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Fresnillo plc preliminary results for the year ended 31 December 2008

Highlights:

- Record attributable silver production of 34.8 million ounces
- Gold production of 264,000 ounces
- Adjusted revenue up 6.9% to US$839.6 million
- Effective controls to maintain industry leading cost performance
- Operating profit up 26.3% to US$283.6 million
- EBITDA increased by 21.7% to US$337.4 million
- Final dividend of 7.7 US cents per Ordinary Share
- Strong balance sheet: sound cash position, no debt, no hedging on precious metals
- Total resources base substantially increased
    - 33.3% silver ounces to 1.1 billion ounces
    - 26.3% gold ounces to 12.0 million ounces
- Soledad-Dipolos and Saucito projects on track to commence development in 2010 and 2011 respectively
- Mineralisation extended at all advanced exploration prospects and consolidation of mining districts enhanced by new joint venture and acquisition

Highlights for 2008

$ million unless stated	Year ended 31 December 2008	Year ended 31 December 2007	% change
Silver Production* (koz)	34,849	34,683	1.0%
Gold Production* (koz)	264	280	(5.7%)
Total Revenue	720.48	647.94	11.2%
Adjusted Revenue**	839.60	785.69	6.9%
Profit from continuing ops.	283.58	224.61	26.3%
EBITDA	337.36	277.29	21.7%
Attributable Profit	127.95	143.50	(10.8%)
Net Operating Cashflow	414.67	79.27	423.1%
Basic and Diluted EPS (USD)***	0.186	0.226	(17.7%)

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

*** The weighed average number of shares for 2008 was 687,688,000. For 2007, the EPS calculation has assumed that the ordinary shares in issue pursuant to the Merger agreement dated 18 April 2008 have been in issue throughout the years.

Chairman's Statement

I am honoured to present the first annual report of Fresnillo plc as a public company.

Our May 2008 debut on the London Stock Exchange marks the beginning of a new chapter in the Group's history. After decades of profitable growth, this milestone represents an opportunity to share our experience and expertise in value-creation with a new group of stakeholders, and to benefit from the enhanced international profile and oversight that such a listing brings.

Surpassing our Commitments

We made a number of commitments at the time of the IPO in regard to 2008 performance, and I am pleased to report that production volumes, expansion of ore resources, progress at development sites and initiatives to control costs were all on target for the year. Indeed, growth in reserves and resources and attributable silver production reached record levels in 2008. We also expanded the Group's growth platform and consolidated our mining districts with a joint venture exploration agreement and the acquisition of a further gold project, bolstering our exceptional asset base.

We were successful in meeting these objectives despite the rapidly changing economic environment in the latter half of the year. At the time of the IPO in May 2008, precious metal prices were still on the rise and few foresaw that the collapse of the U.S. credit market would spread so widely and rapidly, stoking recessionary fears around the world. Fresnillo plc, like many companies in our industry and the equity markets as a whole, faced declining valuations due to the negative economic outlook and the overwhelming need for investors to raise cash.

Looking Beyond Current Market Conditions

Market conditions have disappointed since the IPO. I believe the global economy is ultimately cyclical and should rebound with properly structured government support, an improved regulatory environment, and the return of confidence. The long-term outlook for our industry remains positive due to the underlying trends that have driven its growth: global industrial development and expanding demand from emerging economies, combined with perennial interest in precious metals as a hedge against macroeconomic instability and currency fluctuation.

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

Creating Value

The Fresnillo Group seeks to create value across precious metals cycles through operational excellence, ore reserve replacement and exploration, and a strong commitment to disciplined and sustainable growth. Within that context, our goal is to maintain the Group's position as the world's largest silver producer, with the aim of approximately doubling gold and silver production by 2018. To do so, we will:

- Maximise the potential of our existing operations
- Deliver growth through the Saucito and Soledad-Dipolos developments and further exploration of our prospects.
- Seek additional opportunities to expand our resource base principally via ventures (controlled by Group companies), continued exploration, and selective acquisitions in Mexico and potentially elsewhere in Latin America.
- Ensure the sustainability of our operations by acting responsibly towards employees, the environment and local communities where we operate.

The Board closely monitors the implementation of this strategy to ensure that performance is on track. The Group's financial results depend on metal prices but we look at other factors to measure the effectiveness of our strategy, such as growth in reserves and resources and efficiency in consumption of key inputs, along with traditional measures of performance. We also use a number of sustainability indicators to monitor and enhance our performance in that area.

Dividend

Based on the Group's 2008 performance, the Directors have recommended a final dividend of 7.7 US cents per Ordinary Share, which will be paid on 29 May 2009 to shareholders on the register on 8 May 2009. 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.

Board

After the end of the year we were informed that Héctor Rangel, an independent non-executive director, had resigned from the Board in order to take up a new appointment as General Director of Nacional Financiera and of the Banco Nacional de Comercio Exterior, a state-owned development bank and a national import-export bank, a position that precludes him from holding board positions in public companies. I am grateful to Mr Rangel for the valuable support and outstanding contributions he has given to the Board during these early stages of our Company's listing on the London Stock Exchange.

I am pleased to announce that the Board has appointed Mr Fernando Solana, who has had a distinguished career in government, diplomacy and banking, as a new independent non-executive director to replace Mr Rangel.

Outlook 2009

Looking ahead at 2009, we recognize that Fresnillo plc will be impacted by the same factors as the industry as a whole. In light of economic conditions, our focus will be on critical capex and intermediate and advanced exploration projects, ensuring that the Group's short- to medium-term targets are met. Nonetheless, our strong financial position will allow us to pursue acquisition opportunities, should they arise, of high quality assets that will continue to expand our growth platform.

We are confident that despite the cyclical challenges facing our industry, the Fresnillo Group can optimise short-term results and deliver on long-term commitments. We will continue to benefit from low-cost production, a robust resource base, a strong balance sheet and a highly experienced management team for whose leadership and commitment to excellence we are grateful. I also want to thank my fellow Board members for the judgement, insight and broad perspectives they bring. Together, we are working to ensure that this new chapter of our Group's history has only just begun.

Alberto Baillères
Non-executive Chairman

Chief Executive's Statement

In this milestone year in its development, the Fresnillo Group delivered on its commitments to stakeholders by generating strong and stable production, successfully growing the reserve and resource base, advancing its development projects and expanding the platform for future growth. We also benefited from higher average metal prices compared to 2007 whilst containing costs and expenses, leading to year-on-year growth in revenue and EBITDA.

Market conditions were notably less stable. The first half of 2008 was characterised by strong demand and high metal prices, as well as significant cost pressures. In the latter months of the year however, global economic uncertainty led to unusual volatility in exchange rates and a reduction in metal prices as well as the cost of certain raw materials and services.

Gold averaged US$871.71 per ounce in the year, compared to US$696.70 in 2007, whilst the average silver price was US$14.99, compared to US$13.41. For the first nine months of the year, the exchange rate of the Mexican peso against the US dollar remained relatively stable at MXN10.52 per US dollar, whereas in the last quarter the average was MXN13.00 per US dollar, closing at MXN13.54 per US dollar. Mexican inflation reached its highest point since 2000, and was 276 basis points higher than 2007, at 6.53%.

