

Questions and Answers

Client	Fresnillo
Date	May 2010
Subject	AGM - Q and A

Executive Remuneration

- Q1** **What factors are taken into account when settling executive directors' remuneration and how does it compare with other mining companies?**
 In setting the basic levels of pay for the Executive Directors, the Remuneration Committee seeks to ensure that salaries are market competitive both within the Mexican context and in the international context for gold and silver producers. Total compensation is set around the median level. Salaries are benchmarked annually and total remuneration is benchmarked biennially.
- Q2** **What advisers do you use and what do they contribute?**
 In setting executive salaries, benchmarking information is supplied annually to the Company by Mercer, Hay Group and Data Compensation. Mercer supply comparative information on 330 companies in Mexico and Hay Group produces comparative information for 22 companies in the mining sector. Such information is used when setting salaries for all employees, not just the senior executive thus ensuring consistency between Group pay and executive pay structures. Benchmark information for international mining companies is provided to ensure that remuneration is competitive compared to the peer group.
- Q3** **How much did Jaime Lomelin earn in 2009?**
 Mr Lomelin was paid a salary of US\$1,215,000, plus US\$55,000 in Benefits in Kind, plus US\$434,000 in bonus. Total remuneration for 2009 was US\$1,704,000 against US\$1,731,000 the prior year.
- Q4** **Why has his salary fallen?**
 It hasn't in Mexican Peso terms. It has only fallen once converted into US dollars because of the movements in exchange rates over the year. In MXN\$ terms, Mr Lomelin received total salary payments of MXN\$16,417,772 in 2009 compared with MXN\$15,099,982 in 2008.
- Q5** **What are the benefits in kind?**
 Under his service agreement, Mr Lomelín is entitled to 26 working days' paid holiday per year. He is not entitled to profit-sharing as otherwise set out in the Company's policies from time to time. He is entitled to life insurance, the use of a company car, the payment of medical expenses and medical benefits. He is also entitled to membership of the defined pension plan in respect of service before 30 June 2007.
- Q6** **Mr Lomelin is employed under a service contract governed by Mexican Labour Law and does not have a fixed term or a notice period. Doesn't this leave Fresnillo exposed financially and operationally if either party gives notice?**

There are no benefits payable under the service agreement upon termination of employment. Mr Lomelin's track record and history with the company is impressive: prior to Fresnillo, he spent 36 years at Penoles, the last 21 as CEO.

Q7 What compensation does Mr Lomelin get in lieu of notice? What is it in relation to length of service, given Mr Lomelin has been with the company for so long?

There are no benefits payable under the service agreement upon termination of employment and there are no special provisions that have been agreed with regard to compensation for loss of office.

Q8 Can you explain how bonuses are calculated – what performance metrics are used?

At the beginning of the year a STIP was put in place for the members of the Executive Committee. A number of Key Performance Indicators (KPI's) were approved by the Remuneration Committee for each member of the Executive Committee and KPI targets were set at which payments equivalent to 0% to 50% of annual salary could be earned. A scoring system is used whereby 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 points thresholds are set to allow for outstanding performance and ensure that underperformance is not rewarded. For each member of the Executive Committee (including the Chief Executive Officer), bonus is only payable if the aggregate performance equals or exceeds 100 points.

Q9 Can you disclose the personal objectives set of each of the executive directors?

They are a mix of financial, reserve and production targets, as well as others linked to safety and corporate responsibility.

Q10 What is the maximum bonus the executive directors can receive?

The short term bonus pays up to six month's salary.

Q11 Why don't the senior management have any shares in the Company? Why is there no Long Term Incentive Plan?

In keeping with normal practice in Mexico, Fresnillo does not offer any share or cash based long term incentives to management. Historically, membership of the Group Pension Scheme has been regarded as a means for retaining management. The remuneration committee continues to keep this under review.

Q12 Why are there no incentives for Mexican management?

Because it is not something that is particularly expected in Mexico and therefore does not have the incentivisation aspect to it that you would expect elsewhere.

