Fresnillo plc

2011 Preliminary Announcement

2010 Highlights

Operational highlights

- Record attributable silver production of 38.6 million ounces, up 1.7%
- Record attributable gold production of 368,995 ounces, up 33.4%
- First year of commercial operations at Soledad-Dipolos exceeded production budget
- Ciénega expansion and Saucito development on track for start up in 1H 2011
- Pre-feasibility study at the Noche Buena gold project concluded, construction commencing in Q1 2011
- Discovery of new ore shoot at Saucito, adding over 76 million ounces of silver and 300,000 ounces of gold to resources
- Positive drilling results obtained at several exploration projects and prospects
- Total resources base increased by over 15%, with reserves replenished at existing mines
- On track to produce 65 million ounces of silver and over 400,000 ounces of gold annually by 2018

. Financial highlights

- Adjusted revenue[1] up 56.1% to US$1,473.9 million
- EBITDA[2] up 90.3% to US$945.0 million
- EBITDA margin increases to 67.0%, from 58.4% in 2009
- Cost controls and efficiency measures enabled Fresnillo to remain in the lowest quartile of the cost curve
- Operating profit[3] up 94.4% to US$833.4 million
- Profit attributable to equity shareholders of the Company, excluding the Silverstream revaluation effects up 72.3% to US$530.8 million (post Silverstream revaluation up 106.6% to US$665.5 million)
- Adjusted EPS[4] up 72.1% to US$0.740 per share, EPS up 106.5% to US$0.927 per share

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[1] Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude hedging effects and treatment and refining charges.

[2] Earnings before interest, taxes, depreciation and amortization (EBITDA) is calculated as gross profit plus depreciation less administrative and exploration expenses.

[3] Profit from continuing operations before net finance costs and income tax.

[4] Adjusted basic and diluted earnings per ordinary share from continuing operations, prior to the revaluation effects of the Silverstream contract.

- Final dividend of 35.6 US cents per ordinary share
- Robust balance sheet with no debt and a strong cash position up 79.2% to US$559.5 million

Highlights for 2010

$ million unless stated	2010	2009	% change
Silver Production* (kOz)	38,571	37,916	1.7
Gold Production* (Oz)	368,995	276,584	33.4
Total Revenue	1,409.6	849.9	65.8
Adjusted Revenue**	1,473.9	944.0	56.1
Gross Profit	974.5	528.3	84.4
EBITDA	945.0	496.6	90.3
Profit Before Income Tax	1,022.4	457.4	123.5
Attributable Profit	665.1	322.0	106.6
Basic and Diluted EPS (USD)***	0.927	0.449	106.5

* Fresnillo attributable production

** Adjusted Revenue is revenue as disclosed in the income statement adjusted to exclude hedging effects and treatment and refining charges

*** The weighted average number of shares for 2010 was 717,160,159.

Chief executive Jaime Lomelin said: "2010 was a year of exceptional performance. The combination of increased production, strong cost control and high metals prices led 2010 to be the best year in the company's history. While continued market volatility and uncertainty regarding the pace of the economic recovery will undoubtedly offer challenges in 2011, I am confident that our focus on increasing productivity, containing costs, expanding the resource and reserve base, and strengthening our growth pipeline will create ongoing and sustainable value to all our stakeholders."

Analyst Presentation

Fresnillo plc will be hosting a presentation for analysts and investors today at 09.00 (GMT) at JP Morgan Cazenove at Level 6, Board Room, 20 Moorgate London EC2R 6DA.

For those unable to attend the presentation, dial-in details are set out below:

Dial in number: +44 (0) 1452 541 076

Access Code: 42460392

For further information, please visit our website: www.fresnilloplc.com or contact:

Fresnillo plc

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About Fresnillo plc

Fresnillo plc is the world's largest primary silver producer and Mexico's second largest gold producer, listed on the London and MexicanStock Exchanges under the symbol FRES.

Fresnillo has four producing mines, all of them in Mexico - Fresnillo, Ciénega, Herradura and Soledad-Dipolos; two development projects – Saucito and Noche Buena; and six advanced exploration prospects - San Ramon, San Julián, Orysivo, Centauro Deep, Las Casas and Juanicipio as well as a number of other long term exploration prospects and, in total, has mining concessions covering approximately 1.91 million hectares in Mexico.

Fresnillo has a strong and long tradition of mining, a proven track record of mining development and reserves replacement, and a low cost of production, being in the lowest quartile of the cost curve for both silver and gold.

Fresnillo's goal is to maintain the Group's position as the world's largest primary silver company, producing 65 million ounces of silver and over 400,000 ounces of gold by 2018.

Chairman's Statement

Dear Shareholders,

I am pleased to report a year of solid performance for Fresnillo plc. Record levels of silver and gold production, the start-up of a new mine, and substantial progress at development and exploration sites attest to the Group's operational execution and robust resource base. Combined with high silver and gold prices, Fresnillo plc delivered the best year in its history.

This performance comes in the context of a complex global economic recovery, ongoing market volatility, debt crisis in Europe, large fiscal deficits in several developed countries, loose monetary policy in the USA and the continued ascendancy of China, factors that contributed to the exceptional rise in precious metal prices.

Notwithstanding the important benefit of favourable prices, the Group´s production and cost profile, growth platform and mining expertise contributed to the positive performance. With an average cash cost of US$3.3 per ounce of silver and US$309.1 per ounce of gold, the Fresnillo Group should be able to produce profitably well below current prices, and do so for years to come given the 1.47 billion silver ounces and 20.08 million gold ounces in resources. Furthermore, Fresnillo plc has the know-how to identify high potential resources and develop them economically, establishing a good pipeline for growth.

As such, I believe we are on course to meet the ambitious target set out at the time of our initial public offering in 2008: that by 2018, Fresnillo plc will be able to produce 65 million ounces of silver and over 400,000 ounces of gold annually. Furthermore, the Group should be in a position to maintain that level of production for the subsequent 10 years at least, based on our project delivery schedule.

Investing across metal price cycles to extend the growth pipeline will continue to be a hallmark of our value-creation strategy. We also seek to deliver growth through development projects and maximise the potential of existing operations. Underlying this strategy are two fundamental pillars:

- prudent financial discipline to ensure sufficient investment capital even under unfavourable price scenarios; and most importantly,
- a profound and unwavering commitment to long-term sustainable development.

The Fresnillo Board regards the Group's performance in health, safety, environmental and community issues as integral to its operational performance. This year we engaged in discussions about the strategic framework for corporate social responsibility, the impact of the Group's social investments, and broader industry benchmarks in this regard. Our focus remains squarely on prioritising the health and safety of employees above all else, minimising the Group's environmental impact, and engaging constructively with communities to create lasting economic and social value.

It is thus with great sadness that I report the death of two employees this year. We hold ourselves to the highest standard in which no fatality is ever acceptable. Additional training and monitoring across the organisation are being implemented to enforce adherence to safety measures.

Furthermore, and as part of the Company's adoption of the Principles of the UK Corporate Governance Code, the Board has initiated a process to explicitly define the nature and extent of the risks we are willing to take to achieve our strategic objectives. We believe the Company already has a comprehensive approach to managing risks, and this process will enhance our framework and ensure full alignment of Board- and executive-level practices.

Like all of my board colleagues, I am firmly committed to ensuring that we collectively oversee Fresnillo plc with transparency and in the interest of all shareholders. We are fully committed to the best possible practices in corporate governance, and take our adherence to the principles and provisions of the new UK Code on Corporate Governance very seriously. In particular we recognise that the shareholding structure of Fresnillo plc requires us to ensure, as we have done, that the interests of all shareholders are well represented in the proceedings of the Board. In our reporting this year, we have sought to demonstrate the steps put in place to achieve this.

Based on the Group's 2010 performance, the Directors have recommended a final dividend of 35.6 US cents per Ordinary Share, which will be paid on 20 May 2011 to shareholders on the register on 3 May 2011. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. The Company´s dividend policy takes into account the profitability of the business and underlying growth in earnings of the Company, as well as its capital requirements and cashflows, whilst maintaining an appropriate level of dividend cover.

For 2011, despite the uncertain outlook for economic and metal price performance, we expect that our high quality resource base and low-cost production profile will enable Fresnillo plc to deliver growth. Silver and gold production volumes will reflect the start-up of commercial operations at Saucito, a significant property with 361.5 million ounces of silver resources. Gold production will benefit from expanded milling capacity at Ciénega and the expansion of Soledad-Dipolos.

The Board has authorised a 151.1% increase in the 2011 exploration budget, to US$251.4 million. The favourable exploration results obtained in 2010, including significant new resources identified at existing projects that will warrant mine expansion in the near term, reinforce our confidence that such expenditures are vital to the long-term growth of the Group. The focus will remain on consolidating mining districts in Mexico and Peru.

I would like to thank my fellow Board members for their service and contributions in the year. It is a pleasure to work together towards a common mission, and Fresnillo plc benefits from the wealth of experience and perspectives that our outstanding Board members bring. I would also like to commend the Group's executives and employees for delivering great performance that affirms Fresnillo plc's leadership position in primary silver and our growing profile in gold.

Alberto Baillères
Non-executive Chairman

Chief Executive's Report

Dear Shareholders,

I am pleased to report a year of exceptional performance. Silver and gold production reached record levels; Soledad-Dipolos started operations as our fourth operating mine and contributed importantly to the results; significant progress was made at the Saucito development project, and the Ciénega and Soledad-Dipolos expansions are on track; and exploration efforts increased mineralisation at all major prospects and led to a substantial increase in the total resource base.

Our operational performance was enhanced by the considerable increase in metal prices over the period, which enabled us to deliver record financial results to Fresnillo shareholders. We begin 2011 with a robust operational profile, extensive growth pipeline, strong cash position and zero debt.

A sterling performance

Total attributable silver production slightly exceeded our forecasts, rising 1.7% over 2009 to 38.6 million ounces. This reflected stable production at Fresnillo, higher ore throughput from development works at Saucito, and higher ore grades and ore deposited at Herradura. In addition, we accrued 3.4 million ounces of silver under the Silverstream Contract, slightly above with the amount received in 2009.

Attributable gold production increased by 33.4% to a record 368,995 ounces with the start of commercial production at Soledad-Dipolos in January, as well as greater volumes deposited at Herradura and ore milled at Ciénega.

The Group's precious metals production profile consolidates our global leadership position in primary silver and highlights the growing importance of gold in our portfolio.

Production of zinc and lead, which are by-products of the Group's operations at Fresnillo and Ciénega, increased by 15.1% and 9.9% respectively, mainly as a result of higher volumes of ore milled and better ore grades.

Our Group, along with much of the precious metals industry, benefited from the rise in prices this year. Continued uncertainty about the global economic recovery, market volatility and weakness of the US dollar contributed to sustained investor interest in gold, while higher silver prices reflected both investor interest and recovering demand for silver as an industrial metal. Average realised gold and silver prices for the Group increased by 26.6% and 40.0% respectively, helping drive the significant growth in earnings.

Adjusted revenues, which exclude treatment and refining charges and hedging results, rose 56.1% in the year. Total revenues increased to US$1,409.6 million, 65.8% higher than at 31 December 2009. EBITDA rose to US$945.0 million, with a significant increase in the EBITDA margin from 58.4% in 2009 to 67.0% in 2010. Net profit attributable to shareholders, prior to Silverstream revaluation effects, was US$530.8 million, 72.3% higher than in 2009.

