisyvo project made good progress towards pre-feasibility. Several PFS level studies advanced as scheduled, together with additional land acquisition and a strengthened community engagement plan.
- Claim consolidation and land purchase were completed at Tajitos Core and reverse circulation drilling resumed, with the aim of fully defining the ore bodies by 2Q 2023.
- Exploration drilling was intensified at several targets of the Guanajuato District with good results, both in vein and in bulk-mineable lower grade ore bodies.
- Drilling resumed at several exploration areas of the Candameña and San Juan exploration projects; drilling started at some early stage projects and showed attractive potential.
- Land access negotiations continued with the local communities at Rodeo.
- Drilling continued in Chile with promising results at Capricornio.
- In Peru, drillling started at Santo Domingo and resumed at Pilarica. The programmes were suspended at year end due to social turmoil in the country; our community relations programme continued at our exploration sites.

Priorities for 2023

- Invest a further US$175 million during the year, with a continued focus on our Fresnillo and San Julián operations, as well as on the Orisyvo, Guanajuato, and Tajitos advanced projects.
- Continue our exploration and development activities to upgrade mineral resources into ore reserves at all our operating mines.
- Further develop and strengthen the mineral resource modelling and ore reserve engineering capability building activities initiated in 2020, with the aim of providing a stronger technical value foundation and reporting proven reserves for all operating assets.
- 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.
- Complete the required studies to deliver an updated pre-feasibility study by year end at Orisyvo, strengthen the engagement plan with the relevant government and community stakeholders; development works are expected to start in 2023.
- Complete the delineation of the main Tajitos ore bodies and conduct additional metallurgical testwork; update the project's Preliminary Economic Assessment. Start drilling at several targets in the district that remain underexplored.
- Accelerate exploration drilling at the most promising areas of the Guanajuato district and evaluate feasible mining and processing scenarios; update the project's preliminary economic assessment.
- Continue drilling and conduct detailed metallurgical investigations at Candameña and San Juan.
- Continue discussions with the local communities at Rodeo. Implement an intensive infill, step-out, condemnation and geotechnical drilling programme, alongside detailed metallurgical testwork, once agreements are reached.
- Accelerate the pace of drilling at Capricornio in Chile. Monitor the social and political environment in Peru while maintaining our strong community relations plan at the project sites; resume drilling at Santo Domingo and Pilarica once conditions improve.

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

Where many major mining companies seek to grow through acquisition, we believe that the most effective and most sustainable route to growth is based on creating our own pipeline of reserves and resources – and that 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 with a steady flow of opportunities and, specifically, to replace reserves mined each year.

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 of our teams is to engage with local communities and seek 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 110-119.

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 are continuing 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.

2022 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. 2022 mineral resources and ore reserve estimates were based on price assumptions of US$1,450/oz gold and US$18.5/oz silver, with open pit mineral resources estimated at US$1,600/oz gold.

Gold in mineral resources remained stable at 39.1 moz; silver in mineral resources decreased 5.0% to 2,203.9 moz primarily due to mining depletion, higher costs and cut-off grades and a more conservative approach to resource estimation in Fresnillo, Saucito and Ciénega, balanced in part by positive exploration results at the Guanajuato exploration project.

Gold in ore reserves increased 4.4% to 8.2 moz mostly as a result of resource model improvements at Herradura, balanced in part by mining depletion at Noche Buena.

Silver in ore reserves decreased 5.6% to 396.1 moz mainly from mining depletion and higher costs and cut-off grades at Fresnillo and Saucito, and depletion at San Julián disseminated, partly offset by increased ore reserves from exploration at San Julián veins.

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 2022. With a dedicated team of 26 specialists, geotechnical, ventilation and economical modelling continued to progress, as did the underground and open pit ore reserve engineering and reconciliation processes. Juanicipio reported measured mineral resource and proven ore reserve for the first time in 2022, adding to proven reserves reported again for the open pit operating mines.

The corporate technical team will continue developing all disciplines in 2023, with special focus on underground geotechnical modelling and mining reconciliation as well as further process upgrades and integration.

In 2022, our drilling programmes increased by 14.4% compared to 2021, with a total of 955,798 metres drilled. 89% 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 progress made in 2022 as well as outlining our plan for the year ahead. We drilled 106,404 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, 89% of the 955,798 metres drilled in 2022 were devoted to brownfield targets, including 661,811 metres drilled by the mine operation teams, and 185,534 metres completed by the Exploration Division.

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 306,055 metres during the year. 60% of the drilling by the mine teams was infill drilling, both within reserves and inferred resources, and 40% to vein extensions. Good silver grades were obtained from several veins at the western section of the Saucito mine and in the central-east zone of the Fresnillo operation. 36,446 metres were drilled in high priority targets within reach of the existing mineral processing facilities, showing local economic grade intercepts that will be followed up in 2023.

Herradura District
We drilled a total of 113,292 metres in the Herradura District in 2022, with activities focused within the final Centauro pit to identify additional mineralised sections and to better define reserve blocks, and to evaluate potentially mineable sectors of the Noche Buena mine open pits. Beyond the pit limits, drilling was intensified in the high-grade gold veins, where mineable thickness and good grade continuity was successfully confirmed.

The 31,307 metres of infill drilling in the Centauro pit led to an improved model of the gold distribution in both the reserves and resources used for mine planning. 52,310 metres of drilling focused on defining high-grade veins and related disseminated mineralisation below the current final pit model which were incorporated into the Centauro Profundo ore bodies.

At the Noche Buena mine, which is nearing exhaustion, 29,944 metres of drilling confirmed additional shallow resources and reserves which were added to the final mine plans, as drilling continues to investigate in detail the peripheral reaches of the deposit.

Ciénega district
87,503 metres of core drilling were completed at Ciénega during 2022, with a continued focus on the north-eastern part of the District, including Santa Alicia, Rosario Transversal, AFT and the Jessica Transversal, as well as areas in the central zone of the mine. Drill results have led to new resources and reserves being added from the readily accessible Jessica Transversal shallow vein and the discovery of extensions of the Rosario Transversal, Carolina and Veta Nueva veins, with the latter displaying stockwork mineralisation with economic grades of over tens of metres in width. Drilling also focused on the El Arco-Casas del bajo target; results so far have proven the continuity of the veins with moderate gold and silver grades.

San Julián district
An intensive drilling programme amounting to 271,700 metres was implemented by the mine and district exploration teams. 2022 saw successful exploration in the vein system, with several blind, new veins discovered in the northern and southeastern sections of the district; some of these veins have been included in the indicated resource category, indicating the possibility of them becoming new reserves in the short term.

In 2022 the exploration team continued the intensive search for sulphide ores, following up on drill targets previously defined. Some silver-bearing sulphide mineralisation, both in vein and disseminated styles, has been detected in the central and southeastern areas of the district. Although additional resources of sulphide ore bodies have not yet been estimated, our drilling programmes are continuing to focus on the definition of new ore bodies.

The continuous mapping and geochemical sampling programmes in the district were focused in the Ceniza and Buenavista areas, where claim consolidation was achieved through the acquisition of several mining properties. Drill targets were defined and are scheduled for drilling in 2H 2023 after the completion of social and environmental permits. Mapping and sampling continue in the northwestern and southeastern portions of the district where hydrothermal alteration zones accompanied by quartz veining have been discovered. Additional work will be completed to advance those to the drill-ready stage.

Juanicipio – (56% Fresnillo plc, 44% MAG Silver)
42,197 metres of core drilling were completed during 2022 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; results proved that the main Valdecañas vein continues with significant widths but silver grades decrease. However, the vein remains economic due to the increase of lead and zinc sulphides. Mineralisation occurring in sets of oblique and subparallel veins to the main structural trend were also drill tested and some ore shoots remain open. Mine exploration was focused on infill drilling on reserves and some additional geotechnical work.

Development projects, preliminary economic assessments and feasibility studies
We do not currently have any active development projects with Juanicipio now categorised as an operational mine. 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
2,049 metres of core drilling were completed for geotechnical purposes along with additional detailed geotechnical mapping of the underground workings; results are being summarised to provide a detailed characterisation of the host and surrounding rocks of the deposit. These studies, coupled with the updated metallurgical investigations completed on the oxide and sulphide ores and other engineering data, are being accumulated to deliver a reserve base for the mining scenarios under consideration. Additional metallurgical studies (bio-oxidation and Albion processes) are currently in progress aiming at further improving gold recovery in the sulphide zones.

A number of studies required to take the Orisyvo project into the pre-feasibility stage were either completed or are in progress. These include alternative mine design, processing facilities and tailings storage, as well as detailed environmental, social and infrastructure studies, coupled with additional land acquisition and a strengthened community and local government engagement plan.

Review of operations – exploration continued

Guanajuato
Guanajuato is a historic, world-class gold and silver mineral system, which displays numerous attractive exploration targets that have the potential to increase its already large precious-metals endowment. The drill programme was intensified in 2022, with 66,591 metres of core drilling completed over priority vein zones. The programme also included 5,848 metres drilled underground from the Peregrina and Veta Madre historical mine workings.

A significant increase in both indicated and inferred gold and silver resources was achieved at several veins in the district. The application of our upper-level epithermal model over large hydrothermal alteration zones coupled with a clear understanding of its structural and stratigraphic setting has allowed our team to continue to discover mineralisation under barren cover. These efforts will continue in 2023 and the following years. Resources increased both in veins and in stockwork ore bodies amenable to massive, low-cost, underground mining methods. Alternatives to metallurgical processing are under consideration. A Preliminary Economic Analysis of several district zones is currently being updated using the new resource estimation and engineering data provided by the Project Development team and is scheduled for completion in 1Q 2023.

Rodeo
The Rodeo District contains a sizeable gold resource and a number of exploration targets in the neighbouring areas. The mineralised zone is amenable to open-pit mining and gold recovery using heap-leach technologies. We have strengthened a region-wide community relations programme and advanced negotiations with private landowners. Metallurgical, hydrological, infrastructure, environmental and social studies are underway. However, further exploration and development works remained on standby during 2022 pending land access agreements being reached with the local Ejidos.

Tajitos
Tajitos is an open-pit, heap-leach, disseminated gold project displaying fully oxidised ore bodies up to 200 metres in depth. Significant progress has been achieved with the successful completion of third parties' claim consolidation and land purchase from private owners. A drill programme was designed to fully evaluate the known ore bodies up to the indicated resource category level. Social and environmental studies were completed and drilling resumed in 4Q 2022. 20,747 metres of core and reverse circulation drilling have been carried out so far; the programme is scheduled for completion in 1H 2023 and will be followed by a preliminary economic assessment. Additional metallurgical studies are being carried both in the laboratory and at the pilot leach pad scales over the oxide Tajitos ores. Exploration drill programmes will continue in 2Q 2023 over the several drill targets occurring in the district that remain under-explored and display good possibilities of increasing the size of the Tajitos resource base.

Prospects

Mexico
Drilling resumed in 2022 at the early-stage San Juan and Candameña projects, which already have a significant resource base and the exploration potential to become Fresnillo-sized mineral deposits. Candameña exposes a large high-sulphidation epithermal system with gold values both in oxide and sulphide zones; several exploration targets have been delineated using surface geochemical and airborne hyperspectral and geophysical tools. Land access agreements and environmental permits were obtained and followed by 6,146 metres of core drilling in 2H 2022. The results delivered interesting gold values and the drill programme will continue in 2023.

At San Juan, a sizeable, gold and silver-bearing vein system, 7,370 metres of drilling tested near surface mineralisation and the along strike and depth extensions of known veins with good results. Additional targets were developed by detailed geochemistry sampling and lithological, structural and alteration mapping. Drilling continues, and detailed metallurgical testing will be carried out in 2023, both at Candameña and San Juan.

The first round of drilling started at several good potential prospects in our brownfields and greenfields portfolio. Where warranted, some drilling will continue in 2023. The easing of the Covid-19 pandemic in 2H 2022 allowed us to resume regional prospecting programmes, and regional exploration targets previously delineated in the main gold and silver belts of Mexico are now being followed-up.

Peru
Field work supported by a strengthened community engagement programme continued in Peru during most of the year. All the necessary social and government permits were obtained for the Pilarica and Santo Domingo projects, allowing us to resume drilling at the former and conduct our first drilling campaign at the latter. A total of 3,736 metres were drilled at these locations. Unfortunately, social and political disruptions in Peru at the end of 2022 led to a stoppage in our drilling programmes, and both of these projects, together with Supaypacha, remain in standby until the situation returns to normal. Our community

relations teams continue to monitor the security conditions and remain in contact with the local people where it is safe to do so. Good progress was obtained at several high potential prospects across the country, with some advancing to the drill target definition stage. Additional claims covering good potential targets were secured over the year; field work will resume when safe work conditions return to our areas of interest.

Chile

The Capricornio project, located in the Antofagasta region, displays a significant quartz vein system with interesting precious-metals values at the surface. Geophysical and geochemical surveys were completed over the extensive caliche-covered valley north of the project; as a result, additional drill targets were delineated to support the exploration potential of the project. In 2022, our core drilling amounted to 9,935 metres including the stepping out from previous intercepts, the testing of unexplored veins and targets under cover. The results we obtained warranted further work, and core drilling remains in progress. The Condoriaco project near La Serena was dropped after an additional 7,838 metres of drilling led to disappointing results.

Field mapping and sampling campaigns advanced at several precious metals-bearing belts in Chile. Results indicate good exploration potential at some of these, including targets in claims under the 100% ownership of Fresnillo. Geological and permitting activities are underway to advance these to the drill ready stage.

Early stage exploration

We routinely carry out activities at all six exploration offices to accumulate regional geological, geophysical, structural and geochemical data and analyse them 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	2022 Drilling (metres)	Mineral Resources (attributable)	Status
Guanajuato	Guanajuato	66,591	2022: **2,202 koz Au and 152 moz Ag** Change vs. 2021: **509 koz Au; 52 moz Ag**	In drilling
San Julián Sur	Chihuahua/ Durango	96,635	2022: **350 koz Au and 52 moz Ag** Change vs. 2021: **-22 koz Au; 6 moz Ag; 19 moz Ag converted into indicated category**	In drilling
San Juan	Durango	7,370	2022: **575 koz Au and 53 moz Ag** Change vs. 2021: **nil**	In drilling[1]
Candameña	Chihuahua	6,146	2022: **1,371 koz Au and 32 moz Ag** Change vs. 2021: **nil**	In drilling[1]
Tajitos	Sonora	20,747	2022: **1,093 koz Au** Change vs. 2021: **nil**	In drilling[1]
Fresnillo District	Zacatecas	36,446	Mexico Nuevo, Urite, Jaralillo (Additional resources in drilling not estimated yet)	In drilling
Centauro Profundo	Sonora	52,310	2022: **3,175 koz Au** Change vs. 2021: **38 koz Au; 950 koz Au converted to indicated category**	In drilling
Orisyvo	Chihuahua	2,049	2022: **9,575 koz Au and 13 moz Ag** Change vs. 2021: **nil**	In PFS level studies[1]
Lucerito	Durango	–	2022: **2,826 koz Au and 205 moz Ag** Change vs. 2021: **-37 koz Au; -2 moz Ag**	Metallurgical investigations[1]
Rodeo	Durango	–	2022: **1,331 koz Au and 14 moz Ag** Change vs. 2021: **nil**	Land access
Juanicipio	Zacatecas	25,857	2022: **840 koz Au and 158 moz Ag** Change vs. 2021: **nil**	In drilling[2]
Pilarica	Peru	1,773	2022: **110 koz Au and 56 moz Ag** Change vs. 2021: **nil**	Standby[1]
Others	Mexico, Peru and Chile	45,661	–	–

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

Fresnillo

One of the world's longest continuously operated mines, Fresnillo produced 25.3% of the Group's total silver in 2022 and generated 18.3% of total adjusted revenue.

2022 Objectives
- Mitigate the impact of the labour reform through recruitment campaigns, training and investment in new equipment.
- 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.
- Return our development performance to required levels.

2022 Performance
- Recruitment and training campaigns continued with the mine well staffed by year end; new equipment delivered.
- Deepening of the San Carlos shaft progressed at a slower pace due to a tight labour market and the introduction of modifications to improve its functionality once in operation.
- Permits remain pending due to prioritisation of the tie in of Juanicipio to the national grid.
- Development rates averaged 2,929m/m.
- Ore milled increased and grades improved slightly.

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.

Ownership: **100% Fresnillo plc**
In operation since: **1554**
Mine life (years): **4.8 at 7,350 tpd** (2021: 6.0), **(2,424k tpy)**
Facilities: **Underground mine and flotation plant**
Workforce: **1,617 employees, 2,433 contractors**
Location: **Zacatecas**
Milling capacity (2022): **8,000 tpd/2,640,000 tpy**

	2022	2021	% change
Mine production[1]			
Ore milled (kt)	**2,462**	2,216	11.1
Silver (koz)	**13,609**	11,986	13.5
Gold (oz)	**34,432**	33,743	2.0
Lead (t)	**21,756**	18,796	15.7
Zinc (t)	**43,343**	34,530	25.5
Silver ore grade (g/t)	**189**	186	1.6
Total reserves[2]			
Silver (moz)	**91.6**	99.5	(7.9)
Gold (koz)	**291**	305	(4.6)
Avg ore grade in reserves			
Silver (g/t)	**242**	234	3.4
Gold (g/t)	**0.77**	0.72	6.9
Cut-off grade (g/t AgEq)	**298**	235	26.8
Total resources[3]			
Silver (moz)	**706.7**	796.7	(11.3)
Gold (moz)	**1.63**	1.75	(6.9)
Avg ore grade in resources			
Silver (g/t)	**373**	373	0.0
Gold (g/t)	**0.86**	0.82	4.9
Cut-off grade (g/t AgEq)	**203**	174	16.7

1 Fresnillo mine production excludes ore processed and production from the Juanicipio development project.
2 2022 reserves as of 31 May 2022.
3 2022 resources as of 31 May 2022.

Key developments in the year

Silver production increased by 13.5% vs. 2021, driven by the higher volume of ore processed as operating restrictions that affected ore throughput in 2021 were addressed, including: i) the labour reform in Mexico, which resulted in staff vacancies and affected equipment availability; and ii) a short circuit of a main power line, which limited the water pumping capacity thereby affecting access to some mining areas and slowing down haulage level operations.

The average development rate in the year decreased slightly to 2,929 metres per month (2021: 3,050 metres per month). We expect to maintain a development rate of c. 3,000 metres per month for the foreseeable future. An assessment will be conducted in 2023 to confirm the optimal rate based on reserves and production.

Following a trial at a production area, activities to relocate the tunnel boring machine (TBM) to develop the haulage level to the west were carried out. However, works progressed at a slower pace than anticipated as a result of a geological fault and ground fall, thus limiting the TBM's contribution to development rates during the year. The relocation is expected to be concluded in 1H 2023, and to gradually start contributing to development rates in 2H 2023.

Productivity, calculated as tonnes of ore milled per person, increased over 2021 driven by the higher volumes processed partly offset by the increase in the number of specialised contractors and limited productivity from new unionised employees during the training phase.

The processes introduced in previous years to improve our knowledge and understanding of the vein system and to control dilution are now integrated into our day-to-day operations at the mine. Together with our ongoing investment in new technology, these processes will continue to enhance our mine planning and operations in the coming years.

The works to deepen the San Carlos shaft were concluded during the year. However, a number of modifications to the shaft infrastructure to improve its functionality once in operation were approved and implemented, thus delaying its commissioning to 2Q 2023. This project 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 postponed by a few months due to our prioritisation of the process at Juanicipio (see pages 50-51). We now expect to complete the tie in by the end of 1Q 2023, with commissioning and ramp up following immediately afterwards.

This US$155.0 million facility and the Pyrites plant (phase I) at Saucito are together expected to produce an average of 3.5 moz silver and 13 koz gold per year, once both are operating at full capacity.

Reserves and resources

Silver reserves decreased 7.9% due to mining depletion and higher costs and cut-offs, while silver resources decreased 11.3%.

Capital expenditures

Total capex spend in 2022 was US$106.6 million, which included sustaining capex, mine development, the deepening of the San Carlos shaft and the tailings management programme.

2023 outlook

For 2023, the silver ore grade is expected to be in the range of 185-205 g/t, with the gold ore grade around 0.50-0.70 g/t.

The majority of our investment in the year ahead will focus on mine development and sustaining capex, including the acquisition of additional mine equipment required for operation by personnel recently hired and trained following the labour reform.

Financial performance[4]

Financial highlights	2022	2021	% change
Revenue (US$m)	**418.5**	415.9	0.6
Adjusted revenue (US$m)	**475.8**	459.5	3.5
Adjusted production costs (US$m)	**225.2**	187.7	20.0
Depreciation (US$m)	**88.1**	83.5	5.5
Segment profit (US$m)	**197.0**	224.6	(12.3)
Capital expenditure (US$m)	**106.6**	108.3	(1.6)
Exploration (US$m)	**20.8**	9.3	123.7
Cost per tonne (US$)	**91.5**	84.7	8.0
Cash cost (US$/oz silver)	**5.7**	5.4	4.7
Margin (US$/oz)[5]	**16.0**	19.4	(17.5)
Margin (expressed as % of silver price)	**73.7**	78.1	
All-in sustaining cost (US$)	**16.3**	16.3	0.0

Adjusted revenue, excluding inter-segment sales, increased by 3.5% to US$475.8 million, principally due to the increase in volumes of silver, lead and zinc sold, partly offset by the lower silver price.

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

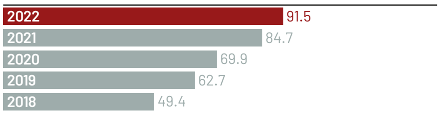
Cash cost per silver ounce increased to US$5.7 (2021: US$5.4) mainly due to the increase in cost per tonne and the higher treatment and refining charges, partially offset by lower mining rights and higher lead and zinc by-product credits. Margin per ounce decreased 17.5% to US$16.0. Expressed as a percentage of the silver price, it decreased to 73.7% (2021: 78.1%).

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

Fresnillo

(US$/tonne milled)

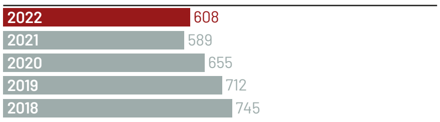
91.5



Fresnillo ore milled per person

(Tonnes)

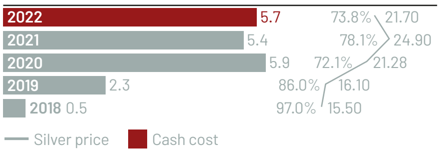
608



Fresnillo cash cost

(Silver US$/ounce)

5.7



% 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

Saucito contributed 22.3% to total silver production in 2022 and generated 18.7% of total adjusted revenue.

2022 Objectives
- Mitigate the impact of the labour reform through our recruitment campaigns, training and investment in new equipment.
- Target a return to an average development rate of more than 3,000 metres a month.
- Continue the implementation of projects to improve infrastructure including the deepening of the Jarillas shaft, ventilation and pumping infrastructure.
- Increase volumes of ore processed to nameplate capacity.
- Complete a third-party review of full planning cycle (short-, mid- and long-term).

2022 Performance
- Recruitment and training progressed albeit at a slower pace than expected with the mine well staffed by year end; invested in new equipment.
- Development rates stabilised but continued to be impacted by the residual effects of the labour reform.
- Deepening of the Jarillas shaft, including horizontal development continued; projects to improve ventilation and pumping progressed as expected.
- Ore throughput decreased by 14.8% due to shortage of personnel and limited access to certain stopes.
- A third party review of the short-term planning cycle was completed in 1H 2022, while the medium- and long-term planning cycle will continue to be evaluated during 1H 2023.

2023 Objectives
- Increase volumes 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.

Ownership: **100% Fresnillo plc**
In operation since: **2011**
Mine life (years): **6.6** (2021: 7.3)
Facilities: **Underground mine and flotation plant**
Workforce: **1,470 employees, 2,244 contractors**
Location: **Zacatecas**
Milling capacity (2022): **7,000 tpd/2,600,000 tpy**

	2022	2021	% change
Mine production[1]			
Ore milled (kt)	**2,073**	2,434	(14.8)
Silver (koz)	**11,977**	12,439	(3.7)
Gold (oz)	**73,497**	88,440	(16.9)
Lead (t)	**17,816**	24,615	(27.6)
Zinc (t)	**28,415**	37,469	(24.2)
Silver ore grade (g/t)	**201**	183	9.8
Gold ore grade (g/t)	**1.40**	1.46	(4.1)
Total reserves[2]			
Silver (moz)	**115.9**	124.9	(7.2)
Gold (koz)	**516**	586	(11.9)
Avg ore grade in reserves			
Silver (g/t)	**264**	219	20.5
Gold (g/t)	**1.2**	1.0	20.0
Cut-off grade (g/t AgEq)	**309**	223	38.6
Total resources[3]			
Silver (moz)	**428.4**	505.3	(15.2)
Gold (moz)	**1.9**	2.2	(13.6)
Avg ore grade in resources			
Silver (g/t)	**282**	269	4.8
Gold (g/t)	**1.27**	1.17	8.5
Cut-off grade (g/t AgEq)	**225**	175	28.6
Pyrites plant production			
Ore processed (t)	**135,044**	159,635	(15.4)
Silver (koz)	**529**	567	(6.7)
Gold (oz)	**1,959**	2,294	(14.6)
Silver ore grade (g/t)	**164**	151	8.6
Gold ore grade (g/t)	**1.44**	1.50	(4.0)

1 Saucito mine production excludes ore processed and production from the Juanicipio development project.
2 2022 reserves as of 31 May 2022.
3 2022 resources as of 31 May 2022.

Key developments in the year

Silver production decreased by 3.7% vs. 2021 due to the lower volume of ore processed mainly driven by changes to the short-term planning process and, to a lesser extent, the residual impact of the labour reform, which delayed preparation of the mine due to the lower productivity from internalised personnel and decreased equipment availability. However, these factors were partially mitigated by a higher ore grade resulting from improved short-term planning and regained access to higher grade zones.

Annual gold production decreased 16.9% due to a lower volume of ore processed and a lower ore grade.

As expected, the ore grade and volumes of ore processed varied throughout the year, driven by the need for timely development of the mine in order to improve fulfillment of the mine plan.

A third-party review of the short-term planning cycle was completed in 1H 2022, concluding that the optimal run rate of the beneficiation plant should be 7,000 tpd.

Recruitment and training campaigns were intensified, with the shortage of personnel reducing gradually by the end of the year. Notwithstanding, longer learning curves for new employees continued to impact performance at the mine and development rates.

Productivity decreased compared to 2021 as access to some areas continued to be restricted in 1H 2022 due to the ongoing seismicity, further impacted by an increased headcount as although new unionised employees were hired, they contributed lower productivity during the training phase.

The Pyrites plant at Saucito produced 529 koz of silver and 2.0 koz of gold during the year, lower year-on-year due to a decrease in volumes processed at Saucito and the lower tailings processed at the Pyrites plant.

The project to deepen the Jarillas shaft from 630 metres to 1,000 metres advanced an additional 40 metres, with further progress made in horizontal development and supporting infrastructure. The timeline of this project remains unchanged with completion expected by 2025.

Reserves and resources

Silver in ore reserves decreased 7.2% due to depletion and higher costs and cut-offs, partly balanced by exploration results. Similarly, silver resources decreased by 15.2% as a result of mining depletion, higher costs and cut-off grade as well as a more conservative approach to resource estimation.

Capital expenditures

Capital expenditures in 2022 totalled US$118.0 million, mainly allocated to sustaining capex, including additional mining equipment to maintain operations following internalisation of certain contractors in 2021, in-mine development, safety and environment, tailings dam and the project to deepen the Jarillas shaft.

2023 outlook

We expect volumes of ore processed to increase to c. 7,000 tpd in 2023 as we increase productivity following intensive training of personnel this year.

The silver ore grade is expected to average between 190-210 g/t while the gold ore grade is expected to average between 1.2-1.4 g/t.

We will continue to prioritise training and working with new personnel to increase productivity at the mine. Furthermore, we will focus on cost reduction initiatives such as optimising the anchoring and shotcreting, depending on the rock quality of the area, and decreasing maintenance and pumping costs.

An assessment to define the optimal level of development will be conducted during the year.

Capex will primarily be allocated to required mine development, sustaining capex, safety and environment and the deepening of the Jarillas shaft.

Financial performance

Financial highlights	2022	2021	% change
Revenue (US$m)	**442.7**	544.4	(18.7)
Adjusted revenue (US$m)	**485.9**	594.5	(18.3)
Adjusted production costs (US$m)	**247.6**	218.6	13.3
Depreciation (US$m)	**95.0**	110.2	(13.8)
Segment profit (US$m)	**197.8**	321.3	(38.4)
Capital expenditure (US$m)	**118.0**	101.2	16.6
Exploration (US$m)	**30.2**	18.7	61.5
Cost per tonne (US$)	**119.5**	89.8	33.0
Cash cost ($/oz silver)	**4.5**	(0.8)	N/A
Margin ($/oz)	**17.2**	25.7	(33.1)
Margin (expressed as % of silver price)	**79.3**	103.2	
All in sustaining cost (US$)	**16.8**	9.5	76.8

Adjusted revenue at Saucito decreased 18.3% year-on-year, mainly as a result of the decrease in silver, gold, lead and zinc volumes sold and the lower silver price.

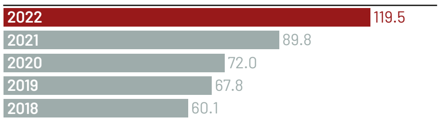
Cost per tonne increased 33.0% to US$119.5, mainly driven by an increase in the use of infrastructure contractors and maintenance, cost inflation and a decrease in the volume of ore milled.

Cash cost per silver ounce increased to US$4.5 per ounce (2021: -US$0.8 per silver ounce) mainly as a result of a higher cost per tonne and lower gold, lead and zinc by-product credits per silver ounce. This was mitigated by a higher silver ore grade and lower mining rights. Margin per ounce decreased to US$17.2 in 2022 (2021: US$25.7). Expressed as a percentage of the silver price, it decreased from 103.2% to 79.3%.

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

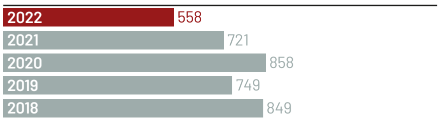
Saucito
(US$/tonne milled)

119.5



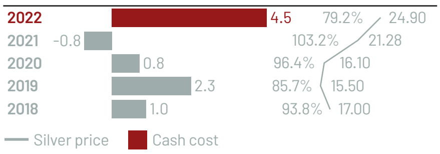
Saucito ore milled per person
(Tonnes)

558



Saucito cash cost
(Silver US$/ounce)

4.5



% figures represent margin between cash cost and silver price.

San Julián

The San Julián silver-gold mine started operations in 2016. In 2022, it contributed 26.5% to total silver production and generated 16.1% 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:	**668 employees, 1,262 contractors**
Location:	**Chihuahua/Durango border**
Mine life (years):	**4.8 Veins** (2021: 4.4), **2.8 Disseminated Ore Body** (2021: 3.1)

2022 Objectives
- Mitigate the impact of the labour reform through our recruitment campaigns, training and investment in new equipment.
- Continue exploration in the region, targeting a similar disseminated ore body.
- Conclude a pilot project to confirm the feasibility for the extraction of ore panels under paste fill.

2022 Performance
- Recruitment and training were concluded in 4Q 2022; equipment delivered on time.
- Exploration continued in the area, increasing silver resources at San Julián veins and San Julián DOB.
- The pilot project to confirm the feasibility of ore panels under paste fill advanced, albeit at a slower pace than originally planned.

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.

Key developments in the year

Silver production at San Julián veins increased 9.8% year-on-year. This was mainly due to the higher ore grade driven by the operational decision to adjust the mine plan to prioritise extraction from wider veins of the mine with higher silver content but lower gold ore grade, thus decreasing gold production by 16.3%.

Silver and gold production decreased at San Julián Disseminated Ore Body year-on-year, mainly due to the expected lower ore grades in 2022 following the higher than anticipated ore grade in 2021 as a result of: i) the positive variation with the geological model in the central area of the ore body; and ii) access to higher ore grade areas following the mine resequencing in 2019.

Productivity increased due to the decrease in contractors, which more than offset the increase in unionised personnel on volumes of ore throughput.

Construction of the third phase of the tailings dam commenced in mid-2022 following a comprehensive review of design and construction methodology. Progress is according to plan.

The pilot project to recover ore panels under paste fill continued, albeit at a slower pace than planned as priority was given to completing the staffing of the mine and the purchase of equipment. This project will continue in 2023, with additional diamond drilling and geotechnical studies to confirm feasibility. Once these activities are completed, mining works will commence with a roadheader.

Reserves and resources

Silver in ore reserves at San Julián veins increased 9.9% year-on-year mainly as a result of the ongoing exploration programme in the southern areas of the district. Likewise, silver in mineral resources increased year-on-year despite increased costs and cut-off grade. Gold in ore reserves and mineral resources remained at similar levels to 2021.

Silver and gold in ore reserves at San Julián Disseminated Ore Body decreased due to mining depletion partly offset by exploration results, and lower costs and cut-off grade. However, silver and gold in mineral resources increased as a result of the exploration programme, together with lower costs and cut-off grade.

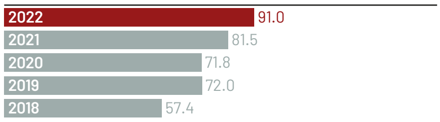
Capital expenditures

Capex spend in 2022 was US$64.5 million, mainly allocated to mining works and sustaining capex.

	2022	2021	% change
Mine production			
Total production			
Gold (oz)	**46,727**	55,847	(16.3)
Silver (koz)	**14,252**	16,772	(15.0)
Production San Julián Veins			
Ore milled (kt)	**1,176**	1,203	(2.2)
Silver (koz)	**4,638**	4,224	9.8
Gold (oz)	**43,397**	51,840	(16.3)
Silver ore grade (g/t)	**135**	119	13.4
Gold ore grade (g/t)	**1.2**	1.4	(14.3)
Production San Julián Disseminated Ore Body			
Ore milled (kt)	**2,093**	2,071	1.1
Silver (koz)	**9,614**	12,548	(23.4)
Gold (oz)	**3,330**	4,006	(16.9)
Lead (t)	**7,105**	8,543	(16.8)
Zinc (t)	**17,487**	19,991	(12.5)
Silver ore grade (g/t)	**168**	221	(24.0)
Gold ore grade (g/t)	**0.08**	0.10	(20.0)
Lead ore grade (%)	**0.43**	0.51	(15.7)
Zinc ore grade (%)	**1.09**	1.27	(14.2)
Reserves San Julián Veins[1]			
Silver (moz)	**45.7**	41.6	9.9
Gold (koz)	**294**	293	0.3
Avg ore grade in reserves San Julián Veins			
Silver (g/t)	**252**	244	3.3
Gold (g/t)	**1.62**	1.72	(5.8)
Cut-off grade (g/t AgEq)	**218**	196	11.2
Reserves San Julián Disseminated Ore Body[1]			
Silver (moz)	**27.9**	33.0	(15.5)
Gold (koz)	**17**	18	(5.6)
Avg ore grade in reserves San Julián Disseminated Ore Body			
Silver (g/t)	**148**	162	(8.6)
Gold (g/t)	**0.1**	0.1	0.0
Cut-off grade (g/t AgEq)	**113**	119	(5.0)
Resources San Julián Veins[2]			
Silver (moz)	**129.3**	122.9	5.2
Gold (koz)	**993**	1,040	(4.5)
Avg ore grade in resources San Julián Veins			
Silver (g/t)	**216**	194	11.3
Gold (g/t)	**1.66**	1.64	1.2
Cut-off grade (g/t AgEq)	**162**	151	7.3
Resources San Julián Disseminated Ore Body[2]			
Silver (moz)	**70.4**	64.2	9.7
Gold (koz)	**53.0**	38.2	38.7
Avg ore grade in resources San Julián Disseminated Ore Body			
Silver (g/t)	**138**	152	(9.2)
Gold (g/t)	**0.1**	0.1	0.0
Cut-off grade (g/t AgEq)	**102**	109	(6.4)

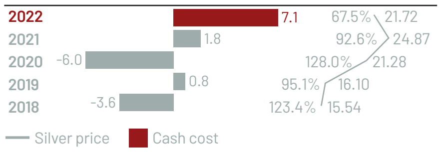
San Julián (Veins)
(US$/tonne milled)

91.0



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

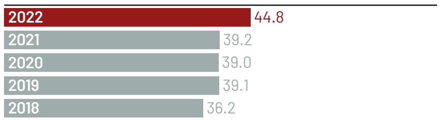
7.1



% figures represent margin between cash cost and silver price.

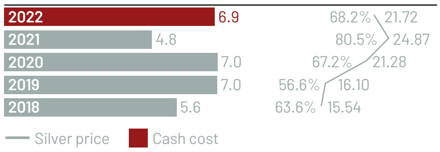
San Julián (DOB)
(US$/tonne milled)

44.8



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

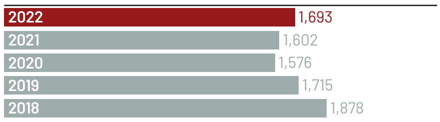
6.9



% figures represent margin between cash cost and silver price.

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

1,693



1 2022 reserves as of 31 May 2022.
2 2022 resources as of 31 May 2022.

San Julián continued

2023 outlook
For the year ahead, the silver ore grade at the San Julián Veins is expected to be in the range of 130-140 g/t, with the gold ore grade expected to average 1.20-1.30 g/t.

For the San Julián Disseminated Ore Body, silver ore grade for 2023 is forecast to be in the range of 130-140 g/t, with the gold ore grade averaging around 0.08 g/t.

Budgeted capex for 2023 will be allocated to mining works, sustaining capex, safety and environment and the construction of a tailings dam to ensure operational continuity.

Financial performance
Adjusted revenue decreased primarily as a result of the lower volumes of all metals sold and the lower silver price.

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

Cash cost per ounce of silver increased to US$7.1 per ounce mainly due to the lower gold by-product credits per silver ounce and a higher cost per tonne, mitigated by a higher silver ore grade. Margin per ounce decreased to US$14.7 (2021: US$23.0), while margin expressed as a percentage of the silver price decreased from 92.6% in 2021 to 67.5% in 2022.

All in sustaining cost increased to US$21.8 per ounce due to the increase in cash cost and higher sustaining capex per ounce.

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

Cash cost increased to US$6.9 per ounce of silver driven by a lower silver ore grade, the increase in cost per tonne and higher treatment and refining charges, mitigated by higher zinc and lead by-product credits per silver ounce and lower mining rights. Margin per ounce decreased to US$14.8 (2021: US$20.0), while margin expressed as a percentage of the silver price decreased from 80.5% in 2021 to 68.2% in 2022.

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

“Budgeted capex for 2023 will be allocated to mining works, sustaining capex, safety and environment and the construction of a tailings dam to ensure operational continuity.”

Financial performance

Financial highlights	2022	2021	% change
Revenue (US$m)	**392.1**	509.2	(23.0)
Adjusted revenue (US$m)	**417.6**	537.0	(22.2)
Adjusted production costs (US$m)	**200.7**	179.1	12.1
Depreciation (US$m)	**129.0**	148.6	(13.2)
Segment profit (US$m)	**190.8**	322.7	(40.9)
Capital expenditure (US$m)	**64.5**	40.9	57.7
Exploration (US$m)	**32.5**	23.9	36.0
Cost per tonne (US$)(Veins)	**91.0**	81.5	11.7
Cash cost (US$/oz silver)(Veins)	**7.1**	1.8	>100
Margin (US$/oz)(Veins)	**14.7**	23.0	(36.1)
Margin (expressed as % of silver price)(Veins)	**67.5**	92.6	
All in sustaining cost (Veins)(US$)	**21.8**	14.0	55.6
Cost per tonne (US$)(Disseminated Ore Body)	**44.8**	39.2	14.2
Cash cost (US$/oz silver)(Disseminated Ore Body)	**6.9**	4.8	42.9
Margin (US$/oz)(Disseminated Ore Body)	**14.8**	20.0	26.0
Margin (expressed as % of silver price) (Disseminated Ore Body)	**68.2**	80.5	
All in sustaining cost (Disseminated Ore Body)(US$)	**8.8**	6.3	39.7

Ciénega

Ciénega is our most polymetallic mine, contributing 5.9% to total gold production and 8.8% to total silver production. The mine generated 6.9% of total adjusted revenue during 2022.

2022 Objectives
- Mitigate the impact of the labour reform through our recruitment campaigns, training and investment in new equipment.
- Advance exploration programmes to generate resources.

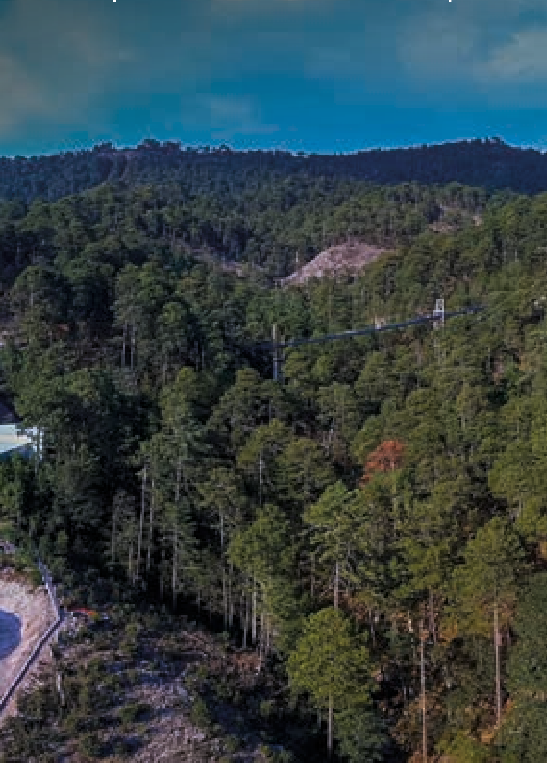
2022 Performance
- Recruitment and training continued, however ongoing workforce rotation, together with lower equipment availability from our contractors, continued impacting performance at the mine.
- 87,503 metres were drilled during the year, although higher costs and cut-off grades resulted in a decrease in silver and gold resources by 10.8% and 14.3% respectively.
- Construction of the second stage of the third tailings dam commenced.

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

Ownership: **100% Fresnillo plc**
In operation since: **1992**
Mine life (years): **4.2** (2021: 4.2)
Facilities: **Underground mine, flotation and leaching plant**
Workforce: **649 employees, 1,172 contractors**
Location: **Durango**
Milling capacity (2022): **4,000 tpd/1,340,000 tpy**

	2022	2021	% change
Mine production			
Ore milled (kt)	**1,114**	1,282	(13.1)
Silver (koz)	**4,709**	5,447	(13.5)
Gold (oz)	**37,466**	48,819	(23.3)
Lead (t)	**3,518**	3,947	(10.9)
Zinc (t)	**5,387**	6,373	(15.5)
Silver ore grade (g/t)	**152**	153	(0.7)
Gold ore grade (g/t)	**1.14**	1.27	(10.2)
Total reserves[1]			
Silver (moz)	**31.6**	34.6	(8.7)
Gold (koz)	**295**	331	(10.9)
Avg ore grade in reserves			
Silver (g/t)	**211**	199	6.0
Gold (g/t)	**1.96**	1.90	3.2
Cut-off grade (g/t AgEq)	**Multiple**	Multiple	
Total resources[2]			
Silver (koz)	**126,713**	142,094	(10.8)
Gold (koz)	**1,412.2**	1,646.9	(14.3)
Avg ore grade in resources			
Silver (g/t)	**229**	227	0.9
Gold (g/t)	**2.56**	2.55	0.4
Cut-off grade (g/t AgEq)	**Multiple**	Multiple	

1 2022 reserves as of 31 May 2022.
2 2022 resources as of 31 May 2022.



Key developments in the year

In line with expectations, gold and silver production decreased year-on-year, due to the lower volumes of ore processed and a lower gold ore grade. This was due to a higher proportion of ore from the main Ciénega mine being processed, as opposed to processing ore from a satellite operation in the surrounding area with a higher average ore grade.

Productivity decreased as volumes processed continued to be impacted by the effects of the labour reform and the increased workforce rotation, which meant that additional workers had to be recruited and trained.

Construction of the second stage of the third tailings dam continued as planned and is expected to be concluded in 2024.

Reserves and resources

Silver and gold in ore reserves decreased 8.7% and 10.9% respectively year-on-year as a result of mining depletion, exploration results and higher costs and cut-offs. Likewise, silver and gold resources decreased 10.8% and 14.3% year-on-year respectively.

Capital expenditures

Capex in 2022 totalled US$47.0 million and was allocated primarily to mine development, sustaining capex and safety and environment, including the construction of the tailings dam.

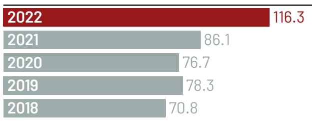
2023 outlook

In 2023, the average gold ore grade is expected to be between 1.0-1.1 g/t, with the silver ore grade expected to average 150-160 g/t.

Budgeted capex for 2023 will continue to be primarily focused on mining works and sustaining capex.

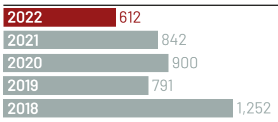
Ciénega
(US$/tonne milled)

116.3



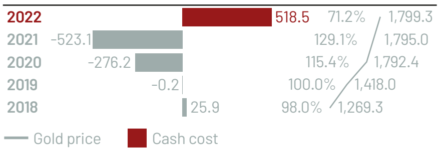
Ciénega ore milled per person
(Tonnes)

612



Ciénega cash cost
(Gold US$/ounce)

518.5



% figures represent margin between cash cost and gold price.

Financial performance

Financial highlights	2022	2021	% change
Revenue (US$m)	**169.5**	215.6	(21.4)
Adjusted revenue (US$m)	**180.3**	227.8	(20.9)
Adjusted production costs (US$m)	**129.6**	110.4	17.4
Depreciation (US$m)	**50.9**	62.9	(19.1)
Segment profit (US$m)	**39.6**	106.5	(62.8)
Capital expenditure (US$m)	**47.0**	45.4	3.5
Exploration (US$m)	**9.6**	8.2	17.1
Cost per tonne (US$)	**116.3**	86.1	35.1
Cash cost ($/oz gold)	**518.5**	(523.1)	N/A
Margin ($/oz)	**1,280.8**	2,318.1	(44.7)
Margin (expressed as % of gold price)	**71.2**	129.1	
All in sustaining cost (US$)	**2,011.1**	656.1	>100

Adjusted revenue decreased 20.9% over 2021, mainly due to lower volumes of gold, silver, lead and zinc sold, and lower silver and lead prices. Ciénega is the Group's most polymetallic mine, a fact demonstrated by the 64.8% contribution from silver, lead and zinc in 2022 (2021: 64.4%).

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

The increase in cash cost per gold ounce from -US$523.1 in 2021 to US$518.5 in 2022 was primarily due to a higher cost per tonne, lower gold ore grade and higher treatment and refining charges. This was mitigated by higher silver, zinc and lead by-product credits per gold ounce and lower mining rights and profit sharing. Margin per ounce decreased to US$1,280.8 in 2022 (2021: US$2,318.1). Expressed as a percentage of the gold price, the margin decreased to 71.2% (2021: 129.1%).

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

Herradura

2022 Objectives

- Commission and ramp up the Carbon in Column project.
- Finalise the pit slope optimisation study and implement recommendations.
- Advance the construction of the 15th leaching pad.

2022 Performance

- As the scope of the Carbon in Column project was increased to improve its efficiency, construction will be completed in mid-2023.
- The pit slope optimisation study was concluded and recommendations are being tested in different geotechnical domains of the pit.
- Construction of the 14th phase B leaching pad was concluded, while engineering for the 15th leaching pad progressed.
- Several initiatives to reduce dust at loading fronts were implemented.

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.

One of Mexico's largest open pit gold mines, Herradura produced 55.0% of the Group's total gold in 2022 and generated 24.4% of total adjusted revenue.

Ownership: **Minera Penmont (100% Fresnillo plc)**
In operation since: **1997**
Mine life (years): **10.9** (2021: 11.8)
Facilities: **Open pit mine, heap leach and Merrill Crowe plants; two dynamic leaching plants (DLP)**
Workforce: **2,230 employees, 708 contractors**
Location: **Sonora**

	2022	2021	% change
Mine production			
Ore deposited (kt)	**22,195**	20,312	9.3
Total volume hauled (kt)	**120,370**	132,839	(9.4)
Gold (oz)	**349,715**	421,535	(17.0)
Silver (koz)	**776**	926	(16.2)
Gold ore grade (g/t)	**0.69**	0.76	(9.2)
Total reserves[1]			
Gold (moz)	**6.2**	5.6	10.7
Avg ore grade in reserves			
Gold (g/t)	**0.80**	0.73	9.6
Cut-off grade (g/t Au)	**Multiple**	Multiple	
Total resources[2]			
Gold (moz)	**7.8**	7.6	2.6
Avg ore grade in resources			
Gold (g/t)	**0.81**	0.72	12.5
Cut-off grade (g/t Au)	**Multiple**	Multiple	

1 2022 reserves as of 31 May 2022.
2 2022 resources as of 31 May 2022.

Key developments in the year

As anticipated, annual gold production decreased versus 2021 as a result of the expected decrease in ore grade and lower recovery rates due to the processing of higher volumes of sulphide ore. This was partly mitigated by the increase in volume of ore processed as a result of the positive variations with the geological model and the availability of the lower layers of the new leaching pad 14B for deposits.

Productivity decreased compared to 2021 driven by the increased number of personnel hauling a decreased volume of material over greater distances.

During the year, we increased the scope of the Carbon in Column project to improve efficiency and this required additional engineering and work during the year, including the installation of an electricity supply line. We expect to commission the project and ramp up the plant in mid-2023, increasing gold recovery from the old leaching pads.

Reserves and resources

Gold in ore reserves and mineral resources increased 10.7% and 2.6% respectively, due to resource model improvements partly offset by mining depletion, higher cost assumptions and exploration drilling results.

Capital expenditures

Capital expenditures in 2022 totalled US$105.3 million, which was focused on mining works and sustaining capex.

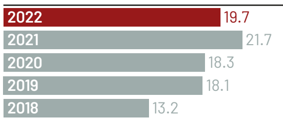
2023 outlook

Gold ore grades in 2023 are expected to be in the range of 0.65–0.75 g/t.

Capex for 2023 will continue to focus primarily on capitalised prestripping, sustaining capex, construction of the 15th leaching pad and the implementation of the activated carbon process to increase gold recovery. Other investments scheduled for 2023 also include a technical evaluation of autonomous haulage equipment.

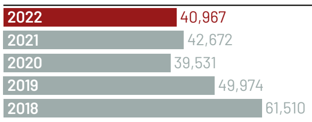
Herradura
(US$/tonne milled)

19.7



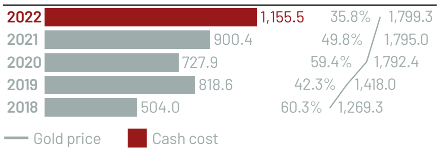
Herradura ore/waste moved per person
(Tonnes)

40,967



Herradura cash cost
(Gold US$/ounce)

1,155.5



% figures represent margin between cash cost and gold price.

Financial performance

Financial highlights	2022	2021	% change
Revenue (US$m)	**634.0**	769.9	(17.7)
Adjusted revenue (US$m)	**634.9**	770.8	(17.6)
Adjusted production costs (US$m)	**437.4**	440.8	(0.8)
Depreciation (US$m)	**81.5**	81.2	0.4
Segment profit (US$m)	**127.9**	285.3	(55.2)
Capital expenditure (US$m)	**105.3**	54.4	134.0
Exploration (US$m)	**19.2**	19.0	1.1
Cost per tonne (US$)	**19.7**	21.7	(9.2)
Cost per tonne hauled (US$)	**4.7**	3.5	34.3
Cash cost ($/oz gold)	**1,155.5**	900.4	28.3
Margin ($/oz)	**643.8**	894.6	(28.0)
Margin (expressed as % of gold price)	**35.8**	49.8	
All in sustaining cost (US$)	**1,527.4**	1,100.2	38.8

Adjusted revenue decreased year-on-year due to the lower volumes of gold sold.

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

Cash cost per gold ounce increased to US$1,155.5 per ounce of gold mainly due to the lower gold ore grade, mitigated by the lower cost per tonne. Margin per ounce and margin expressed as a percentage of the gold price decreased to US$643.8 and 35.8%, respectively.

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

Noche Buena

2022 Objectives
- Close the open pit operation once reserves have been fully depleted.
- Continue to extract ore from the leaching pads.
- Conclude condemnation drilling to establish the absence of any further economical mineralisation.

2022 Performance
- Additional mineralisation was found through the condemnation drilling and mining was extended for a few additional months.
- The mine closure plan commenced, with ore extraction from the pit now expected to end 1H 2023.

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

Noche Buena is located in the Herradura district, 23 kilometres from the Herradura mine. Noche Buena produced 12.5% of the Group's total gold in 2022 and generated 5.5% of total adjusted revenue.

Ownership: **Minera Penmont (100% Fresnillo plc)**
In operation since: **2012**
Mine life (years): **0.8** (2021: 1.5)
Facilities: **Open pit mine, heap leach, Merrill Crowe plant and Carbon in Column process**
Workforce: **407 employees, 186 contractors**
Location: **Sonora**

	2022	2021	% change
Mine production			
Ore deposited (kt)	**7,428.2**	8,997	(17.4)
Total volume hauled (kt)	**26,855**	25,954	3.5
Gold (oz)	**79,669**	96,835	(17.7)
Silver (koz)	**20**	32	(37.5)
Gold ore grade (g/t)	**0.53**	0.59	(10.2)
Total reserves[1]			
Gold (koz)	**92**	216	(57.4)
Avg ore grade in reserves			
Gold (g/t)	**0.48**	0.49	(2.0)
Cut-off grade (g/t Au)	**0.22**	0.20	(10.0)
Total resources[2]			
Gold (koz)	**193**	371	(48.0)
Avg ore grade in resources			
Gold (g/t)	**0.59**	0.52	13.5
Cut-off grade (g/t Au)	**0.20**	0.20	0.0

1 2022 reserves as of 31 May 2022.
2 2022 resources as of 31 May 2022.

Key developments in the year

Annual gold production decreased 17.7% versus 2021, driven by the expected decrease in volume of ore processed and lower ore grade as the mine approaches the end of its life.

We are beginning to implement our mine closure plan.

Productivity increased due to the increase in tonnes hauled shorter distances by a reduced number of unionised employees and contractors, as the mine approaches the end of its life.

Reserves and resources

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

Capital expenditures

Capital expenditures in 2022 totalled US$0.4 million, focused on sustaining capex.

2023 outlook

In 2023, the average ore grade is expected to be in the range of 0.40 to 0.50 g/t.

Expenditure in 2023 will again primarily be for sustaining capex.

Financial performance

Financial highlights	2022	2021	% change
Revenue (US$m)	**142.7**	168.8	(15.5)
Adjusted revenue (US$m)	**143.8**	169.9	(15.4)
Adjusted production costs (US$m)	**103.6**	98.7	5.0
Depreciation (US$m)	**39.4**	50.0	(21.2)
Segment profit (US$m)	**44.4**	77.2	(42.5)
Capital expenditure (US$m)	**0.4**	0.4	0.0
Exploration (US$m)	**1.4**	1.7	(17.6)
Cost per tonne (US$)	**13.9**	11.0	26.4
Cost per tonne hauled (US$)	**3.9**	3.8	2.6
Cash cost ($/oz gold)	**1,269.9**	1,029.5	23.4
Margin ($/oz)	**529.4**	765.4	(30.8)
Margin (expressed as % of gold price)	**29.4**	42.6	
All in sustaining cost (US$)	**1,359.6**	1,122.2	21.2

Adjusted revenue at Noche Buena decreased 15.4% to US$143.8 million as a result of the lower volumes of gold sold.

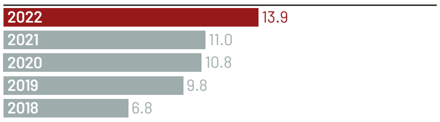
Cost per tonne increased to US$13.9 in 2022, primarily driven by a higher stripping charged to cost, cost inflation and a lower volume of ore processed.

Cash cost per gold ounce increased by 23.4% to US$1,269.9, mainly due to a higher cost per tonne. Margin per ounce decreased to US$529.4 in 2022 (2021: US$765.4). Expressed as a percentage of the gold price, it decreased from 42.6% to 29.4% in 2022.

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

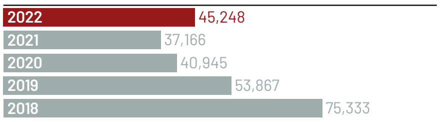
Noche Buena
(US$/tonne deposited)

13.9



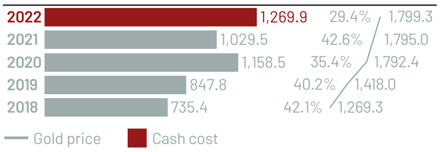
Noche Buena ore/waste moved per person
(Tonnes)

45,248



Noche Buena cash cost
(Gold US$/ounce)

1,269.9



% figures represent margin between cash cost and gold price.

Juanicipio

2022 Objectives
- Subject to permits being obtained, start-up of flotation plant and ramp-up of commercial production to 85-90% of nameplate capacity by the end of 2022.

2022 Performance
- Completed the tie in of the flotation plant to the national grid by year end.
- Stoping, underground development and material stockpiling continued as planned.
- Mineralised material continued to be processed at the Fresnillo and Saucito plants.

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.

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 9.6% to the Group's total attributable silver production. The mine generated 10.0% of total adjusted revenue during 2022.

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**

Facilities: **Underground mine and flotation plant**

Workforce: **390 employees, 661 contractors**

Location: **Zacatecas**

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

	2022	2021	% change
Mine production			
Ore milled (kt)	**646**	252	>100
Silver (koz)	**5,180**	1,790	>100
Gold (oz)	**12,461**	3,683	>100
Lead (t)	**2,755**	671	>100
Zinc (t)	**4,521**	1,036	>100
Silver ore grade (g/t)	**520**	470	10.6
Gold ore grade (g/t)	**1.39**	1.13	23.0
Total reserves[1]			
Silver (moz)	**83.3**	86.2	(3.4)
Gold (koz)	**448**	447	0.2
Avg ore grade in reserves			
Silver (g/t)	**284**	295	(3.7)
Gold (g/t)	**1.53**	1.53	0.0
Cut-off grade (g/t AgEq)	**265**	N/A	
Total resources[2]			
Silver (koz)	**158,351**	158,237	0.1
Gold (koz)	**840**	836	0.5
Avg ore grade in resources			
Silver (g/t)	**285**	285	0.0
Gold (g/t)	**1.51**	1.51	0.0
Cut-off grade (g/t AgEq)	**196**	N/A	

1 2022 reserves as of 31 May 2022.
2 2022 resources as of 31 May 2022.

Key developments in the year

Construction of the Juanicipio plant was completed in 4Q 2021. However, permits to connect to the national grid were not granted as anticipated due to the additional tests required by the state-owned electric company and the energy regulator. These precautionary measures to ensure uninterrupted service to the surrounding area extended the process, with the final tie-in of the plant being completed by year end.

Despite the delay in the commissioning and start-up of the flotation plant to 2023, mineralised material from development and initial production stopes continued to be processed at the Fresnillo and Saucito beneficiation plants during the year, with 646,148 tonnes processed. Attributable production reached 5.2 moz of silver and 12.5 koz of gold, confirming Juanicipio's position as a major influence in our silver operations.

Development of the mine continued to advance, reaching 57.9 km by the end of the year.

Reserves and resources

Silver in ore reserves decreased 3.4% year-on-year reflecting higher costs. Gold in reserves and resources, and silver resources remained stable vs. 2021.

Capital expenditures

Capex in 2022 totalled US$149.6 million and was allocated primarily to mine development, purchase of equipment, construction of ventilation shafts and land acquisition.

2023 outlook

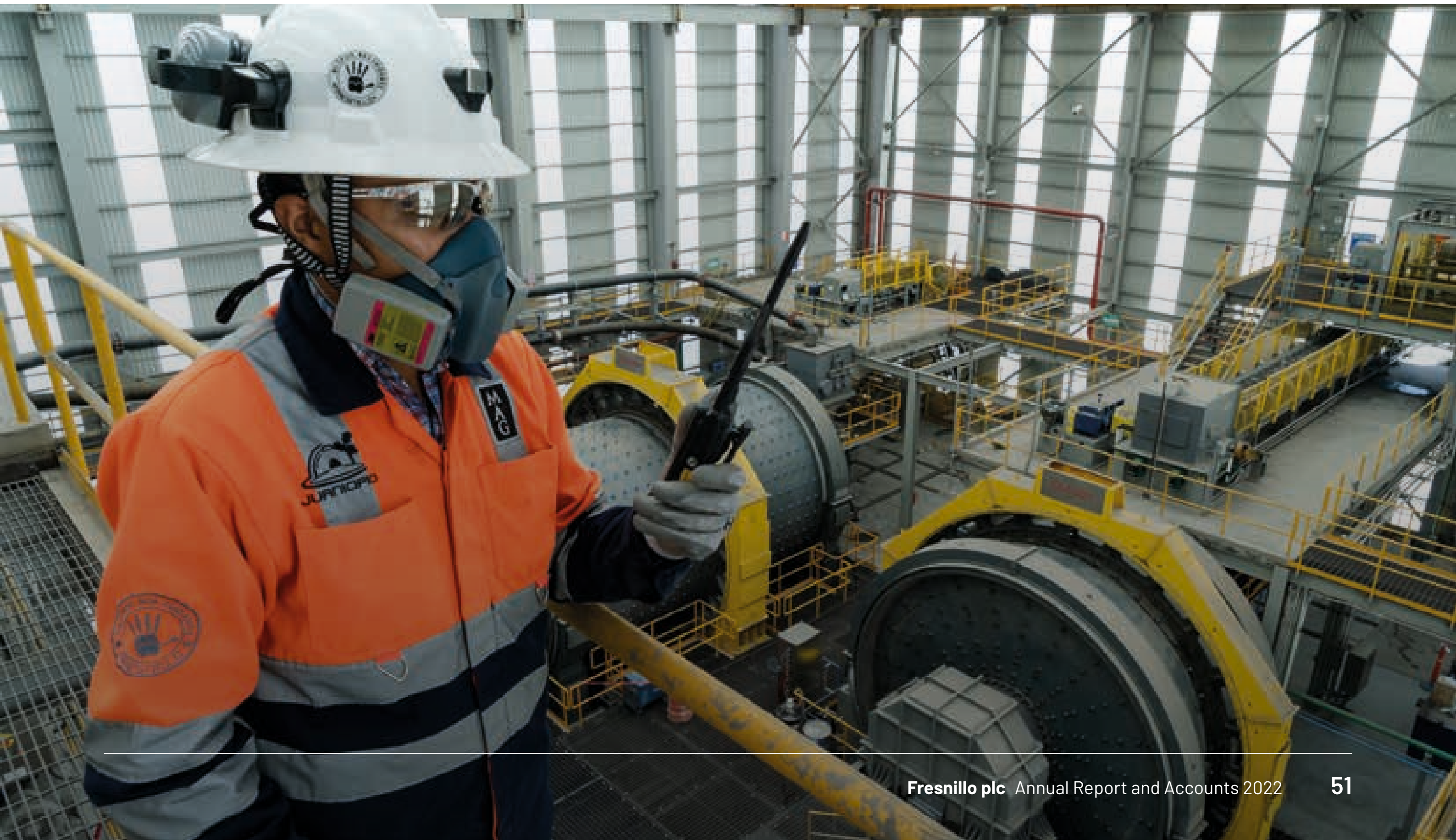
The ramp up of production is expected to progress smoothly, with the objective of achieving nameplate capacity by 3Q 2023. Once at full capacity, the average silver ore grade is expected to be around 400 g/t, with the gold ore grade expected to average 1.0 g/t.

Budgeted capex for 2023 will continue to be primarily focused on mining works and sustaining capex.

Financial performance

Financial highlights	**2022**	2021	% change
Revenue (US$m)	**236.7**	–	N/A
Adjusted revenue (US$m)	**259.0**	–	N/A
Adjusted production costs (US$m)	**100.7**	–	N/A
Depreciation (US$m)	**22.1**	–	N/A
Segment profit (US$m)	**154.5**	–	N/A
Capital expenditure (US$m)	**149.6**	–	N/A
Exploration (US$m)	**7.8**	–	N/A

The flotation plant at Juanicipio was not in operation in 2022, thus there are no indicative/representative cost indicators (cost per tonne, cash cost and all in sustaining cost).



Financial review

The consolidated Financial Statements of Fresnillo plc are prepared in accordance with UK-adopted international accounting standards. This Financial Review is intended to convey the main factors affecting performance and to provide a detailed analysis of the financial results in order to enhance understanding of the Group's Financial Statements. All comparisons refer to 2022 figures compared to 2021, unless otherwise noted. The financial information and year-on-year variations are presented in US dollars, except where indicated. The full financial statements and their accompanying notes can be found on pages 226-274.

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

Commentary on financial performance

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

In particular, Adjusted revenue[1] decreased 8.8% over 2021 primarily due to the decrease in volumes of gold sold and the lower silver price, while revenue decreased 10.0% year-on-year to US$2,433.0 million due to the lower adjusted revenue combined with higher treatment and refining charges.