These external uncertainties are standard in our industry; however, our responsibility as stewards of your investment is to create value across precious metal cycles in order to deliver long-term profitable growth.

Strong Foundation

The fundamentals of our business have never been stronger. At the core are our world-class assets: the largest primary silver mine in the world and two established gold mines, where we have consistently and substantially replaced and expanded ore reserves, even whilst increasing our production levels. As at 31 December 2008, we had double-digit reserve life at our mines and attributable reserves of 410.0m ounces of silver and 4.1m ounces of gold. These are significant increases over the previous year, reflecting the success of our exploration strategy.

Second, we have talented and experienced employees who embody the Group's values of trust, responsibility, integrity and loyalty. Of our 2,966-strong workforce, 1,030 are contractors, and 54% are unionised. We enjoy transparent and respectful relationships with the national labour unions, and particularly close and strong relations with the local branches.

Third, our disciplined growth strategy, predicated both upon consolidating prime mining districts in order to leverage our existing infrastructure, and identifying greenfield opportunities utilising strict financial and operational return criteria, has provided us with a broad-based growth pipeline. As at 31 December 2008, our total attributable resources included 1,115.9 million ounces of silver (2007: 837 million ounces) and 12.0 million ounces of gold (2007: 9.5 million ounces).

Last, we have a strong balance sheet that currently carries no debt, and a sound cash position that allows us to invest the necessary resources in the development programmes and exploration projects that represent the Group's future. We continue to monitor our cash outflows on capex, exploration and other expenses to avoid over-extending our balance sheet. In an economic environment such as today's, this financial position also strengthens our purchasing power and opens up additional value-creation opportunities to grow by accretive acquisition whilst maintaining appropriate controls over the use of cash.

2008 Performance Summary

Total silver production rose 1% to 34.8 million ounces in 2008, a new record for the Fresnillo Group. At Fresnillo and Ciénega, ore throughput was slightly higher than in 2007, in line with our programmes. Mine development in 2008 was 32.3km in Fresnillo, which was 22.3% above 2007 and 14.8km in Ciénega which was 78.3% above 2007. This allowed us to gradually increase the number of production stopes, improve ore feed into the concentrators and convert resources into reserves. At Herradura there was a substantial 25.2% increase in ore deposited at the leaching pads to 13.6 million tonnes.

The combination of stable production and higher average metal prices drove adjusted revenues 6.9% higher in the year. Total revenues increased to US$720.5m, 11.2% higher that at 31 December 2007, EBITDA rose 21.7% in the year and net profit was 5.1% lower.

We received proceeds of the 3.0 million ounces of silver produced at the Sabinas polymetallic mine, from the Silverstream Arrangements. The US$31.7m cash received in 2008 is not reflected as revenue in the income statement, but rather credited against the carrying value of the asset.

Ongoing Cost Reduction and Efficiency Initiatives

Our performance is measured by more than production figures or financial statements. Operational excellence requires that we constantly pursue opportunities to improve efficiency and contain structural costs. This includes investment in the training of our personnel, efficient procurement of supplies and services, preventive maintenance, greater automation and advanced technology, as well as the implementation of control systems, processes and mining methods that enhance productivity.

These are ongoing efforts, and they are particularly important in an environment of increasing cost pressures. To this end, we took several measures in 2008 that will yield results in the near future:

- At Fresnillo, a sewage water treatment plant is being built that will lower the cost of process water and bring environmental benefits to the community when operations start up by year-end 2009, and engineering was completed on the new San Carlos shaft that is expected to reduce haulage costs once completed in 2012.

- At Ciénega, work began on sinking the shaft an additional 300 metres to provide access to deeper ore reserves; we are expanding and optimising the leaching circuit in order to increase metal recoveries; and we acquired a Knelson gravimetric concentrator to further boost gold recovery.
- At Herradura, a new pumping system was installed to increase leaching efficiency to recover additional gold values in the ore deposited; expansions were approved to the treatment plant to ensure continuous treatment of ore; and engineering for the seventh leaching pad was completed.

To evaluate the overall effectiveness of our efficiency measures, we control consumption of key inputs per unit of production. In 2008, for every tonne of ore milled, we reduced consumption of energy, water and explosives.

We have traditionally been able to keep production costs low by controlling labour, maintenance, repair, energy and operating material costs. Our cost reduction initiatives include better procurement, mechanization, workforce training on efficient mining methods, and selective outsourcing to contractors. In 2008, particularly in the latter months of the year, we started to benefit from declining unit costs for steel, explosives and mining equipment, a trend that continues into 2009.

With respect to electricity, until 1 July 2008 we had a contract with Termoeléctrica Peñoles for committed power allocation on beneficial terms. As anticipated, once the contract expired our electricity costs increased – substantially – to the prevailing market price. Thus, whilst in line with our expectations, the Group's electricity costs were higher in the current period than in 2007. The Mexican Government announced an initiative in 2009 to reduce electricity costs between 6% and 20%.

We also benefit from efficient procurement of supplies and services through our Transitional Services Agreement with Servicios Peñoles.

Investing in Growth

Whilst production from our three operating mines will continue to position the Fresnillo Group as a top precious metals producer, we are also moving forward aggressively on developing two new mines, Soledad-Dipolos and Saucito, which will advance our growth objectives in the near term.

The Board approved the capex investment for the development of the Soledad-Dipolos project in September. It will be an open pit gold mine with similar average ore grade to Herradura, at 0.7 g/t. Operations are due to begin in 2010. It is expected to produce at a peak rate of approximately 100,000 ounces of gold per year. Advances made this year included engineering, permits, infrastructure construction, initial stripping, equipment orders and personnel training.

Based on our preliminary development plan, Saucito is expected to be a world-class silver mine, with operations scheduled to begin by 2011 in the Saucito area at an initial rate of 500 tpd and ramping up to 2,500 tpd by integrating the Saucito, Mezquite, Madroño and Jarillas veins during the initial development stage of the project. Exploration of the Valdecañas East and Santa Natalia veins will continue and later be integrated into Saucito.

Significant progress at Saucito was achieved in 2008, including construction work on two shafts and ramps and initial engineering of the 2,500 tpd mill capacity, tailings dam and other mine infrastructure. A prefeasibility study for the first stage of the Saucito project will be delivered during the first half of 2009.

Also in the Fresnillo District, in 2009 Minera Juanicipio (56% owned by Fresnillo plc and 44% by MAG Silver Corporation) will continue to explore the Valdecañas, Juanicipio and other veins which are all within the Minera Juanicipio claim. The Minera Juanicipio board approved a budget for a scoping study for a stand-alone mine; this study will be completed by May 2009.

Our investment in longer term growth was backed by US$53.5 million in brownfield and greenfield exploration in 2008, a 15% increase over the original budget following Board approval in September to proceed more rapidly in light of encouraging results at our pipeline of advanced prospects. San Julián in particular yielded more resources than expected, whilst mineralisation at San Juan and Orisyvo was in line with our programme.

In addition to our organic growth strategy, we are pursuing the expansion of our resource base through joint ventures and acquisitions, with a particular focus on consolidating claims within our mining districts. Transactions this year included:

- In May, a joint venture agreement signed with International Northair Mines Ltd to explore a group of gold-silver bearing veins in Durango State, a project in which Fresnillo plc can gain up to a 80% interest through incrementally funding exploration and other costs, expected to be no more than US$2.3million, over a four year option period.