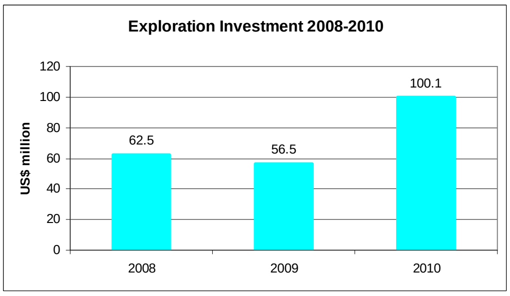
There were a number of variables that led to an increase in production costs this year, including the revaluation effect of the Mexican peso-US dollar exchange rate and higher electricity and diesel prices. Further contributing to the rise in production costs were increased mine development and rock bolting and shotcreting activities to enhance safety.

Nonetheless, higher volumes, strict cost controls, ongoing efficiency efforts and higher by-product credits resulted in lower cash costs and enabled us to remain in the lowest quartile of the cost curve relative to our peers. Our low cost production profile is a key competitive advantage because it provides downside protection in a cyclical environment.

Fresnillo plc carries no bank debt, and as of 31 December 2010 had a cash position of US$559.5 million, 79.2% above the 2009 figure. Our policy is to invest in the future growth of the business. Capital expenditures totalled US$340.3 million in 2010, and total exploration investment, including capitalised expenses was US$100.1 million.

An exceptional growth profile

These results are the outcome of a strategy designed to create value across precious metals cycles: a focus both on operational excellence in maximising current assets, and on delivering long-term growth through reserve replacement and expansion into new projects.



While we consider ourselves conservative in that we maintain strict and consistent investment parameters, we have a broad portfolio of high quality exploration projects and prospects. Our strategy is to consolidate mining districts with world-class potential, and prospects must meet our tonnage, ore grade and low-cost extraction criteria. We advance projects towards start-up through a disciplined development process.

Results from exploration activities in 2010 were very encouraging. We undertook an extensive drilling programme employing 75 exploration rigs at our mines, advanced projects and prospects. Total attributable resources rose from 1.3 billion ounces of silver at 31 December 2009 to 1.5 billion ounces, and 13.9 million ounces of gold to 20.1 million ounces.

Of particular note is the discovery of a new ore shoot at Saucito that added over 76 million ounces of silver and 300,000 ounces of gold to resources. Resources at Orisyvo rose significantly.

At Noche Buena, we confirmed the resource estimate, completed the pre-feasibility study and secured all land requirements to initiate construction of a new mine in 2011. Scoping studies were completed at San Julián and Orisyvo, as was the pre-feasibility study at Juanicipio in January 2011.

The Group maintains the largest land position for precious metals exploration and mining in Mexico and we continued to acquire surface rights in 2010. We signed exploration option agreements to explore the gold properties Candameña in Chihuahua, and Cebadillas and Yesca in Nayarit, with drilling planned for 2011. We are also expanding our district exploration efforts in Guerrero, Durango, Guanajuato and Zacatecas, as well as in Peru, where we acquired concessions this year.

We are on track to meet our goal of producing 65 million ounces of silver per year and over 400,000 ounces of gold per year by 2018.

By mid-2011, the expanded capacity at Ciénega is expected to become operational, which will stabilise gold production at 110,000 ounces per year and maintain mine life at over 10 years. By the end of 2011, we expect to commission the shaft, giving us access to deeper ore reserves and reduce costs.

We are also on track in expanding capacity at Soledad-Dipolos from 100,000 ounces of gold per year to 130,000 by increasing the number of leaching pads and mobile equipment at the mine.

The new world-class Saucito mine is also on track to start commercial operations in 1H 2011. First year production levels are expected to reach 4.7 million ounces of silver and 22,500 ounces of gold, then ramping up to more than 9.0 million ounces of silver and 45,000 ounces of gold per year by 2013. In 2010, we advanced the development of the mine and construction of the beneficiation plant. During the year 1.2 million ounces of silver and 6,323 ounces of gold were obtained from the development works at Saucito, which were processed at the Fresnillo mill. In addition, 91,043 tonnes of ore from Saucito were stockpiled in preparation for the commissioning of the Saucito mill.

Renewed focus on safety

While we are proud of our operational and financial success this year, I regret to report we have not performed as well on safety. We suffered two fatalities in 2010 as a result of failure to follow company safety procedures. We have a responsibility to improve our employees' and contractors' decision-making capabilities when it comes to workplace safety, and as such we are reinforcing the rigorous procedures and programmes already in place with supplemental training and spot drills, and have enhanced the monitoring procedures across the Group to ensure that our policies are adhered to. A zero fatality tolerance is the only acceptable standard, and I am joined by the Board and management team in extending our deep condolences to the families and colleagues.

Sustainable development

Our business model is dependent upon sound environmental management practices and community and labour relations. Sustainable development is thus deeply integrated into every aspect of our operations.

Along with ISO 14001 certifications at all mines and exploration offices, we are signatories to the International Cyanide Management Code. Herradura completed the audit process to obtain certification in 2010, and the process is underway at Ciénega, where we expect to obtain certification in 2011. Soledad-Dipolos will begin the process in the coming year.

Employees received a greater number of training hours on average in 2010, and we continued to invest in a range of professional development initiatives and workplace enhancements, including housing and recreational facilities. Annual labour negotiations concluded with the agreement of a 6.5% wage increase and a 1% bonus on base salary.

Our community relations were strengthened this year with the first full year of operations at the sewage water treatment plant at Fresnillo. In a region of water scarcity, the plant has contributed to preserving aquifers and reducing a potential source of contamination for the city, while lowering our production costs and fresh water consumption. At Ciénega we worked with the municipality to pave the main streets of the town, improving the community's transportation and air quality. We are pleased that our development projects are promoting job creation in the Herradura and Fresnillo districts, as we have a preference to utilise the services and products of local contractors and vendors. In every community where we operate we continued to actively participate in education, healthcare and infrastructure projects.

Outlook

Continued market volatility and uncertainty regarding the pace of the economic recovery will undoubtedly be reflected in metal prices. I am confident that our focus on increasing productivity, containing costs, expanding the resource and reserve base, and strengthening our growth pipeline will create ongoing and sustainable value to all our stakeholders.

Looking ahead at 2011, we expect:

- Improved safety performance
- Commissioning of Saucito
- Commissioning of expanded milling capacity and deeper shaft at Ciénega
- Completion of Soledad-Dipolos expansion
- Construction at Noche Buena under way
- Pre-feasibility study at San Julián
- Determination of next steps for development of Juanicipio
- Silver production to rise 5%
- Gold production to rise 5-6%

- Exploration budget to increase to US$251.4 million

On behalf of the Company's personnel and the management team, I would like to extend my appreciation to our Chairman and members of the Board for their valuable support and guidance during 2010. I would also like to thank my fellow executives and employees for their enduring commitment to quality and sustainable growth.

Jaime Lomelín
Chief Executive Officer

Commentary on financial performance

In 2010, the Fresnillo Group generated strong financial results driven by the rally in precious metal prices, the contribution of Soledad-Dipolos and the robust operational performance of the Group mines. These were somewhat mitigated by i) higher exploration expenses and by higher depreciation expense resulting from recent capital investments, both in support of the Group's organic growth strategy; and ii) higher adjusted production costs reflecting a stronger peso, rising electricity and diesel prices and an increase in activities to ensure continuous operations, as well as higher taxes and profit sharing. As a result, attributable profit in the year, excluding the effect of the Silverstream revaluation rose 72.3% from US$308.0 million in 2009 to US$530.8 million in 2010.

Income Statement

Key items of the Income Statement are shown below:

INCOME STATEMENT KEY ITEMS
(US$ millions)

	2010	2009	% Change
Revenues	1,409.55	849.94	65.8
Cost of sales	(435.08)	(321.63)	35.3
Gross profit	974.48	528.31	84.4
Exploration expenses	82.11	49.06	67.4
EBITDA	945.00	496.62	90.3
Profit before income tax	1,022.37	457.42	123.5
Income tax expense	272.97	99.15	175.3
Profit for the year	749.40	358.27	109.2
Profit for the year, excluding post-tax Silverstream revaluation effects	615.11	344.30	78.7
Attributable profit	665.13	322.01	106.6
Attributable profit, excluding post-tax Silverstream revaluation effects	530.84	308.04	72.3
Basic and diluted earnings per share (US$/share) [1]	0.927	0.449	106.5
Basic and diluted earnings per share excluding post-tax Silverstream revaluation effects (US$/share)	0.740	0.430	72.1

[1] The weighted average number of ordinary shares for 2010 and 2009 was 717,160,159.

Fresnillo plc's financial performance is determined by the level of efficiency in executing the Group's strategy and the impact of several external factors. The quality of our asset base, the ability to maximise its potential, and personnel and management's skills are among the most important internal drivers underlying our financial results. The external variables with material impact on Group performance are dependent on market conditions and are thus outside of Fresnillo plc's control. These include:

Precious metal prices

Volatility in the global economy and the sovereign debt crisis in Europe fostered safe-haven investment demand, resulting in gold and silver prices reaching record levels. In 2010 the average realised price of silver increased 40.0% to US$21.39 per ounce, while the average gold price reached US$1,252.05 per ounce, a 26.6% increase year-over-year. The Group's Income Statement is considerably impacted by these variables, as 95% of our revenues come from these metals. In addition, the strengthening of forward silver prices in 2010 significantly impacted the valuation of the Silverstream contract, considered to be a derivative instrument under IFRS, which resulted in an unrealised pre-tax gain of US$191.8 million recognised in the income statement. Expectations of future silver price is one of the key assumptions underlying the valuation of this contract and analysis of the impact on the contract's value of changes in the price of silver is provided in Note 11 to the Financial Statements. We maintain a policy not to hedge silver and gold price exposure and therefore provide shareholders with full exposure to fluctuations in silver and gold prices.

Foreign exchange rates

The average spot exchange rate of the Mexican peso to the US dollar was revalued from MXN13.52 per US dollar in 2009 to MXN12.64 per US dollar in 2010. This variable had an adverse effect on the Group's production costs, as costs denominated in Mexican pesos (approximately 70% of total costs) increased when converted to US dollars. The negative impact of the 6.5% average revaluation within the costs was estimated at US$9.5 million.

The spot exchange rate at 31 December 2010 was MXN12.36 per US dollar, representing a 5.4% revaluation when compared to the MXN13.06 per US dollar at the beginning of the year. The Group's taxable profits are determined under Mexican GAAP in pesos and this revaluation had an adverse effect on the peso value of US dollar-denominated net monetary asset position, with the Silverstream Contract and cash and cash equivalents being the most important. As a result, a foreign exchange loss under Mexican GAAP was generated, lowering the Group's taxable profits.

Inflation of key operating materials

	Year over year change
Steel for drilling	(0.1%)
Explosives	4.8%
Tyres	(1.3%)
Sodium cyanide	(24.4%)
Other reagents	11.3%
Oils and other lubricants	10.4%
Weighted Average	1.9%

The net increase in the weighted average input cost over the year was 1.9%. The average unit price of several operating materials fluctuated in 2010, reflecting prevailing economic conditions. Reagents such as zinc and copper sulphates increased significantly over the course of the year reflecting the higher prices of those metals. Average prices for sodium cyanide however, an important reagent used in the gold leaching process, declined.

Further increases in the unit prices of all inputs are expected for 2011, reflecting the increase in demand to support expansion plans within the broader mining industry.

Electricity
Fresnillo plc's weighted average cost of electricity increased by 24.6% when compared to 2009. This followed the expected rate increase from the Comisión Federal de Electricidad (CFE), the national utility, with recovering economic conditions prompting the Mexican government to reverse its policy of reducing electricity prices to control inflation. The unit price of electricity for 2011 is expected to move in line with CFE's average generating cost.

Diesel
The weighted average cost of diesel in Mexican pesos increased by 19.6% year-on year reflecting the Mexican government's decision to align fuel and diesel prices with international rates. In accordance with this policy, a similar increase is anticipated for 2011.

