MANAGEMENT REPORTS

Annual report from the **Board of Directors to the Shareholders Meeting**

For fiscal year 2025

To our shareholders:

In my capacity as Chairman of the Board of Directors of Industrias Peñoles, S.A.B. de C.V. (the “company”), and on its behalf, I hereby present this report, based on an analysis of the information provided by the Chief Executive Officer in his Annual Report, on the company’s performance and its financial and operational results for fiscal year 2025. This report also covers relevant aspects of safety, health, and the environment; our engagement with the communities where we operate; and our corporate governance practices, along with a summary of the Board of Directors’ main activities.

In 2025, global economic growth remained moderate and resilient. Heightened uncertainty resulting from geopolitical tensions and tighter tariff barriers exacerbated financial volatility and unpredictability, affecting trade flows and supply chains. In addition, amid easing inflation, central banks continued to reduce interest rates.

Under these conditions, precious metals performed exceptionally well. Gold and silver prices—traditionally viewed as safe-haven assets in uncertain times—reached record highs. Improvements in industrial metal prices were less pronounced, except for lead, supported by interest rate cuts and a weaker US dollar but limited by sluggish industry dynamics.

The announcement by our subsidiary Fresnillo plc of its acquisition of Probe Gold Inc. is significant. This transaction will enable the company to add high-quality gold exploration projects located in Quebec, Canada, to its strategic growth portfolio. Diversifying into a top-tier mining jurisdiction represents a historic step in the internationalization of our precious metals mining business.

Domestically, the federal government's Plan Mexico designates mining as a strategic sector for the country's growth and for supplying critical inputs to industry and the energy transition. In acknowledgement of this designation and to promote professional, technical, and scientific training in areas related to the sector, the Mining Education Committee (Comité Educativo de Minería) was established in partnership with universities, authorities, and industry.

The company's financial results for 2025 were outstanding, driven by a favorable gold and silver price environment, continued operational and financial discipline, cost and expense controls, and prudent, responsible investment management.

The announcement by our subsidiary Fresnillo plc of its acquisition of Probe Gold Inc. is significant. This transaction will enable the company to add high-quality gold exploration projects located in Quebec, Canada, to its strategic growth portfolio. Nonetheless, Fresnillo plc will continue to focus its investments primarily in Mexico. Diversifying into a top-tier mining jurisdiction represents a historic step in the internationalization of our precious metals mining business.

Investments in fixed assets totaled US$ 545 million and were focused mainly on sustaining operations, developing mining infrastructure, acquiring and replacing critical assets, and strengthening the technological network.

In 2025, we invested US$ 231 million in exploration, an 8.8% increase compared to the previous year. This generated favorable results in both operating mines and their areas of influence, as well as in the portfolio of advanced domestic and international projects, through the identification of ore resources and the updating of economic projections.

Investments in fixed assets totaled US$ 545 million, 22.1% higher than in 2024, and were focused mainly on sustaining operations, developing mining infrastructure, acquiring and replacing critical assets, and strengthening the technological network.

Production of metallic contents decreased compared to the previous year, mainly due to a reduction in the volume of processed ore resulting from the depletion of the San Julián disseminated ore body and the workers' strike at Tizapa during the first half of 2025. Annual gold volume totaled 642,000 ounces, a decrease of 5.7%, while silver production decreased 11.6% to 62 million ounces. In terms of base metals, lead production totaled 85,000 tons and zinc production reached 250,000 tons, representing reductions of 5.0% and 7.6%, respectively. The volume of copper concentrates was down 6.2%, and copper cathodes from Milpillas registered an 18.2% reduction.

Metallurgical operations faced several operational and market challenges. For the second consecutive year, the international fees that Met-Mex charges for treating concentrates and refining silver decreased markedly. In addition, operational continuity at the zinc plant was affected by several corrective stoppages. However, the increase in precious metal prices and the reinforcement of the inventory reduction program helped minimize the adverse effects of these challenges on the margins of this business. Annual refined gold production, at 884,000 ounces, was similar to 2024, while refined silver volume, at 71 million ounces, was down 7.5%. Refined lead production totaled 105,000 tons, an 8.5% decrease. Finally, refined zinc production decreased 17.5%, to 199,000 tons.