- In December, through our Minera Penmont venture with Newmont, the acquisition of the Noche Buena gold project in Sonora, Mexico for US$25 million in cash, with a further US$5 million to be paid once commercial production commences, and a 1.5% net smelter return payable on all production sold whenever the monthly average gold price is US$800 per ounce or higher.

- In December, an expression of intent to make a formal offer was issued to MAG Silver shareholders for all outstanding common shares of MAG Silver, our minority (46%) partner in Minera Juanicipio within the Fresnillo District. Fresnillo plc and its affiliates already hold a 19.83% equity stake in MAG Silver. The valuation process required by the Ontario Securities Commission (OSC) was initiated in mid-January 2009, however in February 2009 Fresnillo was notified by MAG Silver that the valuation process had been suspended. Fresnillo has asked the staff of OSC to review the MAG Silver decision and it is our intention to take the necessary steps to enable MAG Silver shareholders to receive the offer in compliance with all laws. The Board will decide whether to proceed with a formal offer once this matter is resolved.

Corporate Responsibility - Fundamental to Success

Responsibility to the community is an integral part of the Fresnillo Group's activities. Our commitment includes ensuring the health and safety of our employees, meeting international standards in environmental management practices, and protecting the interests of future generations through a well structured corporate social responsibility programme in every community where we operate. In 2008, we invested a combined US$0.8 million in our sustainability programmes.

The Year Ahead

Whilst we remain positive on the long-term evolution of precious metals prices, we expect the global slowdown to reduce overall demand for precious metals in 2009.

We anticipate 2009 production as follows:

- Fresnillo: in line with 2008 production
- Ciénega: in line with 2008 production
- Herradura: small increase over 2008 production

Whilst production levels in 2009 could marginally improve, our focus will be on improving our cost efficiency.

We anticipate 2009 development as follows:

- Soledad-Dipolos: construction completed at year-end
- Saucito: prefeasibility study; assessment of material that can be mined within the next three to five years; continued exploration, resources upgrade and expansion.

Our financial strength will enable us to continue investing in exploration activities; US$42.5 million has been budgeted for 2009, a 21% decrease from the 2008 allocation, but our focus will be on mining districts with the best potential and most immediate results. We will also actively consider accretive acquisition opportunities in both early-stage and more advanced projects whilst strictly maintaining our strategic and financial return criteria. Although capex and early-stage exploration programmes will remain under constant review, we will continue to invest in operating efficiencies that, combined with our cost control initiatives, should help protect margins.

As a management team, we are mindful of the balance we must maintain between short-term tactical adjustments to be made in the face of current conditions, and the longer-term requirements of implementing the Group's strategic growth objectives. In that regard, I am confident that the Group is well positioned to become the world's leading silver producer and consolidate its position as Mexico's second largest gold producer, whilst delivering value for shareholders both in the short- and long-term.

In closing, I would like to extend my appreciation to the Chairman and members of the Board for their continued support and strategic direction, and to our people for their hard work and dedication throughout the year.

Jaime Lomelín
Chief Executive Officer

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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 Stock Exchange under the symbol FRES.

Fresnillo has three producing mines, all of them in Mexico - Fresnillo, Ciénega and Herradura; two advanced development projects - Saucito, Soledad & Dipolos; and three exploration prospects - San Juan, San Julian, Orysivo, as well as a number of other long term exploration prospects and, in total, has mining concessions covering approximately 1.7 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 intends to maintain its position as the world's largest primary silver producer with the aim of approximately doubling production, on a silver equivalent ounce basis by 2018.

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 Fresnillo Group's intentions, beliefs or current expectations concerning, among other things, the Fresnillo 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 Fresnillo Group's operations, financial position and liquidity, and the development of the markets and the industry in which the Fresnillo 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 Fresnillo 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 Fresnillo 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 Fresnillo 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 Fresnillo 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 Fresnillo 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 Company's expectations or to reflect events or circumstances after the date of this document.

Financial Review

The purpose of this review is to provide a detailed analysis of the Fresnillo Group's consolidated 2008 financial results and the main factors affecting performance. Management recommends reading this section in conjunction with the Financial Statements and their accompanying Notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group achieved robust financial results as a consequence of strong operational performance and favourable external factors, the most significant being the precious metals prices, which are beyond the Group's control. The year was characterised by extremely volatile market conditions, which affected a number of variables that directly impacted the Group's financial results. Specifically, precious metals prices reached record highs during the first three quarters of the year but came under strong pressure in the final months of 2008 and the mining industry was impacted by higher costs of key inputs and equipment, as well as by the wage demands of unionised workers.

Total Revenues, EBITDA and the profit before income tax increased by 11.2%, 21.7% and 13.4% respectively year-on-year. A set of key performance indicators, including costs per tonne, gross profit at each mine, EBITDA and attributable profit, are continuously monitored by the management team. These measures will be described in more detail in this Financial Review.

The key line items of the Income Statement are shown below:

INCOME STATEMENT KEY LINE ITEMS
Year ended 31 December
(in millions of US$)

	2008	2007	% change
Adjusted Revenue*	839.60	785.69	6.9%
Treatment & refining charges	(73.52)	(74.34)	(1.1%)
Hedging	(45.60)	(63.41)	(28.1%)
Total Revenues	720.48	647.94	11.2%
Cost of Sales	(299.87)	(240.05)	24.9%
Gross Profit	420.61	407.89	3.1%

Profit from continuing operations	283.58	224.61	26.2%
EBITDA	337.36	277.29	21.7%
Profit before income tax	267.36	235.70	13.4%
Income tax expense	114.58	74.68	53.4%
Profit for the period	152.78	161.02	(5.1%)
Attributable profit	127.95	143.50	(10.8%)
Basic and diluted Earnings per share (US$/share)	0.1861	0.226 **	(17.7%)

* Adjusted Revenue is revenue as disclosed in the income statement adjusted to exclude hedging effects and treatment and refining charges.
** The weighed average number of Ordinary Shares for 2008 was 687,688,000. For 2007, the EPS calculation has assumed that the Ordinary Shares in issue pursuant to the Pre-IPO Reorganisation on 18 April 2008 have been in issue throughout the periods.

Prices, Inflation and Exchange Rates

Silver and gold prices are considered amongst the Group's most important variables impacting the financial statements as approximately 93% of our revenues come from these metals. Average realised silver and gold prices for 2008 increased by 8.4% and 23.8% respectively when compared to 2007.

Companies across the mining industry share a number of common cost pressures and the Group faced higher than expected annual inflation of mining-related goods that limited profit margin growth. The exchange rate of the Mexican peso against the US dollar was also volatile during 2008. Although the peso strengthened during the first half of the year, the year end exchange rate was MXN13.54 per US dollar, representing a 24.6% devaluation during the year. This decline primarily occurred in the final quarter of the year, thus costs denominated in Mexican pesos did not enjoy the benefit of lower rates, as the average exchange rate for the year reflected a devaluation of only 1.9% compared to the previous year.