Treatment and refining charges
Treatment and refining charges (TRCs), which are deducted from adjusted revenues for the purposes of revenues as disclosed in the income statement, are reviewed annually in accordance with international benchmarks. The treatment charge per tonne of lead concentrate, including the escalator, remained steady, while treatment charge per tonne of zinc concentrate increased by 3.2% when compared to 2009. However, this increase was completely offset by a 29.7% decrease in the refining charge per ounce of silver, which represented 42% of total treatment and refining charges. As a result, total TRC charges decreased by 6.9% year-on-year, despite the increase in volumes of product sold.

The effects of the internal and external factors impacting each of the items of the Income Statement are further described below.

Revenues

CONSOLIDATED REVENUES
(US$ millions)

			Change	
	2010	**2009**	**Amount**	**%**
Adjusted revenue [2]	1,473.92	943.96	529.96	56.1
Treatment and refining charges	(64.37)	(69.23)	4.86	(7.0)
Hedging losses (Pre-IPO) [3]		(25.02)	25.02	(100)

Hedging gains		0.23	(0.23)	(100)
Revenues	1,409.55	849.94	559.61	65.8

[2] Adjusted Revenue is revenue as disclosed in the income statement adjusted to exclude hedging effects and treatment and refining charges.
[3] Derivatives terminated prior to the IPO in 2008.

Total revenues for the full year rose to a record US$1,409.5 million, a 65.8% increase when compared to 2009. The main contributor to this significant increase was adjusted revenue which rose 56.1% to US$1,473.9 million. Higher average realised metal prices accounted for 65.6% of the total US$530.0 million increase in adjusted revenues. The remaining 34.4% of the favourable effect reflected the additional volumes of gold ounces sold from Soledad-Dipolos, Ciénega and Herradura.

Hedging

The Fresnillo Group has not entered into any silver and gold hedging contracts since its Initial Public Offering (IPO) in 2008 and does not intend to do so, thus providing full exposure to fluctuations in silver and gold prices. In 2010, Fresnillo plc did not enter any new derivative contracts to hedge the price of lead and zinc by-products.

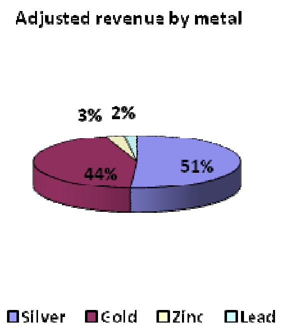
However, prior to the IPO, the Group used derivatives to reduce commodity price risks arising from the volatility of silver and gold prices. In 2009, a final non-cash charge of US$25.0 million was reflected against adjusted revenues as a result of the hedging instruments that were terminated in 2007, but for which cumulative losses were recycled to the income statement at the time of the occurrence of the hedge transaction to which they related.

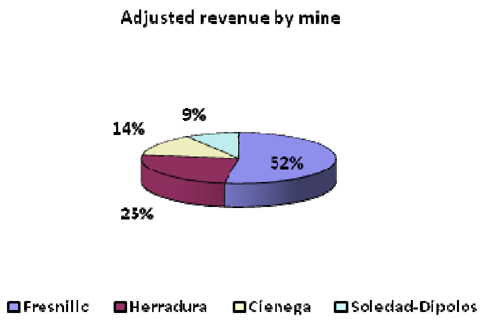
ADJUSTED REVENUES[4] BY METAL
(Year ended 31 December, US$ millions)

	2010		**2009**		**Volume Variance**	**Price Variance**	**Total**	**%**
Silver	746.18	51%	529.63	56%	3.6	212.9	216.5	40.9
Gold	653.29	44%	359.17	38%	171.2	122.9	294.1	81.9
Lead	34.38	2%	26.98	3%	2.9	4.5	7.4	27.4
Zinc	40.07	3%	28.18	3%	4.7	7.2	11.9	42.2
Total Adjusted	**1,473.92**	**100%**	**943.96**	**100%**	**182.4**	**347.5**	**529.96**	**56.1**

[4] Adjusted revenue is revenue as disclosed in the Income Statement adjusted to exclude hedging effects and treatment and refining charges.

Gold share of total adjusted revenues increased from 38% in 2009 to 44% in 2010 as a result of the start-up of commercial production at Soledad-Dipolos. Silver share thus declined to 51% in 2010.





VOLUMES OF METAL SOLD
(Year ended 31 December)

	2010	2009	% Change
Silver (koz)	34,883	34,676	0.6
Gold (oz)	521,780	363,205	43.7
Lead (mt)	16,057	14,565	10.2
Zinc (mt)	18,634	16,134	15.5

Cost of sales

			Change	
	2010	**2009**	**Amount**	**%**
Adjusted production cost[5]	311.97	209.80	102.17	48.7
Depreciation	105.22	67.23	37.99	56.5
Change in work in progress	(16.77)	12.94	(29.71)	N/A
Profit sharing	37.68	24.58	13.10	53.3
Hedging (of exchange rate)	(3.02)	7.08	(10.10)	N/A
Cost of sales	**435.08**	**321.63**	**113.45**	**35.3**

[5]Calculated as total production costs less depreciation, profit sharing and exchange rate hedging effects.

The main factors affecting the increase in cost of sales were:

- Adjusted production costs increased to US$312.0 million, a 48.7% increase when compared to 2009. Of the US$102.2 increase, US$55.1 million, or 53.9%, related to production costs incurred at the new Soledad-Dipolos mine in its first year of commercial production. In addition the revaluation of the average spot exchange rate resulted in a US$9.5 million adverse effect when converting peso-denominated costs to US dollars. The discussion below factors out the impact of foreign exchange movements in the peso denominated costs for each category in order to reflect the underlying operational unit cost changes:

- Contractor costs rose by US$12.7 million as a result of i) stripping cost of the Valles pit recorded in the income statement, while in 2009 these costs were capitalised ii) the increase in development works to ensure continuous operations; iii) shotcreting and rock bolting activities carried out mainly at the Fresnillo mine to secure personnel safety; iv) increased mine services which are typically conducted by contractors such as road maintenance and pumping; v) additional volumes of ore and waste material hauled over longer distances at all our mines; and vi) higher unit fees charged by contractors, which include the annual rise in labour costs, depreciation of the contractors' equipment, operating materials and fuel and lubricants.

- The cost of energy rose by US$10.7 million as a result of increases in electricity and diesel prices of 24.7% and 19.6% respectively. Additional consumption of energy was associated mainly with higher production volumes at our mines, and to a lesser extent, to the longer haulage distances affecting consumption of diesel.

- Operating materials increased by US$6.0 million due to increased consumption of explosives, anchors, steel and lubricants related to the additional volumes of ore produced at the mines. These increases were mitigated by operating efficiencies achieved through the Six Sigma methodology and other cost control initiatives.

- The cost of personnel increased by US$2.4 million as a result of i) additional personnel hired at Herradura; ii) a 6.5% increase in wages plus a 1% bonus in base salary; iii) bonuses associated with the implementation of efficiency projects; and iv) training to improve safety indices.

- The cost of maintenance rose by US$2.3 million due to i) maintenance and repair of locomotives at the Fresnillo mine; and ii) intensified use of equipment to load and haul ore and waste at the mines.

- Other costs increased by US$3.5 million as a result of additional equipment insured, surveillance, freight and IT expenses.

• Depreciation increased by US$38.0 million mainly due to the larger asset base following the completion of Soledad-Dipolos, higher production volumes which affected the depletion factor, and the purchase of additional high-capacity trucks and loaders.

• The current year increase in work in progress as compared to the decrease in 2009 benefited the movement in COS by US$29.7 million. In 2010, ore deposited at Soledad-Dipolos increased inventories of ore at this mine, while in 2009 a charge of US$12.9 million was recognised as a result of the decrease of mineral and concentrate inventories at Herradura.

- Profit sharing rose by US$13.1 million due to higher profits at our operating mines.

- The Fresnillo Group enters into certain exchange rate derivative instruments as part of a programme to mitigate its exposure to foreign exchange risk associated with costs incurred in Mexican pesos. The forward sales position that matured throughout 2010 was for US$77.5 million at an average rate of MXN13.17 per US dollar. Forward contracts which matured throughout the year resulted in a US$2.9 million gain recognised in the income statement. The outstanding net forward position as of 31 December 2010 was US$51.0 million with maturity dates throughout 2011.

  Additionally, the Group entered into a combination of put and call options structured at zero cost (collars). During the year, collars hedging US$14.5 million of costs denominated in Mexican pesos matured. Resulting in a US$0.2 million gain recognised in the income statement. Collars hedging costs denominated in Mexican pesos equivalent to US$36.0 million will mature in 2011 with an average floor exchange rate of MXN13.03 per US dollar and cap of MXN14.23 per US dollar. These instruments guarantee a minimum exchange rate should the market fall below the floor exchange rate. Between the floor and cap exchange rates the Group sells US dollars at the market rate, and when the Mexican peso per US dollar exchange rate goes above the cap rate, the Company is obliged to sell US dollars at the contract rate.

Cost per tonne and cash cost per ounce

Cost per tonne milled across our operating mines increased when compared to 2009 as shown in the table below.

COST PER TONNE[6]
(Year ended 31 December)

				%
		2010	**2009**	**Change**
Fresnillo	US$/tonne milled	41.73	37.24	12.0%
Ciénega	US$/tonne milled	65.86	61.45	7.2%
Herradura	US$/tonne deposited	5.64	5.17	9.1%
Soledad-Dipolos	US$/tonne deposited	5.71	N/A	N/A

[6] This indicator is calculated as total production costs less depreciation, profit sharing and exchange rate hedging effects. In 2010 however, freight costs associated with ore transported from Fresnillo plc's mines to Met-Mex facilities, which are usually presented as a deduction to Adjusted Revenues, were reclassified and added to the cost of freight of inputs under production cost, thus illustrating the full impact of freight costs.

Cost per tonne figures presented within the 2009 Annual Report excluded freight charges against revenues, thus those figures are shown with a pro forma reclassification in order to be comparable with 2010 calculations.

CASH COST PER OUNCE[7]
(Year ended 31 December)

				%
		2010	2009	Change
Fresnillo	US$ per silver ounce	3.34	3.37	(0.8%)
Ciénega	US$ per gold ounce	193.86	190.61	1.7%
Herradura	US$ per gold ounce	323.83	342.90	(5.5%)
Soledad-Dipolos	US$ per gold ounce	383.15	N/A	N/A

[7]Cash cost per ounce is calculated as total cash cost (cost of sales plus treatment and refining charges less depreciation) less revenues from by-products divided by the silver or gold ounces sold.

Cash cost per silver ounce at Fresnillo reflected a modest decrease (see table below) due to higher gold, lead and zinc by-product revenues (resulting from increased sales volumes and higher metal prices). In addition, the slight increase in volumes of silver produced and sold also mitigated the adverse effect of the higher adjusted production costs.

Cash cost per gold ounce at Ciénega slightly increased reflecting the higher adjusted production costs associated with the development works at the mine and the 24.6% decrease in silver by-product production, partially offset by the higher zinc and lead by-product sales and the increased gold ounces sold.

Cash cost per ounce at Herradura decreased by 5.5% as a result of the higher gold ounces produced and sold at this open pit mine. Cash cost per gold ounce at Soledad-Dipolos was US$383.15, higher than Herradura's cash cost due to the natural lower ore grade impacting total gold ounces sold.

Gross profit

Gross profit, before hedging gains and losses, is an important financial indicator to measure the profitability at each mine and at the Fresnillo Group as a whole.