Inorganic chemicals performed well during the period, highlighting a recovery in demand for magnesium oxide and margin improvements resulting from efficiency measures and cost controls.

In financial terms, in millions of US dollars, net sales rose to US$ 8,647, representing 30% growth over 2024. This significant increase in revenue was mainly due to higher gold and silver prices. Likewise, EBITDA was up 76.5%, to US$ 3,250. Net income for the year was US$ 1,373, an increase of 1,773.8%. The net debt-to-EBITDA ratio improved from 0.6 times in 2024 to -0.2 times in 2025, confirming the strength of the company's financial structure.

At Industrias Peñoles, sustainable operations are one of the pillars of our business strategy and a natural extension of our Vision. In line with our commitment

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to environmental stewardship, this year we held a bidding process for our long-term electric power supply as part of our decarbonization initiatives, which will include a greater share of renewable energy.

The health and well-being of our people remain our top priority; consequently, we continue to reinforce industrial safety management with a preventive approach and the active participation of all levels of the organization. Likewise, we continue to foster cordial and harmonious relationships with the communities whose development, well-being, and prosperity we actively support. In 2025, we invested US$ 16 million in social programs and initiatives.

The Board of Directors adheres to solid corporate governance practices. To fulfill its responsibilities, the Board relies on the support of several committees and operates in alignment with the recommendations of the Code of Principles and Best Practices in Corporate Governance (Código de Principios y Mejores Prácticas de Gobierno Corporativo). In 2025, the Board met four times. The most important topics discussed and approved during these meetings included the following:

1. Reinforcing occupational safety and environmental programs.
2. Monitoring compliance with operational objectives.
3. Implementing measures to improve efficiency and financial discipline.
4. Advancing the strategic plan and decarbonization strategy.
5. Updating and monitoring the risk matrix.
6. Analyzing investment and financing programs, metals and foreign exchange hedging, as well as financial projections.
7. Complying with the obligation to disclose sustainability-related information.
8. Reviewing the 2025 budget and setting up the 2026 budget.

The following are the most relevant activities carried out by the committees, whose members are listed in the Corporate Governance section of this Annual Report:

- The Executive Committee reviewed the budget, along with the operational and financial performance of all business units, including matters related to safety and environmental stewardship. It validated the progress of the strategic plan and the corresponding adjustments, as well as the implementation of the environmental, social, and corporate governance strategy.

- The Audit and Corporate Governance Committee reviewed performance on internal control, operational and financial results, performance metrics, and the internal audit and compliance plans. It also evaluated external audit services, confirmed compliance with regulatory requirements, and reviewed the risk matrix, accounting policies, and related-party transactions. Additionally, the committee monitored key legal matters reported by management.

- The Finance and Planning Committee monitored financial projections, the implementation of cost-reduction measures, and the company's overall financial position.

- The Nominations, Evaluation and Compensation Committee conducted its annual performance evaluation of senior management in accordance with company policies and approved salary and benefit adjustments. The compensation package for senior management includes a base salary, all legally mandated benefits, and additional components in line with common practice in the national industrial sector.

In accordance with the provisions of the Mexican Securities Market Law (Ley del Mercado de Valores), the Audit and Corporate Governance Committee prepared its Annual Report, which is presented at this Shareholders Meeting.

The Board of Directors reports to the Meeting on the accounting policies and criteria used to prepare the financial statements. These include, among others, the basis of presentation and consolidation, as well as the accounting policies, which form an integral part of this Report. The financial statements were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

In the opinion of the Board of Directors, the report presented by the Chief Executive Officer to this Shareholders Meeting reasonably reflects the company's financial position, results, and key developments during 2025.

The company's solid results for 2025 also reflect our long-term vision and prudent, disciplined management of operations. This approach has enabled us to capitalize on the benefits of a favorable pricing cycle and improve our long-term growth prospects, while maintaining a solid and conservative financial structure. We will continue working to improve the efficiency and sustainability of our operations as we face an ever-changing and uncertain environment that offers both challenges and significant opportunities.

I would like to express my sincere appreciation to the members of the Board of Directors for their dedication and commitment. I also wish to recognize the effort and dedication of our employees, whose daily work is essential to achieving the company's goals. To our shareholders, I extend my deepest appreciation for the trust they continue to place in us.

Alejandro Baillères
Chairman of the Board of Directors