Revenues

Adjusted Revenue increased by 6.9% to US$839.6 million in 2008 compared to 2007 primarily as a result of the aforementioned higher average realised precious metals prices. Sales volumes, reflecting the metal content of products sold, for the year ended 31 December 2008 remained stable compared to 2007, as shown in the following table.

VOLUMES OF METAL IN PRODUCTS SOLD
Year ended 31 December

		2008	2007	% change
Fresnillo	(Oz)	31,486,734	31,228,799	0.8%
Ciénega	(Oz)	857,528	890,804	(3.7%)
Herradura	(Oz)	217,730	247,684	(12.1%)
Silver	**(Oz)**	**32,561,992**	**32,367,287**	**0.6%**
Fresnillo	(Oz)	20,938	22,913	(8.6%)
Ciénega	(Oz)	107,879	132,134	(18.4%)
Herradura	(Oz)	216,356	194,824	11.1%
Gold	**(Oz)**	**345,173**	**349,871**	**(1.3%)**

Fresnillo		7,452	7,792	(4.4%)
Ciénega		7,976	7,442	7.2%
Lead	**(MT)**	**15,428**	**15,234**	**1.3%**
Fresnillo		9,248	9,990	(7.4%)
Ciénega		9,353	8,391	11.5%
Zinc	**(MT)**	**18,601**	**18,381**	**1.2%**

Adjusted Revenues* by metal
Year ended 31 December (in US$millions)

	2008		2007		% change
Silver	479.05	57%	438.98	56%	9.1%
Gold	303.54	36%	248.48	32%	22.2%
Lead	30.00	4%	39.77	5%	(24.6%)
Zinc	27.01	3%	58.46	7%	(53.8%)
Total Revenues	**839.60**	100%	**785.69**	100%	**6.9%**

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

Treatment charges, which are deducted from Adjusted Revenues in the revenues disclosed in the income statement and that are determined using international benchmarks, remained steady year-on-year.

The Fresnillo Group has in the past used derivatives to reduce commodity price risks arising from changes in silver and gold prices. These precious metals derivative financial instruments were terminated in 2007 and the Group has not entered into any new silver or gold hedging contracts, and does not intend to do so. However, in accordance with International Accounting Standard 39 (IAS 39), the Group has deferred in equity hedging losses that arose on these hedging instruments prior to termination, and reclassifies them to the income statement in line with the occurrence of the transactions to which they related. In 2008, a non-cash charge of US$45.6 million was taken against revenues, in comparison to the effects of hedging of US$63.4 million in 2007. A final US$25.0 million charge is expected to be reflected in the 2009 financial statements relating to deferred hedging losses as at 31 December 2008.

Notwithstanding, during 2008 the Group has entered derivative contracts to reduce certain risks associated with the sale of lead and zinc by-products. During the year, the Group sold forward 5% and 10% of the expected zinc and lead production for 2009, respectively. Average base metals prices reflected in these contracts are US$1,845 per tonne of zinc and US$ 2,047 per tonne of lead.

In addition, the Group sold forward US$60.0 million at an average exchange rate of MX$11.17 per US dollar, with maturity dates throughout 2009, as part of a programme to meet its commitments contracted in Mexican pesos, such as the payment of wages and taxes. Furthermore, the Group purchased a dollar put option, which will give Fresnillo the right but not the obligation to sell US$80.0 million at an exchange rate of MX$11.00

per US dollar. Although we expect the Mexican peso to continue to weaken against the US dollar, we purchased this option in order to guarantee a minimum exchange rate should the US dollar weaken. The mark-to-market value at year-end 2008 of the lead, zinc and exchange rate hedging positions was a pre-tax loss of US$11.7 million which has been taken to equity.

Costs

Production cost per tonne represents a key measure in evaluating the performance of the Group. Although some cost components are beyond the Group's control, such as steel, tyres, energy and fuel prices, among others, consumption of critical inputs is monitored by management in order to contain costs and remain a low-cost producer, in line with our strategy.

Cost per tonne milled, calculated as total production costs less depreciation, profit sharing and the pension plan, increased by 18.8% and 16.9% at Ciénega and Fresnillo respectively, while cost per tonne deposited at Herradura rose by 2.8%. Management believes that monitoring cost per tonne milled is a more accurate method to analyse changes in cost as it only includes operating items and increases or decreases in production, and excludes any other factors that might distort the analysis such as changes in relative prices and ore grades.

COST PER TONNE*

Year ended 31 December

		2008	2007	% change
Fresnillo	US$/TONNE MILLED	40.93	35.01	16.9%
Ciénega	US$/TONNE MILLED	63.24	53.23	18.8%
Herradura	US$/TONNE DEPOSITED	5.87	5.71	2.8%

* Cost per tonne is calculated as total production costs less depreciation, profit sharing and pension plan.

The increases in cost per tonne across the Fresnillo Group were mainly related to cost pressures that have been experienced across the mining industry, including higher input costs and energy prices, enhanced wages for unionised workers and an increase of both the cost of, and the activities in mine works and development.

The following table outlines the significant rise in prices of key inputs that affected the Group's cost per tonne.

	YEAR OVER YEAR INCREASES
Steel balls for milling	40.3%
Steel for drilling	11.5%
Explosives	17.4 %
Tyres	19.8%
Reagents	12.2%
Lubricants and fuels	19.6%

The unit cost of electricity increased significantly due to the Group ceasing to be party to beneficial power supply arrangements with Termoeléctrica Peñoles (TEP), under which the Ciénega and Fresnillo mines were able to purchase an agreed upon amount of electricity at lower than market rates. As a result, there was a 57.0% rise in the unit cost of electricity reflecting prevailing market prices.

Another aspect affecting the cost per tonne was the price of diesel in Mexico, which the Mexican Oil Company (PEMEX) increased steadily over the course of the year to gradually adjust prices to international levels. In 2008, the price of diesel was 11.6% higher than in 2007.

In 2008, negotiations with the mining union led to wage increases, one time premiums paid to workers and certain concessions to the union, all of which resulted in an approximate 10% increase in labour cost.

In absolute terms, total production costs for the year ended 31 December 2008 increased by 22.4% to US$296.4 million when compared to 2007 as a result of: i) the abovementioned factors, ii) higher consumption of inputs required to increase both production of concentrates and development works activities at our three operating mines, and iii) record high employee profit sharing in 2008 and contributions to the new defined contribution pension plan in comparison to the one-off benefit obtained in 2007 as a result of the amendment to the Group's defined benefit pension plan.

TOTAL PRODUCTION COST
Year ended 31 December

US$ million			**CHANGE**		
	2008	**2007**	**Amount**		**%**
Fresnillo	127.78	112.41	15.37	28.3%	13.7%
Ciénega	63.47	51.45	12.02	22.1%	23.4%
Herradura	100.84	75.43	25.41	46.8%	33.7%
Other subsidiaries	4.32	2.79	1.53	2.8%	54.8%
Total Fresnillo plc	**296.41**	**242.08**	**54.33**	**100.0%**	**22.4%**

Higher production costs at Herradura accounted for 46.8% of the total increase in the Group's consolidated production costs. This was driven principally by the 25% increase in ore deposited as well as the movement of higher volumes of inert materials related to stripping activities, which required the purchase of new equipment, additional labour hired to operate said equipment, and the corresponding increase in the consumption of explosives, reagents, tyres and spare parts. The longer haulage distances from the pit to the leaching pads, as well as more equipment, further increased consumption of diesel and intensified the use of tyres. In 2008, the number of unionised workers at Herradura increased by 24.6%, which represents 105 additional workers compared to 2007. The Herradura's infrastructure and workforce will be utilised for the Soledad-Dipolos project when it is fully integrated into Herradura, generating important synergies.