CONTRIBUTION BY MINE TO THE GROUP'S GROSS PROFIT EXCLUDING HEDGING GAINS AND LOSSES

(US$ millions)					Change		
	2010		2009		Amount		%
Fresnillo	574.80	59.2%	366.17	65.4%	208.63	50.8%	57.0
Ciénega	94.13	9.7%	65.30	11.7%	28.83	7.0%	44.1
Herradura	217.29	22.4%	128.38	22.9%	88.91	21.7%	69.2
Soledad-Dipolos	84.09	8.7%	-		84.09	20.5%	N/A
Total for operating mines	**970.31**	100.0%	**559.85**	100.0%	**410.46**	100.0%	**73.3**
Other subsidiaries	1.15		0.33		0.82		N/A
Metal hedging (losses) and gains	-		(24.79)		24.79		(100)

MXP/USD exchange rate hedging (losses) and gains	3.02		(7.08)		10.10		N/A
Total Fresnillo plc	**974.48**		**528.31**		**446.17**		**84.4**

In 2010, total gross profit for operating mines, adjusted to exclude hedging gains and losses, increased by US$410.5 million a 73.3% increase over 2009.

This indicator considerably benefited from the higher precious metal prices, contributing US$327.9 million, of which 64.9% corresponded to the price of silver, 31.4% to the price of gold and the remaining 3.7% to the prices of lead and zinc by-products.

Operating performance was also an important contributor to Gross Profit excluding hedging effects. The most important factor in the 2010 increase was the contribution of the new Soledad-Dipolos gold mine (US$84.1 million), with higher production volumes at Herradura, Fresnillo and Ciénega also benefiting gross profit. In total, the favourable effect generated by higher sales volumes at these three mines was US$64.9 million.

Other favourable effects were lower treatment and refining charges and changes in work in progress due to the increase in Soledad-Dipolos inventories.

The benefits described above were somewhat mitigated by: i) the adverse effect of the US$37.7 million increase in adjusted production cost; ii) the US$27.2 negative impact of the higher depreciation expense; iii) higher profit sharing; and iv) the adverse impact of the revaluation of the Mexican peso against the US dollar impacting peso-denominated costs.

The contribution by mine to the Group's Gross Profit, excluding hedging, changed this year due to the incorporation of Soledad-Dipolos which comprised 8.7% of the total, diluting the participation of the other three mines. Fresnillo continues to be the biggest contributor with 59.2%, followed by Herradura and Ciénega with 22.4% and 9.7% respectively.

Administrative expenses

Administrative expenses of US$52.6 million increased by 5.5% compared to 2009, and include administrative fees paid to Servicios Administrativos Peñoles, S.A. de C.V. (SAPSA) under the New Services Agreement (NSA), legal and advisory fees, and expenses associated with administrative personnel working at the Group's corporate offices. The increase was mainly related to additional administrative services provided by SAPSA related to the new Soledad-Dipolos mine and to the construction of Saucito.

Exploration expenses

BUSINESS UNIT / PROJECT (US$ millions)	Exploration expenses	Capitalised expenses

Herradura	8.3	0.0
Soledad –Dipolos	2.3	0.0
Fresnillo	8.8	0.0
Ciénega	5.4	0.0
Noche Buena	6.0	0.0
Herradura corridor	5.7	0.0
San Ramón	4.7	0.0
Saucito	0.0	4.2
Juanicipio	0.0	5.3
San Julián	7.5	8.5
Orisyvo	6.1	0.0
San Juan	1.8	0.0
Ciénega (area of influence)	6.4	0.0
Centauro Deep	2.1	0.0
Lucerito	1.4	0.0
Candameña	1.1	0.0
San Nicolás	0.7	0.0
Guanajuato	0.9	0.0
Leones	0.8	0.0
Others	12.1	0.0
TOTAL	**82.1**	**18.0**

Exploration expenses for the year totalled US$82.1 million, a 67.4% increase over the previous year. An additional US$18.0 million related to the development of the Saucito mine and for the San Julián and Juanicipio advanced exploration projects was capitalised. These projects have sufficient geological and technical information that allows for a reasonable expectation of becoming operating mines in the future. Exploration expenses, including those capitalised, totalled US$100.1 million, representing a 77.2% increase over 2009.

As anticipated, Fresnillo plc conducted an intensive programme of exploration and mining works over the course of the year aiming to expand the resource and reserve base and confirm resources estimates. This expenditure also included the Noche Buena pre-feasibility study, San Julian and Orisyvo scoping studies and the pre-feasibility study at Juanicipio. As part of our organic growth programme, the exploration budget for 2011 has been increased to US$251.4 million, of which US$100 million is expected to be capitalised.

EBITDA

EBITDA & EBITDA MARGIN
(Year ended 31 December, US$ millions)

	2010	2009	% Change
Gross Profit	974.48	528.32	84.5%
+ Depreciation	105.22	67.23	56.5%
- Administrative Expenses	(52.60)	(49.87)	5.5%
- Exploration Expenses	(82.11)	(49.06)	67.4%
EBITDA	**945.00**	**496.62**	**90.3%**

EBITDA Margin	**67.0%**	**58.4%**	

EBITDA, which is calculated as gross profit as reflected in the income statement plus depreciation less administrative and exploration expenses, achieved a new record level of US$945.0 million in 2010, a 90.3% increase year-on-year. This key financial indicator benefited from the higher gross profit levels, partially offset by the increase in exploration expenses. Similarly, EBITDA margin rose from 58.4% in 2009 to 67.0% in 2010.

Silverstream revaluation effects

The Silverstream Contract is accounted for as a derivative financial instrument carried at fair value. In 2010, the increase in fair value of the Silverstream asset was US$191.8 million, which represents a significant increase of 64.2% compared to the value as at 31 December 2009. As a result, a corresponding non-cash gain was recognised in the income statement. This unrealised gain comprised 18.8% of the Group's profit before tax, highlighting the increased impact of this instrument in the income statement. Since the IPO, unrealised, non-cash profits associated with the Silverstream Contract have totalled US$211.2 million. As silver prices are likely to move cyclically, any unrealised future losses would also be recognised in the income statement. For example, the Group estimates that a 25% increase/decrease in the expected future prices of silver as used in the valuation at 31 December 2010, would result in an unrealised gain/loss respectively of US$120.2 million recognised in the income statement. Further information related to the Silverstream Contract is provided in the Balance Sheet section below and note 8 in the Financial Information section.

Foreign exchange

The foreign exchange result is caused by the conversion of monetary assets and liabilities denominated in foreign currencies to US dollars. In 2010, a US$3.3 million foreign exchange loss arose mainly as a result of: i) the devaluation of the UK pound sterling against the US dollar on the dividends paid in pounds and the conversion of the pound sterling position held in treasury to US dollars; and ii) the revaluation of the MXN/ US dollar exchange rate which affected the value of peso-denominated net liabilities when converted to US dollars. This loss adversely compared with US$9.5 million foreign exchange gain recognised in the 2009 Income Statement, following the devaluation of the US dollar against the UK pound sterling, which affected the cash position denominated in sterling.

Taxation

Increased profit levels drove the income tax expense up to US$273.0 million, a 175.3% increase compared to the previous year. Nevertheless, the effective tax rate under IFRS was 26.7%, which is lower than the statutory 30% tax rate. The main factors in the differential were: a) the revaluation of the MXN/US dollar exchange rate which generated i) a foreign exchange loss registered under Mexican GAAP, lowering the Group's taxable profits; and ii) movements in the US dollar equivalent tax value of assets that were originally valued in MXN and are not subsequently revalued for tax purposes with fluctuations in the Mexican peso/ US dollar exchange rate under Mexican GAAP; and b) certain inflation adjustments for Mexican tax purposes that have no accounting effect.

Profit for the year

Profit for the year increased by 109.2% from US$358.3 million in 2009 to US$749.4 million in 2010. Profits due to non-controlling interests (minority shareholders) rose to US$84.3 million in 2010, a 132.4% increase, as a result of the higher profits recorded at Herradura, profits generated by Soledad-Dipolos and the unrealised gain resulting from the Silverstream revaluation. Both mines belong to Penmont, a company jointly owned by Fresnillo plc (56%) and Newmont (44%).

Despite the 132.4% increase in non-controlling interests, profit attributable to Group shareholders increased by 106.6% to US$665.1 million in 2010.

Profit for the year, excluding the effects of the revaluation of the Silverstream Contract, increased by 78.7% from US$344.3 in 2009 to US$615.1 million in 2010. Similarly, profit attributable to Group shareholders, excluding the Silverstream effects, rose by 72.3% to US$530.8 million in 2010.

Cash flow

A summary of the key items impacting the Group's cash flow is set out below:

CASH FLOW KEY ITEMS
Year ended 31 December, US$ millions)

	2010	2009	% change
Cash generated by operations before changes in working capital	983.6	548.8	79.2
(Increase) / decrease in working capital	(166.0)	(37.8)	339.1
Net cash from operating activities	700.7	390.7	79.3
Silverstream Contract	55.6	39.0	42.6
Proceeds from development works at Saucito	25.6	10.7	139.2
Purchase of property, plant & equipment	(340.3)	(261.2)	30.3
Dividends paid to shareholders of the Company	(182.6)	(93.6)	95.1
Dividends paid to non-controlling interest	(8.5)	-	N/A
Net increase in cash during the year	250.1	92.6	170.0
Cash at 31 December	559.5	312.2	79.2

The 79.2% increase in cash generated by operations before changes in working capital was a result of record profits generated at the mines. However, this effect was mitigated by a US$166.0 million increase in working capital, which is mainly explained by:

- Trade and other receivables rose by US$116.7 million. The main factor underlying this was the US$99.1 million increase in accounts receivables due from Met-Mex, of which 55% is attributable to the higher metal prices, 27% to the higher volumes of ore sold to Met-Mex, and 18% by modifications in the payment conditions between Herradura and Met-Mex associated with the doré production. Loans granted to contractors for the purchase of equipment further increased other receivables. These loans are consistent with our strategy of supporting contractors.

- Inventories increased as a result of the higher volumes of ore deposited at the Soledad-Dipolos pads and ore from development works at Saucito, which were stocked in preparation for commercial production in 1H 2011. In addition, the inventory of spare parts, including tyres, increased in accordance with our policy to secure critical inputs subject to scarcity.

Despite the increase in working capital, cash flows from operating activities increased by 79.3% to US$700.7 million in 2010.

Other important sources of funds were US$55.6 million received in proceeds under the Silverstream Contract and US$25.6 million in proceeds generated from the sales of ore from the development works at Saucito and processed at the Fresnillo mine; the latter was credited to the cost of the project.

The Group invested US$340.3 million in the purchase of property, plant and equipment, a 30.3% increase when compared to spend in 2009. Investments in these items in 2010 are further described below:

PURCHASE OF PROPERTY, PLANT AND EQUIPMENT
(US$ millions)

	2010	
Fresnillo mine	60.7	Mine development and construction of the San Carlos shaft. Construction of ramps and mining works at San Julián project (US$22.9 millions)
Herradura mine	54.4	Purchase of high-volume trucks and loaders, construction of leaching pads and acquisition of surface land. Noche Buena’s payment for mineral rights and royalties acquisition (US$10.6 millions)
Ciénega mine	65.1	Mine development, mining works, expansion of milling capacity, sinking of the shaft and purchase of land
Soledad & Dipolos	36.8	Stripping activities and construction of leaching pads
Saucito project	118.4	Mining works and equipment for shafts and beneficiation plant
Other	4.9	Juanicipio, La Parreña Exploration Company and SAFSA
Total purchase of property, plant and equipment	**340.3**	

Dividends paid in 2010 totalled US$191.1 million, almost doubling those paid in 2009. The 2010 dividend payments reflected i) the final 2009 dividend of US$116.2 million and the 2010 interim dividend of US$66.4 million paid to Fresnillo plc shareholders; and ii) US$8.5 million paid to Newmont, the minority shareholder in Penmont.