Adjusted production costs[2] increased 15.2% over 2021, primarily driven by 8.4% cost inflation, the additional costs from the start-up of operations at Juanicipio and the increase in the use of infrastructure contractors, higher personnel costs following the internalisation process, increased maintenance and an increase in consumption of operating materials and diesel due to longer haulage distances at some of our mines.

As a result, gross profit and EBITDA[3] decreased to US$536.0 million and US$751.1 million, a 42.8% and 37.7% decrease over 2021 respectively.

We maintained our strong financial position, with US$969.1 million in cash and other liquid funds[1] as of 31 December 2022 notwithstanding paying dividends of US$202.0 million in accordance with our policy, investing US$592.1 million in capex and spending US$165.8 million on exploration expenses.

Income statement

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

1 Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and metals prices hedging.
2 Adjusted production costs are calculated as cost of sales less depreciation, profit sharing, hedging, change in inventories and unproductive costs. The Company considers this a useful additional measure to help understand underlying factors driving production costs in terms of the different stages involved in the mining and plant processes, including efficiencies and inefficiencies as the case may be and other factors outside the Company's control such as cost inflation or changes in accounting criteria.
3 Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain/(loss), less revaluation effects of the Silverstream contract and other operating income plus other operating expenses and depreciation.
4 The weighted average number of Ordinary Shares was 736,893,589 for 2022 and 2021. See note 18 to the consolidated financial statements.

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

Metals prices

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

MX$/US$ exchange rate

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

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

Cost inflation

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

Labour

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

Energy

Electricity

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

Diesel

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

Operating materials

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

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

Contractors

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

Maintenance

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

Other costs

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

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

Revenue

Consolidated revenue

	2022 US$ million	2021 US$ million	Amount US$ million	Change %
Adjusted revenue[5]	**2,597.2**	2,847.9	(250.7)	(8.8)
Metals prices hedging	**(3.8)**	(1.4)	(2.4)	179.0
Treatment and refining charges	**(160.5)**	(143.5)	(17.0)	11.8
Total revenue	**2,433.0**	2,703.1	(270.1)	(10.0)

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

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

Adjusted revenue[1] by metal

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

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

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

Adjusted revenue by mine

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

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

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

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

Volumes of metal sold

	2022	% contribution of each mine	2021	% contribution of each mine	Change %
Silver (koz)					
Fresnillo	**12,222**	**24.4**	11,082	23.7	10.3
Saucito	**10,620**	**21.2**	11,446	24.4	(7.2)
Juanicipio	**8,697**	**17.3**	2,932	6.3	196.6
San Julián (DOB)	**8,117**	**16.2**	10,813	23.1	(24.9)
San Julián (Veins)	**4,502**	**9.0**	4,077	8.7	10.4
Ciénega	**4,344**	**8.7**	4,907	10.5	(11.5)
Pyrites plant at Saucito	**854**	**1.7**	601	1.3	42.1
Herradura	**777**	**1.5**	932	2.0	(16.6)
Noche Buena	**9**	**0.0**	14	0.0	(35.7)
Pyrites plant at Fresnillo	**0**	**0.0**	3	0.0	(100.0)
Total silver (koz)	**50,142**		46,807		7.1
Gold (oz)					
Herradura	**351,156**	**56.7**	416,310	57.2	(15.7)
Noche Buena	**71,921**	**11.6**	94,237	13.0	(23.7)
Saucito	**65,689**	**10.6**	81,304	11.2	(19.2)
San Julián (Veins)	**42,516**	**6.9**	50,794	7.0	(16.3)
Ciénega	**35,275**	**5.7**	45,352	6.2	(22.2)
Fresnillo	**28,277**	**4.6**	28,834	4.0	(1.9)
Juanicipio	**20,268**	**3.3**	5,908	0.8	243.1
Pyrites plant at Saucito	**2,585**	**0.4**	2,260	0.3	14.4
San Julián (DOB)	**1,546**	**0.2**	2,130	0.3	(27.4)
Pyrites plant at Fresnillo	**4**	**0.0**	8	0.0	(50.0)
Total gold (oz)	**619,237**		727,137		(14.8)
Lead (t)					
Fresnillo	**19,667**	**39.2**	17,353	32.6	13.3
Saucito	**16,114**	**32.1**	22,878	43.0	(29.6)
San Julián (DOB)	**6,677**	**13.3**	8,270	15.5	(19.3)
Juanicipio	**4,487**	**8.9**	1,067	2.0	320.5
Ciénega	**3,267**	**6.5**	3,626	6.8	(9.9)
Total lead (t)	**50,212**		53,194		(5.6)
Zinc (t)					
Fresnillo	**35,890**	**41.9**	29,532	34.6%	21.5
Saucito	**23,604**	**27.6**	31,911	37.4%	(26.0)
San Julián (DOB)	**14,771**	**17.3**	16,928	19.9%	(12.7)
Juanicipio	**6,758**	**7.9**	1,511	1.8%	347.3
Ciénega	**4,564**	**5.3**	5,393	6.3%	(15.4)
Total zinc (t)	**85,587**		85,275		0.4

Hedging

In 2021 we entered into a hedging programme executed for a total volume of 1,800,000 ounces of silver which had its last monthly settlement in February 2022. This transaction was structured as a collar with an average floor price of US$22.0 per ounce, and an average price ceiling of US$50.3 per ounce. Additionally, a portion of our by-product zinc production was hedged from May 2021 through April 2022 using a similar financial structure to that of silver.

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

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

1 Monthly settlements until February 2022.
2 Monthly settlements until April 2022.

Treatment and refining charges

Treatment and refining charges[3] are reviewed annually using international benchmarks. Treatment charges per tonne of lead and zinc concentrate increased in dollar terms by 3.4% and 54.4% respectively, while silver refining charges remained flat over the year. The increase in treatment charges per tonne of lead and zinc, combined with the relatively stable volumes of lead and zinc concentrates shipped from our mines to Met-Mex, resulted in an 11.8% increase in treatment and refining charges set out in the income statement in absolute terms when compared to 2021.

Cost of sales

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

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

- An increase in Adjusted production costs (+US$190.7 million). This was primarily due to: i) cost inflation in US dollars[6] (US$101.2 million); ii) costs from the start-up of operations at Juanicipio (US$85.7 million); iii) increase in the use of infrastructure contractors, maintenance (electric and mechanical), operating materials and diesel (US$79.4 million); iv) higher volume of ore processed at Fresnillo and San Julián DOB (US$21.7 million); and v) others (US$3.7 million). These adverse effects were mitigated by lower stripping to cost at Herradura (-US$53.5 million); and a decrease in volume of ore processed at Saucito, Ciénega, San Julián (Veins) (-US$47.5 million).
- The variation in Mexican peso/US dollar hedging (+US$3.8 million). As part of our programme to manage our exposure to foreign exchange risk associated with costs incurred in Mexican pesos, we entered into a combination of put and call options structured at zero cost (collars) in 2021. These derivatives finally expired in March 2021 and they generated a positive result of US$3.8 million during the first quarter of 2021. As of 31 December 2022, there was no further outstanding position.
- The variation in unproductive costs, which had an unfavourable effect of (+US$1.8 million). In 2022, US$2.6 million was registered as unproductive costs related to fixed production cost incurred in activities at the Juanicipio flotation plant; in 2021 US$18.0 million was registered in relation to fixed costs (labour cost and depreciation) incurred in Minera San Julián due to a shortfall in electricity.

These negative effects were mitigated by:

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

3 Treatment and refining charges include the cost of treatment and refining as well as the margin charged by the refiner.
4 Adjusted production costs are calculated as cost of sales less depreciation, profit sharing, hedging, change in inventories and unproductive costs. The Company considers this a useful additional measure to help understand underlying factors driving production costs in terms of the different stages involved in the mining and plant processes, including efficiencies and inefficiencies as the case may be and other factors outside the Company's control such as cost inflation or changes in accounting criteria.
5 Unproductive costs primarily include unabsorbed production costs such as fixed production cost (labour cost and depreciation) incurred in Minera San Julián due to a shortfall in electricity and fixed costs incurred in Minera Penmont during the temporary suspension of mining activities at the beginning of the Covid-19 pandemic, and other costs related to the subsequent ramp-up of operations and the underutilisation of production capacity once mining activity was resumed. Unproductive costs are recognised within cost of sales but excluded from adjusted production costs.
6 Cost inflation would have been 7.9% excluding the effect of the Mexican peso revaluation (0.8%).

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

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

Cost per tonne		2022	2021	% change
Fresnillo	US$/tonne milled	**91.5**	84.7	8.0
Saucito	US$/tonne milled	**119.5**	89.8	33.0
San Julián (Veins)	US$/tonne milled	**91.0**	81.5	11.7
San Julián (DOB)	US$/tonne milled	**44.8**	39.2	14.2
Ciénega	US$/tonne milled	**116.3**	86.1	35.1
Herradura	US$/tonne deposited	**19.7**	21.7	(9.2)
Herradura	US$/tonne hauled	**4.7**	3.5	34.3
Noche Buena	US$/tonne deposited	**13.9**	11.0	27.0
Noche Buena	US$/tonne hauled	**3.9**	3.8	2.6

Explanations regarding changes in cost per tonne by mine are covered in the Review of operations section, on pages 36-51.

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

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

Explanations regarding changes in cash cost per ounce by mine are covered in the Review of operations section, on pages 36-51.

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

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

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

All-in sustaining cost (AISC)

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

Explanations regarding changes in AISC by mine are covered in the Review of operations section, on pages 36-51.

Financial review continued

Gross profit

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

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

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

On a per mine basis, Herradura remained the largest contributor to the Group's consolidated gross profit despite recording a 47.7% decrease in its gross profit. Juanicipio became the second largest contributor, reflecting the increased volumes of development material and ore processed at the Fresnillo and Saucito mines. Fresnillo became the third largest contributor to consolidated gross profit, increasing its percentage share from 14.9% in 2021 to 19.6% in 2022, while the lower production and higher costs at Saucito decreased its participation from 22.7% in 2021 to 18.4% in 2022. Similarly, the lower gross profit generated at San Julián decreased its share of the Group's total gross profit to 11.3% in 2022. The decrease in production volumes, together with the cost pressures, affected profitability at Ciénega and Noche Buena. Notwithstanding, both mines generated an EBITDA of US$19.2 million and US$34.5 million respectively, and cash flow from operating activities of US$25.4 million and US$40.8 million.

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

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

Administrative and corporate expenses

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

Exploration expenses

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

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

EBITDA

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

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

Other operating income and expense

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

Silverstream effects

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

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

Net finance costs

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

Foreign exchange

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

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

Taxation

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

Financial review continued

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

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

Profit for the period

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

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

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

Cash flow

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

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

1 Cash and other liquid funds are disclosed in note 31(c) to the consolidated financial statements.

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

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

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

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

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

Purchase of property, plant and equipment

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

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

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

Balance sheet

Fresnillo plc continued to maintain a solid financial position during the period with cash and other liquid funds[1] of US$969.1 million as of 31 December 2022, despite decreasing 21.6% versus 31 December 2021. Taking into account the cash and other liquid funds of US$969.1 million and the US$1,167.8 million outstanding Senior Notes, Fresnillo plc's net debt was US$198.7 million as of 31 December 2022. This compares to the net cash position of US$67.5 million as of 31 December 2021. Considering these variations, the balance sheet at 31 December 2022 remains strong, with a net debt/EBITDA ratio of 0.26x[2].

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

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

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

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

The Group's total equity was US$3,916.9 million as of 31 December 2021, a 3.0% increase over 31 December 2021. This was mainly explained by the increase in retained earnings, reflecting the 2022 profit.

Dividends

Based on the Group's 2022 performance, the Directors have recommended a final dividend of 13.3 US cents per Ordinary Share, which will be paid on 26 May 2023 to shareholders on the register on 28 April 2023. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. This is in addition to the interim dividend of 3.4 US cents per share amounting to US$25.1 million. This final dividend is lower than the previous year due to the decrease in profits in 2022, and remains in line with the Group's dividend policy (see page 7).

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. However, foreign shareholders may be able to recover such tax depending on their tax residence and the existence of double taxation agreements.

1 Cash and other liquid funds are disclosed in note 31(c) to the consolidated financial statements.
2 Net debt is calculated as debt at 31 December 2022 less Cash and other liquid funds at 31 December 2022 divided by the EBITDA generated in the last 12 months.

Letter from the Chairman of the Health, Safety, Environment & Community Relations (HSECR) Committee

Dear Shareholder,

At Fresnillo, we strive to create value for our stakeholders in order to earn their trust, while pursuing our purpose of contributing to the wellbeing of people through the sustainable mining of silver and gold. Our ethical and responsible way of doing business spans the full mining value chain, supported by a strong governance structure. On behalf of the Board, the Health, Safety, Environment and Community Relations (HSECR) Committee actively engages with management to provide oversight on the effectiveness of the Company's strategies and practices on environmental, social and governance (ESG) related issues. As Chairman of the HSECR Committee, I am pleased to present the principal activities that the Committee undertook during the year.

The Covid-19 pandemic continued to present a significant challenge to our organisation and required us to continually adapt and evolve our daily practices. During the year, senior management and the HSECR Committee evaluated prevention protocols and engagement strategies. We will continue to be cautious in order to safeguard the wellbeing of our workforce and neighbouring communities. Thanks to the Company's efforts, I am pleased to report that there were no Covid-19 related deaths in 2022 within our workforce.

Despite our sustained efforts to improve our safety performance by eliminating fatalities and also decreasing the frequency of injuries – where we have made progress – I deeply regret having to report that one of our colleagues was involved in a fatal accident in early 2022; our most sincere condolences go to his family. This incident is unacceptable and serves as a stark reminder that we have yet to secure the complete safety of our workforce. To address this, we have pledged to set and work towards reduction targets in our Fatality Rate and Total Recordable Injury Frequency Rate (TRIFR) with the objective of achieving the benchmark ranges set by the International Council on Mining and Metals (ICMM). In addition to regularly scrutinising each mine's safety performance, the Committee evaluated the creation of the new 'I Care, We Care' Operational Committee, which ensures the effective implementation of critical risks, incident management and execution of lessons learnt regarding near-misses across all mining units. We will continue to hold ourselves accountable for – and be transparent about – our safety performance, with a particular focus on prevention in those areas of greatest risk.

The Committee has also closely monitored management's efforts to ensure the safe operation of tailings storage facilities (TSFs), tracking progress in technical practices and corporate governance, as well as independent expert panel reviews, among other measures and significant investments. In addition, the Committee has overseen the implementation of best practices for TSFs, such as the deployment of a Potential Failure Mode Analysis (PFMA) pilot at Saucito and two simulation drills to test our Emergency Response Plans (ERPs) at Saucito and Penmont, in order to assess controls, train personnel and improve emergency response times. Finally, we have designed strategic KPIs in order to evaluate the storage capacity with respect to the life of the mine, stability and operational continuity.

The TSF at Juanicipio is our first tailings deposit that has been designed and built from the very start under the international standards of the Mining Association of Canada (MAC). Furthermore, the San Carlos (Fresnillo) deposit is the first one that was initially built under local standards but which during 2022 was updated to the MAC standards. Both TSFs now benefit from the expertise of an internationally recognised Engineer of Record, as part of the Company's overall ongoing efforts to enhance the TSF governance structure at all its sites. The Company prioritises the integrity of its TSFs and we will leverage these learnings to implement improvements across all our sites.

Additionally, we took an important step towards improving the management and efficiency of our water systems and strategies by allocating responsibility for these matters to the TSF management group, and we expect this to lead to significant synergies.

The closure plan for the Noche Buena mining unit was initiated in 2021, with a defined 20-year post-closure period. The Company is committed to restoring the land, eliminating all operation-related infrastructure as per the phased closure requirements. During 2022, management conducted thorough evaluations of technical and environmental factors. We will actively seek to involve stakeholders in the closure process in order to establish a shared vision and make all relevant information publicly available.

The Company has been working closely with Mexican authorities to ensure the successful logistics of vaccination efforts, not only for our workforce but also for the neighbouring communities in San Julián, Ciénega and Penmont. We believe that these partnerships are key to significantly increasing vaccination coverage in these areas, thereby protecting the health and wellbeing of our workforce and communities. Furthermore, the Company supported the safe return to school in the regions where we operate with preventive measures, awareness campaigns and donations of masks and hygiene supplies. We have also fully reinstated the Community Health Week across our units and advanced exploration projects with the support of the National Autonomous University of Mexico (UNAM) Foundation and by partnering with different local and federal authorities and civil society organisations. In addition, we partnered with United Nations Educational, Scientific and Cultural Organisation's (UNESCO) Office for Climate Education, Zacatecas' Education and Science Ministries and INNOVEC in order to enhance education efforts on climate change. We are committed to investing in the education of our communities, and we believe this partnership will have a positive impact.

It was disappointing to learn that, together with other companies, Fresnillo has been dropped from the FTSE4Good index for not meeting the FTSE4Good minimum Climate Change Score requirement. However, this should not obscure the fact that on average over the past four years, approximately 47% of our electricity needs have come from renewable sources and we are also substituting diesel for liquified natural gas (LNG) at some of our operations. Furthermore, we are also implementing energy efficiency measures such as 'on demand' ventilation systems, haulage route optimisation and harmonic filters. These actions have contributed to reducing our carbon footprint and we are committed to further reductions. However, this decision by FTSE4Good underlines the need for our climate change strategy and communications to develop further, and we are absolutely committed to doing so and to returning to the index in the near future.

To this end, the HSECR Committee oversaw two projects during the year that will contribute to the overall maturity of the Company's response to climate change: the regional climate models project, which will define climate variables across our operations to improve business planning; and the development of a climate-risk management system. The Committee also reviewed the results and recommendations of two Task Force for Climate-Related Financial Disclosures (TCFD) report benchmarks with the support of independent consultants. We believe that these actions will enable better assessment and management of reporting gaps and areas for improvement, as we work towards full compliance with the TCFD's 11 recommendations.

We continue to pursue our goals for the consumption of renewable energy, through the optimisation of our current energy portfolio allocation; however, the current energy sector regulatory environment in Mexico has generated delays in administrative processes, thereby slowing progress towards our short-term targets. The Company is committed to developing a pragmatic, clear and reasonable decarbonisation roadmap that balances economic realities, current technological limitations and regulatory uncertainty. By transparently communicating the progress of our strategy, we are confident that we will earn and maintain stakeholders' trust in our direction and efforts to address climate change.

We remain dedicated to thoroughly evaluating and promoting the Company's HSECR strategy and overall HSECR performance. We also recognise that sustainability is an ongoing journey and we will continue to focus on improving our ethical and sustainable practices throughout our operations.

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 at www.fresnilloplc.com

HSECR Committee Membership
- Mr Arturo Fernández (Chairman), Dame Judith Macgregor, Mr Fernando Ruiz and Mrs Georgina Kessel.
- Key contributors: Chief Executive Officer, Chief Operating Officer, CEO Engineering Services (Peñoles Baluarte), Safety and Environment Assistant VP, Head of Legal, Health Corporate Manager, Sustainability and Community Relations Assistant VP (Peñoles Baluarte) and Health, Safety and Environment Assistant VP (Peñoles Baluarte).

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

Sustainability at the core of our Purpose

1
Doing business ethically and responsibly

For more information see pages 68-72.

2
Caring for our people

For more information see pages 73-84.

3
Protecting the environment

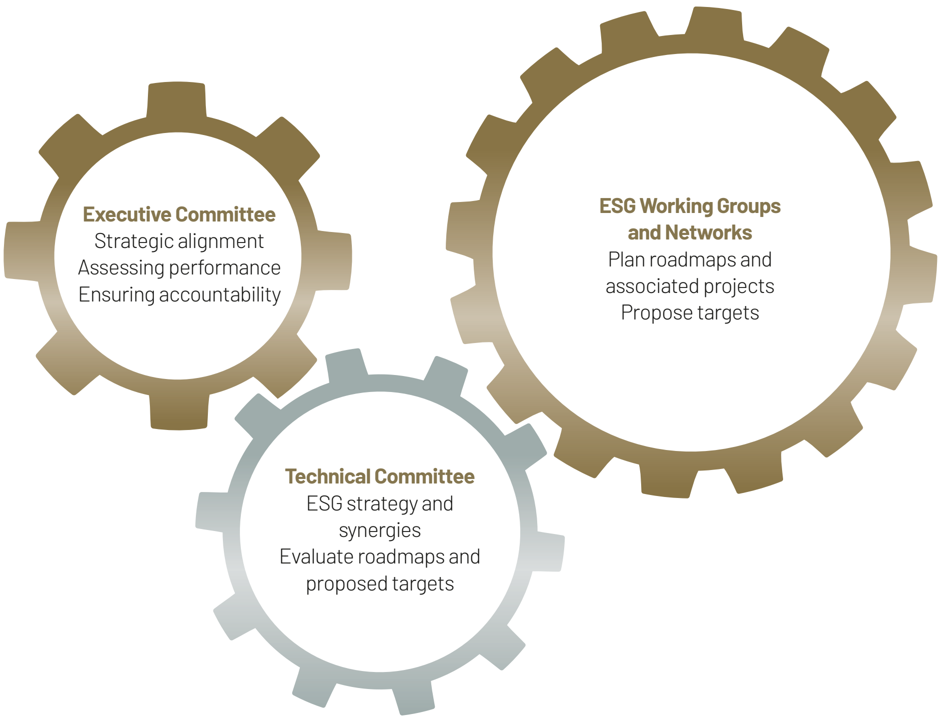
For more information see pages 85-109.

4
Partnering with our communities

For more information see pages 110-119.

Our approach to 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. The year saw many examples of our Purpose 'to contribute to the wellbeing of people through the sustainable mining of silver and gold' in action. For example, following a steady decrease in the frequency of injuries across our operations over the last five years, we have recently pledged to eliminate fatalities and reduce our TRIFR next year by 5%. In addition, the evolution of our wellbeing programmes and DEI strategies demonstrate that we not only prioritise the safety of our workforce, but also that we foster an environment in which they can strive for personal and professional satisfaction. Secondly, our track record of excellence in the safety and governance of TSFs and our partnerships and social investment initiatives, prove that we are a responsible neighbour and that we care for our stakeholders. In addition, increasing the share of renewables in our portfolio and pledging to substitute freshwater for wastewater in our processes in the Fresnillo District show our commitment to reducing the impact of our operations on the environment. Furthermore, external awards and recognitions regarding our transparency and ethical way of doing business, such as the WDI Award nomination, indicate the open way in which we conduct our operations.

Social-Compatibility Strategy
During the year, we launched a strategy – coordinated both internally and with our parent company, Industrias Peñoles – to generate trust in society while guaranteeing the permanence of our business. This strategy centres around improving our ESG performance in line with national and international standards, anticipating stakeholders' and broader society's demands, and consolidating our approach to ESG. This new governance structure comprises an Executive Committee, a Technical Committee, and ESG Networks and working groups. The working groups address our most relevant material issues: Climate Change, Water, Human Rights, Diversity, Equity and Inclusion, Health and Security, Biodiversity, Tailings Storage Facilities, Mine Closure and Value Chain. We will continue to report progress in future years.



Materiality

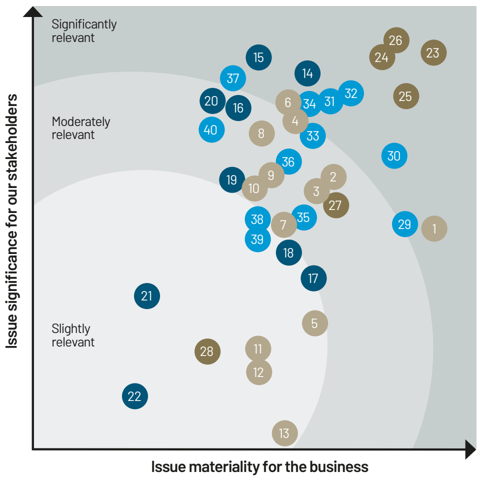
We engage our stakeholders in order to better understand the issues that matter to them and that are material to our business. This process, known as materiality assessment, helps us focus our sustainability strategy and reporting of non-financial issues.

- Firstly, our relevant stakeholders are identified by a multidisciplinary team.
- Secondly, we identify issues relevant to our industry by monitoring and evaluating international trends, regulations and ESG questionnaires.
- Thirdly, we engage our internal and external stakeholders to assess the current relevance of issues and their expected relevance in ten years.
- Finally, we use the outcomes of the materiality assessment to influence our sustainability strategy and reporting.

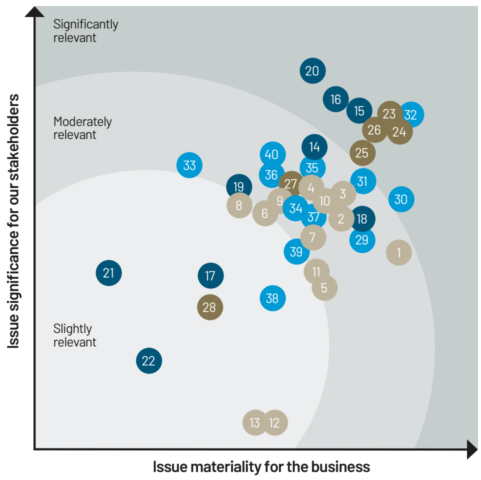
Because society and our industry are dynamic, and expectations shift over time, we conduct in-depth materiality assessments every few years. In this Annual Report, we focus on the issues that are currently or expected to be relevant, grouping them into four pillars: Doing business ethically and responsible, Caring for our people, Protecting the environment and Partnering with our communities. We also categorised the materiality issues into key matters for easier thematic navigation.

Stakeholder identification → **Issue identification** → **Stakeholder engagement** → **Review**

Materiality 2020



Materiality 2030



Our people	
1	Safety
2	Health
3	Workforce wellbeing
4	Human rights in the workplace
5	Work-life balance
6	Gender pay gap
7	Fair remuneration
8	Forced labour
9	Diversity, equity and inclusion
10	Compliance with international labour standards
11	Recruitment, development and retention of talent
12	Daily working hours
13	Union relations
Communities	
14	Respect of communities' culture and traditions
15	Communities' human rights
16	Indigenous people's human rights
17	Local employment
18	Land acquisition and resettlement
19	Community health
20	Engage and inform communities about new projects
21	Local suppliers
22	Effectiveness of the mining fund
Ethics and compliance	
23	Ethics and Integrity
24	Community relations
25	Transparency and accountability
26	Bribery and corruption
27	Transparency of government payments
28	Government relations and lobbying
Environmental stewardship	
29	Safe cyanide management
30	Responsible mineral waste management
31	Soil pollution
32	Water stewardship
33	Conservation of natural resources
34	Acid mine drainage
35	Non-mineral waste management
36	Biodiversity
37	Mine closure
38	Air emissions
39	Energy
40	Climate change

Material issues in grey

Sustainability at the core of our Purpose continued

We are committed to supporting the SDGs and map the linkages between them and our business model. Following an extensive internal mapping exercise, we have defined our core business' direct contribution as described below:

- We held our first CRIL Forum to promote our ethics and compliance culture, expected behaviours and institutional values.

We affirm our ethical culture through our behaviour and actions.

- We reached our target of women comprising 12% of our total workforce ahead of schedule, closing the gap on the industry average.
- We were nominated for the 2022 Workforce Disclosure Initiative Award for our commitment to complete and transparent disclosure.

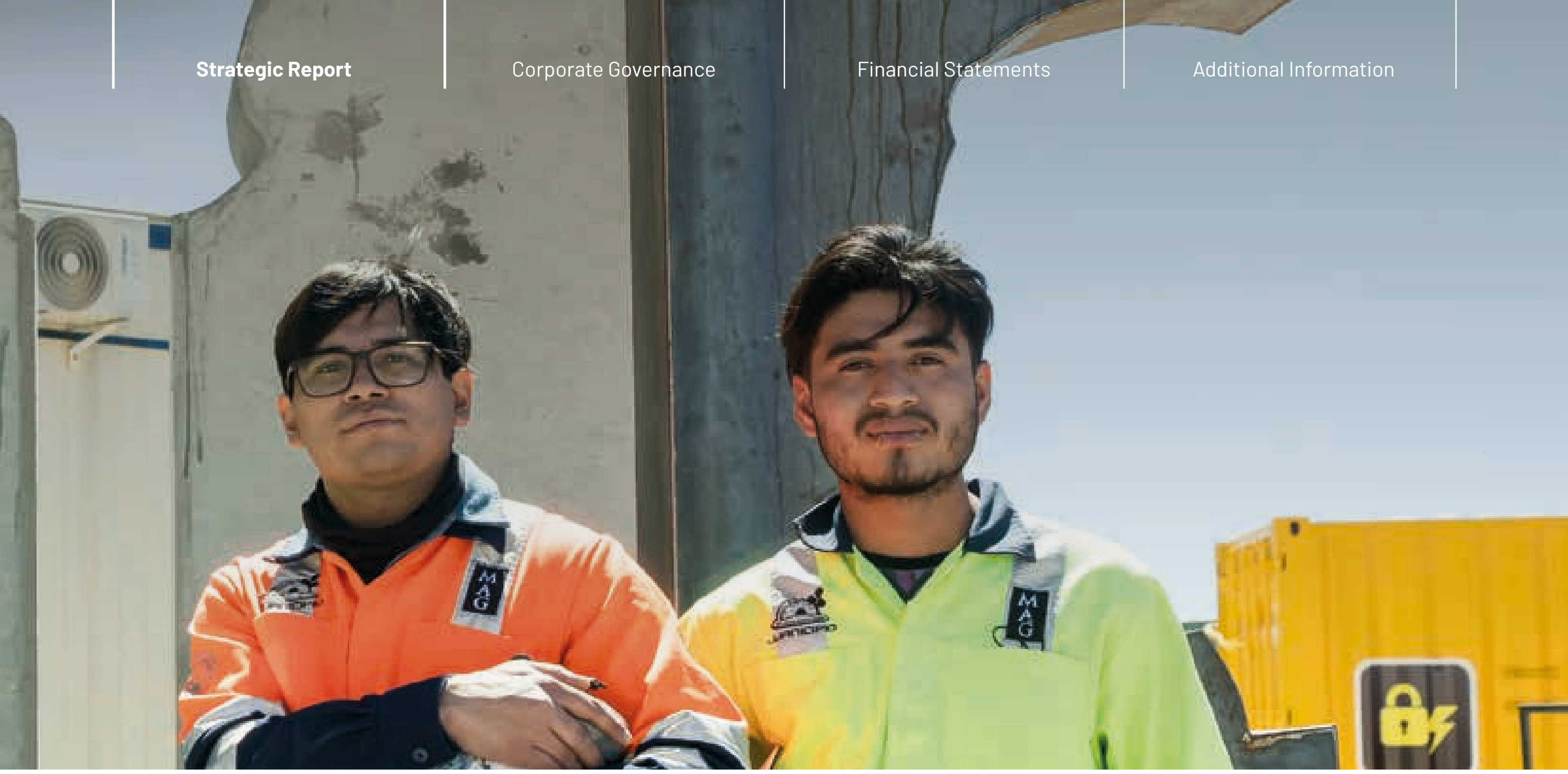
We prioritise our workforce's health, safety and wellbeing.

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

- We generated an economic impact of US$2,228.7 million through wages, taxes and payments to suppliers.
- Our Health Weeks reached almost 8,000 people in 139 different communities.

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

- We have incorporated our first two MAC-compliant TSFs into our operations.
- We have pledged to stop using fresh water for mineral processing in the Fresnillo District.



Pillar	Key matters	SDG alignment	How we contribute to the SDGs
1 Doing business ethically and responsibly	• Ethics and integrity • Responsible business	12 Responsible consumption and production	• 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.
2 Caring for our people	• Our culture • Safety • Health	5 Gender equality; 8 Decent work and economic growth	• Cultivate an inclusive and diverse culture, invest in training and development, and prioritising the health and safety of our people to create a workspace where everyone is safe, respected and has equal access to opportunities.
3 Protecting the environment	• Climate change • Waste management • Water stewardship • Biodiversity • Mine closure	6 Clean water and sanitation; 7 Affordable and clean energy; 13 Climate action; 15 Life on land	• Mitigate our impact by improving resource use efficiency through water recycling, reduction of freshwater consumption, energy efficiency measures and renewable energies across our operations. Also, by remediation of land, biodiversity stewardship and reforestation activities.
4 Partnering with our communities	• Community relations • Socio-economic development • Respecting human rights	8 Decent work and economic growth; 4 Quality education; 3 Good health and well-being; 6 Clean water and sanitation	• Engage with our communities to tackle the issues that matter to them with projects aimed at improving their livelihoods and reducing poverty, such as water quality and availability, promotion of education, health care services and capacity building.

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 used in rapid testing.

11 SUSTAINABLE CITIES AND COMMUNITIES — Present in innovative electronics that improve lives.

Awards

During 2022, we received our first nomination for the WDI Award, for the most complete disclosures. We also received recognition from other organisations during the year, including: Ethics and Values in Industry from the Mexican Confederation of Industrial Chambers (CONCAMIN); the Socially Responsible Company award from the Mexican Centre for Philanthropy (CEMEFI); and Exceptional Company in the Social Support and Commitment, and New Ways of Working categories of the Communication Council and the Business Coordinating Council (CCE).

1 Doing business ethically and responsibly

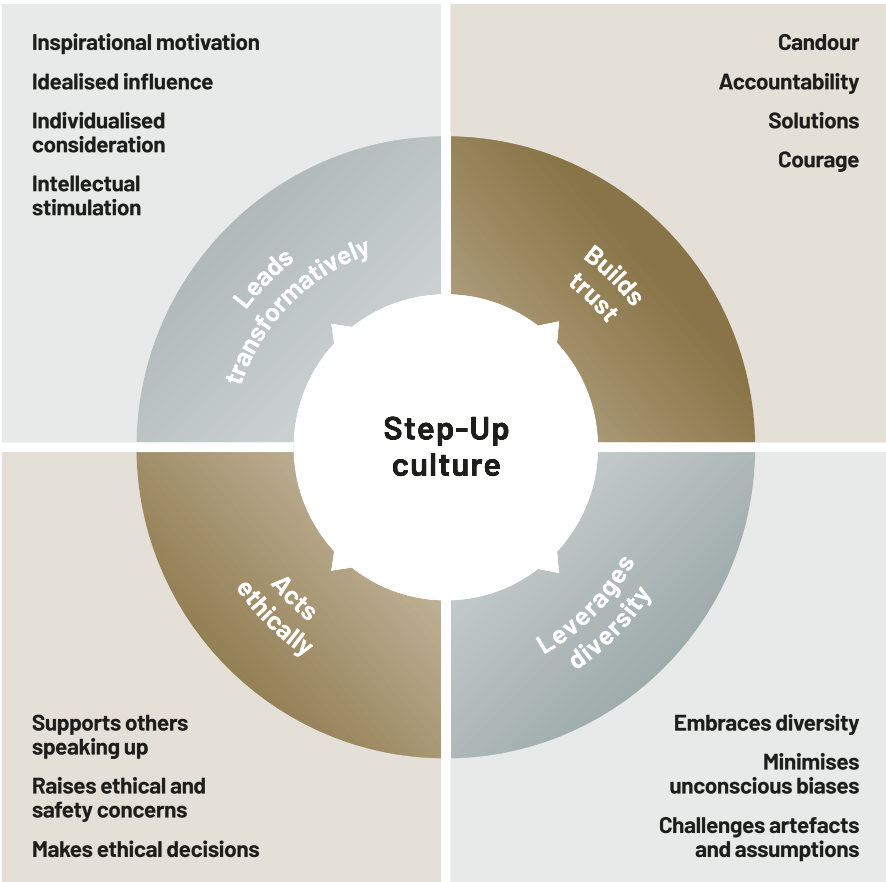
We affirm our ethical culture through our behaviour and actions

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 (CRIL). We expect not only our workforce, but also all related third parties, to consistently embody and adhere to them.
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 people.

> "I've just recently joined the Company and the CRIL Forum helped me a lot to understand the vision and relevance of the values that govern our Company more thoroughly. I found it exemplary."
>
> Sergio Dorantes

'Step-Up' culture framework



> The CRIL forum allowed me to assess my knowledge of the Company's policy regarding values and ethics, be aware of what is required for a good working environment and have the confidence to report if this wasn't the case."

Grisel Alejandra Meneses Sánchez

During the last 12 months, we conducted our annual endorsement of our 'Commitment to Integrity' as well as a survey to assess the perceived integrity environment in our organisation. This survey aimed to determine how our values are being upheld and to identify behaviours that are not aligned with those demanded by our Code of Conduct. From the 20 evaluated items, we identified both the three higher and the three lower performers, with the latter requiring focused efforts for improvement.

Additionally, we deploy the Ethics Quotient survey, developed by Ethisphere™, to regularly assess and monitor our ethics culture, as well as track our progress towards maintaining and improving these standards. Based on the Culture Quotient, we plan to measure improvements in ethical culture in 2023. This will allow us to benchmark ourselves against both our peers and our past performance (2016 and 2020), focusing our improvement efforts on the perceived integrity environment.

The year also saw us hold the first CRIL Forum, a three-day online event with the aim of promoting our ethics and compliance culture and the internalisation of our Code of Conduct's expected behaviours and institutional values. Compliance topics were discussed at round tables, panels, and in interviews with experts. The format was designed to address relevant issues in an interactive way that encouraged open and candid discussions, which our people could access through a virtual platform to express their opinions and concerns. The topic 'Operating with integrity' was discussed in a novel format, with deputy directors from different areas drawing on their own experiences to present the values that make up our integrity culture, explain how day-to-day activities contribute to integrity, and explore the risks arising from unethical behaviours as well as how to address them.

Furthermore, our affiliation with the Centre for Leadership Ethics of the University of Arizona enables us to support programmes such as the International Collegiate Ethics Case Competition, which challenges future leaders to consider ethical decision-making. This competition is participated in by universities across the United States, Mexico, Canada and Europe. Additionally, we are also members of the Business Ethics Leadership Alliance (BELA) and were among the founders of its Mexican Chapter.

Training and capacity building

Our compliance communications strategy engages our entire workforce through various channels, such as emails, posters, videos, computer screensavers and a dedicated internal portal for ethics and compliance topics in order to ensure that key aspects of our Code of Conduct and internal policies are effectively communicated and understood. Our workforce also undergoes mandatory online training to set expectations for desired behaviours. In addition, we use periodic compulsory courses to strengthen our workforce's knowledge:

- The **Code of Conduct** course has two elements: Firstly, we provide an onboarding course which covers key compliance policies, such as donations, political contributions, promotional expenses, government relations and the use of the whistleblowing line, with new personnel required to complete an evaluation and an endorsement of the Code. Secondly, every year all our workforce is subject to a compulsory exercise that underlines the Code's main subjects and tests workers' knowledge through an evaluation; it also requires them to declare potential conflicts of interest and endorse their commitment to integrity.
- The **Labour and Sexual Harassment** course is intended to educate our non-unionised workers on the basic concepts of where and when harassment may occur, our zero-tolerance stance and what mechanism they can use to report any situations that they may experience or witness.
- The **Bribery and Fraud Prevention course** was updated during the first half and is compulsory for all our non-unionised workers. It aims to educate them on what constitutes bribery and fraud, the applicable laws, the Company's systems and procedures for preventing these actions, and how to report any concerns or suspicions. In order to demonstrate successful completion of the training, workers must pass an assessment with a minimum grade.

> The CRIL Forum guided me to better understand conflicts of interest and the importance of reporting them, as well as how unethical acts can harm us as an organisation and as individuals."

Flor de María Guzmán Muro

Results of performance in the 2022 integrity environment survey

Where we perform well

- There is a written Code of Conduct that includes detailed guidance on acceptable behaviour in the Company.
- There is a clear understanding of what bribery and corruption are, the possible situations where they could materialise and the means of reporting them.
- There is a clear understanding of what a conflict of interest is, the possible situations where it may materialise and how to declare it.

Where we can do better

- The Company's culture is open in dealing with ethics and integrity issues and avoids retaliation for raising concerns or reporting unethical behaviours.
- Our whistleblowing line 'Línea Correcta' is a reliable and confidential mechanism for reporting unethical conduct.
- Our workforce understands the Company's Purpose and contributes to its achievement.

Ethics culture continued

Harassment Prevention Programme

In line with our purpose to enhance the wellbeing of people, we believe that a positive work environment not only improves wellbeing but also directly impacts productivity. The Harassment Prevention Programme supports a positive work environment by providing online training that enables all new non-unionised personnel to identify, prevent and report any potential cases of labour and sexual harassment. Additionally, we have continued conducting face-to-face awareness workshops which have helped establish trust in the reporting mechanism. We experienced a welcome decrease in the number of sexual harassment reports in 2022, following a spike in such cases in 2021.

These workshops promote a welcoming and inclusive atmosphere for sharing ideas and experiences, and equip participants with skills to address harassment through hands-on activities and group dynamics. Attendees typically respond positively and are able to challenge and re-examine previously accepted norms, such as male chauvinism or gender violence, and gain new perspectives and strategies for addressing these issues. These workshops are delivered by our internal teams in two different formats, with a total of 1,453 employees and contractors (both new and existing) receiving training during the period, including:

- Six-hour on-site training sessions for employees, focusing on their leadership role to drive a culture of zero tolerance towards harassment; and
- Four-hour on-site training sessions for unionised employees and contractors to raise awareness of how to avoid risks and discourage harassment behaviours.

As part of the programme, a competition was held among our business units to improve understanding of labour and sexual harassment. The event featured a platform with five interactive and entertaining games for employees and business partners to practice what they learned about workplace and sexual harassment.

Whistleblowing mechanism

Our whistleblowing line, known as the 'Línea Correcta', serves as a confidential and secure channel for raising concerns regarding the Company's operations or any unethical behaviour. The line is operated by Ethics Global, an external third-party provider, which ensures the anonymity of whistle-blowers when filing a report. The whistleblowing mechanism is available to employees, contractors and other stakeholders such as suppliers and members of surrounding communities. The reports received through the whistleblowing line are reviewed quarterly by the Honour Commission and monitored by the Audit Committee. Twice a year, the Board of Directors also receives such reports at its meetings. As expected, the inappropriate behaviour at work and sexual harassment cases have also decreased as a consequence of the Harassment Prevention Programme deployment and continued awareness sessions delivered to our people.

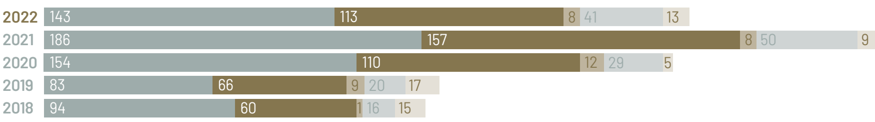
Cases 2022

Type	2022	2021
Labour harassment	**43**	37
Abuse of authority	**17**	21
Inappropriate arrang. w/suppliers	**15**	29
Sexual harassment	**11**	34
Non-compliance with internal policy	**7**	–
Conflict of interest	**6**	5
Professional negligence	**4**	4
Other	**3**	4
Misuse of assets	**3**	–
Breach of trust	**2**	–
Inappropriate behaviour at work	**2**	16
Fraud	**–**	5
Unsafety conditions	**–**	2
Total	**113**	157

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.
- Continue to provide onboarding training for all personnel in harassment and fraud prevention, with particular focus on designing specific training for areas and personnel with greater probability of facing bribery risk.
- Perform an ethical culture evaluation to benchmark our progress against our previous performance and our peers.

Ethical conduct KPIs



Whistleblowing – Number of reports
Whistleblowing – Number of cases
Tone from the top – Number of reports related to managers
Discipline – Number of disciplinary actions
Discipline – Number of control reinforcement

Responsible business

Modern slavery and commitment with human rights

Fresnillo plc is committed to upholding human rights and does not tolerate any form of abuse, including modern slavery and human trafficking. We are dedicated to ensuring that these practices are not present in any aspect of our business or supply chain. As part of our Purpose to contribute to the wellbeing of people through the sustainable mining of silver and gold, we prioritise the promotion of best practices and the identification and mitigation of any negative impacts on human rights.

We take our responsibility seriously and strive to work collaboratively with all stakeholders to raise awareness and prevent modern slavery in all its forms. In 2022, we continued to implement our Code of Conduct for third parties, which clearly states that all partners must commit to safeguard their employees' human and labour rights, treating everyone with respect in a way that preserves their dignity and does not discriminate or violate their basic human rights and freedoms.

Mexico recently enacted legislation to regulate the subcontracting of workers to ensure compliance with labour and social security obligations. The reform only allows subcontracting when specialised services are not related to the contractor's core business and requires that they are duly registered as suppliers of specialised services with the Mexican Ministry of Labour and Social Welfare. Our Executive Committee implemented a strategy to hire contractor personnel and reinforced controls to ensure compliance with tax and labour obligations. Prior to the reform, the Company had already implemented a third-party code of conduct and conducted audits to ensure contractors met social security obligations.

For more information, please refer to our website for the latest available report www.fresnilloplc.com/corporate-responsibility/modern-slavery/

Due diligence assessments of third parties' ethical profile

430

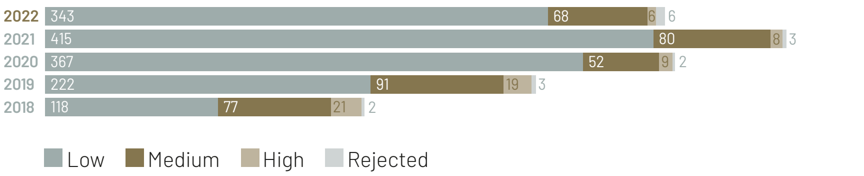
Bribery and corruption prevention

The ethical behaviour of our people is key to achieving the Company's purpose. Thus, we strive to maintain a well-established ethical culture, demonstrated by our behaviour and actions. All personnel must strictly comply with the applicable laws related to bribery and corruption to which Fresnillo plc is subject, 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 the private sector in relation to anticorruption. Disciplinary measures for persons who engage directly or indirectly through a third party in bribery and corruption include, in addition to any measures following legal action, up to the termination of their employment contract if part of our workforce, and up to the termination of our business relationship in case of a third party.

Our policy is to:
- Maintain a zero-tolerance stance regarding any form of corruption and bribery.
- Report suspected bribery and corruption through our institutional whistleblowing mechanism ('Linea 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.

Responsible business continued

Third party due diligence performed



Fresnillo plc interacts with various third parties, including contractors, suppliers, logistics, law and advisory firms, unions, donation recipients and government officers. We aim to build healthy relationships with these parties while also managing potential risks of bribery, corruption, money laundering, fraud and human rights violations.

Before doing business with a third party, we conduct a due diligence of their ethical profile. The depth of this review is proportionate to the identified risks and according to the type, core business and characteristics of each party. We continually monitor compliance and may amend arrangements with third parties as needed. If the risks associated with a third party cannot be mitigated, the business relationship will be suspended. We have been conducting due diligence on third parties since 2013, improving our review and investigation capabilities, and recommending mitigation measures such as training, clarifying adverse media, enhancing contract clauses and internal authorisation, and enhancing audit rights, based on encountered risks, with an average of 430 assessments per year. In 2021, we experienced an unusual increase in due diligence as a consequence of the Mexican Labour Reform.

Government payment transparency

Mining can drive economic and social progress when done responsibly. However, corruption and inadequate governance can undermine the benefits that society should receive from mining revenue. At Fresnillo plc, 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.
- Carbon Disclosure Project (CDP).
- Corporate Sustainability Assessment (CSA).
- Ethisphere BELA.
- Meetings and traditional media to inform local stakeholders.
- Modern Slavery Report.
- Website.
- Workforce Disclosure Initiative (WDI).

What's next

- Implement an automated tool to standardise and optimise the due diligence process, including documentation.
- Continue our participation in CDP, CSA, WDI and Ethisphere BELA transparency and accountability initiatives.
- Work together with contractors to identify how we can build capabilities to preserve a sustainable value chain.

Payments to local governments (US$)

6.2m

Payments to federal government (US$)

258.7m

2 Caring for our people

8 DECENT WORK AND ECONOMIC GROWTH

We prioritise our workforce's health, safety and wellbeing

Our culture

During 2021 we started on our culture evolution, with the clear objective of caring for the wellbeing of our people while being more effective and efficient. We engage our people over the long term to instil a culture that encourages total commitment to results, empowerment, flexibility, collaboration, transparency and participation. The values that are embedded in our culture support our strategy, inspiring winning behaviours based on operational and relationship principles, accountability, co-creation and teamwork.

Throughout 2022, we continued to evolve our culture, building on the progress made in 2021. Our goal remains to prioritise the wellbeing of our employees while improving effectiveness and efficiency. We are committed to fostering a culture that values long-term engagement, encourages wholehearted dedication to results, and promotes empowerment, flexibility, collaboration, transparency and active involvement. Our cultural values, rooted in operational and relationship principles, accountability, co-creation and teamwork, will drive our strategy and inspire winning behaviours.

Our values are embedded in our culture and support our strategy.

Trust

Makes strategic relations more appreciated and resilient.

We build trust when we engage our people, communities, authorities and shareholders on the issues that matter to them. We trust in our people and their talent to deliver on our Company Purpose. Our principal decisions must consider our stakeholders to preserve their trust.

Integrity

Prevents the negative consequences of unethical actions, acting with full 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.

Responsibility and Respect

Nurtures care and accountability for our actions, decisions and results.

We manage our operations and projects responsibly. Our social acceptability relies on being accountable for our positive and negative impacts on our people, communities and the environment. We recognise the inherent value of every person and welcome different opinions and beliefs.

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.

Our culture continued

Culture evolution – winning behaviours

Relationship principles:
- Agility based on trust.
- Effective communication.
- Inclusive collaboration.
- Total commitment to results.
- Emotional Intelligence.

Operational principles:
- Health and safety.
- Social and environmental compatibility.
- Risk Management.
- Operational and financial discipline.
- Efficiency and Innovation.

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

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

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
- Covid-19 prevention measures.
- Comprehensive wellbeing strategy.
- 'I Care, We Care' philosophy.
- Cultural evolution strategy and Champions programme.
- Harassment Prevention programme.
- Union relations.
- Diversity, equity and inclusion programme.

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.
- Ethisphere's ethics quotient surveys.
- Whistleblowing line 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 the winning behaviours that we expect.
- Transformational leadership that thrives and promotes the wellbeing of our people.

Based on our values, our culture drives an open mindset, collaboration, innovation, transparency and total commitment to results and operational excellence that enhances productivity while reducing costs and our environmental footprint.

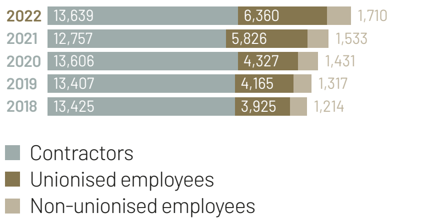
Culture

Our workforce

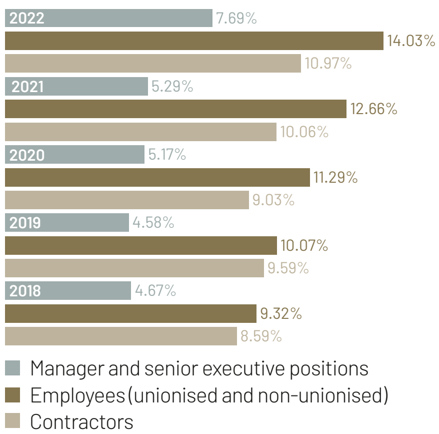
We are committed to attracting, developing, and retaining top talent and fostering a long-term relationship with our workforce. We place a strong emphasis on maintaining a corporate culture grounded in ethics and a genuine concern for our people's wellbeing. We respect labour rights and regulations and engage in constructive dialogue with union representatives. Our workforce comprises unionised employees, non-unionised employees and contractors. Over the years, we have managed to steadily increase the percentage of women in our total workforce, closing the gap on the country average (16.3%); in some of our units, we even surpass this figure (specifically Saucito, Herradura, Juanicipio and Corporate). For more information on our strategies to foster female talent, see the Diversity, Equity and Inclusion section (pages 77-78).

	Men	Women	Total
Employees (unionised and non-unionised)	6,938	1,132	**8,070**
Senior managers	168	14	**182**
Contractors	12,143	1,496	**13,639**
Total workforce	**19,081**	**2,628**	**21,709**

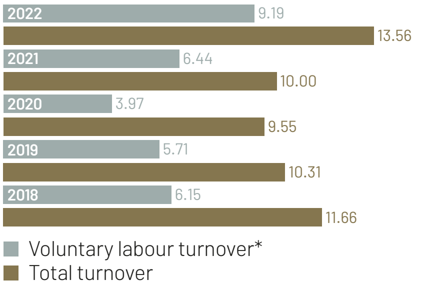
Workforce



Percentage of women



Labour turnover %



* Labour turnover includes unionised and non-unionised personnel.

To unlock the full potential of our workforce and maximise their contribution to our performance, we focus on building a supportive work culture and fostering an environment that encourages inclusion, creativity, innovation and collaboration. To stay attuned to their needs, we engage in regular discussions with our Designated Non-Executive Director (see page 126 – Workforce engagement report). We also conduct biennial workforce engagement surveys to assess organisational climate. These exercises allow us to gain valuable insights and make informed decisions to inform our strategy for future policies and initiatives that will allow us to improve employee satisfaction and drive our organisational success.

We also understand the importance of creating a modern workplace environment that promotes satisfaction, productivity and the retention of our workforce. To achieve this, we have implemented various initiatives to enhance the wellbeing of our employees. We have upgraded our industrial facilities with sports infrastructure, such as gyms, pools and basketball courts, and increased health, nutrition and cultural programmes. Furthermore, our flexible working arrangements cater to the needs of different operating units. For remote locations with limited family infrastructure, we have established fly-in-fly-out arrangements as well as schedules with varying workdays and days-off for increased flexibility, while for the corporate offices, we have maintained hybrid working after the Covid-19 pandemic.

Training and development

We strive to attract, retain and nurture top talent to secure a solid pipeline to underpin future business success. We value long-term career growth and invest in training and mentorship programmes to help employees reach their full potential. Our focus on professional development serves as the cornerstone of our retention strategy, helping our people grow and develop.

Engaging our people

We conduct biennial engagement surveys employing the Basher methodology, consisting of 60 items across seven topics to assess employee and contractor satisfaction. The survey includes a double evaluation scale, combining responses to the questions with the relevance they hold for each individual. Results are analysed by various cohorts, with discussions taking place between leadership teams and relevant departments. Lowest scoring topics and items are identified and added to either an ongoing or new improvement plan.

Topics:

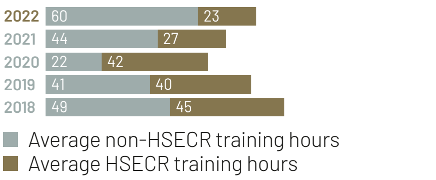
- Our working practices.
- Industrial safety.
- Code of conduct and compliance.
- Management and leadership.
- Work environment.
- Trust.
- Teamwork.

Cohorts analysed:

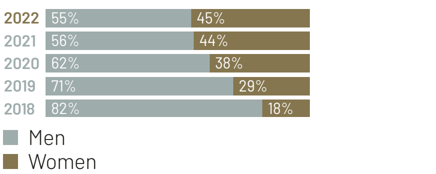
- Process/department.
- Organisational roles.
- Age groups.
- Seniority.
- Gender.
- Key personnel.

We use a cohort-based system to recruit both short-term and long-term interns. Our partnerships with leading Mexican educational institutions allow us to tap into a diverse pool of young talent studying mining and metals-related degrees. Our flagship programme, 'Engineers in Training', provides 12 months of technical, administrative, and social skill development for undergraduate students in fields such as mining, geology, metallurgy and various engineering disciplines. Each student is paired with an operations team coach who provides guidance and conducts performance evaluations. High-performing interns are then offered permanent positions, ensuring a steady talent pipeline for our growth strategy. This programme not only engages students at an early stage in their college education but also encourages more women to enter the mining industry.

Training hours



Diversity in talent attraction



Long-term internships and Engineers in Training.

We have continued implementing our individual performance appraisal process for all our personnel and reinforcing formal feedback. Our performance assessment mechanism enables us to pinpoint specific training requirements. It also helps us to identify promising candidates for our institutional development programmes at different levels of the organisation. These programmes not only provide valuable knowledge transfer and expertise, but also serve as a means to inspire and engage participants.

- The technical skills development programmes focus on Rock Mechanics, Ventilation, Safety, Environment, Planning and Metallurgy, as well as initiatives to foster a safety culture ('I Care, We Care'), identify critical risks and strengthen job positions.
- Meanwhile, our institutional development programmes prioritise leadership development to allow area managers and supervisors to acquire immediate tools that help them to manage their work teams effectively and achieve a change in attitudes and behaviours. Programmes for middle managers are focused on leadership skills and on refining technical competences on mining, planning, mineral processing, leadership and managerial soft skills. Programmes for executives are focused on improving competences in finance, accounting, human resources, corporate social responsibility and leadership. These are: Leadership Plus, Leaders with Vision, Leaders in Training, BAL Managerial Diploma and Capital Project Diploma, organised by the prestigious Autonomous Technological Institute of Mexico (ITAM).

Our culture continued

Labour relations

Unions play a crucial role in our efforts to enhance productivity and cultivate a strong safety culture. We believe that maintaining fair and respectful relationships with unions is essential to building trust and mutual accountability. Our approach prioritises employees' rights to freedom of expression, free association and collective bargaining. We engage with unions through regular dialogue, leadership development programmes, wellbeing activities – such as sports or cultural events – and continuous improvement projects to strengthen our partnership.

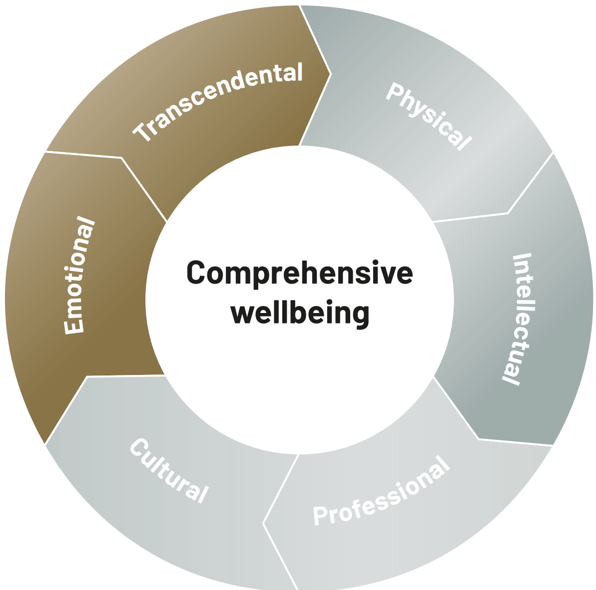
The CEO and Head of HR regularly engage with union senior leadership, while our business units maintain close relationships with local union committees and their delegates. This allows for collaboration on capacity building for newly elected committees. In 2022, we did not encounter any labour disputes leading to work stoppages or industrial action.

Annual Safety Symposiums, in collaboration with unions and regulators, serve as a platform for exchanging best practices and promoting meaningful discussions on the industry's challenges and opportunities. Additionally, we partner with unions to conduct the 'LEAL' survey on work behaviours and wellbeing, using the insights gained to improve our workforce engagement strategy.

Comprehensive wellbeing

As part of the Cultural Evolution we began in 2021, we have identified six routes to Comprehensive Wellbeing, which aims to achieve our maximum potential both as individuals and collectively: Intellectual, Emotional, Physical, Transcendental, Cultural and Professional. We have also identified high impact projects for the coming years. During 2022, we took the first steps towards implementing the strategy, bringing previous initiatives together and following up on the more recent initiatives.

Routes for our Comprehensive Wellbeing



Routes	Objective	What we did in 2022
Physical and Intellectual	Promote the workforce's physical and intellectual health through training programmes and leadership support for self-care, technical and intellectual skill development, and a safe and healthy work environment.	• Strategy to unify occupational health programmes. • Launch of virtual Talent University (training in technical and social skills).
Professional and Cultural Development	Be the best option for employment and personal/professional growth, by unlocking potential and promoting diversity, equity and inclusion through sound culture and human leadership.	• Cultural Evolution workshops and deployment of Champions programme. • Launch of Equity and non-discrimination policy and appointment of Committee. • First generation of Women for Women Mentorship programme.
Emotional and Transcendental	Foster a working environment of trust and harmony to promote emotional wellbeing and transcendence through dignified treatment, sense of service, and work-life balance.	

Women employed

2,628 (12.1%)

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

Diversity, equity and inclusion

Our goal is to cultivate an inclusive culture where diversity is valued, and all employees feel respected and empowered to reach their full potential. We recognise that equity and inclusion drive improvements in talent attraction, retention and development, as well as boost innovation and creativity. Guided by the principle of equality, we strive to create a workplace where everyone has equal access to opportunities and is treated with respect. Our focus on openness, belonging and respect creates a supportive environment that allows each individual to make a meaningful impact.

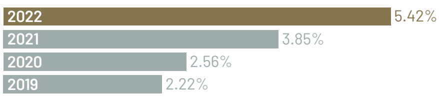
We are committed to advancing diversity and inclusivity, starting with increasing the representation and participation of women. Two key objectives support this mission, as we believe that embracing diversity is a competitive advantage:

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

In 2020 we pledged to increase the overall representation of women in our workforce from 10% to 12% by 2025 and to challenge the glass ceiling at the operating manager and superintendent level, raising the percentage of women in these roles from 2% to 8% by 2025. In 2022, we reached our first target and increased the latter by 1.58%, with a 2.58% gap remaining for the coming years. We will continue to review these percentages and seek to expand our female representation in the future, including in our senior management and leadership roles.

Total percentage of women

Glass ceiling



Since 2019, we have adhered to the Women's Empowerment Principles established by the UN Global Compact and UN Women. In 2020 we started participating in the PAR Ranking, the largest ranking system in Latin America to measure gender equality performance, and in 2021 we participated in the Women Matter Mx, a study on the state of diversity and gender equality with a focus exclusively on Mexico, conducted by McKinsey & Company. In addition, in 2021 we designed our Women's Leadership programme with the support of KPMG. In 2022 we focused on implementing the recommendations arising from both diagnostics according to a DEI master plan, focused on six priority initiatives that cover nine Ranking PAR and 27 Women Matter recommendations. These are:

- **Cultural Transformation:** dissemination of the DEI initiative, promoting a culture of zero tolerance towards harassment and creating a network for women.
- **Leadership and Government:** creating mentorship programmes and ascribing to UN's Women Empowering Principles (WEP).
- **Processes:** creating inclusive talent attraction processes.

We have also published a new Labour Equity and Non-Discrimination (LEND) Policy, based on the Mexican voluntary norm NMX-R025-SCFI-2015 – which recognises organisations that favour their workforce's integral development and implement practices on labour equity and non-discrimination – and established a LEND Committee that will determine and oversee the pillars of our DEI strategy.

During the year, we maintained our participation in the Women in Mining (WIM) chapters, saw the representation of women on our Board remain at 33%, and launched the first generation of our Women for Women Mentoring programme. We have publicly disclosed our workforce-related information to the Workforce Disclosure Initiative (WDI) since 2020 and in 2022 were honoured to be nominated for the WDI Award as well as getting a special mention in the Most Transparent category, acknowledging our commitment to complete and transparent disclosure.

What's next

- Deploy DEI sensitisation training for Senior Management.
- Implement a DEI module in onboarding virtual trainings.
- Continue rolling-out our DEI strategy.
- Further analyse reporting frameworks to improve how we report on our strategy to increase the participation of women and the positive impacts achieved to date.

Empowering women

In 2022, we introduced the Women for Women Mentorship programme with the aim of fostering female leadership and building a supportive and empathetic network. The programme involves mentors being paired with mentees, and providing guidance and support to cultivate their talents and help them achieve their goals. The programme spans eight months, with the first four months dedicated to training and the remaining four months dedicated to the mentorship itself. New cohorts will be introduced every six months to continuously support and empower female talent within our organisation, with regular improvement of the programme targeted for each cycle.

"The support network I've built with other women in this industry and the guidance I've received from them has not only helped me grow but has been a major strength in my career. During this experience I have had the privilege of meeting very talented, hardworking and beautiful-hearted women and I am very proud to be a mentor with the goal of supporting and guiding them to reach their full potential."

Veronica Ruiz
Engineering and Planning Superintendent

"This programme represents a significant effort by our Company and a great opportunity to build a network of support, trust, empathy, learning and a safe space for sharing experiences. It helps women in the mining group tap into their full potential and drive personal and professional growth. We hope that more and more women will join this programme and bring their potential and leadership to help achieve our organisational goals."