The increase in production costs at Fresnillo accounted for 28.3% of the total increase in the Group's consolidated production costs. As this mine is the largest contributor to the Group's production, electricity and labour costs at Fresnillo have a significant impact on consolidated production costs. To highlight the magnitude of these factors, consumption of electricity at Fresnillo represents 69.0% of total electricity consumed by the Fresnillo Group, while personnel, including contractors, unionised and administrative employees, account for 50% of the Group's total personnel. Lastly, the 22% increase in metres of development activity, and the associated cost, was another important aspect impacting this mine's 2008 production costs, however the increase of stopes is helping to control the grades to the mill.

Cost at Ciénega, which accounted for 22.1% of the total increase in the Group's consolidated production costs, was affected mainly by an increase in contractors and higher consumption of operating materials, both of which are mainly related to development activities at the mine and to rock bolting and shotcreting to ensure the stability of the stopes for safety reasons. In 2008, total metres developed increased by 34.0% from 8,334 metres in 2007 to 11,169 metres in 2008. In addition, personnel costs were affected by higher premiums paid for medical insurance claims. The 4.5% increase in ore milled also impacted production costs.

GROSS PROFIT

Gross profit, before hedging losses for each mine, is a key indicator continuously monitored by management to measure the performance of each business unit and the Group as a whole. Consolidated gross profit for 2008 remained stable when compared to the previous year thanks to solid results obtained at Fresnillo and the record profit achieved at Herradura (up 30.2%), which reflected an increase in ore deposited and greater production; these gains fully offset the decline in Ciénega's gross profit (down 33.4%), which was mainly due to lower ore grades extracted. In 2008, Fresnillo continued to be the largest contributor to consolidated gross profit, representing 69.4%, followed by Herradura and Ciénega.

CONTRIBUTION BY MINE TO THE CONSOLIDATED GROSS PROFIT (NOT INCLUDING HEDGING LOSSES)

In US$ millions					CHANGE	
	2008		**2007**		**Amount**	**%**
Fresnillo	323.44	69.4%	319.03	67.7%	4.41	1.4%
Ciénega	54.55	11.7%	81.96	17.4%	(27.41)	(33.4%)
Herradura	88.31	18.9%	67.84	14.4%	20.47	30.2%
Other subsidiaries	(0.09)	-	2.47	0.5%	(2.56)	N/A
Total Fresnillo plc	**466.21**	**100.0%**	**471.30**	**100.0%**	**(5.09)**	**(1.1%)**

EBITDA

Management considers EBITDA another key indicator of the Company's financial performance. In 2008, EBITDA, which is calculated as gross profit plus depreciation less administrative and exploration expenses, achieved record levels, rising 21.7% year-on-year to US$337.4 million as a result of the slight increase in gross profit and lower administrative expenses. This increased the EBITDA margin from 42.8% in 2007 to 46.8% in 2008.

EBITDA & EBITDA MARGIN

Year ended 31 December
(in millions of US$)

	2008	**2007**	**% Change**

Gross Profit	420.61	407.88	3.1%
+ Depreciation	51.91	49.87	4.1%
- Administrative Expenses	(81.68)	(128.44)	(36.4%)
- Exploration Expenses	(53.48)	(52.02)	2.8%
EBITDA	337.36	277.29	21.7%
EBITDA MARGIN	46.8%	42.8%	

Administrative Expenses
Administrative expenses for the year ended 31 December 2008 decreased by US$46.8 million (down 36.4%) to US$81.7 million when compared to 2007. This is principally explained by a reduction in fees paid by the Fresnillo Group to Servicios Industriales Peñoles in the period since 8 May 2008 when the Transitional Services Agreement came into effect. Under this contract, which replaces all previous arrangements, an annual fee of US$34.0 million is payable for the first year of services. In 2007 and for the period until 30 April 2008, administrative expenses included a trademark royalty, determined as a percentage of revenues, which was charged by the Peñoles Group to the Fresnillo Group.

Exploration Expenses
In 2008, exploration expenses of US$53.5 million remained stable when compared to 2007. Exploration activities, whose main objective is to replace reserves and resources at operating mines and to identify new projects to support our growth strategy, were mainly focused on the Soledad-Dipolos project and the San Julian, San Juan and Orysivo prospects, as well as on the three operating mines. Of total exploration expenses, 13.7% related to early-stage projects in Guanajuato and other central areas of Mexico. An additional US$9.0 million was capitalised related to the Saucito and Juanicipio projects.

Business Unit/Project	Exploration Expenses	Capitalized Expenses
Herradura (Soledad-Dipolos)	16.71	0.00
Fresnillo	5.38	0.00
Ciénega	8.52	0.00
Saucito	0.00	4.70
Juanicipio	0.00	4.30
San Julian	6.00	0.00
Orisyvo	4.57	0.00
San Juan	2.69	0.00
Maguarichi	2.32	0.00
Guanajuato	1.14	0.00
Toluca	2.00	0.00
Others	4.15	0.00
TOTAL	**53.48**	**9.00**

Other Income and Expenses
In 2008, the Group reflected net other expenses of US$1.9 million compared to a US$2.8 million net expense in 2007. In 2008, the expense was attributable mainly to the impairment of shares of junior mining companies owned by the Fresnillo Group. However the gain on the sale of mining assets from Minera Las Torres and to a lesser extent to proceeds from the sale of mining equipment in the operating mines mitigated

this loss. In the previous year, losses on the sale of property, plant and equipment in Exploraciones Mineras Parreña and higher donations more than offset the gain obtained from the sale of two small mines.

Foreign Exchange

Foreign exchange gain or loss is caused by the translation of monetary assets and liabilities denominated in foreign currencies. In 2008, a loss of US$14.6 million was recognised mainly as a result of exchange rate fluctuations between the UK pound sterling and the US dollar, which affected the Group's cash position in UK pounds sterling. This loss represents an increase of 217.4% against the US$4.6 million loss charged in 2007.

Taxation

The Group pays taxes under Mexican laws. In 2008, although taxable earnings increased by 13.4%, income taxes totalled US$114.6 million, up 53.4% compared to the previous year due mainly to the exchange gain recognised in the income statement under Mexican GAAP. This gain was caused by the strengthening of the US dollar against the Mexican peso, which affected the Group's cash and other monetary assets and liabilities denominated in US dollars. While the IFRS financial statements do not reflect the benefit of the exchange gain as they are presented in dollars, taxes paid under Mexican legislation are based on Mexican GAAP and results in Mexican pesos. At the same time, certain foreign exchange losses that were incurred at the subsidiary level are expected to lower the future tax expense by approximately US$20 million.

Losses derived from unwinding the hedging position were realised in 2007 and reduced the tax liability in that year. In 2008 the Company did not have the benefit of that deduction.

