Fresnillo Plc
28 Grosvenor Street
London W1K 4QR
United Kingdom
www.fresnilloplc.com

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Fresnillo plc preliminary results for the year ended 31 December 2009

Operational Highlights:

- Record attributable silver production of 37.9 million ounces, up 9%
- Attributable gold production of 276,584 ounces, up 5%
- First dore bar poured at Soledad-Dipolos in December
- Total silver and gold resources increased by more than 15%
- Saucito project on track to commence production in 2011
- On track to deliver one new mine or mine expansion per year until 2014

Financial Highlights:

- Continued focus on costs
- Average realised gold price of $988.9 per ounce and silver price of $15.3 per ounce
- Total revenue up 18% to US$850 million
- EBITDA increased by 47% to US$497 million
- Net attributable profit up 150% to US$322 million
- Earnings per share of 44.9 US cents
- Net cash at the end of the period of US$312 million and no bank debt

Highlights for 2009

$ million unless stated	2009	2008	% change
Silver Production* (kOz)	37,916	34,849	8.8
Gold Production* (Oz)	276,584	263,640	4.9
Total Revenue	849.9	720.5	18.0
Adjusted Revenue**	944.0	839.6	12.4
Gross Profit	528.3	420.6	25.6
EBITDA	496.6	337.4	47.2%
Profit Before Income Tax	457.4	267.4	71.1
Attributable Profit	322.0	128.0	151.7
Basic and Diluted EPS (USD)***	0.449	0.186	141.3

* 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 2009 was 717,160,159.
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Chief executive Jaime Lomelin said: "I am pleased to report a strong set of financial results after a year of significant operational progress. We have achieved record attributable silver production, the completion of development works and the start up of operations at Soledad-Dipolos, advances at the Saucito project, substantial increase in total resources, and mineralisation extended at all exploration prospects. We enter 2010 with a strong cash position and no debt on the balance sheet and on track to achieve our aim of delivering one new mine or mine expansion per year until 2014."

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

Fresnillo plc Octavio Alvidrez, Head of Investor Relations	Tel: +44(0)20 7399 2470
Brunswick Carole Cable David Litterick	Tel: +44(0)20 7404 5959

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 four producing mines, all of them in Mexico - Fresnillo, Ciénega, Herradura and Soledad-Dipolos; one development project - Saucito; and three advanced exploration prospects - San Juan, San Julián, Orysivo, as well as a number of other long term exploration prospects and, in total, has mining concessions covering approximately 1.75 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.

Strategy

We seek to create value across precious metal cycles through leadership, quality and sustainable growth. We have a target of producing 65 million ounces of silver and over 400,000 ounces of gold by 2018.
We intend to achieve this goal by:

- *Continuing the sustainable development of the group*
- *Maximising the potential of existing operations*
- *Delivering growth through development projects*
- *Extending the growth pipeline*
- *Maintaining strict financial discipline*

Letter from the Chairman

It is a privilege to report that Fresnillo plc has delivered another year of strong performance. As we stated at the time of the Group's initial public offering in 2008, we are committed to maintaining our position as the world's largest primary silver producer, with the goal of producing 65 million ounces of silver and over 400,000 ounces of gold per year by 2018. Results in 2009 indicate we are firmly on track, with strong operational performance, quality and sustainable growth across our operations.

The Group has more than delivered on its commitments during the past year. Silver production reached record levels, planned cost reduction and efficiency projects were completed, and progress at exploration and development sites was on target, with the start -up of Soledad-Dipolos ahead of schedule and within budget. Indicators of future performance remained strong, with double-digit mine life and a significant increase in total ore resources. These results further underscore the Group's strong competitive advantages:

- Global leadership in the primary production of silver
- Operational excellence and low-cost production
- A robust resource base and exceptional growth portfolio
- A large land position in Mexico, which provides an attractive environment for mining activities
- Management's proven execution capabilities
- Strong balance sheet
- An enduring commitment to corporate responsibility

The rise in Fresnillo plc's share price accompanied a rally in precious metal prices. Nonetheless, we believe that our ranking as the top performer in 2009 among gold and silver miners in the FTSE350 Index, and number three among all mining companies in that Index, are evidence of the market's recognition of our operational performance and the quality of our asset base.