Corporate Governance

Q13 Are there formal procedures in place for annual evaluation of the effectiveness of the Board and its committees?

During the year an evaluation of performance of the individual Directors and the Board was carried out by way of anonymous questionnaires that were collated by the Company Secretary and then reviewed and discussed by the Board in October 2009. The responses to all questions relating to the performance of the Board were very positive. Suggestions for improvement included that the Board should spend more time on strategy and also focus more on monitoring risk on an ongoing basis. These suggestions will be considered further during 2010.

- Q14 How many non-executive board members are considered independent?**
Five non-executives are considered independent, and four not independent
- Q15 Who is not independent, and why?**
Alberto Baillères, Rafael MacGregor, Juan Bordes and Arturo Fernández are each directors of Peñoles and have been appointed to the Board by Peñoles pursuant to the Relationship Agreement.
- Q16 Given that the Chairman, Mr Bailleres, is such a dominant shareholder, is your board truly independent?**
Although Mr Bailleres is not considered independent, he has via his Chairmanship of Penoles, been responsible for overseeing the successful development of Fresnillo over many years, and therefore the Board considers that Mr Bailleres' continued involvement as non executive Chairman is very important to the Company.
- Q17 What are the succession plans for the Chairman and the Chief Executive Officer?**
The nominations committee is responsible for succession planning for directors and reviews its policy on a regular basis.
- Q18 How long are the directors' contracts?**
Jaime Lomelin is employed under a service contract governed by Mexican Labour Law and does not have a fixed term and there is no notice period. The Non-executive Directors have letters of appointment for periods of three years and the time commitment required from each Non-executive Director is set out in their letter of appointment.
- Q19 Why are none up for re-election?**
In accordance with the Articles of Association each Director shall retire at the Annual General Meeting held in the third calendar year following the year in which he was elected or last re-elected by the Company. At the annual general meeting held in 2009 all the Directors offered themselves for election having been appointed during the year.
- Q20 Why has Hector Rangel left the board? Who has replaced him?**
On 30 January 2009, Héctor Rangel, an independent non-executive director, resigned from the Board in order to take up a new appointment as General Director of Nacional Financiera, a state owned development bank, a position that precludes him from holding board positions in public companies. I am grateful to Hector for the support he has given the Board during these early stages. At the same time, we announced the appointment of Fernando Solana who has had a distinguished career in government, diplomacy and banking, and will replace Mr Rangel.
- Q21 Is there a policy on auditor rotation?**
No, but mainly because we are only two years into our life post-IPO so it is not something that the Audit Committee have focussed on.
- Q22 Why is the Chairman a member of the Remuneration Committee?**
Because the Board consider it to be beneficial to shareholder interests to have the Chairman on the Remco given his knowledge of the people involved in the business and the Mexican executive market and its practices, which we know has different emphases to western countries (particularly in relation to long-term incentives).
- Q23 Can you confirm that Guy Wilson and Fernando Ruiz do not receive fees from E&Y and Chavez?**
Yes we can. Both have retired from executive responsibilities with those firms.