Profit

As a result of the above factors, profit for the year totalled US$152.8 million, a decrease of 5.1%. However, profit attributable to equity shareholders of the Group decreased in the year by 10.8%, reflecting in part the relative increase in profits attributable to minority interest holders following higher profits achieved at Herradura.

Cash Flow

A summary of the key line items in the cash flow is set out below:

CASH FLOW KEY LINE ITEMS
Year ended 31 December
(in millions of US$)

	2008	2007
Net cash from operating activities	414.7	79.3
Shares issued and paid	901.1	-
Silverstream contract	31.7	-
Purchase of Property, Plant & Equipment	(185.0)	(103.4)
Distribution to shareholders	(406.7)	(197.5)
Dividends	(42.2)	-
Net increase in cash during the period	226.9	(34.5)
Cash at year end	212.0	4.8

A key indicator measuring the Group's ability to generate sufficient cash to meet its operational and investing requirements is cash flow from operating activities. In 2008, net cash generated from operating activities increased from US$79.3 million to US$414.7 million, up 422.9%.

Proceeds of US$901.1 million from the IPO were another important source of cash, as was the US$31.7 million received in proceeds under the Silverstream Arrangements and US$32.4 million received through the repayment of loans granted to related parties prior to the IPO. These funds were allocated to pay transaction costs related to the IPO (US$46.6 million); to repay loans (US$455.4 million) granted by related parties to Fresnillo mainly to finance the purchase of the Silverstream asset; and to fund the distribution to shareholders (US$406.7 million). Other important uses of the Company's funds during the period were the payment of the interim dividend (US$42.2 million) and the investment in property, plant and equipment (US$185.0 million), which included the acquisition of the Noche Buena gold project. A summary of the investment in these items by mine and project is shown below.

Purchase of property, plant and equipment

(in millions of US$)	**2008**	
La Ciénega mine	27.2	Mining works, purchase of equipment, optimization of the leaching circuit and tailings dam
Fresnillo mine	28.8	Mining works, tailings dam, purchase of land and equipment
Herradura mine	89.7	Purchase of Noche Buena gold project, purchase of land and equipment, sixth leaching pad
Saucito project	29.3	Mining works
La Parreña Exploration	5.4	Mining works and purchase of equipment
Juanicipio project	4.6	Acquisition of surface land
Servicios Administrativos Fresnillo	0.2	
Total purchase of property, plant and equipment	**185.0**	

Additionally, US$39.8 million was used to purchase shares in MAG Silver Corporation and International Northair Mines.

The net increase in cash and cash equivalents for the year was US$226.9 million, which when combined with the cash at the beginning of the year of US$4.8 million and the adverse effect of the exchange rate of US$19.7 million, totalled US$212.0 million as at 31 December 2008. This cash will be used in accordance with the Fresnillo Group's strategy of generating value for stakeholders.

Dividend

In September 2008, an interim dividend of 5.9 US cents per share was declared and paid for a total of US$42.2 million. The Directors will recommend that a final dividend of 7.7 US cents per Ordinary Share be approved at the Annual General Meeting in May. The Company's dividend policy takes into account the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cashflows, whilst maintaining an appropriate level of dividend cover.

Balance sheet

One of the main strengths of the Company continues to be its solid balance sheet with no bank debt.

Total shareholders' equity increased from US$423.0 million in 2007 to US$993.4 million in 2008, reflecting the new share capital pursuant to the reorganisation of Fresnillo plc and its IPO. The US$570.4 million increase was mainly due to the share premium which resulted from the IPO process and retained earnings in the year, offset by distributions to shareholders.

Property, plant and equipment increased by 39.2% to US$497.8 million compared to 2007. The acquisition of the Noche Buena gold project assets, mining and development works, the purchase of surface land and new equipment, and the construction of the tailings dams at Fresnillo and Ciénega and of the sixth leaching pad at Herradura drove the increase of US$140.2 million during the year.

In accordance with the Silverstream Arrangements between Fresnillo and Peñoles, the Group is entitled to receive all of the proceeds in respect of the payable silver produced at the Sabinas mine. This contract was accounted for as a derivative financial instrument and all cash received as payment is credited against the carrying value of the asset. At the beginning of the year, the asset value was US$350 million, from which US$31.7 million was realised in cash, resulting in a year end Silverstream asset of US$318.3 million. In 2008, silver production at Sabinas was in line with expectations at 3.0 million ounces. The payable silver totalled 2.6 million ounces, and an additional 100,000 silver ounces remain pending for payment.

Customers
The Group sells all production, being lead and zinc concentrates, doré produced at the Herradura mine and precipitates produced at Ciénega, exclusively to Met-Mex, a smelter-refinery 100% owned by the Peñoles Group. The accounts receivables related to the sale of products to Met-Mex are accounted for as a receivable with affiliated companies.

Off Balance Sheet Arrangements and Contractual Commitments
The Group currently has no off balance sheet arrangements.

The Fresnillo Group has capital expenditure commitments for the three operating mines and some projects.

Consolidated Income Statement

	Notes	Year ended 31December	
		2008	*2007*
		(in thousands of US dollars)	
Continuing operations:			
Revenues	3	720,483	647,940
Cost of sales		(299,872)	(240,055)
Gross profit		**420,611**	**407,885**
Administrative expenses		(81,679)	(128,445)
Exploration expenses		(53,483)	(52,019)
Other income		5,901	6,985
Other expenses		(7,769)	(9,797)
Profit from continuing operations before net finance costs and income tax		**283,581**	**224,609**
Finance income		8,861	18,128
Finance costs		(10,515)	(2,429)
Foreign exchange loss		(14,570)	(4,610)
Profit from continuing operations before income tax		**267,357**	**235,698**
Income tax expense	4	(114,577)	(74,683)
Profit for the year from continuing operations		**152,780**	**161,015**
Attributable to:			
Shareholders of the Company		127,949	143,497
Minority interest		24,831	17,518
		152,780	**161,015**
Earnings per share: (US$)			
Basic and diluted earnings per ordinary share from continuing operations	5	0.186	0.226

Consolidated Balance Sheet

	Year ended 31 December	
	2008	*2007*
	(in thousands of US dollars)	
ASSETS		
Non-current assets		
Property, plant and equipment	497,844	357,686
Available-for-sale financial assets	45,530	31,311
Silverstream contract	286,968	310,200
Deferred tax asset	3,161	–
Other assets	185	1,168
	833,688	**700,365**
Current assets		
Inventories	38,639	36,481
Trade and other receivables	81,495	231,484
Derivative financial instruments	2,409	–
Prepayments	1,894	10,782
Silverstream contract	31,300	39,800
Income tax refunds due	–	23,166
Cash and cash equivalents	211,985	4,802
	367,722	346,515
Total assets	**1,201,410**	**1,046,880**

EQUITY AND LIABILITIES		
Capital and reserves attributable to shareholders of the Company		
Share capital	358,680	634,270
Share premium	818,597	–
Capital reserve	(526,910)	(526,910)