The sources and uses of funds described above resulted in a net increase of US$250.1 million in cash and cash equivalents during the year. The combination of this increase with the US$312.2 million balance at the beginning of the year and the unfavourable effect of exchange rate movements on cash of US$2.7 million, resulted in a net cash position of US$559.5 million as at 31 December 2010.

Balance sheet

In 2010, the Group maintained a solid financial position with no bank debt.

Cash and cash equivalents as of 31 December 2010 were US$559.5 million, a 79.2% increase compared to year-end 2009. The main factors driving the significant increase in cash and cash equivalents were described in the cash flow section.

Trade and other receivables of US$225.0 million rose as a result of the increase in metal prices and higher volumes sold. Additionally, turnover of accounts receivables increased from 30 days in 2009 to 34 days in 2010 mainly as a result of extended payment terms on doré sold by Minera Penmont from 5 to 15 days after product delivery. In addition, other accounts receivables increased as a result of loans granted to contractors to purchase equipment.

These increases were partially offset by the decrease in income tax refunds due, following the recovery of excess income tax paid in provisional payments during 2009 over the final income-tax return.

In accordance with the Silverstream Contract, Fresnillo plc is entitled to receive all of the proceeds in respect of the payable silver produced at the Sabinas mine owned and operated by the Peñoles Group. This contract is accounted for as a derivative financial instrument, with all payments received being credited against the carrying value of the related asset. The change in the value of the Silverstream derivative from US$298.6 million at the beginning of the year to US$427.7 million at the year-end reflects proceeds of US$62.8 million (US$55.6 million in cash and US$7.2 million receivable) offset by a revaluation effect of $191.8 million which is a non-cash gain reflected in the Group income statement. Given the cyclical movements of silver prices, the value of the Silverstream asset could increase or decline in line with the movements of the silver price.

The net book value of property, plant and equipment was US$895.8 million at 31 December 2010, an increase of 30.0% when compared to 2009, reflecting capital expenditure during the year on new development projects and ongoing investments to optimise our operations. The main additions underlying the US$207.1 increase were the construction of the Saucito project, acquisition of new equipment mainly at Minera Penmont, construction of the San Carlos shaft at Fresnillo, purchase of land, and the sinking of the shaft and expansion of milling capacity at Ciénega.

Fresnillo plc's total equity was US$1,919.3 million as of 31 December 2010, a 47.3% increase when compared to the balance at 31 December 2009. The total number of issued shares remained at 717,160,159 and their corresponding rights and obligations are set in the Group's Articles of Association.

The main factor increasing total equity was the higher profits achieved during the year. Equity attributable to minority shareholders rose from US$127.0 million to US$205.5 million as of 31 December 2010, reflecting the increased asset value attributable to the minority shareholders.

Dividends of US$191.1 million were paid in the year, from retained earnings generated in previous years. Fresnillo plc's dividend policy takes into account the profitability of the business, underlying growth in earnings and the capital and cash flow requirements to support future production and expansions.

Dividend

In September 2010 an interim dividend of 9.2 US cents per Ordinary Share was declared and paid for a total of US$66.4 million. Based on the Group's 2010 performance, the Directors have recommended a final dividend of 35.6 US cents per Ordinary Share, which will be paid on 20 May 2011 to shareholders on the register on 3 May 2011. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. The Company´s dividend policy takes into account the profitability of the business and underlying growth in earnings of the Company, as well as its capital requirements and cashflows, whilst maintaining an appropriate level of dividend cover.

Responsibility Statement of the Directors

I confirm on behalf of the Board that to the best of my knowledge;

a) the financial information presented in this preliminary announcement, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the Group; and

b) the Management Report includes a fair review of the development and performance of the business, and the principal risks and uncertainties that they face.

For and on behalf of the Board

Jaime Lomelín

Chief Executive Officer

28 February 2011

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.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this document speak only as of the date of this document, reflect the Group’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and liquidity. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules or applicable law, the Group explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Group’s expectations or to reflect events or circumstances after the date of this document.

Consolidated Income Statement

(US$ thousands)

	Notes	*Year ended 31December2010*			*Year ended 31December2009*		
		Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
Continuing operations:							
Revenues	4	1,409,554		1,409,554	849,944		849,944
Cost of sales	5	(435,076)		(435,076)	(321,629)		(321,629)
Gross profit		**974,478**		**974,478**	**528,315**		**528,315**
Administrative expenses		(52,594)		(52,594)	(49,867)		(49,867)
Exploration expenses		(82,113)		(82,113)	(49,063)		(49,063)
Other income		4,983		4,983	3,873		3,873
Other expenses		(11,299)		(11,299)	(4,502)		(4,502)
Profit from continuing operations before net finance costs and income tax		**833,455**		**833,455**	**428,756**		**428,756**
Finance income		3,887		3,887	1,664		1,664
Finance costs		(3,483)		(3,483)	(1,901)		(1,901)
Revaluation effects of Silverstream contract	8	-	191,840	191,840	-	19,401	19,401
Foreign exchange (loss)/gain		(3,332)		(3,332)	9,498		9,498
Profit from continuing operations before income tax		**830,527**	**191,840**	**1,022,367**	**438,017**	**19,401**	**457,418**
Income tax expense	6	(215,417)	(57,552)	(272,969)	(93,719)	(5,432)	(99,151)
Profit for the year from continuing operations		**615,110**	**134,288**	**749,398**	**344,298**	**13,969**	**358,267**

Attributable to:							
Equity shareholders of the Company		530,838	134,288	665,126	308,042	13,969	322,011
Non-controlling interest		84,272	-	84,272	36,256	-	36,256
		615,110	**134,288**	**749,398**	**344,298**	**13,969**	**358,267**
Earnings per share: (US$)							
Basic and diluted earnings per ordinary share from continuing operations	7	-		0.927	-		0.449
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per ordinary share from continuing operations	7	0.740		-	0.430		-

Consolidated Statement of Comprehensive Income

	Notes	2010	2009
		(US$ thousands)	
Profit for the year		**749,398**	**358,267**
Net (gain)/ loss on cash flow hedges recycled to income statement		(2,102)	34,038
Tax effect of cash flow hedges recycled to income statement	6	631	(9,531)
Net unrealised gain on cash flow hedges		3,927	3,918
Tax effect of unrealised gain on cash flow hedges	6	(1,179)	(1,122)
Net effect of cash flow hedges		**1,277**	**27,303**
Fair value gain on available-for- sale financial assets		73,342	22,880
Tax effect of fair value gain on available-for-sale financial assets	6	(20,536)	(6,407)
Net effect of available –for-sale financial assets		**52,806**	**16,473**
Foreign currency translation		540	292
Other comprehensive income for the period, net of tax		**54,623**	**44,068**
Total comprehensive income for the period, net of tax		**804,021**	**402,335**
Attributable to:			
Equity shareholders of the Company		719,749	366,079
Non-controlling interest		84,272	36,256
		804,021	**402,335**

Consolidated Balance Sheet

	Notes	Year ended 31 December	
		2010	*2009*
		(US$ thousands)	
ASSETS			
Non-current assets			
Property, plant and equipment		895,783	688,718
Available-for-sale financial assets		141,777	68,435
Silverstream contract	8	351,530	256,059
Deferred tax asset	6	14,226	9,363
Other receivables		11,687	-
Other assets		2,503	504
		1,417, 506	**1,023,079**
Current assets			
Inventories		63,092	33,783
Trade and other receivables		224,984	108,242
Prepayments		2,532	1,912
Derivative financial instruments		4,056	1,373
Silverstream contract	8	76,151	42,600
Income tax refunds due		-	20,167
Cash and cash equivalents		559,537	312,192
		930,352	**520,269**
Total assets		**2,347,858**	**1,543,348**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital		358,680	358,680
Share premium		818,597	818,597
Capital reserve		(526,910)	(526,910)
Net unrealised gains on cash flow hedges		2,172	895
Net unrealised gains on available-for-sale financial assets		65,072	12,266
Foreign currency translation reserve		(555)	(1,095)
Retained earnings		996,658	513,691
		1,713,714	1,176,124
Non-controlling interest		205,554	126,979
Total equity		**1,919,268**	**1,303,103**
Non-current liabilities			
Provision for mine closure cost		39,682	35,513
Provision for pensions and other post-employment benefit plans		6,420	5,811
Other liabilities		-	4,811
Deferred tax liability	6	217,448	119,944
		263,550	**166,079**

Current liabilities

	Notes	Year ended 31 December	
		2010	2009
		(US$ thousands)	
Trade and other payables		70,789	48,286
Derivative financial instruments		152	95
Income tax		54,480	-
Employee profit sharing		39,619	25,785
		165,040	**74,166**
Total liabilities		**428,590**	**240,245**
Total equity and liabilities		**2,347,858**	**1,543,348**

Consolidated Cash Flow Statement

	Notes	*Year ended 31 December*	
		2010	*2009*
		(US$ thousands)	
Net cash from operating activities	10	**700,699**	**390,712**
Cash flows from investing activities			
Purchase of property, plant and equipment		(340,297)	(261,200)
Purchase of available-for-sale financial assets		-	(25)
Proceeds from the sale of property, plant and equipment and other assets		72	1,044
Proceeds from mines under development		25,563	10,753
Loans granted to contractors		(14,504)	-
Repayments of loans granted to contractors		1,363	-
Silverstream contract	8	55,623	39,010
Interest received		2,859	1,665
Other proceeds		7,231	3,526
Net cash used in investing activities		**(262,090)**	**(205,227)**
Cash flows from financing activities			
Capital contribution		2,807	891
Dividends paid to shareholders of the Company		(182,590)	(93,623)
Dividends paid to non-controlling interest		(8,504)	-
Interest paid		(251)	(105)
Net cash used in financing activities		**(188,538)**	**(92,837)**
Net increase in cash and cash equivalents during the year		250,071	92,648
Effect of exchange rate on cash and cash equivalents		(2,726)	7,559
Cash and cash equivalents at 1 January		312,192	211,985
Cash and cash equivalents at 31 December		**559,537**	**312,192**

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Capital reserve	Net unrealised gains/ (losses) on revaluation of cash flow hedges	Unrealised gains/ (losses) on available-for-sale financial assets	Foreign currency translation reserve	Retained earnings	Total	Non-controllingy interest	Total equity
	Attributable to equity holders of the Company									
					(US$ thousands)					
Balance at 1 January 2009	358,680	818,597	(526,910)	(26,408)	(4,207)	(1,387)	285,195	903,560	89,832	993,392
Profit for the year	–	–	–	–	–	–	322,011	322,011	36,256	358,267
Other comprehensive income, net of tax	–	–	–	27,303	16,473	292	–	44,068	-	44,068
Total comprehensive income for the year	–	–	–	27,303	16,473	292	322,011	366,079	36,256	402,335
Capital contribution	–	–	–	–	–	–	–	–	891	891
Dividends paid	–	–	–	–	–	–	(93,515)	(93,515)	–	(93,515)
Balance at 31 December 2009	**358,680**	**818,597**	**(526,910)**	**895**	**12,266**	**(1,095)**	**513,691**	**1,176,124**	**126,979**	**1,303,103**
Balance at 1 January 2010	358,680	818,597	(526,910)	895	12,266	(1,095)	513,691	1,176,124	126,979	1,303,103
Profit for the year	–	–	–	–	–	–	665,126	665,126	84,272	749,398
Other comprehensive income, net of tax	–	–	–	1,277	52,806	540	-	54,623	–	54,623
Total comprehensive income for the year	–	–	–	1,277	52,806	540	665,126	719,749	84,272	804,021
Capital contribution	–	–	–	–	–	–	–	–	2,807	2,807
Dividends paid	–	–	–	–	–	–	(182,159)	(182,159)	(8,504)	(190,663)
Balance at 31 December 2010	**358,680**	**818,597**	**(526,910)**	**2,172**	**65,072**	**(555)**	**996,658**	**1,713,714**	**205,554**	**1,919,268**

Notes to the Consolidated Financial Statements

1 Corporate Information

Fresnillo plc (“the Company”) is a public limited company and registered in England and Wales and is the holding company for the Fresnillo subsidiaries detailed below (“the Group”).

