



Mexico

Country Mining Outlook

Country Risk Rating **6**



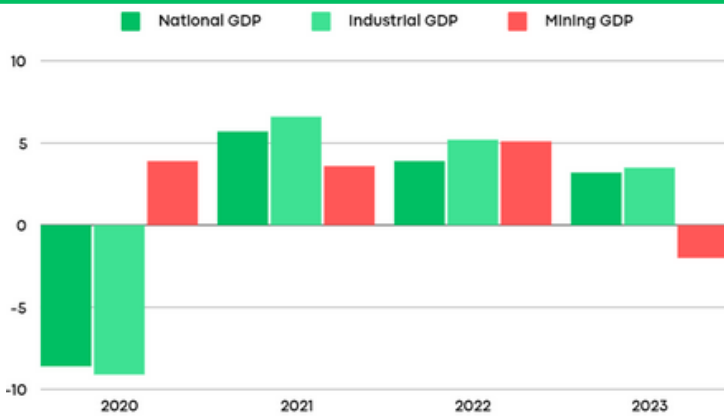
Mining outlook in Mexico

- Population: 129 million
- GDP Growth % 2023 (World Bank data): 3.2 %
- Political stability and absence of violence/Terrorism Percentile Rank (0-100): 21.7

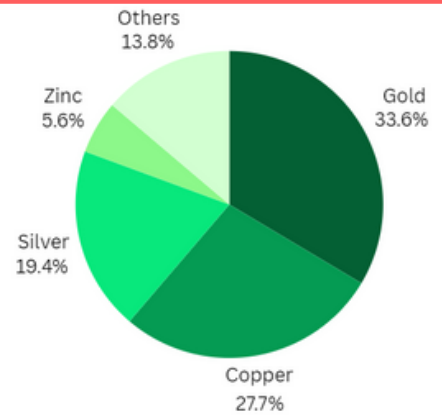
- Contribution of mining to GDP % 2023: 2.5%
- Performance of the mining sector in 2023: -2 %.
- Ease of doing business (World Bank data): 86.1
- Main commodities mined: Gold, Copper, Silver & Zinc

National, Industrial and Mining GDP Growth %

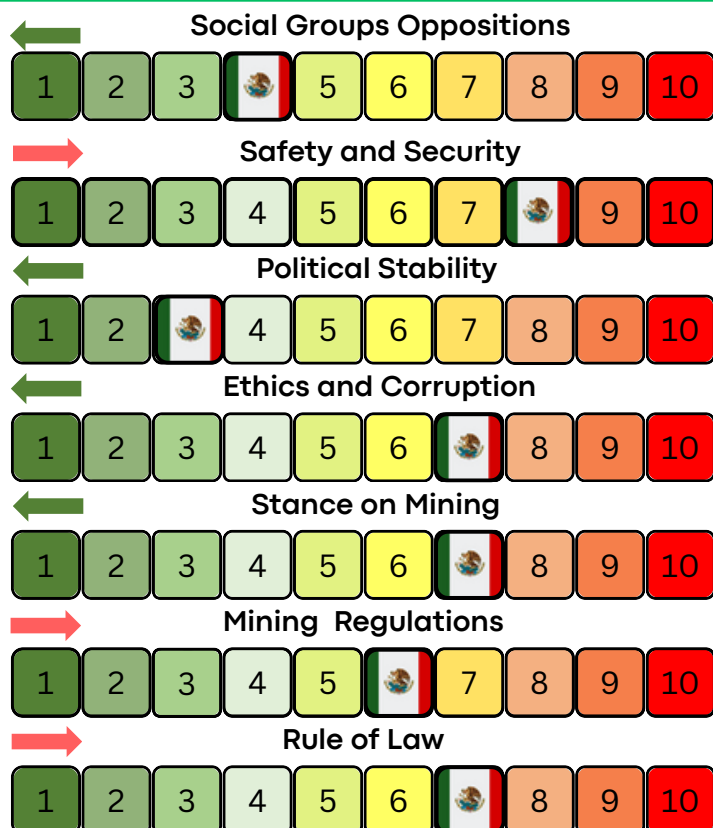
Main Minerals Produced



- Gold: 33.6 %
- Copper: 27.7 %
- Silver: 19.4 %
- Zinc: 5.6 %
- Molybdenum: 3.1 %
- Fluorite: 2.1 %



Risk Valuation (Categories) from 1 to 10¹



Our country risk rating for Mexico is moderate with a downward trajectory, scoring an average of **6/10**.

Political stability is high given the large electoral support of MORENA, AMLO's impressive approval ratings, and the overwhelming majority (+70%) that the party has in congress. However, political corruption scandals remain an important issue.

The potential approval of a judicial reform with clear political and ideological tinges demonstrates a possible negative trend on the Rule Of Law regarding future independence or autonomy of the courts with respect to the executive branch.

The refusal to grant new concessions, the tentative ban on open pit mining and the nationalization of lithium show the government's ideological stance on mining. The approval of the new mining law (appealed 500 times due to unconstitutional flaws) may reveals the current regulatory status.

1. The risk assessment scale is based on Embellie Advisory's proprietary methodology.



Mexico

Country Mining Outlook

Country Risk Rating **6**



New Mining Law

The new mining law enacted in May 2023 introduced significant changes to Mexico's mining sector. Key amendments include: 1) Reduction of concessions from 50 to 30 years. 2) Replacement of the first-come, first-served system with a public bidding process. 3) Requirement for companies to remunerate local communities with 5% of project benefits. 4) Revocation of concessions for environmental violations and a new criminal offense for non-compliance with mine safety regulations. 5) Exclusive exploration rights granted to the Mexican Geological Service (SGM).

MORENA Political Strength

Claudia Sheinbaum inherits a strongly favorable political landscape. On June 2024, she became the country's first woman president, receiving the highest number of votes in the country's history (33M). As a result, her political party and its allies now control more than two-thirds of the seats in both houses of Congress, and 75% of the 32 governorships across the country. Her influence on ongoing legislative changes will be crucial, especially discussions regarding mining such as the prohibition of open-pit mines or the debate on the exploitation model of the nationalized lithium resources in the near future.

Constrained Exploration Panorama

The ongoing regulatory environment has affected investments, especially in exploration projects. The national government's policy of freezing the issuance of new concessions and granting exclusive exploration rights to the Mexican Geological Service (SGM) has played a key part in this issue. Under the current administration, the number of postponed mining projects has doubled from 36% to 69% since 2018, resulting in 837 halted projects.

World's Leading Silver Producer

Mexico ranks thirteenth in world mining production, contributing 1.9% to the value of the industry globally. Their greatest milestone has been to remain for fourteen consecutive years as the main silver producer in the international market. In 2023, the country produced 6.1 million kg of silver out of 26 million kg, accounting for 23.5% of the world's silver production. Mines such as Fresnillo and Peñasquito, both in Zacatecas, have contributed to this achievement.

What to expect from mining in Mexico?

The production of the main minerals (gold, copper & silver) has declined in recent years, however, the sector has remained financially resilient due to rising prices, especially for gold and copper. Recent public policies have created regulatory and legal uncertainty and discouraged investment in exploration projects, resulting in a loss of capital that may continue to impact mining development in Mexico for years to come. If Claudia Sheinbaum does not opt for a more pragmatic and collaborative approach than AMLO's, the Mexican industry might continue to suffer greatly.

Contact details

If your organization is considering investing in Mexico and wants insights on risk valuation and its impact, please get in touch at damien.romet@embellieadvisory.me or pedro.estrada@embellieadvisory.me.



Visit our Website: <https://embellieadvisory.me/>