	Year ended 31 December	
	2008	*2007*
	(in thousands of US dollars)	
Net unrealised losses on cash flow hedges	(26,408)	(50,847)
Unrealised (losses)/gains on available-for-sale financial assets	(4,207)	10,623
Foreign currency translation reserve	(1,387)	(111)
Retained earnings	285,195	293,133
	903,560	360,158
Minority interest	89,832	62,883
Total equity	**993,392**	**423,041**
Non-current liabilities		
Provision for mine closure cost	18,951	14,295
Provision for pensions and other post-employment benefit plans	3,499	2,570
Other liabilities	4,552	–
Deferred tax liability	91,395	99,623
	118,397	**116,488**
Current liabilities		
Trade and other payables	42,665	27,843
Interest bearing loans and borrowings	–	455,921
Derivative financial instruments	14,068	–
Income tax	15,259	–
Employee profit sharing	17,629	23,587
	89,621	**507,351**
Total liabilities	**208,018**	**623,839**
Total equity and liabilities	**1,201,410**	**1,046,880**

Consolidated Cash Flow Statement

	Notes	Year ended 31 December	
		2008	*2007*
		(in thousands of US dollars)	
Net cash from operating activities	6	**414,666**	**79,266**
Cash flows from investing activities			
Purchase of property, plant and equipment		(185,024)	(103,446)
Purchase of available for sale instruments		(39,752)	(7,440)
Proceeds from the sale of property, plant and equipment and other assets		16,057	11,268
Loans granted to related parties		(321,538)	(999,350)
Proceeds from repayment of loans granted to related parties		353,980	1,107,266
Silverstream contract		31,732	(350,000)
Interest received		8,861	18,198
Other proceeds/(expenses)		5,030	(2,284)
Net cash used in investing activities		**(130,654)**	**(325,788)**
Cash flows from financing activities			
Loans granted by related parties		782,652	511,380
Repayment of loans granted by related parties		(1,238,102)	(155,686)
Capital contribution		2,118	58,774
Dividends paid		(42,203)	–
Shares issued and paid pursuant to the Global Offer		901,081	–
Transaction costs associated with issue of shares		(46,597)	–
Distribution to equity shareholders of the Group		(406,718)	(197,460)
Interest paid		(9,319)	(4,961)
Net cash used in financing activities		**(57,088)**	**212,047**
Net increase / (decrease) in cash and cash equivalents during the year		226,924	(34,475)
Effect of exchange rate on cash and cash equivalents		(19,741)	–
Cash and cash equivalents at 1 January		4,802	39,277
Cash and cash equivalents at 31 December		**211,985**	**4,802**

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	Minority interest	Total equity
	Attributable to equity holders of the Group									
	(in thousands of US dollars)									
Balance at 1 January 2007	634,270	–	(526,910)	(79,235)	5,476	–	278,848	312,449	50,676	363,125
Net unrealised loss on cash flow hedges	–	–	–	(23,983)	–	–	–	(23,983)	–	(23,983)
Tax effect of unrealised loss on cash flow hedges	–	–	–	6,715	–	–	–	6,715	–	6,715
Net loss on cash flow hedges recycled to income statement	–	–	–	63,411	–	–	–	63,411	–	63,411
Tax effect of loss on cash flow hedges recycled to income statement	–	–	–	(17,755)	–	–	–	(17,755)	–	(17,755)
Fair value gains on available for sale financial assets	–	–	–	–	7,148	–	–	7,148	–	7,148
Tax effect of fair value gains on available for sale financial assets	–	–	–	–	(2,001)	–	–	(2,001)	–	(2,001)
Foreign currency translation	–	–	–	–	–	(111)	–	(111)	–	(111)
Net income recognised directly in equity	–	–	–	28,388	5,147	(111)	–	33,424	–	33,424
Profit for the period	–	–	–	–	–	–	143,497	143,497	17,518	161,015
Total income and expense for the year	–	–	–	28,388	5,147	(111)	143,497	176,921	17,518	194,439
Capital contribution	–	–	–	–	–	–	–	–	5,811	5,811
Distribution to equity shareholders of the Company		–		–		–	(129,212)	(129,212)	–	(129,212)
Dividends paid	–	–	–	–	–	–	–	–	(11,122)	(11,122)
Balance at 31 December 2007	**634,270**	**–**	**(526,910)**	**(50,847)**	**10,623**	**(111)**	**293,133**	**360,158**	**62,883**	**423,041**
Balance at 1 January 2008	634,270	–	(526,910)	(50,847)	10,623	(111)	293,133	360,158	62,883	423,041
Net unrealised loss on cash flow hedges	–	–	–	(11,659)	–	–	–	(11,659)	–	(11,659)
Tax effect of unrealised loss on cash flow hedges	–	–	–	3,264	–	–	–	3,264	–	3,264
Net loss on cash flow hedges recycled to income statement	–	–	–	45,602	–	–	–	45,602		45,602
Tax effect of loss on cash flow hedges recycled to income statement	–	–	–	(12,768)	–	–	–	(12,768)	–	(12,768)
Fair value losses on available-for-sale financial assets	–	–	–	–	(25,533)	–	–	(25,533)	–	(25,533)
Tax effect of fair value losses on available-for-sale financial assets	–	–	–	–	7,149	–	–	7,149	–	7,149
Impairment of available-for-sale financial assets taken to income	–	–	–	–	4,936	–	–	4,936	–	4,936
Tax effect of impairment of available-for-sale financial assets taken to income	–	–	–	–	(1,382)	–	–	(1,382)	–	(1,382)
Foreign currency translation	–	–	–	–	–	(1,276)		(1,276)	–	(1,276)
Net income recognised directly in equity	–	–	–	24,439	(14,830)	(1,276)		8,333	–	8,333
Profit for the period	–	–	–	–	–	–	127,949	127,949	24,831	152,780
Total income and expense for the year	–	–	–	24,439	(14,830)	(1,276)	127,949	136,282	24,831	161,113
Capital contribution	–	–	–	–	–	–	–	–	2,118	2,118
Issue of share capital	100	–	–	–	–	–	(100)	–	–	–
Capital reduction	(317,135)	–	–	–	–	–	317,135	–	–	–
Distribution to equity shareholders of the Company	–	–	–	–	–	–	(410,719)	(410,719)	–	(410,719)
Dividends paid	–	–	–	–	–	–	(42,203)	(42,203)	–	(42,203)
Shares issued as part of Global Offer, net of transaction costs	41,445	818,597	–	–	–	–	–	860,042	–	860,042
Balance at 31 December 2008	**358,680**	**818,597**	**(526,910)**	**(26,408)**	**(4,207)**	**(1,387)**	**285,195**	**903,560**	**89,832**	**993,392**

Notes

1 Corporate and Financial Information

Fresnillo plc ("the Company") is a public limited company that was incorporated on 15 August 2007 under the Companies Act 1985 and registered in England and Wales.

On 14 May 2008 the Company's shares were admitted to the Official List of the United Kingdom Listing Authority ("UKLA") and to trading on the main market of the London Stock Exchange (this process being referred to as "the Global Offer" or the "Initial Public Offering", ("IPO")).

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 . The country of incorporation of Peñoles is Mexico. In preparation for the Global Offer, Peñoles conducted a reorganisation, which completed on 18 April 2008, whereby the companies comprising the precious metals mining business of Peñoles were reorganised under the Company (the "Pre-IPO Reorganisation").