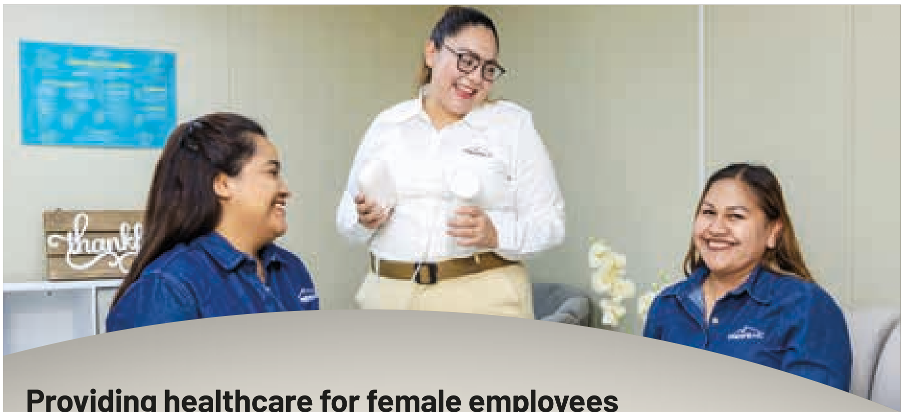
Claudia Salinas
Internal Control Assistant VP

Our culture continued

Support for breastfeeding

We understand and prioritise the needs of our breastfeeding employees. In line with one of the commitments arising from previous workforce engagement sessions, we have developed plans for the construction of lactation rooms in all of our mining units. During 2022, lactation rooms were built in our Ciénega and Saucito facilities, with similar rooms planned for Fresnillo, Juanicipio, Penmont and San Julián in 2023.

We fully support women who choose to breastfeed and ensure that the lactation rooms are equipped with the necessary elements and facilities for a comfortable and safe breastfeeding experience. This not only includes the provision of proper storage for expressed milk and a comfortable environment, but also the flexibility to access the room whenever suits their circumstances.



Providing healthcare for female employees

Recognising the increasing percentage of women in our workforce as well as the growing number in the child-bearing stages of life, we have developed a programme focused on prenatal care, cancer screening, and raising awareness and training in cancer prevention.

In 2022, 11 patients were registered for prenatal care, with monthly appointments for monitoring and risk assessment. Additionally 54 women were temporarily relocated to safer and more suitable working environments. During the year, we also provided online training with a breastfeeding specialist, open to all personnel, to address any needs, doubts, and concerns.

The women's screening programme includes mammography/ultrasound for breast cancer and exfoliative cytology for cervical cancer. Over 600 screenings had been performed by October 2022. Cancer prevention training was provided to all female personnel and achieved 90% engagement with the help of institutions such as IMSS and foundations that promote preventive care. Additionally, over 700 people attended a night race, which was held during Pink October to promote breast cancer awareness.

Women relocated to safer and more suitable working environments

54

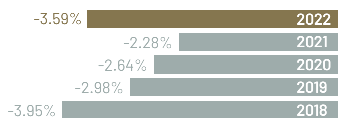
Cancer screenings performed by October 2022

600+

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 2022, the gender pay gap for non-unionised, non-executive employees was -3.59% compared to -2.28% in 2021. This apparent setback is mainly driven by an increase in the gap at the Senior Engineer level and an increased weighting in underground operations due to the reclassification of Juanicipio from project to operating unit. 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



"We aspire to create an environment where welcomeness, belonging and respect allow our people to have a meaningful impact on the workplace."

Octavio Alvídrez
CEO, Fresnillo plc

	Open pit operations	Underground operations	Explorations	Support and administrative staff	Average gap per hierarchical level
First level – Senior Engineer	(2.75)%	(10.08)%	0.29%	(13.65)%	(8.22)%
Second level – Junior Engineer	(0.72)%	(1.86)%	4.19%	(10.64)%	(1.59)%
Third level – Assistant	2.75%	(2.90)%	(5.14)%	56.05%	0.50%

Safety

Strategy

At Fresnillo, safety is a core value and we work to promote a safety culture based on caring for our people, promoting leadership, accountability, risk-based management systems and cross-functional learning. The safety management system is supported by our preventive culture, risk management focus and moral commitment to the wellbeing of our workers, as outlined in our Sustainability Policy.

Prevention is an essential element of our safety culture, supported by our 'I Care, We Care' philosophy, which covers all value chain activities from exploration to operations and addresses all inherent risks; it is based on five strategic lines of action: leadership, accountability, systems, behaviours and learning environment. Our goal is to operate without fatal accidents, reduce incapacitating accidents and damage to facilities, in an ethical and safe work environment, with visible leadership, participation at all organisational levels and continuous learning. 'I Care, We Care' was first implemented in 2017, and has been steadily improved over the years.

The five strategic pillars of 'I Care, We Care' aim to establish critical and performance controls in every operation, and for all personnel to become responsible for standards verification to identify any gaps. This ensures that workers are empowered by the necessary tools and training, and that a virtuous cycle of improvement activities and initiatives is continuously implemented to reduce risks. Its technical focus is to establish an integral risk management strategy, prioritising critical risks (risks that could cause fatalities or serious harm to people) while also ensuring that all risks are addressed. It also enables us to continuously innovate and improve safety practices, risk management and emergency readiness.

"Building a culture of care requires teamwork in a trusting environment, understanding individual and collective responsibilities, igniting passion in our work, exhibiting strong leadership and fostering camaraderie."

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.

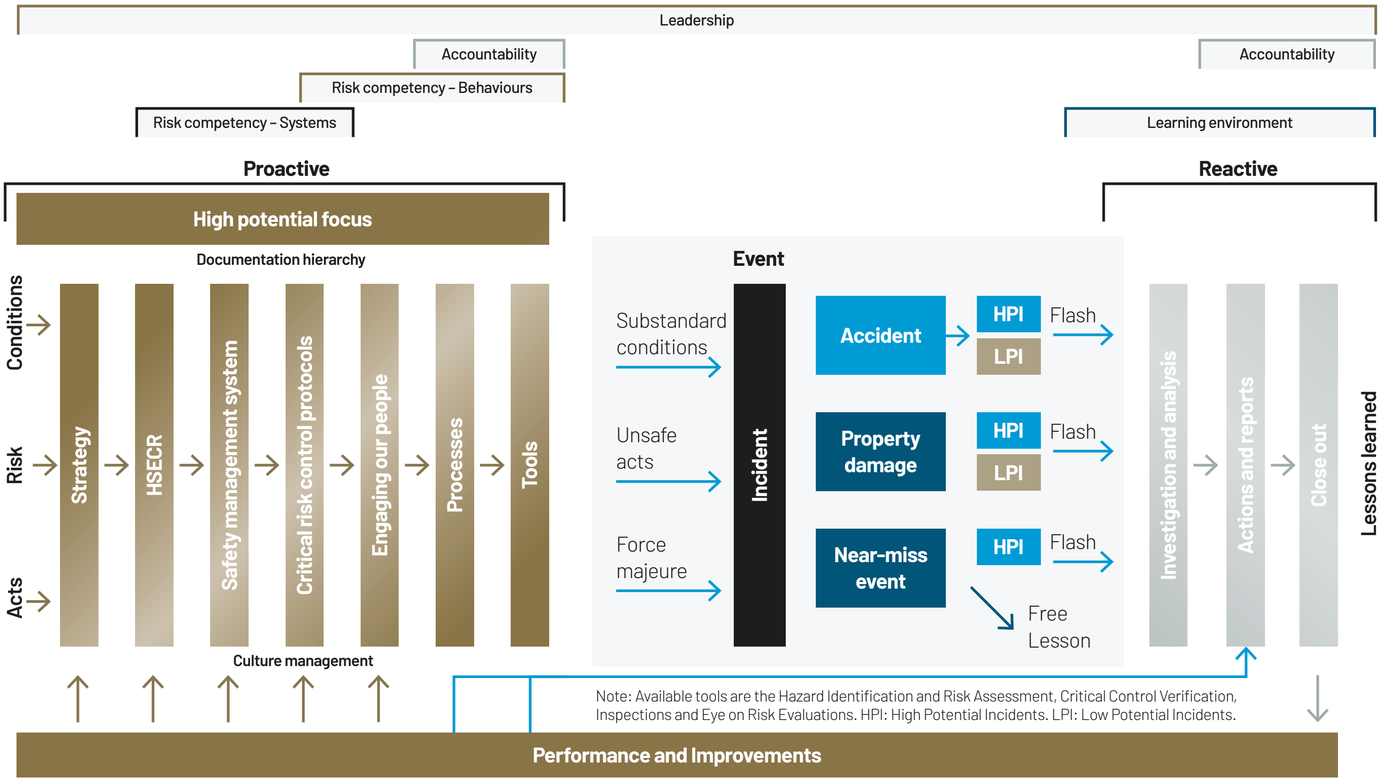
3. Behaviours Risk Competencies: A mature and resilient safety culture
   - Step back (a method used to raise awareness and identify safety risks in work areas).
   - Positive recognition.

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 – Eye on Risk.

Safety continued

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



Management

Risk identification and evaluation

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 have the Safe Work Analysis mechanism, permits and authorisations for high-risk work.
- Our approach for critical risks begins with the Work Risk Assessment Critical (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 activity; performance standards; the establishment of parameters and quality criteria to guarantee critical controls; and a portfolio of critical risks derived from critical risk identification and evaluation.

Leadership in the field

At Fresnillo, safety is upheld through Values Driven Leadership. Our approach is to transform leaders, advisers and supervisors so their actions are based on values and leading by example. Leadership practices are implemented systematically to control and verify critical risks and critical controls, and workshops are held to develop technical and human skills to communicate the importance of safety. Our practices aim to empower people to take responsibility to stop unsafe activities resulting from the failure of critical controls, through four key stages:

1. Planning and communication,
2. Checks, inspections and audits,
3. Generation, review and improvement of action plans, and
4. Recognition and accountability.

Participation

At all levels of the organisation, our employees have various roles and responsibilities to support our safety strategy and actively participate in hazard identification, risk assessment and control-establishment processes. 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.

Specialists are assigned to all operations and projects to train, guide and advise our workforce on safety management. We also maintain emergency teams trained in mine rescue, firefighting, first aid, hazardous materials handling and evacuation. Our Health and Safety Committees, or business partner committees, carry out regular inspections to identify hazards and unsafe practices, make suggestions for preventive measures and conduct accident investigations.

Performance

The Executive team is committed to safeguarding our people and eliminating serious accidents. To this end, our 2026 vision is to achieve zero fatalities, decrease our TRIFR to ICMM standards – first in some, then in all units – and make our operations safer through automation. Our short-term objectives are to enhance risk management, communication of results and cross-learning from incidents. In addition, we aim to foster a safety culture through leadership practices, forums with the union, and training. Our medium- to long-term objectives include consolidating the 'I Care, We Care' philosophy, advancing risk management across different scenarios and stakeholders, improving competencies and training of personnel according to their responsibilities. Furthermore, our target is to minimise exposure to risks, protect assets and use advanced technology to enable proactive decision-making – such as critical control automation, software to ensure proper scaling and safety analytics, among others.

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.

The technical aspect of the 'Learning environment' within the 'I Care, We Care' philosophy comprises the handling of the incident management process, including transversal reporting and communication of events, investigation, follow-up, implementation of corrective actions, learning and evaluation of incident performance.

In 2021, we began implementing the process of reporting near-misses – which identify missed or failed critical controls that could lead to harm. The goal of preventive reporting is twofold: to promote a proactive approach to management; and to encourage worker involvement in an early warning system, monitor safety of operational areas and lead to opportune decision-making. In 2022, despite having an 82% increase in near-miss reporting and reducing the injury frequency from high potential accidents, we regret to report that we had a fatal accident. For this unfortunate event, we performed the incident management process, which covers reporting, accident investigation, establishment of root causes, implementation of corrective actions and dissemination of lessons learnt. We acknowledge the need to continue maturing our safety culture, improving leadership and accountability to reach the goal of zero fatalities.

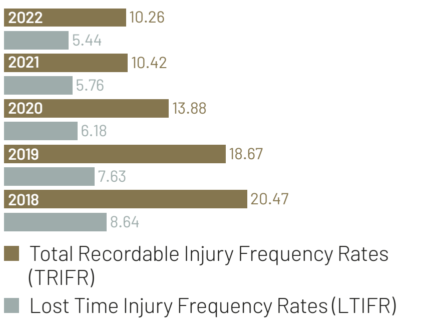
All accidents are investigated to prevent recurrence through immediate action, focusing on operations and activities, prioritising risk and critical controls, and generating cross-cutting and standardised learning.

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.

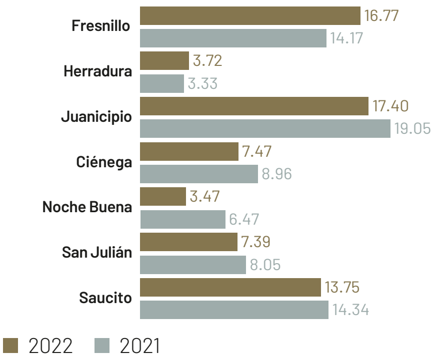
Injury frequency rate for every 1,000,000 hours



Recordable Injuries: Lost-Time Cases + Restricted Work Cases + Medical Treatment per 1,000,000 hours worked.

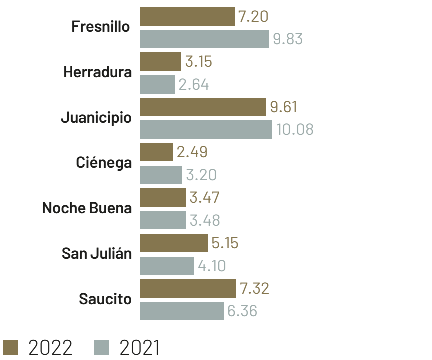
Lost Time Injuries: Number of Lost-Time Injuries per 1,000,000 hours worked.

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.

Certifications

	Juanicipio	San Julián	Fresnillo	Saucito	Ciénega	Herradura	Noche Buena
OHSAS 18001/ISO 45000 Sets out criteria for international best practice in occupational health and safety management.	–	–	Certified	Certified	–	Certified	Certified

Safety continued

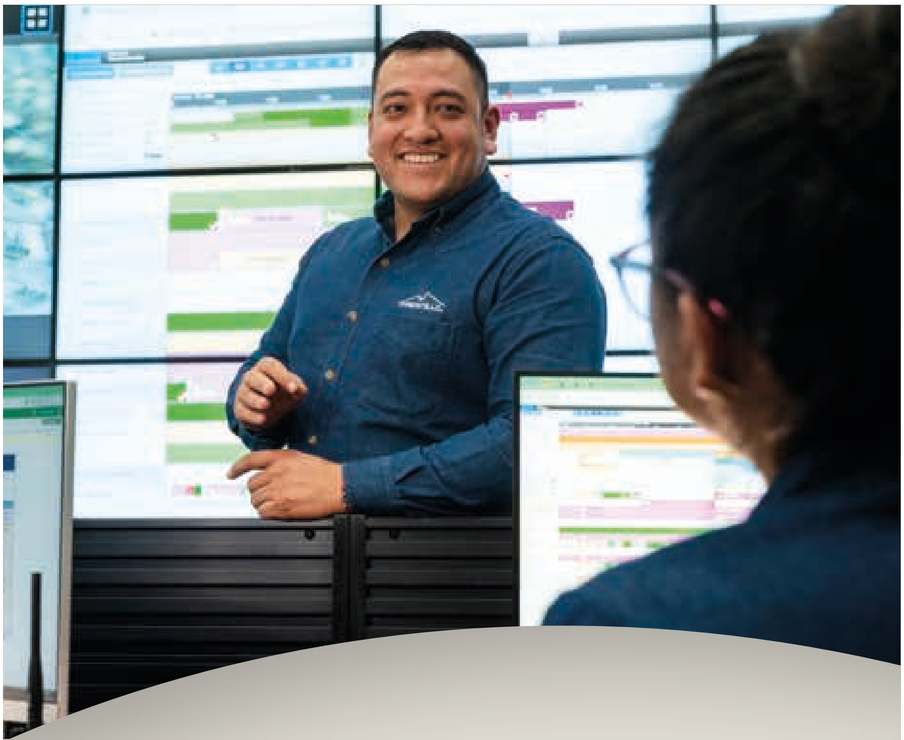
Implementing a Company-wide approach to safety

During 2022, we established the 'I Care, We Care' operating committee to assist the Executive Committee in risk management and to promote uniform implementation of our philosophy across operations. The Committee comprises general operational superintendents, relevant service area leaders, technical specialists and safety leaders. They meet monthly to:

- Manage workplace safety risks, challenges and opportunities.
- Track and report safety performance.
- Implement clear, compatible corporate guidelines.
- Monitor the "Eye on Risk' verification process.
- Conduct in-depth verifications.
- Foster cross-functional learning.

Improving our understanding of risk

'Eye on Risk' is a field exercise conducted with leaders from various operations to verify practices and exchange experiences in risk management (Critical Controls Verification Tool, Hazard Identification and Risk Assessment, and Critical Control Risk Protocols). Its main focus is to review safety processes, programmes, and interventions. Risk Watch uses a critical and in-depth approach to enable the analysis, evaluation, and improvement of safety systems and workplace behaviour, and leads to cross-learning among workplaces. During 2022, we carried out a total of five exercises – at Ciénega, Saucito, Juanicipio, San Julián and Fresnillo – which generated reports that serve as technical input for the integration of operational plans at the mining units.



Developing competencies to underpin our safety culture

In 2022, we realised our vision of equipping personnel with the necessary skills and knowledge by launching and operating training centres at our Juanicipio and San Julián mining units. The objectives of these centres are to:

- Annually train, evaluate and certify personnel operating critical equipment.
- Identify and train future candidates for certification in Induction, Safety, Emergency and Rescue Brigades.
- Improve induction processes.
- Ensure personnel competence in critical risk control protocols.
- Serve as training and assessment centres for efficient, safe operations.

Training covers a range of topics. These include safety induction, regulatory courses, risk analysis, risk control protocols, operating procedures, high-risk work practices, permits and authorisations, safety management, hazardous materials handling, business goals, preventive safety tools, brigade training, emergency response and accident investigation. To professionalise our workforce, we provide training and certification in CONOCER competence standards such as:

- EC0976 Blasting of blast holes with explosives in underground mines.
- EC0390 Haul mineral and waste-rock with low profile front loader.
- EC0364 Drilling with Jumbo.
- EC0200 Horizontal Forklift Operation.
- EC 0391.01 Verification of safety and hygiene conditions in work centres.
- EC 0680 Industrial Safety Supervision for Work Team Leaders.
- EC0217.01 Delivery of group face-to-face human capital training courses.

What's next

- Make progress on our pledges to decrease our fatality rates and TRIFR.
- Roll out new technologies – including software and data analytics – and promote automation to improve risk management and the wellbeing of our workers.
- Consolidate the 'I Care, We Care' operating committee to ensure deployment and underpin a uniform safety strategy across our operations.
- Establish and consolidate leadership practices – from the Executive team to superintendents and transversal processes.

Health

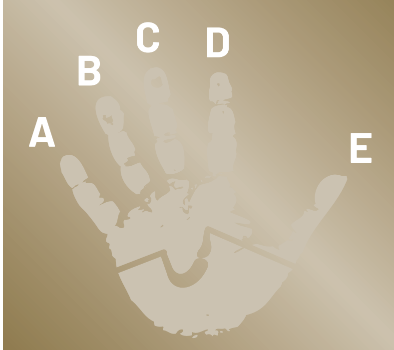
Comprehensive health

Our priority is to safeguard the health of our people by ensuring a safe and healthy work environment. To achieve this, we have taken a comprehensive approach that encompasses all aspects of workplace health. The focus to succeed must be multidisciplinary, supported by different health sector and organisational development specialists, to continuously improve our processes and guarantee that we preserve the physical, mental and social health of our workforce. Our strategy includes emergency preparedness, promotion of healthy habits, early detection and management of health risks, which helps us to prevent both occupational and chronic diseases. We also determine the necessary operating procedures, equipment, training and controls to mitigate these risks.

Before joining our workforce, everyone undergoes a health check that includes physical and psychosocial evaluations. Regular check-ups are also conducted to screen for occupational diseases, and employees are advised on preventive care measures. We identify and monitor the level of exposure to physical and chemical risks such as noise, dust, vibration, heavy metal contamination, extreme temperatures, and others. Biological monitoring is also carried out to prevent sanitary risks, and behavioural change workshops are held to promote personal wellbeing and prevent accidents and workplace stress. We also evaluate and improve the ergonomics of our work environment to prevent musculoskeletal disorders and manage our own rehabilitation facilities to accelerate recovery from workplace injuries.

In recent years, the health departments of each business unit have expanded beyond occupational health programmes, establishing a more comprehensive perspective and promoting other aspects of health such as psychological care, nutritional support, promotion of wellbeing through sports and recreation, deployment of different technologies, thematic campaigns and inclusive employment. This renewed approach is aligned with our 'I Care, We Care' philosophy and consists of five main courses of action:

Five comprehensive health courses of action



A. Health care:
check-ups, medical consultations, health campaigns

B. Comprehensive wellness:
nutritional support, sports promotion, psychological support

C. Industrial care:
ergonomics, industrial hygiene

D. Innovation and development:
health technologies, software

E. Emergency:
emergency preparedness and training

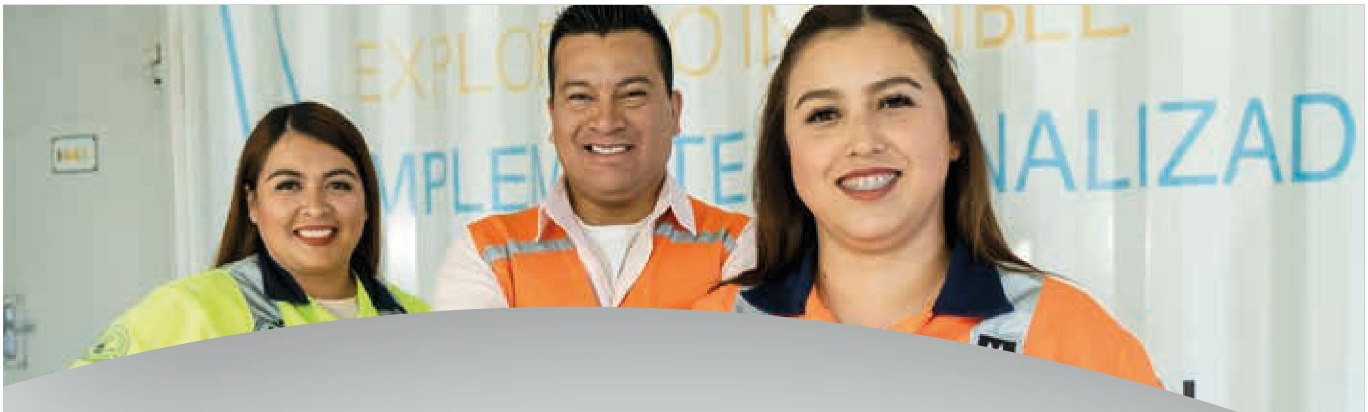
During 2022, our key activities included:

- Penmont's inclusion rally: two-day workshops and conferences in partnership with the TELETON Sonora Foundation and the local National System for Integral Family Development (DIF) to raise awareness and create a more inclusive society and workplace environment.
- Living in balance: survey to assess our workforce's physical, mental and emotional wellbeing. The resulting diagnosis will lay the foundations for an organisational plan to address the most pressing issues to improve workers' quality of life.
- Health campaigns: health promotion campaigns were carried out at business units, such as Breast Cancer awareness campaign and the Night Race Against Breast Cancer; the Prostate Cancer Campaign targeting vulnerable populations and the 'A Hero Within You' blood donation campaign.
- Thematic challenges: the 'to-be-fit' challenge and '7 days without sugar' campaigns were rolled out for unionised and non-unionised workers seeking to increase their awareness and improve personal habits.
- Promotion of sport activities: inauguration of the first all-employee softball league in the Fresnillo District.

Certifications

	Juanicipio	San Julián	Fresnillo	Saucito	Ciénega	Penmont
Healthy Company Certification by Mexican health authorities of the implementation of best practice in occupational health and preventive care, including the promotion of healthier lifestyles.						
	Certified	–	Certified	Certified	–	–
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	–	Certified	Certified	–	Certified

Health continued



Psychosocial risk factors in the workplace

The recently enacted Mexican standard NOM-035-STPS-2018 aims to establish the capabilities that companies need in order to identify, analyse and prevent psychosocial risk factors, as well as to promote a positive and supportive workplace environment.

We have designed and rolled out a dissemination campaign across our mining units through a package of initiatives, including the standard itself, our psychological risk factors prevention policy, prevention measures and control items, the harassment prevention programme and whistleblowing mechanism. A total of 1,564 evaluations have been conducted so far, with 470 workers assessed. We have achieved 52% progress in the evaluation of psychosocial risk factors, 35% progress in identifying severe traumatic events and 29% progress on the issue of workplace violence.

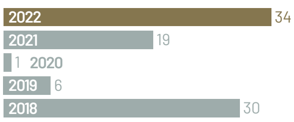
Implementation strategy

Dissemination → **Identification and channelling** → **Psychological assessment** → **Treatment**

Occupational health

Our approach aims to pre-emptively identify and manage the health risks to which our workforce is exposed. Fostering a culture of health through proactive care and healthy lifestyle promotion can prevent certain chronic diseases and improve overall wellness and fitness for work. Occupational health is a collaborative effort, requiring the participation and commitment of everyone in the organisation.

New cases of occupational diseases



Covid-19

During the Covid-19 pandemic, we remained steadfast in ensuring the wellbeing of our employees and contractors across our projects and operations. In the early stages of the pandemic in Mexico, we worked with authorities and industry partners to establish preventive protocols based on international standards. Throughout 2022, these protocols were maintained and integrated into our daily operation. Later in the year, they were reviewed and updated by our corporate health management in coordination with our parent company, Industrias Peñoles, to comply with new guidelines issued by the Health Ministry. We continue to implement the following measures:

1. Senior management oversight of Covid-19 strategy and performance.
2. Raising awareness of preventive measures and promoting vaccination.
3. Mandatory mask use and social distancing in the workplace and transportation.
4. Supporting and tracking employee vaccinations.
5. Partnering with authorities to vaccinate workers and local communities in remote locations.
6. Implementing hand washing, using antibacterial gel, and sanitising work areas, accommodation and transportation.
7. Using sanitary filters and rapid testing.
8. Conducting testing, monitoring and contact tracing.
9. Providing daily monitoring and psychological support for active cases.

Mexico implements a two-dose vaccination scheme with a third dose as booster. We have encouraged and supported the vaccination of our workforce and communities, collaborating with health authorities to make vaccines available in the remote locations where we operate. Close to 81% of our workforce have been fully vaccinated (two doses) and 41% have received the booster. During the period, we carried out almost 60,000 Covid-19 PCR, antibody and antigen tests. We will continue to implement testing campaigns across our operations, development and exploration projects and corporate offices.

What's next

- Appoint an Ergonomics Committee to develop projects to improve ergonomics and industrial hygiene.
- Implement recommendations based on the 'Living in Balance' survey results.
- Certify the Ciénega and San Julián units as Safe and Healthy Working Environments (ELSSA).
- Continue to build and equip lactation rooms in Fresnillo, Juanicipio, Penmont and San Julián mining units.

3 Protecting our environment

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

While recognising that the mining and processing of precious metals are essential industries, we also acknowledge the impact our business has on the environment through water consumption, land disturbance, waste generation and Greenhouse Gas (GHG) emissions. To maintain our social licence to operate, it is vital that we prioritise resource optimisation, minimise negative impacts and openly communicate our environmental footprint.

Clean technologies play an important role in improving environmental performance and reinforcing the social acceptability of the mining industry. We support the Colorado Cleantech Challenge, an innovation showcase that connects mining companies with clean technology solution providers, with the mutually beneficial goal of meeting our industry's environmental challenges. In addition, our CEO, Octavio Alvídrez, is a member of the Lowell Institute for Mineral Resources of the University of Arizona. This leading research institute has the depth of expertise necessary to tackle the challenges that are critically important to modern mining. We are also part of the World Environment Centre (WEC), a think tank that advances sustainable development through the business practices of member companies and in partnership with governments, non-governmental organisations and other stakeholders.

Before developing any mining project, we conduct environmental impact assessments (EIAs), which identify potential impacts and the actions required to manage them. EIAs address many issues, such as surface and groundwater resources, water quality, air quality, soils, biodiversity (including threatened or endangered species), landscape, and socio-economic conditions. The insights gained from EIAs form the foundation for our environmental management plans and systems such as ISO 14001.

Certifications and awards

							Penmont	
Certification/award	Exploration	Juanicipio	San Julián	Fresnillo	Saucito	Ciénega	Herradura	Noche Buena
ISO 14001 Framework and criteria for an effective environmental management system	Certified	–	–	Certified	Certified	–	Certified	Certified
Clean industry Certificate granted by the Mexican Environmental Authority to promote environmental audits, compliance with regulations and adoption of best practices Level 1 – Basic Level 2 – Advanced	–	In process Level 2	In process Level 1	In process Level 2	In process Level 2	–	Certified Level 2	–
International Cyanide Management Code Sets criteria for the global gold mining industry on cyanide management practices	–	–	–	–	–	–	Certified	In process

Climate change

Scientific evidence of anthropogenic climate change is unequivocal. Changes in average temperature, rainfall and other conditions are shifting from climate normals. As the climate continues to change, the potential impacts on ecosystems, economies and on society at large are expected to increase over time.

To prevent the negative effects of climate change and achieve the goals set by the Paris Agreement, the world needs global cooperation. Our Company's climate change strategy is driven by our purpose to 'Contribute to the wellbeing of people, through the sustainable mining of silver and gold'. We aim to reduce our GHG emissions (SDG13) by incorporating clean energy sources (SDG7), and improving energy efficiency. Our business recognises the significance of a robust climate strategy for its success. In 2021, we identified and evaluated climate-related risks and opportunities (CROs) and integrated them into our enterprise risk management (ERM) and energy strategy. Our approach to climate change has evolved beyond sustainability to include the integration of physical and transitional risks in decision-making. We are committed to maturing our approach to the integration of physical and transitional risks into our planning and decision-making processes. Our stakeholders expect us to act and report transparently.

TCFD compliance statement

We have provided climate-related financial disclosures for the year ended 31 December 2022 according to the UK's Listing Rule 9.8.6R(8) of information to be included in 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, as well as the Recommendations of the Task Force on Climate-Related Financial Disclosures (TFCD) and its guidance on Metrics, Targets and Transition Plans (2021). Our report complies with the TCFD reporting recommendations, except for the following where our disclosure is partial. We will continue working towards improving our climate strategy and climate reporting in the upcoming years.

Strategy

- *Recommended Disclosure B: Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.*
- *Recommended Disclosure C: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.*

Reasons for partial compliance

Lack of climate projections at the geographic scales required for engineering purposes.

Next steps for compliance

A comprehensive integration of climate change considerations into financial planning relies on capital budgeting of mitigation and adaptation measures. The mitigation strategy, based on increasing the supply of renewable electricity, is already integrated into our strategic plan. We expect to mature our approach to internal carbon pricing. We are developing a roadmap to integrate adaptation measures into our financial planning; it relies on the use of regional climate modelling to provide our engineering teams with actionable climate outputs to identify vulnerabilities, design adaptation measures, plan for their implementation and allocate financial resources. This is a long and challenging journey and we will report annually on our progress.

Metrics and targets

- *Recommended Disclosure C: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.*

Reasons for partial compliance

The connections between climate change and other relevant ESG risks are at an early stage of development.

Next steps for compliance

We are monitoring progress towards our goal of achieving 75% of the supply of electricity from renewable sources by 2030, together with the relevant transition risks. We are currently experiencing regulatory uncertainty regarding the legal framework for renewables in Mexico which has introduced further uncertainties to our analysis of a science-based target aligned with the Paris Agreement. We expect to mature our approach in order to more explicitly incorporate physical risks into our health, safety, environment and community relations KPIs and targets.

We are committed to continue understanding how to integrate climate change into our engineering and financial decisions, as well as to work towards full compliance of industry specific and cross-sector climate indicators.

We have prepared this section based on all the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The table opposite shows our overall progress in implementing TCFD reporting:

TCFD Pillar	TCFD Principles	Progress	What is next
Governance	a. Board's oversight pages 87-88 b. Management's role page 88	The Board and its Committees hold informed and strategic discussions on climate change. The HSECR Committee reviewed different TCFD benchmarking exercises and gap analysis. The Audit Committee updated its Terms of Reference to review and approve climate-related financial disclosures once advised by the HSECR Committee.	HSECR Committee evaluation of progress on TCFD disclosure, strategic determination of mitigation efforts including the energy strategy and target setting. Oversight of the development of our approach to physical risks, including climate modelling to inform adaptation measures. Develop synergy between the Audit and the HSECR Committees.
Strategy	a. CROs identification over different time horizons pages 89-91 b. CROs' impact on business, strategy and financial planning pages 91-92 c. Resilience strategy in different climate-related scenarios pages 91-92	Collaborate with the scientific community on regional climate modelling to determine climate variables and their baseline.	Collaborate with the academic community to: Finalise the regional climate modelling and train the stochastic weather generator; in the next phase, streamline results into operating decisions and financial planning. Conduct economic modelling to determine a company-specific carbon price to guide our goals regarding climate change impacts, risks and opportunities.
Risk Management	a. Process for identifying and assessing CROs pages 93-94 b. Process for managing climate-related risks pages 95-97 c. Process for integration of climate risk into overall risk management page 152	Design of climate-risk management system, preliminary KRIs and associated controls.	Analyse maturity of climate-risk management system deployment. Improve and refine financial materiality assessment of climate change risks and opportunities. Mature our approach to mitigation and adaptation strategies. Increase engagement activities on climate change with our partners in the value chain.
Metrics and targets	a. Metrics to assess CROs page 100 b. Scopes 1, 2 and 3 pages 98-99 c. Targets to manage CROs page 101	Non-concurrent third-party verification of climate related KPIs. Partial compliance with industry specific indicators. Modified current power supply agreements allocation to optimise renewable consumption in energy mix.	Concurrent third-party verification of climate related KPIs and TCFD Assurance. Increase the scope of the climate impact assessment of our value chain. Fully comply with industry specific and cross-industry indicators. Analyse different GHG emission reduction setting approaches (e.g. science-based targets).

Governance

Board oversight on climate change

The Board increasingly considers climate change during its discussions and when making decisions regarding the Group's strategy, risk management, investments and stakeholders. The HSECR Committee, on behalf of the Board, evaluates climate-related performance presented by the management team, and the Chairman of the HSECR Committee informs the Board of these activities on a quarterly basis. Additionally, the CEO also reports the Company's sustainability performance quarterly to the Board, including the progress of its climate change strategy.

Since 2020, climate change has been discussed at all quarterly HSECR Committee meetings, including updates on compliance with the TCFD requirements under the UK's Listing Rules, as well as the share of renewables and energy intensity metrics. During 2020, the Committee evaluated the Company's resilience to transitional risks and assessed its energy strategy. During 2021, the HSECR Committee closely followed the regulatory challenges of the Mexican energy sector, the Company's approach to identifying, evaluating and responding to the risks and opportunities of climate change in the business model, and its approach to adopting and disclosing TCFD recommendations. During 2022, the HSECR Committee reviewed:

- An update of TCFD reporting reviews from UK authorities.
- Two independent TCFD benchmarks and gap analysis to assess the Company's current reporting efforts and areas for improvement.
- The progress in the definitions of the regional climate modelling project to better understand physical risks.
- The development of a preliminary climate change risk management system framework and a set of Key Risk Indicators (KRIs) to standardise practices across our units.

Additionally, during the last quarterly meeting in 2022, the HSECR Committee instructed management to define key strategic indicators for review at the beginning of each session, with the purpose of providing the HSECR Committee members with a high-level dashboard-type overview of progress across different HSECR-related matters.

During the period, the Audit Committee updated its Terms of Reference to expressly include review and approval of the statement on climate-related financial disclosures in order to ensure its consistency with the TCFD recommendations, once advised by the HSECR Committee. As a consequence, the Audit Committee required periodic briefings and updates on the progress towards the Company's full compliance, with emphasis on cross-industry and the metals and mining climate-related metrics. Additionally, the Audit Committee and the Board review principal and emerging risks on a quarterly basis, with the Audit Committee discussing their development during the period. Within these categories of risks, some are directly or indirectly related to climate change (for more information refer to the Risk section on pages 127-152).

Climate change continued

HSECR Committee knowledge and training
The Directors of the HSECR Committee have relevant experience and knowledge in relation to climate change. The Chairman of the Committee, Mr Arturo Fernández, has extensive expertise in Mexican public policy and a solid academic background in macroeconomics. Ms Georgina Kessel has significant experience on matters relating to energy and climate change, having served as Minister of Energy from 2006 to 2011. Dame Judith Macgregor has wide-ranging diplomatic experience and contributes valuable international perspectives on climate change. Mr Fernando Ruiz brings his considerable experience on Mexican taxation to the Committee, as well as a valuable perspective on the landscape of carbon pricing legislation.

During 2020, the HSECR Committee was briefed on the basic principles of science-based targets, which has been useful in discussing target-setting and evaluating decarbonisation pathways. In 2021, the Committee was trained on the recommendations of TCFD with a special focus on the approach to identify, evaluate and prioritise the CROs. Capacity building also covered the physical risks of climate change, notably on the use of climate models and the challenges to assess the physical impact at geographic scale meaningful to mining operations. Finally, during 2022, the Committee was exposed to a global perspective on TCFD reporting, benchmarks and gap analysis from independent advisers.

Management oversight on climate change
Our CEO, COO, Environmental and Safety VP, ESG Compliance Manager and Baluarte's Sustainability Assistant VP and CEO of Engineering Services report quarterly to the HSECR Committee on the Company performance. They provide insights on trends in reporting and stakeholder expectations and inform the Committee about the Company's exposure to climate-related risks, as well as technologies or initiatives that could be capitalised for decarbonisation opportunities.

The strategic vision of our CEO is key to making the connection between business strategy and climate-related risks and opportunities. The CEO's words and actions have an enormous impact, and his personal leadership is essential for setting and communicating goals and holding the organisation to account. Our COO has responsibilities related to the energy efficiency of current operations and our objectives regarding future performance. Our COO plays a key role in setting annual energy efficiency targets and holding mine managers accountable. Baluarte's CEO of Engineering Services plays a key role in the technology strategy for mineral processing and design and operation of mine infrastructure such as tailings storage facilities (TSFs) and water reservoirs. Our CFO and COO collaborate to identify energy efficiency opportunities, and the former also oversees compliance with climate-change regulatory obligations. The Sustainability Assistant VP supports the Executive Committee in assessing the carbon footprint of the Strategic Plan, measuring the quarterly performance and analysing scenarios to identify impacts, risks and opportunities. During the period, the Executive team was briefed on progress made on climate-related risks and opportunities identification, prioritisation and valuation.

In a key development of 2021, the Company updated its forecast of energy demand for the Strategic Plan. Additionally, during 2021, a steering group was formed for the period by representatives of the Finance, Exploration, Projects, Operations, Industrial Safety and Environment, and Sustainability teams to engage 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 Climate Risks and Opportunities assessment. During 2022, the Finance team continued to discuss carbon pricing mechanisms and to study different implementation approaches.

Executive team
- CEO.
- CFO.
- COO.
- VP Exploration.

Steering team
- Finance.
- Exploration.
- Projects.
- Operations.
- Safety and Environment.
- Sustainability.

Expert team
- Exploration.
- Mining.
- Mineral Processing.
- TSF Management and Infrastructure.
- Safety.
- Environment.
- Health.
- Finance.
- Energy.
- Legal.
- Technology.
- Communities.
- Sustainability.
- Procurement.

Building capacities: climate change sensibilisation

Recognising that climate change education is an ongoing journey, we have implemented various sensibilisation and training sessions aimed at different members of our organisation, based on their roles and responsibilities. These include:
- Briefings to the HSECR Committee on the basic principles of science-based targets.
- Briefings to the Executive team on progress made on climate-related risks and opportunities identification, prioritisation and valuation.
- Climate Change Steering team periodic meetings to reinforce awareness, discuss challenges and build a shared understanding to foster actionable strategies.
- Climate Change Expert team scoping workshop on the principles of climate-related risks and opportunities identification, to set a Company-wide comprehensive view on the matter.
- Climate Change Finance team periodic meetings to study an approach to carbon pricing.
- Dissemination sessions on TCFD recommendations for operational personnel in business units.

Strategy

Climate change has strategic implications for our business model. Among investors, there is a trend towards favouring companies with resilient climate strategies and higher expectations of stakeholders and society at large regarding climate action. Minerals and metals are expected to contribute significantly to the transition to a net-zero economy, but mining operations will increasingly be expected to reduce their carbon footprint and comply with more stringent regulations to curb greenhouse gas emissions. Renewable energy has reached technological maturity and economic competitiveness, while facing worrying regulatory challenges in Mexico. Technologies to reduce the carbon footprint of mineral haulage and mineral processing are in their emergence phase but industry alliances represent opportunities to expand their development.

We focus on mitigating our impact on climate change by reducing our GHG emissions with renewable electricity, fuel substitution in our truck fleet and energy efficiency solutions, such as intelligent ventilation systems, harmonic filters to reduce peak demand and the optimisation of truck haulage distances. We are developing our adaptation approach, working with climate modellers and environmental economists to better understand physical and transition risks. We collaborate with our peers in Mexico to constructively engage government and regulators. We have also joined other companies to launch Mexico's TCFD Consortium.

In 2021, we conducted a comprehensive review of our business model to identify the risks and opportunities through the lifecycle of mining. For this purpose we researched the approach used by peers in the industry, as well as the sector-specific and cross-industry guidance from TCFD. Following a rigorous approach, we consolidated our CROs, identifying their root cause and value drivers. We redefined our scenarios to have a consistent source of parameters to evaluate and prioritise CROs. 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.

Impacts on and by the business

The impacts on our business arise from physical and transition risks. The change in climate patterns represents physical risks to our people, communities, mining infrastructure and value chain. The government regulations, changes in markets and social expectations represent transition risks to a low carbon economy. The impacts by our business are associated with the greenhouse gas emissions relating to our production of silver, gold, zinc and lead. Supplying metals has a positive impact on low carbon technologies such as solar panels.

Physical risks

Chronic risks result from long-term shifts in the climate pattern. The reduction in annual precipitation in Mexico is expected to increase water stress in the river basins where we operate. Water stress requires adaptation strategies based on water efficiency, technological innovations in mineral processing, and nature-based solutions for replenishment and collaboration, among others. Acute physical risks are related to shifts in the frequency and magnitude of extreme events such as rainfall, droughts and heat waves. Adaptation strategies rely on preventive measures to protect our people and resilient infrastructure. Physical risks are not only associated with our operations but may influence our upstream activities such as procurement and downstream activities like smelting and refining. Physical risks also have indirect effects. Water stress may intensify the competition to access water resources and extreme events such as floods and droughts may have negative impacts on the livelihood of our communities. Indirect impacts demand enhanced collaboration with our stakeholders in the river basins where our operations are located.

Transition risks and opportunities

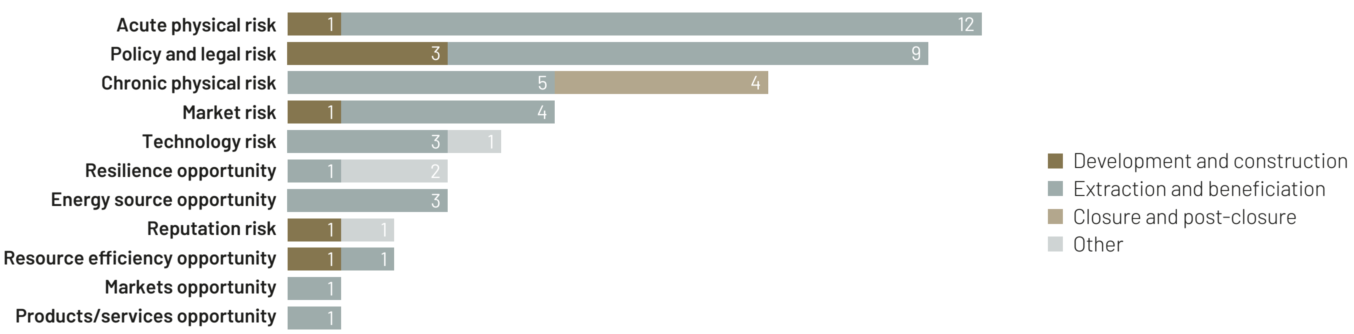
Society's responses to the transition to a low-carbon economy include more stringent regulations to reduce emissions, a transformation of the global energy system, changes in behaviour and consumption choices, and emerging technologies. Policies include but are not limited to carbon taxes and tariffs, cap and trade systems, renewable energy portfolios and incentives for new technologies. Climate action is also motivated by the rising expectations of society and investment trends towards companies with resilient carbon strategies. A resilient energy strategy with a disciplined approach to technology adoption is necessary to reduce our carbon footprint and exposure to regulations. Metals and minerals are essential to the technologies required for this transition, and this opens up market opportunities.

Identifying risks and opportunities

A robust climate strategy relies on a sound understanding of the CROs of our business model considering the lifecycle of mining and our value chain. To ensure a comprehensive identification of CROs, we formed a Steering team that identified key people representing every aspect of the business who could form an Expert team. The Steering and Expert teams were trained on the principles of climate change and CRO identification. To further understand CROs, we conducted in depth interviews with representatives from our Risk Management, Financial Planning, Infrastructure, Energy and Sustainability teams. Additionally, we introduced an external perspective based on an industry-oriented benchmark of significant peers and industry climate change guidance documents.

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. Out of an exploratory list of over 100 CROs, a longlist of 55 individual CROs was retained for evaluation and prioritisation.

CRO longlist by TCFD category and value chain stage



Climate change continued

Scenario analysis

The evaluation and prioritisation of CROs is fundamental in order to focus our strategy and risk management. This process begins with risk management and relies on the use of scenarios. These scenarios help us to gain a sound understanding of the potential business impacts of an uncertain future with environmental, social, geopolitical, policy, market, investment and technology implications. Our scenarios are therefore used to generate insights, identify mitigation measures and set courses of action. Our scenarios should not be interpreted as forecasts.

We opted to use a climate scenario – focused on plausible representations of future climate conditions – and a socio-economic scenario which was focused on plausible development pathways for society and the economy. For the former, we used the main Representative Concentration Pathways (RCP), which are trajectories over time of greenhouse gases, aerosols and chemically active concentrations and emissions, as well as land use/cover. For the latter, we used the Shared Socio-economic Pathways (SSP), which are alternative socio-economic futures over the course of the century. Both these scenarios – typically designed for research and policy purposes – are complementary, and have been adopted by the Intergovernmental Panel on Climate Change (IPCC) to provide an integral framework of climate impact and policy analysis.

- Our first scenario is **Business as Usual**, an intermediate scenario where CO_2 emissions start to decrease until 2045 and reach roughly half of the levels of 2050 by 2100, more likely than not resulting in a global temperature rise between 2° and 3°C. Additionally, the world follows a path in which social, economic and technological trends do not shift markedly from historical patterns; environmental systems experience degradation, global growth is moderate and income inequality persists, as does vulnerability to societal and environmental changes.
- The second scenario is the decarbonisation pathway **in line with Paris Agreements**, which sets a rapid decarbonisation pathway that limits peak warming to below 2°C compared to pre-industrial times with a likelihood above 66%, achieving a net-zero global economy in the second half of the century, although to accomplish this, carbon removal will be necessary. Additionally, the world moves towards a more sustainable path that respects perceived environmental boundaries and where economic growth shifts towards a broader emphasis on human wellbeing; inequality is reduced, and consumption oriented toward low material growth and lower resource intensity.
- The last scenario is **Worst Case**, where 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. Management of social and ecological ecosystems is technology driven, by all necessary means.

Scenarios and their key parameters

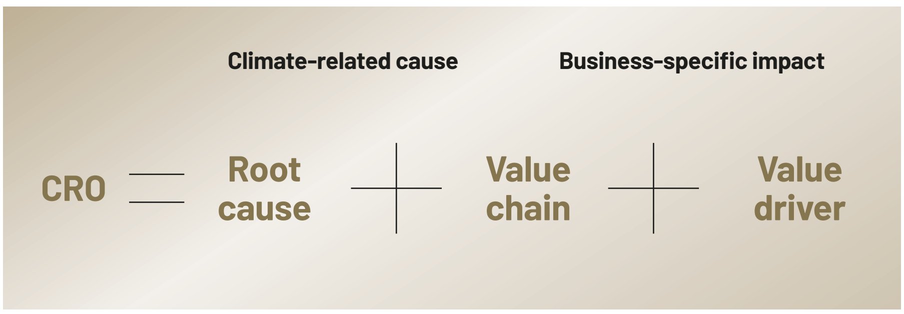
Scenarios				Parameters		
No.	Name	IPCC climate scenario	Complementary socio-economic pathway	Global GHG emissions in 2050	Average global temperature increase by 2050	Average global temperature increase by 2100
1	Business as Usual	RCP 4.5	SSP 2 (middle of the road development)	56,000 Mt CO_2e	2.0 +/- 0.3°C	2.4 +/- 0.5°C
2	Paris aligned (2°C)	RCP 2.6	SSP 1 (sustainable development)	25,000 Mt CO_2e	1.6 +/- 0.3°C	1.6 +/- 0.4°C
3	Worst case	CP 8.5	SSP 5 (fossil-fuelled development)	103,000 Mt CO_2e	2.6 +/- 0.4°C	4.3 +/- 0.7°C

Our scenarios were complemented with additional parameters for rainfall, droughts, carbon and energy prices, fossil fuel subsidies, share of renewables and water scarcity among others. These parameters were gathered from reputable sources that include the IPCC Working Group I Interactive Atlas, the International Institute for Applied Systems Analysis' (IIASA) Shared Socio-economic Pathways (SSP), the World Development Indicators from the World Bank, the World Economic Forum (WEF), the World Resources Institute (WRI), KNMI climate change Atlas, the International Energy Agency (IEA) and Mexico Energy Outlook 2016, the National Institute of Geography and Statistics (INEGI), National system of Water Information (SINA), among others. The gathering of parameters to assess CROs is challenging due to gaps in data availability at the country, regional, sectorial or company level. Scenario parameters should be used with caution and considering their viability or suitability limitations.

Risk identification, assessment and management

CRO evaluation method

Cross-cutting criteria were assigned to each CRO to enable effective comparisons. The CROs identified were then assessed through an evidence-based approach concerning materiality and certainty, drawing on climate scenarios and the Company's financial data. Each identified CRO in the longlist – consisting of 55 CROs in total – was assigned a specific parameter that could be used to indicate how factors beyond Fresnillo's control could change under different scenarios as a result of climate change. Then, each parameter was subsequently assessed for likelihood, velocity and financial materiality. By combining parameter data and the financial materiality assessment, it was possible to identify which risks were most certain and most material. Each CRO has been identified analysing its root cause and its business specific impact as shown in the diagram.



a) Velocity: to assess how fast external pressures are changing, indicating the timeframe in which the exposure to each CRO is expected to become significantly different from today. For all risks and opportunities, we then calculated the timeframe at which the relevant scenario projection increases above a set hurdle (+40%) or decreases below a set hurdle (-20%), thus enabling us to categorise each external factor into time horizons of significant change based on the first year in which these hurdles are breached. A score was then assigned based on the time frame in which it takes place. These time frames were defined on a narrower scale than our operational strategy (up to two years), viability period (five years) and strategic planning (up to 30 years) time frames to better assess the urgency of the climate change action measures required. We will work on aligning the time frames in future years.

Level	Time horizon	Period
High	Short-term	Up to 3 years
Medium	Medium-term	From 3 to 10 years
Low	Long-term	Over 10 years

b) Likelihood: to indicate the probability of a CRO taking place, considering outcomes across all scenarios assessed. Each relevant scenario parameter's direction of evolution was also assessed (i.e. whether under each scenario, a parameter is projected to increase, decrease, or no change). Comparative thresholds were also included to consider the projected change when comparing different climate scenarios. For transition risks and opportunities, projections based on current commitments and trends were compared to the accelerated transition aligned to a 2-degree, Paris Agreement-aligned scenario. For physical risks and opportunities, this projection based on current commitments and trends was compared to a scenario with failure of climate mitigation actions and correspondingly high emissions. The measured rate of change between relevant scenarios was evaluated and scored according to the table below.

c) Financial materiality: to estimate the annual financial impact of each identified CRO. The analysis focused on determining the relationship between the scenario parameter assigned to each CRO and the impacted value driver from the CRO. In some instances, the relationship between the scenario parameter and impacted value driver was directly correlated. To understand and compare the relevant materiality of these financial impacts, thresholds shown in the table below were developed based on our financial materiality threshold and broken down into smaller categories.

Financial thresholds (US$ million)	Level
$ 0 – 7.9	Low
$ 8.0 – 16.4	Medium
> $ 16.5	High

Implications to 2050

In our Business as Usual and Worst-Case scenarios, we will be subject to severe impacts from physical risks, manifested mainly through water availability and extreme weather events demanding adaptation measures that are financially material. Transition risks, especially those regarding carbon pricing, will be more uncertain as these scenarios imply failed international coordination on policies to curb carbon emissions. Conversely, on a Paris-aligned scenario, physical risks will be contained, though not eliminated, and the transition risks certain and material resulting from policies, investment trends and social expectations to transition to a net-zero economy. Across all scenarios, adaptation technologies, resource efficiency and clean technologies are key success factors.

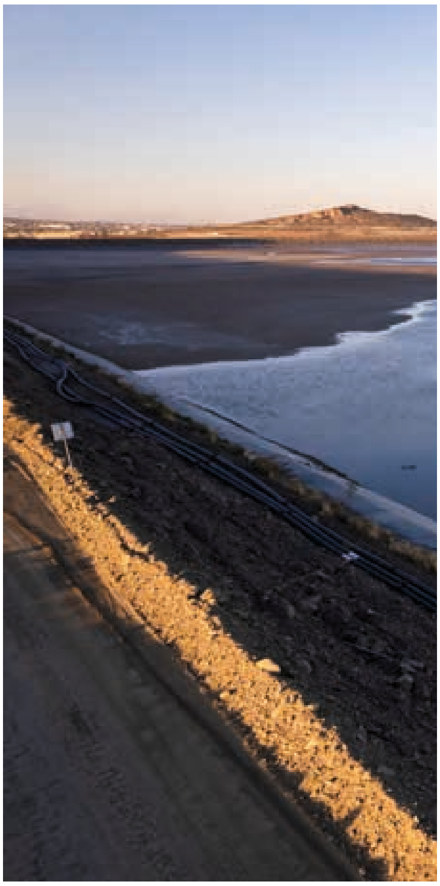
Level	Likelihood requirements	Threshold
Very high	Strong alignment between current policies and 2-degree scenario (transition risks) or worst-case scenario pathways (physical risks).	25%
High	Good alignment between current policies and 2-degree or worst-case scenario pathways, but 2 degrees more ambitious and worst-case more accelerated.	50%
Medium	Much greater change expected under 2-degree or worst-case scenario, but trends are directionally the same.	100%
Low	Only expected under a 2-degree or worst-case scenario pathway and not part of current trends/trajectories.	–

Business resilience to climate-related risks and opportunities

Mitigation of our impact on climate change

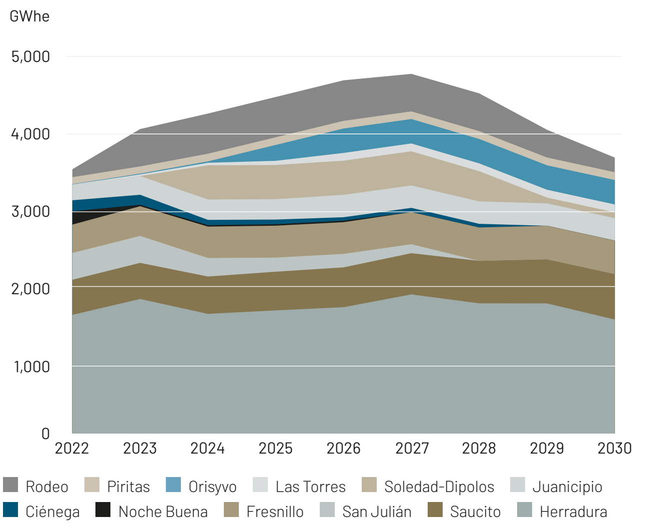
Our approach to mitigate our impact on climate change relies on renewable electricity and substitution of diesel by natural gas in our haulage fleet at Herradura (see case study). During the last five years, on average we supplied half of our electricity from renewable sources. From 2015 to 2022 we sourced 2.6 TWh of wind energy, representing 1.14 million tonnes of CO_2e of avoided emissions with respect to the carbon intensity of the Mexican Power Utility (CFE).

We implement energy efficiency initiatives in our mining operations and processing plant to reduce the use of fuels and electricity respectively. New technologies for intelligent ventilation in underground mines reduce the carbon footprint and provide enhanced protection for our people. We have introduced a new strategy to evaluate and adopt emerging tailings technologies considering their impacts on increased safety and reduced climate and water footprint. To evaluate our resilience to transitional risks, we assess the flexibility of our energy strategy to provide decarbonisation opportunities in the 2021-2030 period. We have considered the energy requirements of our Strategic Plan which includes our mining operations and projects.

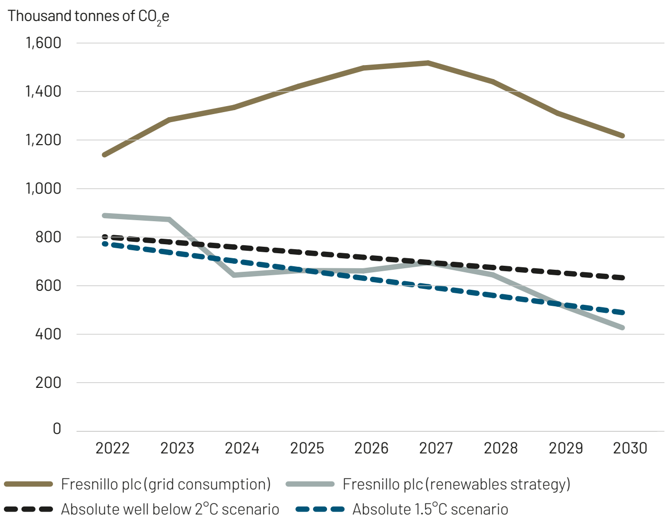


Climate change continued

Energy demand forecast



Decarbonisation pathways



Net zero implications

- 2022-2030: our most significant opportunities rely on increasing the supply of renewable energy, mitigating the impact of diesel in our open pit haulage fleet through the substitution of diesel and capitalising on energy efficiency opportunities in our mining and mineral processing operations. The technology strategy should currently focus on mature technologies but with a disciplined approach to work with partners on emerging technologies. Nature-based solutions may play a role as pilot opportunities to offset carbon emissions, increase water replenishment and community relations. Currently, government policy is delaying the increase in the supply from renewable sources.
- 2030-2050: most of the electricity supply is renewable. Electrification coupled with renewable supply plays a key role in underground operations. Hydrogen trucks for open pit operations become an alternative to reduce the reliance on diesel and natural gas. Advanced upstream and downstream technologies are available to reduce the carbon and footprint of mineral processing. Nature-based solutions play a relevant role as an offset mechanism. Carbon capture starts playing a key role in the second half of the period to offset hard-to-abate emissions.

Adaptation

The design of adaptation measures to protect our people and communities relies on modelling the long-term shifts in climate, such as annual precipitation or temperature, and the variability of extreme events such as floods, droughts and heatwaves. Global circulation models (GCMs) are used to understand the changes in climate under different Representative Concentration Pathways (RCP) scenarios. Aqueduct, a tool developed by the World Resources Institute (WRI), is useful to model water stress under different climate change scenarios. These models are valuable in understanding global and regional trends. Most of the physical climate parameters of our scenarios come from reputable sources using global models.

While GCMs are useful to identify and prioritise CROs, their spatial resolution is too coarse and hence not suitable to support engineering decision-making at the mine site level. We have collaborated with the scientific community to identify climate modelling approaches suitable to inform engineering decision-making based on regional climate models using statistical and selective dynamic downscaling for comparative purposes. The use of estimates from regional models will be a significant contribution in our journey to mature our approach to integrate the physical risks of climate change in our planning and operating decisions.

Engagement with stakeholders

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 industry stakeholders, showcase carbon abatement best practices and further study silver's lifecycle and its role as a climate-smart metal. In addition, we collaborate with our peers in the Colorado Mining Cleantech Challenge to promote innovative solutions for energy efficiency and other environmental challenges. During 2021, we joined the Mexico TCFD Consortium – following the success of the Japanese model – created to share lessons learnt and assist companies that are starting to adopt these recommendations to shorten their learning curve, build capacities and improve the country's engagement levels.

Our engagement initiatives also extend to companies and organisations in other industries. For example, we take part in the World Environment Center (WEC), which enables us to learn best practices on climate change strategy from leading international companies. In Mexico, we are part of CESPEDES (Mexican Chapter of the WBCSD) which shares best practices and engages with governments and society at large.

We have been a registered supporter of the TCFD since 2020 and we disclose our performance in the CDP and GEI Mexico, a voluntary disclosure programme with the Mexican regulators. We discuss our climate change strategy in interviews with investors.

Understanding a changing climate

The more we can develop our understanding of how the climate is changing, the better we can evolve our practices and ensure the long-term sustainability of our business.

Launched in late 2021, the purpose of the Regional Climate Modelling project is to project future climate parameters for our operations, projects and closed mines under different scenarios. The project was aligned with Fresnillo's previous TCFD scenarios, Representative Concentration Pathways (RCPs) 2.6, 4.5 and 8.5. We used a methodology based on regional climate models as well as a stochastic climate generator to model both an appropriate spatial scale as well as extreme weather events.

To determine the **climate parameters** for the modelling exercises, we carried out desk research and consultation with engineers of record at tailings dams. The effectiveness of regional models based on statistical versus dynamic reduction was compared using regional models based on statistical downscaling to model the climate in the Sonora and Sierra regions. The models were evaluated retrospectively by modelling the past climate and comparing the results with meteorological observations. Although some parameters such as accumulated precipitation, average temperatures and extreme temperatures showed acceptable results, extreme precipitation – which is fundamental for the design of engineering works – did not do so. This confirmed the need for models based on dynamic reduction.

To establish **geographical delineation**, fine polygons near sites and coarse polygons in basins were explored. Basins were used as a reference due to a lack of consensus on the polygons of influence of operations. However, catchment boundaries created challenges in using representative data from meteorological stations; further study is still needed to determine the best way to establish the geographical delimitation.

To generate the **baseline**, we identified meteorological stations based on different criteria of region of influence and a method to assign weights to the observations. We determined that data from in-house weather stations should also be included as a source of information to increase veracity of available data.

For the Sonora region, a dynamically reduced regional climate model was tested by comparing cumulative precipitation and seasonal maximum temperatures with historical observations and applied to the period 2020-2039 using the low and high emission scenario. The model results with historical data showed consistency, and future projections allowed an appreciation of changes with respect to the baseline precipitation and temperatures.

The baseline weather stations also enable training of the stochastic climate generator algorithm to generate time series of likely precipitation and temperatures. The weather generator is essential for modelling extreme events for engineering design purposes.

This work in progress was presented at the American Meteorological Association conference in early 2023. Work will continue on calibrating the climate generator fed by statistically and dynamically reduced regional models, including a third model approach, 'convection permitting', which has appeal for extreme event modelling. The next phase of the project will be to incorporate these insights and projections across all of our business planning. The findings of this project will allow us to improve the resilience of our business, providing us with foresight to pre-emptively adapt our critical infrastructure and enable informed decision making across our business units.

Risk management

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. Considerations regarding climate change are fully integrated within our ERM system.

The pervasive and complex nature of climate change means that it can act as an amplifier of other risks such as environmental incidents, access to water, health and safety of our people, government regulations, and social licence to operate. Our approach to evaluating and prioritising CROs addresses this challenge.

In the past, climate change was considered to be solely a sustainability issue. The all-encompassing business implications of climate change led in 2020 to its inclusion as one of the emerging risks, as part of provision 28 of the 2018 UK Corporate Governance Code. In 2021, climate change was fully integrated in the annual risk appraisal and in 2022, we began the design of a climate change risk management system.

CRO analysis and insights

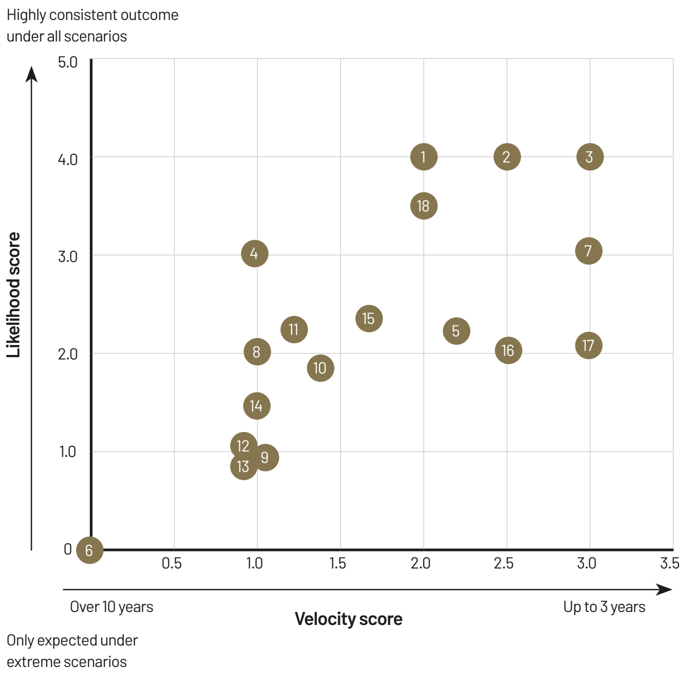
Transition risks – decarbonisation targets, carbon pricing, stringent regulations and investment trends – are the most likely to materialise under all scenarios followed by physical risks such as water availability, higher temperatures and extreme events. Likewise, transition risks are expected to arise faster than physical risks, reflecting the expectation that climate action will prevent the worst consequences of climate change. Carbon pricing, extreme weather events and energy prices are the most material risks. On the opportunity side, the most imminent and material outcomes were an increased demand for silver from the solar PV industry followed by adaptation technologies. Finally, we gained insight into interactions, differentiating likelihood and velocity from financial impact to understand how fast we may be subject to a family of risks, as compared to the material impact they may have on our business. This allows us to pay more attention to those subjects where both scores are higher before considering others and streamlining our response in a timely fashion with strategic and financial planning in years to come, as we mature our climate change mitigation and adaptation strategies. So far, climate change has had no impact on the Company's financial planning. A summary of our findings by time frame, value driver and financial materiality is provided on the following page.