Corporate Responsibility

- Q24** **What are your performance indicators for health and safety?**
 We target zero fatalities, which we achieved in both 2008 and 2009. We also look at the accident rate, which is defined as the number of disabling accidents that require absence from work for more than three days, divided by the number of employees, multiplied by 100. This fell from 3.63 in 2008 to 3.10 in 2009. Finally we look at our Lost work days rate, which is defined as the total number of days lost due to accidents, divided by the total number of employees. This fell from 1.58 in 2008 to 1.20 in 2009.
- Q25** **What are your targets for 2010?**
 To maintain zero fatalities and to improve other indicators by 20%.
- Q26** **What about environmental indicators?**
 We look at energy consumption, measures as gigajoules per tonne, which rose from 0.157 to 0.188 between 2008 and 2009. We also look at fresh water consumption in cubic metres per tonne. This rose from 0.137 to 0.209 between 2008 and 2009. These increases are down to requirements at the development works of Soledad-Dipolos, with no corresponding production output. The start up of Soledad-Dipolos should stabilise these figures in 2010.
- Q27** **What are the targets for 2010?**
 To reduce consumption of energy by 10,000, to reduce water consumption by 20% per tonne of production, to reduce Greenhouse Gas Emissions by 5% per tonne, to increase the re-use of hazardous waste by 5% and to double capacity at the Ciénega nursery to 100,000 trees; replant 115 hectares at Ciénega and Fresnillo; relocate endemic species at 80 hectares at Herradura.
- Q28** **What international certifications / benchmarks do you abide by?**
 We are signatories to the Copenhagen Communique. We utilise the guidelines of the International Council on Mining and Metals to develop our policies and are ISO 14001:2004 certified at all mines. We also have the Clean Industry Certification from PROFEPA, the Mexican environmental authority.

Acquisitions

- Q29** **What happened with MAG Silver?**
 We said in December 2008 that we intended to make an offer for 100% of MAG Silver shares not already owned by Fresnillo. Regrettably we decided in June last year to withdraw that offer as it became clear that it would no longer be in the best interests of Fresnillo shareholders.
 Fresnillo's decision reflects the fact that even after this protracted period of time, it has not been possible to conclude the independent valuation of MAG required under applicable Canadian securities laws in order to permit the offer to proceed.
 The supervision of the valuation process was the responsibility of MAG's Independent Committee which, in its opinion, has not been satisfied with the level of information that Fresnillo was willing and able to produce in order to conclude the valuation. That was despite Fresnillo receiving independent advice that it had provided enough information.
 Fresnillo highly regrets that it was unable to deliver what would essentially be a free option to MAG's shareholders for them to evaluate.
- Q30** **What happened with Canplats?**

We thought an acquisition of Canplats would have been attractive as the company has quality assets in areas adjacent to areas where we already have licences. However we will not overpay and we are always prudent. We did not feel that raising our offer further would have been in the best interests of shareholders.

Q31 So what is your current acquisition strategy? Are you not being aggressive enough?

We always consider potential acquisitions as they arise but we will not jeopardise shareholder value by pursuing acquisitions at any cost. Our exploration and development programme has shown that we are able to increase reserves and resources organically and we have no need to increase the asset base by acquisition for the sake of it.

Business Overview

Q32 What is your view on the global economy? How has it impacted on your strategy?

We believe there will be recovery in 2010 although we are cautious as we believe that recovery will likely be fragile. However that has not impacted on our strategy. As we stated at the time of the Group's initial public offering in 2008, we are committed to maintaining our position as the world's largest primary silver producer, with the goal of producing 65 million ounces of silver and 400,000 ounces of gold per year by 2018. Results in 2009 indicate we are firmly on track, with strong operational performance, quality and sustainable growth across our operations.

Q33 When do you believe market conditions will improve?

Whilst we cannot comment on timing of market conditions, we clearly operate in cyclical market. This has always been the case. The important point is that Fresnillo is well positioned to deliver value across cycles. The fundamentals of the company are strong.

The exceptional quality of our assets, located in an attractive country environment; low-cost production capabilities and cash generating capacity; and a highly experienced management team that has been through numerous economic cycles and understands how to deliver optimal results.

Q34 What is your outlook for 2009?

We enter 2010 well-positioned to deliver continued growth. As of today, gold and silver prices are significantly higher than they were one year ago, buoyed by momentum in investment demand and signs of a global economic recovery. The start up of Soledad-Dipolos as an operating mine will boost attributable gold production by an expected 20%. Major construction on the first stage of the Saucito mine will near completion during the coming year, and ore from the project is already being processed in the Fresnillo mill and contributing to silver production.

Financials

Q35 How will you continue to increase revenue and profits in the face of volatile metal prices?