Industrias Peñoles S.A.B. de C.V.(“Peñoles”) currently owns 77 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. Copies of Peñoles’ accounts can be obtained from www.penoles.com.mx.

The financial information presented in this preliminary announcement was authorised for issue by the Board of Directors of Fresnillo plc on 28 February 2011

The auditor’s report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The audited financial statements will be delivered to the Registrar of Companies in due course.

The financial information contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

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. The Group has four fully developed operating mines: Fresnillo, Herradura, Ciénega, and Soledad-Dipolos, the latter starting production in January 2010.

2 Significant Accounting Policies

(a) Basis of preparation and consolidation, and statement of compliance

The financial information presented in this preliminary announcement has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority, International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the provisions of the Companies Act 2006. The financial information presented in this preliminary announcement is also consistent with IFRS as issued by the International Accounting Standards Board.

The financial information presented in this preliminary announcement has been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale financial instruments and defined benefit pension scheme assets which have been measured at fair value.

The financial information is 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.

Basis of consolidation

The financial information presented in this preliminary announcement sets out the Group’s financial position as of 31 December 2010 and 2009, 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. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The financial information presented in this preliminary announcement has been prepared for the years ended 31 December 2010 and 2009 using consistent accounting policies. 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. These interests primarily represent the interests in Minera Penmont, S. de R.L. de C.V., Minera El Bermejal, S. de R.L. de C.V. and Minera Juanicipio, S.A. de C.V. not held by the Group. 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.

(b) Changes in accounting policies and presentation rules

The accounting policies applied are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2009 except for the adoption of certain new standards, amendments and interpretations to existing standards. Those that are applicable to the Group are as follows:

- IFRS 3 (Revised) 'Business Combinations' and IAS 27 (Revised) 'Consolidated and Separate Financial Statements', issued in January 2008. IFRS 3R introduces a number of changes in the accounting for business combinations occurring in accounting periods beginning on or after 1 July 2009 that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Furthermore, the amended standard changes the accounting for losses incurred by partially-owned subsidiaries as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 'Statement of Cash Flows', IAS 12 'Income Taxes', IAS 21 'The Effects of Changes in Foreign Exchange Rates', IAS 28 'Investment in Associates' and IAS 31 'Interests in Joint Ventures'. The changes introduced by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with Non-controlling interests (previously referred to as "minority interests").

Other new standards, amendments and interpretations that are effective but not applicable to the Group are as follows:

- *IFRS 1 (Amendment) "First-time adoption of international financial reporting Standards-Cost of an Investment in a Subdisidiary, Jointly controlled Entity or Associate"*
- *IFRS 2 (Amendment) Share-based Payment-Vesting Conditions and Cancellations"*
- *IAS 39 (Amendment) "Financial instruments: Recognition and Measurement-Eligible hedged items.*
- *IFRIC 17 "Distributions of Non-Cash Assets to Owners"*

Improvements to IFRSs

In April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- *IFRS 8 'Operating Segments'* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information in note 3.
- *IAS 7 'Statement of Cash Flows'* clarifies that only expenditures that result in a recognised asset can be classified as a cash flow from investing activities. The amendment has no impact on the Group.
- *IAS 17 'Leases'* clarifies the classification of land and buildings and the specific guidance on classifying land as a lease has been removed (only the general guidance remains). The amendment has no impact on the financial information as there are no property, plant and equipment under finance lease.
- *IAS 36 'Impairment of Assets'* clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as there have been no business combinations.

Other amendments resulting from the 2009 Improvements to IFRS did not have any impact on the accounting policies, financial position or performance of the Group.

New and amended standards and interpretations

Standards and amendments issued but not yet effective up to the date of issuance of the financial information are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

In November 2009, the IASB issued *IFRS 9 Financial Instruments: Classification and Measurement (subsequently amended in October 2010).* This new standard represents the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and recognition. The completion of this project is expected in early 2011.

The adoption of the first phase of *IFRS 9* will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

In October 2010, the IASB issued amendments to *IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets,* which are applicable for annual periods beginning on or after 1 July 2011. The Group intends to adopt this standard when it becomes effective.

The Group considers that the amendments to the following standards and interpretations, which are relevant to the Group will not have any impact on the accounting policies, financial position or performance of the Group:

IAS 24 Related Party Disclosures (Revised)
IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010 the IASB issued *improvements to IFRSs*, a further omnibus of amendments to its standards. These amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

3 Segment Reporting

For management purposes the Group is organised into operating segments based on producing mines.

At 31 December 2009 the Group had three reportable operating segments. The construction of the Soledad-Dipolos mine was successfully concluded in December 2009 and commercial production started in January 2010.

At 31 December 2010 the Group therefore has four reportable operating segments, representing the Group's four producing mines as follows;

- The Fresnillo mine, located in the State of Zacatecas is the worlds largest primary silver mine
- The Cienega mine, located in the State of Durango is an underground gold mine
- The Herradura mine, located in the State of Sonora is an open pit gold mine
- The Soledad-Dipolos mine, located in the State of Sonora is an open pit gold mine.

The operating performance and financial results 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.

No operating segments have been aggregated to form the above reportable operating segment. Projects under development have been aggregated into the Other segment below.

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 2010 all revenue was derived from customers based in Mexico.

In 2009 all revenue was derived from customers based in Mexico, the Company's country of domicile, except for approximately 3.3% of revenue as per the consolidated income statement which was sold to a third party customer based in the Netherlands. This revenue is shown within the Fresnillo and Ciénega segments below. All non-current assets are located in Mexico.

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2010 and 2009, respectively.

Year ended 31 December 2010

(US$ thousands)	Fresnillo	Herradura	Cienega	Soledad-Dipolos	Other	Adjustments and eliminations	Total
Revenues:							
Third party	733,537	366,047	173,200	136,770	-	-	1,409,554
Inter-Segment	-	-	-		35,613	(35,613)	-
Segment revenues	733,537	366,047	173,200	136,770	35,613	(35,613)	1,409,554
Segment Profit	626,983	268,933	116,615	97,669	35,612	(31,457)	1,114,355
Hedging							3,020
Depreciation							(105,216)
Employee profit sharing							(37,682)
Gross profit as per the income statement							974,478
Capital expenditure (1)	60,716 (2)	54,411(3)	65,083(4)	36,790 (5)	125,021(6)	(1,813)	340,297

(1) Capital expenditure consists of additions of property, plant and equipment, excluding additions relating to changes in the mine closure provision.
(2) Capital expenditure consists of scoop equipment and drilling jumbos, mine development work including a shaft and ramps.
(3) Capital expenditure relates to leaching pads construction, equipment such as rotary drill rig tractors and dump trucks, construction of a electrical station, open pit mine development activities and Noche Buena´s payment for the acquisition of mineral rights and royalties.
(4) Capital expenditure relates to a processing plant expansion, scoop equipment, land and mine development work including work on a tailing dam
(5) Capital expenditure relates to leaching pads construction, equipment such as dump trucks and tractors, rotary dril rig and open pit mine development activities.
(6) Capital expenditure relates to the Saucito mine developments including hoisting equipment and ramp and shaft developments.
(7) Treatment and refining charges amounting to US$64,366 are included in the segment profit. Previously this information was presented in a separate line.

Year ended 31 December 2009

(US$ thousands)	Fresnillo	Herradura	Cienega	Soledad y Dipolos	Other	Adjustments and eliminations	Total
Revenues:							
Third party	500,433	245,818	128,479	-	-	(24,786)	849,944
Inter-Segment	-	-	-	-	17,385	(17,385)	-
Segment revenues	500,433	245,818	128,479	-	17,385	(42,171)	849,944

Segment Profit	407,664	159,953	80,532	-	18,483	(14,246)	652,386
Hedging							(31,863)
Depreciation							(67,227)
Employee profit sharing							(24,981)
Gross profit as per the income statement							528,315

Capital expenditure (1)	34,628(2)	64,813(3)	41,665(4)	57,734	50,034(5)	1,573	250,447

(1) Capital expenditure consists of additions of property, plant and equipment, excluding additions relating changes in the mine closure provision.
(2) Capital expenditure relates to mine development work, scoop equipment, land and raise boring equipment.
(3) Capital expenditure relates to the acquisition of the Noche Buena gold project, dump trucks, and investment in the maintenance workshop.
(4) Capital expenditure relates to mine development work, scoop equipment, land and raise boring equipment.
(5) Capital expenditure relates to the Saucito mine developments.
(6) Treatment and refining charges amounting US$69,227 were reclassified in 2009 to the segment profit line for comparative purposes. Previously this information was presented in a separate line.

4 Revenues

Revenues reflect the sale of goods, being concentrates, doré, slag, and precipitates of which the primary contents are silver, gold, lead and zinc[(1)] .

a) Revenues by product sold

	Year ended 31 December	
	2010	*2009*
	(US$ thousands)	
Lead concentrates (containing silver, gold, lead and by-products)	797,887	573,594
Doré and slag (containing gold, silver and by-products)	502,820	245,822
Zinc concentrates	53,566	38,324
Precipitates	55,281	16,990
Effects of hedging	-	(24,786)
	1,409,554	**849,944**

Substantially all lead concentrates, precipitates, doré and slag, were sold to Peñoles' metallurgical complex for smelting and refining.

(1) Included in the value of lead and zinc concentrates, precipitates and doré are provisional price adjustments which represent changes in the fair value of embedded derivatives. In 2010 the Group has recognised a profit of US$35.6 million (2009: profit of US$24.0 million).

b) Value of metal content in products sold

For products other than refined silver and gold, invoiced revenues are derived from the value of metal content adjusted by treatment and refining charges incurred by the metallurgical complex of the customer. The value of the metal content of the products sold, before treatment and refining charges is as follows:

	Year ended 31 December	
	2010	*2009*
	(US$ thousands)	
Silver	746,176	529,626
Gold[(1)]	653,294	334,169
Zinc[(2)]	40,073	28,282
Lead[(3)]	34,377	27,094

	Year ended 31 December	
	2010	2009
	(US$ thousands)	
Value of metal content in products sold	1,473,920	919,171
Adjustment for treatment and refining charges	(64,366)	(69,227)
Total revenues[4]	1,409,554	849,944

(1) Includes hedging losses of US$nil (2009: US$25 million)
(2) Includes hedging gains of US$nil (2009: US$0.1 million)
(3) Includes hedging gains of US$nil (2009: US$0.1 million)
(4) Included in the value of lead and zinc concentrates, precipitates and doré are provisional price adjustments which represent changes in the fair value of embedded derivatives. In 2010 the Group has recognised a profit of US$35.6 million (2009: profit of US$24.0 million).