However, a challenge we faced during this process was the lack of data availability, particularly for physical risks. Materiality was therefore inferred qualitatively through desktop research, referencing reputable sources, which limited the incorporation of some CROs into the calibration and final ranking of this exercise. Understanding this challenge and the difficulty of circumventing it due to the nature of climate modelling is why we launched the climate modelling project with the University of Arizona in late 2021, described previously. Additionally, we understand that we need to work on building capacities across our teams to properly evaluate vulnerabilities and possible adaptation pathways. This is why we also launched a new initiative to design a climate risk management system during 2022, described in the next section.

Sustainability at the core of our Purpose continued

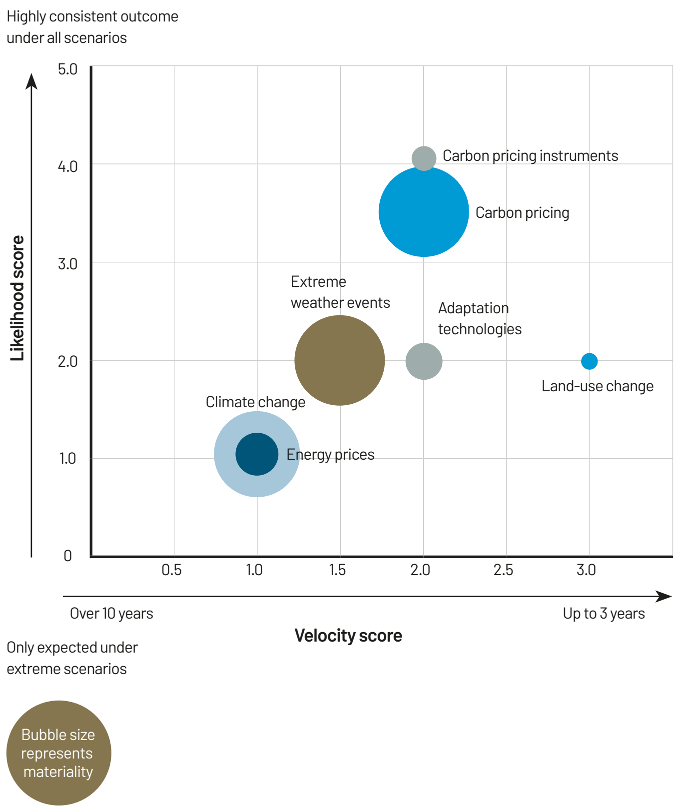
Climate change continued

Velocity and likelihood scoring by parent root cause

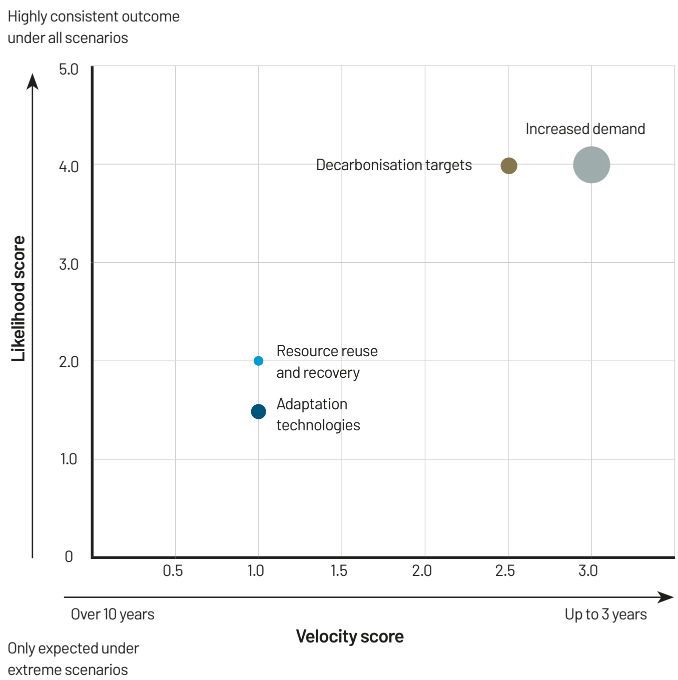


1. Carbon pricing instruments
2. Decarbonisation targets
3. Increased demand
4. Stringent regulations relating to water
5. Water availability
6. Higher temperatures
7. Expectations of capital providers
8. Resources reuse and recovery
9. Climate change
10. Extreme weather events
11. Changes in temperatures
12. Energy prices
13. Tightening emission standards
14. Innovation and research
15. Adaptation technologies
16. Expectations of staff
17. Land-use change
18. Carbon pricing

Risk prioritisation by parent root cause



Opportunities prioritisation by parent root cause



CRO prioritisation and management

The following table outlines our prioritised CROs, which are based on their ranking in the top 11 shortlisted risks and on previous industry analysis. 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 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 2c) Significant accounting judgements, estimates and assumptions). Further work needs to be carried out to account for actual impact on stand-alone items, such as energy efficiency measures.

Physical risks

TCFD category	Description	Impacts	Management approach
Acute risk	**Changes in frequency and magnitude of extreme events such as rainfall, droughts and heatwaves affecting our operations and neighbouring communities.** **Likelihood:** Very likely. **Timeframe:** Medium-term. **Financial impact:** Medium. **Value driver affected:** Decrease in revenue; increase in production costs – including maintenance and insurance (Income statement).	An increase in the frequency or intensity of floods, storms, cyclones and hurricanes could affect the health and safety of our people and the continuity of our operations and construction projects in multiple ways: damaging mine infrastructure and access roads; disrupting transportation and supply chains; damaging energy infrastructure; discharging untreated water into surrounding areas; and reducing slope and tailings storage stability. Extreme weather events have a negative impact on our neighbouring communities.	We rely on emergency response plans to protect our people and facilities. Our key mining infrastructure such as TSFs take into consideration measures and capacity to handle excess water. Nonetheless, climate modelling at geographic scales appropriate to mining operations is necessary to increase our understanding of risks, vulnerabilities and planning of adaptation measures. We have collaborated with our communities in the response and recovery from natural disasters.
		Droughts could lead to reductions in revenue from decreased throughput. Droughts have a negative impact on the livelihood of our neighbouring communities.	Our sources of resilience to droughts and chronic water stress are similar and are presented as chronic risks.
		Heatwaves represent a health and safety risk for our workforce in the form of heat-related illnesses and inhibited decision-making capacities, increasing the risk of accidents. Increased energy demand during heatwaves can increase our own demand and the national demand for energy and strain the national grid's transmission capacity.	Our response to more frequent heat waves relies on our health and safety programmes that evaluate hazards and monitor temperature conditions. Operations already implement energy efficiency measures to reduce electricity demand in peak hours, in order to reduce costs. Our mines are 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. This is our approach to manage the risk of strained capacity and respond to the loss of power.
Chronic risk	**Increase in average temperatures, reduction in annual precipitation and associated water stress.** **Likelihood:** Very likely. **Timeframe:** Medium and long-term. **Financial impact:** Medium. **Value driver affected:** Decrease in revenue; increase in operating costs (Income statement).	Lower annual precipitation has a direct effect on water stress that may lead to reduced amounts of water being available for mining, agriculture and other industrial activities, therefore increasing competition for water resources in the areas where we operate. A chronic increase in maximum temperatures will drive our demand for energy for cooling purposes.	Most of our water demand is supplied from groundwater which is more resilient to droughts. Using recycled municipal water reduces our exposure in the Fresnillo District and is an option in operations such as Penmont and in projects located close to medium-sized communities. In addition, we have constructed a water reservoir at the San Julián mine to increase resilience to droughts. We have developed a new approach to technology for mineral processing considering safety (tailings), water and carbon performance. We also cooperate with communities to increase water access as well as water resilience.

Climate change continued

Transition risks

TCFD category	Description	Impacts	Management approach
Policy and legal	**Emerging regulations such as local or transborder carbon taxes, cap and trade systems or increasing requirements from current emissions regulations.** **Likelihood:** Very likely. **Timeframe:** Short to medium-term. **Financial impact:** Medium. **Value driver affected:** Increase in production costs and/or decrease in net income (Income statement).	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, subnationally or internationally (i.e. subnational environmental taxes, carbon boarder adjustment mechanisms, etc.).	A resilient energy strategy supported by renewables and cost-effective energy efficiency projects. Further exploration for decarbonisation technologies and carbon offset mechanisms are required. We engage constructively with regulators and law makers on energy and climate change regulations, directly or through industry associations and chambers.
	Changes in the regulatory framework of renewables. **Likelihood:** Likely. **Timeframe:** Short to medium-term. **Financial impact:** High. **Value driver affected:** Increase in production costs (Income statement).	The growth of renewables relies on a regulatory framework that provides certainty in the long term. Changes to the Mexican electricity industry to curtail renewables may reduce the options for decarbonisation and increase the cost of energy. The policies of the Federal government are not favourable to renewable energies. An energy reform was submitted to Congress to increase government control of the energy sector. In its current form, the reform would allocate to the state-owned power utility CFE over half of the wholesale electricity market. In addition, the proposed reform would cancel the self-supply mechanism used by private companies and the market mechanism eliminating the flexibility to source renewables. The reform would eliminate requirements for Clean Energy Certificates, which is the most important decarbonisation policy instrument of the Mexican Power Sector.	
Market	**Increase in energy prices.** **Likelihood:** Low. **Timeframe:** Short-term. **Financial impact:** High. **Value driver affected:** Increase in production costs (Income statement).	The mining industry is very energy intensive. It is also very dependent on certain energy sources such as electric power and diesel, which amount to a significant share of its production costs. Volatility in oil and gas prices could increase the cost of energy.	We have deployed a very successful power self-supply scheme through PPAs, which has considerably improved our production costs. Additionally, we have seized technological opportunities to reduce both our carbon footprint and costs by leveraging state of the art technology such as dual (diesel-LNG) systems for trucks at Herradura open pit mine. We have also optimised haulage routes to reduce our diesel consumption.

Opportunities

TCFD category	Description	Impacts	Management approach
Markets	**Increase in demand of silver for solar PV manufacturing.** **Likelihood:** Very likely. **Timeframe:** Short-term. **Financial impact:** Medium to high. **Value driver affected:** Increase in revenues (Income statement).	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.	We monitor the progress of this opportunity through the Silver Institute and specialised reports.
Energy source	**Increase of renewables in the global energy mix.** **Likelihood:** Very likely. **Timeframe:** Medium-term. **Financial impact:** Medium. **Value driver affected:** Decrease in production costs (Income statement).	Renewables offer cost-effective decarbonisation opportunities and build resilience in our carbon strategy.	We have significantly increased the use of renewables in our energy mix over the years, and on average they have accounted for half of our demand over the last five years.
Resource efficiency	**Resource efficiency and fossil fuel switching.** **Likelihood:** Very likely. **Timeframe:** Medium-term. **Financial impact:** High. **Value driver affected:** Decrease in production costs (Income statement).	Energy efficiency helps reduce energy demand, generates savings in operating costs and reduces carbon footprint. Data science and Internet of Things applications have increased the potential for energy efficiency. Less water-intensive technologies reduce operating costs and dependence on fresh water, avoiding water scarcity risk.	We have seized technological opportunities to reduce both our carbon footprint and costs. Examples include on demand ventilation systems, harmonic filters, optimisation systems in processing plants, haulage optimisation routes and the introduction of dual (diesel-LNG) systems for trucks at Herradura open pit mine. We have also recently undertaken an evaluation to review the feasibility of using a Colossal Filter to improve tailings deposition and water management; during the first phase, we will identify viable sites for implementation. 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.
	Electrification, high penetration renewables, storage in microgrids and hydrogen. **Likelihood:** Likely. **Timeframe:** Long-term. **Financial impact:** High. **Value driver affected:** Decrease in production costs (Income statement).	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.	

Managing climate change risks

During the year, we developed the methodology behind a climate change risk management system, based on a robust framework and bow tie principles. We initially ran desk research to create a risk catalogue, identifying which of these risks required monitoring and which required management. We then paired them to ideal controls – which may be preventive, detective or corrective – and identified their owners. The next stage will be to standardise and mature assessed controls with their risk owners across our units, determine a baseline for each and estimate deployment costs.

Climate change continued

Metrics and targets

The mining industry is energy intensive and water dependent. Additionally, our operations and projects are located in regions with high or extremely high water stress. Thus, energy consumption, GHG emissions, water consumption and withdrawal, and their respective intensities per ton of mineral processed, are monitored rigorously to mitigate risks and to identify resource efficiency opportunities that may contribute to business continuity and cost-efficiency. These metrics are also fundamental for the assessment of CROs (for more information on water metrics and performance, see the Water Stewardship section).

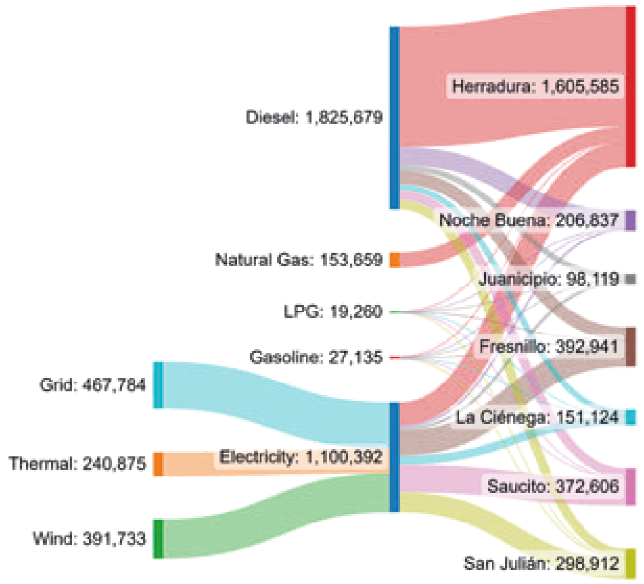
Climate-related metrics

	Global GHG emissions for the period 1 January 202 to 31 December 2022							
	GHG emissions (tonnes of CO_2e)				Energy (MWhe)			
	Reporting year	Previous year	Change	Comparison year	**Reporting year**	Previous year	Change	Comparison year
	2022	2021	2022-2021	2012	**2022**	2021	2022-2021	2012
Scope 1 + Scope 2	**961,105**	896,397	7.2%	704,366	**3,126,124**	3,154,937	-0.9%	1,806,063
Scope 1 (direct emissions): combustion of fuel (mobile and stationary sources)	**538,826**	546,355	-1.4%	375,121	**2,025,732**	2,054,238	-1.4%	1,385,448
Diesel total	**494,504**	501,697	-1.4%	366,784	**1,825,679**	1,852,287	-1.4%	1,729,591
Diesel (Company-owned)	**329,656**	328,199	0.4%	228,085	**1,217,035**	1,211,766	0.4%	841,216
Diesel (contractors)	**164,849**	173,499	-5.0%	138,700	**608,644**	640,522	-5.0%	511,550
Gasoline total	**7,045**	6,925	1.7%	3,686	**27,133**	26,672	1.7%	12,234
Gasoline (Company-owned)	**3,935**	3,783	4.0%	3,686	**15,154**	14,570	4.0%	12,234
Gasoline (contractors)	**3,110**	3,142	-1.0%	0	**11,979**	12,102	-1.0%	0
Natural gas total	**32,898**	34,188	-3.8%	0	**153,659**	159,685	-3.8%	0
Natural gas (Company-owned)	**32,898**	34,188	-3.8%	0	**153,659**	159,685	-3.8%	0
Natural gas (contractors)	**0**	0	-	0	**0**	0	-	0
LPG total	**4,379**	3,545	23.5%	4,650	**19,260**	15,593	23.5%	20,448
LPG (Company-owned)	**4,114**	3,341	23.1%	4,650	**18,093**	14,696	23.1%	20,448
LPG (contractors)	**265**	204	30.1%	0	**1,167**	897	30.1%	0
Scope 2 (indirect emissions): electricity purchased from the grid and PPAs	**422,279**	350,042	20.6%	329,245	**1,100,392**	1,100,699	0.0%	420,615
Mexican National Grid (CFE)	**203,486**	132,865	53.2%	69,966	**467,784**	314,103	48.9%	135,461
Thermal – Thermoelectric Peñoles (TEP)	**218,793**	217,177	0.7%	259,279	**240,875**	239,198	0.7%	285,164
Wind – Coahuila Wind Force (EDC)	**0**	0	-	0	**391,733**	547,399	-28.4%	0
Intensity measurement: emissions and energy reported above per tonne of mineral processed.	**0.024**	0.023	5.5%	0.013	**0.079**	0.082	-2.5%	0.034

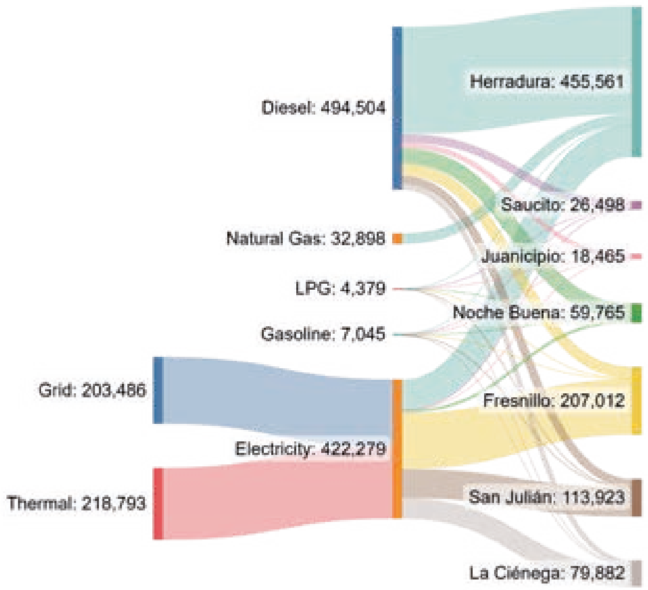
Methodology: We have reported on all the emission sources required under the Streamlined Energy & Carbon Reporting. These sources fall within our operational control. We do not have responsibility for any emission sources that are not included in our Consolidated Statement. We have used the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), and a 100-year time horizon Global Warming Potential (GWP) for Methane (CH4) and Nitrous oxide (N2O) equivalences. Updates to Scope 1 and 2 data are twofold: the former due to rectifications of fuel inventories derived from the external audits for the National Emissions Registry (RENE) – 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.
Scope 1: All direct GHG emissions.
Scope 2: Indirect GHG emissions from consumption of purchased electricity.

* The emissions and energy consumed in the United Kingdom and offshore area are insignificant.

Energy per operating unit (MWhe)



GHG emissions per operating unit (tonne CO_2e)



During the year, our GHG emissions increased by 7.2% driven principally by our Scope 2 emissions: our supply of wind energy decreased by 28.4% and our consumption of energy from the national grid increased by 53.2%. During the last five years, wind energy has represented approximately 50% of our electricity supply, and we expect this to remain above 50% once we have finalised some modifications in our corresponding transmission permission agreements.
We monitor progress towards our goal of achieving 75% renewables in our energy mix by 2030. However, we are currently experiencing regulatory uncertainty regarding the legal framework, as Mexican government policy is delaying the increase in the supply from renewable sources. If we had been able to pursue the planned decarbonisation pathway of our electric power consumption, our contribution to GHG emissions reduction would have surpassed Mexico's National Determined Contribution equivalent, showing an overall reduction of almost 70%, as compared to the national determined contribution (NDC) of 30%.

Scope 3 emissions

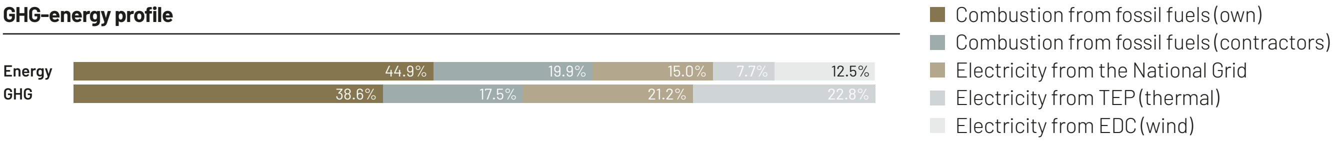
We have taken our first steps towards assessing Scope 3 emissions, which belong to our partners in the value chain and are outside our operating boundary. The following are the categories prioritised due to materiality. We are committed to collaborating with internal and external stakeholders to refine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

		GHG emissions (tonnes of CO_2e)		
Category	Description	**2022**	2021	%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.	**168,947**	176,193	-4.1%
Processing of sold products	The products sold by Fresnillo are intermediate products that require further processing (smelting and refining).	**460,478**	473,604	-2.8%
Downstream transportation and distribution	Products sold are transported to the metallurgical complex.	**16,595**	15,178	9.3%
Investments	Emissions from the Silverstream contract.	**67,022**	64,183	4.4%
Total		**713,043**	729,158	-2.2%

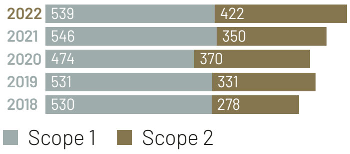
Sustainability at the core of our Purpose continued

Climate change continued

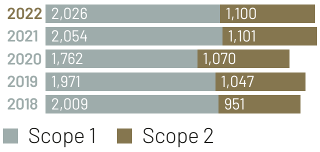
GHG-energy profile



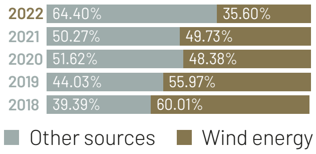
GHG emissions (Kt of CO_2e)



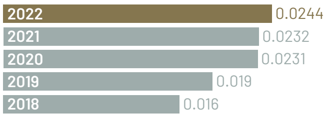
Energy (GWhe)



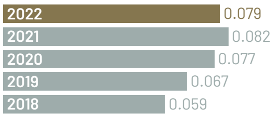
Electricity supply



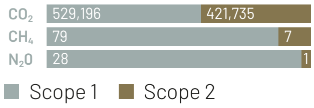
GHG Intensity (tonnes of CO_2e per tonne of mineral processed)



Energy intensity (MWhe per tonne of mineral processed)



Emissions by GHG type – 2022 (tonnes)



Metals and mining climate-disclosure topics

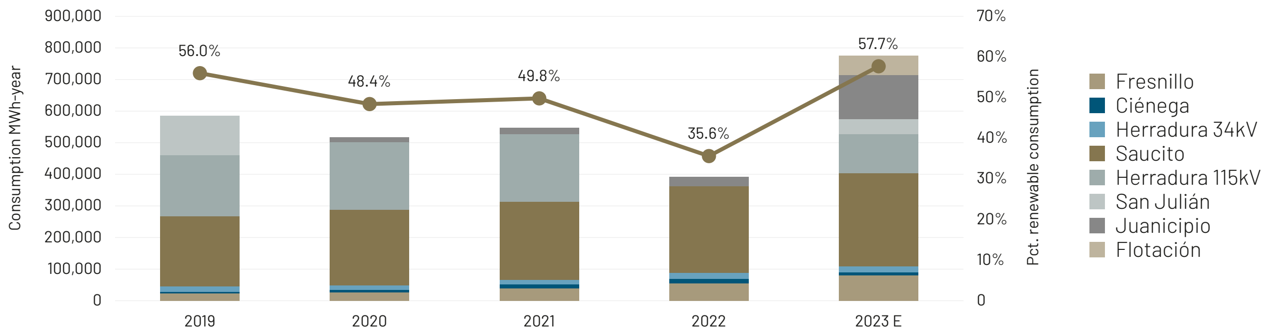
Topic	Metric	Unit	2022	2021	% change
GHG emissions	(1) Gross global Scope 1 emissions	$mtCO_2e$	538,826	546,355	-1.4%
	(2) Percentage covered under emissions-limiting regulations	%	0	0	–
Energy management	(1) Total energy consumed	GJ	11,254,045	11,357,774	-0.9%
	(2) Percentage grid electricity	%	15.0	10.0	50.5%
	(3) Percentage renewable	%	12.5	17.4	-27.8%
Water management	(1) Total freshwater withdrawn	thousand m^3	29,954	28,488	5.1%
	(2) Total freshwater consumed	thousand m^3	12,747	14,534	-12.3%
	(3) Percenage of freshwater withdrawn in regions with High or Extremely High Baseline Water Stress	%	100	100	0%
	(3) Percenage of freshwater consumed in regions with High or Extremely High Baseline Water Stress	%	100	100	0%
TSF Management	(1) TSF inventory	No.	19	–	–

Note: TSF Management is a new indicator. Detail is as follows: Active – 5 TSF, 3 Heap Leaching Facilities (HLF); 1 Water Storage Facility (WSF). Maintenance – 8 TSF, 1 HLF; Construction: 1 TSF.

Performance and climate-related 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. Given our current portfolio, we have decided to modify some of our transmission permission agreements to optimise our mix of available supply sources. Nevertheless, waiting periods for these modifications have also increased, meaning that we have been unable to move directly from current wind-Power Purchase Agreements (PPAs) to our Wholesale Electricity Market (WEM) available wind-sources. This has led to us having to consume electricity from the Mexican power utility, Comisión Federal de Electricidad (CFE). The result was a temporary reduction in renewable consumption during 2022 that will be offset in 2023, during which we expect to return to renewables consumption in our energy portfolio similar to that of 2019, albeit having increased our overall energy consumption by 28% since then.

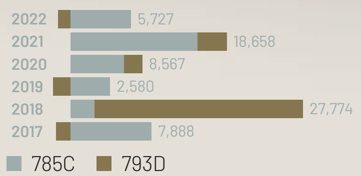
Renewable energy consumption



Reducing our footprint, cutting our costs

As part of a strategy to reduce both our carbon footprint and costs, in 2016 we began a pilot to convert some of our haulage fleet's diesel engines to a dual fuel system, which optimises consumption by automatically switching between diesel and Liquefied Natural Gas (LNG) depending on the terrain. We have made good progress and currently benefit from 31 785C series units, which consume approximately a 40-60% diesel-LNG mix, while our 10 793D units consume a 65-35% mix. Since its early deployment in 2017, the dual motor fleet has abated a total of 71 thousand tons of CO_2e, which is comparable to the 2022 Scope 1 and Scope 2 GHG emissions of La Ciénega mining unit.

Dual-fuel fleet emissions reduction by truck series (tons of CO_2e)



Waste management

Tailings and mineral waste

Our goal is to protect local communities and the environment by managing mineral waste responsibly.

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. We are working towards our goal of zero harm to people and the environment, implementing the best practices in engineering and governance of TSFs. The Company has made significant progress in maturing governance and adopting best practices, despite the challenges presented by Covid-19. There were no tailings-related failures at our operations in 2022.

What tailings are and how they are produced

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.

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 2021, this framework was implemented in all our operations. The key components of our framework are:

- *Site management* – Mine managers are the risk owners responsible for operating TSFs in accordance with our guidelines. The Regional Tailings Manager and a qualified Engineer of Record provide the technical expertise to ensure the facility is managed safely and complies with the appropriate governance and best practice. We are developing the implementation of a formal change management process to address changes in risk owners.
- *Tailings Management and Stewardship team* – This group of subject matter experts develops and administers the corporate governance and appropriate controls, including the implementation of verifications and external reviews. Baluarte's CEO of Engineering Services leads the team with the support of the Assistant VP of Infrastructure, corporate tailings specialists and managers.
- *External reviews* – Our governance framework is supported by independent experts, inspectors, reviewers and auditors to confirm compliance with our governance and engineering best practice requirements. Our third-party review process includes an Independent Tailings Review Panel (ITRP), Dam Safety Inspections (DSIs) and Dam Safety Reviews (DSRs).
- *Group-level oversight* – Oversight of the overall governance and operations is provided by the TSF Review Executive Committee. The Committee, comprising Senior Executives, relies on independent expert advice and assessment for the continuous review of operation, governance, inspection, review and audit reports. Fresnillo plc CEO is the Accountable Executive (AE) for operations and Baluarte Technical Services CEO is the AE for Governances matters.

The Board's Health, Safety, Environment and Community Relations (HSECR) Committee is informed of compliance status, as well as any relevant issues or risks and recommended appropriate actions. The Independent Tailing Review Panel meets the Company every two months and annually conducts four virtual and two field visits. Findings are presented to senior management for follow-up. Focus is now moving from initial implementation to the documentation and institutionalisation of our governance framework in our Tailings Policy, which we expect to approve in 2023.

Governance of TSF

Site management	Tailings Management and Stewardship team	External reviews	Group-level oversight
• Mine Manger. • Regional Tailings Manager. • Engineer of Record (EoR).	• Accountable Executive (AE). • Corporate Tailings Specialist. • Corporate Tailings Manager.	• Independent Tailings Review Panel (ITRP). • Dam Safety Inspections (DSI). • Dam Safety Reviews (DSR).	• TSF Review Executive Committee.

Risk management
Maintaining the high standards of safety and environmental protection of TSFs is an ongoing process that requires continuous evaluation through the lifecycle of each facility. Design, construction, surveillance, maintenance and external reviews follow the best practice guides of 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).

Design and construction
We design our new tailings dams in accordance with international best practices (i.e. ICMM. ICOLD, CDA and MAC) with the support of qualified engineering firms. We have formalised our approach to site options studies, construction methods and technology selection. At an early stage of a project, we identify opportunities for paste backfilling and filtered tailings.

We have conducted an extensive campaign of geotechnical investigation to update the geotechnical models of our TSFs. We implement quality assurance and controls for the construction or expansion (lifts) in the operating phase. The design and construction of TSFs are also managed by the Tailings Management organisation using dedicated internal and external resources.

Operation
Mine managers operate the facility in accordance with our guidelines through a combination of shared services from the Tailings Management and Stewardship team, and internal resources organised to report directly to him/her, independently of other operating roles. Mine managers are supported by a qualified Regional Tailings Manager and a qualified Engineer of Record (EoR). Master Services Agreements have been signed with several recognised consultancies and, through them, named EoRs.

Surveillance and maintenance
Routine surveillance is conducted by trained operators and expert technical staff from the Tailings Management and Stewardship team. Condition and critical control monitoring have been enhanced by the installation of improved instrumentation and monitoring equipment. With the support of our consultants, we are currently formalising and implementing the Operation, Maintenance and Surveillance (OMS) Manuals following the guidelines of the Mining Association of Canada (MAC). Our routine surveillance practices have improved as an outcome of the OMS initiative. We have increased the use of InSar Satellite monitoring and improved telemetry and data analytics to facilitate near real-time management of critical controls, improved condition reporting and response times.

External reviews
The Independent Tailings Review Panel (ITRP) comprises subject matter specialists of international renown who meet several times per year to conduct an independent review of the design, operation and integrity of our TSFs.

We conduct Dam Safety Inspections (DSIs) and Dam Safety Reviews (DSRs) to evaluate our compliance with international best practices and applicable regulatory requirements. Our Tailings Management and Stewardship team appoints qualified consultants to conduct formal safety inspections and periodic reviews of TSFs.

Strategy
Our strategy for responsible tailings management aims to adopt the best practices of engineering and management principles of 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). We are maturing our implementation of Tailings Management Systems, a centre of excellence that provides shared services, formal planning and resourcing, training and a disciplined approach to investment in tailings technologies.

We recognise the importance and relevance of the Global Industry Standard on Tailings Management (GISTM) and have followed its development and progress. As a company we support this standard and we will review and assess the impact and challenges of its implementation. We feel confident that the compliance with these international guidelines is a strong baseline that will lead the GISTM compliance.

Tailings management system
Our focus is now moving from initial implementation of our governance framework to the formal documentation and implementation of our enhanced Operation, OMS Manuals and Emergency Preparedness and Response Plan (EPRPs). A training workshop was held to prepare the documents following the Tailings guide of the Mining Association of Canada (MAC).

Tailings Management and Stewardship team
This group comprises subject matter experts and implements the governance framework and controls and provides shared services. In our journey to become a centre of excellence, we have presented papers at international tailings forums.

Planning and resourcing
We conduct a formal process to budget: i) construction of current facilities; ii) siting, design and construction of new facilities; iii) improvement in instrumentation and monitoring; and iv) technical services.

Training
We organised tailings management training and technical workshops throughout the year. In addition, our experts from the Tailings Management organisation participated at national and international conferences.

New technologies
Our approach to new technologies takes into consideration the strategic priority and the maturity of technologies:
- 1st Horizon: Surveillance, Monitoring and Alerting Technology (i.e. inSar, drones, data analytics, etc.).
- 2nd Horizon: Downstream Processing Technology (i.e. paste tailings and filtered tailings).
- 3rd Horizon: Upstream Processing Technology (i.e. selective processing, water and energy reduction, etc.).

In addition, we evaluate the contribution that new technologies can make to: i) safety improvements; ii) the efficiency of our operations; and iii) the reduction of our environmental footprint and risks.

Waste management continued

We explore strategic opportunities to venture into the development and research of new technologies applied in tailings and water management. Working with Ausenco and FL Smidth, we commenced an evaluation of the feasibility of improving tailings deposition by using a colossal filter.

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 at Penmont and deposited in waste rock piles.

Heaps
Part of the disseminated ore deposits of Penmont are processed using heap leaching. Channels surrounding the heaps and contingency ponds are hydraulically designed to handle flood flows caused by extreme rainfall events. We proactively monitor conditions both up and downstream 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.

Metrics

		Unit	2022	2021	2020	2019	2018
Mine waste	Waste rock	Tonne	**119,424,384**	131,603,499	119,233,877	141,717,898	164,490,105
Processing waste from flotation – concentration	Tailings	Tonne	**8,166,918**	7,985,885	8,969,146	9,370,672	8,795,869
Metallurgical waste from heap and dynamic leaching facilities	Tailings	Tonne	**5,993,498**	6,224,972	5,909,107	6,137,482	3,560,486
	Heaps	Tonne	**29,345,382**	28,641,642	20,570,573	34,422,898	39,912,814

Non-mineral waste

We seek to optimise the use of resources, eliminating physical waste and maximising process efficiency.

We prioritise materials management and follow strict protocols for handling different types of non-hazardous waste. Waste that requires special handling by regulation (special handling waste), including organic waste, is collected in operational areas and taken to the warehouse for segregation by operators. Once classified, it is sent for reprocessing by accredited companies. Urban solid waste is compacted and sent to sanitary landfills or authorised landfills. Hazardous waste is stored, identified, and arranged before being sent to final confinement by authorised companies. Finally, spent lubricating oil is sent for reprocessing for reuse.

Waste disposal

	Unit	2022
Total waste	Tonne	**13,205**
Hazardous waste	Tonne	**1,957**
Non-hazardous waste	Tonne	**11,248**
Municipal solid waste	Tonne	**2,307**
Special handling waste	Tonne	**8,941**

Note: New indicator so historic figures not available.

Soil pollution

Our goal is to prevent soil contamination by managing our operations responsibly, thereby protecting the environment and the health of local communities.

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 TSFs. Our management system has procedures in place to prevent soil contamination.

Acid mine drainage

Our goal is to prevent and responsibly manage acid mine drainage (AMD), thereby protecting the environment and the health of local communities.

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.

Cyanide management

Our goal is to protect human health and the environment by responsibly managing sodium cyanide solutions and waste (tailings and spent heaps).

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-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 to learn more about our responsible cyanide management practices at www.fresnilloplc.com/corporate-responsibility/environment/cyanide-management-code

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. San Julián has been a signatory since 2021, and expects to become certified in the near future. During 2022, there were no incidents related to cyanide management.

Sodium cyanide (NaCN) consumption (tonnes)

2022	2021	2020	2019	2018
13,503	13,400	13,549	14,692	13,497

Water stewardship

Our goals are to secure water access, minimise our water footprint and cooperate with our stakeholders.

Mining and processing ore consume vast amounts of water, often in arid regions where water scarcity affects local communities. To ensure responsible water use and minimise impact, we conduct Environmental Impact Assessments (EIAs) to assess local and regional water resources and their vulnerability before starting any project. As access to water and responsible water management are critical success factors, we have developed a stewardship strategy which is based on four pillars and supported by key activities at our operations.

We repurpose over 90% of our mine dewatering in the Fresnillo District

90%

Stewardship

Efficiency and reuse

- Implement efficient closed water circuits, eliminating the need to discharge processed water into water streams.
- Reuse wastewater from municipalities and our own operations and accommodations where feasible, to reduce our usage of freshwater.
- Implement our new technology strategy to evaluate and adopt upstream and downstream mineral processing technologies able to have positive impacts on safety (tailings), carbon and water footprint.

Pollution prevention

- Send unused water from dewatering to settlement ponds in order to control suspended solids, before discharging the cleaned water downstream.
- Ensure responsible cyanide management (see the Cyanide management section of this report).
- Ensure the responsible operation of TSFs (see the Mineral waste management section of this report).

Watershed and community engagement

- Secure water rights from authorities before using any water in mining and mineral processing.
- Cooperate with water authorities and other stakeholders, including communities, to increase water access (see the Communities section of this report).
- Share best practices with other industries and civil society at events organised by the World Environment Center (WEC) and CESPEDES (Mexican Chapter of the WBCSD).

Transparency and accountability

- Account for water use, using the Water Accounting Framework (WAF) proposed by the Minerals Council of Australia.
- Respect our water quotas, monitoring our discharges and acting to ensure that they adhere to water quality regulations.
- Continually improve our 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
La 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

During this period, we improved our water intensity and consumption performance. We did not detect any negative downstream impacts on ecosystems or water bodies due to our groundwater intake or water discharges. During the previous period, water consumption was driven by the construction of leaching pads at Herradura and a review in our water accounting practices, specifically in Herradura and Saucito; additionally the brackish water used for dust suppression at Herradura is also now included in our water accounting.

In the Fresnillo District, a new project was approved which will enable us to exclusively use treated wastewater in our operations, thereby reducing our water usage and costs, and also make mine water available for authorities to recharge the region's groundwater.

Water management in megalitres*

Category	2022	2021	2020	2019	2018
Total water withdrawn	**32,110**	30,707	21,138	20,941	22,185
Total water deviations	**17,207**	13,954	7,522	7,721	8,848
Total water consumed	**14,904**	16,753	13,616	13,220	13,337

1 megalitre = 1,000 m^3

Statement of water inputs and outputs in megalitres

For the period 1 January 2022 to 31 December 2022

Category	Element	Sub element	2022	2021
Input	Surface water	Rivers and creeks	**617**	669
	Groundwater	Mine water	**5,084**	6,166
		Bore fields	**6,721**	7,370
		Ore entrainment	**353**	362
	Third party	Waste water	**2,094**	2,150
		Total water inputs	**14,868**	**16,718**
Output	Surface water	Discharges	**28**	33
	Other	Water entrained in concentrates	**35**	35
		Total water outputs	**63**	**68**

Water deviations in megalitres

For the period 1 January 2022 to 31 December 2022

Category	Element	Sub element	2022	2021
Input	Surface water	Rivers and creeks	**0**	0
	Groundwater	Aquifer Interception (dewatering)	**17,179**	13,921
		Total water inputs	**17,179**	**13,921**
Output	Surface water	Discharges	**17,051**	13,807
		Supply to third party (donation)	**128**	115
		Loss (evaporation, infiltration, etc.)	**0**	0
		Total water outputs	**17,179**	**13,921**

Statement of operational efficiency

Efficiency for the period 1 January 2022 to 31 December 2022

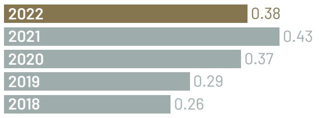
	2022	2021
Total volume to tasks	**77,135**	76,010
Total volume of reused water	**63,025**	60,031
Efficiency of reuse	**81.71%**	78.98%
Total volume of recycled water	**2,401**	1,955

* 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.

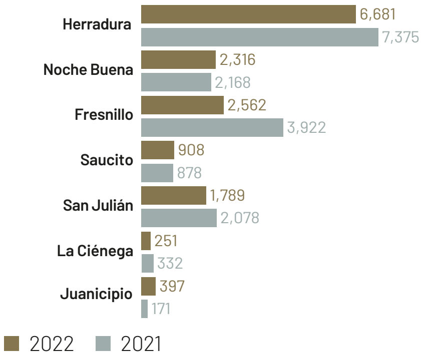
	Unit	2022	2021	2020	2019	2018
Reuse efficiency	%	**81.71%**	78.98%	81.86%	79.89%	80.16%
Total volume of recycled water	Megalitre	**2,401**	1,955	1,716	950	1,327

Water consumption (megalitres)

Water intensity (m³/tonne of mineral processed)



Water input (megalitres)



Reuse efficiency

81.71%

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. Our response has been to play our part as a responsible business by implementing a series of initiatives to address water stress, including the operation of wastewater, purification and potabilisation water treatment plants. In 2009, we first began using municipal wastewater for our industrial processes and currently have 18 facilities in operation – with two new treatment and two new purification projects set to come online in 2023. Through these actions, on average and on an annual basis we have managed to repurpose over 90% of our mine dewatering to recharge groundwater in compliance with NOM-001-SEMARNAT-1996. We also recently approved a project to replace mine water in our exploration and exploitation activities and in our mineral processing, which will lead to the exclusive use of treated wastewater from the Fresnillo municipality. Our goal is to completely avoid using freshwater from mine dewatering and to instead discharge it to a federal water source — according to regulation — for authorities to determine its final use such as recharging the groundwater in the region or irrigation activities in the community.

Current installed capacity of water treatment infrastructure

Type	Current capacity (l/s)	2023 new capacity (l/s)	Total capacity (l/s)
Wastewater treatment	**312**	4	316
Purification	**23**	16	39
Potabilisation	**56**	0	56

Our water treatment facilities are available for visit and we offer educational tours; on an annual basis we welcome an average of 3,500 students from our school district, helping them to understand our environmental culture and in particular the importance of water stewardship.

Biodiversity

Our commitment is to implement sound measures to safeguard biodiversity and ensure that it is not adversely affected by our operations.

The loss of natural capital together with climate change pose significant threats to the welfare of people, the health of ecosystems and economic prosperity. Our EIAs and management plans – based on the Mexican biodiversity norm NOM-059-SEMARNAT-2010 – enable us to manage biodiversity responsibly by identifying avoidance, mitigation and compensation measures. We assess our potential impact on biodiversity before starting a project and whenever an event such as permit change or project expansion warrants a review.

We do not operate in Mexican Natural Protected Areas, UNESCO Natural World Heritage sites, UNESCO Man and the Biosphere Reserves, Ramsar Wetlands of International Importance nor International Union for Conservation of Nature (IUCN) Protected Areas. We carry out soil conservation work and plant material cordoning for erosion control, increasing humidity levels that reinforce natural rehabilitation of habitats. At Ciénega, we have set aside a 1,000-hectare conservation area encompassing land reclaimed from our operations as well as areas rehabilitated following deforestation.

We have forestry nurseries at all operations and projects, enabling us to fulfil our commitments to restore sites to their pre-operation state. These nurseries support our conservation and restoration goals for endemic species. Depending on the facility, they may also support environmental education and research in partnership with relevant authorities. Our personnel are trained in various operational and maintenance activities, such as facility upkeep, planting and irrigation, protection from harmful agents, and reforestation. The Penmont nursery is our biggest facility and is designed to comply with the regulatory standard NMX-AA-169-SCFI-2016 which covers technical specifications for the establishment of production units and management of forest germplasm.

Furthermore, we identify as species of special concern those listed in the IUCN and the Mexican biodiversity norm, as well as protected ones; we capture and release wildlife and relocate plant species, map them and provide periodic follow up. Additionally, we partner with state governments to protect endemic endangered species, such as the Sonoran pronghorn – endemic to the Sonoran Desert – near our Penmont operations, the golden eagle, in the Fresnillo district, and in the near future, the white-tailed deer and wild turkey in San Julián. We also support the NGO Naturalia as part of our WildCorp commitment.

Forest Nurseries

Mining unit	Started operations	Species of interest	Production capacity (seedlings/year)
Fresnillo	2010	Fraxinus excelsior, Washingtonia robusta, Phoenix canariensis, Pinus pinea, Ligustros.	60,000
Saucito	2009	Pinus pinea, Pinus greggii, Fraxinus, Quercus, Schinus molle, Phoenix canariensis.	30,000
Ciénega	2003	Pinus duraguensis, Pinus engelmannii, Pinus arizonica, Picea chihuahuana, Pinus pseudotsuga, Pinus abies.	100,000
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

Remediation activities in 2022

Unit	Description	Area (ha)	Seedlings	Species
Ciénega	Remediation of operations.	60.5	100,000	4
San Julián	Progressive remediation of mine closure, operations and community campaigns.	52	60,000	3
Saucito	Remediation of operations.	1.8	700	5
Noche Buena	Remediation of operations.	14.5	520	4
Juanicipio	Community campaigns.	0.64	140	3

What's next

- Progressively implement critical environmental risk management methodology guided by the International Council on Mining and Metals (ICMM) in our mining units.
- Analyse alternatives for carbon offsetting.

Mine closure

Our mine closure vision plays a crucial role in the conceptual design and cost estimation of any project; it outlines the intended use and goals for the land after mining operations have ceased, which has a significant impact on both the capital and operational costs of the project. In addition to physical risks, the closure vision also considers the potential social impacts of closure and involves early stakeholder engagement. The social transition may include initiatives such as workforce training, local procurement, infrastructure transfer and ongoing monitoring.

The closure vision for Noche Buena is to restore the land to its original pre-mining use, specifically for livestock and wildlife purposes. This means removing most access roads, power corridors, water supply and other infrastructure, while retaining certain facilities until post-closure care responsibilities have been fulfilled. All waste management facilities, processing areas, and other structures will be closed to ensure the safety of livestock and wildlife.

The closure principles and objectives will include a combination of restoration and long-term maintenance. A 20-year post-closure period has been defined. Demolition waste and debris will be removed off-site, while some facilities, such as the leach yard, may require ongoing care. Penmont and Fresnillo plc will work closely with external stakeholders to ensure their vision for a post-mining community is reflected in the closure plan and includes regular consultation.

4 Partnering with our communities

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

Community relations

The Covid-19 pandemic has continued to impact the social and economic life of communities in the areas where we operate. During this third year of the pandemic, we again addressed the challenge through joint business and community efforts, aligning our partnerships and social investment strategy to raise awareness and support the most vulnerable sectors. We also collaborated with authorities in vaccination campaigns, significantly increasing vaccination rates in local communities. Additionally, we helped communities prepare for a safe return to school by providing sanitary items such as masks, and made donations to repair school infrastructure that had deteriorated during the period.

Engaging communities effectively in the lifecycle of mining

Our community strategy, which embraces all phases of the mining lifecycle, aims to build mutual understanding between our operations and local communities, ensuring that we engage, develop and grow together.

- **Exploration:** 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 exploration activities. Social investment is channelled through donations.
- **Project development:** our stakeholder relationships deepen in this phase of the cycle, as we build trust through activities including local hiring, and contracts for project-related activities. Social investment takes the form of programmes to support capacity building as well as donations. For our advanced feasibility and development projects, we conduct social baseline and impact assessments, manage impacts responsibly and identify development opportunities.
- **Operation:** we regularly engage with the community via formal and informal meetings in order 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.
- **Closure:** we prepare for closure through social studies and community engagement to identify impacts, mitigation measures and opportunities.

Avoiding or mitigating negative impacts on the communities where we operate

Social and environmental responsibility is increasingly important to mining industry stakeholders globally. Stakeholders expect responsible management of negative impacts, as well as contributions to community development. Reputation and trust may be affected by negative perceptions of the mining industry, and opposition to mining projects can be reduced through responsible and timely management of these expectations.

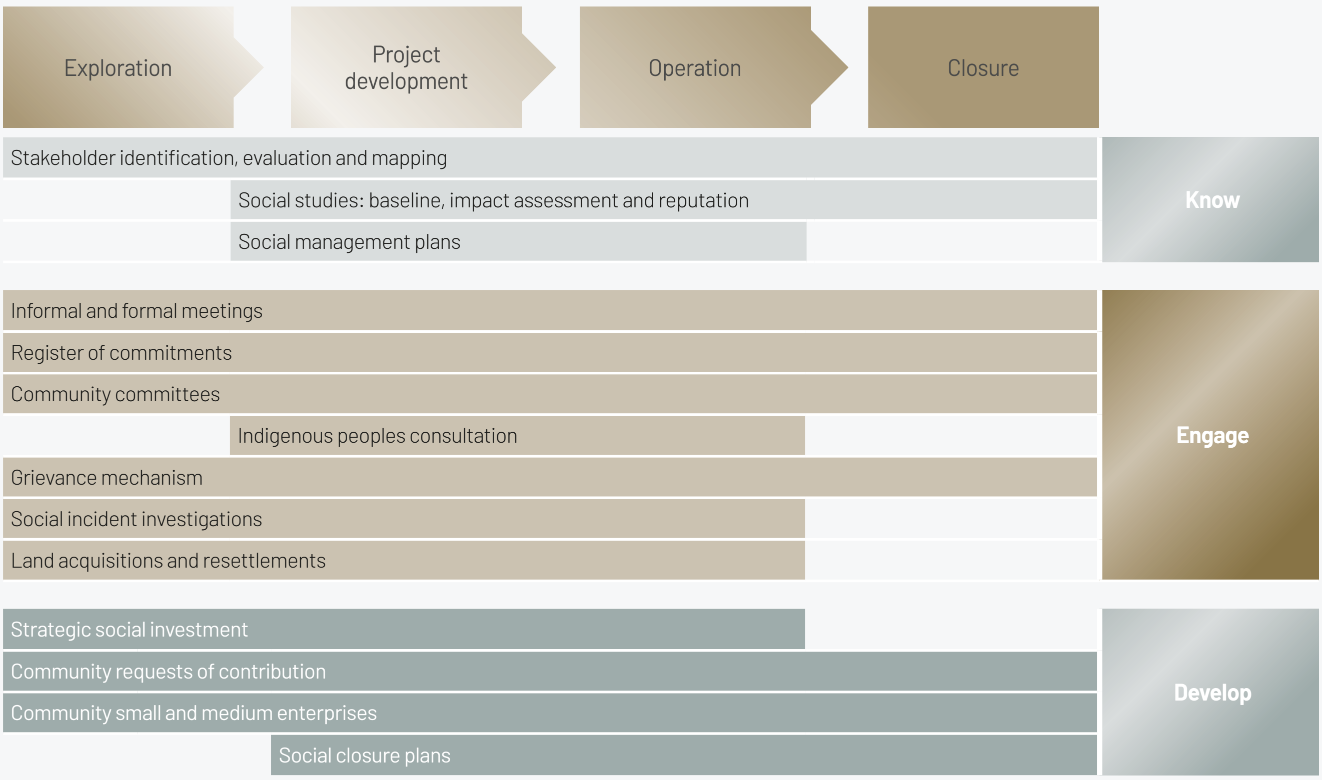
We have procedures in place to detect potential risks, including negative perception of the company's performance, failure to address community concerns, reduction in public spending, increased expectations and scrutiny, ineffective engagement and communication, and competition for natural resources, among others.

Our risk management process involves all areas of the organisation, using a structured approach. Risks are prioritised based on potential impact, and preventive and mitigation actions are monitored in follow-up sessions. Collaboration committees are formed for each risk, assigning responsibilities to specialists for resolution within a framework of accountability. The process continues until the conditions leading to the risk are addressed and resolved, and the risk is fully eliminated.

Our community engagement strategy is based on addressing stakeholder concerns and expectations throughout the mining life cycle. This includes formal and informal meetings, social and perception studies, a complaints and grievance mechanism, monitoring public opinion, collaborating with peers, and promoting best practices in social and environmental responsibility. We:

- Design our projects to avoid impacts and when not possible mitigate these impacts and address community concerns responsibly.
- Monitor and address the social impacts and concerns of communities:
  - During the operation of a mine.
  - During the mine closure phase.

Framework for community engagement in the lifecycle of mining



Community relations continued

Grievances

We have a strong track record of open and direct engagement with our stakeholders to address any genuine concerns. Our grievance mechanism is intended to provide a fair way to respond to concerns and resolve disputes. To properly address stakeholder concerns, we have Community Relations (CR) teams in all operating units and current projects. Grievances are documented, followed up and handled, with the aid of a specialised system designed for this purpose. Our teams act as mediators between the communities and the operating areas responsible for the perceived grievance, with the purpose of investigating them thoroughly and resolving them as soon as possible. The typical process is as follows:

Reception → Evaluation → Investigation and recommendations → Response → Conclusion

We do not measure the performance of our grievance mechanism by the number of grievances received, because an increase or decrease may have a counterintuitive cause. For example, an increase in grievances could in fact mean that the communication channels, the degree of two-way trust or the openness of the Company towards communities' concerns have improved over time, and vice-versa. Instead, we track progress in our consistent understanding of communities' needs and demands, to learn lessons across our operations, improve performance and ensure that the incident is not repeated. The real value of the grievance mechanism lies in the development of long-lasting relationships based on mutual trust, and a procedure that allows us to address concerns fairly and successfully.

Grievances statistics

Category	2022	2021
Outstanding grievances from previous periods	11	14
New grievances received in the period	11	22
Total grievances	**22**	36
Closed grievances in the period	**(12)**	(25)
Outstanding grievances at the end of the period	10	11

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 trust through strong, accountable partnerships.

Socio-economic development

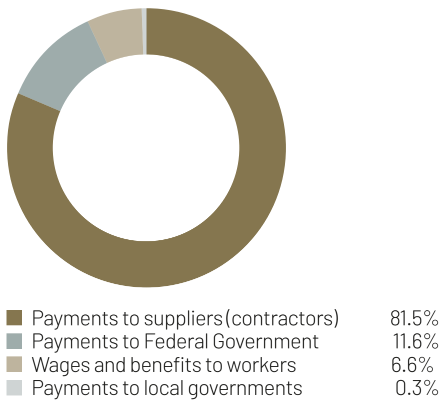
In addition to effective stakeholder engagement, sharing the benefits of mining plays an important role in the wellbeing of people. We create value in the regions where we operate in the form of employment, procurement, talent development, strategic community investment and the payment of our fair share of taxes.

Economic impact

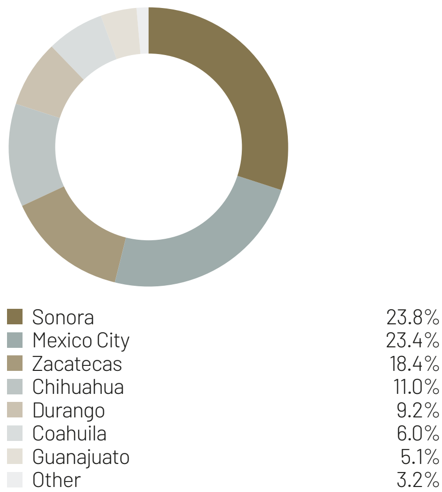
Our activities create a positive economic impact in the regions where we operate. Employment, contracting opportunities and payment to governments are good examples of how we share the benefits of mining. We consider our community investment to be an indirect economic impact of our activities and therefore present it separately from the Economic Value Distributed measure.

	2021 US$ million	2020 US$ million	% change
Wages and benefits to workers	**146.61**	127.53	15.0%
Payments to suppliers (contractors)	**1,817.27**	1,617.42	12.4%
Payments to local governments	**6.17**	4.61	33.8%
Payments to Federal Government	**258.65**	370.43	-30.2%
Total economic impact	**2,228.69**	2,119.99	5.1%

Economic value distributed by concept



Economic value distributed by state



Economic Value Distributed is considered to be a social performance measure.

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$48.66 million in 2022.

2022 US$ million	2021 US$ million
48.66	64.10

* 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 67.25%. 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. 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.

During the year, our local employment reduced significantly against the previous year, due to the impact of the Mexican Labour Reform. Although our total workforce grew by almost 8% and our total local workforce by almost 3%, with the employment of local unionised and non-unionised personnel both increasing, a significant decrease in local workers employed via contractors led to the overall reduction.

Total economic impact

US$2,228.69m

Local employment

Socio-economic development continued

Social investment

Guided by UN Sustainable Development Goals, we constantly work to create a portfolio of social investments through partnerships with our communities. Our goal is to enhance their capacities over the long term and to strengthen our relationships with civil society organisations; together, we can have a more significant impact.

Social investment portfolio
Creates long-term value with our communities

4 QUALITY EDUCATION	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION	8 DECENT WORK AND ECONOMIC GROWTH
Education Foster social cohesion and develop reading and STEM Skills	**Health & sports** Improve communities' health and habits	**Water** Work with communities to increase access to safe water	**Capacity building** Develop community entrepreneurs and regional procurement
Teletón Fundación; Lions International; Fundación UNAM; PPEP Inc.; Club Santos Laguna; Cruz Roja Mexicana; BAMX Fresnillo; Futbolmás Fundación	FIRST; INNOVEC; Larousse; Universidad La Salle Noroeste; Universidad La Salle Laguna; Ensamble Alejandría	OOMAPAS Caborca; FORMAC	Agrozac; La Semilla Teatro; Fundación ProEmpleo; Peñoles Contigo; Clúster Minero de Sonora; ceda; United Way; CLUSMIN; CLUMIN

Education

Our goal is to support inclusive and quality education as a key lever to reduce poverty and inequality. The Covid-19 pandemic has had a negative impact on education in Mexico. In 2020, our response was to migrate our education programmes to digital platforms. In 2021, we partnered with our communities to support the safe return to schools, reaching full capacity in 2022.

Key activities:

- We continued our STEM education activities, and we followed-up our 'How to protect yourself and others from Covid-19?' training module with a new set of short videos. Produced with the assistance of Innovec and Director David Revilla, these films educate school students on issues including the science behind the prevention of Covid-19, awareness of Covid-19, caring for others and managing our emotions.
- We launched our School and Family Gardens project in the Fresnillo District, in collaboration with the Brigade for Rural Education No.46 and the Department of Agricultural Development of the Municipality of Fresnillo. The project aims to foster environmental care and teach healthy eating habits (see 'Helping local communities help themselves' case study).
- We donated books in alliance with Larousse for the third year in row through the 'Happy Tale' and 'Cuentópolis' campaigns. Additionally, we held storytelling events with the 'Junk Troop' performing stories on 'The trash monster' about caring for the environment, under the campaign 'Together but not mixed up'. Additionally, books were distributed at the Festival Cultural y Lectura Picando Letras, in commemoration of World Book and Copyright Day.
- We delivered programmes on reading, writing, mathematics and science, in order to help reduce the educational lag created by Covid-19 among Penmont communities.
- Given the current conflict and violence in some regions, the 'Tools for Peace Building' programme was implemented by Ensamble Alejandría, aimed at supporting human rights, non-discrimination and peace.
- We promoted the School of the Sea programme with the support of the Intercultural Centre for the Study of the Desert and Oceans (CEDO), a community initiative that promotes fishing and conservation of the marine ecosystem. In addition, we completed initial modules of the Women of the Sea programme in coordination with our partner Proempleo in the communities of Campodónico and Desemboque in Penmont.
- We worked on initiatives to benefit school communities in partnership with the Secretary of Education and Culture of the State of Sonora and other mining companies of the Sonora Mining Cluster. Together, we developed several programmes as well as designing the Dual Model that is expected to be implemented in institutions such as UTHermosillo, UNISIERRA and CONALEP.
- All students with scholarships at LaSalle University returned to school. We consolidated a new alliance with the Northeast LaSalle University that will provide scholarships for FIRST Robotics graduates. We were also pleased to see Sonora's first generation graduate from the Excellence Programme (see case study).

Supporting the fight against climate change

We are working to improve how Science, Technology, Engineering and Mathematics (STEM) education can help students in the Fresnillo District understand and respond to climate change.

Through a partnership between Fresnillo plc, UNESCO's Office for Climate Education, Zacatecas' Education and Science Ministries, Zacatecas mining cluster (Clusmin) and INNOVEC, the new programme will provide 20 hours of face-to-face training to 800 teachers, benefiting an estimated total of 24,000 students from grades 5 and 6, and junior high school. As part of our commitment to the Quality Education and Climate Action Sustainable Development Goals, we are meeting half of the cost of the programme – directly supporting a total of 400 teachers and around 12,000 students.

- Our First Robotics teams enrolled in the 2022-2023 competition. We are also sponsoring a new team from the Mineral de la Luz community in the Guanajuato District, bringing our total sponsorships to five.
- The traditional Christmas concert, given by the internationally renowned flautist Elena Durán in San Julián, was held as part of the Flutes without Borders programme.

First generation of Excellence Programme graduates

The first generation of students from our neighbouring communities have recently graduated from the Fresnillo plc-Universidad La Salle Laguna's Excellence Scholarship Programme. These four young professionals – Lidia, Nayeli, Imanol, and Pedro – originally from the Yerbitas and El Sabinal communities neighbouring the San Julián and Fresnillo units, have earned degrees in the fields of Finance, Mechatronics, Civil Engineering, and Languages and are a success story for their communities.

This successful partnership between Fresnillo and La Salle University is designed to support students from vulnerable sectors to pursue higher education, and to develop their talent and skills by nurturing teamwork, leadership, solidarity and project management.

Originally created with the goal of disseminating STEM education through the sponsorship of the FIRST Robotics team competition, the programme provides 100% scholarships for academic, living, and other expenses, to support the most talented students from public schools in the San Julián, Fresnillo, Penmont, Ciénega communities and, also recently, in Las Torres.

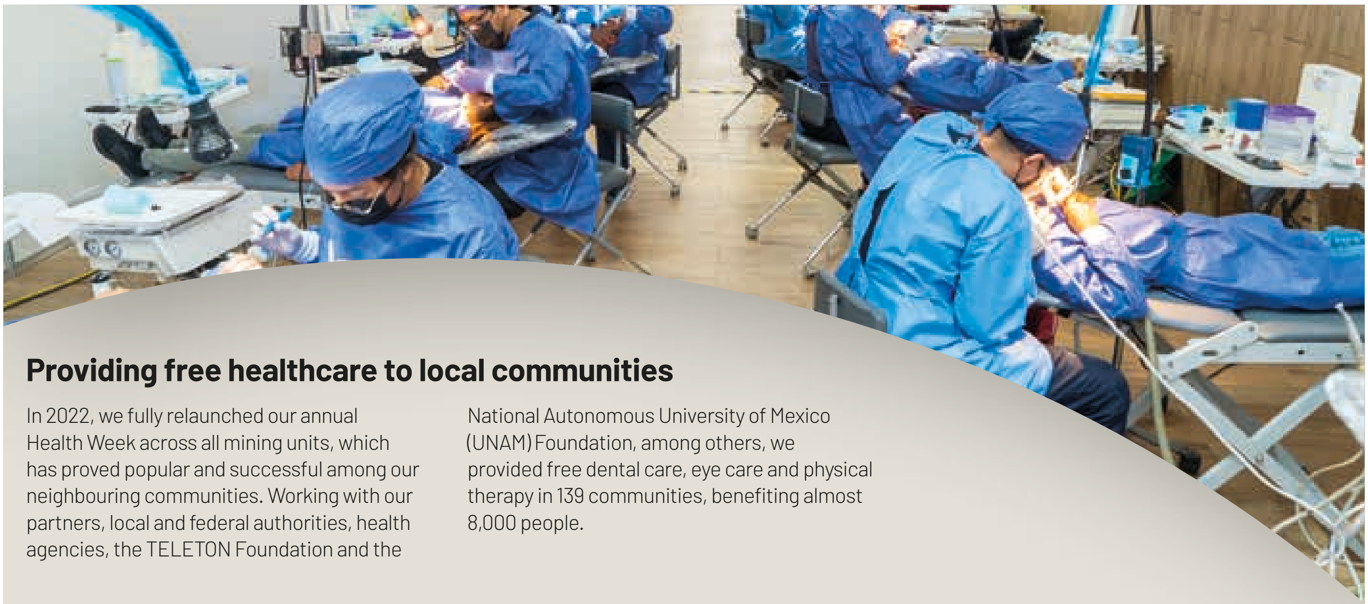
Socio-economic development continued

Health

Our goal is to ensure healthy lives and promote the wellbeing of local people. The Covid-19 pandemic has continued to be challenging for our communities. In 2020, our response was to collaborate by donating personal protection equipment, ventilators and raising awareness on the use of masks. In 2021 and 2022, we continued to partner with health authorities to support vaccination logistics in our communities.