Clearly, our financial results depend on metal prices, which are obviously beyond our control. As a greater measure of our success, we focus on many other factors to measure the effectiveness of our strategy, such as growth in reserves and resources and efficiency in consumption of key inputs, along with traditional measures of performance. The fundamentals of our business have never been stronger.

During 2009 we benefited from higher average gold prices compared to 2008, while silver prices were only modestly lower. Although a number of input costs rose throughout 2009, that was offset by a devaluation of the Mexican peso against the US dollars, leading to year-on-year growth in revenue, EBITDA and net profit.

Q36 What tax levels do you anticipate for 2010?

The tax level is dependent on a number of factors, the most significant one being the MXN / USD exchange rate which is calculated on 31 December each year.

Q37 How are you investing your cash in the current environment?

Clearly we have an extensive capital expenditure programme this year compared with previously. We are spending significant amounts on ramping up production at Soledad-Dipolos, while continuing the development programme at Saucito. We are also moving forward with many of our other new mine and mine expansion programmes at Noche Buena, San Julian etc. Our exploration budget for 2010 is up 58% compared with the previous year at US\$77.6m.

Q38 Why did you defer the announcement of the dividend?

As we said at the time, given the extensive capital expenditure programme and the volatility of financial markets, the board had requested some more information to make sure that it was comfortable with the dividend level. It was considered prudent to make sure that the dividend level was appropriate. The dividend has now been announced as we said it would. The dividend was set at 16.2 US cents per share, in line with the stated dividend policy.

Q39 Are you expecting 2010 financials to be very different from 2009?

As we have said, our revenues depend very much on the price of silver and gold. Whilst we believe this will continue to be volatile during 2010, we remain positive on the outlook. We expect silver production to be broadly stable, with a 20pc increase in gold production reflecting the start up of Soledad-Dipolos.

In terms of cost controls, our management is focused on offsetting rising costs by enhancing the efficiency of our operations. Our cost efficiencies are above industry averages and we expect to continue to make progress on all our financial metrics in 2010.

Costs

Q40 What cost trends are you seeing?

A number of input costs were higher in the year 2009 when compared to 2008, particularly drilling steel, sodium cyanide and tyres, but the average 21.4% devaluation of the Mexican peso against the US dollar meant that costs denominated in pesos, representing approximately 70% of total production costs, were significantly reduced when converted to US dollars. Combined with greater ore throughput, this served to decrease costs per tonne at all three operating mines. We also worked more efficiently this year, as measured in total equivalent silver ounces produced per person. Some of our costs may continue to increase in 2010 as the global economy continues to recover but we are confident that our actions will ensure that we remain among the lowest cost producers.

Q41 What kind of actions have you been taking?

As we have discussed many times, our management team is very focused on reducing our cost base, and has implemented many measures to enhance the efficiency of our operations.

At Fresnillo, we constructed a water treatment plant to treat sewage from the city of Fresnillo. Instead of utilising fresh water from aquifers, the flotation plants at Fresnillo and Saucito will use treated water, which brings environmental benefits to the community and reduces our fresh water consumption costs. Construction was completed in 2009 and the plant is now fully operational. We are also constructing a new shaft to extract mineral from the western zone of the San Carlos vein and reduce haulage costs. The first stage of the project, expected to be completed in 1H 2011, is progressing according to schedule.

At Ciénega, we completed the optimisation of the leaching circuit by the year end. We have already begun to see an improvement in recoveries, which were further enhanced with the Knelson gravimetric concentrator that started operations in September. The sinking of the shaft at Ciénega a further 300 metres is progressing according to schedule and should be concluded in 2H 2011; this project will enable us to gain access to deeper ore reserves. In addition, an increase in milling capacity from 755,000tpy to 930,000tpy was approved at an investment of US\$24.9 million, which will increase average production to 110,000 ounces of gold per year; this project will commence in 1H 2011.

At Herradura, the expansion of the beneficiation plant to increase the flow from 1,200 m³ to 1,600 m³ per hour was completed at year end, allowing us to maintain production above 250,000 ounces of gold per year. In addition, the laboratory was expanded to receive samples from Soledad-Dipolos and included the installation of an automated sampler system. We concluded construction of the seventh leaching pad in 2009 and began work on the eighth, and acquired new mobile equipment to enhance productivity.