The Company has the fundamental ingredients for long-term sustainable growth. The Board utilises a number of indicators, as set out in this report, to monitor the implementation of the Group's value-creation strategy and to measure its effectiveness in delivering against objectives.

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

We have authorised a 58% increase in the 2010 exploration budget to US$77.6 million, which is commensurate with our expectations of financial performance. Our focus remains on consolidating mining districts, expanding the growth platform and ensuring that our reserve and resource base are of the highest quality. To that end, the Group will pursue acquisition opportunities that may arise if they are value accretive to our shareholders and comply with our strategic and financial return criteria**.**

I would like to extend my appreciation to my fellow Board members for their dedication and invaluable advice. This diverse group of professionals combine a wealth of experience and perspectives to enhance the strategy and governance of the organisation. I would also like to commend the Group's executives and employees for their impressive execution against objectives this year, demonstrating the strength of their commitment and teamwork.

Alberto Baillères
Non-executive Chairman

Chief Executive's statement

I am pleased to report a year of significant operational progress: record attributable silver production, the completion of development works and start- up of operations at Soledad-Dipolos, advances at the Saucito project, substantial increase in total resources, and mineralisation extended at our major exploration prospects. We enter 2010 with a strong cash position and no debt.

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 ore reserve replacement and expansion into new projects.

We have a strong foundation upon which to deliver on this commitment to stakeholders:

- **Leadership:** The Fresnillo Group is the world's leading primary silver producer and Mexico's second largest gold producer. Among our global precious metals peers, we are ranked in the lowest quartile on the cash cost curve. Leadership is also an attribute exemplified on the ground through our people. The Group's professionals make a substantial difference in where we choose to explore, how prospects are evaluated, the pace at which projects are developed, the efficiency with which we operate our assets, and the effectiveness of our administrative processes.

- **Quality:** We have world-class, low-cost precious metal assets, including the largest silver mine in the world. At 31 December 2009 we had double-digit reserve life at all our mines and attributable reserves of 374.0 million ounces of silver and 4.3 million ounces of gold. This is an indication of the quality of our mine development and exploration efforts.

- **Sustainable growth:** We have an extensive portfolio of high-quality exploration projects and prospects, along with the largest land position for precious metals exploration and mining in Mexico. In 2009 we again extended mineralisation at all advanced exploration prospects and further consolidated our mining districts. At 31 December 2009, total attributable resources included 1,289.0 million ounces of silver (2008: 1,115.4 Moz) and 13.9 million ounces of gold (2008: 12.0 Moz). Our aim is to deliver one new mine or mine expansion a year for the next four years, starting with Soledad-Dipolos.

These attributes are backed up by our commitment to sustainable development. We have developed a comprehensive health, safety and environmental management system that integrates personnel training and development. In addition, we invest in conservation and biodiversity efforts and closely collaborate with communities to ensure that our growth is truly sustainable.

Operating and financial results
In 2009 we delivered strong performance and made progress across all our KPIs. Attributable silver production achieved a new record, rising 8.8% over 2008 to 37.9 million ounces. This was largely as a result of an increase in ore volumes milled at Fresnillo, higher metal contents extracted from the development works at Saucito, and higher silver ore grade at Ciénega.

Attributable gold production surpassed our expectations, rising 4.9% to 276,584 ounces. Greater throughput at Herradura and Fresnillo helped compensate for the lower average gold ore grade at Ciénega. Total gold production at Herradura reached an all-time record with 259,839 ounces. Production at Ciénega has now been stabilised at approximately 100,000 ounces per year; furthermore, a capacity expansion project was approved for 2010 with higher production expected in 2011.

Lead and zinc production, by-products of the Fresnillo and Ciénega mines, declined 3.0% and 13.3% against 2008, respectively, due to lower grades at Ciénega.

Market conditions and metals prices evolved favourably over the course of the year. By the second half of 2009, gold staged a remarkable rally and rose to new historic levels, while silver largely recovered the ground it had lost at year-end 2008. For 2009 as a whole, the market price for gold averaged US$972.98 per ounce, compared to US$871.71 per ounce in 2008, while the average market silver price was US$14.67 per ounce, compared to US$14.99 per ounce in 2008.