The Company became the holding company for the Group pursuant to the Pre-IPO Reorganisation. As this was a reorganisation of businesses under common control, the pooling of interests method of accounting has been applied in the presentation of the consolidated financial statements for the years ended 31 December 2008 and 2007 which presents the results of the Group's businesses as if the Company had always been the holding company. For periods prior to the Pre-IPO Reorganisation, consolidated financial statements were not prepared for the Group. The consolidated financial statements present the results and changes in equity of the Company and its subsidiaries as if the Group had been in existence throughout the periods presented and as if the Pre-IPO Reorganisation had occurred as at 1 January 2007.

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) as they apply to the financial statements of the Group for the year ended 31 December 2008, and in accordance with the provisions of the Companies Acts 1985 and 2006, where relevant. The Group's financial statements are also consistent with IFRSs as issued by the International Accounting Standards Board.

The basis of preparation and accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2008 and 2007 are consistent with those applied in the interim consolidated financial statements for the six months ended 30 June 2008.

The consolidated financial statements of the Group for the year ended 31 December 2008, were authorised for issue by the Board of Directors of Fresnillo plc on 20 February 2009. The auditor's report on those financial statements was unqualified and did not contain a statement under section 237 of the Companies Act 1985. 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 240 of the Companies Act 1985.

2 Segment Reporting

The Group's activities are principally related to mining operations which involve the beneficiation of non-ferrous minerals and the sale of related production. The primary contents of this production are silver, gold, lead and zinc. Products are subject to the same risks and returns and are sold through the same distribution channels. As such, the Group has only one business segment as its primary reporting segment. The Group operates primarily in Mexico. During the period certain minor exploration activities were also undertaken in Latin America.

3 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	
	2008	*2007*
	(in thousands of US dollars)	
Lead concentrates (containing silver, gold, lead and by-products)	529,283	496,545
Doré and slag (containing gold, silver and by-products)	192,509	140,842
Zinc concentrates	28,131	60,084
Precipitates	16,162	13,880
Effects of hedging	(45,602)	(63,411)
	720,483	**647,940**

Throughout 2007 and 2008 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 provisional price adjustments which represent changes in the fair value of embedded derivatives. In 2008 the Group has registered a loss of US$18.2 million (2007: US$8.6 gain).

b) Value of metal content in products sold

Invoiced revenues are derived from the value of the metal content of products sold 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	
	2008	*2007*
	(in thousands of US dollars)	
Silver(1)	460,031	399,242
Gold(2)	276,963	224,803
Zinc	26,725	58,467
Lead	30,286	39,767
Value of metal content in products sold	794,005	722,279
Adjustment for treatment and refining charges	(73,522)	(74,339)
Total revenues	720,483	647,940

(1) Includes hedging losses of US$19.0 million in 2008 and US$39.7 million in 2007.
(2) Includes hedging losses of US$26.6 million in 2008; US$23.7 million in 2007.
(3)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 2008 the Group has recognised a loss of US$18.2 million (2007: US$8.6 gain)

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	
	2008	*2007*
	(in US dollars per ounce)	
Gold	879.31	710.21
Silver	14.71	13.56

4 Income Tax Expense

a) The major components of income tax expense are:

	Year ended 31 December	
	2008	*2007*
	(in thousands of US dollars)	
Consolidated income statement:		
Current income tax:		
Current income tax charge	146,762	64,844
Adjustments in respect of current income tax of previous years	(1,619)	1,114
Credit for income tax paid on dividends	(12,559)	(5,534)
	132,584	60,424
Deferred income tax:		
Relating to origination and reversal of temporary differences	(18,007)	14,259
	(18,007)	14,259
Income tax expense reported in the income statement	**114,577**	**74,683**

	Year ended 31 December	
	2008	*2007*
	(in thousands of US dollars)	
Consolidated Statement of changes in equity:		
Deferred income tax related to items charged or credited directly to equity:		
Cost from issue of ordinary shares of the initial public offering	15,959	-
Recycling of net loss on valuation of cash flow hedges to income	(12,768)	(17,755)
Net loss arising on valuation of cash flow hedges	3,264	6,715
Unrealised loss/(gain) on available-for-sale assets	5,767	(2,001)
Income tax expense reported in equity	**12,222**	**(13,041)**

(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	
	2008	*2007*
	(in thousands of US dollars)	
Accounting profit before income tax	267,357	235,698
Tax at the Group's statutory income tax rate 28.0% (2007: 28.0%)	74,860	65,995
Expenses not deductible for tax purposes	364	61
Inflationary uplift of the tax base of assets and liabilities	(4,244)	(2,416)
Tax losses arising in the year not recognised	7,234	5,549
Prior year adjustment	(1,619)	1,114
Tax credit not previously recognised on past dividends	(12,559)	(5,534)
Tax depreciation de-recognised	3,054	6,833
Exchange rate effect on tax value of assets and liabilities	8,010	-
Non-deductible asset disposals	7,062	-
Non-deductible/non-taxable foreign exchange gains or losses	30,891	1,084
Other	1,524	1,997
Tax at the effective income tax rate of 2008: 42.9% (2007: 31.6%)	**114,577**	**74,683**

5 Earnings per share

Earnings per share ('EPS') is calculated by dividing profit for the period attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.
The share capital for the Company in the periods prior to the Pre-IPO Reorganisation on 18 April 2008 is presented as if this reorganisation was completed as at 1 January 2007.

The company has no dilutive potential ordinary shares.

As of 31 December 2008 and 2007, earnings per share have been calculated as follows:

	Year ended 31 December	
	2008	*2007*
Profit from continuing operation attributable to equity holders of the Company (US$000)	127,949	143,497
Weighted average number of ordinary shares in issue* (ooo)	687,688	634,270
Basic and diluted earnings per share	0.186	0.226

*For 2007 the EPS calculation has assumed that the Ordinary Shares in issue pursuant to the Merger agreement dated 18 April 2008 have been in issue throughout the periods.

6 Note to the Consolidated Cash Flow Statement

	Year ended 31 December	
	2008	*2007*
	(in thousands of US dollars)	
Reconciliation of profit for the year to net cash generated from operating activities		
Profit for the year	152,780	161,015
Adjustments to reconcile profit for the period to net cash inflows from operating activities:		
Depreciation	51,906	49,873
Employee profit sharing	21,188	15,878
Deferred income tax	(18,007)	14,259
Income tax expense	145,143	65,958
Credit for income tax paid on dividend	(12,559)	(5,534)
Gain on sale of mining assets	(1,391)	(3,125)
Loss on the sale of property, plant and equipment and other assets	372	5,915
Other expenses	2,887	22
Net finance costs/(income)	1,654	(15,699)
Foreign exchange	14,570	3,871
Difference between pension contributions paid and amounts recognised in the income statement	1,614	(4,994)
Non cash movement on derivatives	45,602	10,675
Payment on termination of derivatives	–	(81,296)
Working capital adjustments		
Decrease/(increase) in trade and other receivables	118,384	(71,572)
(Increase)/decrease in prepayments and other assets	(1,102)	37,594
Increase in inventories	(2,158)	(7,714)
Increase/(decrease) in trade and other payables	14,430	(3,283)
Cash generated from operations	**535,313**	**171,843**
Income tax paid	(96,404)	(71,192)
Employee profit sharing paid	(24,243)	(21,385)
Net cash from operating activities	**414,666**	**79,266**