Key activities:

- We continued to work actively with the government to improve vaccination logistics for our employees, their families and surrounding communities. We have also contributed rapid tests to remote areas and assisted in promoting personal hygiene and awareness for a safe return to school.
- We deployed Community Health Weeks across all of our mining units and projects by partnering with local, federal authorities and UNAM Foundation. Our objective was to promote self-examination and mammography studies, offering reproductive health services, dental care, family planning information, optometry needs and vaccinations against influenza.
- We participated for the third consecutive year in the Food Collection 2023 organised by the Food Bank of Fresnillo AC, which provides food supplies to vulnerable communities and neighbours at Juanicipio.
- We also continued with the Cuida tu Salud ('Take care of your health') programme with FUNAM intern doctors in four communities of Penmont.
- We continued to support the Caborca Volunteer Fire Department and the Caborca and Pitiquito Red Cross with supplies to help with community services and emergency response.
- We established the Fresnillo Baseball Academy to benefit children and youngsters in the city of Fresnillo, Zacatecas, with the support of the professional baseball team Unión Laguna.
- We helped children, parents and coaches from the communities of Unidad Penmont participate in baseball competitions at the state level in the city of Obregón, Sonora. We also supported the CIBAPAC Turiones de Caborca team to continue their basketball training for the 2023 season.
- We completed the Breaking Limits programme, which aims to increase people's physical skills based on movement and motivation, with community leaders in the Fresnillo District.
- We delivered the 'Exploro Mi Mundo y Cuido Mi Cuerpo' (I Explore My World and Take Care of My Body) programme in Penmont, focusing on children's and adolescents' mental, emotional, physical and spiritual health.
- We collaborated with the Rotary Club in its fundraising campaign through the Rocktary en Español event, which promotes social causes focused on improving health in society.



Providing free healthcare to local communities

In 2022, we fully relaunched our annual Health Week across all mining units, which has proved popular and successful among our neighbouring communities. Working with our partners, local and federal authorities, health agencies, the TELETON Foundation and the National Autonomous University of Mexico (UNAM) Foundation, among others, we provided free dental care, eye care and physical therapy in 139 communities, benefiting almost 8,000 people.

Beneficiaries	Communities	Dental appointments	Dental procedures
7,820	139	3,208	21,270

Physical therapy	Optometry appointments	Glasses provided
1,006	2,817	2,564

6 CLEAN WATER AND SANITATION

Water
Our goal is to reduce our freshwater footprint and ensure that our communities have access to safe water.

Key activities:

- We supported the diagnosis and maintenance of wells in Penmont's communities.
- We protected the Sonoran pronghorn in the Pinacate Biosphere Reserve in partnership with the Commission for Ecology and Sustainable Development of the State of Sonora (CEDES) and the Intercultural Centre for the Study of the Desert and Oceans (CEDO).
- We continued our permanent tree donation campaign in the communities of the Fresnillo District, providing trees grown by the Fresnillo Nursery, including fan palm, canary palm, thunder tree, white cedar and stone cedar species.
- We carried out reforestation activities in four secondary schools located in the communities of Juanicipio, with the participation of communities and Company personnel.
- We participated in the 5th Fresnillo District Environmental Fair, held at the Fresnillo unit park. The purpose of the event was to raise awareness about environmental care among employees and neighbouring families, with participants including local state and federal authorities, academic staff, representatives of civil society and private initiatives.

Improving water supplies in San Julián

Together with the San Julián community, the government and San Julián unit, we supported the formation of the San Julián Community Participatory Committee during the year. This Committee has facilitated an agreement between the community, the company, and Chihuahua's Central Board of Water and Sanitation (JCAS) to construct infrastructure for a collective water supply system, with the support of FORMAC AC.

In collaboration with the community, the Committee has identified critical areas of improvement that can address local needs and promote projects that benefit the population. The Committee works closely with the community to identify aspirations and concerns, develop strategies, and supervise the implementation of solutions for each development issue.

Socio-economic development continued

8 DECENT WORK AND ECONOMIC GROWTH

Capacity building

Our goal is to build capacity in local communities, by promoting small and medium-sized enterprises that contribute to our value chain and to foster the diversification of the local economy to enable an effective and independent economic transition after mine closure. Together with our programmes, partners and strategic alliances, we reinforce and create excellent productive projects that develop people's capabilities by strengthening relationships with key stakeholders. We are also members of the regional mining clusters of Zacatecas, Sonora and Chihuahua and work with them to help promote regional procurement capacities and talent development. The clusters are also an effective mechanism to maintain relationships with key stakeholders such as state governments.

Community investment by strategic lever

Education	25%
Health	33%
Water	4%
Capacity building	5%
Other	33%

Community investment by business unit

Penmont	31%
Fresnillo District	24%
Corporate	15%
Projects and advanced exploration*	14%
Ciénega	8%
San Julián	5%
Exploration	3%

* Includes the Orisyvo, Rodeo and Guanajuato advanced exploration projects.

Key activities:

- We supported families to establish backyard poultry projects in the communities of Presa de Linares and Col. El Obligado in Juanicipio and in Saucito del Poleo in Saucito, in conjunction with the Department of Agricultural Development of the Municipality of Fresnillo (see 'Helping local communities help themselves' case study).
- We ensured continuity for the Carpentry Workshop in the Presa de Linares Community, which uses wood recovered from our waste warehouse.
- We promoted the Federal Government programme 'Escuelas de Campo' in partnership with the National Forestry, Agriculture and Livestock Research Institute (INIFAP) in the community of Presa de Linares, which provides advice on the development of agricultural activities.
- We developed new community workshops in partnership with Fresnillo's Municipal DIF, such as Styling, Jewellery and Bakery. We also held tailoring workshops in Fresnillo and Orisyvo, promoting economic independence and empowerment.
- We implemented the Proempleo programme for women of the Mexican Association of Women Business Leaders (AMMJE), as well as weaving and hygiene production workshops in the communities of Fresnillo and entrepreneurship training in Ciénega and Penmont. The aim is to promote the creation of female-led family businesses.
- We held workshops to produce fruit in syrup, pickled vegetables and guava jam in the communities of Saucito del Poleo and Valdecañas, as well as a Christmas Cooking Preserves Workshop in partnership with the Institute of Culture of the State of Durango (ICED) at Ciénega.
- We promoted the programme Women Engineers of the Future in partnership with the Mining Cluster and the Ministry of Public Education, as well as capacity building on gender issues at Penmont.
- We are currently developing the Binational University Consortium project, with the participation of higher education institutions such as CIAD, CONACYT, UNISON and Technological Institutions from different municipalities in Sonora and Arizona State University.
- We have continued to develop the technical skills of young students from our communities at the Centro de Estudios Técnicos de Fresnillo (CETEF) and the Centro de Estudios Técnicos de Laguna del Rey (CETLAR), providing students with the necessary skills to participate in the mining value chain.

Performance

Community investment in (US$ million)

Helping local communities help themselves

We have been actively reaching out to local families and schools, providing them with valuable training and technical assistance to improve their lives in relatively simple, practical ways.

Based in the Fresnillo District, the School and Family Gardens project is a collaboration between the Company, the Brigade for Rural Education No.46 and the Department of Agricultural Development of the Municipality of Fresnillo. Our programme includes distributing materials for building greenhouses, providing high-quality seeds and offering expert advice on cultivating vegetables. We also equip people with materials for building chicken coops and feeders, along with the chickens themselves and advice about disease prevention.

Our overarching goal is to foster sustainable models where the community, authorities, and Fresnillo work together for the collective good. In the short term, our objective is to improve nutrition and empower the community to produce their own food, including eggs, meat, squash, radish, coriander, cucumber, lettuce, onion and chard, right from their homes and schools.

During the last 12 months, we pursued 30 new backyard poultry projects for families in the communities of Presa de Linares and Col. El Obligado by supplying 40 chickens as well as the equipment they need to thrive. At Juanicipio, we continued to support school gardens in four communities with the active participation of families, students and teachers, rolled out two new ones and supported three new family gardens, while in Saucito and Fresnillo we initiated school gardens in three communities in each location.

"We are grateful for this project that allows us to learn how to harvest vegetables such as squash, coriander, peas and cucumbers alongside our schooling. They taught us how to plant and fertilise them so that we can eat them after harvesting."

Pupil from the community of Saucito del Poleo

Respecting human rights

Our due diligence approach is based on social assessments in the communities where we operate and develop projects. These assessments enable us to identify the social, environmental, labour and human rights risks and impacts of our activities. The findings are used to continually improve our stakeholder engagement strategy and social management plans. We also implement an additional process at our concessions to support the early identification of the presence of indigenous peoples and inform our subsequent engagement approach.

We do not tolerate any form of threats or mechanisms to intimidate or obtain corporate benefits. We do not condone attacks on anyone, including those who may oppose our activities.

Interactions with private security

Based on our risk assessment, we decided that our private security forces would be unarmed to avoid:

- clashes with criminal groups that could put the lives of workers or communities in danger; and
- violent confrontations with artisanal miners accessing our facilities illegally.

We expect our private security contractors to conduct themselves ethically, based on honest, respectful, transparent, equitable and fair relations, in strict accordance with the law and guidelines in relation to human rights, labour, the environment and anti-corruption. Private security providers are required to implement a background screening process based on the national criminal database.

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.

Interactions with public security

At present the Herradura mine is the only facility protected by the Federal Mining Police. In 2020, Mexico's Federal Protection Service (Secretariat for Citizen Safety and Protection) formed a new police force specialising in mining operations' security. The Mining Police force is the result of collaboration between the Secretariat for Citizen Safety and Protection, the Secretariat of Economy and Mexico's Mining Chamber. The Mining Police have been trained on the protection of mining facilities and Human Rights. Our Herradura mine is the first mining operation in Mexico to benefit from the deployment of the Mining Police, which was accompanied by a public commitment from Senior Government Security Officials, our CEO and the President of the Mexican Mining Chamber. All members of the Mining Police undertake a 15-hour Human Rights training course which includes the following learning objectives: 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 own Security Department.

Indigenous peoples

Fostering meaningful engagement with indigenous peoples, respecting their right to free, prior and informed consent.

We are committed to ensuring that every interaction with indigenous peoples 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 their perspectives on our projects and 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. We:

- Identify indigenous communities, proactively conducting due diligence of our exploration concessions.
- Engage respectfully in a culturally appropriate manner that recognises their culture, values and aspirations.
- Implement best practices regarding the free, prior and informed consent of indigenous peoples.

Land acquisitions and resettlements

Our goal is to manage resettlement responsibly, respecting local laws and following 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 can adversely impact the livelihoods and social structure of communities, damage our relationships or 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. We:

- Avoid resettlements whenever possible, by exploring alternative options.
- If resettlements are unavoidable, work together with affected households, communities and governments to minimise adverse impacts, restoring or improving livelihoods and living conditions.
- Further develop our competencies and internal processes to manage resettlements, including social baseline and asset surveys, an entitlement and compensation framework, negotiation, livelihood restoration programmes and ongoing monitoring and evaluation.

Performance

No community resettlements occurred at our operations or development projects during 2022.

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.

Employees and unions

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

Relevance to our business model and strategy

- an experienced and motivated workforce is fundamental to delivering a sound business and ESG performance;
- a long-lasting ethics culture – demonstrated by our actions –inspires the trust of our shareholders, neighbouring communities, governments and society;
- a committed workforce supports the adoption of health preventive measures and sustained improvements in our safety performance;
- constructive dialogue and collaboration with Union leaders are key to Covid-19 prevention, safety and productivity;
- workforce engagement, including Board-level engagement, offers valuable insights into the workforce's interests and concerns, supporting better company decision making;
- a diverse workforce improves creativity, innovation, retention and productivity; and
- society, regulators and investors are placing a greater emphasis on Human Rights and Diversity, Equity and Inclusion.

What issues matter to our employees and unions

- Ethics and integrity.
- Health & Safety in the workplace.
- Effectiveness of Covid-19 preventive measures.
- Security in the regions where we operate.
- Organisational culture.
- Remuneration (including statutory profit-sharing).
- Labour and Human Rights.
- Preventing and addressing harassment.
- Diversity, Equity & Inclusion.

Metrics

- Fatal injuries.
- Total Injury Frequency Rate.
- Lost Time Injury Frequency Rate.
- New cases of occupational diseases.
- Turnover rate.
- Gender diversity and payment gap.
- Ethisphere's Ethics Culture quotient.
- Honour Commission & whistleblowing line KPIs.

For more information, see our KPIs in our Sustainability section on pages 62-119.

How we engage our employees and unions
What management does:

- Crisis management teams to oversee the measures to prevent Covid-19, including testing, confirmed cases and vaccination of our employees and contractors;
- union engagement on Covid-19 preventive measures, collective bargaining, prevention of harassment, outsourcing reform, cultural evolution, Health & Safety commissions, critical controls and joint inspections of workplace safety conditions;
- safety symposium and LEAL survey in collaboration with the workers' Union;
- culture evolution training to foster accountability, co-creation and working in collaborative ecosystems;
- comprehensive programme to prevent and address harassment in the workplace, covering unionised and non-unionised workers;
- creation of a discrimination prevention committee;
- surveys to better understand the issues that matter to our workforce;
- interviews and focus groups to gain a deeper understanding of the perception of our employees of the company's social performance in the communities where we operate;
- Fresnillo 'plays fair' whistleblowing line, harassment committees and the Honour Commission; and
- Women mentorship programme for managerial positions with top women executives serving as mentors.

How the Executive Committee and Board complement the engagement efforts:

- The CEO and COO engage with union leaders in constructive dialogue on safety, productivity and collaboration to prevent harassment in the workplace.

Governance activities of the Board and Board Committees

- Mr Arturo Fernández, our Designated Non-Executive Director (Designated NED), brings workforce feedback to the Board (See the report of our Workforce Engagement NED on page 126;
- monitoring of the effectiveness of the measures to contain Covid-19 by the HSECR Committee and Board;
- regular evaluation of Health & Safety programmes and their performance by the HSECR Committee and Board;
- evaluation of the strategy to increase the participation of women by the Nominations Committee and Board;
- evaluation and approval of the Modern Slavery Statement; and
- oversight of whistleblower arrangements and cases by the Audit Committee with further reviews by the Board every six months.

Actions and decisions

(A – Actions undertaken, D – Decisions)

- A – Collaboration with the Union and authorities to promote and support the logistics for vaccination within our operations, benefiting our workforce and neighbouring communities;
- A – Strengthening of our strategy to promote wellness programmes, preventive care and healthier lifestyles to limit chronic diseases, as well as Covid-19 preventive protocols (vaccination, social distancing, access control, sanitisation, rapid testing and contact tracing, daily monitoring of confirmed cases and psychological support);
- D – Define annual reduction targets in our Fatality Rate and Total Recordable Injury Frequency Rate (TRIFR) with the ultimate goal of reaching the ranges set by the International Council on Mining and Metals (ICMM) by 2026;
- A – Enhanced collaboration with unions on safety through our 'I Care, We Care' strategy and active participation of management and our unionised employees in the definition and auditing of Critical Risk Controls;
- D – Create the 'I Care, We Care' operational committee, to ensure the effective implementation of critical risk and incident management across our mining operations;
- A – Implementation of a Cultural Evolution programme and a Women Mentorship programme; and
- A – Workforce Engagement, led by our NED Mr Arturo Fernández, used an online town hall meeting format to collect feedback from unionised and non-unionised employees and report the findings to the Board on safety, organisational culture and compensation.

Outcomes

- Positive relations with workers and unions;
- no strikes or labour conflicts affecting our capacity to operate;
- reduction of the impact of Covid-19 to operations resulting from the actions taken to prevent and reduce the spread;
- reduction of the Total and Lost Time injury frequency rates;
- continued improvement in gender diversity toward our targets; and
- continuation of Board-level town hall conversations with the workforce.

For more information see our KPI's in Caring for our people section on pages 73-84.

Principal risks:

- Human resources: not enough candidates with the required profiles or competencies;
- Covid-19 outbreaks;
- union relations: disputes between challenging unions and the incumbent one;
- safety: unsafe acts or conditions leading to injuries or fatalities; and
- security: Unsafe conditions near our operations due to increased activities of organised crime.

For more information see our Managing our risks and opportunities section on pages 127-152.

Communities

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

Relevance to our business model and strategy

- Mutually beneficial relationships with our communities are essential to building long-term trust and collaboration;
- strong environmental and social performances are fundamental to minimising negative impacts and conflicts with our communities;
- ensuring the integrity of our industrial facilities, including TSFs, instils trust in our neighbouring communities and helps guarantee their safety;
- collaboration with authorities and NGOs is crucial to the successful implementation of health, education and capacity building programmes in our communities;
- fair engagement of Indigenous Peoples to gain access to new projects is scrutinised by regulators, NGOs, investors and society at large;
- leaving a positive legacy beyond life of mine and mine reclamation plans is crucial to gaining and maintaining the social acceptability of mining; and
- environmental and social performance are important investment criteria.

What issues matter to our communities:

- Safety.
- Security.
- Water.
- Public infrastructure and services: roads, health, water & sanitation, public lighting and garbage collection.
- Our environmental performance.
- Education quality and infrastructure.
- Inflation.
- Unemployment.
- Our transparency and access to information.
- Covid-19 vaccination.
- Recovery of education and a safe return to schools, post pandemic.

Other stakeholders and society at large are interested on the social and environmental performance in the communities where we operate. The ESG topics that matter to our stakeholders have been identified through our materiality assessment and are presented in our sustainability section.

For more information, see our Materiality matrix in our Sustainability section on page 65.

Metrics

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

For more information, see our KPIs in our Sustainability section on pages 62-119.

How we engage our communities

What management does:

- Support vaccination and organise Community Health Weeks;
- engage parents and school authorities on the safe return to schools including sharing preventive measures, donating masks and support school repairs;
- social investment portfolio with emphasis on education, health & sports, capacity building and water access;
- engage with formal and informal leaders, local and regional authorities to understand and discuss their concerns and aspirations;
- conduct social studies every two years to identify and evaluate issues that matter to our communities. This approach is used to gain further insights into our social performance and the implementation of Covid-19 preventive measures; and
- operate grievance mechanisms to address the concerns and inquiries of local communities.

How the Board complements the engagement efforts:

- Members of the Board meet with key Government officials, both at the federal and local level.

Governance Activities of the Board and Board Committees

- Gain insights into the corporate citizenship expectations of society during Covid-19; and
- monitor community engagement and collaboration with communities to address the impacts of Covid-19 and the long-term capacity building initiatives.

Actions and decisions

(A – Actions undertaken, D – Decisions)

- A – Collaboration with public health and local authorities to facilitate the logistics of vaccination centres and Community Health Weeks, including the financing of medical supplies for dentistry interventions and the provision of glasses;
- A – A personal donation of US$1.6 million from the Chairman of our Board (who is also the chairman of the 'Alberto Baillères Foundation') to improve medical services for our employees and their families in Fresnillo city;
- A – Continuing collaboration with communities on the safe return to schools and support to restart the reading and science programmes; and
- A – Social Investment portfolio with emphasis on education, health & sports, capacity building and water access.

Outcomes

- No conflicts with communities in 2022 affecting our ability to operate our active mines;
- community investment;
- local employment and procurement; and
- economic value distributed in the regions where we operate in the form of wages and benefits, payments to contractors and suppliers and federal, state and municipal taxes.

For more information see our KPI's in our Partnering with our communities section on pages 110-119.

Principal risks:

- Access to land: rising compensation expectations, influence of special interests in negotiations, effectiveness of indigenous people's consultation processes and risks of litigation from increased activism by agrarian communities; and
- licence to operate: Deficient social and environmental performance and/or the presence of anti-mining activism increase the risk of opposition and conflict.

For more information, see our Managing our risks and opportunities section on pages 127-152.

Government

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

Relevance to our business model and strategy

- Address a wide range of strategic issues such as safety, environmental permitting, security, tax issues, doing business in the regions, value chain, public and positive recognition of mining, favourable public policy for current and new operations, law enacting process, community support and mediation, among others;
- build a strong reputation among policymakers to offer our perspective and data-based information for consideration in new legislation or legal reforms;
- partner with the business community to ensure that investments in Mexico have a positive impact on public policies and the Mexican business environment; and
- strengthen our vision of joint responsibility, with governments, for the common good of mining communities.

What issues we believe 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.

Metrics

- Economic value distributed: taxes and levies paid.
- Royalties paid according to the Federal Royalties Law.
- Health, Safety and Environment KPIs.
- Compliance with laws and regulations.

For more information, see our KPIs in our Sustainability section on pages 62-119.

How we engage with governments and regulators

What management does:

- Meetings with federal authorities including 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;
- provide data-based information to decision-makers about the mining sector and offer an open-door approach to enable greater understanding of mining processes; and
- hold direct meetings with policy makers and federal, state, and local authorities regarding safety in operations, security, mining royalties, environmental permitting, etc. in the regions where we operate.

How the Executive Committee and Board complement the engagement efforts:

- Meetings of the CEO with key municipal, state and federal authorities on safety, security, mining regulations and tax issues, and to support positive public policy implementation for the sector; and
- meetings of the CFO with tax authorities.

Governance activities of the Board and Board Committees

- Evaluation of compliance challenges and economic implications relating to changes in labour, tax, mining, safety, human rights, social and environmental regulations;
- evaluation of issues where the Company deems it strategic to go beyond compliance, such as safety, cyanide management, climate change, TSFs and mine reclamation for closure;
- the Audit Committee regularly monitors the Company's relationships with the Mexican tax authorities;
- the Audit Committee reviews the annual UK Payments to Governments filing prior to approval; and
- the Chairman and Board member Arturo Fernández lends assistance on tax matters as may be necessary through liaison with government officials, including by providing industry perspective.

Actions and decisions

(A – Actions undertaken, D – Decisions)

- D – Roll-out of the strategy to comply with the new labour and tax obligations absorbing contractors' workers where contractors are at risk of termination of service agreements between us;
- D – Implement stringent controls to assure that contractors fully comply with their tax and labour obligations, as required by the new labour and tax obligations;
- A – Participated in health, safety and environmental certifications by the Mexican authorities;
- A – Promoted, through the Mexican Mining Chamber, opposition to the reform under the Mining Law to reserve lithium and strategic minerals declared by the State; and
- A – Promoted stable environmental taxes in the State of Zacatecas during the current Governor's term of office.

Outcomes

- Group restructure to comply with the new labour and tax obligations, securing a segment of our workforce essential to our business strategy, preserving workers' rights and collaborating with authorities on contractors' compliance with tax obligations;
- regional employment and procurement;
- economic value distributed through payment of taxes and levies;
- logistical support for vaccination centres;
- excellent compliance record on health, safety and environment recognised by national and international awards and certifications;
- legislators presented judicial actions against the reform to the Mining Law; and
- signed agreement to ensure stability of environmental taxes in the State of Zacatecas up to 2027.

Principal risks:

- Potential actions by the Government: regulatory actions and processing delays can have an adverse impact on social and environmental permitting, mining rights and concessions, energy policy and connectivity to the grid, water concessions, outsourcing regulations, fiscal changes, onerous tax compliance obligations including contractor compliance responsibilities, state environmental taxes and municipal property taxes, explosive permits, among others; legal reforms to the Mining Law and other relevant secondary laws may affect the current way of doing business; the declaration of other strategic minerals, in addition to lithium, could reserve exploration and exploitation to the State; lack of State support could create an adverse social environment for our operations.

For more information, see our Managing our risks and opportunities section on pages 127-152.

Contractors and suppliers

Collaborative partnerships with contractors and suppliers to improve productivity and safety

Relevance to our business model and strategy
- Capable contractors are necessary to perform specialised works and services to support our operations, projects and exploration;
- cooperation with contractors is essential to the implementation of the preventive measures to contain the spread of Covid-19 in the workplace;
- committed contractors are fundamental to strengthening our safety culture and alignment with our values and ethics; and
- collaboration to comply with the labour legislation in Mexico regulating subcontracting and stringent controls on contractors' tax payments.

What issues matter to our contractors
- Productivity/development rates.
- Compliance with the new labour legislation in Mexico.
- Covid-19 preventive measures.
- Health and safety in the workplace.
- Security in the regions where we operate.
- Labour and human rights.
- Preventing and addressing harassment.
- Diversity, Equity & Inclusion.
- Ethics and integrity.

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

For more information, see our KPIs in our Sustainability section on pages 62-119.

How we engage our contractors
What management does:
- Set the tone in recognising contractors as valuable members of our workforce;
- engage on preventive measures to minimise the risks of Covid-19 in the workplace, transportation and accommodation;
- regular engagement and capacity building with the 'I Care, We Care' initiative;
- involvement of contract owners in accident or incident investigations;
- roll-out of the strategy to comply with the new labour regulations in Mexico that prohibit outsourcing for works and services, including job offers to qualified contractors' personnel that have been working on non-specialised services;
- enhanced controls to assure compliance with their tax and labour obligations;
- require acceptance 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; and
- organise focus groups with contractors to better understand our social performance in local communities.

How the Executive Committee complements the engagement efforts:
- Meetings of the CEO and COO with key contractors on production and safety matters;
- meetings of the CEO, COO and CFO with contractors to implement the strategy to comply with the new labour regulations in Mexico;
- governance activities of the Board and Board Committees;
- monitoring of the effectiveness of the measures to prevent Covid-19 by the HSECR Committee and Board;
- HSECR Committee oversight of safety performance of contractors; and
- reviews by the Board and the Audit Committee of the contractor engagement elements of the anti-bribery and corruption programme.

Actions and decisions
(A – Actions undertaken, D – Decisions)
- A – Continued deployment of strategy to comply with the new labour and tax obligations, absorbing contractors' workers where contractors are at risk of termination of service agreements between us;
- A – Extended job offers to qualified contractor personnel who have been working on non-specialised services;
- A – Implemented the same preventive protocol for employees and contractors to prevent Covid-19 in the workplace (see the Employees and Union, Actions and Decisions);
- A – Capacity building for contractors and accountability as part of the 'I Care, We Care' and anti-harassment programmes; and
- A – Monitored the security situation and maintained clear communications with contractors.

Outcomes
- Compliance with the new labour and tax obligations, securing operational continuity through the hiring and training of new personnel and the rental and purchase of equipment;
- reduction of the impact of Covid-19 on our people and operations;
- reduction of the Total and Lost Time injury frequency rates; and
- training of contractor companies in the implementation of the mechanism to prevent harassment.

Principal risks:
- Human resources: not enough candidates with the required profiles. Covid-19 outbreaks.
- Safety: unsafe acts or conditions leading to injuries or fatalities.
- Security: unsafe conditions near our operations due to increased activities of organised crime.

For more information, see our Managing our risks and opportunities section on pages 127-152.

Minority shareholders

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

Relevance to our business model and strategy
- Continuous investment makes it possible to contribute to the wellbeing of people, through the sustainable mining of silver and gold;
- investor support for our strategy, governance and long-term objectives; and
- investors provide valuable feedback and insights regarding our strategy, performance, risks and ESG performance, among others.

What issues matter to minority shareholders
- Operating and cost performance.
- CAPEX project execution.
- Country risk uncertainty.
- Environmental, social and governance performance.
- Progress of the Juanicipio project.

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

How we engage minority shareholders
What management does:
- Organise conference calls and roadshows;
- attend investment forums and conferences; and
- physical and virtual engagement.

How the Executive Committee and Board complement the engagement efforts:
- The Company's 2022 Annual General Meeting (AGM) was held physically, taking all the necessary precautions and Covid-19 related measures;
- the CEO and CFO meet with analysts, hold conference calls after production reports and engage shareholders in roadshows; and
- direct Senior Independent Director engagement with shareholders.

Governance activities of the Board and Board Committees
- Dividend decision-making, balancing quality growth with returns across the cycle;
- evaluation of operating, cost and safety performance;
- assessment of the progress of projects;
- Audit Committee oversight of the Services Agreement with Peñoles and review of related party matters including the Met-Mex pricing (see pages 184 and 191);
- oversight of ESG performance by the Health, Safety, Environment and Community Relation (HSECR) Committee;
- adequate succession planning by the Nominations Committee;
- review of compensation by the Remuneration Committee; and
- compliance with laws and regulations by Audit Committee.

Actions and decisions
(A – Actions undertaken, D – Decisions)
- D – Support for a Business Plan and Budget 2023 that balances responsibly the operating performance targets and the considerations that matter to our stakeholders;
- D – 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; and
- D – Update of the Audit Committee Terms of Reference to review the TCFD recommendations report.

Outcomes
- Declaration of final dividend as well as interim dividend in 2022;
- sound financial and operational performance; and
- the safeguarding and preservation of the Company's assets.

Note: The relationship with Industrias Peñoles, S.A.B. de C.V., the Company's significant shareholder, is discussed on pages 172, 184 and 191 of the Corporate Governance Report and Audit Committee Report.

Workforce engagement

Our workforce is the driving force behind our business success. The Board recognises that in order to attract and retain talent we must aim to enable truly human and fulfilling relationships that prioritise wellbeing and workforce satisfaction, which in turn enhance productivity. Moreover, to unlock the full potential of our workforce, we must promote inclusion, create a culture of engagement, and foster a respectful and healthy environment that promotes creativity, innovation and collaboration.

Our workforce can express their views through a range of channels and direct engagement sessions. This arrangement enables the Board to understand the views of the workforce regarding their day-today experiences and provides an additional mechanism to raise concerns. For this purpose, Mr Arturo Fernández has been designated as the Non-Executive Director to engage with the workforce and convey their views in the Boardroom.

Due to Covid-19 restrictions, in 2021 the Company was forced to reevaluate its strategy for workforce engagement. In 2022, Mr Fernández again led two virtual engagement sessions, enabling him to gain firsthand knowledge of the views of our workforce; these sessions brought together representatives from all areas of the Company, including unionised and non-unionised personnel, with a proper balance of demography, responsibilities and location. The first session addressed integral wellbeing, health, safety and Covid-19 measures, while the second was completely open, allowing the workforce to raise their own topics of interest.

The frank and transparent nature of these engagement sessions yielded valuable insights, such as a 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 improvement in corporate communication. Areas of concern included security surrounding our operations, safety incidents and turnover rates, simplification of administrative processes, salary and wages in the context of inflation, and appeal mechanisms for performance appraisals.

Feedback from these workforce engagement sessions was discussed at the July and October 2022 Board meetings. The insights garnered from these sessions have proved to be immensely valuable in shaping the Boardroom discourse and decision-making process. Additionally, this feedback was also instrumental in informing management programmes and practices. The specific concerns highlighted by the workforce were shared with Company top management by Mr Fernández, and steps have been taken to ensure that they are addressed in an appropriate and timely manner. Management is working to ensure that these concerns are resolved effectively and efficiently in order to improve the overall work environment and employee satisfaction. The feedback will also be used to inform future policies and initiatives to continuously improve the organisation.

In the expectation that we will gradually return to a new normality after the Covid-19 pandemic, consideration will be given both by Mr Fernández and top management as to the possibility of holding certain workforce engagement sessions in a mixed virtual and physical format and/or with the physical presence of all participants.

Mr Fernández also held two face-to-face meetings with the union leader during the year, in order to fully understand the union's views. The main insight gained from these meetings was that the Company could empower the workforce by encouraging greater responsibility and accountability, which would enable supervisors to evolve their role from comptrollers to advisors.

This Board-level engagement serves as a clear indication of our commitment to understanding our workforce and acts as an additional avenue for employees to voice any concerns. By actively seeking feedback, we can gain a deeper understanding of the issues that matter most and take appropriate actions to address them, demonstrating our commitment to fostering an open and transparent work environment that prioritises employee wellbeing and satisfaction. Furthermore, this process allows us to identify potential areas of improvement and implement changes that can benefit both our workforce and the Company as a whole, and that help us create a more positive and productive work environment. We look forward to working hand-in-hand with an engaged workforce that demonstrates a high level of commitment and dedication to our shared goals. Together, we will build a more sustainable and successful future.

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 teams core responsibilities and is central to our decision-making process.

The global post-pandemic aftershock, geopolitical instability, digital transformation and climate change have catapulted risk management to centre stage. Many of us have learned new and vital lessons about effective risk management over the last year, so that preparing for disruption is one of our highest priorities.

Our approach

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

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

Our Board oversees our principal risks and associated management responses, while the Audit Committee monitors the effectiveness of risk management and internal controls. Our risk management system comprises six core elements (see page 130) – one of which is our risk management framework, which sets out clear roles and responsibilities, standards and procedures. We also have three lines of defence to verify that risks are being effectively managed in line with our policy, standards and procedures, including across core business processes such as finance, health and safety, social performance, environment and major hazards.

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

Risk management system

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

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

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

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

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

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 rating:

Principal risks		**Emerging risks**	**Operational risks**
Potential actions by the government (political, legal and regulatory)	Licence to operate (community relations)	Geopolitical instability	High potential incident and critical risk (e.g. rock fall, lack of ventilation, electrocution, etc.)
Security	Safety (incidents due to unsafe acts or conditions could lead to injuries or fatalities)	Water stress and drought	Business continuity risks
Global macroeconomic developments (energy and supply chain disruptions, inflation, productivity and cost)	Union relations (labour relations)	Future of the workforce	Increased operating costs and critical input supply shortages
Impact of metals prices (commodity prices and exchange rates)	Exploration (new ore resources)	Technological disruption	Productivity and target achievement
Human resources (attract and retain requisite skilled people)	Tailings dams (overflow or collapse of tailings deposits)	Pandemics and infectious diseases	Ability to access and replace mineral reserves (mine development)
Cybersecurity	Environmental incidents (cyanide spills and chemical contamination)	Increasing societal and investor expectations	Tailings storage
Projects (performance risk)	Climate change	Replacement on depletion of ore reserves	Follow-up to the most relevant findings determined by Internal Auditing (red flags)
Access to land		Transition to a low-carbon future	

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 risks *(e.g. 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	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

Risk governance basis

Top-down
Oversight, identification, assessment and mitigation of risk at a corporate level

Bottom-up
Identification, assessment and mitigation of risk across all operational and functional areas

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.

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 that coordinates and provides technical and administrative services to the mining, metallurgical and chemical businesses of Peñoles).

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

Risk management

Risk assurance

- Assurance for management that risk and critical controls are being managed effectively.

Risk management framework

- Group's roles and responsibilities, standards, procedures and guiding principles for effective, consistent and integrated risk management.

Capability and culture

- Risk capability built through coaching and training for leaders and teams across our business.
- Risk culture of active management of risks 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 analysis and management

- Risks are measured, monitored and managed, which requires that critical controls performance is also being 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.

Emerging risks

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

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

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

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

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

In the longer term, as the world transitions to a low-carbon future and consumer demand for sustainable goods flows through the value chain, the supply-demand dynamics of commodities are expected to shift. This will lead to increasing demand for sources and solutions with low 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 risks management framework, during 2022 we carried out activities to: (i) identify new emerging risks in light of Covid-19, geopolitical instability and climate change; (ii) re-assess the emerging risks identified in 2021; (iii) deploy effective monitoring mechanisms; (iv) carry out horizon scanning to consider disruptive scenarios; and (v) implement mitigating control actions and enhance our risk awareness culture. This process involved workshops, surveys and meetings with the Board, Executive Committee, business unit leaders, support and corporate areas, as well as suppliers, contractors and customers. We also consulted third-party information from global risk reports, academic publications, risk consulting experts and industry benchmarks.

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

Relevant emerging risks are discussed below:

	Emerging risk	Description	Impact	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, the problems between Taiwan and China, as well as US and Chinese tariff matters, may affect our operations and projects.	Disruptions in the supply chain of critical operating inputs such as cyanide, ammonia, spare parts, equipment parts, etc. and rising prices of key inputs such as steel, diesel, cement, etc.	Inventory control in the mining units to plan purchases in a timely manner and maintain sufficient stock to guarantee operations. Strict control of operating costs to avoid increases.	< 1 years
2	**Water stress and drought** (Linked to climate change principal risk)	Lack of sufficient water resources to meet the water consumption demand in a region and strong heatwaves in desert regions.	Water is critical to mining processes. Without this natural resource, we cannot extract gold and silver.	Strict control and monitoring of water concessions are maintained and actions are envisaged to ensure water for the following years.	> 5 years
3	**Transition to a low-carbon future** (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 supporting investment in clean energy.	Key areas of uncertainty include future climate change regulation and policies, the development of low-carbon technology solutions and the pace of transition across our value chains, in particular the decarbonisation pathways across the steel sector.	We have introduced new sources of information to help us identify the impacts of climate change. These include industry reports and guides, energy scenarios, and Global Circulation Models (GCM) under several Representative Concentration Pathways (RCP). We have used a well-below two-degree decarbonisation pathway to evaluate the flexibility of the energy strategy.	> 5 years
4	**Technological disruption** (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 impact sales and profits.	Technological advances in the mining industry are constantly monitored (particularly in mine operations) in order to adopt the most appropriate best practices and new technology.	> 5 years
5	**Pandemics and infectious diseases**	The regional or global spread of a new disease (bacteria or virus) against which most people do not have immunity.	Another virus such as SARS-CoV-2 coronavirus (Covid-19) may affect the health of employees and stop the Company's activities.	Mine and project personnel are continuously monitored by the medical team and receive medical examinations to ensure that there are no outbreaks of contagion.	< 1 years
6	**Increasing societal and investor expectations**	We continue to see increasing expectations and focus on social equality, fairness and sustainability. Financial institutions are also placing greater emphasis on environmental, social and governance (ESG) considerations when making investment decisions.	The increasing focus on ESG has the potential to shape the future of the mining industry, supply cost structures, demand for global commodities and capital markets. While this presents us with opportunities for portfolio and product differentiation, it has the potential to impact how we operate.	We always respond to investor and societal requests and comments and promote action plans to meet their expectations. A number of initiatives demonstrate our progress. We were also placed first in the Corporate Integrity Ranking in Mexico.	< 3 years
7	**Replacement on depletion of ore reserves** (Linked to exploration principal risk)	The inability to replace depletion of ore reserves in key business units through exploration, projects or acquisitions.	By not replacing ore reserves with new discoveries, the company's production capacity and eventually its operation would be diminished.	There are very interesting exploration projects such as Orisyvo, Rodeo and Guanajuato that could replace the mineral reserves that are currently being exploited. There also several exploration camps that explore new territories every day in search of minerals in Mexico, Peru and Chile.	> 5 years
8	**Future of the workforce** (Linked to human resources principal risk)	Create a culture of talent under an inclusive, empowered and confident culture and career path to generate a future-ready workforce.	A lack of talent in some areas of the mines and projects such as planning, maintenance, safety, etc. is expected. There is a need to develop personnel to fill these positions in the future. Otherwise, we will not have people prepared to operate the mines.	The Human Resources department has a highly specialised training programme in the strategic areas of the operation. It also has a training programme for developing personnel focused on filling vacant positions.	< 3 years

Managing our risks and opportunities continued

Principal risks and uncertainties

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

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

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

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

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

Overview of the 2022 risk assessment exercise:

Analysis

60
business workshops
(Director and manager level).

40
interviews with risk owners
(managers and leaders at units).

25
workshops delivered
to the SSMARC team.

20
critical processes
mapped and reviewed for impact and likelihood.

Analysis

8
risk analysis methodologies used:
ISO 31000, ISO 22301, Markov, Bow-Tie, FMEA Model, Monte Carlo, RACI Matrix, Cause and consequence analysis.

Survey risk identified and assessed

360
colleagues
in operations, exploration, projects, corporate and support areas of Peñoles, including Internal Audit.

Trend comparison and review

15
international institutions
specialising in risks were consulted.

20
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.

6
risk experts
were interviewed.

Added value

300
colleagues were trained
in basic risk topics.

Added value

250
colleagues were trained
in advanced risk topics.

100
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.

3
new topics
were included in the risk analysis: security, water scarcity and management, physical resilience to natural disasters and extreme weather.

As a result of the annual risk assessment for the year 2022, the following main results were determined:

- Due to the importance of these risks to the Company, and in order to better analyse and have more detail on the speed of the risks in terms of probability, it is necessary to separate two principal risks: **'Impact of metal prices and global macroeconomic developments'** and **'Tailings and environmental incidents.'**
- In relation to the risk **'Global macroeconomic developments'**, this is mainly due to the increased risk of continued global and Mexican inflation in 2023, possible economic recessions, disruption of supply of critical inputs (steel, diesel, cyanide, cement, spare parts, equipment, etc.) and increased operating costs. It is essential to analyse this risk in detail.
- With regard to **'Tailings dams'**, this is the result of the hard work carried out by Baluarte Minero and Fresnillo plc's operations to increase safety and comply with the highest international TSF standards. In order to comply with these standards, it is necessary to periodically assess the risks of TSFs.
- The risk of **'Potential actions by the government'**, is assessed as the main risk for the Company, exacerbated by recent decisions of the current government, such as: (a) the restriction on the granting of new mining concessions; (b) the increase in audits and tax requirements; (c) the labour reform that prohibits outsourcing, leading to complications in relationships with contractors; (d) delays and complications in obtaining permits, licences and authorisations; (e) the implementation of policies that support the emission of carbon into the atmosphere and reduce the development of renewable energies; (f) energy law reform that would reduce electricity supply options for end-users and allocate valuable resources to maintain obsolete and costly generation technologies, with significant environmental and social impacts; and (g) the United States-Mexico-Canada Agreement (USMCA or TMEC) with its new labour provisions.
- The **'Security'** risk, arising from the accelerated increase in organised crime in the vicinity of the mining units, particularly in Fresnillo, Saucito, Juanicipio and Penmont (with the highest perception of insecurity in the country); the increase in high-impact crimes (homicide, kidnapping and extortion) in the regions where we operate, especially in Zacatecas, Guanajuato and Sonora; and the sale and consumption of drugs inside the mines. Threats of theft of dore, minerals, concentrates and assets from mines and projects have also increased.
- The **'Human Resources'** risk has increased severely, due to the resignation of talent in key positions at the mines and the lack of candidates to fill important positions within the operating process.
- The **'Cybersecurity'** risk has increased mainly due to the increase in remote home office activities, and a sophisticated adversary able to exploit stolen credentials and identities to amplify ransomware and 'big game hunting' attacks.
- During the months of September and October, the **'Fraud'** risk assessment was carried out, identifying risks and areas of opportunity in the following processes: 1. Payroll (employees and unionised), 2. Award of contracts for supplies and services, 3. Administration of contracts for supplies and services, 4. Theft of finished products during transportation, 5. Theft of unit assets (wiring, spare parts, consumables, etc.) and 6. Attack on the technological repositories of critical company information. In all cases, internal controls and timely follow-up and preventive actions have been increased. Early detection actions were also reinforced. The internal audit area considered these results in its annual programme 2023.
- During 2022 we worked together with the ESG Department to analyse and assess the '**Climate Change'** risk, and the critical risks and oportunities that make up the 'Task Force on Climate-related Financial Disclosures' (TCFD), assessing the potential impacts and creating risk materialisation scenarios, which are related to the financial viability statement.

  Regarding physical risks we consider: 'Changes in frequency and magnitude of extreme events such as rainfall, droughts and heatwaves affecting our operations and neighbouring communities' and 'Increase in average temperatures, reduction in annual precipitation and associated water stress'. Regarding transitional risks we consider: 'Emerging regulations such as local or transborder carbon taxes, cap and trade systems or increasing requirements from current emissions regulations', 'Changes in the regulatory framework of renewables' and 'Increase in energy prices.'
- This year, Fresnillo plc's **'individual risks'** increased from 120 to 130 risks, as a result of the analysis of water scarcity and management, fraud, climate change and cybersecurity risks.

Risk appetite

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

Risks that are approaching the limit of the Group's risk appetite may require management actions to be accelerated or enhanced to ensure the risks remain within appetite levels. For catastrophic and operational risks, our risk appetite for exceptions or deficiencies in the status of our controls that have safety implications is very low. Our internal audit programme evaluates these controls with technical experts at operations and the results of that audit work will determine the risk appetite evaluation, along with the management response to any issues identified.

Managing our risks and opportunities continued

Our risk matrix

Current assessment of principal risks/as of February 2023

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

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

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

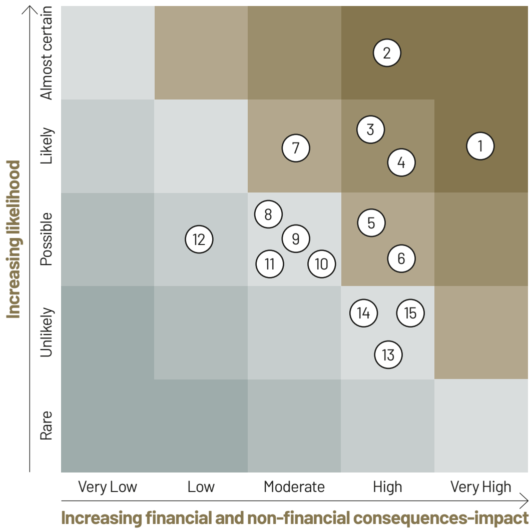
Risk rating

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.

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



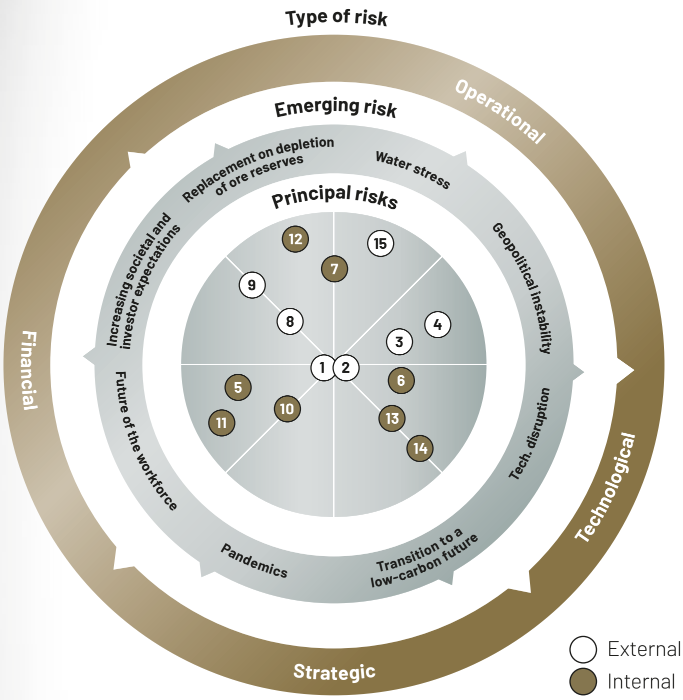
	Principle risk	Change
1	Potential actions by the government (political, legal and regulatory)	=
2	Security	↑
3	Global macroeconomic developments (energy and supply chain disruptions, inflation, productivity and cost)	↑
4	Impact of metals prices (commodity prices and exchange rates)	↑
5	Human resources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

Our principal risks and interdependencies

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

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

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



1	Potential actions by the government (political, legal and regulatory)
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	Access to land
9	Licence to operate (community relations)
10	Safety
11	Union relations (labour relations)
12	Exploration (new ore resources)
13	Tailings dams
14	Environmental incidents
15	Climate change

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. On the other hand, it promotes the right of indigenous and Afro-Mexican communities to be consulted prior to the granting of mining concessions, which could potentially affect the granting of new concessions in Mexico.

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.

Another risk for 2023 is the possible presentation of a comprehensive reform initiative to the Mining Law via the Senate, in which sensitive matters affecting the mining sector will be discussed, such as transparency of information, consultation with indigenous peoples and communities, modification of the concession regime in terms of its validity and grounds for cancellation, among others.

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 reviews by tax authorities with special attention to the mining industry.
- Inability to obtain necessary water concessions due to government control or private interests.
- Failures/delays in obtaining necessary environmental permits.
- Disputes arising from the US-Mexico-Canada Trade Agreement (USMCA or TMEC).

Factors contributing to risk

- Change of head of the Mexican Economy Minister, who is the federal government's authority on mining matters. Tatiana Clouthier left the post and was succeeded by Raquel Buenrostro. This change is perceived as negative for the mining industry, as Buenrostro has expressed her dissatisfaction with mining companies for not paying taxes and polluting.
- The federal government reported that it would review the granting of concessions to mining companies and that no more concessions would be granted during this six-year term (which ends in 2024). It is therefore possible that it will withdraw unexploited gold and silver concessions.
- Labour reform that prohibits subcontracting, which mainly generates complications in relationships with contractors.
- New taxes and discrepancies in the criteria used in audits carried out by the tax authority.
- Increased frequency of audits by tax authorities with a special focus on the mining industry.
- The federal government promotes investment in coal instead of renewable or clean energy. This has made it more difficult to operate with clean energy.
- The federal government's implementation of policies that support the use of coal will result in more greenhouse gases being released into the atmosphere and reduce the development of renewable energy.
- The United States and Canada requested dispute settlement consultations with Mexico under the North American Free Trade Agreement (T-MEC or USMCA) over Mexico's energy policies that they consider discriminatory and say harm international companies and cross-border supplies.
- Since 2020, the so-called Mining Fund, whose main objective was to distribute resources to communities neighbouring the mines, according to the royalties paid by companies under the Federal Law of Rights, has been closed. Since then, although companies continue to pay these royalties, they do not necessarily translate into investments for the communities neighbouring the mines.
- In addition, the perception of corruption in Mexico remains high. The country's score in Transparency International's Corruption Perceptions Index 2022 remained relatively unchanged, despite a higher ranking. As a result, delays in obtaining permits for certain operations and/or projects remain a risk.

Controls, mitigating actions and outlook

1. Engagement and constant communication with all levels of government.
2. Increased monitoring of the processes being implemented at the Ministry of Labour and Economy.
3. We remain alert to the changes proposed by the authorities, including fiscal initiatives on energy and mining, so that we are able to respond in a timely and relevant manner. Daily monitoring, follow-up and attention to issues before the Congress of the Union that may affect the mining industry.
4. In relation to the new labour law prohibiting subcontracting, changes have been implemented in the relationships with contractors and personnel structures have been adapted to comply with the law.

For more details see Caring for our people on pages 73-84.

5. We continue to collaborate with other members of the mining community through the Mexican Chamber of Mines to lobby against any new harmful taxes, royalties or regulations. We also support industry lobbying efforts to improve the general public's understanding of the mining industry.
6. We continue to comply with all applicable environmental regulations and are fully committed to sustainable activity.

For more details see Protecting our environment on pages 85-109.

7. We are committed to maintaining dialogue with the community throughout the life of a mining project, from initial exploration to eventual closure, with the objective of building long-term relationships and value, while ensuring operational continuity.

For more details see Partnering with our communities on pages 110-119.

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

For more details see Health on pages 83-84.

Key risk indicators

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

Link to strategy

1 2 3 4

Risk appetite

Low

Behaviour

Stable

Risk rating (relative position)

2022: Very high (1)

2021: Very high (1)

2 –Security

Risk description

We face the risk of theft of gold doré and silver concentrates as well as of items including equipment, 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 or damage due to insecurity in some of the regions where 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 and ill-equipped 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 2022, in the states where our business units and projects are located, such as Zacatecas, Guanajuato, 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.
- A severe increase in the number of high impact crimes (homicide, kidnapping, extortion) in the regions where our mining units and projects are located.
- Increased consumption and sale of drugs at the mining units, particularly Saucito.
- Theft of concentrates and assets in mining units and/or during transfer.
- Theft of material, equipment, tools and spare parts from mines and projects.
- Roadblocks or blockages on the roads and/or highways near the mining units.
- The Mexican state of Zacatecas is notorious for high levels of perceived insecurity and high rates of high-impact crime in 2022. There are records of several vehicle thefts from company employees and organised crime checkpoints on the roads near Fresnillo and Saucito mines.
- The Mexican State of Sonora is notorious for being under constant attack from organised crime gangs. Several attacks have taken place recently jeopardising the continuity of mining operations and the physical integrity of workers employed by Herradura and Noche Buena mines.

Key risk indicators

- Total number of security incidents affecting our workforce (thefts, kidnapping, extortion, etc.).
- Number of sites affected, and work days lost, by region and type of site.
- Number of media mentions related to safety issues affecting the mining industry where we operate.

Link to strategy

1 2 3 4

Risk appetite

Low

Behaviour

Increasing

Risk rating (relative position)

2022: Very high (2)

2021: Very high (2)

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

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 and the Russia-Ukraine war, economies around the world, including Mexico, were negatively affected by lockdowns and disruptions in supply chains. Globally, economies almost came to a complete halt for more than five months during 2020 and some months of 2021. During 2022, we saw significant increases in critical inputs and operating costs and higher inflationary pressures, along with a shortage of critical inputs and equipment. We expect this to continue through 2023.

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 the following results:

- The Mexican peso performed strongly during 2022 and is one of the strongest emerging currencies. On average during 2022 it traded at 20 pesos per US dollar. At the end of the year the dollar exchange rate was 19.5 pesos.
- General inflation in Mexico was 7.8% in Mexican peso terms for 2022. Company-specific inflation was 8.4% in dollar terms.
- Economic growth for Mexico during 2022 was 4.3%.

Factors contributing to risk

- The unnerving combination of war, inflation, energy scarcity, and climate change wasn't what anyone expected as life was just beginning to move forward from the Covid-19 pandemic.
- Inflation has become a major concern for the global economy, two years into the pandemic. Price rises are reaching record highs in Europe and the United States and may be countered by monetary policy. In Latin America, central banks have been acting quickly and forcefully since last year, raising interest rates.
- The impact of post-pandemic Covid-19 and the Russia-Ukraine war on supply chains has been global, prolonged, and resulted in a series of major shocks to companies' logistical systems.
- Disruptions in the value chain of critical inputs for our operations such as spare parts (primarily delivered by land transport from the US and maritime transport from China and Europe).
- Disruptions also include reduced availability of maintenance teams/contractors to resolve issues, as well as travel restrictions leading to officials not being able to travel and inspect projects, resulting in delays.
- Increased operating costs due to higher prices for critical inputs such as steel, cyanide, copper, diesel, haulage equipment, oxygen and truck tyres.
- Analysts surveyed by Banco de Mexico estimate that Mexico's GDP growth will decelerate from 3.0% to 0.9% from 2022 to 2023.
- In terms of inflation, we experienced an increase in two of our main energy inputs compared to the previous year, with diesel (US percentage per litre) increasing by 4.0% and kWh (US percentage per kWh) by 5.9%.

Key risk indicators

- Percentage of compliance by suppliers and contractors.
- Increase in the price of critical inputs for the operation.
- Increased cost of operation.

Link to strategy

1 2 3

Risk appetite

Low

Behaviour

Increasing

New principal risk. In 2021 this risk was considered alongside the metals prices risk. It has now been deemed to be a separate Principal risk, due to the increase in its importance.

Risk rating (relative position)

2022: High (3)

Controls, mitigating actions and outlook

1. In order to maintain our security of supply, contingency plans are in place to address any short-term disruptions to strategic resources. We negotiate early with suppliers of key inputs to ensure continuity. Certain key supplies are purchased from several sources to mitigate potential disruption arising from exposure to a single supplier.
2. We execute operational excellence initiatives to counter inflation and improve margins, and also enhance cost competitiveness by improving the quality of the portfolio.

For more detail see Review of operations on pages 30-51.

3. We maintain a rigorous, risk-based supplier management framework to ensure that we engage solely with reputable product and service providers and keep in place the necessary controls to ensure the traceability of all supplies (including avoiding any conduct related to modern slavery).
4. To achieve cost competitiveness, we endeavour to buy the highest possible proportion of our key inputs, such as fuel and tyres, on as variable a price basis as possible and to link costs to underlying commodity indices where this option exists.
5. We are committed to incorporating sustainable technological and innovative solutions, such as using sea water and renewable power when economically viable, to mitigate exposure to potentially scarce resources.

For more detail see Sustainability at the core of our purpose on pages 64-119.

4 – Impact of metals prices (commodity prices and exchange rates)

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. The prices of these commodities are strongly influenced by a variety of external factors, including world economic growth, inventory balances, industry demand and supply, possible substitution, etc.

Factors contributing to risk

- The risk is further exacerbated when there are macro economic and geopolitical factors that directly affect the price of commodities, both positively and negatively, such as post pandemic Covid-19, the war between Ukraine and Russia, and generalised inflation around the world.
- Lately, the attraction of investing not only in gold and silver, but also in other financial instruments such as cryptocurrencies, has increased. This could lead to investors reducing their investment activities in precious metals.

Controls, mitigating actions and outlook

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 Our markets on pages 22-23.

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

See note 30 in the consolidated financial statements on page on pages 269-271.

4. We focus on cost efficiencies and capital discipline to deliver competitive all-in sustaining cost.
5. We work to improve debt profile and reduce annual interest bill.

For more details see Financial review on pages 52-61.

6. We maintain long-term optionality by ensuring our pipeline of opportunities is continuously replenished.
7. Security, liquidity and return represent the order of priorities for our investment strategy. We maintain a strong and flexible balance sheet, consistently returning capital to shareholders while leaving sufficient funds to progress our short-, medium- and long-term growth plans and maintain the financial flexibility to take advantage of opportunities as they may arise.

For more details see Financial review on pages 52-61.

8. We have a risk-averse investment strategy, managing our liquidity by maintaining adequate cash reserves and financing facilities through the periodic review of forecast and actual cash flows. We choose to hold surplus cash in demand or term deposits or highly liquid investments.

For more details see Financial review on pages 52-61.

9. In order to maximise the extension of the average life of our debt profile, on 29 September 2020 Fresnillo plc successfully priced a US$850 million 30-year bond (Coupon 4.25%) in the international market, coupled with an 'Any and All tender offer' for Fresnillo's 5.50% senior unsecured USD notes due 2023, which was tendered by US$481.7 M (~60%), significantly reducing the short-term refinancing risks and improving the liquidity and solvency capabilities of the Company.

For more details see Financial review on pages 52-61.

Key risk indicators

- Profit sensitivity to percentage change in precious metals prices and the Mexican peso/US dollar exchange rate.
- EBITDA sensitivity to percentage change in metals prices and the Mexican peso/US dollar exchange rate.

Link to strategy

1 2 3

Risk appetite

High

Behaviour

Increasing

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

Risk rating (relative position)

2022: High (4)

5 – Human Resources (attract and retain requisite skilled people/talent crisis)

Risk description

Fresnillo plc's most valuable asset is its workforce.

Our ability to achieve our business strategy depends on attracting, developing and retaining a wide range of internal and external skilled and experienced people.

Managing talent and maintaining a high-quality labour force in a fast-changing technological and cultural environment is a key priority for us. Any failures in this respect could have a negative impact on the performance of the existing operations and prospects for future growth.

The Covid-19 pandemic has several health risks for employees, with our workers in the mines on the frontline in terms of health and safety risks. The way that mining works (especially underground), where there are several workers in one place, increases the possibility of contagion. Due to the complex nature of mining operations and the remote locations in which they are often located, it is difficult to implement health measures and carry medical prevention equipment. At times, we have had no option but to quarantine workers, even when national lockdown regulations did not force us to do so.

Our people are critical to meeting our goals. We face multiple risks in the processes of selection, recruitment, training and retention of talented people with technical skills and experience.

Obtaining qualified labour in the mining sector has become a major risk, and our industry requires more and more people trained and experienced in mining processes. Unfortunately, there are not enough candidates with the required profiles.

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.

In addition, it is difficult to hire the employees of contractors working for the Company.

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 digital, climate and energy.
- Changing societal expectations are placing pressure on our corporate and employer brand – who we are and what we stand for.
- There was a significant increase in staff turnover during 2022.
- Talent retention also became more difficult this year.
- At some mines we have a lack of specialised personnel to cover working hours.
- In certain regions where we operate there are not enough candidates with the necessary skills to operate the mining equipment.
- With the new labour law prohibiting outsourcing, we had to hire staff from contractors, and this caused added complications.
- Unfortunately, not everyone follows measures to prevent Covid-19 and that increases the risk of contagion.
- Workers in the mining sector have been particularly affected by the pandemic, given the employment architecture of the industry, which can feature remote fly in-fly out or drive in-drive out operations, congested underground working conditions, and workers residing in mine-site compounds or neighbouring communities. These conditions make some Covid-19 preventative measures difficult to implement, which makes mineworkers vulnerable to both acquiring and spreading the virus.

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

Increasing

Risk rating (relative position)

2022: High (5)

2021: High (6)

5 – Human Resources (attract and retain requisite skilled people/talent crisis) continued

Controls, mitigating actions and outlook

1. We develop the talents of our employees through training and career development, invest in initiatives to widen the talent pool and are committed to our diversity and inclusion policy. Through these actions we aim to increase employee retention, as well as the number of women, people with disabilities and employees with international experience in the workplace.
2. Our employee performance management system is designed to attract and retain key employees by creating suitable reward and remuneration structures and providing personal development opportunities. We have a talent management system to identify and develop internal candidates for key management positions, as well as identify suitable external candidates where appropriate.
3. We aim for continuous improvement, driven by opportunities for training, development and personal growth; in short, we focus on fair recruitment, fair pay and benefits and gender equality. In the trusted staff structure, 19.87% are women as are 28.81% of new joiners, while 21.40% of the female population were promoted during the year.
4. **Recruitment:** we have evaluated our recruitment requirements for key positions, and our goal is to meet them through internal training and promotion, as well as by recruitment through:
   - Our close relationships with universities that offer earth science programmes. We have programmes dedicated to identifying potential performance-based candidates who can be hired as trainees and/or employees at graduation. During the year, we hosted 16 students from different Earth Science professions at our mining units to support their training, and 104 engineers took part in our training programme.
   - CETLAR (Centre for Technical Studies of Peñoles), which trains mechanical and electrical technicians. The seven graduates of 2022 were hired as full-time employees.
5. **Retention:** our goal is to be the employer of choice, and we recognise that to be a profitable and sustainable company, we need to generate value for our employees and their families. We do this by providing a healthy, safe, productive and team-oriented work environment that not only encourages our people to reach their potential, but also supports process improvements.

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

   In order to keep our staff updated and trained, 88% of employees and 99% of unionised staff have received training this year. In 2022, 232 employees participated in institutional development programmes, which means that 45% of staff with more than two years of service have participated at least once. Of this 45%, 10.4% are women. 702 courses and studies were conducted through external training, benefiting 520 employees. 77.3% of our leaders have participated in institutional development programmes focused on leadership.
6. **Performance:** the virtual internship programme continued this year in conjunction with Peñoles, with courses in mining, geology, metallurgy and topography. In total there were 698 students (57.02% men and 42.98% women).

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

For more details see Caring for our people on pages 73-84.

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

   A range of security measures has been implemented:
   - Use of sanitary measures within mining units;
   - Constant health monitoring of employees;
   - Temperature control;
   - Social distancing;
   - Strict hygiene;
   - Home office; and
   - Selective Covid-19 tests.

   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 Health on pages 83-84.

6 – Cybersecurity

Risk description

Information is one of our most valuable assets and we work hard to protect it. We fully recognise the importance of the confidentiality, continuity, integrity and security of our data and systems.

As a mining company, we can be under threat of cyber attacks from a broad set of groups, from 'hacktivists' and hostile regimes to organised criminals. Their objectives range from taking advantage of mining's role in regional and global supply chains, to impacting national economies.

Some threat actors also focus on finding unprotected, misconfigured and unpatched systems and exploit them, due to the industry's heavy reliance on technology and automated systems that support operations.

The following are the top eight cybersecurity and privacy risks that have been identified through environment monitoring and workshops with business units, operations, and IT. These risks comprise Peñoles/Fresnillo overall cybersecurity and privacy risk profile:

- Corruption of data – Critical data where any unauthorised modification can have adverse impacts.
- Unauthorised access – Cybersecurity and privacy incidents due to incorrect access permissions or system abuse, exploitation or misuse.
- Breach and data theft – Disclosure of critical and sensitive company data by an internal or external source.
- Business disruption – Disrupting key applications or systems for a period of time.
- Lack of cybersecurity ownership – Failure to assign responsibility for implementing and adopting cybersecurity practices on a daily basis.
- Non-compliance – Cybersecurity and privacy incidents resulting in non-compliance with applicable regulations, including privacy.
- Health and safety incidents – Breach of availability, integrity or confidentiality of data which impacts health and safety.
- Halt or loss of operations – Cybersecurity and privacy incidents which result in loss of operating licence or closure of operations.

Key risk indicators

- Total number of cybersecurity incidents affecting our Company.
- Number of media mentions related to cybersecurity issues affecting the mining industry.

Link to strategy

2 3

Risk appetite

Low

Behaviour

Increasing

Risk rating (relative position)

2022: High (6)

2021: High (9)

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.
- Theft of information through social engineering and 'phishing' campaigns (fraudulent attempts to obtain sensitive information or data, such as usernames or passwords, by appearing to be a trustworthy entity in an electronic communication).
- An increased reliance on cloud systems and infrastructure can make IT defences less robust and may bypass security controls.
- Access to hacking tools and training is readily available and heavily automated. Without proper punishment for perpetrators globally, attackers can easily launch sophisticated attacks with little risk.
- There is a global lack of regulation regarding cybersecurity and e-crime that could deter criminals.

Controls, mitigating actions and outlook

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

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:

- Economic viability: the impact of the cost of capital to develop and maintain the mine; future metals prices; and operating costs throughout the mine's life cycle.
- Access to land: a significant failure or delay in land acquisition has a very high impact on our projects.
- Uncertainties associated with the development and operation of new mines and expansion projects: includes fluctuations in the degree of ore and recovery; unforeseen complexities in the mining process; poor quality of the ore; unexpected presence of groundwater or lack of water; lack of community support; and inability or difficulty in obtaining and maintaining the required building and operating permits.
- Delivery risk: projects can exceed the budget in terms of cost and time; they cannot be built according to the required specifications or there may be a delay during construction; and major mining teams cannot be delivered on time.

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.

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)

2022: High (7)

2021: High (7)

Factors contributing to risk

- Uncontrolled increases in the costs of critical inputs directly affect the progress of projects and affect the planning of each project.
- In some regions there are no specialised contractors or contractors with the technology to develop the projects.
- Contractor productivity may be lower than anticipated, causing delays in the programme.
- Increase in the number of high impact crimes (homicide, kidnapping, extortion) in the regions of the projects.
- We have identified the following threats to project development:
  - Insufficient resources for project execution.
  - Changes in operational priorities that can affect projects.
  - Inadequate management structure for project supervision.
  - Lack of efficient and effective contractors.
  - Delays in obtaining necessary permits for construction and operation.
  - Lengthy procedures for land acquisition, electricity supply and water.