Production & Exploration

Q42 What production are you expecting for next year, and over the next 10 years?

We anticipate 2010 production of silver will be broadly in line with that of 2009, while gold production will rise by around 20%.

We remain committed to maintaining our position as the world's largest primary silver producer, with the goal of producing 65 million ounces of silver and 400,000 ounces of gold per year by 2018.

Q43 What is the current status of your development and exploration projects?

Following the completion and start-up of Soledad-Dipolos, we expect this year to complete the expansion at Cienega and the plant infrastructure at Saucito which will begin production in 2011. Also this year we will make a decision on whether to conduct a pre-feasibility study at Noche Buena, which could then begin production by 2012. With the expansion at Saucito expected in 2013 and production at San Julian scheduled to begin in 2014, we aim to bring one new mine or expansion on stream each year between now and 2014.

Q44 What will those plans mean for production levels?

We anticipate that by 2014 we will be producing a little more than 400,000 ounces of gold a year, with silver production of around 56m ounces.

Silver Market

- Q45 What will drive the future demand for silver?**
Demand for silver is divided into fabrication demand (c.97%), which includes industrial applications, photography, jewelry/silverware and coins, and investment demand, which includes Exchange Traded Funds (ETF's).
- Q46 How do you manage your business model given the fluctuations in the price of precious metals? Do you or will you hedge silver and/or gold production?**
Historically, members of the Fresnillo Group were party to certain commodity hedging contracts with Peñoles that mirrored hedging activities carried out by Peñoles with third parties. All such contracts were unwound during 2007. Going forward, the Fresnillo Group does not currently intend to hedge its metal production. The Fresnillo Group does not enter into derivative financial instruments for speculative purposes.
- Q47 Do you believe the recent volatility in silver prices will continue?**
I think we have stated that we believe that gold will remain about \$1,000 per ounce, while silver will remain at or around current levels. As a rule we do not try to predict prices as we have no control over them. For more detailed forecasts you should speak to the Silver Institute which conducts comprehensive research on the metals market.

Unions

- Q48 What is your relationship with the unions like?**
We enjoy good relationships with our unions and have not suffered any industrial action in the past year.
- Q49 How have you managed to keep problems with the union at bay?**
Approximately 54% of the Company's workforce, including both employees and contracted personnel, is unionised. We have always had a mutually respectful relationship with the union that has allow us to settle any differences in a timely fashion. We have not experienced any significant interruptions in production in any of our operating sites as a result of workplace disputes for the past 20 years.
- Q50 How exposed are Fresnillo's operations to industry-wide union action?**
Common to any unionised industry, we are exposed to union activity. However we maintain good relations with the union and the workforce they represent and, for approximately 20 years, we have not experienced any significant interruptions in production at any of our operating sites as a result of workplace disputes.

There have been a number of instances in recent years of mining companies facing industrial action and work stoppages. Under Mexican law, it is permissible for employees to engage in industrial action in sympathy with unionised employees of other companies who are engaged in a dispute, despite the absence of any dispute with their own employer. During the year, the Fresnillo and Ciénega mines briefly experienced such activity. This did not result in any significant interruption of our operations.

Other

- Q51 Do you intend to increase your freefloat to comply with LSE requirements?**
At present we have no plans to change our current corporate structure or equity arrangements. We see no change in the relationship with our majority shareholder.
- Q52 Given the introduction of the new resource royalty tax (Henry Tax) in Australia is it likely that Mexico will follow suit?**

At this point in time there are no plans to change the current royalty system.

Q53

I have read lots of stories about an increase in gang violence in Mexico. How is this affecting the company and what security measures do you have in place?

This is an unfortunate development for our country, but I can assure you that it does not have any impact on our operations. We have appropriate security measures in place and are confident that this will not have any impact.