A number of input costs were higher in the year when compared to 2008, particularly drilling steel, sodium cyanide and tyres, but the average 21.4% devaluation of the Mexican peso against the US dollar meant that costs denominated in pesos, representing approximately 70% of total production costs, were significantly reduced when converted to US dollars. Combined with greater ore throughput, this served to decrease costs per tonne at all three operating mines. We also worked more efficiently this year, as measured in total equivalent silver ounces produced per person.

Our financial performance reflected the combination of higher average metal prices, excellent operational results and lower costs per tonne. Adjusted revenues, which exclude treatment and refining charges and hedging results, rose 12.4% in the year. Total revenues increased to US$849.9 million, 18.0% higher than at 31 December 2008. EBITDA rose to US$496.6 million, with a significant expansion in the margin from 46.8% in 2008 to 58.4% in 2009. Net profit attributable to shareholders, prior to Silverstream revaluation effects, was US$308.0 million, 140.8% higher than in 2008.

There was a 65-day labour strike at the lead-silver refinery of our customer Met-Mex Peñoles[1], where under contract all products from our mines are shipped under contract. During this strike we managed to export part of our concentrates, precipitates and dore at similar terms with no major financial impact.

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[1] Since 2006 the primary products from the Group's mines, silver- and gold-rich lead and zinc concentrates and dore have been sold to the Peñoles Group's refining and smelting facility at Torréon, operated by Met-Mex Penõles S.A. de C.V. (Met-Mex) under a series of supply agreements.

Fresnillo plc has no bank debt, and as at 31 December 2009 a cash position of US$312.2 million, 47.3% above the 2008 figure, which shows a continued strengthening of our balance sheet.

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

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

At Herradura, the expansion of the beneficiation plant to increase the flow from 1,200 m^3 to 1,600 m^3 per hour was completed at year end, allowing us to maintain production above 250,000 ounces of gold per year. In addition, the laboratory was expanded to receive samples from Soledad-Dipolos and included the installation of an automated sampler system. We concluded construction of the seventh leaching pad in 2009 and began work on the eighth, and acquired new mobile equipment to enhance productivity.

Delivering growth
Our pipeline of organic growth includes two development projects and a number of advanced and long-term exploration prospects.

Construction was completed at Soledad-Dipolos in December 2009, ahead of schedule and within budget. This project will be an operating mine in 2010, with commercial production having started in January 2010. Total annual gold production is expected to be 100,000 ounces, increasing to approximately 130,000 ounces in the following years with an investment of US$34.0 million in mobile equipment and leaching pads.

At Saucito, the pre-feasibility study for the first phase of the project was approved in August 2009 with total capital expenditure of US$309.0 million. Mining operations at this world-class silver deposit are scheduled to begin in 2011, with expected first year production levels of 4.7 million ounces of silver and 22,500 ounces of gold gradually ramping up by the third year of operations to approximately 9.0 million ounces of silver and 45,000 ounces of gold. In 2009, 735,744 ounces of silver and 2,880 ounces of gold were obtained from the development works at Saucito and processed at the Fresnillo mill.

Results from exploration activities during the year were very encouraging:

- 173.6 million ounces of silver added to the resource base (+15.6%)
- 1.9 million ounces of gold added to resource base (+15.8%)

Of particular note was the preliminary confirmation of ore resources at Noche Buena. We have accelerated the exploration programme in 2010 in order to determine whether a pre-feasibility study should be conducted.

In addition to organic growth, we also evaluate potential acquisitions on an ongoing basis. These targets must meet strict operational requirements and value creation criteria. In 2009 we evaluated a number of potential acquisitions, none of which were considered to be in the best interests of shareholders.

Nonetheless, we are optimistic about new opportunities for growth and remain open to potential acquisition opportunities that may arise if they are value accretive to our shareholders and comply with our strategic and financial return criteria. We will commence exploration activities in Peru, which has a rich mining tradition and significant potential for precious metals, having incorporated Fresnillo Perú in 2009.

Commitment to sustainable development

Health, safety, environment and community relations programmes are an integral part of the Group's activities. I am pleased to report another improvement in safety performance: once again zero fatalities, and an improvement in safety indices.