Controls, mitigating actions and outlook

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 Institute of Project Management (PMI). It allows us to closely monitor project controls to ensure the delivery of approved projects on time, within budget and in accordance with defined specifications.
3. The executive management team and the Board of Directors are regularly updated on progress. Each advanced exploration project and major capital development project has a risk record containing the project-specific identified and assessed risks.

The project development process in 2022 included:

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

For more details see Review of operations on pages 30-51.

8 – Access to land

Risk description

Significant failure or delay in accessing surface land above our mining concessions and other lands of interest is a permanent risk to our strategy and has a potentially high impact on our objectives.

The biggest risk is failing to gain full control of the lands where we explore or operate.

Possible barriers to access to land include:

- Increasing landowner expectations.
- Refusal to comply with the terms of previous land acquisitions and conditions regarding local communities.
- Influence of multiple special interests in land negotiations.
- Conflicts regarding land boundaries, and the subsequent resolution process.
- Succession problems among landowners resulting in a lack of clarity about the legal right to own and sell land.
- Risk of litigation, such as increased activism by agrarian communities and/or judicial authorities.
- Presence of indigenous communities in proximity to lands of interest, where prior and informed consultation and consent of such communities are required.
- Operations in 'Soledad & Dipolos' remain suspended, as the problem with the ejido 'El Bajío' remains unresolved.

Factors contributing to risk

- 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. At the end of 2022, we had 270,268 hectares in the process of being granted and 1,415,960 hectares of mining concessions granted. In total, we had 1,686,228 hectares in the control of Fresnillo plc. This represents an increase of 8,307 hectares compared to 2021.
3. Other initiatives include:
   - Meticulous analysis of exploration objectives and construction project designs to minimise land requirements.
   - Judicious use of lease or occupation contracts with purchase options, in compliance with legal and regulatory requirements.
   - Early participation of our community relations teams during the negotiation and acquisition of socially challenging objectives.
   - Strategic use of our social investment projects to build trust.
   - Close collaboration with our land negotiation teams, which include specialists hired directly by Fresnillo and also provided by Peñoles as part of the service agreement.
4. As part of an ongoing review of the legal status of our land rights, we identify certain areas of opportunity and continue to implement measures to manage this risk on a case-by-case basis. Such measures include, wherever possible, negotiations with agricultural communities for the direct purchase of land.
5. We use mechanisms provided for in agricultural law and also use other legal mechanisms under mining legislation that provide greater protection for land occupation. These activities are part of our ongoing drive to reduce risk exposure to surface land.

Key risk indicators

- Percentage of land required for advanced exploration projects that are under occupation or agreements other than total ownership (generally and per project).
- Total 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

Decreasing

Risk rating (relative position)

2022: Medium (8)

2021: High (4)

Managing our risks – response/mitigation to our risks continued

9 – 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 continuous engagement and contribution 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.

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

Decreasing

Risk rating (relative position)

2022: Medium (9)

2021: High (5)

Controls, mitigating actions and outlook

Efficient risk management allows us to detect threats such as social opportunities, associated with our operation. This process helps us identify, assess, plan for, communicate and manage significant risks that could potentially impact our social license.

The risk identification mechanism includes social studies, complaints and claims process, deployment of social programmes, as well as meetings with key stakeholders and media monitoring.

For this, we implement a process of evaluation of detected risks, which we work on through specialised workshops, risk management and action plans for each one, and through committees that prevent their materialisation.

The social risks that are classified as High Risk are escalated for administration by RED teams, which identify the areas and personnel that have the decision-making level to offer concrete and timely solutions.

Likewise, constant and direct contact is maintained with the leaders of each business unit, including discussion of the risks that they are able to help mitigate.

Governance of our complaints process improves every year. Complaints are received, evaluated and managed, involving those directly responsible, while keeping complainants informed about the status of each case, until satisfactory closure is achieved.

We have implemented an internet-based process to capture concerns from the community, including the facility for cases to remain anonymous, thus encouraging and facilitating people to raise concerns, and to do so without fear of recrimination.

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

For more details see Communities on pages 110-119.

10 – Safety

Risk description

Our operations and projects are inherently hazardous, with the potential to cause illness or injury, damage to the environment, and disruption to communities. Major hazards include process safety, underground mining, surface mining and tailings and water storage.

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 one fatality was recorded during 2022, and also that we experienced a significant increase in the accident rate related to:
  - Rockfall/terrain failure.
  - Loss of vehicle/equipment control.
  - Team-vehicle-person interaction.
  - Transport of staff.
  - Contact with electric power.
  - Fire.
  - Becoming trapped.
  - Contact with hazardous substances.
- During 2022 we had 373 high potential incidents, 3% more than 2021.
- Frequent transportation of our people to remote business units is an ongoing feature of our operations. In many cases, these units have poor accessibility by road. Failure to comply with safety programmes, measures and audits or with the findings of inspections, continues to be a safety risk.
- Our people not being sensitive to the latent risks of our operations.
- Omissions and failures to follow security protocols.

Key risk indicators

- Accident rate.
- Days lost rate.
- Accident frequency.

Link to strategy

4

Risk appetite

Low

Behaviour

Stable

Risk rating (relative position)

2022: Medium (10)

2021: Medium (10)

Controls, mitigating actions and outlook

1. Nothing is more important than the safety and wellbeing of our employees, contractors and communities. We believe all incidents are preventable, so we concentrate on identifying, understanding, managing and, where possible, removing the hazard or removing people from the hazardous area.

For more details see Caring for our people on pages 73-84.

2. We constantly seek to improve our safety and health risk management procedures, with focus on the early identification of risks and the prevention of fatalities.
3. Our Safety and Occupational Health Strategy is based on four pillars:
   - Safety and health risk management: workers at all levels are able to identify hazards and controls, so that all jobs are carried out safely.
   - Leadership: all employees and contractors are health and safety leaders and we demonstrate our commitment through each individual's responsible behaviour.
   - Contractor management: our contractors are an integral part of our safety team and culture, and we work together to improve.
   - Reporting, research and learning from our accidents: we share good practices and learn from our mistakes.

For more details see Sharing the benefits on pages 113-119.

4. The Strategy strives to achieve our four main goals of: zero fatalities, zero occupational illnesses, the development of a resilient culture and the automation of hazardous processes.
5. Critical controls and verification tools are regularly strengthened through the verification programme and regular audits of critical controls for potentially high-risk activities.

For more details see Safety on pages 79-82.

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

11 – 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

- The Labour Reform allows the existence of several unions within a company and gives freedom of choice to the employee. This has led to a complex, rarefied work environment at the Fresnillo mine, with violent clashes between the union and a group of workers seeking to register a new independent union.
- The risk is that the fighting will continue and worsen and eventually the mine's workforce will be reduced. There is also a risk that this conflict could spread to other mines.
- In addition, the TMEC (new trade agreement between Mexico, Canada and the United States replacing NAFTA) with new labour and trade union provisions.

Controls, mitigating actions and outlook

1. We maintain good relations with our employees and unions, founded on trust, regular dialogue and good working conditions. We are committed to safety, nondiscrimination, diversity and inclusion, and compliance with Mexico's strict labour regulations.
2. There are long-term labour agreements (usually three years) in place with all the unions at our operations, helping to ensure labour stability.
3. We seek to identify and address labour issues that may arise throughout the period covered by the labour agreements and to anticipate any potential issues in good time. Employees of our contractor companies are an important part of our workforce and under Mexican law fulfil the same duties and are subject to the same responsibilities as our own employees. We treat contractors as strategic associates and build long-term, mutually beneficial relationships with them.
4. We maintain constructive relationships with our employees and their unions through regular communication and consultation. Union representatives are regularly involved in discussions about the future of the workforce.
5. Increased communication with trade union leaders in mining units to monitor the working environment.
6. Meetings have been held with groups of workers who want to introduce new unions to the Company.
7. Our strategy is to integrate unionised personnel into each team in the business unit. We achieve this by clearly assigning responsibilities and through programmes aimed at maintaining close relations with trade unions in mines and at the national level.
8. We maintain close communication with trade union leaders at various levels of the organisation in order to: raise awareness of the economic situation facing the industry; share our production results; and encourage union participation in our security initiatives and other operational improvements.
9. These initiatives include the Security Guardians programmes, certification partnerships, integration of high productivity equipment, and family activities.
10. We are proactive in our interactions with unions. When appropriate, we hire experienced legal advisors to support us on labour issues. We remain attentive to any developments in labour or trade union issues.
11. We conducted a review of the contractual benefits for union members in our mines.
12. Our executive leadership and the Executive Committee recognise the importance of trade union relations and follow any developments with interest.

For more details see Caring for our people on pages 73-84.

Key risk indicators

- Union members' level of satisfaction.
- Number of media mentions related to mining union developments.

Link to strategy

2 3

Risk appetite

Low

Behaviour

Decreasing

Risk rating (relative position)

2022: Medium (11)

2021: High (8)

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.

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

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

Factors contributing to risk

We perceive this risk level as increasing in likelihood and impact.

This is mainly due to the following:

- Delays in procedures regarding access to land.
- Restrictions on new mining concessions.
- Reserves not being replenished.

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.

Controls, mitigating actions and outlook

1. During 2022, we invested a total of US$167.6 million in exploration activities. Our objectives for 2023 include a budgeted risk capital investment in exploration of approximately US$175.0 million.
2. 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.
3. For reference, the mines division uses approximately 60% of its budget for resource conversion and ore grade certainty, and 40% for step-out and expansion drilling. Furthermore, the Exploration Division budget for 2023 will allocate 26% to brownfield targets, 40% to advanced projects and 34% to early exploration stages including regional prospecting work.

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 (including drone technology), large to small scale hyperspectral methods, remote sensing imagery and analytical software for identifying favourable regions to be field-checked by the team.
- A commitment to maintain a pipeline of drill-ready high priority projects.

For more details see Our strategy on pages 24-29.

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

Increasing

Risk rating (relative position)

2022: Medium (12)

2021: Medium (13)

13 – Tailings dams (overflow or collapse of tailings deposits)

Risk description

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

Future regulations could also have implications for our tailings management.

Factors contributing to risk

- Design, construction and operation of current tailings dams under local and national controls, which do not comply with recommended best practices.
- Historical tailings dams with little or no operation construction design.
- Little known conditions of the state of some tailings dams, both current and historical.
- Some historical tailings dams located in rural areas are now surrounded by facilities or residential areas, increasing the consequences of failure.
- Tailings dam failures that could cause landslides or collapses.

Controls, mitigating actions and outlook

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.

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.

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.

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.

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.

Our tailings policy ensures the stability of our TSFs throughout their lifecycles, managing any potential or actual impact on the environment with sound governance and open communication with stakeholders.

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.

In 2022 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.

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

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

For more details see Waste management on pages 102-105.

Key risk indicators

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

Link to strategy

3 4

Risk appetite

Low

Behaviour

Decreasing

Risk rating (relative position)

2022: Medium (13)

2021: Medium (11)

14 – Environmental incidents

Risk description

Environmental incidents are an inherent risk in our industry. These incidents include the possible overflow or collapse of tailings deposits, cyanide spills and dust emissions, any of which could have a high impact on our people, communities and businesses.

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 below.

We continue to be alert to the following risks:

- Cyanide management risk.
- Impact on the environment in the area of influence through erosion/deforestation/forest loss or disturbance of biodiversity as a result of the operations of the business unit or project activities.
- An event involving a leak or spill of cyanide or 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

- We have strengthened the regulatory risk pillar of the environmental management model, incorporating monthly updates of environmental regulations. Furthermore, we now regularly monitor the Environmental Authority inspection processes to assure compliance with our environmental commitments and action plans.
- Failure to manage our major hazards or mass passenger transport could result in a catastrophic event or other long-term damage.

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

Decreasing

Risk rating (relative position)

2022: Medium (14)

2021: Medium (11)

Controls, mitigating actions and outlook

1. Our operations are inherently hazardous. We seek to achieve operational excellence to ensure that our employees and contractors go home safe and healthy, and that there are no adverse impacts on the communities and the environment where we operate.
2. Our environmental management system ensures compliance with national and international regulations and best practices, provides transparency and supports initiatives that reduce our environmental footprint. We recognise that we are responsible for our activities and for delivering on our environmental commitments.
3. Our environmental management system, together with our investment in preventive measures and training, are key factors that reduce the risk of large environmental incidents.
4. We have a comprehensive approach to incident prevention. Relevant risks are assessed, monitored and controlled in order to achieve our goal of zero incidents with significant environmental impact. We work to raise awareness among employees and contractors, providing training to promote operational excellence. The potential environmental impact of a project is a key consideration when assessing its viability, and we encourage the integration of innovative technology in the project design to mitigate such impacts.
5. We prioritise the efficient use of natural renewable resources by using sea water, favouring the use of renewable power sources, achieving higher rates of reuse and recovery of water through the use of thickened tailings technology and reducing greenhouse gas emissions.
6. We recognise that environmental sustainability is key to our ability to generate social value and we perform regular risk assessments in order to identify potential impacts and develop preventive and mitigating strategies.
7. Each site maintains updated environmental emergency preparedness and detailed closure plans with appropriate financial provisions to ensure physical and chemical stability once operations have ceased.
8. Fresnillo and Saucito are ISO 9001 certified; Fresnillo, Saucito, Herradura and Noche Buena are ISO 14001 and ISO 45011 certified.
9. In addition, Fresnillo, Saucito and Juanicipio are certified according to the standards of the Clean Industry; the first two achieved the badge of environmental excellence issued by the Environmental Protection Attorney's Office (PROFEPA). Our Herradura leaching operation complies with the Cyanide Code issued by the International Cyanide Code Institute with the respective certification.

For more details see Protecting our environment on pages 85-109.

10. Environmental protection and safety are critical for cyanide leaching systems. We comply with international best practices as promoted by the International Cyanide Management Institute (ICMI) and the Mexican standard NOM-155SEMARNAT-2007, which establishes environmental requirements for gold and silver leaching systems.

For more details see Cyanide management on page 105

11. Safe management of our tailings facilities has always been a priority. With increased focus on the issue of tailings dam safety across the global mining industry, we have taken the opportunity to renew and increase this focus.

15 – Climate change

Risk description

The mining industry is highly exposed and sensitive to climate change risk.

Climate change is a systemic challenge and will require coordinated actions between nations, between industries and by society at large. It demands a long-term perspective to address both physical climate change and low-carbon transition risks and uncertainties.

Due to climate change, our operations and projects are expected to face acute physical risks from extreme events such as high temperatures, droughts and extreme rainfall from more frequent and intense hurricanes in the Pacific.

These natural disasters may affect the health & safety of our people, damage access roads and mine infrastructure, disrupt operations and affect our neighbouring communities. In addition, the rise in temperatures may increase our water demand while the decrease in annual precipitation exacerbates water stress in the regions where we operate.

These chronic risks may intensify the competition to access water resources, increasing risks to the social licence to operate. The societal responses to transition to a low carbon economy include more stringent regulations to reduce emissions, a transformation of the global energy system, changes in behaviour and consumption choices and emerging technologies.

Adaptation measures are necessary to build the flexibility to respond to physical and transitional changes.

One of the most important risks we currently face relates to compliance with all the provisions and requirements of international agreements to reduce pollution and greenhouse gas emissions.

Failure to adapt to the transition and physical impacts of climate change, include:

- government legislation to limit mining activities;
- regulations limiting greenhouse gas emissions from the mining industry;
- acute physical risks such as the increased likelihood of extreme weather events; and
- chronic physical risks such as changing weather patterns including rising temperatures and sea levels.

Key risk indicators

- Energy demand/value added.
- CO_2/energy consumption.
- Zero-carbon fuel share.

Link to strategy

1 2 3 4

Risk appetite

Medium

Behaviour

Stable

Risk rating (relative position)

2022: Medium (15)

2021: Medium (12)

Factors contributing to risk

- The Federal Government promotes investment in coal rather than in renewable or clean energy. This has led to operating on clean energy becoming more difficult.
- The Federal Government's implementation of policies that support the use of coal will lead to more greenhouse gases being released into the atmosphere and reduce the development of renewable energies.
- Current and emerging climate regulations have the potential to result in increased cost, to change supply and demand dynamics for our products and create legal compliance issues and litigation, all of which could impact the Group's financial performance and reputation. Our operations also face risk due to the physical impacts of climate change, including extreme weather.
- Warming temperatures will increase water scarcity in some locations, inhibiting water-dependent operations, complicating site rehabilitation and bringing companies into direct competition with communities for water resources.
- The supply of critical inputs to mining processes, such as water and energy, is likely to face greater constraints.
- Employee health and safety will be put at risk by increases in communicable diseases, exposure to heat-related illnesses and the likelihood of accidents related to rising temperatures.
- Obtaining and maintaining a social licence to operate will become more difficult in communities where climate change exacerbates existing vulnerabilities and increases direct competition between the company and the community for resources.
- Increased physical and non-physical risks will make project financing more difficult to secure.
- Global warming and its effects such as droughts, hurricanes, winter storms and heavy rains, can cause stoppages in operations.

Controls, mitigating actions and outlook

1. Climate change has formed part of our strategic thinking and investment decisions for over two decades.
2. We are considering the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) regarding: Governance, Strategy, Risk Management and Metrics and targets.
3. We recognise the importance of maturing our approach to integrating physical climate change risks and adaptation into financial planning and decision-making processes. We are committed to enhancing our understanding of the site-level impacts and vulnerabilities to refine our adaptation measures.
4. The pervasive and complex nature of climate change means that it can amplify other risks such as environmental incidents, access to water, health & safety of our people, government regulations, and social licence to operate. The Head of Sustainability and the Head of Risks support the process to refine the identification and risk assessment of physical and transitional risks.

For more details see Climate change on pages 86-101.

5. We use the guides from industry associations (i.e. ICMM), international scientific reports (i.e. IPCC), reports from industry peers and reports of the Mexican Government to identify the physical impacts of climate change.
6. To gain a general understanding, we use the outcomes of scenarios built by the Mexican Government Reports, using the Global Circulation Models (GCMs) and different Representative Concentration Pathways (RCPs).
7. In addition, we use Aqueduct, a tool developed by the World Resources Institute (WRI), to better understand water stress under different climate change scenarios in the 2020-2030 period.
8. We are implementing a series of controls to manage the threat of extreme weather, including structural integrity programmes across all critical assets, emergency response plans and flood management plans. These controls keep our people safe and help our operations return to normal capacity as quickly as possible.
9. We are increasing the supply of the materials essential to building a low-carbon economy.
10. We are setting targets to reduce our emissions (on an absolute and intensity basis) over the short-, medium- and long-term.

For more details see Climate change on pages 86-101 and Water stewardship on pages 106-107.

2022 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. Our focus is on the Group's existing business and the ability of the current portfolio to generate sufficient cash to meet the Group's outgoings, including the dividend.

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 2027. 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 of time.
- 'Access to land', especially due to disputes with the owners of the land where we have operations.
- 'Safety', particularly in scenarios that consider fatalities.
- 'Tailing and environmental incidents', especially the failure or rupture of a tailings dam.

This year, we also considered the effects of climate change on the viability scenarios, particularly the impact of heavy rains and incorporated climate-related factors in Scenarios 2, 3, 4 and 7. Nevertheless, our conclusion was that the most important scenarios are not at this stage materially impacted.

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$1,492 per ounce and US$16.9 per ounce 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$1,942–1,676 per gold ounce and US$23.4–21.9 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 one of our mines. 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. An unforeseen fault containing water is cut into, leading to water entering the mine in excess of pumping capacity, thereby halting production of one of the mine's main areas. The ramp-up to pre-event production levels commences once management determines that it is safe to do so. (Singular event)

Scenario 5: Action by the Government at a mine. Explosives are stolen on site 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: Access to land at a mine. Conflicts with local communities arise and result in the Company having to cease operations until negotiations can be finalised and the land can be re-occupied. (Principal risk)

Scenario 7: Total power failure at a mine. There is an unexpected power outage at a mine caused by a severe winter storm, which freezes gas and diesel pipelines and supply facilities. (Singular event)

2022 Long-term viability statement continued

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. 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 2022 US$969.1 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, in combination with the low metals prices scenario. However, with mitigation actions this scenario would maintain a positive cash balance throughout the viability period, with a minimum level of US$115 million during the third year (2025).

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 Review on pages 2-157. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review in pages 52-61. In addition, note 31 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

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

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

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

Section 172 Companies Act statement

Section 172 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 2022:

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 65) identifies the ESG factors that are significant to our stakeholders and material to our operations. Our 'Building Trust – relationship with key stakeholders' section (pages 120-125) introduces our stakeholders, why they are important and the engagement strategies we deploy to build and maintain strong relationships. Our 'Managing our Risks and Opportunities' section (pages 127-152) 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 being 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 identifying the relevant stakeholder considerations for inclusion in the papers which accompany Board discussions whenever principal decisions are considered.

During 2022, several of the Board's principal decisions with relevant implications for our stakeholders and the Company's future are evident in the approval of the Company's Business Plan and Budget.

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 engagement with stakeholders is also set out in the 'Board Leadership and Purpose' section of the Governance Report on pages 170-172.

Approved by the Board of Directors on 6 March 2023.

Principal decision

Decision:	Approve the 2023 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; thus, the Company deploys strategies and actions that might affect stakeholders differently each year. This period's business planning took place amidst global geopolitical turmoil, unusually high inflationary pressures, supply chain bottlenecks and rising critical input prices, as well as challenging regulations for business and, more specifically, 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, identifying relevant stakeholder considerations that were taken into account in preparing the Board papers, with a focus on: • Generating long-term value for all the stakeholders in a challenging and changing environment with increasing demands and expectations. • Prioritising excellent 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 (critical risk control protocols and verifications, leadership on the field, near-miss reporting and 'I Care, We care' programme deployment, among others). • Promote wellness programmes, preventive care and healthier lifestyles to limit chronic diseases, as well as Covid-19 preventive measures. • Make progress on our diversity, equity and inclusion (DEI) strategy by increasing the female share of the workforce. • Deploy intensive recruitment campaigns and compulsory technical training for the assimilation of contractors resulting from the Mexican Labour Reform. • Carry out continuous campaigns to promote the harassment prevention and the anti-corruption and anti-bribery (ABAC) programmes. • Increase security measures due to rising levels of insecurity surrounding our projects and operations. • Support free elections for the ratification of Collective Bargain Agreements (CBAs) by unionised workers. • Maintain an adequate level of compensation and benefits.
	Community	• Continue local programmes to help create prosperous and self-sufficient communities (health, education, capacity building and water accessibility). • Promote local procurement and employment, and deploy a strategy to increase our recruitment from neighbouring communities to secure business continuity as part of the actionable items of the Mexican Labour Reform. • Maintain relationships based on mutual trust through engagement and collaboration, demonstrating our long-term commitment to facilitate access to land and our social licence to operate.
	Government and regulators	• Engage authorities regarding power grid interconnection of new and existing infrastructure. • Make our views regarding the implications of the Energy Reform and the limitations to accessing new mining concessions known to the authorities, through business organisations. • Continue high standards of corporate governance and compliance with regulations. • Meet legal and tax obligations.
	Contractors and suppliers	• Ensure compliance with the Mexican Labour Reform and continue complementing our operations with contractors' specialised services where possible. • Minimise impacts to our operations in a complex environment of disrupted value chains by anticipating procurement of critical supplies and equipment.
	Minority shareholders	• Ensure that the interests of minority shareholders are always considered in decision making, and that all transactions with related parties are transparent and fully documented. • Manage and operate the Company in a sustainable and sound way, both financially and operationally. • Pay dividends in accordance with the Company's dividend policy. • Report our Environmental, Social and Governance (ESG) performance and strategy in a transparent and timely fashion.
	Environmental considerations	• Manage TSFs responsibly and invest continuously to ensure operational excellence and storage capacity throughout a mine's lifecycle. • Continue to capitalise investments to reduce our carbon emissions footprint. • Improve fresh water intensity and investment in wastewater treatment plants to reduce operation costs and first-time water usage.
Strategic actions supported by the Board	The Strategic Actions of the Business Plan supported by the Board to generate value for stakeholders are: • Preventive healthcare including Covid-19 measures and wellness initiatives. • Investment to support hiring and training of new personnel as well as rental and purchasing of equipment as part of our compliance with the Mexican Labour Reform. • Promotion of safety culture, incident prevention and creation 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 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 2023 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 Covid-19, health & safety, wellness of the workforce, environmental performance and social licence.	
Outcome	In October 2022, the Board discussed and supported the 2023 Business Plan and Budget (which is subject to final review and approval by the Board in early 2023).	

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]. • Code of Conduct for third parties[4].	• Protecting our environment section pages 85-109.	• Tailings and environmental incidents. • Climate change	• GHG emissions. • GHG intensity. • Energy intensity. • Mining and metallurgical waste. • Water withdrawal. • Water intensity.
Company's employees		• Caring for our people section pages 73-84. • Safety section pages 79-82. • Our culture section pages 73-78. • Health section pages 83-84.	• 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 70. • Number of disciplinary actions. See page 70.
Social matters		• Our approach to sustainable mining, materiality section on page 65. • Partnering with our communities section, pages 110-119.	• Access to land. • Licence to operate.	• Economic value distributed. • Local employment. • Community investment. • Number of community grievances. See page 112.
Respect for human rights	• Sustainability[1]. • Diversity and inclusion[1]. • Code of Conduct[2]. • Harassment Prevention Protocol[3]. • Code of Conduct for third parties[4].	• Diversity, equity and inclusion section on page 77. • Harassment prevention programme, more information on page 70.	• Human resources.	• % of women. • Diversity in talent attraction. • Gender pay gap.
SB: Anti-Bribery and Anti-Corruption to tie with ABAC	• 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]. • Code of Conduct for third parties[4].	• Governance activities during 2022 included reviews of elements of the ABAC programme, which were presented periodically to the Board and to the Audit Committee. See pages 182 and 189. • During 2022 we continued performing our third party due diligence process (423 analyses in total led to the approval of six high risk, 68 medium risk and 343 low risk third parties, and the non-recommendation and thus rejection of six third parties). • Responsible business section on pages 71-72.	• 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 70. • Ethical conduct. See pages 68-70.

1 http://www.fresnilloplc.com/corporate-responsibility/our-policies/
2 http://www.fresnilloplc.com/corporate-responsibility/ethics-culture-and-integrity/code-of-conduct/
3 Public commitment as part of our Code of Conduct, detail on our stance and procedures available on our intranet policy site.
4 http://www.fresnilloplc.com/corporate-responsibility/ethics-culture-and-integrity/third-party-business-conduct/

The Strategic Report which is set out on pages 1 to 157 has been approved by the Board of Directors of Fresnillo plc.
Signed on behalf of the Board

Alberto Tiburcio
Independent Director
6 March 2023

The Chairman's letter on Governance 2022

Dear shareholder

As Chairman of Fresnillo plc, I am well aware of the expectations placed upon my colleagues on the Board and me to maintain high standards of corporate governance as a responsible premium-listed Company on the London Stock Exchange. We recognise the importance of good corporate governance both for our Company and for the shareholders who invest in us. I am, therefore, pleased to introduce this Governance section of our Annual Report and take the opportunity to highlight some of the areas of progress during the year.

My position as Chairman of the Company's majority shareholder should also be regarded as a sign of strong governance due to the full alignment of the majority shareholder's interests with other shareholders, considering that all related parties' transactions are approved by only our independent Directors.

Ongoing Covid-19 restrictions have made travel difficult for many Board members during the year and we have continued to hold all of our meetings virtually. We hope and anticipate that the situation will change in 2023. By contrast, after two years of restrictions on shareholder meetings, it was a pleasure to be able to hold our Annual General Meeting (AGM) in person in London in May. The Board is recommending the re-appointment of Charlie Jacobs and Bárbara Garza Lagüera as independent Non-executive Directors at the 2023 AGM, despite the fact that they will have been on the Board for more than nine years at the time of the 2023 AGM. The Nominations Committee has considered this issue in depth and feels that they both continue to demonstrate independence, and that the general restriction on travel has not enabled the Committee to fully consider an appropriate succession plan in time to bring forward replacements for the shareholders to consider at the 2023 meeting. The Committee will focus on this task during 2023, identifying suitable nominees and proposing them by the 2024 AGM.

At our AGM in 2022, we asked shareholders to renew our Directors' Remuneration Policy for another three years and were pleased that over 97% of the shares that voted at the AGM did so in favour of the revised Policy. The Remuneration Committee is recommending some minor changes to the Policy at the 2023 AGM, which: (i) will allow the Board to increase Non-executive Directors' fees in line with a benchmark range of fees for similar companies, without recourse to shareholders; and (ii) will give the Remuneration Committee discretion to apply upward adjustments to the annual bonus in the case of outstanding personal performance which results in a significant benefit to the Company during the relevant year. Further details of these changes are on page 206 and I hope that shareholders feel able to support them.

In our 2021 Annual Report, we set out details of the Company's responses to climate change through our Climate Related Financial Disclosures (TCFD) reporting. The Board, along with the Audit and HSECR Committees, has continued to develop its arrangements for the oversight of climate-related risks and mitigation programmes. Environment, Social and Governance (ESG) themes have been a prominent aspect of our Board meetings during the year. In April, the Board reviewed the Group's Diversity, Equity and Inclusion (DEI) strategy and, in July, the Board reviewed in detail several aspects of the Company's sustainability strategy. We see these as important elements of our licence to operate and consider it is appropriate that they are properly considered by the Board.

In July, we introduced a new meeting into our Board calendar to provide Directors with a chance to discuss risk and long-term strategy more extensively with our Executive Team. This meeting took the form of a working meeting and was instigated in response to suggestions made during our last Board effectiveness review. At this meeting, the Company's risk framework was discussed as well as how risks are identified, managed, and controlled. In addition, key controls put in place to mitigate risks previously identified were discussed. Lastly, the planned developments in UK regulatory matters relating to corporate governance and FRC Guidance on audit were also considered.

In September and October, we undertook our annual Board effectiveness review which was again run by Lintstock using questionnaires. The findings of the Board evaluation were reviewed by the Board at its meeting in October 2022. The key outcome of our annual Board effectiveness review was that the Board and committees continue to perform very well in absolute and relative terms compared to a sample of UK companies. As ever there are some aspects of the Board's processes that we are thinking further about, and details of the steps being taken as a result of this exercise are shown on pages 176 and 177.

I would like to conclude this letter by thanking my Board colleagues for their continued support and valuable contributions to the work of the Board and its committees during 2022. We continue to face many challenges, but I believe that we have the right governance structures in place at Fresnillo to be able to assess and respond to those challenges effectively.

Yours faithfully

Mr Alejandro Baillères
Chairman of the Board
6 March 2023

"The key outcome of our annual Board effectiveness review was that the Board and committees continue to perform very well."

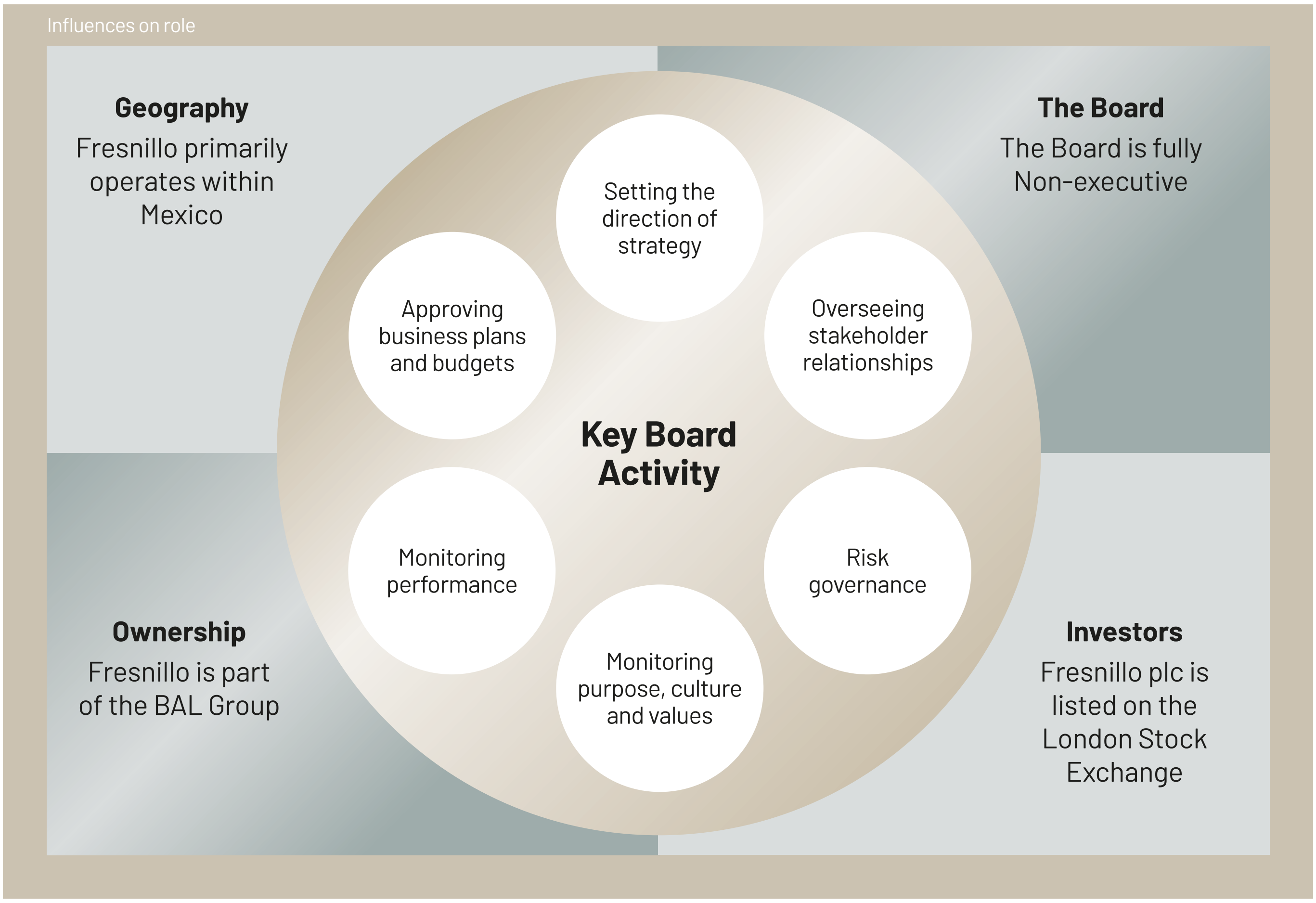
Fresnillo's approach to Governance

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 and the Chief Operating Officer). 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 2022

The Board has continued to ensure that the measures implemented at the start of the Covid-19 pandemic continue to be effective, providing both a safe and healthy environment for Fresnillo's workforce, along with an appropriate level of protection and support for the communities in which the Company operates. The Board was updated on these measures by the Chief Executive Officer at the Board meetings held during this year, as well as by updates from members of the Executive Committee at Audit Committee and HSECR Committee meetings. The Board's usual programme of formal meetings remained unchanged during 2022 but all meetings were conducted via video conference.

New developments in the Board's approach to governance in 2022

The Board	Climate change and TCFD	Risk management process
Independent Non-executive Directors Non-independent Non-executive Directors (BAL appointed)	The HSECR Committee evaluates climate related performance, risks and opportunities. The Audit Committee considers the requirements of the TCFD and the Company's related disclosures.	The Board oversees our principal risks and associated management responses. The Audit Committee monitors the effectiveness of risk management and internal controls. The Board, the Audit Committee and the Executive Committee use working sessions to review the evolution of principal and emerging risks, as well as the appetite for each risk.
Executive Committee	Responsibility relating to the energy efficiency of the Company's operations, objectives for future performance and target setting. Quarterly reports are provided by the CEO, COO and Head of Sustainability to the HSECR Committee.	Identifies strategic risks. Assesses level of risk related to achieving strategic objectives. Oversees execution and implementation of controls into strategic and operating plans.

Further information about the Company's risk management process can be found in the Strategic Report on pages 127 to 152.

During the year the Board focused on the following matters:

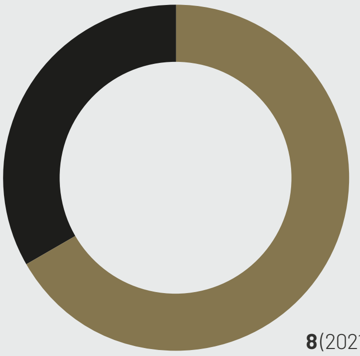
Health, safety and wellbeing	• Safety performance and 'I Care, We Care' programme updates. • Community relations initiatives updates. • Covid-19-related response updates.
Strategy and planning	• Long-term strategic plan at a separate working meeting held in July 2022. • Review and approval of revised Business Plan and 2022 Budget. • Approval of 2023 Business Plan and Budget.
Operational matters	• Juanicipio update. • Pyrites Plant (Phase II) update. • Rodeo and Orisyvo updates. • Follow-up to the strategy to comply with Mexico's labour law reform.
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 with TCFD recommendations. • Water consumption initiative updates.
Finance and Risk	• Confirmation of Principal Risks and Uncertainties. • Review of risk matrix. • Consideration of emerging risks assessment. • Review of risk appetite. • Fraud risk assessment updates. • External Anti-Bribery and Corruption plan review updates.
Governance	• 2022 Board and committee internal effectiveness reviews. • Approval of Executive Succession Plan (following recommendation from the Nominations Committee). • Review of the current membership and composition of the Board and committees. • Regulatory changes updates.

The Board's Section 172 Statement is shown on page 155.

About the Board and Committees

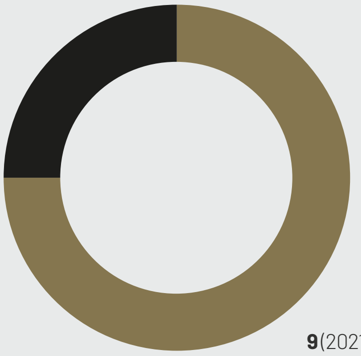
Board composition

Gender split
4 (2021: 4)
Female*



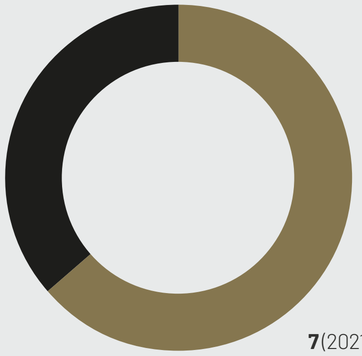
8 (2021: 8)
Male

Ethnic origin split
3 (2021: 3)
Europe



9 (2021: 9)
Latin America

Independence (excluding the Chairman)
4 (2021: 4)
Non-Independent



7 (2021: 7)
Independent

* The Company has 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 2022.

Directors	Board*	Audit Committee	Remuneration Committee	Nominations Committee	HSECR Committee
Chairman					
Alejandro Baillères	4/4		3/3	1/1	
Senior Independent Director					
Charles Jacobs	4/4			1/1	
Non-executive Directors					
Juan Bordes	4/4				
Arturo Fernández	4/4				4/4
Fernando Ruiz	4/4				4/4
Bárbara Garza Lagüera	4/4			1/1	
Georgina Kessel	4/4	5/5			4/4
Judith Macgregor	4/4				4/4
Alberto Tiburcio	4/4	5/5	3/3		
Guadalupe de la Vega	4/4		3/3		
Hector Rangel	4/4	5/5			
Eduardo Cepeda	4/4				

* In July 2022 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 2022.

Board committee membership

Audit Committee

The members of the Audit Committee and their relevant experience is summarised as follows:

Committee member	Financial and auditing experience	Sector and country 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.	Various industries across Mexico and internationally. Board and Audit Committee experience at various public companies.
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.	Has served as President, Chair and CEO at various Mexican banks.

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 2022 can be found in the Audit Committee report on pages 180 to 192.

Nominations Committee

The members of the Nominations Committee are 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.

Further information about the work of the Nominations Committee during 2022 can be found in the Nominations Committee report on pages 178 and 179.

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; and
- 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 2022 can be found in the Remuneration Committee report on pages 193 to 210.

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 2022, can be found in the HSECR Committee report on pages 62 and 63.

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 new 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 the Task-Force for TCFD 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 (http://www.fresnilloplc.com/who-we-are/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 199): 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	**Fernando Ruiz** Non-executive Director	**Eduardo Cepeda** Non-executive Director
15 April 2008	15 April 2008	24 June 2021
HSECR Committee (Chairman)	HSECR Committee	None
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).	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.).	All four of the BAL Listed Entities.
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.	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.	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.
• 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).	• 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.	• 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.

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 Strategic Advisory Group to the UK Global Challenges Research Fund 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 Jacob's 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

4 May 2016

Audit Committee (Chairman)

Remuneration Committee (Chairman)

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., Grupo Nacional Provincial S.A.B. and Grupo Palacio de Hierro S.A.B. de C.V.

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.

- 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.

Georgina Kessel
Independent Non-executive Director

30 May 2018

Audit Committee

HSECR Committee

None

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.

- 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 governing board of the Federal Electricity Commission. She has previously held senior board positions at Iberdrola, S.A., Petróleos Mexicanos, and the National Bank of Works and Public Services, Nacional Financiera and the National Bank of Foreign Trade. 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.

Guadalupe de la Vega
Independent Non-executive Director

29 May 2020

Remuneration Committee

Ms de la Vega is a director of Sitios Latinoamérica, S.A.B. de C.V.

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.

- 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.

Héctor Rangel
Independent Non-executive Director

24 June 2021

Audit Committee

Mr Rangel is an independent Non-executive Director of Grupo Nacional Provincial, S.A.B.

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), and Polyforum Cultural Siqueiros, as well as President of the Board of Trustees of the Museum Franz Mayer and independent Non-executive Director of Profuturo Afore, S.A. de C.V.

- 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.

All of the Directors listed above will seek re-election by shareholders at the forthcoming Annual General Meeting.

Executive Committee

Octavio Alvídrez
Chief Executive Officer

Date of appointment
15 August 2012

Committee membership
Mr Alvídrez is invited to attend Board, Audit Committee, HSECR Committee and Remuneration Committee 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.

Mario Arreguín
Chief Financial Officer

Date of appointment
15 April 2008

Committee membership
Mr Arreguín is invited to attend Board and Audit Committee meetings.

Key strengths and experience
- 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.

Guillermo Gastélum
Vice President of Exploration

Date of appointment
1 January 2021

Committee membership
Mr Gastélum is invited to attend Board meetings.

Key strengths and experience
- 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

Date of appointment
19 November 2020

Committee membership
Mr Iturriaga is invited to attend Board meetings and on occasions the Audit Committee and HSECR Committee.

Key strengths and experience
- 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.

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 2022.

For the financial year ended 31 December 2022 other than as set out below, the Company has complied with the provisions of the Code, save in respect of:

- *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 172); 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 170 to 172. 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 193 to 210. 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 170 to 172

#2
Division of responsibilities:
Pages 173 and 174

#3
Composition, succession and evaluation: including the Nominations Committee Report
Pages 175 to 179

#4
Audit, risk and internal control: the Audit Committee Report
Pages 180 to 192

#5
Remuneration: the Directors' Remuneration Report
Pages 193 to 210

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.

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 164 to 167, 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 to 21 and agreed by the Board, is delivered for the benefit of the Company's stakeholders. The S172 Statement on page 155 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 and 21; an explanation of the code of conduct which prescribes the Directors' role is given on page 170.

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 page 168, although the Board monitors this against key performance indicators. Page 190 details the internal control structure in place and pages 127 to 129 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 157, further details with regard to engagement with the community is outlined on pages 110 to 112 and 122, and with shareholders on page 125.

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 page 126. The procedure to ensure that employees, and other stakeholders, can raise immediate concerns via the Company's whistleblowing procedures is explained on page 70.

Generation and preservation of company value

Fresnillo's Business Model and Strategy is set out on pages 20 and 21 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 2022, 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.

Further information on Company's Purpose is set out on pages 17 to 19.

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 70 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 Diversity, Equity and Inclusion, with the support of the University of Arizona.
- 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 progress made in improving 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 126 and 171.

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 186). 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 2022 (in relation to 2H 2021) and July 2022 (in relation to 1H 2022). In 2022, the Audit Committee and Board monitored the reporting of incidences of harassment following the commencement of 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 Table on pages 118 to 125).

The Covid-19 pandemic continued to present a significant challenge to the Company and required the Board to continually adapt and evolve the Company's practices. During the year, senior management and the HSECR Committee, on behalf of the Board, evaluated prevention protocols and 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 110 to 112 and 122.

Workforce engagement: communication and feedback

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.

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 2022, the Company undertook two separate workforce engagement sessions led by Mr Fernández. The sessions enabled Mr Fernández to listen to the views of employees directly. These sessions 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:
- Integral wellbeing, health, safety and Covid-19.
- Ethical culture, diversity, inclusion and equity.

The openness and candour expressed during these engagement sessions 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, simplification of administrative processes, salary and wages in the context of inflation, and appeal mechanisms for performance appraisals. Further details are provided on page 126.

Feedback received from these workforce engagement sessions was discussed at the July and October 2022 Board meetings. 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. As the world is expected to gradually return to a new normality after the Covid-19 pandemic, both Mr Fernández and the senior team will consider holding the workforce engagement sessions using a combination of a mixed virtual and physical format and/or with the physical presence of all participants.

Board leadership and purpose continued

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 74 to 76.

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. In 2022, face-to-face meetings were resumed after the Covid-19-related restrictions were lifted.

The 2022 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. It is anticipated that the 2023 AGM will be held in the normal way and shareholders will be invited to attend.

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 socio-economic 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 86 to 109 and in the Audit Committee report on pages 182, 186 and 192.

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 2022 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 184, 191 and 192.

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 2022) 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 2022. As far as the Company is aware, such provisions have been complied with during the financial year ended 31 December 2022 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 175 to 177, 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 179, 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 173 and 174 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 173 and 174 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 175 to 177, 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 175 to 177, the Board evaluation exercise confirmed that all Directors were satisfied with the support they got from the 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 and was appointed to the Board by Peñoles pursuant to the Relationship Agreement (see page 72), thus at the time of his appointment, he was not independent. With Penoles 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 172.

Directors' independence
The Board considers the following Directors to be independent: Charles Jacobs, Bárbara Garza Lagüera, Georgina Kessel, Dame Judith Macgregor, Hector Rangel, Alberto Tiburcio and Guadalupe de la Vega. 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. At the 31 December 2022 and at the date of this report, Charles Jacobs and Bárbara Garza Lagüera continued to be independent Non-executive Directors as defined by Provision 10 of the Code. The Board intends to recommend to shareholders the reappointment of Charles Jacobs and Bárbara Garza Lagüera as independent Non-executive Directors at the AGM in May 2023, despite them both having been on the Board for more than nine years at the time of the 2023 AGM. The rationale for this recommendation is explained in the Nominations Committee report on page 179.

Senior Independent Director

Charles Jacobs is the Senior Independent Director. In February 2022, 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 Alejandro Baillères notified the Board of his appointment as Director of the Board of Directors of Fomento Económico Méxicano, S.A.B. de C.V. (BMV: FEMSA), and Mr Arturo Fernández notified the Board of his appointment as Alternate Director of such Company.

Ms Guadalupe de la Vega notified the Board of her appointment as Director of the Board of Directors of Sitios Latinoamérica, S.A.B. de C.V. (BMV: LASITE). 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.

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 low fees that the Company pays its Non-executive Directors.
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 164 to 167 of this report. The Board and Committee attendance record of each of the Directors during 2022 is set out on page 162 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 Company 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 179. The Company's policy on Board diversity is on set out on page 178 and details of the gender balance of senior management and the Company's approach to diversity, equity and inclusion is set out on page 77.

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 164 to 167, 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 179.

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 176 and 177.

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/or 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.

Board effectiveness review process in 2022

Early-August
Surveys prepared and circulated to Directors to complete

Mid-late August
Completed surveys received by Lintstock LLP and analysed

Early 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

Board report
Discussed at the Board meeting in October 2022

Committee reports
Discussed at each Committee meeting following circulation of the respective Committee report

In 2022, Board members were invited to complete questionnaires, the results of which were collated by Lintstock LLP into a Board discussion document. At its meeting in October 2022, 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 four areas for change that the Board will consider over the coming year:

- Increased focus on risk management, including appropriate mitigation measures.
- Spend less time on details of the financial aspects of the business during the Board meetings.
- Focus on the topics that were identified as the top strategic issues facing the Company over the next three to five years including: (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.
- Continue improving the Board's information packages.

Priorities for change for 2022 from the 2021 review

Priority	Actions	Progress
1. Prioritisation of mine visits.	Discussion about visits to mines have started taking place. Visits to mines will be resumed as soon as is advisable due to the pandemic status.	We were unable to progress this during 2022 due to the restrictions and levels of Covid-19 infections. Visits to mines are expected to be resumed in 2023 as soon as is advisable due to the pandemic status.*
2. Focus on the importance of adapting to regulatory changes.	Briefings on regulatory change especially around proposed UK audit, corporate reporting and corporate governance reforms, have been conducted.	The Audit Committee has been made aware of all developments to the UK regulations and the potential impact it could have on the business. Regulatory changes will be considered and introduced when appropriate prior to or soon after the changes in regulation take effect.
3. Set out a clear, advanced agenda on the areas of strategic risk to be presented quarterly to the Board ahead of its meetings.	Management has been instructed on this recommendation.	Board agenda items concerning areas of strategic risk and strategic implementation plans are considered before each Board meeting.
4. Provide brief summaries on what is happening monthly, which would make the Board better informed and engaged on a more timely basis.	Management has been requested to send to Board members a monthly summary of the prior month's production performance.	Information that the Board receives now complies with this recommendation. The monthly summary includes detailed information regarding prior month's production performance.
5. Oversee the proper operation of Baluarte Minero and its relationship.	In the scope of the Audit Committee.	The Audit Committee continues to follow up the proper operation and the quality of the services provided by Baluarte Minero. It is expected that the Services Agreement will be reviewed and renewed in the first half of 2023.*

* These actions will be carried forward into the 2022 Review Action Plan.

Priorities for change for 2023 from the 2022 review

Priority	Actions
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 will be held between Board members and management, in which these matters will be analysed.
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.
3. Spend less time on financial aspects of the business during the Board meetings.	Management has been instructed on this recommendation.
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 will be included in the agenda of the strategy working meeting that will be held in 2023 with Board members and management, and the other topics will be discussed at regular Board meetings.
5. Continue improving the Board's information packages.	Directors will send to management their specific proposals.

Committee evaluation
The reports on each of the Board committees prepared as part of the 2022 Board effectiveness review, and the outcome of the evaluation, were circulated to the members of each of the committees in October 2022 and discussed by the Audit, HSECR and Remuneration Committees at their meetings in October 2022 and by the Nominations Committee at its meeting in February 2023. 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 2023 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 present 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. Due to the Covid-19 pandemic, it was not possible for the Non-executive Directors to make such visits in person in 2022. It is intended to resume visits to mines in 2023, if advisable.

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

“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.”

Members and meetings in 2022	Meetings attended
Alejandro Baillères	1/1
Charles Jacobs	1/1
Bárbara Garza Lagüera	1/1

Dear shareholder
I am pleased to introduce the Nominations Committee Report for the year ended 31 December 2022.

Independent Non-executive Directors’ succession
You will note that the Committee has recommended to the Board that two Directors, Mr Charles Jacobs and Mrs Bárbara Garza Lagüera be recommended to shareholders for re-election at the AGM in 2023, despite the fact that they will have both completed nine years’ service by the time of that AGM. The Committee considered, notwithstanding that the UK Corporate Governance Code suggest that nine years’ service could have an impact on independence, that both individuals continue to demonstrate independence in character and judgement. The Board is satisfied that they have not formed associations with management (or others), and as the Board’s fees are a minor part of their income, their membership of the Board should not compromise their ability to exercise independent judgement or act in the best interests of the Company. The Committee also considers that the Board continues to benefit considerably from the broad business experience and knowledge of the capital markets in the UK and Mexico that they respectively bring. General restrictions on travel have not enabled the Committee to fully consider an appropriate succession plan in time to bring forward replacements for the shareholders to consider at the 2023 AGM.
The Committee will focus on a recruitment process in 2023 to appoint two new independent Non-executive Directors for shareholder approval at the AGM in 2024.

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 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 2022 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.

Company-wide gender diversity
In 2021, the Company conducted surveys and focus groups to better understand the challenges and opportunities of developing a diverse and inclusive culture. A new strategy was implemented in 2022. This includes several initiatives designed to: improve the leadership opportunities for women; develop a better human resources infrastructure; adopt and use metrics to improve management; and monitor and promote the right culture and behaviours. Further information on the implementation of this programme is set out on page 77 in the Sustainability Report.

Board evaluation
In 2022, the review of the effectiveness of the Board was carried out using a questionnaire-based approach. Board members were invited to complete the questionnaires, the results of which were collated by Lintstock LLP, into a Board discussion document. A summary of the overall approach adopted and findings arising from this review is set out on pages 175 to 177 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 approved 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 page 77.

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 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 2022	0 to 3 years	3 to 6 years	6 to 9 years	Over 9 years
Independent Directors	2	2	3	–
Non-independent Directors	1	–	–	4

The Nominations Committee does not use 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 2022, 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.

Non-executive Directors succession planning

The Committee has recommended to the Board that two Directors, Mr Charles Jacobs and Mrs Bárbara Garza Lagüera, be proposed to shareholders for re-election at the AGM in 2023, despite the fact that they will have been on the Board for more than nine years at the time of the 2023 AGM. With Mr Jacobs and Mrs Garza Lagüera having recused themselves from the discussion, the Committee considered that despite the UK Corporate Governance Guidelines suggesting that nine years' service could have an impact on independence, that both individuals continued to demonstrate independence and have not formed associations with management (or others) that might compromise their ability to exercise independent judgement or act in the best interests of the Company. The Committee also noted that, due to the global pandemic restricting the Committee from meeting in person, it had not been possible to meet and fully discuss an appropriate succession plan for independent Non-executive Directors' appointment during 2022. The Committee will focus on this task in 2023 and seek to appoint replacements for the two individuals for shareholder approval by the AGM in 2024. The Committee has also considered that the Board balance and diversity is appropriate and that all independent Non-executives Directors put forward for re-election, in addition to Mr Jacobs and Mrs Garza, continue to be independent.

Other Committee activity during 2022

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 2023 AGM. (Further analysis of the Nominations Committee's assessment is set out on page 174).
- **Committee Report:** Approval of the 2021 Nominations Committee Report prior to publication.
- **Committee Evaluation:** In February 2023, the Nominations Committee reviewed the outcome of the independent performance evaluation undertaken in 2022, which concluded that the Committee is performing very well.

Board skills and experience

Skill/experience	Description	Percentage 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 well being	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.

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 an explanation of the independence and effectiveness of the external audit process can be found on page 187 with detail of the reappointment of the statutory auditor on page 188. 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 2022 is fair balanced and understandable is detailed on page 186 and 192.

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 page 127, and the role of the Audit Committee in monitoring the risk matrix is described on page 189. During 2022 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 188 and 189.

Audit Committee report

> "The business has to prioritise the health and wellbeing of employees and other key stakeholders, while making every effort to maintain production."

Members and meetings in 2022	Meetings attended
Alberto Tiburcio	5/5
Georgina Kessel	5/5
Hector Rangel	5/5

Dear shareholder
It gives me great pleasure to introduce the Audit Committee Report for the year ended 31 December 2022.

Due to the ongoing impact of the global pandemic, the complex geo-political environment and worldwide rising interest and inflation rates, 2022 was another difficult trading year. Companies have needed to respond creatively to the challenges presented. The business has to prioritise the health and wellbeing of employees and other key stakeholders, while making every effort to maintain production. Taking account of the relevant safety measures in place during 2022, with regard to Covid-19 infection, our mines continued operating throughout and most of the Company's office-based employees were able to combine home and office working.

As a consequence of the challenging circumstances facing the business, the Committee has focussed closely on key financial processes and internal control. Further close attention has been given to the key areas of judgement and estimation in the financial statements, such as impairment of long-term assets, going concern and viability assessments. 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 items of particular focus for the Committee during the year are detailed below:

- **Proposed changes to regulations:** During the year, the Committee continued to consider the significant changes that may be introduced in future years as a result of the report arising from the UK Government's consultation on 'Restoring trust in audit and corporate governance' which was published in May 2022. We have also considered how to implement new requirements with regard to transparency, diversity and inclusion following prior year regulatory changes.
- **Labour law changes:** During the year, the Committee continued to monitor the implementation of the action plan approved by the Board in response to the new rules which prohibit the subcontracting of personnel introduced by the Mexican Government in April 2021.
- **Tax contingencies:** The Committee has continued to closely monitor tax contingencies, in particular the differences generated from prior years regarding the tax treatment of certain stripping costs and exploration expenses. These items were not explicitly determined by the Mexican tax law and consequently were subject to interpretation. During 2022, the Committee has received regular reports from management on their discussions with the Servicio de Administración Tributaria (SAT), the Mexican tax authority, concerning these matters. After 31 December 2022 and following the discussions held with the SAT, the Company agreed to amend the income tax and mining rights treatment for the periods 2014-2021 in respect of stripping costs and exploration expenses. This amendment impacted the income statement as of 31 December 2022 by US$17.4 million, of which US$11.5 million relate to interest and surcharges. No penalties were incurred in respect of this tax amendment. This effect was offset by a decrease in deferred corporate income tax of US$3.4 million.
- **Fraud detection:** In response to the expected future regulatory changes, the Company has further strengthened its already firm commitment to reducing 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. More information on risk management systems can be found on page 127.

- **Climate-related financial disclosures:** This Annual Report includes additional 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, amending the Committee's Terms of reference accordingly. 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 fully comply with the TCFD recommendations in the future. Further details of the progress made during the year and actions expected to be taken during 2023 are set out in the Letter from the Chairman of the HSECR Committee on pages 64 to 65 and in the Sustainability Report on pages 86 to 118.
- **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 auditors. The Company has continued to make progress in correcting the observations from prior years with the result that the Company is able to report its reserves and resources with greater accuracy and certainty.
- **Anti-bribery and corruption:** During the year, 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). The result was satisfactory, and the Committee was kept informed of management's plan to implement the recommendations proposed following the audit. Further information about the Company's approach to bribery and corruption is set out on page 157 of the Strategic Report.
- **Cybersecurity:** IT security and data protection were also regularly reviewed by the Committee during the year to ensure that the improvements identified in previous years continue to be implemented on schedule. In 2022, 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 131 and 143 of the Strategic Report. The Company continues to make progress in this important area, and this will be monitored further by the Committee during 2023.

The Committee reviewed a letter from the Financial Reporting Council (FRC) in late 2022 with observations on the 2021 Annual Report and considered the Company's response to that letter. The Committee was pleased to note the FRC's confirmation, in December 2022, that it had concluded the correspondence on this matter.

In the second half of the year, Lintstock carried out an evaluation of the Board and its committees. 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 both the efficiency of the meetings and remain well-briefed on the subjects that we are required to consider as a 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 2022

This report sets out the key activities of the Committee in discharging its duties during 2022. The Committee met five times during 2022 with all the meetings being held by 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 163 and 177 respectively of the Governance Section.

Reporting

Financial reporting

The Company reports to shareholders on its financial performance twice a year. During the period from 1 January 2022 to the date of this report, the Committee reviewed the full-year financial statements and Annual Report for the year to 31 December 2021, the interim financial statements for the six months to 30 June 2022 and the full-year financial statements and Annual Report for the year to 31 December 2022. 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 quarterly financial performance at each of its meetings in February, April, July and October.

The principal steps taken by the Committee during the period from 1 January 2022 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 2021 and consideration of EY's comments on these documents;
- Review of the 2022 interim financial statements and 2022 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 2022;
- Review of the significant judgements and estimates that impact the financial statements (see below); and
- Review of the financial statements and Annual Report for the year ending 31 December 2022 and consideration of EY's comments on these documents.

In addition, the Committee reviewed and recommended for approval, drafts of Parent Company interim accounts prepared as at 31 December 2021 and for the period then ended.

During 2022, with the exception of the interim review, EY did not provide any assurance work in relation to non-audit matters.

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.

Process for the review of significant judgements

The significant judgement process may be summarised in the following way:

Reporting continued

Significant areas of judgement in 2022

The significant judgement areas considered by the Committee in 2022 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 had started in 2021 (see the section of this report headed 'Related parties' on page 191).
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 191). 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 2022 transfer pricing review will not be completed until after the date of approval of this report.

Mineral reserves and resources (see pages 296 to 301)	
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. Delays in gathering such data and inaccuracies in the estimation of reserves and resources would have broad implications for the amounts recognised in the financial statements.
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 2022, the Committee continued to assess the observations made in previous reports concerning the Group's processes for the estimation of reserves and resources. It continues to discuss with management the resourcing of the internal teams supporting this process and other steps taken to improve the quality and timeliness of the provision of data to SRK and AMC. Since 2021, the audit of reserves and resources was split between SRK and AMC to expedite the audit process. The Committee reviewed progress with the remedial action plan prepared by management in 2019 and noted that further progress had been made to deliver the reports from SRK and AMC on a more timely basis.

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 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 assessed 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.

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. Governmental changes in Mexico also result in personnel and policy changes at the SAT, the Government tax authority. During the year, the Committee has continued to closely monitor tax contingencies, in particular, the differences generated from prior years regarding the tax treatment of certain stripping costs and exploration expenses and received reports from management on ongoing discussions and outcome agreed 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. Following changes to the basis for calculating PTU, due to the introduction of the labour reforms, there is an enhanced risk that deductions taken when calculating tax and PTU charges may be challenged, and that any resulting exposures to payable taxation and PTU may not have been provided for appropriately.
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.
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.

Reporting continued

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 2022 is described on page 192 of the Corporate Governance Report. Different sections of the Report were circulated to Board members during early February 2023 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; and
- 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 2022, 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. The Committee's terms of reference were amended accordingly see page 182.

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, 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 each quarter 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 2022, there were a total of 113 reports (compared to 157 in 2021). In 2022, 105 (93%) 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 2022 is set out in the Sustainability Report on page 70. 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 2022 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 expected to be held no later than 2025. The current lead partner, Steve Dobson, has been in place since 2020. During 2022, 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.

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 2022 to the date of this report were:

- The review of a report from EY providing their observations and opportunities arising from the 2021 audit process and management responses to those observations in April 2022.
- Discussion with EY of the findings from their review of the interim results for the period ended 30 June 2022.
- The review of the 2022 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 2022.
- The review of the representation letter given to EY for the 2022 full-year audit.
- The review of EY's report following completion of the audit for the year ended 31 December 2022.

Covid-19: In 2022, EY's review of the half-year financial statements and the external audit of the full-year financial statements and 2022 Annual Report were conducted on a restricted basis due to some Covid-19 restrictions, however, the Audit Team was able to travel from the UK to Mexico and was able to visit some of the Company's mines.

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 2022, EY provided audit-related assurance services in connection with the review of the interim financial statements (US$437,000). The ratio of fees paid for non-audit work in relation to audit work during the year was 0.2:1 (2021: 0.28:1.00).

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; and
- 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. EY also shared the findings from their own internal quality review with the Chairman of the Committee. The conclusion from these reviews was that there were no major matters of concern to consider.

Audit Committee assessment of EY: Following the completion of the 2021 Annual Report, the Committee undertook a review of the performance and effectiveness of EY at its April 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 generally performing well with an overall consensus being that the working relationship was good.

The Committee regularly monitors the steps taken by EY to ensure that the balance of work between the UK and Mexico is efficient and effective. The implementation of commitments made by EY for improving audit efficiency at the time of their successful tender in 2016 continued to be monitored by the Committee during 2022.

Assurance continued

Re-appointment of the external auditor
In February 2023, 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 2023 Annual General Meeting. The re-appointment of the auditor will be made subject to a review of proposed fees for the 2023 audit in July 2023.

Internal audit
The 2022 Internal Audit Annual Plan was approved by the Audit Committee in October 2021, incorporating audits across all of Fresnillo's business units with a focus on strategic priorities and key risks. In 2022, notwithstanding the continuation of Covid-19 restrictions in some instances, the Internal Audit programme was executed through a combination of site visits and remote audit procedures. 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, Internal Audit verified the validity, accuracy and completeness of the non-financial information included in the 2021 Annual Report and reported the results to the Audit Committee at the beginning of 2022.

Due to the continued importance of cybersecurity and the evolving technology landscape, Internal Audit carried out assessments aimed at validating the design and effectiveness of Fresnillo's cybersecurity, IT (Information Technology) and OT (Operational Technology) processes and controls. In addition, due to the emergence of new regulations such as the Mexican Labour Law Reform, Internal Audit carried out a follow-up of Fresnillo's compliance risk management processes. 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 2023 Internal Audit Plan was presented to the Committee and approved in October 2022. The plan was developed according to the International Standards for the Professional Practice of Internal Auditing, and considered the following:

The Internal Audit Plan for 2023 includes planned audits relating to strategic priorities and higher risk areas such as ESG, 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 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 page 127). 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. While the assessment of most of the emerging risks remained unchanged during the year, two new emerging risks are now being monitored (both connected to the Climate Change Principal Risk): (i) transition to a low-carbon future; and (ii) increasing societal and investor expectations in relation to climate change.