The average realised prices for the gold and silver content of products sold, including the effects of hedging but prior to the deduction of treatment and refining charges, were:

	Year ended 31 December	
	2010	2009
	(US$ per ounce)	
Gold	1,252.1	988.9
Silver	21.4	15.3

5 Cost of sales

	Year ended 31 December	
	2010	2009
	(US$ thousands)	
Depreciation	105,216	67,227
Personnel expenses	82,932	60,349
Maintenance and repairs	56,494	39,251
Operating materials	65,177	47,110
Energy	57,856	35,257
Contractors	59,801	31,905
Freight	9,027	6,143

	Year ended 31 December	
	2010	2009
	(US$ thousands)	
Mining rights and contributions	4,775	4,633
(Gain)/Loss on foreign currency hedges	(3,020)	7,077
Change in work in progress and finished goods (ore inventories)	(16,822)	12,944
Other	13,640	9,733
	435,076	**321,629**

6 Income tax expense

a) The major components of income tax expense are:

	Year ended 31 December	
	2010	2009
	(US$ thousands)	
Consolidated income statement:		
Current income tax:		
Current income tax charge	196,332	110,427
Amounts overprovided in previous years	(1,308)	(6,108)
IETU(1) in excess of income tax	-	249
Recognition of previously un-recognised tax losses	-	(12,946)
	195,024	91,622
Deferred income tax:		
Origination and reversal of temporary differences	20,393	13,189
Changes to future tax rates(2)	-	5,082
Recognition of previously un-recognised tax losses	-	(757)
Amounts overprovided in previous years	-	(4,553)
Revaluation effects of Silverstream contract	57,552	(5,432)

	Year ended 31 December	
	2010	2009
	(US$ thousands)	
	77,945	7,529
Income tax expense reported in the income statement	**272,969**	**99,151**

(1) Business Flat tax (Impuesto Empresarial a Tasa Unica" or "IETU")
(2) On 7th December 2009 new temporary tax rates were published in the Official Daily of the Federal Government. The tax rate for 2010 is 30% and will continue in effect for 2011 and 2012, the tax rate for 2013 will be 29% and the tax rate from 2014 will be 28%. Deferred taxes have been calculated at the rate applicable to the year the amounts are expected to materialise.

	Year ended 31 December	
	2010	2009
	(US$ thousands)	
Consolidated Statement of comprehensive income:		
Deferred income tax related to items charged or credited directly to other comprehensive income:		
Recycling of net gain/(loss) gain on valuation of cash flow hedges to income	631	(9,531)
Net gain arising on valuation of cash flow hedges	(1,179)	(1,122)
Net expense arising on unrealised gain on available-for-sale assets	(20,536)	(6,407)
Income tax expense reported in other comprehensive income	**(21,084)**	**(17,060)**

(b) The following is a 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	
	2010	2009
	(US$ thousands)	
Accounting profit before income tax	1,022,367	457,418

	Year ended 31 December	
	2010	*2009*
	(US$ thousands)	
Tax at the Group's statutory income tax rate 30.0% (2009: 28.0%)	306,710	128,077
Expenses not deductible for tax purposes	760	1,547
Inflationary uplift of the tax base of assets and liabilities	(13,802)	(4,787)
Recognition of previously un-recognised tax losses	-	(13,703)
Current income tax overprovided in previous years	(1,308)	(6,108)
Deferred income tax overprovided in previous years	-	(4,553)
Put option closed prior to maturity	-	(4,105)
Restatement on tax value of fixed assets	(1,208)	-
Tax depreciation de-recognised	-	1,029
Changes to future tax rates	-	5,082
Exchange rate effect on tax value of assets and liabilities	(6,574)	1,034
Non-deductible asset disposals	1,688	3,229
Non-deductible/non-taxable foreign exchange gains or losses	(9,402)	(5,491)
Inflationary uplift of tax losses	(1,337)	(1,141)
IETU in excess of income tax	-	249
Other	(2,558)	(1,208)
Tax at the effective income tax rate of 26.7% (2009: 21.7%)	**272,969**	**99,151**

(c) The movements in deferred income tax liabilities and assets are as follows:

	Year ended 31 December	
	2010	*2009*
	(US$ thousands)	
Beginning balance	(110,581)	(88,234)
Income statement charge	(77,945)	(7,529)
Exchange difference	3,845	2,242
Others	2,453	-
Cash flow hedges recycled to income statement	631	(9,531)
Revaluation of derivatives used for cash flow hedges	(1,179)	(1,122)
Unrealised gain on available-for-sale financial assets	(20,536)	(6,407)
Ending balance	**(203,222)**	**(110,581)**

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.

The amounts after offset are as follows:

	As at 31 December	
	2010	*2009*
	(US$ thousands)	
Deferred income tax assets	14,226	9,363
Deferred income tax liabilities	(217,448)	(119,944)
Ending balance	**(203,222)**	**(110,581)**

The amounts of deferred income tax assets and liabilities before offset as at 31 December 2010 and 2009 considering the nature of the temporary differences, are as follows:

	As at 31 December		
	2010		
	(US$ thousands)		
	Assets	Liabilities	Net balance
Related party receivables	-	65,921	(65,921)
Other receivables	-	494	(494)
Inventories	10,178	-	10,178
Prepayments	-	735	(735)
Derivative financial instruments including Silverstream contract	-	58,544	(58,544)
Property, plant and equipment	-	143,934	(143,934)
Operating liabilities	1,866	-	1,866
Other payables and provisions	10,523	-	10,523
Losses carried forward	52,735	-	52,735
Post-employment benefits	1,767	-	1,767
Deductible profit sharing	11,862	-	11,862
Available-for-sale financial assets	-	21,246	(21,246)

		As at 31 December	
		2010	
		(US$ thousands)	
Other	-	1,279	(1,279)
Net deferred tax balances	**88,931**	**292,153**	**(203,222)**

	As at 31 December 2009 (US$ thousands)		
	Assets	Liabilities	Net balance
Related party receivables	-	36,921	(36,921)
Other receivables	50	-	50
Inventories	8,098	-	8,098
Prepayments	-	590	(590)
Derivative financial instruments including Silverstream contract	-	16,562	(16,562)
Property, plant and equipment	-	129,205	(129,205)
Operating liabilities	1,551	-	1,551
Other payables and provisions	10,310	-	10,310
Losses carried forward	46,616	-	46,616
Post-employment benefits	1,627	-	1,627
Deductible profit sharing	7,673	-	7,673
Available-for-sale financial assets	-	711	(711)
Other	-	2,217	(2,217)
Net deferred tax balances	**75,925**	**186,506**	**(110,581)**

A deferred tax asset has been recognised in respect of tax losses amounting to US$188.3 million (2009: US$166.5 million). There are no unrecognised tax assets in either year.

(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 are expected to reverse in the foreseeable future. The temporary differences for which a deferred tax liability has not been recognised aggregate to US$503.5 million (2009: US$184.3 million).

Income Tax ("Impuesto Sobre la Renta" or "ISR") and Business Flat Tax ("Impuesto Empresarial a Tasa Unica" or "IETU")

In accordance to the Mexican tax law, the Group companies in Mexico are subject to Income Tax ("ISR") and Business Flat Tax ("IETU"). IETU is an alternative minimum corporate income tax effective in January 1, 2008 which replaced the business asset tax as a minimum tax. Companies are required to pay the greater of their mainstream corporate income tax liability for the year or their liability to IETU.

On 7th December 2009 new temporary tax rates were published in the Official Daily of the Federal Government. The income tax rate for 2009 was 28%, for 2010 is 30% and will continue in effect in 2011 and 2012, the tax rate for 2013 will be 29% and the tax rate from 2014 will be 28%. The deferred taxes have been calculated at the rate applicable to the year the amounts are expected to materialise. IETU is calculated at the rate of 17% for the calendar year 2009 and 17.5% for subsequent years and applies to the sale of goods, rendering of independent services and temporary use or enjoyment of goods. In calculating the charge to IETU, deductions are allowed for certain expenses incurred in generating income.

In respect of the Group, in 2009 management undertook calculations to determine the impact of the new IETU provisions on the Group. As a result of such analysis, management concluded that there was no material impact on the Group, other than the US$6.1 million tax credit arising under IETU that was recognised in 2009, since the mainstream corporate income tax liability for each group company was forecast to be greater than the future potential IETU charge. These conditions continued in 2010, accordingly, no IETU liability was recognised in either year

7 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 2010 and 2009, earnings per share have been calculated as follows:

	Year ended 31 December	
	2010	*2009*
Earnings:		
Profit from continuing operations attributable to equity holders of the Company (*US$ thousands*)	665,126	322,011
Adjusted profit from continuing operations attributable to equity holders of the Company (*US$ thousands*)	530,838	308,042

Adjusted profit is profit as disclosed in the Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$191.8 million gain (US$134.3 million net of tax) (2009: US$ 19.4 million and US$ 14.0 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.

Number of shares:		
Weighted average number of ordinary shares in issue (ooo)	717,160	717,160

Earnings per share:		
Basic and diluted earnings per share (US$)	0.927	0.449
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.740	0.430

8 Silverstream contract

On 31 December 2007, the Group entered into an agreement with Peñoles through which it 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 1 to 5 and $5.00 thereafter (subject to an inflationary adjustment commencing on 31 December 2013) is payable to Peñoles. 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 fair value and classified within non-current and current assets as appropriate. 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 2010 total proceeds received were US$55.6 million (2009: US$39.0 million), corresponding to 3.1 million ounces of payable silver (2009: 3.0 million ounces). As at 31 December 2010, a further US$7.2 million (2009: US$nil) of cash corresponding to 265,331 ounces of silver is due.

The valuation of the Silverstream contract as a derivative financial instrument requires significant estimation by management. The derivative has a term of over 20 years and the value of this derivative is determined using a number of estimates, including the ore reserves and mineral resources and future production profile of the Sabinas mine, 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. Expectations of future silver price is one of the key assumptions underlying the valuation of this contract and the strengthening of forward silver prices in 2010 significantly impacted the valuation, resulting in an unrealised pre-tax gain of US$191.8 million recognised in the Income Statement (2009: US$19.4 million). The fair value of this contract is $427.6 million as at 31 December 2010 (2009: US$298.6 million) and changes in the underlying assumptions may change this value. A future downturn in the forward price of silver, which may happen given the cyclical nature of prices, would result in recognising an unrealised loss in the income statement.

A reconciliation of the beginning balance to the ending balance is shown below

	2010	*2009*
	(US$ thousands)	
Balance at 1 January:	298,659	318,268
Cash received	(55,623)	(39,010)
Cash receivable	(7,195)	-
Remeasurement gains recognised in profit and loss	191,840	19,401
Balance at 31 December	427,681	298,659

Future silver price is one of the inputs to the Silverstream valuation model. The following table demonstrates the sensitivity of the Silverstream contract valuation to a reasonably possible change in future silver prices, with all other inputs to the Silverstream valuation model held constant. It is assumed that the same percentage change in silver price is applied to all applicable periods in the valuation model.

Year ended 31 December	*Increase/ (decrease) in silver price*	*Effect on fair value: increase/(decrease)*
		(US$ thousands)
2010	25%	120,165
	(25%)	(120,165)
2009	15%	51,523
	(15%)	(51,523)

9 Related party balances and transactions

The Group had the following related party transactions during the years ended 31 December 2010 and 2009 and balances as at 31 December 2010 and 2009.

Related parties are those entities owned or controlled by the ultimate controlling party, those who have a minority participation in Group companies, and key management personnel of the Group.

(a) Related party accounts receivable and payable

	Accounts Receivable		*Accounts Payable*	
	As at 31 December		*As at 31 December*	
	2010	*2009*	*2010*	*2009*
		(US$ thousands)		
Trade:				
Met-Mex Peñoles, S.A. de C.V.	188,548	89,391	-	-
Other receivables:				
Industrias Peñoles, S.A. de C.V.	7,195	434	2,323	375
Sub-total	195,743	89,825	2,323	375
Less-Current portion	195,743	89,825	2,323	375
Non-current portion	-	-	-	-

Related party accounts receivable and payable will be settled in cash.

Other balances with related parties:

	Year ended 31 December	
	2010	*2009*
	(US$ thousands)	
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	427,681	298,659

The Silverstream contract can be settled in either silver or cash. Details of the Silverstream contract are provided in note 8.