Our adherence to domestic and international standards of environmental performance is evidenced by ISO 14001 certification at all mines and exploration offices. In addition, Herradura completed the certification process for adherence to the International Cyanide Management Code, and we initiated the process at Ciénega.

We continue to enjoy excellent relations with our personnel. Annual labour negotiations concluded with the agreement of a 6% wage increase, 1% increase in fringe benefits and a one-time bonus of 1% of base salary for 2009. Community investments this year included education programmes and sponsorship of athletic teams, arts and culture.

Efforts to protect biodiversity are considered within our operations planning process, including investments in nursery management, reforestation and conservation efforts. In 2009 Fresnillo plc became a founding member of the Corporate Commitment to Wilderness. This is an initiative of the WILD Foundation, an international non-profit organisation dedicated to wilderness protection around the world. The Company also endorsed the Copenhagen Communiqué, an initiative of the Prince of Wales' Corporate Leaders Group on Climate Change.

Outlook

While we are not insulated from continued volatility in the global economy, I am confident that the Group is well-positioned to consolidate its leadership in the global precious metal industry. We remain focused on increasing productivity, reducing costs, expanding the resource and reserve base, and strengthening our growth pipeline in support of our strategy to create ongoing and sustainable value to all our stakeholders.

Specifically, we expect:

- Silver production to remain in line with 2009 levels
- Attributable gold production to rise 20% reflecting the contribution from recently completed Soledad-Dipolos mine
- Completion of expansion at Ciénega and plant infrastructure at Saucito
- A 58% increase in the exploration budget to US$77.6 million
- Decision on whether to conduct a pre-feasibility study at Noche Buena
- Stable ore grades
- Continued improvement in safety indices

In closing, I would like to extend my gratitude to our Chairman and Board members for their continued support and oversight this year. As the Group enhances its international profile, their guidance is vital. To my fellow executives and employees, thank you for your dedication to quality and sustainable growth. I am proud to be a member of the Fresnillo plc team.

Jaime Lomelín
Chief Executive Officer

Finance review

The Consolidated Financial Statements of Fresnillo plc are prepared in accordance with International Financial Reporting Standards (IFRS). This review is intended to convey the main factors affecting performance and to provide a detailed analysis of the financial results in order to facilitate understanding of the Group's financial statements. Management recommends reading this review in conjunction with the Financial Statements and their accompanying Notes.

Commentary on financial performance

Despite the global economic crisis, the volatility in commodity prices and significant cost pressures experienced in 2009, Fresnillo plc generated strong financial results.

The effective execution of our strategy, including cost control efforts, combined with favourable external factors such as higher metal prices and a weakening Mexican peso against US dollar helped drive the increase in total revenues, gross profit, EBITDA and operating profit in 2009. These positive factors were partially offset by higher average unit costs from a number of key mining inputs such as reagents, tyres and steel for drilling, which contrary to expectations, did not decline until late in the year. Key line items of the Income Statement are shown below:

INCOME STATEMENT KEY LINE ITEMS
(US$ millions)

	2009	2008	% Change
Revenues	849.94	720.48	18.0
Cost of sales	(321.63)	(299.87)	7.2
Gross profit	528.32	420.61	25.6
Exploration expenses	49.06	53.48	(8.3)
EBITDA	496.62	337.36	47.2
Profit before income tax	457.42	267.36	71.1
Income tax expense	99.15	114.58	(13.5)
Profit for the year	358.27	152.78	134.5
Profit for the year, excluding post tax Silverstream revaluation effects	344.30	152.78	125.4
Attributable profit	322.01	127.95	151.7
Basic and diluted earnings per share (USD/share) [1]	0.449	0.186	141.3
Adjusted basic and diluted earnings per share (USD/share) [2]	0.430	0.186	131.2%

[1] The weighted average number of ordinary shares for 2009 was 717,160,159. For 2008, 687,688,000 ordinary shares were considered for the EPS calculation. (See note 12 in the Consolidated Financial Statements).
[2] Adjusted basic and diluted earnings per share reflect profit in the year attributable to equity shareholders of the company adjusted to exclude Silverstream revaluation effects in the year.