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 increase in the cybersecurity risk in the face of a greater number of global threats through ransomware and 'big game hunting' attacks. In addition, the Committee recommended considering the following three as main risks that were approved by the Board:

- Potential government actions: Changes resulting from the labour reforms and consequently complications in the relationship with contractors, as well as the non-granting of mining concessions and longer periods for obtaining permits, among others.
- 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 have operations, mainly Zacatecas, Guanajuato and Sonora.
- Impact of metals prices and global macroeconomic developments: The impact on the supply chain of critical inputs for operation and costs resulting from macro-economic developments during the year.

In July 2022, the Board held a working meeting to discuss risk management arising from the Company's strategic plan. The Company's risk framework was discussed as well as how risks are identified, managed and controlled. In addition, key controls put in place to mitigate risks previously identified were discussed. Finally, the planned developments in UK regulatory matters relating to Corporate Governance and FRC Guidance on audit were considered.

Ethical risk

The Committee monitors ethical risk through regular reviews of progress with the Group's anti-bribery and corruption (ABAC) programme (including regular updates on the completion rates for the online training programmes). 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 2022 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 page 157 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 2022, 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. Internal Audit's findings in relation to water consumption reports were also considered by the Committee. 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 2022.

Information technology

In 2022, 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 131 and 143 of the Strategic Report.

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 2023, the Committee reviewed the Group's budget and cash flow forecasts for the period to 31 December 2024, 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 154.

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 153 and 154. In December 2022 the Committee received an update on the approach that the executive team proposed to adopt in preparing the Viability Statement and confirmed that there would not be any change in the scenarios which would be used for the purposes of the Viability Statement. In February 2023, 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 work of the Internal Audit Team.

While the pandemic did not present a high level of risk as in previous years, the Company continued to maintain strong health protocols and monitor Covid-19 indicators to detect, prevent and respond to any emerging risks in a timely manner. This enabled Internal Audit to conduct on-site reviews of operational processes in all units and projects safely, and Fresnillo plc continued executing important organisational programmes such as health and safety, as well as initiatives for the monitoring and management of tailings dams.

Quarterly internal control reports

During 2022, 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 Internal Audit, 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 fortification systems, ore testing and grade validation controls and some other operational activities; and (iii) strengthening controls, training and oversight within mining processes to achieve operational efficiency and to optimise key inputs for operations.

The Chief Executive Officer, Chief Operating Officer 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 2022 Annual Report.

The Board has, through the Executive Committee and the Audit Committee (at its February 2023 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 213), 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 2022. 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 2022 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 2022. 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 2022 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 under which 24 categories of services are provided to the Company by Peñoles. The Shared Services Agreement was renewed with effect from 1 January 2018. Internal Audit conducts reviews of approximately one-third of the 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.

As further explained elsewhere in this Annual Report (on page 129), during 2021, the Company and Peñoles decided to centralise certain specialised services into a single unit within Peñoles, known as Baluarte Minero. During the year, the Committee reviewed the ongoing implications of that reorganisation on Fresnillo, taking into consideration the importance that related party transactions have in this Company and the importance of ensuring that they are in the interests of Fresnillo. The Committee was satisfied that this reorganisation had not resulted in any significant change to the working relationship between Peñoles and Fresnillo nor generated additional costs in Fresnillo for equivalent services.

Risk and Controls continued

The following diagram 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

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 2022, 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 discussed at its meeting on 1 March 2023. 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 158 to 192 has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Alberto Tiburcio
Independent Non-executive Director
6 March 2023

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 200 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.

Remuneration at a glance

Remuneration Policy in summary

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 (Shareholding guidelines; Recovery of bonus)

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 2022

What was achieved?

Performance		2022	2021	Change (%)
1 Explore	**Total silver reserves** (moz) **Total gold reserves** (moz)	**396.1** **8.2**	419.8 7.8	**(5.6%)** **4.4%**
2 Develop	**EBITDA** (US$m) **Profit for the year** (US$m)	**744.0** **299.7**	11,206.3 439	**(38.3%)** **(31.7%)**
3 Operate	**Silver production** (moz) **Gold production** (koz)	**53.7** **635.9**	53.1 751.2	**1.2%** **(15.3%)**
4 Sustain	**Total environmental incidents** **Fatalities**	**0** **1**	0 1	**0%** **0%**
CEO's remuneration	**Total salary (US$ thousands)** **Bonus (US$ thousands)**	**921** **0**	869 0	**5%** **0%**

Chairman's Annual Statement

"The Remuneration Committee continues to believe that its approach to executive remuneration incentivises the right priorities for our executive team."

Members and meetings in 2022	Meetings attended
Alejandro Baillères	3/3
Alberto Tiburcio	3/3
Guadalupe de la Vega	3/3

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 2022 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.

The 2023 targets, performance against those targets and the basis of calculation of bonus points awarded will be disclosed in next year's report.

The Committee is recommending two changes to the existing Remuneration Policy at the 2023 Annual General Meeting, which: (i) will allow the Committee to review, and if it sees fit, increase the level of fees payable to Non-executive Directors during the lifetime of the Policy, taking account of the time commitment, responsibilities, market levels and the skills and experience required; and (ii) will give the Committee discretion to apply upward adjustments to the annual bonus in the case of outstanding personal performance which results in a significant benefit to the Company during the relevant year.

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.

Our application of the Remuneration Policy in 2022
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. The Committee has reviewed the current Remuneration Policy and, as noted above, considers that there are two areas (Non-executive Director fees and upward adjustments to the annual bonus) which should be amended, subject to shareholder approval.

Salaries and bonus
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 March 2023 that the Chief Executive Officer should not receive a bonus under the Annual Bonus Plan because his points total did not meet the minimum level at which bonuses are paid.

Use of discretion by the Remuneration Committee
The Remuneration Committee considers that the financial and operational outcomes for the year resulted in a bonus outcome which was according to the KPIs approved to the year ended 31 December 2022. Consequently, the Committee did not consider it necessary to exercise any discretion to amend the basis on which bonus payments were made during the year. Nevertheless, the Committee also considers that it will be helpful to have some flexibility in exceptional circumstances in future years to modify the KPIs to provide a fair reflection of the performance of the business during the coming years.

Committee discussions during 2022
In the last 12 months, the Remuneration Committee met three 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 the decision not to award an annual bonus for the 2022 financial year based on the non-achievement of KPI targets.
- Review of KPI targets for the Chief Executive Officer and members of the Executive Committee for 2022 and 2023.
- Review of the Non-executive Directors' fees.
- 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.

The Remuneration Committee continues to believe that its approach to executive remuneration incentivises the right priorities for our Executive Team. I am always happy to discuss our approach to remuneration with shareholders and I hope that I will be able to attend the 2023 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

Annual Report on Remuneration 2022

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 2022. In accordance with the Regulations, the information provided in the section entitled 'Directors' Remuneration – 1 January 2022 to 31 December 2022' 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 2022 to 31 December 2022

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 2022 are detailed below:

	2022							2021						
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	43	0	0	0	**43**	**0**	**43**	49	0	0	0	**49**	**0**	**49**
Non-executive Directors														
Juan Bordes	43	0	0	0	**43**	**0**	**43**	49	0	0	0	**49**	**0**	**49**
Arturo Fernández	43	0	0	0	**43**	**0**	**43**	49	0	0	0	**49**	**0**	**49**
Bárbara Garza Lagüera	43	0	0	0	**43**	**0**	**43**	49	0	0	0	**49**	**0**	**49**
Charles Jacobs	110	0	0	0	**110**	**0**	**110**	128	0	0	0	**128**	**0**	**128**
Georgina Kessel	49	0	0	0	**49**	**0**	**49**	55	0	0	0	**55**	**0**	**55**
Judith Macgregor	110	0	0	0	**110**	**0**	**110**	126	0	0	0	**126**	**0**	**126**
Fernando Ruiz	43	0	0	0	**43**	**0**	**43**	49	0	0	0	**49**	**0**	**49**
Alberto Tiburcio	61	0	0	0	**61**	**0**	**61**	70	0	0	0	**70**	**0**	**70**
Guadalupe de la Vega	43	0	0	0	**43**	**0**	**43**	49	0	0	0	**49**	**0**	**49**
Eduardo Cepeda	43	0	0	0	**43**	**0**	**43**	26	0	0	0	**26**	**0**	**26**
Héctor Rangel	49	0	0	0	**49**	**0**	**49**	29	0	0	0	**29**	**0**	**29**
Total	**680**	**0**	**0**	**0**	**680**	**0**	**680**	**728**	**0**	**0**	**0**	**728**	**0**	**728**
Chief Executive Officer														
Octavio Alvídrez[1]	921	120	0	(125)	**916**	**0**	**916**	869	96	0	10	**975**	**0**	**975**
Grand Total[2]	**1,601**	**120**	**0**	**(125)**	**1,596**	**0**	**1,596**	**1,597**	**96**	**0**	**10**	**1,703**	**0**	**1,703**

1 Details of benefits and the bonus paid to Mr Alvídrez 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$	**2022**	2021
Life insurance premiums	**50,425**	45,722
Chauffeur	**47,174**	35,211
Subsistence/meal benefits	**3,605**	3,178
Car	**8,558**	3,420
Medical insurance premiums	**6,265**	4,095
Club memberships	**2,583**	2,888
Social security	**1,183**	1,549

Pension

The pension entitlement of the Chief Executive Officer is as follows and is explained further on page 202:

US$'000	Defined Contribution Scheme (DCS)	Defined Benefit Scheme (DBS)
Rights as at 31 December 2022	1,054	810
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	**2022**	2021	**2022**	2021	**2022**	2021
Octavio Alvídrez	**1,704**	1,954	**(91)**	159	**(191)**	125

Note: The decrease in accrued benefits during the year includes a revaluation effect of +US$21k (2021: -US$30k) and inflation of +US$79k (2021: +US$64k).

Shares held by Directors

The number of Ordinary Shares of the Company in which the Directors were beneficially interested at 1 January 2022 and at 31 December 2022 was:

	1 January 2022	31 December 2022
Director		
Alberto Baillères[1]	552,595,191	–
Alejandro Baillères[1]	–	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 a son of Mr Alberto Baillères who was 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 was controlled by Mr Alberto Baillères and following his death 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.

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 2022, it was agreed that the Chief Executive Officer would receive a salary increase of 5% in 2022 in line with other employees. Consequently, the salary payable under Mr Alvídrez' service agreement is MX$1,118,930.42 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 will next be reviewed in April 2023. Since 2019, the Peer Group has consisted of the following companies.

Policy benchmarking peer group

Region	Peer group companies
Mexico	Grupo Mexico Leagold Mining
USA/Canada	Agnico Eagle Mines Ltd Centerra Gold Hecla Mining Co. IAM Gold Newmont Goldcorp Pan American Silver Corp. Yamana Gold Inc.
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 194 and 195).

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 63.6 points under the bonus scheme for the year ended 31 December 2022 (2021: 81.0 points) and therefore did not receive a bonus for 2022 (2021: 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	Measure	Weighting points[1]	2022 Target	2022 Result	Points awarded
Financial[1,2]	(Adjusted EBITDA for the year/Budgeted EBITDA) x 100	20	**865**	**693**	0.0
Production[3]	Increase in silver equivalent ounces produced compared to the prior year production level	20	**117.6**	**115.7**	18.4
Exploration[1,4]	Increase of Total Resources[4] (Total Resources for the year – Total Resources prior year) x 100	5	**1.10**	**-1.76**	0.0
	Upgrade from Inferred to Measured & Indicated (MI) Resources (MI Resources for the year – MI Resources prior year) x 100[5]	5	**1.10**	**-0.32**	0.0
	Reserves replenishment (Reserves at year end/Reserves prior year) x100	4	**100%**	**100%**	4.0
Exploration projects progress[6]	Progress compared to project plan for four key exploration projects (to be reviewed each year) (Target = 100% progress: Maximum = 100% progress, proportional decrease to nil points from 90% to 0%)	8	**90%** **90%** **90%** **90%**	**110%** **112%** **90%** **123%**	3.3 2.2 2.0 1.1
Projects	Progress compared to project plan for three key development projects (to be reviewed each year)[6] (Target = 100% progress: Maximum = 100% progress, proportional decrease to nil points from 92% to 0%)	12	**100%** **100%** **100%**	**96%** **73%** **79%**	5.0 2.36 3.45
Human Resources	Performance of contractors: Management of contractors – (Target = 100% progress: Maximum = 110% progress, proportional decrease to nil points from 100% to 0%)	3 (Underground)	**100%**	**82%**	2.45
		2 (Open Pit)	**100%**	**112%**	2.2
	Unionised labour relations (Discretionary award)	2	**90.0**	**90.0**	2.0
	Management of contractors programme (Target = 90% progress on planned work: Maximum = 100% progress, proportional decrease to nil points from 90% to 0%)	1	**90%**	**90%**	1.0
Safety	Fatal accidents[7]	0	**0**	**1**	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	**5.76**	**5.44**	3.7
	Reduction in the Incidence Frequency Rate[9] compared to previous year (Including contractors)	3.5	**10.42**	**10.26**	3.5
Communities	Perception poll outcomes Effectiveness metrics	3 3	**4** **0.78**	**4** **0.83**	3.0 0.0
Synergies and teamwork	Increase collective teamwork[10] Discretionary target as agreed by the Chairman	2	**95**	**100**	2.2
Total		**100**			**64.9**
Adjustments[11]	Safety[7]	0	**0**	**0**	0
	Environmental[11]	0	**0**	**1**	-1.30
Total		**100**			**63.6**

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 – 1,700 US$/ounce; Silver – 22.50 US$/ounce; Lead – 0.95 US$/pound; Zinc – 1.35 US$/pound.
Budgeted Exchange Rate: 21.00 MX$/US$.
Increase of 1.0 point per each 1% increase in EBITDA up to 5.0 points. Decrease of 1 point in case of a 1% decline in EBITDA. Decrease of 2 points in case of a 2% decline in EBITDA. Decrease of 4 points in case of a 3% decline in EBITDA. Decrease of 8 points in case of a 4% decline in EBITDA. Decrease of 16 points in case of a 5% decline in EBITDA. Decrease of 20 points (total score) in case of a decline in EBITDA of 6% or more.
3 Total Production in Silver Equivalent Ounces. Silver production + (Gold production x 70) + Lead and Zinc production converted into Silver equivalent ounces at prevailing price and NSR terms. Same conversion rate will be used for real production and target.
Total Production = 57.0 million ounces Silver + (0.640 million ounces Gold x 70) + (51,739 Lead Tonnes x 0.000101) + (86,373 Zinc Tonnes x 0.000122).
117.6 million ounces AgEq = 57.6 million ounces Silver + 44.8 million ounces AgEq from Gold + 5.2 million ounces AgEq from Lead + 10.5 million ounces AgEq from Zinc.
Increase of 1.0 point per each 1% increase in Production up to 5.0 points. Decrease of 1 point in case of a 1% decline in Production.
Decrease of 2 points in case of a 2% decline in Production. Decrease of 4 points in case of a 3% decline in Production. Decrease of 8 points in case of a 4% decline in Production. Decrease of 16 points in case of a 5% decline in Production. Decrease of 20 points (total score) in case of a decline in Production of 6% or more.

4 Proportional increases 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.
5 Increase of 2.0 point per each 1% of Resources increase above target. A decrease of 2 points per each 1% below target will be applied. Weighted Average Resources according to Quality.
6 Relevant ongoing projects which progress will be measured compared to plan.
7 10 points in the case of zero fatal accidents (premium of 10 points over the weight). Zero 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 on the programme set by the Sustainable Development Area. Chairman will set the score.
9 Decrease of the previous year corresponding rate.
10 Foster teamwork and relationship improvement with Group companies. Chairman will set the score.
11 The Total Score is reduced by 2% in the case of an Environmental Incident. From the remaining Total Score, and 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	**2022**	2021
Profit for year as shown in financial statements	**308.3**	439
Interest, tax, depreciation and amortisation	**461.6**	766.9
Adjustments:		
Changes due to currency fluctuations	**(2.0)**	(0.04)
Changes due to year-on-year movements in metals prices (including the effects of metals hedging)	**(56.20)**	(207.66)
Changes due to the movement in the valuation of the Silverstream contract	**(18.79)**	0.42
Adjusted EBITDA total for bonus purposes	**692.9**	998.6

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 2022, payments are capped at the higher of three months' salary or the average PTU received in the last three years.

2023 Bonus targets

The Remuneration Committee agreed that 2023 indicators, weightings and measures should be similar as in 2022 with the following changes: (i) the weight of the Reserves Replenishment KPI will be increased from 4.0 to 5.0 points; (ii) the Increase in Total Resources KPI will be decreased from 5.0 to 4.0 points; (iii) the calculation base for the following two KPIs will be adjusted: (a) KPI Upgrade Inferred to Measured and Indicated Resources; and (b) KPI Increase in Total Resources; with each individual KPI considering a ratio of US$30 expense per Au equivalent oz. rather than US$15 expense per Au equivalent oz; (iv) a Compliance with Cost Control vs Budget KPI will be introduced and given a weight of 11.0 points; an additional point will be applied for every 1% reduction and symmetrically the opposite will be applied with increases over the budget; (v) the Exploration Projects Progress KPI will be adjusted to a maximum limit of 20% increase when reaching or surpassing 100% of the exploration programme; (vi) the Juanicipio project will be eliminated as it is now in operation; (vii) at the Orysivo and Rodeo Projects 3 points will be applied at 95% programme – proportional to up to 6 points at 100% and with proportional decrease to 0 points below 90% progress; (viii) regarding the weight of the Development at Underground Mines, an additional point will be applied for every 2.5% above budget and symmetrically the same will be adjusted downwards with any decreases; (ix) the Performance of Contractors and Management of contractors KPIs will be removed; (x) in the Sustainability Plan Progress for Safety KPI, 3 points will be applied at 95% programme, proportional to 5 points at 100% programme and proportional decrease to 0 points applied below 90% progress; (xi) the Communities Relations KPI will be eliminated and replaced with Communities, Inclusion, Diversity and Environment, the new ESG KPI, and be given a weight of 10.0 points, which will be determined by the Chairman of the HSECR Committee according to HSECR annual programme; (xii) the Synergies and Teamwork weight will be reduced from 2.0 to 1.0 points; and (xiii) a modest upward adjustment in the number of points awarded (maximum 15 points) may be determined by the Chairman and the Remuneration Committee in the cases provided for in the Remuneration Policy, subject to the approval of the Remuneration Policy at the 2023 AGM.

The 2023 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.

The fees payable to Non-executive Directors are calculated on the following bases:
- A base fee of £35,000 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 £90,000 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 £15,000 per annum.
  - Members of the Audit Committee will receive an additional fee of £5,000 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	Notice period from Director to the Company	Duration of term[1]	Fees p.a.
Alejandro Baillères	16 April 2012	3 months	1 year	£35,000
Juan Bordes	15 April 2008	3 months	1 year	£35,000
Arturo Fernández	15 April 2008	3 months	1 year	£35,000
Fernando Ruiz	15 April 2008	3 months	1 year	£35,000
Bárbara Garza Lagüera	11 April 2014	3 months	1 year	£35,000
Charles Jacobs	11 April 2014	3 months	1 year	£90,000
Alberto Tiburcio	4 May 2016	3 months	1 year	£50,000
Dame Judith Macgregor	22 May 2017	3 months	1 year	£90,000
Georgina Kessel	7 May 2018	3 months	1 year	£40,000
Guadalupe de la Vega	30 May 2020	3 months	1 year	£35,000
Eduardo Cepeda	24 June 2021	3 months	1 year	£35,000
Hector Rangel	28 June 2021	3 months	1 year	£40,000

1 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.
2 Copies of the Directors' letters of appointment and service agreements are available for inspection at the Company's registered office.

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 90% 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	
2019: Remuneration Policy	99.45%	0.55%	95.72%	4.28%	269,961
2019: Remuneration Report	99.41%	0.59%	96.99%	3.01%	15,761
2020: Remuneration Report	99.56%	0.44%	97.75%	2.25%	11,231
2021: Remuneration Report	99.33%	0.67%	96.08%	3.92%	1,369,347
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

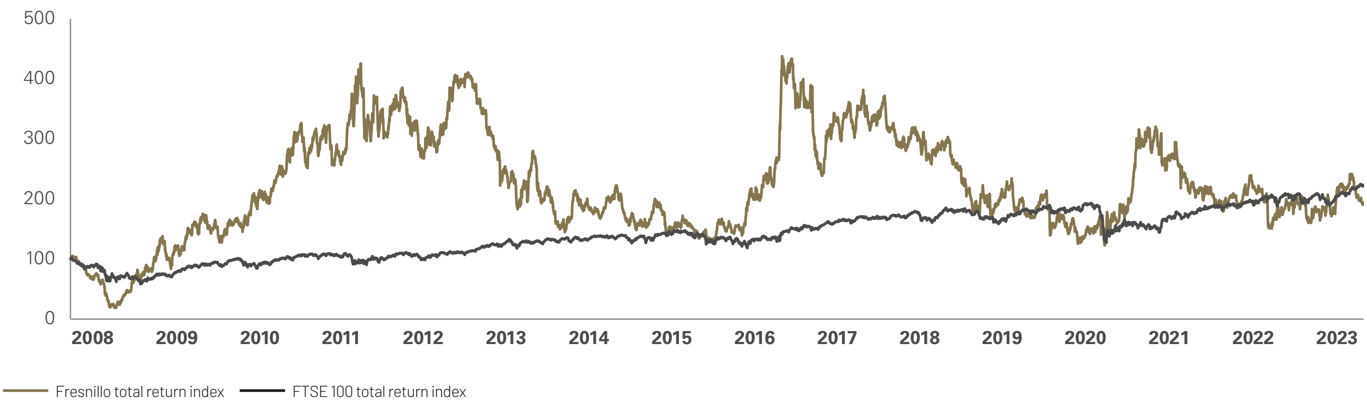
Directors' Remuneration report continued
Annual Report on Remuneration 2022 continued

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 2022 the Group paid Willis Towers Watson US$nil (2021: US$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.

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 2022.



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**
Total remuneration US$'000s										
Octavio Alvídrez	1,116	1,217	1,166	1,111	1,072	886	1,164	939	975	**916**
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%**
Proportion of maximum bonus paid to CEO in year										
Octavio Alvidrez	33.33%	33.33%	33.33%	66.66%	33.33%	Nil%	Nil%	20.83%	Nil%	**Nil%**

Changes in Directors' remuneration 2020-2022

The changes in Directors total remuneration between 2020 and 2022 and a comparison with changes in average employee over that period are as follows:

		Salary/Fees		Bonus		Benefits	
Year-on-year change (%)[3]		**2021-22**	2020-21	**2021-22**	2020-21	**2021-22**	2020-21
Directors[4]	Alejandro Baillères	**(13.12%)**	(8.26%)	**N/A**	N/A	**N/A**	N/A
	Juan Bordes	**(13.12%)**	(8.26%)	**N/A**	N/A	**N/A**	N/A
	Arturo Fernández	**(13.12%)**	(8.26%)	**N/A**	N/A	**N/A**	N/A
	Bárbara Garza Lagüera	**(13.12%)**	(8.26%)	**N/A**	N/A	**N/A**	N/A
	Charles Jacobs	**(14.66%)**	(11.53%)	**N/A**	N/A	**N/A**	N/A
	Georgina Kessel	**(11.33%)**	2.27%	**N/A**	N/A	**N/A**	N/A
	Judith Macgregor	**(13.12%)**	(8.26%)	**N/A**	N/A	**N/A**	N/A
	Fernando Ruiz	**(13.12%)**	(8.26%)	**N/A**	N/A	**N/A**	N/A
	Alberto Tiburcio	**(13.12%)**	(8.26%)	**N/A**	N/A	**N/A**	N/A
	Guadalupe de la Vega	**(13.12%)**	67.51%	**N/A**	N/A	**N/A**	N/A
	Eduardo Cepeda	**66.02%**	N/A	**N/A**	N/A	**N/A**	N/A
	Hector Rangel	**66.02%**	N/A	**N/A**	N/A	**N/A**	N/A
Chief Executive Officer[2]	Octavio Alvídrez	**5.98%**	18.07%	**0%**	100%	**25.00%**	9.09%
Average Employee Remuneration[1]		**11.06%**	7.06%	**11.49%**	2.78%	**6.26%**	6.82%

1 Average Employee Remuneration is calculated by dividing the relevant Personnel Costs (as disclosed in note 8 to the consolidated financial statements on page 249) by the average number of employees (as disclosed in note 8(b) to the consolidated financial statements on page 249). 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 and 2022.
3 Calculated using the data from the single figure table in the annual report on remuneration (page 198) 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

	2022	2021	% change
Staff costs (US$'000s)[1]	**192,499**	146,208	31.7%
Distributions to shareholders (US$'000s)	**201,909**	246,122	(18.0%)
Income tax mining rights and profit sharing paid	**174,734**	371,147	(52.9%)
Purchases of property, plant and equipment	**592,129**	592,052	0.01%

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
6 March 2023

Directors' Remuneration report continued
Appendix: proposed Directors' Remuneration Policy

Introduction
This part of the Directors' Remuneration Report sets out the proposed new Remuneration Policy of the Company and 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 proposed changes to the Remuneration Policy are: (i) to allow the Board to review, and if it sees fit, increase the level of fees payable to Non-executive Directors during the lifetime of the Policy, without further recourse to its shareholders; and (ii) to give the Remuneration Committee discretion to apply upward adjustments to the annual bonus in the case of outstanding personal performance which results in a significant benefit to the Company during the relevant year. The new Policy will be applied for the financial years ending 31 December 2023 onwards. It will be put to a vote at the 2023 Annual General Meeting and, if approved, the effective date of the policy will be the date of the 2023 Annual General Meeting of the Company. A copy of the Company's existing Remuneration Policy (approved by shareholders at the 2022 AGM), can be found on pages 199 to 203 of the Fresnillo plc 2021 Annual Report and Accounts, which can be found on the Company's website (http://www.fresnilloplc.com/media/533822/Proposed-Directors%E2%80%99-Remuneration-Policy-for-2022.pdf).

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 2022 can be found in this year's Annual Report on Remuneration at page 198.

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 April 2019. It has not been necessary to amend the peer group since then, but it will be reviewed again in April 2025, 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** 100.0 — 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.

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 200 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 2023, 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.

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 2022 remuneration).

Component		Max value US$ thousands	Minimum	Target	Maximum
Share incentives[1]					US$1,377k
Annual bonus	US$461k	Annual variable pay[2, 4]		US$1,070k	33%
			US$916k	14%	
Pension benefits	(125)	Fixed pay[3]	100%	86%	67%
Other benefits	120				
Base salary	921				

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, for an initial period of three years. 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 2022

In accordance with Section 415 of the Companies Act 2006, the Directors of Fresnillo plc present their report for the year ended 31 December 2022.

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 2022 are set out in the Financial Review on pages 52 to 61 and the Consolidated Income Statement on page 226.
Dividends	Information regarding the proposed dividend can be found in the Financial Review on page 61. Information regarding dividend payments can be found in the notes to the financial statements on pages 260 and 261.
Strategic Report	The Strategic Report can be found on pages 2 to 157.
Corporate Governance Statement	The Company's Statement on Corporate Governance can be found on page 169.
Directors' Remuneration Report	The Directors' Remuneration Report can be found on pages 196 to 210.
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 26 to 29.
Post-balance sheet events	There have been no post-balance sheet events.
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 164 to 167.
Directors' Interests	Details of the Directors' beneficial interests are set out in the Directors' Remuneration Report on page 199.
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. 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 that 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.

Constitution continued	
Articles of association continued	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.
Stakeholders and policies	
Section 172 Statement	The Company's Section 172 Statement can be found in the Strategic Report on page 155.
Employee engagement	Details of how the Company engages with its workforce can be found in the Strategic Report on page 126.
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 decision are set out in the Strategic Report on page 156 and Corporate Governance Report on page 161.
Payments to governments	In June 2022, the Company approved and published a report disclosing payments made to governments. The report can be found on the Company's website. http://www.fresnilloplc.com/investor-relations/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. http://www.fresnilloplc.com/corporate-responsibility/modern-slavery/
Diversity policy	In February 2018 the Company approved and published on its website its policy on diversity and inclusion. http://www.fresnilloplc.com/corporate-responsibility/our-policies/
UK tax strategy	The Company's UK tax strategy for the financial year ending 31 December 2022 is published on its website. http://www.fresnilloplc.com/corporate-responsibility/tax-strategy/
Greenhouse gas emissions	Details of the Company's greenhouse gas emissions can be found in the Social and Sustainability Report on page 29 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 page 259.
Authority to purchase own shares	The Company was authorised by a shareholders' resolution passed at the Annual General Meeting held in May 2022 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.

Shareholders and share capital continued	
Major interests in shares	As at 31 December 2022, in accordance with DTR 5, the Company had been advised of the following notifiable interests (whether directly or indirectly held) in its voting rights:

	Number of voting rights		%	
	As at 31 December 2022	As at 31 December 2021	**As at 31 December 2022**	As at 31 December 2021
Industrias Peñoles S.A.B. de C.V.	**552,595,191**	552,595,191	**74.99**	74.99
T. Rowe Price Associates Inc	**29,693,485**	27,708,779	**4.03**	3.76
BlackRock Inc	**24,617,434**	N/A	**3.34**	Below 3%

As at 6 March 2023, the Company has been advised that T. Rowe Price Associates holds 26,894,011 shares (3.65%) and BlackRock Inc holds 22,459,233 shares (3.04%).

2022 Annual General Meeting	At the 2022 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.
2023 Annual General Meeting	The Company's 15th Annual General Meeting will be held in May 2023 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 2023 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; and • 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 2022 and information regarding tax relief can be found on pages 255 and 256. • Details of significant contracts with controlling shareholders can be found on page 191. • Details pertaining to services provided to the Company by Peñoles are set out on pages 266 to 268. • 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 172.

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
6 March 2023

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 the UK-adopted International Financial Reporting Standards (IFRSs).

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

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

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

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

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

Directors' responsibility statement under the UK corporate governance code

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

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

Each of the Directors whose names are listed on pages 164 to 167 confirm that to the best of their knowledge:

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

For and on behalf of the Board.

Alberto Tiburcio
Independent Non-executive Director
6 March 2023

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 2022 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 2022 which comprise:

Group	Parent Company
Consolidated balance sheet as at 31 December 2022	Parent Company balance sheet as at 31 December 2022
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 16 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

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.

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;
- We confirmed that the Group is not subject to financial covenants on its borrowings, which we corroborated with borrowing agreements;
- We assessed management's forecasting accuracy as reliable by comparing forecasts for the year ended 31 December 2022 to actuals 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, including the cash forecast for the going concern period which extends to December 2024. The Group has modelled plausible adverse changes and applied reverse stress testing in respect of prices to the forecast liquidity of the Group;
- 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 2022 production, plant capacity and our understanding of the business and its future plans;
- We considered the mitigating actions available to management, although these were not modelled due to the level of headroom in the plausible adverse cases;
- We have challenged management's reverse stress testing in order to identify what reduction in metal prices, combined with an increase in operating costs, as the key variable inputs, would lead to the Group utilising all liquidity during the going concern period noting that those prices are below the minimum analyst price forecasts in the provided range for the going concern period. We also noted that management have sufficient mitigating actions available in the remote case of a scenario where both low sale prices and higher costs take place at the same time; and
- We reviewed the Group's going concern disclosures included in the annual report, in both the strategic report and note 2 of the financial statements, in order to confirm that the disclosures were appropriate.

Our key observations:

- The Directors' assessment forecasts that the Group will maintain sufficient liquidity throughout the going concern assessment period in both the base case and its plausible downside scenario in respect of prices. One of the most significant cash outflows considered in both scenarios is the repayment of US$371.9 million in respect of the 5.50% Senior Notes due November 2023.
- The controllable mitigating actions available to management to increase liquidity over the going concern assessment period were not modelled by management, due to the level of headroom in management's plausible downside scenario.
- Considering our challenge made in respect of the reverse stress test, management performed an additional scenario with lower prices and higher costs, and we noted that the controllable mitigating actions available to management are sufficient to allow the Company to continue operating. Our assessment is that the likelihood of this reverse stress test scenario is remote.

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 December 2024.

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'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, the Parent Company and the entity which holds the Silverstream contract. These components represented 100% of revenues, 100% of the Silverstream revaluation effects, 96% of profit before tax excluding Silverstream revaluation effects (Adjusted Normalised Profit) and 97% of total assets. • We performed specified procedures on certain balances at a further three components. These components represented 4% of Adjusted Normalised Profit and 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).
Materiality	• Overall Group materiality was set at US$21.0 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 Parent Company and Group 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, changes in the business environment and other factors 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.

The reporting components where we performed audit procedures accounted for 100% (2021: 100%) of the Group's revenues, 100% (2021: 100%) of the Silverstream revaluation effects, 100% (2021: 99%) of the Group's Adjusted Normalised Profit, and 99% (2021: 99%) of the Group's total assets.

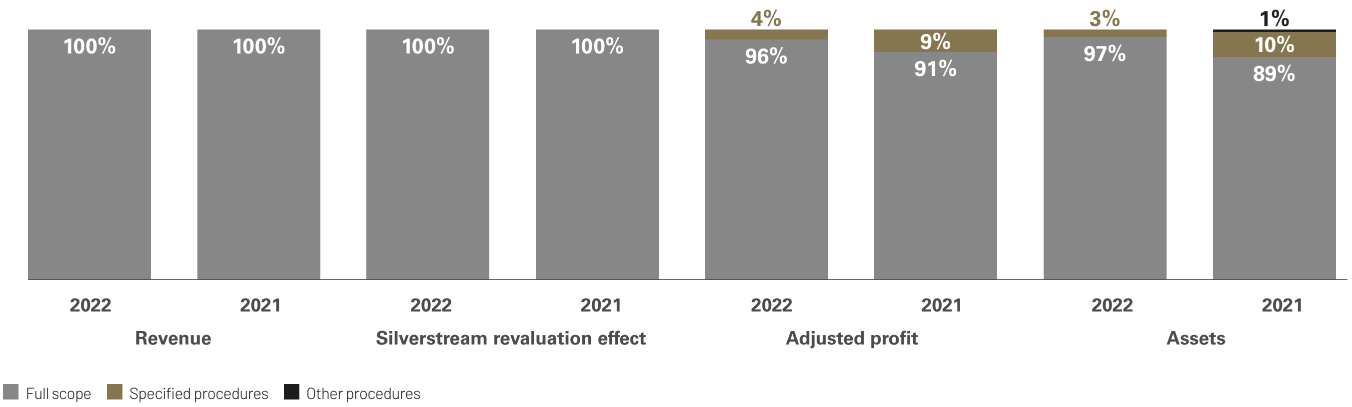
For the current year, the full scope components contributed 100% (2021: 100%) of the Group's revenues, 100% (2021: 100%) of the Silverstream revaluation effects, 96% (2021: 91%) of the Group's Adjusted Normalised Profit, and 97% (2021: 89%) of the Group's total assets.

The specified procedures scope components contributed 4% (2021: 9%) of the Group's Adjusted Normalised Profit, and 3% (2021: 10%) 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.

Of the remaining three components that together represent less than 1% (2021: 1%) of the Group's Adjusted Normalised Profit and less than 1% (2021: 1%) of the Group's total assets, none are individually greater than 1% of Group Adjusted Normalised Profit. 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.

In the current year we have updated our profit metric for coverage to align with the basis for determining materiality and we have restated comparatives.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Changes from the prior year
In the current year, we have added Juanicipio as a full scope component, in response to the increase in the operational activity following the start of commercial production in early 2022. This has driven the significant increase in assets coverage from full scope components to 97% (2021: 89%) as seen in the chart above.

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	●	●●●●*

* In respect of the valuation of the Silverstream contract, the Primary team performs principal procedures relating to estimation directly. The component team performs certain supporting procedures regarding cash receipts, and the auditor of Peñoles provides support in respect of procedures on the estimation of reserve and resource quantities and the related mine plan at the Sabinas mine.

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 two of these directly by the primary audit team. Of the three specified procedures scope components, the primary team performed audit procedures directly on one and for the other two 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 lifting of Covid-19 restrictions during 2022 allowed the primary team, including the Senior Statutory Auditor, to visit Mexico during both the planning and execution phases, 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. In addition, members of the primary engagement team visited various mines during the year.

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.

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 decarbonisation targets, carbon pricing, stringent regulations and investment trends, water availability, higher temperatures and extreme events. These are explained on pages 86-101 in the Task Force for Climate related Financial Disclosures and on page 152 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.

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 page 152 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. 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 ■

- All of the Group's current year revenue from the sale of goods, being concentrates, doré, activated carbon, slag and precipitates, excluding hedging (US$2,434.0 million; 2021: US$2,704.4 million), and a significant amount of its expenses incurred (US$143.8 million; 2021: US$168.7 million), arise from transactions with related parties. The Silverstream contract is also with a related party. These related parties are all subsidiaries of the Group's direct parent, Industrias Peñoles (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.

Key audit matter: Recognition of related party transactions, including revenue recognition ■	
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 75% relating to related party expenses. In addition, we performed specified procedures in components which covered 11% 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. • We assessed the role of the Audit Committee in identifying and monitoring related party transactions. • 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 ensure 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 2022 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 agreed a sample of cash receipts against bank statements in respect of silver ounces that were payable to Fresnillo under the terms of the contract. • 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	• With the assistance of our internal transfer pricing specialists, we obtained and reviewed the most recent report available to management (for 2021) from its transfer pricing specialists, as well as a transfer pricing update letter issued in early 2023 in respect of 2022. • We assessed the competence, capabilities and objectivity of management's specialists. • Our transfer pricing specialist inspected information to support the pricing of transactions between Fresnillo and Peñoles. As part of this evaluation, our specialist met virtually with management's specialist to further understand the content of the transfer pricing update letter and to assess the conclusions reached. • We compared 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 through EY's data analysis tools and external sources of information. • We utilised data analysis tools to interrogate entire data sets for potential related party transactions. • We compared actual results against detailed expectations of income statement line items impacted by related party transactions to determine whether there is evidence of manipulation.

Key observations communicated to the Audit Committee

- 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 ■

- The valuation of the Silverstream contract (asset value: US$511.5 million at 31 December 2022; 2021: US$529.5 million; revaluation effect: US$18.8 million pre-tax gain in 2022; 2021: US$0.4 million pre-tax loss), 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 2022 and related income statement revaluation effects. Consistent with 2021, 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 accounting standards 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 considered whether 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	• 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 2021 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. • Controls over the development of the mine plan are our primary source of assurance in this respect. 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 and resources and to develop the Sabinas mine plan; – testing of certain key Peñoles controls which address the risks associated with the estimation of reserves and resources quantities and the accuracy of the resulting mine plan; – 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 used at 31 December 2022, by reference to external market and internal operational benchmarks. • 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. • We assessed the valuations specialists as an EY internal specialist.
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

- 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 mine plan underpinning the valuation was estimated in an appropriate way.
- 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 ■

- The identification of indicators of impairment is judgemental.
- When an impairment test is performed, the key assumptions underpinning management's assessment of the recoverable amount of mining assets are reserves and resources and 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$2,862.6 million, 2021: US$2,799.1 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 (no triggers identified in 2021).

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.

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 accounting standards and considered whether climate risks could represent indicators. • We challenged management's assessment with particular emphasis on whether inflationary pressures and increasing interest rates (and corresponding discount rates) 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 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 tested 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 also discussed 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.
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

- 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 there are no indicators of impairment on the mining units, except for Fresnillo.
- We consider that management's discount rates applied are lower than our independently calculated range. Consequently, we assessed the impact of using discount rates within our range and concluded that no impairment charges are required.
- Based on the procedures performed, we concluded that the carrying values of mining assets, including Fresnillo, are recoverable at 31 December 2022, and that therefore no impairment charges were required.
- We concluded that the sensitivity disclosures in the financial statements are appropriate given the decrease in headroom for certain assets.

Key audit matter: Recoverable amount of investment in subsidiaries (Parent Company only)

Investments in subsidiaries (US$4,016.1 million, 2021: US$5,738.6 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.

- 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 (2022 aggregate net impairment of US$1,755.0 million, 2021 aggregate net reversal of US$107.6 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, costs and the discount rate applied.
Sensitivity disclosures	• We assessed the appropriateness of sensitivity disclosures included in the financial statements considering our other audit procedures.

Key observations communicated to the Audit Committee

- 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 lower than our independently calculated range. On this basis, we have assessed the impact of using discount rates within our range on the impairment models. This resulted in an additional impairment change of US$157.7 million, which the Company adjusted for.
- We concluded that the impairment and sensitivity disclosures reflected in the Parent Company financial statements is appropriate.

In the prior year, our auditor's report included a key audit matter in relation to the re-estimation of quantities held in leaching pads at Herradura. For this year's audit, we no longer consider this to be a key audit matter as the risk and extent of our related audit procedures have decreased following the reduced degree of estimation uncertainty in light of the lack of significant variations between actual and expected recovery rates since the last re-estimation.

Our application of materiality

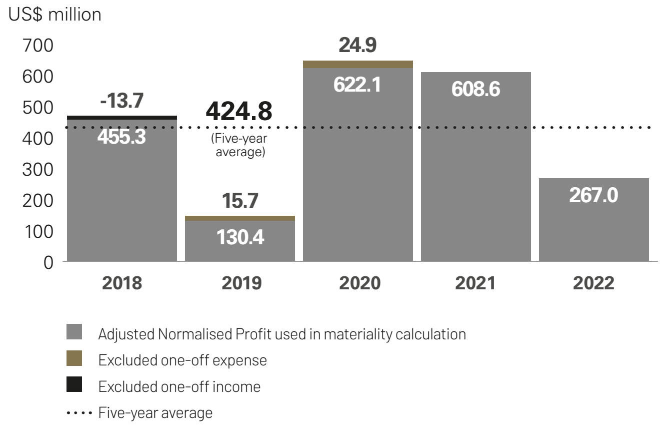
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

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$21.0 million (2021: US$24.0 million), which is 5% (2021: 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 2022. 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$47.1 million (2021: US$65.4 million) which is 1% (2021: 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.

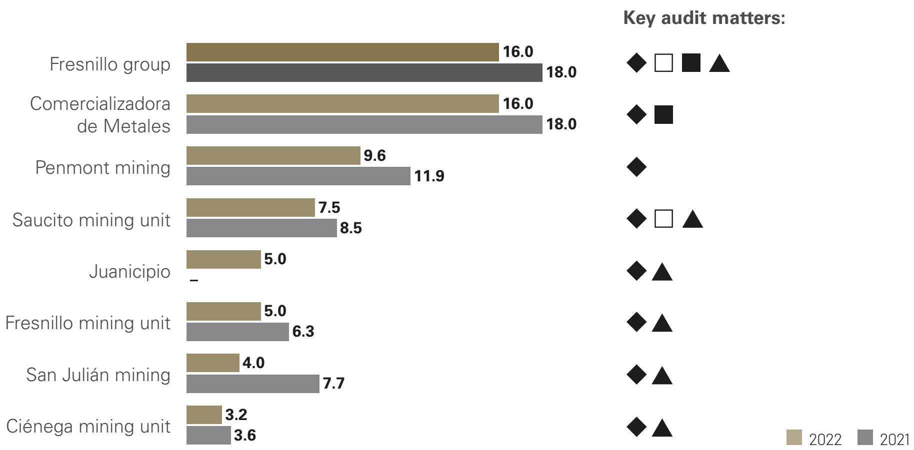
Performance materiality

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% (2021: 75%) of our planning materiality, namely US$16.0 million (2021: US$18.0 million). 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:



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$1.1 million (2021: US$1.2 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.

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 154;
- 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 153-154;
- 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 154;
- Directors' statement on fair, balanced and understandable set out on page 192;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 189;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 189-190; and
- The section describing the work of the Audit Committee set out on pages 180-192.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 214, 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 on 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.
- 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address
- Following the recommendation from the Audit Committee, we were appointed by the Company on 4 May 2016 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 15 years, covering the years ending 2008 to 2022.
- 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.

Steven Dobson
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
7 March 2023

Consolidated income statement
Year ended 31 December

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

Consolidated statement of comprehensive income
Year ended 31 December

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

Consolidated balance sheet
As at 31 December

		As at 31 December	
	Notes	**2022 US$ thousands**	2021 US$ thousands
ASSETS			
Non-current assets			
Property, plant and equipment	13	**2,862,564**	2,799,075
Equity instruments at fair value through other comprehensive income (FVOCI)	30	**158,813**	164,525
Silverstream contract	14	**475,256**	494,392
Deferred tax asset	11	**343,688**	67,300
Inventories	15	**91,620**	91,620
Other receivables	16	**38,458**	58,548
Other assets		**3,700**	3,587
		3,974,099	3,679,047
Current assets			
Inventories	15	**495,744**	396,184
Trade and other receivables	16	**404,499**	401,424
Prepayments		**34,429**	20,282
Derivative financial instruments	30	**231**	96
Silverstream contract	14	**36,218**	35,152
Cash and cash equivalents	17	**969,060**	1,235,282
		1,940,181	2,088,420
Total assets		**5,914,280**	5,767,467
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	18	**368,546**	368,546
Share premium	18	**1,153,817**	1,153,817
Capital reserve	18	**(526,910)**	(526,910)
Hedging reserve	18	**(91)**	(2,042)
Cost of hedging reserve	18	**–**	(38)
Fair value reserve of financial assets at FVOCI	18	**79,786**	83,784
Foreign currency translation reserve	18	**(1,886)**	(2,120)
Retained earnings	18	**2,612,469**	2,543,087
		3,685,731	3,618,124
Non-controlling interests		**231,206**	184,548
Total equity		**3,916,937**	3,802,672

Consolidated balance sheet continued
As at 31 December

	Notes	2022 US$ thousands	2021 US$ thousands
		As at 31 December	
Non-current liabilities			
Interest-bearing loans	20	**840,678**	1,157,545
Notes payable	30	**95,853**	–
Lease liabilities	25	**9,920**	6,146
Provision for mine closure cost	21	**242,380**	256,956
Pensions and other post-employment benefit plans	22	**9,462**	6,506
Deferred tax liability	11	**111,120**	68,745
		1,309,413	1,495,898
Current liabilities			
Trade and other payables[1]	23	**258,867**	270,317
Interest-bearing loans	20	**317,879**	-
Notes payable[1]	30	**9,109**	107,918
Income tax payable		**81,235**	62,287
Derivative financial instruments	30	**487**	3,885
Lease liabilities	25	**5,209**	4,681
Provision for mine closure cost	21	**4,827**	3,351
Employee profit sharing		**10,317**	16,458
		687,930	468,897
Total liabilities		**1,997,343**	1,964,795
Total equity and liabilities		**5,914,280**	5,767,467

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

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

Mr Juan Bordes
Non-executive Director
6 March 2023

Consolidated statement of cash flows
Year ended 31 December

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

1 Includes the effect of hedging of dividend payments made in currencies other than US dollar (note 19).
2 Corresponds to capital contributions provided by Minera los Lagartos, S.A. de C.V.
3 The amount corresponds to the interest paid during the year ended 31 December 2022 related to senior notes and notes payable less amounts capitalised totalling US$8.5 million (2021: US$8.4 million) which were included within Purchase of property, plant and equipment (note 13).

Consolidated statement of changes in equity
Year ended 31 December

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

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 2022 were authorised for issue by the Board of Directors of Fresnillo plc on 6 March 2023.

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

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 Review on pages 2-157. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review in pages 52-61. In addition, note 31 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

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

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

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

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition and classification of assets at Soledad and Dipolos mine:

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

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

2. Significant accounting policies continued

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

Layback agreement:

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

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

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

As set out in the Layback Agreement the Group had continued to provide support to Orla in respect of other negotiations relevant to their acquisition of the rights to access from the local ejido, thus the Company had recognised the total value of the agreement as deferred income. In December 2022 the Group successfully concluded with the support to Orla with respect to the negotiations relevant to the acquisition of the rights to access. Thus, the Company considers all the obligations established in the Layback Agreement to have been completed and has recognised the total value of the agreement in profit or loss as other income.

Juanicipio project:

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

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

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

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

Climate change:

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

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

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

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

Estimates and assumptions

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

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

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

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

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

Estimate of recoverable ore on leaching pads (note 15)

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

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

Silverstream (note 14):

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

Income tax, notes 2 (q) and 11:

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

Covid-19

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

During 2022 and 2021, attempts at containment of Covid-19 have resulted in decreased economic activity, which has adversely affected the broader global economy. In the current environment, assumptions about future commodity prices, exchange rates, and interest rates are subject to greater variability than normal, which could in the future affect the valuation of the Group's assets and liabilities, both financial and non-financial. As at 31 December 2022, there were no material changes to the valuation of the Group's asset and liabilities as a result of Covid-19.

2. Significant accounting policies continued

(d) Foreign currency translation

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

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

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

(e) Property, plant and equipment

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

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

The average expected useful lives are as follows:

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

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

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

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

Disposal of assets

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

Mining properties and development costs

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

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

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

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

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

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

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

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

Construction in progress

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

Subsequent expenditures

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

Stripping costs

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

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

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

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

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

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

(f) Impairment of non-financial assets

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

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

The recoverable amount of an asset

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

2. Significant accounting policies continued

Reversal of impairment

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

(g) Financial assets and liabilities

Financial assets

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

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

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

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

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

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

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

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

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

Classification

The Group holds the following financial assets:

Amortised cost

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

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

Equity instruments designated as fair value through other comprehensive income

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

Fair value through profit or loss

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

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

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

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

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

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

Financial liabilities
The Group classifies its financial liabilities as follows:

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

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

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

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

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

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

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

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

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

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

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 from the mine to which it relates. The provision is reviewed on an annual basis by the Group for changes in cost estimates, discount rates or life of operations. Changes to estimated future costs are recognised in the balance sheet by adjusting the mine closure cost liability and the related asset originally recognised. If, for mature mines, the revised mine assets net of mine closure cost provisions exceed the recoverable value, the portion of the increase is charged directly as an expense. For closed sites, changes to estimated costs are recognised immediately in profit or loss.

(k) Employee benefits

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

Defined benefit pension plan

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

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

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

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

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

Defined contribution pension plan

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

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

Seniority premium for voluntary separation

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

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

Other

Benefits for death and disability are covered through insurance policies.

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

(l) Employee profit sharing

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

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

(m) Leases

Group as a lessee

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

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

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

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

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

Variable lease payments that are not linked to price changes due to changes in a market rate or the value of an index and are linked to future performance or use of an underlying asset are not included in the measurement of the lease liability. Such cost are 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 customer based on the performance obligations settle in the contracts with customers.

Sale of goods

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

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

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

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

2. Significant accounting policies continued

(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 in Mexico and Latin America and which are identified by project.
  - Costs incurred are charged to the income statement until there is sufficient probability of the existence of economically recoverable minerals and a feasibility study has been performed for the specific project from which time further expenses are capitalised as exploration costs on balance sheet as Property, plant and equipment.

(p) Selling expenses

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

The Group also recognises in selling expenses a discovery premium royalty equivalent to 1% of the value of the mineral extracted and sold during the year from certain mining titles granted by the Mexican Geological Survey (SGM) in the San 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 (see note 11(e)). The Group recognises deferred tax assets and liabilities on temporary differences arising in the determination of the Special Mining Right (see note 11).

Sales tax

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

(r) Derivative financial instruments and hedging

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

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

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

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

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

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

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

Cash flow hedges

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

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

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

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

(s) Borrowing costs

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

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

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

2. Significant accounting policies continued

(t) Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

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

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

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

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

(u) Dividend distribution

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

3. Segment reporting

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

At 31 December 2022, the Group has seven reportable operating segments as follows:
- The Fresnillo mine, located in the state of Zacatecas, an underground silver mine;
- The Saucito mine, located in the state of Zacatecas, an underground silver mine;
- The Ciénega mine, located in the state of Durango, an underground gold mine;
- The Herradura mine, located in the state of Sonora, a surface gold mine;
- The Noche Buena mine, located in state of Sonora, a surface gold mine;
- The San 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.[1]

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

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

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

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

Operating segments

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

									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										**(500,569)**
Employee profit sharing										**(9,609)**
Gross profit as per the income statement										**536,020**
Capital expenditure[3]	**106,579**	**105,322**	**47,019**	**117,989**	**424**	**64,490**	**149,629**	**677**	**–**	**592,129**

1 Adjustments and eliminations correspond to hedging loss (note 5).
2 Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing. Segment profit for Fresnillo and Saucito considers the sales and the corresponding processing cost of the ore from Juanicipio.
3 Capital expenditure represents the cash outflow including interest capitalised in respect of additions to property, plant and equipment, such as mine development, construction of leaching pads and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include stripping cost at Herradura mine and purchase of mobile equipment at Juanicipio and Saucito mines.
4 The ore production of Juanicipio mine has been processed through Fresnillo and Saucito facilities.
5 Other inter-segment revenue corresponds to leasing services provided by Minera Bermejal, S.A. de C.V; capital expenditure mainly corresponds to Minera Bermejal, S. de R.L. de C.V.

									Year ended 31 December 2021	
										US$ thousands
	Fresnillo	Herradura	Ciénega	Saucito	Noche Buena	San Julián	Juanicipio[4]	Other[5]	Adjustments and eliminations	Total
Revenues:										
Third party[1]	493,582	769,896	215,623	547,294	168,849	509,247			(1,396)	2,703,095
Inter-segment							75,393	72,334	(147,727)	–
Segment revenues	493,582	769,896	215,623	547,294	168,849	509,247	75,393	72,334	(149,123)	2,703,095
Segment profit[2]	224,558	285,354	106,498	321,349	77,158	322,734	60,473	83,533	(4,800)	1,476,857
Foreign exchange hedging losses										3,827
Depreciation and amortisation										(528,206)
Employee profit sharing										(15,553)
Gross profit as per the income statement										936,925
Capital expenditure[3]	108,335	54,371	45,392	101,160	381	40,922		241,491	–	592,052

1 Adjustments and eliminations correspond to hedging loss (note 5).
2 Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing. Segment profit for Fresnillo and Saucito considers the sales and the corresponding processing cost of the ore from Juanicipio.
3 Capital expenditure represents the cash outflow including interest capitalised in respect of additions to property, plant and equipment, such as mine development, construction of leaching pads and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include the construction of the leaching plant at Fresnillo and the facilities of the Juanicipio mine.
4 The ore production of Juanicipio mine has been processed through Fresnillo and Saucito facilities.
5 Other inter-segment revenue corresponds to leasing services provided by Minera 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.

(a) Material partly-owned subsidiaries
The table below shows the detail of non-wholly owned subsidiaries of the Group that have non-controlling interests:

	Portion of ownership interest held by non-controlling interest		Profit (loss) allocated to non-controlling interest		Accumulated non-controlling interest	
	31-Dec-22	31-Dec-21	**31-Dec-22**	31-Dec-21	**31-Dec-22**	31-Dec-21
Minera Juanicipio, S. A. de C.V.	**44%**	44%	**31,398**	15,621	**160,046**	128,742
Equipos Chaparral, S. A. de C.V.	**44%**	44%	**5,105**	249	**69,561**	54,122
Other subsidiaries with non-controlling interests not considered to be material	**–**	–	**(109)**	1,417	**1,599**	1,684

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

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

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

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

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

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

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

5. Revenues

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

(a) Revenues by source

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

(b) Revenues by product sold

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

(c) Value of metal content in products sold

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

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

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

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

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

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

6. Cost of sales

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

1 Corresponds to mine equipment leased to contractors, the lease payments are based on a variable rate linked to the usage of the assets.
2 Corresponds to costs incurred in Juanicipio plant activities (note 2 (c))(2021: Corresponds to production cost incurred in Minera San Julián as a result of a plant stoppage).

7. Exploration expenses

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

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

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

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

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

Cash flows relating to exploration activities are as follows:

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

8. Personnel expenses

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

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

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

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

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

9. Other operating income and expenses

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

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

1 Mainly correspond to mobile equipment damage and mining works collapsed.
2 Costs relating to the rehabilitation of the facilities of Compañía Minera las Torres, S.A. de C.V. (a closed mine).
3 Main activities were related with the evaluation of improvement in tailing dams in Fresnillo and Ciénega and closure activities in the San Ramón satellite mine (closed at the end of 2020)(2021: main activities were related with the evaluation of improvement in tailing dams in Fresnillo and Ciénega).

10. Finance income and finance costs

	Year ended 31 December 2022 US$ thousands	2021 US$ thousands
Finance income:		
Interest on short-term deposits and investments	**20,956**	5,167
Interest on tax receivables	**4,507**	3,637
Other	**997**	70
	26,460	8,874

	Year ended 31 December 2022 US$ thousands	2021 US$ thousands
Finance costs:		
Interest on interest-bearing loans and notes payables	**51,395**	48,888
Interest on tax amendments (note 11)	**11,519**	–
Interest on lease liabilities	**720**	504
Unwinding of discount on provisions	**15,243**	11,522
Other	**2,744**	836
	81,621	61,750

11. Income tax expense

a) Major components of income tax expense:

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

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

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

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

Notes to the consolidated financial statements continued

11. Income tax expense continued

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

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

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

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

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

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

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

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

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

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

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

(d) Unrecognised deferred tax on investments in subsidiaries

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

11. Income tax expense continued

(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 'SMR' states that the owners of mining titles and concessions are subject to pay an annual mining right of 7.5% of the profit derived from the extractive activities and is considered as income tax under IFRS. For the fiscal year 2021 the SMR allows as a credit the 50% of payment of mining concessions rights up to the amount of SMR payable within the same legal entity. The 7.5% tax applies to a base of income before interest, annual inflation adjustment, taxes paid on the regular activity, depreciation and 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.

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

12. Earnings per share

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

The Company has no dilutive potential Ordinary Shares.

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

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

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

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

	2022 thousands	2021 thousands
Number of shares:		
Weighted average number of Ordinary Shares in issue	**736,894**	736,894

	2022 US$	2021 US$
Earnings per share:		
Basic and diluted earnings per share	**0.369**	0.572
Adjusted basic and diluted earnings per Ordinary Share	**0.351**	0.572

13. Property, plant and equipment

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

1 Depreciation for the year includes US$501.8 million recognised as an expense in the income statement and US$4.7 million, capitalised as part of construction in progress.
2 From the additions in 'other assets' category US$(27.3) million corresponds to the reassessment of mine closure rehabilitations costs, see note 21.
3 Amounts include Right-of-use assets as described in note 25.
4 The amount of property, plant and equipment related to Soledad & Dipolos at 31 December 2022 is US$35.6 million and reflects capitalised mining works and the amount recognised in the cost of property, plant and equipment related to estimated remediation and closure activities.
5 From the total net amount of disposals, US$11.3 million correspond to a write of assets as disclosed in note 9.

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

1 Depreciation for the year includes US$529.4 million recognised as an expense in the income statement and US$4.6 million, capitalised as part of construction in progress.
2 From the additions in 'other assets' category US$3.9 million corresponds to the reassessment of mine closure rehabilitations costs, see note 21.
3 Amounts include Right-of-use assets as described in note 25.
4 The amount of property, plant and equipment related to Soledad & Dipolos at 31 December 2021 is US$35.4 million and reflects capitalised mining works and the amount recognised in the cost of property, plant and equipment related to estimated remediation and closure activities.

13. Property, plant and equipment continued

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

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

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

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

Sensitivity analysis

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

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

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

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

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

14. Silverstream contract

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

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

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

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

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

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

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

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

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

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

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

	Commodity price		Discount rate	
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
2022	**20%** **(15%)**	**133,736** **(100,302)**	**100%** **(25%)**	**(41,860)** **11,452**
2021	15% (15%)	104,419 (104,419)	25% –	(13,219) –

14. Silverstream contract continued

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

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

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

15. Inventories

	As at 31 December	
	2022 US$ thousands	2021 US$ thousands
Finished goods[1]	**27,257**	19,137
Work in progress[2]	**375,603**	344,805
Ore stockpile[3]	**26,020**	3,234
Operating materials and spare parts	**163,947**	125,824
	592,827	493,000
Allowance for obsolete and slow-moving inventories	**(5,463)**	(5,196)
Balance as 31 December	**587,364**	487,804
Less – Current portion	**495,744**	396,184
Non-current portion[4]	**91,620**	91,620

1 Finished goods include metals contained in concentrates and doré bars on hand or in transit to a smelter or refinery.
2 Work in progress includes metals contained in ores on leaching pads for an amount of US$307.6 million (2021: US$316.6 million) and in stockpiles US$58.8 million (2021: US$28.2 million) that will be processed in dynamic leaching plants (note 2(c)).
3 Ore stockpile includes ore mineral obtained during the development phase at Juanicipio.
4 Non-current inventories relate to ore in leaching pads where the leaching process has stopped and is not expected to restart within twelve months. As at 31 December 2022 and 2021 non-current inventories corresponds to Soledad & Dipolos mine unit (note 2 (c)).

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

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

16. Trade and other receivables

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

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

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

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

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

17. Cash and cash equivalents

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

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

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

18. Equity

Share capital and share premium

Authorised share capital of the Company is as follows:

	As at 31 December			
	2022		2021	
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 2021	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2021	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2022	**736,893,589**	**$368,545,586**	**50,000**	**£50,000**

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

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

18. Equity continued

Reserves

Share premium

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

Capital reserve

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

Hedging reserve

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

Cost of hedging reserve

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

Fair value reserve of financial assets at FVOCI

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

Foreign currency translation reserve

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

Retained earnings

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

19. Dividends declared and paid

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

	US cents per Ordinary Share	Amount US$ thousands
Year ended 31 December 2022		
Final dividend for 2021 declared and paid during the year[1]	**24.00**	**176,855**
Interim dividend for 2022 declared and paid during the year[2]	**3.40**	**25,054**
	27.40	**201,909**
Year ended 31 December 2021		
Final dividend for 2020 declared and paid during the year[3]	23.50	173,170
Interim dividend for 2021 declared and paid during the year[4]	9.90	72,952
	33.40	246,122

1 This dividend was approved by the shareholders on 17 May 2022 and paid on 27 May 2022.
2 This dividend was approved by the Board of Directors on 1 August 2022 and paid 14 September 2022.
3 This dividend was approved by the shareholders on 24 June 2021 and paid on 28 June 2021.
4 This dividend was approved by the Board of Directors on 3 August 2021 and paid 15 September 2021.

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

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

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

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

20. Interest-bearing loans

Senior Notes

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

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

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

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

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

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

Change of control:

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

Pledge on assets:

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

21. Provision for mine closure cost

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

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

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

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

	As at 31 December	
	2022 US$ thousands	2021 US$ thousands
Opening balance	**260,307**	245,688
Increase to existing provision	**23,757**	17,078
Effect of changes in discount rate	**(63,061)**	(7,821)
Unwinding of discount rate	**15,243**	11,622
Payments	**(1,085)**	(879)
Foreign exchange	**12,046**	(5,381)
Closing balance	**247,207**	260,307
Less – Current portion	**4,827**	3,351
Non-current portion	**242,380**	256,956

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

22. Pensions and other post-employment benefit plans

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

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

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

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

Death and disability benefits are covered through insurance policies.

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

	Balance at 1 January 2022	Pension cost charge to income statement: Service cost	Net interest	Foreign exchange	Sub-total recognised in the year	Benefits paid	Remeasurement gains/(losses) in OCI: Return on plan assets (excluding amounts included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Sub-total included in OCI[1]	Contributions by employer	Defined benefit decrease due to personnel transfer	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)**

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

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

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

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

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

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

The fair values of the plan assets were as follows:

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

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

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

22. Pensions and other post-employment benefit plans continued

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 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 2022					
(Decrease)/increase to the net defined benefit obligation (US$ thousands)	**(967)**	**1,044**	**176**	**(174)**	**145**
Year ended 31 December 2021					
(Decrease)/increase to the net defined benefit obligation (US$ thousands)	(1,079)	1,174	157	(156)	208

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

23. Trade and other payables

	As at 31 December	
	2022 US$ thousands	2021 US$ thousands
Trade payables	**140,297**	130,187
Other payables to related parties (note 27)	**35,969**	30,930
Accrued expenses	**60,321**	22,319
Layback Agreement (note 2 (c))	**–**	67,182
Other taxes and contributions	**22,280**	19,699
	258,867	270,317

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

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

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

24. Commitments

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

	As at 31 December	
	2022 US$ thousands	2021 US$ thousands
Saucito	**33,980**	49,127
Herradura	**11,024**	21,258
Noche Buena	**227**	213
Ciénega	**10,753**	15,710
Fresnillo	**48,629**	43,541
San Julián	**9,745**	6,379
Juanicipio	**47,809**	103,100
Other	**414**	970
	162,581	240,298

25. Leases

(a) The Group as lessee

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

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

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

	Year ended 31 December 2022 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**

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

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

(b) The Group as a lessor

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

26. Contingencies

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

- The Group is subject to various laws and regulations which, if not observed, could give rise to penalties.
- Tax periods remain open to review by the Mexican tax authorities (SAT, by its Spanish acronym) in respect of income taxes for five years following the date of the filing of corporate income tax returns, during which time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances, the reviews may cover longer periods. As such, there is a risk that transactions, and in particular related party transactions, that have not been challenged in the past by the authorities, may be challenged by them in the future.
- On 8 May 2008, the Company and Peñoles entered into the Separation Agreement (the 'Separation Agreement'). This agreement relates to the separation of the Group and the Peñoles Group and governs certain aspects of the relationship between the Fresnillo Group and the Peñoles Group following the initial public offering in May 2008 ('Admission'). The Separation Agreement provides for cross-indemnities between the Company and Peñoles so that, in the case of Peñoles, it is held harmless against losses, claims and liabilities (including tax liabilities) properly attributable to the precious metals business of the Group and, in the case of the Company, it is held harmless by Peñoles against losses, claims and liabilities which are not properly attributable to the precious metals business. Save for any liability arising in connection with tax, the aggregate liability of either party under the indemnities shall not exceed US$250 million in aggregate.
- In 2011, flooding occurred in the Saucito mine, following which the Group filed an insurance claim in respect of the damage caused (and in respect of business interruption). This insurance claim was rejected by the insurance provider. In early 2018, after the matter had been taken to mutually agreed arbitration, the insurance claim was declared valid; however, there is disagreement about the appropriate amount to be paid. In October 2018 the Group received US$13.6 million in respect of the insurance claim, however this does not constitute a final settlement and management continues to pursue a higher insurance payment. Due to the fact that negotiations are on-going and there is uncertainty regarding the timing and amount involved in reaching a final settlement with the insurer, it is currently not practicable to determine the total amount expected to be recovered.
- It is probable that interest income will be earned on the Group's outstanding income and value added tax receivable balances; however, there is no certainty that this interest will be realised until the underlying balance is recovered. Due to that uncertainty, it is also not practicable to estimate the amount of interest income earned but not recovered to date.