(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	
	2010	2009
	(US$ thousands)	
***Income*:**		
Sales:[1]		
Met-Mex Peñoles, S.A. de C.V.	1,397,399	821,578
Other income	860	659
Total income	**1,398,259**	**822,237**

(1) Figures do not include hedging losses.

	Year ended 31 December	
	2010	2009
	(US$ thousands)	
***Expenses*:**		
Administrative services:		
Servicios Administrativos Peñoles, S.A. de C.V.	29,832	30,308
Servicios de Exploración, S.A. de C.V.	2,781	1,678
	32,613	31,986
Energy:		
Termoelectrica Peñoles, S. de R.L. de C.V.	26,074	17,785
Operating materials and spare parts:		
Wideco Inc	3,747	2,977
Equipment repair and administrative services:		

	Year ended 31 December	
	2010	*2009*
	(US$ thousands)	
Serviminas, S.A. de C.V.	3,538	2,427
Met-Mex Peñoles, S.A. de C.V.	2,223	1,563
	5,761	3,990
Other expenses:	11,485	8,366
Total expenses	79,680	65,104

(c) Compensation of key management personnel of the Group

Key management personnel include the members of the Board of Directors and the Executive Committee who receive remuneration.

	Year ended 31 December	
	2010	*2009*
	(US$ thousands)	
Salaries and bonuses	3,716	3,624
Post-employment pension	59	78
Other benefits	615	562
Total compensation paid to key management personnel	**4,331**	**4,186**

	Year ended 31 December	
	2010	*2009*
	(US$ thousands)	
Accumulated accrued defined pension entitlement	14,528	13,230

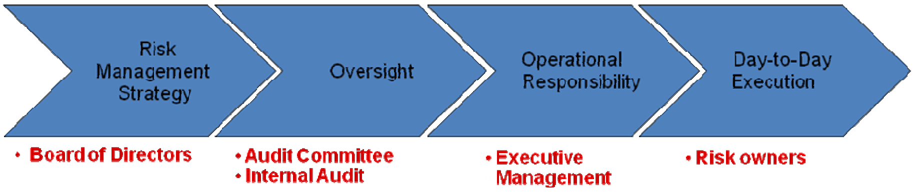
The accumulated accrued defined pension entitlement represents benefits accrued at the time the benefits were frozen. There are no further benefits accruing under the defined benefit scheme in respect of current services.

10 Notes to the Consolidated Cash Flow Statement

	Notes	*Year ended 31 December*	
		2010	*2009*
		(US$ thousands)	
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the year		749,398	358,267
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation	5	105,216	67,227
Employee profit sharing		38,404	24,981
Deferred income tax	6	77,945	7,529
Current income tax expense	6	195,024	91,622
Loss on the sale of property, plant and equipment and other assets		754	144
Other expenses		10,695	485
Net finance costs		397	237
Foreign exchange gain		(1,801)	(9,498)
Difference between pension contributions paid and amounts recognised in the income statement		254	2,174
Non cash movement on derivatives		(801)	25,018
Changes in fair value of Silverstream	8	(191,840)	(19,401)
Working capital adjustments			
Increase in trade and other receivables		(147,220)	(50,495)
(Increase)/decrease in prepayments and other assets		(3,303)	1,643
(Increase)/decrease in inventories		(29,309)	4,856

Increase in trade and other payables	13,865	6,162
Cash generated from operations	**817,678**	**510,951**
Income tax paid	(90,380)	(102,347)
Employee profit sharing paid	(26,599)	(17,892)
Net cash from operating activities	**700,699**	**390,712**

Risk Management Framework



The Fresnillo plc Board of Directors has overall responsibility for the Group's system of internal control, which includes risk management. Responsibility for reviewing the effectiveness of this control has been delegated to the Audit Committee, which reviews these systems on an ongoing basis. Internal Audit supports the Audit Committee through regular reviews of internal controls. Operational responsibility for managing risk and maintaining the Group's system of internal control is assumed by executive management, and carried out at the corporate and operations level by the risk owners.

The Group has established a process for identifying, evaluating and managing the significant risks faced by the Group in accordance with the Turnbull Guidance. Because of the limitations inherent in any system of internal control, this system is designed to meet the Group's particular needs and the risks to which we are exposed. It is designed to manage and mitigate risk. Consequently it can only provide reasonable and not absolute assurance against material misstatement or loss.

Our risk assessment process is dynamic and ongoing: as the macro environment changes and country- and industry-specific circumstances evolve, new risks may arise and others recede. Similarly, the ranking of these risks, based on probability and severity, may fluctuate. For the 2010 assessment, the Company's executives and operations managers identified a universe of 115 risks through a survey. From these, we narrowed down the top 15 risks across a number of categories based on likelihood and impact.

While the top risks did not change in 2010, some of their rankings did.

Specifically, gold and silver prices have trended upwards for nine years and in 2010 reached their highest level in 30 years. Given the cyclical nature of precious metal prices we believe that the associated risk of downward pricing pressure has increased. This is particularly relevant given the Group's policy not to hedge price exposure on silver and gold realisations.

With higher metal prices, profit margins in the mining industry have also expanded, increasing the likelihood of a new mining royalty or tax.

Security risk also increased as a result of escalating violence, including robbery and kidnapping in the central and northern states of the country where the Group has operations. This risk has simultaneously affected the controls associated with the use, transportation and storage of explosives, which are overseen very closely by the defence authorities.

To support the expansion of the exploration programme and new mining projects under construction, the Group has added additional contractors, some of whom do not have experience with the Group's operations. This raises the risk of safety and environmental issues due to insufficient training or adherence to Group procedures.

Conversely, the risk associated with internal union conflicts decreased following elections held in December 2010 which allowed workers for the first time to select the union of their choice.

Among the remaining risks in the full risk universe, certain rankings and assessments were also modified due to changes in the business environment and/or the implementation of controls and mitigation.

In anticipation of reporting requirements for 2011 (UK Corporate Governance Code), the Board has initiated a process to quantify its risk tolerance and risk appetite in pursuit of the Group's strategic objectives. Furthermore, in advance of Bribery Act compliance requirements, the Group identified those risks directly related to bribery and corruption; while they are not among the top 15 risks described below, specific control and mitigation measures are in the process of development and implementation.

While the nature of the risks and uncertainties the Group faces are likely to remain similar from year to year, mitigation and control measures will be mapped against the Board's risk statement to ensure full alignment at the operations level.

Principal Risk and Uncertainties

STRATEGIC	
Risk	**Mitigation / Control**
Depletion of reserves at existing mines, combined with no new mineral deposits identified, which would impact the Group's growth projections and production capabilities	• Highly trained and experienced exploration team • Investment in the Group's exploration programme almost doubled in 2010 and will continue to increase for regional properties and areas of influence • Use of technology to enhance probability of finding resources • Pipeline of projects across multiple stages of exploration
Delays in securing land access for performing exploration/mining activities, caused by complex or unsuccessful negotiations with *ejidos* (cooperative landowners) that could delay or interrupt the exploration activities	• Engagement with government agencies and communities • Retaining specialised negotiators • Purchases of surface land at and near our projects at an early stage
Security related risks such as cartel activity, kidnapping and theft, which continued to increase in Mexico over the past year, could cause business interruptions resulting from their impact on personnel and property; while the Group, its employees, contractors and facilities are not necessarily specific targets, security issues have become pervasive in many parts of the country	• Enhanced security and surveillance measures • Greater prudence regarding ground transportation arrangements for people and goods
Finding and/or retaining personnel with the requisite knowledge, skills and experiences for key positions, particularly when competition for such personnel increases during periods of expansion in the mining industry	• Benchmarking information on compensation and employment supplied annually by external advisors • Competitive remuneration structure sought against domestic and international peer group • Talent identification plan deployed; training linked to a succession plan and career development • Ongoing recruitment strategy
Internal union conflicts at the national level may cause temporary stoppages or disrupt operations, even when the source of those conflicts is not related to local labour contracts and/or working conditions at the Company	• Close communication with union leaders at both the local and national level • Efforts to broaden the base of support among unionised workers, including outreach to key influencers • Annual contract negotiations approached in cooperative manner with aim of retaining mutually beneficial contract terms

OPERATIONAL	
Risk	**Mitigation / Control**
Lower ore grade associated with the natural life of the mines could impact production programmes	• Expand capacity so that production volumes offset lower grades, for example by adding flotation areas, optimising milling capacity and constructing new leaching pads • Implement efficiency measure that enhance production volume, such as optimising recoveries at plants and dilution control efforts • Increase in-mine exploration
Difficulty in obtaining permits from Mexico's Secretariat of National Defence for the **use of explosives**, due to the aforementioned security risks that have increased the military's control and management of explosives, which could impact operational continuity	• Engagement with the military, close communication with authorities and training of fire brigades • Compliance with procedures for reception, storage, transportation, delivery and use of explosives; enhanced inventory audits • Rigorous onsite discipline to comply with regulations
Sourcing critical equipment and strategic spare parts to meet operational needs, due to long production and delivery timeframes, as well as shortages caused by competition for such parts could affect operational continuity	• Strategic stocking programme maintains key parts in inventory • Long term contracts with key equipment suppliers, including efforts in 2010 to negotiate three-year agreements • Maintenance planning
Price escalation of key operating materials due to competitive demand and reliance on third party suppliers could impact cash costs and profitability	• Ongoing focus on productivity and efficiency (lower per unit consumption) • Long term procurement contracts with key operating materials suppliers
Expensive or insufficient energy supplied by CFE, the state-run electric utility, to meet demands of mining operations, , which could impact operational continuity, cash costs and profitability	• Ongoing focus on energy efficiency • Close communication with CFE • Directly or indirectly participating in energy self-supply programs
Accidents or unintended events caused by the Company that may disrupt operations from a civil or legal perspective or have negative reputational effects	• Systems, equipment and procedures to enforce controls for the Group's HSECR System, backed by Internal Audit reviews • Live drill training for emergencies and contingencies, including annual participation in the national Mine Rescue Team Competition organised by CAMIMEX (Mexican Mining Chamber) and fire brigade training in the United States. • Liability insurance

FINANCIAL	
Risk	**Mitigation / Control**
Volatility in **silver and gold prices** that could impact the realised prices of the Group's production output, and in **exchange rates** that could impact peso-denominated production costs when converted into dollars	• The Group has committed to a policy of not hedging exposure to silver and gold realisations to allow investors full exposure to prices • Selective hedging of MXN/US$ exchange rates
Changes in tax law and/or mining royalty schemes, at the state and federal level, that could impact the Group's financial performance; in 2010 there was increased interest in such measures due to record metal prices and governmental budget constraints	• Leveraging our leadership position within CAMIMEX to promote a fair balance between fiscal obligations and investments in growth

COMPLIANCE	
Risk	**Mitigation / Control**
Failure to comply with environmental, health and safety regulations that could disrupt operations, lead to financial and legal penalties and/or terminate the Company's mining licences	• Systems, equipment and procedures to enforce controls for the Group's HSECR System • In 2010 enhanced infrastructure for the storage and signage of hazardous materials was developed • Zero tolerance programme for dangerous conditions • Ongoing training and investment, including specialised onsite workshops following the 2010 fatalities
External pressure (from NGOs, political groups and others) for **more regulation** to the mining industry in Mexico, which could increase our regulatory burden	• Leveraging our leadership position within CAMIMEX to promote fair regulations • Promote pro-mining NGOs

Annual Report and Accounts 2010

Fresnillo plc will publish on or around 12 April 2011 its Annual Report and Accounts for the year ended 31 December 2010 on its corporate website www.fresnilloplc.com and intends to distribute copies to shareholders at the same time.