27. Related party balances and transactions

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

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

(a) Related party balances

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

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

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

Other balances with related parties:

	Year ended 31 December	
	2022 US$ thousands	2021 US$ thousands
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	**511,474**	529,544

The Silverstream contract can be settled in either silver or cash. Details of the Silverstream contract are provided in note 14.

(b) Principal transactions with affiliates, including Industrias Peñoles S.A.B de C.V., the Company's Parent, are as follows:

	Year ended 31 December	
	2022 US$ thousands	2021 US$ thousands
Income:		
Sales:[1]		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	**2,436,761**	2,704,447
Insurance recovery		
Grupo Nacional Provincial, S.A. B. de C.V.	**606**	23
Other income	**4,959**	2,708
Total income	**2,442,326**	2,707,178

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

	Year ended 31 December	
	2022 US$ thousands	2021 US$ thousands
Expenses:		
Administrative services:		
Servicios Administrativos Peñoles, S.A. de C.V.[2]	**34,755**	35,654
Servicios Especializados Peñoles, S.A. de C.V.[3]	**18,918**	19,105
Peñoles Tecnología, S.A. de C.V.	**4,356**	1,425
	58,029	56,184
Energy:		
Termoeléctrica Peñoles, S. de R.L. de C.V.	**20,630**	19,597
Fuentes de Energía Peñoles, S.A. de C.V.	**3,259**	5,019
Eólica de Coahuila S.A. de C.V.	**31,031**	39,423
	54,920	64,039
Operating materials and spare parts:		
Wideco Inc	**6,610**	5,465
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	**9,694**	10,579
	16,304	16,044
Equipment repair and administrative services:		
Serviminas, S.A. de C.V.	**7,492**	10,029
Insurance premiums:		
Grupo Nacional Provincial, S.A. B. de C.V.	**16,443**	16,422
Other expenses:	**4,395**	7,441
Total expenses	**157,583**	170,159

2 Includes US$0.8 million (2021: US$3.1 million) corresponding to expenses reimbursed.
3 Includes US$nil (2021: US$2.6 million) relating to engineering costs that were capitalised.

27. Related party balances and transactions continued

(c) Compensation of key management personnel of the Group

Key management personnel include the members of the Board of Directors and the Executive Committee.

	Year ended 31 December	
	2022 US$ thousands	2021 US$ thousands
Salaries and bonuses	**2,792**	3,142
Post-employment benefits	**244**	192
Other benefits	**316**	337
Total compensation paid in respect of key management personnel	**3,352**	3,671

	Year ended 31 December	
	2022 US$ thousands	2021 US$ thousands
Accumulated accrued defined benefit pension entitlement	**4,035**	4,138

This compensation includes amounts paid to directors disclosed in the Directors' Remuneration Report.

The accumulated accrued defined pension entitlement represents benefits accrued at the time the benefits were frozen. There are no further benefits accruing under the defined benefit scheme in respect of current services.

28. Auditor's remuneration

Fees due by the Group to its auditor during the year ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
Class of services	2022 US$ thousands	2021 US$ thousands
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**1,879**	1,413
Fees payable to the Group's auditor and its associates for other services as follows:		
The audit of the Company's subsidiaries pursuant to legislation	**316**	382
Audit-related assurance services	**437**	497
Total	**2,632**	2,292

29. Notes to the consolidated statement of cash flows

	Notes	2022 US$ thousands	2021 US$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the year		**308,291**	438,496
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation	13	**501,769**	529,390
Employee profit sharing	8	**9,841**	16,662
Deferred income tax credit	11	**(233,090)**	(157,116)
Current income tax expense	11	**173,370**	330,151
Write-off of assets	9	**11,315**	–
Loss/(gain) on the sale of property, plant and equipment and other assets		**305**	(5,041)
Net finance costs		**55,148**	52,863
Foreign exchange loss		**823**	1,306
Difference between pension contributions paid and amounts recognised in the income statement		**1,259**	625
Non-cash movement on derivatives		**–**	531
Layback agreement (note 2 (c))		**(67,182)**	–
Changes in fair value of Silverstream	14	**(18,785)**	416
Working capital adjustments			
Decrease in trade and other receivables		**7,199**	85,581
Increase in prepayments and other assets		**(14,064)**	(2,233)
Increase in inventories		**(99,562)**	(44,596)
Increase in trade and other payables		**40,282**	19,252
Cash generated from operations		**676,919**	1,266,287
Income tax paid[1]		**(158,343)**	(349,840)
Employee profit sharing paid		**(16,391)**	(21,306)
Net cash from operating activities		**502,185**	895,141

1 Income tax paid includes US$116.1 million corresponding to corporate income tax (2021: US$321.8 million) and US$53.3 corresponding to special mining right (2021: US$28.0 million), for further information refer to note 11.

30. Financial instruments

(a) Fair value category

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]	**27,276**	**–**	**–**	**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**	**–**

Financial assets:	Amortised cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
				As at 31 December 2021
				US$ thousands
Trade and other receivables[1]	41,217	–	–	270,315
Equity instruments at FVOCI	–	164,525	–	–
Silverstream contract (note 14)	–	–	–	529,544
Derivative financial instruments	–	–	96	–

Financial liabilities:	Amortised cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans (note 20)	1,157,545	–	–
Notes payable[2]	107,918	–	–
Trade and other payables (note 23)	161,117	–	–
Derivative financial instruments	–	3,885	–

1 Trade and other receivables and embedded derivative within sales contracts are presented net in Trade and other receivables in the balance sheet.
2 Corresponds to interest-bearing notes payable received from Minera los Lagartos, S.A. de C.V. which holds a non-controlling interest in Juanicipio project. The notes are denominated in US dollars and bear interest at a rate that ranges between 2.15-6.34% with a maturity of nine to 18 months (2021: 12 months). During the year, proceeds and payments from these Notes amounted to US$8.1 million and US$10.0 million respectively (2021: US$41.7 million and US$nil).

(b) Fair value measurement

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

	Carrying amount		Fair value	As at 31 December
	2022 US$ thousands	2021 US$ thousands	**2022 US$ thousands**	2021 US$ thousands
Financial assets:				
Trade and other receivables	**27,276**	41,217	**27,276**	41,217
Financial liabilities:				
Interest-bearing loans[1] (note 20)	**1,158,557**	1,157,545	**990,588**	1,237,689
Trade and other payables	**176,266**	161,117	**176,266**	161,117
Note payable	**104,962**	107,918	**104,962**	107,918

1 Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.

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 2022			
	Fair value measure using			
	Quoted prices in active markets Level 1 US$ thousands	Significant observable Level 2 US$ thousands	Significant unobservable Level 3 US$ thousands	Total US$ thousands
Financial assets:				
Trade receivables	**–**	**–**	**284,186**	**284,186**
Derivative financial instruments:	**–**	**–**	**–**	**–**
Option and forward foreign exchange contracts	**–**	**231**	**–**	**231**
Silverstream contract	**–**	**–**	**511,474**	**511,474**
Other financial assets:				
Equity instruments at FVOCI	**158,813**	**–**	**–**	**158,813**
	158,813	**231**	**795,660**	**954,704**
Financial liabilities:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	**–**	**487**	**–**	**487**
	–	**487**	**–**	**487**

	As of 31 December 2021			
	Fair value measure using			
	Quoted prices in active markets Level 1 US$ thousands	Significant observable Level 2 US$ thousands	Significant unobservable Level 3 US$ thousands	Total US$ thousands
Financial assets:				
Trade receivables	–	–	270,315	270,315
Derivative financial instruments:				
Option commodity contracts	–	66	–	66
Option and forward foreign exchange contracts	–	30	–	30
Silverstream contract	–	–	529,544	529,544
Other financial assets:				
Equity instruments at FVOCI	164,525	–	–	164,525
	164,525	96	799,859	964,480
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	–	2,987	–	2,987
Option and forward foreign exchange contracts	–	898	–	898
	–	3,885	–	3,885

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into and out of Level 3 fair value measurements.

A reconciliation of the opening balance to the closing balance for Level 3 financial instruments other than Silverstream (which is disclosed in note 14) is shown below:

	2022 US$ thousands	2021 US$ thousands
Balance at 1 January:	**265,473**	326,834
Sales	**2,440,063**	2,705,720
Cash collection	**(2,426,390)**	(2,765,807)
Changes in fair value	**(20,178)**	(3,695)
Realised embedded derivatives during the year	**16,876**	2,421
Balance at 31 December	**275,844**	265,473

The fair value of financial assets and liabilities is included at reflects the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following valuation techniques were used to estimate the fair values:

Option and forward foreign exchange contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The foreign currency forward (Level 2) contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The foreign currency option contracts are valued using the Black Scholes model, the significant inputs to which include observable spot exchange rates, interest rates and the volatility of the currency.

Option commodity contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The option commodity (Level 2) contracts are measured based on observable spot commodity prices, the yield curves of the respective commodity as well as the commodity basis spreads between the respective commodities. The option commodity contracts are valued using the Black Scholes model, the significant inputs to which include observable spot commodities price, interest rates and the volatility of the commodity.

Silverstream contract

For further information relating to the valuation techniques were used to estimate the fair value of the Silverstream contract as well as the sensitivity of the valuation to the key inputs are disclosed in note 14.

Equity investments:

The fair value of equity investments is derived from quoted market prices in active markets (Level 1). These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature. As of 31 December 2022, approximately 91.6% of the investments correspond to 9,314,877 shares (2021: 9,314,877 shares) of Mag Silver, Corp. for an amount of US$145.5 million (2021: US$146.1 million) and 5.7% of Endeavor, Inc. represented by 2,800,000 (2021: 2,800,000 shares) shares for an amount of US$9.1 million (2021: US$11.9 million). These equity investments are listed on the Canadian Stock Exchange. The prices per share as 31 December 2022 were US$15.62 (2021: US$15.69) and US$3.24 (2021: US$4.23), respectively.

Interest-bearing loans

The fair value of the Group's interest-bearing loan is derived from quoted market prices in active markets (Level 1).

Trade receivables:

Sales of concentrates, precipitates doré bars and activated carbon are 'provisionally priced' and revenue is initially recognised using this provisional price and the Group's best estimate of the contained metal. Revenue is subject to final price and metal content adjustments subsequent to the date of delivery (see note 2 (n)). This price exposure is considered to be an embedded derivative and therefore the entire related trade receivable is measured at fair value.

At each reporting date, the provisionally priced metal content is revalued based on the forward selling price for the quotational period stipulated in the relevant sales contract. The selling price of metals can be reliably measured as these metals are actively traded on international exchanges but the estimated metal content is a non-observable input to this valuation.

31. Financial risk management

Overview

The Group's principal financial assets and liabilities, other than derivatives, comprise trade and other receivables, cash, equity instruments at FVOCI, interest-bearing loans, notes payable and trade payables.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk, including foreign currency, commodity price, interest rate and equity price risks.
- Credit risk.
- Liquidity risk.

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for assessing and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Fresnillo Audit Committee has responsibility for overseeing how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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
2022	**5%**	**742**	**1,120**
	(5%)	**(820)**	**3,610**
2021	10%	2,123	1,251
	(5%)	(1,229)	(1,587)

The Group's exposure to reasonably possible changes in other currencies is not material.

Commodity risk

The Group has exposure to changes in metals prices (specifically silver, gold, lead and zinc) which have a significant effect on the Group's results. These prices are subject to global economic conditions and industry-related cycles.

The Group uses derivative instruments to hedge against an element of gold, zinc and lead price.

The table below reflects the aggregate sensitivity of financial assets and liabilities (excluding Silverstream which impact is disclosed in note 14) to a reasonably possible change in commodities prices, reflecting the impact on the Group's profit before tax with all other variables held constant.

The sensitivity shown in the table below relates to changes in fair value of commodity derivatives financial instruments contracts (excluding Silverstream) and embedded derivatives in sales.

	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
2022	**10%**	**20%**	**20%**	**15%**	**31,529**	**–**
	(10%)	**(15%)**	**(15%)**	**(15%)**	**(27,660)**	**–**
2021	10%	15%	25%	15%	40,688	(4,861)
	(10%)	(15%)	(15%)	(15%)	(36,638)	2,707

Interest rate risk

The Group is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally relating to the cash balances and the Silverstream contract held at the balance sheet date. Interest-bearing loans and notes payable are at a fixed rate, therefore the possibility of a change in interest rate only impacts its fair value but not its carrying amount. Therefore, interest-bearing loans, notes payable and loans from related parties are excluded from the table below.

The following table demonstrates the sensitivity of financial assets and financial liabilities (excluding Silverstream which impact is disclosed in note 14) to a reasonably possible change in interest rate applied to a full year from the balance sheet date. There is no impact on the Group's equity other than the equivalent change in retained earnings.

Year ended 31 December	Basis point increase/ (decrease) in interest rate	Effect on profit before tax: increase/ (decrease) US$ thousands
2022	**100**	**8,667**
	(25)	**(2,167)**
2021	25	3,088
	–	–

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

Equity price risk

The Group has exposure to changes in the price of equity instruments that it holds as equity investments at FVOCI.

The following table demonstrates the sensitivity of equity investments at FVOCI to a reasonably possible change in market price of these equity instruments, reflecting the effect on the Group's profit before tax and equity:

Year ended 31 December	Increase/ (decrease) in equity price	Effect on profit before tax: increase/ (decrease) (US$ thousands)	Effect on equity: increase/ (decrease) US$ thousands
2022	**10%**	**–**	**15,881**
	(25%)	**–**	**(39,703)**
2021	25%	–	40,707
	(45%)	–	(73,272)

(b) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to trade and other receivables, cash and cash equivalents, the Silverstream contract and derivative financial instruments.

The Group's policies are aimed at minimising losses as a result of counterparties' failure to honour their obligations. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counter party. The Group's financial assets are with counterparties with what the Group considers to have an appropriate credit rating. As disclosed in note 27, the counterparties to a significant proportion of these financial assets are related parties. At each balance sheet date, the Group's financial assets were neither credit-impaired nor past due, other than 'Other receivables' as disclosed in note 16. The Group's policies are aimed at minimising losses from foreign currency hedging contracts. The Company's foreign currency hedging contracts are entered into with large financial institutions with strong credit ratings.

The Group has a high concentration of trade receivables with one counterparty Met-Mex Peñoles, the Group's sole customer throughout 2022 and 2021. A further concentration of credit risk arises from the Silverstream contract. Both Met-Mex and the counterparty to the Silverstream contract are subsidiaries in the Peñoles group which currently owns 75% of the shares of the Company and is considered by management to be of appropriate credit rating.

The Group's surplus funds are managed by Servicios Administrativos Fresnillo, S.A. de C.V., which manages cash and cash equivalents, including short-term investments investing in several financial institutions. Accordingly, on an ongoing basis the Group deposits surplus funds with a range of financial institutions, depending on market conditions. In order to minimise exposure to credit risk, the Group only deposits surplus funds with financial institutions with a credit rating of MX-1 (Moody's) and mxA-1+ (Standard and Poor's) and above. As at 31 December 2022, the Group had concentrations of credit risk as 35% of surplus funds were deposited with one financial institution of which the total investment was held in short-term deposits.

The maximum credit exposure at the reporting date of each category of financial asset above is the carrying value as detailed in the relevant notes. See note 17 for the maximum credit exposure to cash and cash equivalents note 16 for other receivables and note 27 for related party trade and other receivables. The maximum credit exposure with relation to the Silverstream contract is the value of the derivative as at 31 December 2022, being US$511.5 million (2021: US$529.5 million).

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.

	Within 1 year	2–3 years	3-5 years	> 5 years	Total (US$ thousands)
As at 31 December 2022					
Interest-bearing loans (note 20)	**374,249**	**75,973**	**75,973**	**1,723,686**	**2,249,881**
Trade and other payables	**176,266**	**–**	**–**	**–**	**176,266**
Note payable	**9,109**	**95,853**	**–**	**–**	**104,962**
Lease liabilities (note 25)	**6,055**	**6,933**	**3,129**	**1,620**	**17,737**
Derivative financial instruments – liabilities	**487**	**–**	**–**	**–**	**487**

	Within 1 year	2–3 years	3-5 years	> 5 years	Total (US$ thousands)
As at 31 December 2021					
Interest-bearing loans (note 20)	56,370	412,236	75,973	1,761,672	2,306,251
Trade and other payables	161,117	–	–	–	161,117
Note payable	107,918	–	–	–	107,918
Lease liabilities (note 25)	5,054	5,213	846	639	11,752
Derivative financial instruments – liabilities	3,885	–	–	–	3,885

The payments disclosed for financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding estimated inflows based on the contractual terms:

	Within 1 year	2–3 years	3-5 years	> 5 years	Total (US$ thousands)
As at 31 December 2022					
Inflows	**13,319**	**–**	**–**	**–**	**13,319**
Outflows	**(13,322)**	**–**	**–**	**–**	**(13,322)**
Net	**(3)**	**–**	**–**	**–**	**(3)**

	Within 1 year	2-3 years	3-5 years	> 5 years	Total (US$ thousands)
As at 31 December 2021					
Inflows	48,602	–	–	–	48,602
Outflows	(51,588)	–	–	–	(51,588)
Net	(2,986)	–	–	–	(2,986)

The above liquidity tables include expected inflows and outflows from currency option contracts which the Group expects to be exercised during 2023 as at 31 December 2022 and during 2022 as at 31 December 2021, either by the Group or counterparty.

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios that support its business and maximise shareholder value. Management considers capital to consist of equity and interest-bearing loans, excluding net unrealised gains or losses on revaluation of derivatives financial instruments and Equity instruments at FVOCI. Refer to notes 18, 20 and 30 respectively for a quantitative summary of these items.

In order to ensure an appropriate return for shareholder's capital invested in the Group management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive Committee before submission to the Board for ultimate approval, where applicable. The Group's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows, including cash flows from the Silverstream.

One of the Group's metrics of capital is cash and other liquid assets which in 2022 and 2021 consisted of only cash and cash equivalents, which details are disclosed in note 17.

Parent Company balance sheet
As at 31 December

	Notes	As at 31 December 2022 US$ thousands	 2021 US$ thousands
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**4,016,111**	5,738,623
Equity instruments at FVOCI	15	**158,813**	164,525
Deferred tax asset	4	**61,689**	42,173
Loans to related parties	12	**122,005**	–
		4,358,618	5,945,321
Current assets			
Loans to related parties	12	**951,126**	895,980
Income tax recoverable		**109**	599
Trade and other receivables	6	**773**	1,394
Derivative financial instruments	15	**231**	96
Cash and cash equivalents	7	**559,681**	764,474
		1,511,920	1,662,543
Total assets		**5,870,538**	7,607,864
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	**2,048,880**	3,803,882
Fair value reserve of financial assets at FVOCI	8	**72,903**	76,901
Retained earnings	8	**1,064,540**	1,038,138
Total equity		**4,708,686**	6,441,284
Non-current liabilities			
Interest-bearing loans	10	**840,678**	1,157,545
		840,678	1,157,545
Current liabilities			
Trade and other payables		**2,808**	5,150
Derivative financial instruments	15	**487**	3,885
Interest-bearing loans	10	**317,879**	–
		321,174	9,035
Total liabilities		**1,161,852**	1,166,580
Total equity and liabilities		**5,870,538**	7,607,864

The loss for the Company is US$1,526.7 million for the year ended 31 December 2022 (2021: profit of US$1,122.6 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 6 March 2023 and signed on its behalf by:

Mr Juan Bordes
Non-executive Director
6 March 2023

Parent Company statement of cash flows
Year ended 31 December

	Notes	Year ended 31 December 2022 US$ thousands	2021 US$ thousands
Net generated (used) cash used from operating activities	14	**28,107**	(18,162)
Cash flows from investing activities			
Capital contribution to subsidiaries	5	**(32,490)**	(56,054)
Loans granted to related parties		**(2,043,114)**	(6,925,250)
Proceeds from repayment of loans granted to related parties		**1,900,729**	7,344,229
Interest received		**24,420**	51,887
Dividends received		**177,389**	1,242,406
Net cash generated from investing activities		**26,934**	1,657,218
Cash flows from financing activities			
Loans granted by related parties		**68,000**	1,156,191
Repayment of loans granted by related parties		**(68,000)**	(1,731,338)
Dividends paid[1]		**(201,338)**	(245,561)
Interest paid		**(56,459)**	(57,474)
Net cash used in financing activities		**(257,797)**	(878,182)
Net (decrease)/increase in cash and cash equivalents during the year		**(202,756)**	760,874
Effect of exchange rate on cash and equivalents		**(2,037)**	(1,060)
Cash and cash equivalents at 1 January		**764,474**	4,660
Cash and cash equivalents at 31 December	7	**559,681**	764,474

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

Parent Company statement of changes in equity
Year ended 31 December

	Notes	Share capital	Share premium	Merger reserve	Fair value reserve of financial assets at FVOCI	Retained earnings	Total equity
Balance at 1 January 2021		368,546	1,153,817	3,911,531	110,537	54,026	5,598,457
Profit for the year		–	–	–	–	1,122,644	1,122,644
Other comprehensive loss net of tax		–	–	–	(33,636)	–	(33,636)
Total comprehensive income for the year		–	–	–	(33,636)	1,122,644	1,089,008
Transfer of reserves		–	–	(107,649)	–	107,649	–
Dividends declared and paid	9	–	–	–	–	(246,181)	(246,181)
Balance at 31 December 2021		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**

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% 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 2022 were authorised for issue by the Board of Directors of Fresnillo plc on 6 March 2023.

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 2024 (being the going concern assessment period). The Directors have also considered the cash position as of 31 December 2022 (US$559.7 million) and the net current asset position (US$1,190.7 million), which includes the debt repayment due in 2023 (US$317.9 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 separated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2021.

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.

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.

Judgements

The area of judgement, apart from those involving estimations, that has the most significant effect on the amounts recognised in the financial statements is:

Deferred tax asset (note 4):

The Company has recognised a deferred tax asset of US$277.7 million (2021: US$223.8 million) in respect of tax losses amounting to US$83.3 million (US$67.1 million). In accordance with the tax legislation tax losses amounting US$26.5 million (US$22.3 million) will expire in a period of four years and US$251.2 million (US$201.5 million) in a period between eight and ten years. The Company has performed an assessment of the recoverability of tax losses before their expiration, thus there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised.

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. Although this is an estimate, it is not considered a critical estimate.

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, reserves and resources and the associated production profiles, discount rates, future capital requirements, and productions costs. These cash flows are discounted using a 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 2022 the Company recognised an impairment charge of US$1,755.0 million (2021: net impairment charge of US$107.6 million) resulting in a cumulative impairment relating to subsidiaries of US$3,740.7.0 million (2021: US$1,985.7 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 statement of profit or loss 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 fair value 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 fair value through OCI; and
- those to be measured subsequently at fair value through profit or loss.

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

2. Significant accounting policies continued

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 fair value through other comprehensive income (FVOCI).

The Company 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 Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (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 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 related parties.

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 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 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 fair value through OCI are not subject to impairment assessment.

The Company 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 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

The Company 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 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.

For other receivables, the Company 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 Company 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 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 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.

(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.

2. Significant accounting policies continued

(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.

(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 and 16.

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	
	2022 US$ thousands	2021 US$ thousands
Opening net asset	**42,173**	6,111
Income tax credit	**17,802**	21,647
Net credit related to items directly charged to other comprehensive income	**1,714**	14,415
Closing net asset	**61,689**	42,173

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	
	2022 US$ thousands	2021 US$ thousands
Prepayments and other assets	**(4,737)**	(5,911)
Accrual for expected credit losses on loans granted to subsidiaries	**104**	520
Derivative financial instruments	**–**	977
Losses carried forward	**83,259**	67,141
Equity instruments at FVOCI	**(16,937)**	(20,554)
Net deferred tax asset	**61,689**	42,173

(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$1,006 million (2021: US$1,056 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	
	2022 US$ thousands	2021 US$ thousands
Opening balance	**5,738,623**	5,790,218
Impairment	**(1,755,002)**	(107,649)
Capital contributions	**32,490**	56,054
Closing balance	**4,016,111**	5,738,623

During 2022, the Company made an impairment assessment to determine whether the carrying value of each of its subsidiaries was recoverable as at 31 December 2022 and determine if prior year impairment could be reversed. As a result, a cumulative impairment loss of US$3,740.7 million is recognised with respect to certain of the Company's investment in subsidiaries (2021: US$1,985.7 million). The recoverable amount was estimated based on the Fair Value Less Cost of Disposal (FVLCD) model (2021: FVLCD).

The following tables provide relevant information in respect of each impaired subsidiary:

	Year ended 31 December 2022			
	Impairment loss/ (reversal) in the year US$ thousands	Cumulative Impairment US$ thousands	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.	**408**	**60,280**	**162,053**	**5.93%**
	1,755,002	**3,740,719**		

5. Investments in subsidiaries continued

	Year ended 31 December 2021			
	Impairment loss/ (reversal) in the year US$ thousands	Cumulative Impairment US$ thousands	Recoverable amount US$ thousands	Discount rate (post-tax)
Minera Fresnillo, S.A. de C.V.	169,542	1,419,582	2,371,428	4.42%
Minera Mexicana la Ciénega, S.A. de C.V.	42,720	506,263	491,957	4.52%
Minera Saucito, S.A. de C.V.	–	–	1,226,189	4.51%
Minera San Julián, S.A. de C.V.	(120,607)	–	667,117	4.49%
Exploraciones Mineras Parreña, S.A. de C.V.	15,994	59,872	162,461	4.33%
	107,649	1,985,717		

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 2022, the Company used long-term price assumptions of US$1,838/ounce (2021: US$1,600/ounce) and US$24.1/ounce (2021: US$21.20/ounce) for gold and silver, respectively.

Sensitivity analysis

As at 31 December 2022 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 15% respectively (2021: 10% gold,15% silver). The sensitivity resulted in an additional impairment on Minera Fresnillo, S.A. de C.V. of US$465.0 million (2021: US$592.9 million), Minera Mexicana la Ciénega, S.A. de C.V. US$91.4 million (2021; US$149.5 million), Minera Saucito, S.A. de C.V. US$133.0 million (2021: US$205.3 million). Minera San Julián, S.A. de C.V. US$131.7 million (2021: nil) and Minera Penmont, S. de R.L. de C.V. US$189.2 million (2021: nil).

Additionally, as at 31 December 2022 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% and an increase in operating costs of 8%. These sensitivities resulted in an additional impairment on Minera Fresnillo, S.A. de C.V. of US$262.0 million and 132.9 million respectively, Minera Saucito, S.A. de C.V. of US$72.8 million and 30.7 million respectively and Minera Penmont, S. de R.L. de C.V. US$188.4 million and 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 2022 and 2021 are as follows:

Legal company	Principal activity	Country of incorporation	Equity interest % Year ended 31 December 2022	2021
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.	Mining project	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 2022 US$ thousands	2021 US$ thousands
Other receivables from related parties (note 12)	**361**	873
Prepayments	**412**	521
	773	1,394

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 2022 US$ thousands	2021 US$ thousands
Cash at bank and on hand	**188**	46
Short-term deposits	**559,493**	764,428
Cash and cash equivalents	**559,681**	764,474

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			
	2022		2021	
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 2021	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2021	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2022	**736,893,589**	**$368,545,586**	**50,000**	**£50,000**

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

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

Reserves

Share premium

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

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 2022 and 2021 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 2022 and 2021 are as follows:

	US cents per Ordinary Share	Amount US$ thousands
Year ended 31 December 2022		
Final dividend for 2021 declared and paid during the year[1]	**24.00**	**176,855**
Interim dividend for 2022 declared and paid during the year[2]	**3.40**	**25,054**
	27.40	**201,909**
Year ended 31 December 2021		
Final dividend for 2020 declared and paid during the year[3]	23.50	173,170
Interim dividend for 2021 declared and paid during the year[4]	9.90	72,952
	33.40	246,122

1 This dividend was approved by the shareholders on 17 May 2022 and paid on 27 May 2022.
2 This dividend was approved by the Board of Directors on 1 August 2022 and paid 14 September 2022.
3 This dividend was approved by the shareholders on 24 June 2021 and paid on 28 June 2021.
4 This dividend was approved by the Board of Directors on 3 August 2021 and paid 15 September 2021.

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

	Year ended 31 December	
	2022 US$ thousands	2021 US$ thousands
Dividends declared	**201,909**	246,122
Foreign exchange effect	**–**	60
Dividends recognised in retained earnings	**201,909**	246,181
Foreign exchange and hedging effect	**(571)**	(621)
Dividends paid	**201,338**	245,561

The Directors have proposed a final dividend of US$13.3 cents per share, which is subject to approval at the Annual General Meeting and is not recognised as a liability as at 31 December 2022. Dividends paid from the profits generated from 1 January 2014 to residents in Mexico and to non-resident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the 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. The proceeds were partially used to finance the repurchase mentioned above.

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

	As at 31 December	
	2022 US$ thousands	20221 US$ thousands
Opening balance	**1,157,545**	1,156,670
Accrued interest[1]	**56,475**	56,385
Interest paid	**(56,371)**	(56,370)
Amortisation of discount and transaction costs	**908**	860
Closing balance	**1,158,557**	1,157,545
Less – Current portion	**317,879**	–
Non-current portion	**840,678**	1,157,545

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

The 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

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

- The Company 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 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, as well as those entities who have a minority participation in Fresnillo Group companies. Related party balances will be settled in cash. All the balances as at 31 December 2022 and 2021 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 2022	31 December 2021	**31 December 2022**	31 December 2021
Loans[1]	**1,073,131**	895,980	**–**	–
Other	**361**	873	**1,249**	1,049
Balance as 31 December	**1,073,492**	896,853	**1,249**	1,049
Less – Current portion	**951,487**	896,853	**1,249**	1,049
Non-current portion	**122,005**	–	**–**	–

1 Accounts receivable derived from loans with related parties are net of provision for expected credit loss of US$0.3 million (2021: US$1.7 million).

Effective interest rates on loans granted to related parties in US dollar range between 2.64% to 7.18% (2021: 2.14% to 2.21%) and in Mexican peso range from 7.74% to 12.76% (2021: 7.71% to 7.72%).

(b) Principal transactions with related parties (apart from dividends, additional investments and returns of capital) are as follows:

	Year ended 31 December	
	2022 US$ thousands	2021 US$ thousands
Income:		
Interest on loans	**55,646**	51,242
Total income	**55,646**	51,242

	Year ended 31 December	
	2022 US$ thousands	2021 US$ thousands
Expenses:		
Administrative services	**3,794**	4,489
Interest	**89**	3,030
Total expenses	**3,883**	7,519

(c) Compensation of key management personnel of the Company

Key management personnel comprise Non-executive Directors. In 2022, their compensation was US$0.7 million (2021: 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$1.9 million (2021: US$1.4 million) in respect of the audit of its financial statements together with a proportion of the fees in relation to Fresnillo Group audit.

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.

14. Notes to the statement of cash flows

	Notes	Year ended 31 December 2022 US$ thousands	2021 US$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
(Loss)/profit for the year		**(1,526,691)**	1,122,644
Adjustments to reconcile (loss)/profit for the year to net cash inflows from operating activities:			
Impairment of investment in subsidiaries	5	**1,755,002**	107,649
Dividend income		**(177,389)**	(1,242,406)
Income tax credit		**(17,619)**	(21,646)
Net finance (gain)/loss		**(2,719)**	17,135
Foreign exchange gain/ (loss)		**652**	(317)
Working capital adjustments			
(Decrease)/increase in trade and other receivables		**(1,175)**	843
Decrease In trade and other payables		**(2,257)**	(1,802)
Cash generated from operations		**27,804**	(17,900)
Income tax recovered		**369**	–
Income tax paid		**(66)**	(262)
Net generated/(used) cash used from operating activities		**28,107**	(18,162)

15. Financial instruments

(a) Fair value category

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**

As at 31 December 2021 US$ thousands			
Financial assets:	Amortised cost	Fair value through OCI	Fair value through profit or loss
Loans to related parties	895,980	–	–
Equity instruments at FVOCI	–	164,525	–
Derivative financial instruments	–	–	96

Financial liabilities:	At amortised Cost	Fair value through profit or loss
Interest-bearing loans	1,157,545	–
Trade and other payables	1,049	–
Derivative financial instruments	–	3,885

(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	
	2022 US$ thousands	2021 US$ thousands	**2022 US$ thousands**	2021 US$ thousands
Financial assets:				
Trade and other receivables	**231**	96	**231**	96
Loans to related parties[1]	**1,073,131**	895,980	**1,073,131**	895,980
Financial liabilities:				
Interest-bearing loans[2]	**1,158,557**	1,157,545	**990,588**	1,237,689
Trade and other payable	**1,249**	1,049	**1,249**	1,049

1 Loans to related party 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 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**

	As of 31 December 2021 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 commodity contracts	–	66	–	66
Option and forward foreign exchange contracts	–	30	–	30
Other financial assets:				
Equity investments	164,525	–	–	164,525
	164,525	96	–	164,621
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	–	2,987	–	2,987
Option and forward foreign exchange contracts	–	898	–	898
	–	3,885	–	3,885

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into and out of Level 3 fair value measurements.

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.

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 Company considers these investments to be strategic in nature. As of 31 December 2022, approximately 91.6% of the investments correspond to 9,314,877 shares (2021: 9,314,877 shares) of Mag Silver, Corp. for an amount of US$145.5 million (2021: US$146.1 million) and 5.7% of Endeavor, Inc. represented by 2,800,000 (2021: 2,800,000 shares) shares for an amount of US$9.1 million (2021: US$11.9 million). These equity investments are listed on the Canadian Stock Exchange. The prices per share as 31 December 2022 were US$15.62 (2021: US$15.69) and US$3.24 (2021: US$4.23), respectively.

Interest-bearing loans

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 party 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 trade and other receivables, equity investment at FVOCI, cash, available-for-sale financial assets, 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.

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
2022	**5%** **(5%)**	**1,294** **(1,171)**
2021	10% (5%)	11 (19)

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 Company'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.

The table below reflects the aggregate sensitivity relating to changes in the fair value of commodity derivative contracts of financial assets and liabilities, reflecting the impact on the Company's profit before tax with all other variables held constant. There is no impact on the Company's equity other than the effect on profit before tax.

	Increase/(decrease) in commodity prices				
Year ended 31 December	Gold	Silver	Zinc	Lead	Effect on profit before tax: increase/ (decrease) US$ thousands
2022	**10%** **(10%)**	**20%** **(15%)**	**20%** **(15%)**	**15%** **(15%)**	**–** **–**
2021	10% (10%)	15% (15%)	25% (15%)	15% (15%)	2,707 (4,861)

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
2022	**100** **(25)**	**15,108** **(3,777)**
2021	25 (0)	1,911 –

16. Financial risk management continued

Equity price risk

The Company has exposure to changes in the price of equity instruments that it holds as available-for-sale financial assets.

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
2022	**10%**	**–**	**15,881**
	(25%)	**–**	**(39,703)**
2021	25%	–	40,707
	(45%)	–	(73,272)

(b) Credit risk

Exposure to credit risk arises as a result of transactions in the Company's ordinary course of business and is applicable to trade and other receivables, 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 Poors) 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 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**

					US$ thousands
	Within 1 year	2–3 years	4–5 years	> 5 years	Total
As at 31 December 2021					
Interest-bearing loans	56,370	412,236	75,973	1,761,672	2,306,251
Derivatives financial instruments – liabilities	3,885	–	–	–	3,885
Trade and other payables	1,049	–	–	–	1,049

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 2022					
Inflows	**13,319**	**–**	**–**	**–**	**13,319**
Outflows	**(13,322)**	**–**	**–**	**–**	**(13,322)**
Net	**(3)**	**–**	**–**	**–**	**(3)**

					US$ thousands
	Within 1 year	2–3 years	4–5 years	> 5 years	Total
As at 31 December 2021					
Inflows	48,602	–	–	–	48,602
Outflows	(51,588)	–	–	–	(51,588)
Net	2,986	–	–	–	2,986

The above liquidity tables include expected inflows and outflows from currency option contracts which the Company expects to be exercised during 2023 as at 31 December 2022 and during 2022 as at 31 December 2021, 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, as disclosed in the balance sheet and equity investments at FVOCI. 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.

Consolidated audited mineral resource statement for underground operational properties[1]
As at 31 May 2022

Resource category	Cut-off grade[2]	Quantity	Grade				Contained metal			
		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	203 g/t AgEq	11,253	0.97	609	1.13	2.04	349	220,202	127	229
Indicated		16,364	0.93	269	1.51	4.42	487	141,712	247	723
Measured and indicated		27,617	0.94	408	1.36	3.45	836	361,915	374	952
Inferred		31,359	0.79	342	1.19	2.54	795	344,827	373	797
Minera Saucito – Saucito Mine – Underground										
Measured	225 g/t AgEq	5,382	2.28	345	1.60	2.70	394	59,773	86	145
Indicated		15,722	1.29	270	1.55	2.64	654	136,529	243	415
Measured and indicated		21,104	1.54	289	1.56	2.65	1,047	196,302	329	560
Inferred		26,154	1.04	276	1.38	2.96	876	232,130	361	774
Minera Ciénega – Ciénega Complex – Underground										
Measured	Multiple[3]	5,034	4.11	227	1.47	2.18	665	36,761	74	110
Indicated		4,697	2.11	235	1.10	1.75	319	35,559	52	82
Measured and indicated		9,731	3.15	231	1.29	1.97	984	72,320	126	192
Inferred		7,448	1.79	227	0.64	1.09	428	54,393	48	81
Minera San Julián – San Julián Mine Underground: Veins										
Measured	162 g/t AgEq	2,311	2.26	187	–	–	168	13,879	–	–
Indicated		9,132	1.75	234	–	–	515	68,602	–	–
Measured and indicated		11,443	1.86	224	–	–	683	82,481	–	–
Inferred		7,161	1.35	203	–	–	310	46,815	–	–
Minera San Julián – San Julián Mine Underground: Disseminated										
Measured	102 g/t AgEq	13,538	0.11	150	0.48	1.29	47	65,075	66	174
Indicated		1,295	0.09	70	0.26	1.11	4	2,894	3	14
Measured and indicated		14,833	0.11	143	0.46	1.27	51	67,969	69	189
Inferred		1,066	0.05	72	0.24	1.03	2	2,468	3	11
Totals – Underground										
Measured and indicated	Multiple	84,727	1.32	287	1.06	2.23	3,602	780,986	898	1,893
Inferred		73,189	1.02	289	1.07	2.27	2,411	680,634	784	1,663

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 209 and 284 g/t AgEq.
• All mineral resources were estimated by Fresnillo. Matthew Hastings, M.Sc, P.Geo, MAusIMM #314693 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 18.50), Lead (US$/lb 0.90) and Zinc (US$/lb 1.15).

Consolidated audited mineral resource statement for Sonora properties[1]
As at 31 May 2022

Resource category	Cut-off grade[2]	Quantity Tonnes (kt)	Grade Au (g/t)	Contained metal Au (koz)
Minera Penmont: Mega Centauro Open Pit[2]				
Measured	Multiple[3]	257,509	0.81	6,710
Indicated		42,820	0.80	1,108
Measured and indicated		**300,329**	**0.81**	**7,818**
Inferred		23	1.40	1
Minera Penmont: Noche Buena Open Pit[2]				
Measured	0.20 g/t Au	7,073	0.52	117
Indicated		3,053	0.76	75
Measured and indicated		**10,126**	**0.59**	**192**
Inferred		123	0.34	1
Minera Penmont: Soledad–Dipolos Open Pit[2, 4]				
Measured	0.20 g/t Au	85,996	0.47	1,298
Indicated		8,962	0.41	119
Measured and indicated		**94,958**	**0.46**	**1,417**
Inferred		1,093	0.40	14
Exploraciones Mineras Parreña: Tajitos Open Pit[2]				
Measured	0.20 g/t Au	–	–	–
Indicated		76,770	0.37	920
Measured and indicated		**76,770**	**0.37**	**920**
Inferred		15,548	0.35	173
Minera Penmont: Centauro Profundo Underground[5]				
Measured	2.09 g/t Au	244	6.50	51
Indicated		12,696	6.86	2,801
Measured and indicated		**12,940**	**6.85**	**2,852**
Inferred		1,605	6.27	323
Totals – Open Pit				
Measured and indicated	Multiple	482,183	0.67	10,347
Inferred		16,786	0.35	189
Totals – Underground				
Measured and indicated	2.09 g/t Au	12,940	6.85	2,852
Inferred		1,605	6.27	323

1 Mineral Resources are reported inclusive of Ore Reserves. Mineral Resources are not Ore Reserves and do not have demonstrated economic viability. Gold assays were capped where appropriate. All figures rounded to reflect the relative accuracy of the estimates.
2 All open pit Mineral Resources are reported within pit shells run at a US$1,600/oz Au price constructed with inter ramp angles similar to the Ore Reserves pit designs.
3 Herradura open pit Mineral Resources are reported at various cut-offs dependent on material types and grade. Oxide material above 0.21 g/t Au and below 0.84 g/t Au reports to the heap leach; transitional and sulphide material above 0.22 g/t and below 0.45 g/t Au reports to the heap leach; oxide material above 0.84 g/t Au reports to the mill; transitional and sulphide material above 0.45 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. Rod Webster MAusIMM, MAIG (MAusIMM #108489, MAIG #4818) of AMC reviewed and audited the Mineral Resource estimates for Tajitos.

Consolidated audited mineral resource statement of exploration projects and prospects[1]

As at 31 December 2022

Deposit[1]		Quantity	Grade				Contained metal			
Deposit/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		–	–	–	–	–	–	–	–	–
Guanajuato Sur – veins		–	–	–	–	–	–	–	–	–
Cebadillas – veins		–	–	–	–	–	–	–	–	–
La Yesca – veins		–	–	–	–	–	–	–	–	–
San Nicolas – veins		–	–	–	–	–	–	–	–	–
Pilarica – mantos		–	–	–	–	–	–	–	–	–
Ciénega – veins		–	–	–	–	–	–	–	–	–
Total Measured		**42,405**	**1.35**	**2**	**–**	**–**	**1,846**	**2,420**	**–**	**–**
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	947	3.46	68	–	–	105	2,056	–	–
San Juan – veins	US$58.30/t	3,197	1.46	157	–	–	150	16,186	–	–
Opulencia – veins	1.87 g/t Au-Eq	2,169	3.47	149	–	–	242	10,394	–	–
Guanajuato Centro – veins	1.29 g/t Au-Eq	5,603	1.75	56	–	–	315	10,044	–	–
Guanajuato Sur – veins	1.87 g/t Au-Eq	577	5.10	768	–	–	95	14,253	–	–
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
Ciénega – veins	US$81.90/t	649	2.52	94	0.33	0.47	53	1,967	2	3
Total Indicated		**381,012**	**0.82**	**18**	**0.10**	**0.16**	**10,036**	**216,780**	**365**	**608**
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	351	1.95	44	–	–	22	501	–	–
San Juan – veins	US$58.30/t	8,786	1.51	129	–	–	425	36,570	–	–
Opulencia – veins	1.87 g/t Au-Eq	2,794	2.17	104	–	–	195	9,317	–	–
Guanajuato Centro – veins	1.36 g/t Au-Eq	18,371	1.56	62	–	–	922	36,525	–	–
Guanajuato Sur – veins	1.94 g/t Au-Eq	6,497	2.07	344	–	–	433	71,790	–	–
Cebadillas – veins	1.87 g/t Au-Eq	2,120	2.52	63	–	–	171	4,310	–	–
La Yesca – veins	146 g/t Ag-Eq	1,544	0.70	131	–	–	35	6,499	–	–
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
Ciénega – veins	US$81.90/t	590	2.08	112	0.17	0.38	39	2,134	1	2
Total Inferred		**326,505**	**0.63**	**35**	**0.16**	**0.22**	**6,661**	**364,701**	**508**	**710**

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$18.50 per ounce of silver, US$1.15 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 2022

		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	298 g/t AgEq	11,779	0.77	242	1.22	3.51	291	91,608	143	413
Proven and Probable		**11,779**	**0.77**	**242**	**1.22**	**3.51**	**291**	**91,608**	**143**	**413**
Minera Saucito – Saucito Mine – Underground[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	309 g/t AgEq	13,662	1.17	264	1.36	2.27	516	115,947	186	310
Proven and Probable		**13,662**	**1.17**	**264**	**1.36**	**2.27**	**516**	**115,947**	**186**	**310**
Minera Ciénega – Ciénega Complex – Underground[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	Multiple[3]	4,668	1.96	211	0.87	1.31	295	31,606	41	61
Proven and Probable		**4,668**	**1.96**	**211**	**0.87**	**1.31**	**295**	**31,606**	**41**	**61**
Minera San Julián – San Julián Mine Underground: Veins[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	218 g/t AgEq	5,629	1.62	252	–	–	294	45,692	–	–
Proven and Probable		**5,629**	**1.62**	**252**	**–**	**–**	**294**	**45,692**	**–**	**–**
Minera San Julián – San Julián Mine Underground: Disseminated[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	113 g/t AgEq	5,871	0.09	148	0.49	1.14	17	27,932	29	67
Proven and Probable		**5,871**	**0.09**	**148**	**0.49**	**1.14**	**17**	**27,932**	**29**	**67**
Totals – Underground										
Proven		–	–	–	–	–	–	–	–	–
Probable	Multiple	41,610	1.06	234	0.96	2.05	1,413	312,786	399	851
Proven and Probable		**41,610**	**1.06**	**234**	**0.96**	**2.05**	**1,413**	**312,786**	**399**	**851**

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 257 and 309 g/t AgEq.
* Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US$/oz 1,450.00), Silver (US$/oz 18.50), Lead (US$/lb 0.90) and Zinc (US$/lb 1.15).
- The reserves are valid as of May 31, 2022. All topography is valid as of May 31, 2022.
- 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 by SRK to probable reserves due to insufficient confidence in geotechnical engineering and reconciliation work.

Consolidated audited ore reserve statement for Sonora properties
As at 31 May 2022

		Quantity	Grade	Contained metal
Reserve category	Cut-off grade	Tonnes (kt)	Au (g/t)	Au (koz)
Minera Penmont: Mega Centauro Open Pit				
Proven		210,278	0.81	5,476
Probable	Multiple[1]	30,569	0.76	750
Proven and Probable		**240,847**	**0.80**	**6,225**
Minera Penmont: Noche Buena Open Pit				
Proven		5,039	0.48	78
Probable	0.22 g/t Au	995	0.45	15
Proven and Probable		**6,034**	**0.48**	**92**
Minera Penmont: Soledad–Dipolos Open Pit[2]				
Proven		–	–	–
Probable	–	–	–	–
Proven and Probable		**–**	**–**	**–**
Totals – Open Pit				
Proven		215,316	0.80	5,554
Probable	Multiple	31,564	0.75	764
Proven and Probable		**246,881**	**0.80**	**6,318**

1 The Herradura Ore Reserves that are attributed to the heap leach are reported at cut-off grades of 0.23 g/t Au for oxide ore and 0.24 g/t Au for transition and sulphide ore. Oxide material above 0.97 g/t Au and transitional and sulphide material above 0.50 g/t Au are attributed to the mill.
2 The Soledad-Dipolos mine has been subject to legal actions regarding surface access. No Ore Reserves have been reported since 2019 due to limited progress on outstanding legal items and lack of detailed engineering.

- Ore Reserves and all topography are valid as of 31 May 2022.
- Ore Reserves are based on a US$1,450/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 m^3.
- 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, and 52% for Noche Buena.
- 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 2022

		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)
Measured	196 g/t AgEq	430	2.32	1008	0.95	1.84	32	13,926	4	8
Indicated		8,517	1.81	310	2.87	5.19	495	84,842	245	442
Measured and indicated		**8,947**	**1.83**	**343**	**2.78**	**5.03**	**527**	**98,769**	**249**	**450**
Inferred		8,308	1.17	223	2.53	5.15	313	59,582	210	428

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.
- Mineral Resources are reported at 196 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 costs.
- Metal price assumptions considered for the calculation of metal equivalent values are Au (US$1,450.00/oz), Ag (US$18.50/oz), Pb (US$0.90/lb), and Zn (US$1.15/lb).
- Assumed metal recoveries of 73.21%, 85.83%, 86.63% and 76.10% for Au, Ag, Pb, and Zn, respectively and NSR factors of US$29.54/g Au, US$0.42/g Ag, US$15.16/% Pb and US$13.40/% 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 2022

		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	265 g/t AgEq	438	1.61	693	0.66	1.25	23	9,763	3	5
Probable		8,691	1.52	263	2.46	4.43	426	73,563	214	385
Proven and Probable		**9,129**	**1.53**	**284**	**2.38**	**4.27**	**448**	**83,326**	**217**	**390**

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 = 29.54*Au+0.42*Ag+15.16*Pb+13.40*Zn. Units Au (g/t), Ag (g/t), Pb (%), Zn (%).
  - NSR factors are based on metal prices of US$1,450/oz Au, US$18.50/oz Ag, US$0.90/lb Pb, and US$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, 98% for precipitate, and 65% for zinc concentrate; for Ag: 95% for lead concentrates, 97% for precipitate, and 70% for zinc concentrate. Lead 95% payable and zinc 85% payable.
  - The all-inclusive stope operating cost for longhole stope and cut-and-fill stope is US$101/tonne and US$109/tonne respectively (265 g/t AgEq based on weighted average for mining method). The marginal stope cut-off value is US$81.3/tonne.
  - The stope hangingwall and footwall dilution (ELOS) was included in the stope optimisation process. The dilution thickness for stope hangingwall and footwall varies by mining methods.
  - An additional operational mucking dilution of 0.5 m for longhole and cut-and-fill stopes is applied to the reserve calculation. An extra endwall dilution for longhole stope is 0.50 m.
  - Mining recovery factors range from 95% for longhole stopes to 98% for cut-and-fill stopes. Mining recovery factors for ore drive development is 99%. Mining recovery factors for sill pillars and rib pillars are 10% and 0%, respectively.
  - Exchange rate of 20.5 MXP to US$1.
  - The Mineral Reserves were estimated by Fresnillo. Gary Methven. P.Eng. (EGBC #44471) a Competent Person, reviewed and audited the Ore Reserves.

Operating statistics

	ORE PROCESSED (tonnes)							SILVER (grams/tonne)						
	2016	2017	2018	2019	2020	2021	**2022**	2016	2017	2018	2019	2020	2021	**2022**
Fresnillo	2,373,092	2,447,394	2,443,440	2,461,785	2,336,943	2,216,467	**2,462,409**	226.7	229.6	213.8	184.5	193.9	186.2	**188.7**
Ciénega	1,274,939	1,302,409	1,323,908	1,329,134	1,318,263	1,282,367	**1,114,232**	143.5	151.5	164.4	158.9	158.6	153.4	**152.4**
Herradura	25,158,600	26,027,466	22,156,792	22,926,542	19,797,063	20,311,876	**22,195,187**	1.2	0.9	2.7	2.9	2.6	2.1	**1.6**
Saucito	2,635,093	2,753,876	2,792,057	2,752,638	2,767,432	2,434,449	**2,072,812**	302.7	279.8	257.6	227.6	205.8	182.9	**201.3**
Saucito Pyrites	–	–	131,780	167,513	172,233	159,635	**135,044**	–	–	393.4	299.4	220.1	150.5	**164.0**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	17,431,718	17,820,817	18,195,744	12,166,900	6,682,617	8,996,842	**7,428,189**	0.1	0.1	0.1	0.2	0.7	0.2	**0.2**
San Julián – Veins	423,069	1,273,129	1,270,781	1,265,030	1,254,970	1,202,826	**1,175,764**	172.5	157.2	144.1	115.4	108.6	119.2	**134.6**
San Julián – DOB	–	945,057	2,221,433	2,226,956	2,229,612	2,070,563	**2,092,971**	–	180.3	154.4	139.5	150.3	220.6	**167.9**
Juanicipio (Total)	–	–	–	–	71,859	251,906	**646,148**	–	–	–	–	327.8	470.2	**519.8**

	ZINC CONCENTRATE (tonnes)							SILVER (grams/tonne)						
	2016	2017	2018	2019	2020	2021	**2022**	2016	2017	2018	2019	2020	2021	**2022**
Fresnillo	50,682	57,686	59,987	61,639	67,851	68,192	**84,466**	868	816	773	622	627	572	**549**
Ciénega	14,265	14,108	12,472	16,897	17,470	12,339	**10,264**	1,692	2,413	2,042	1,177	1,336	2,056	**1,982**
Herradura	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito	50,409	41,768	60,879	62,171	86,451	76,696	**56,531**	842	889	704	692	501	397	**501**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
San Julián – DOB	–	15,827	43,808	45,979	39,621	38,226	**34,567**	–	2,750	2,590	2,188	2,959	3,765	**3,443**
Juanicipio (Total)	–	–	–	–	576	4,117	**16,438**	–	–	–	–	1,835	1,528	**1,159**

	LEAD CONCENTRATE (tonnes)							SILVER (grams/tonne)						
	2016	2017	2018	2019	2020	2021	**2022**	2016	2017	2018	2019	2020	2021	**2022**
Fresnillo	58,584	58,675	53,930	58,679	60,157	52,035	**60,094**	7,653	7,950	7,859	6,241	6,042	6,415	**6,272**
Ciénega	15,600	16,508	12,951	13,032	14,450	9,725	**8,375**	7,607	6,966	10,689	10,797	9,292	12,465	**12,519**
Herradura	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito	61,321	53,082	63,756	56,844	71,982	64,825	**47,130**	10,440	11,731	8,978	8,632	6,110	5,499	**7,304**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
San Julián – DOB	–	8,634	13,434	16,200	14,363	16,644	**14,657**	–	11,524	12,847	10,478	11,924	14,801	**12,281**
Juanicipio (Total)	–	–	–	–	894	4,457	**14,440**	–	–	–	–	20,505	20,838	**17,934**

	DORÉ AND OTHER PRODUCTS (tonnes)							SILVER (grams/tonne)						
	2016	2017	2018	2019	2020	2021	**2022**	2016	2017	2018	2019	2020	2021	**2022**
Ciénega precipitates	59.4	67.5	70.5	56.5	58.9	54.7	**46.8**	282,650	277,557	321,707	348,315	366,889	417,407	**454,399**
Ciénega Gravimetric Concentrator	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito Pyrites precipitates	–	–	87.3	83.3	60.0	39.0	**37.3**	–	–	348,123	437,279	476,801	451,681	**441,459**
Herradura doré	46.8	44.3	79.1	79.7	66.6	53.7	**46.0**	417,271	393,103	604,868	606,458	583,752	529,334	**532,056**
Herradura slag	807.1	669.9	773.4	1,284.3	1,323.7	608.9	**–**	965	738	1,174	1,041	1,634	1,550	**–**
Soledad-Dipolos doré	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Soledad-Dipolos slag	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Fresnillo Concentrates from Tailings Dam	433.9	–	–	–	–	–	**–**	2,573.1	–	–	–	–	–	**–**
Noche Buena doré	7.1	6.7	7.7	7.8	0.4	–	**–**	69,443.6	31,252.3	24,479.9	98,118.4	269,785.8	–	**–**
Noche Buena slag	229.0	371.2	292.5	248.7	11.6	–	**–**	263.4	61.2	206.3	–	1,068.5	–	**–**
San Julián – Veins precipitates	84.6	218.4	202.1	155.6	142.8	151.1	**172.2**	759,300	845,230	836,331	862,812	877,909	869,458	**837,831**
Fresnillo precipitates	–	–	–	–	–	0.2	**–**	–	–	–	–	–	454,780	**–**
Juanicipio precipitates	–	–	–	–	–	0.4	**15.5**	–	–	–	–	–	625,852	**623,760**

	METAL PRODUCED[1,2] SILVER (ounces)							GOLD (ounces)						
	2016	2017	2018	2019	2020	2021	**2022**	2016	2017	2018	2019	2020	2021	**2022**
Fresnillo	15,864,614	16,511,937	15,117,156	13,007,227	13,054,481	11,986,025	**13,609,019**	42,421	38,784	42,290	52,259	38,388	33,743	**34,432**
Ciénega	5,130,870	5,394,037	5,998,987	5,796,190	5,762,384	5,446,619	**4,709,216**	72,851	71,947	66,869	65,583	64,101	48,819	**37,466**
Herradura	637,775	551,476	1,523,453	1,563,060	1,305,572	925,825	**775,948**	520,366	473,638	474,168	482,722	425,288	421,535	**349,715**
Saucito	21,946,059	21,215,072	19,780,721	17,159,627	15,532,298	12,438,843	**11,977,292**	86,198	69,948	86,092	79,539	84,878	88,440	**73,497**
Saucito Pyrites	–	–	977,414	1,171,298	920,212	567,030	**529,355**	–	–	3,556	4,045	3,452	2,294	**1,959**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	32,631	31,324	51,616	57,754	39,340	31,574	**19,830**	182,280	172,282	167,208	127,166	87,998	96,835	**79,668**
San Julián – Veins	2,065,536	5,935,507	5,433,526	4,317,225	4,030,008	4,224,406	**4,638,089**	31,397	82,782	79,218	62,207	61,790	51,840	**43,397**
San Julián – DOB	–	4,598,421	9,196,272	8,691,636	9,276,125	12,547,642	**9,613,719**	–	1,750	3,125	2,393	3,134	4,006	**3,330**
Juanicipio (Attributable)	–	–	–	–	349,220	1,789,979	**5,179,950**	–	–	–	–	590	3,683	**12,461**
Fresnillo DLP	–	–	–	–	–	2,617	**–**	–	–	–	–	–	8	**–**
Fresnillo Total	45,677,485	54,237,774	58,079,146	51,764,018	50,269,639	49,960,562	**51,052,420**	935,513	911,132	922,527	875,913	769,618	751,203	**635,926**

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 (grams/tonne)							ZINC (%)							LEAD (%)
2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
0.73	0.64	0.70	0.89	0.73	0.68	**0.61**	1.56	1.72	1.75	1.80	2.07	2.20	**2.38**	0.99	0.92	0.90	1.01	1.08	1.01	**1.05**
1.84	1.82	1.65	1.66	1.63	1.27	**1.14**	1.00	0.98	0.83	1.13	1.18	0.90	**0.86**	0.68	0.74	0.60	0.67	0.70	0.51	**0.49**
0.71	0.64	0.76	0.80	0.77	0.76	**0.69**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
1.39	1.09	1.25	1.19	1.24	1.46	**1.40**	1.49	1.21	1.61	1.57	2.21	2.08	**1.78**	0.93	0.77	0.94	0.90	1.22	1.18	**1.01**
–	–	2.77	2.32	1.92	1.50	**1.44**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
0.51	0.51	0.52	0.51	0.52	0.59	**0.53**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
2.47	2.10	2.01	1.61	1.61	1.42	**1.21**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
–	0.12	0.09	0.08	0.09	0.10	**0.08**	–	1.18	1.35	1.36	1.19	1.27	**1.09**	–	0.52	0.43	0.44	0.41	0.51	**0.43**
–	–	–	–	0.73	1.13	**1.39**	–	–	–	–	0.60	1.20	**1.72**	–	–	–	–	0.33	0.60	**0.90**

						GOLD (grams/tonne)							ZINC (%)							LEAD (%)
2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
2.8	2.3	2.3	2.6	2.2	1.9	**1.7**	51.1	52.0	51.8	51.2	50.3	50.6	**51.3**	–	–	–	–	–	–	**–**
10.1	13.9	13.1	7.1	7.6	10.2	**9.4**	52.2	50.0	47.2	53.2	53.0	51.6	**52.5**	–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
3.8	3.8	2.8	3.1	2.4	1.6	**1.6**	46.6	48.7	48.5	47.2	49.5	48.9	**50.3**	–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
–	0.9	0.8	0.6	1.0	1.2	**1.2**	–	49.6	50.3	49.4	51.7	52.3	**50.6**	–	–	–	–	–	–	**–**
–	–	–	–	3.7	3.6	**2.4**	–	–	–	–	45.9	44.9	**49.1**	–	–	–	–	–	–	**–**

						GOLD (grams/tonne)							ZINC (%)							LEAD (%)
2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
20.0	18.3	21.8	25.0	17.3	17.6	**15.4**	–	–	–	–	–	–	**–**	36.4	35.0	36.4	36.6	35.4	36.1	**36.2**
76.5	69.5	85.4	78.2	72.0	80.0	**69.0**	–	–	–	–	–	–	**–**	37.7	38.3	37.1	44.8	42.3	40.6	**42.0**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
40.6	38.0	39.3	40.2	33.8	40.5	**46.6**	–	–	–	–	–	–	**–**	34.1	33.4	35.5	36.5	39.7	38.0	**37.8**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
–	4.6	4.5	2.8	4.0	4.8	**4.2**	–	–	–	–	–	–	**–**	–	41.7	45.4	47.2	49.5	51.3	**48.5**
–	–	–	–	34.2	42.4	**44.0**	–	–	–	–	–	–	**–**	–	–	–	–	21.5	26.9	**34.1**

						GOLD (grams/tonne)
2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
15,660	13,252	11,504	15,918	13,940	11,249	**10,489**
–	–	–	–	–	–	**–**
–	–	1,267	1,510	1,788	1,828	**1,634**
351,900	344,604	196,925	190,981	192,426	248,538	**241,449**
942	647	435	334	494	662	**–**
–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**
14.5	–	–	–	–	–	**–**
611,567	602,221	509,555	406,858	475,146	–	**–**
1,225	979	324	206	1,025	–	**–**
11,542	11,788	12,193	12,432	13,461	10,670	**7,839**
–	–	–	–	–	1,473	**–**
–	–	–	–	–	972	**1,131**

						ZINC (tonne)							LEAD (tonne)
2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
25,898	30,021	31,094	31,530	34,116	34,530	**43,342**	21,326	20,514	19,619	21,472	21,319	18,796	**21,756**
7,450	7,048	5,892	8,986	9,263	6,373	**5,387**	5,883	6,328	4,799	5,839	6,112	3,947	**3,518**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
23,498	20,348	29,506	29,365	42,774	37,469	**28,415**	20,935	17,714	22,662	20,764	28,592	24,615	**17,816**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
–	–	–	–	–	––	**–**	–	–	–	–	–	–	**–**
–	–	–	–	–		**–**	–	–	–	–	–	–	**–**
–	7,849	22,027	22,697	20,492	19,990	**17,487**	–	3,598	6,101	7,648	7,112	8,543	**7,105**
–	–	–	–	148	1,036	**4,521**	–	–	–	–	108	671	**2,755**
–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
56,845	65,266	88,520	92,578	106,793	99,397	**99,153**	48,144	48,153	53,181	55,722	63,242	56,573	**52,950**

Shareholder information

Financial calendar

Preliminary Statement	7 March 2023
First Quarter Production Report	26 April 2023
Annual General Meeting	23 May 2023
Second Quarter Production Report	26 July 2023
Interim Statement	1 August 2023
Third Quarter Production Report	25 October 2023

Dividend payment schedule

2022 Final Dividend Record Date	28 April 2023
2022 Final Dividend Payment Date	26 May 2023
2023 Interim Dividend Record Date	11 August 2023
2023 Interim Dividend Payment Date	14 September 2023

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London
W1K 7PY
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Corporate headquarters
Calzada Legaria No. 549
Torre 2, Piso 11
Delegación Miguel Hidalgo
11250 Mexico, D.F.
Mexico

Sponsor and Corporate Broker
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25 Bank Street
London
E14 5JP
United Kingdom

Joint Corporate Broker
Merrill Lynch International
2 King Edward Street
London
EC1A 1HQ
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Ernst & Young LLP
1 More London Place
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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:
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Gabriela Mayor, Head of Investor Relations

Forward-looking statements

This document includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'plans', 'projects', 'anticipates', 'expects', 'intends', 'may', 'will', or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and the silver and gold industries. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances.

Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations, financial position and liquidity, and the development of the markets and the industry in which the Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. In addition, even if the results of operations, financial position and liquidity, and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in regulation, currency fluctuations (including the US dollar and Mexican peso exchange rates), the Group's ability to recover its reserves or develop new reserves, including its ability to convert its resources into reserves and its mineral potential into resources or reserves, changes in its business strategy, political and economic uncertainty.

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