Fresnillo's financial results are highly dependent on the performance of our operating assets and thus management's decision-making and execution capabilities. However, there are certain variables which are beyond the Group's control that have a material impact on its financial statements. A description of these external factors, and their impact on results, is provided below.

Precious metal prices
Silver and gold prices are the most significant variable impacting the financial statements, as approximately 94% of Fresnillo's revenues come from these metals. The average realised price of silver in 2009 was US$15.273 per ounce, an increase of 3.8% year-over-year. The average realised gold price increased by 12.5% year-on-year to US$988.94 per ounce. These increases benefited the Group's annual financial results. The Group remains fully exposed to movements in the underlying metals prices as a result of our strategy of not hedging silver and gold production.

Foreign exchange rates
The average spot exchange rate for 2009 was MXN13.52 per US dollar, compared with MXN11.14 per US dollar in 2008, representing an average devaluation of 21.4%. As a result, the Group's production costs decreased when compared to 2008, as costs denominated in Mexican pesos (approximately 70% of total costs) were lower when converted to US dollars.

The Mexican peso-US dollar spot exchange rate at 31 December 2009 was MXN13.06 per US dollar, which compared to the exchange rate at the beginning of the year of MXN13.54 per US dollar, a revaluation of 3.5% that had an aggregate adverse effect on peso- denominated monetary assets and liabilities which are valued at the year-end spot rate. Additionally, the US dollar devalued against sterling by 9.10%, generating a foreign exchange gain from our cash position in sterling. The net foreign exchange gain in the year compared favourably against the significant foreign exchange loss incurred in 2008, which was generated as a result of the strengthening of the US dollar against both MXN and sterling.

Under Mexican tax legislation, Fresnillo pays taxes on the basis of results prepared in accordance with Mexican accounting standards (GAAS) which are denominated in Mexican pesos. This results in different exchange effects for tax purposes to those reported under IFRS and can therefore cause significant differences between the effective tax rate under IFRS and the statutory Mexican tax rate.

Inflation of key operating materials
The average unit price of key operating materials remained high throughout the year, limiting profit margin growth. The unit prices for some key inputs such as steel balls for milling and explosives decreased slightly in the first quarter of 2009 following record levels in the second half of 2008. However, the average unit prices of these inputs in 2009 continued to be at higher levels than in the previous year and it was not until the last two months of 2009 when input prices began to decline year-on-year. As a result, the net increase in the weighted average input cost over the year was 1.0%.

	Year over year change
Steel balls for milling	(14.7%)
Steel for drilling	4.8%
Explosives	(5.8%)
Tyres	6.2%
Reagents	10.6%
Weighted Average	1.0%

Electricity
The Group's average cost of electricity decreased by 14.9% when compared to 2008. The lower rates charged by Comisión Federal de Electricidad, the national utility, reflected the Mexican Government's initiative to reduce electricity to control inflation. However, electricity prices are expected to increase as economic conditions improve during 2010.

Treatment and refining charges
Treatment and refining charges are determined annually using international benchmarks. The treatment charge per tonne of lead and zinc concentrates, including the escalator, decreased by 29.7% and 20.8% respectively when compared to 2008. However, these reductions were partially offset by a 23.5% increase in the refining charges per ounce of silver, which represented 52.2% of total treatment and refining charges. As a result, treatment and refining charges, which are deducted from adjusted revenues for the purposes of revenues as disclosed in the income statement, decreased by 5.8% in 2009 compared to 2008.

Revenues

CONSOLIDATED REVENUES
(US$ millions)

			Change	
	2009	**2008**	**Amount**	**%**
Adjusted revenue [13]	943.96	839.60	104.35	12.4
Treatment and refining charges	(69.23)	(73.52)	4.29	(5.8)
Hedging losses (Pre-IPO) [24]	(25.02)	(45.60)	20.58	(45.1)
Hedging gains	0.23	0.00	0.23	N/A
Revenues	849.94	720.48	129.46	18.0

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

Adjusted revenue increased by 12.4% to US$944.0 million in 2009. The higher average realised silver and gold prices contributed 60% of the favourable US$104.4 million movement, whilst the remaining 40% was explained by the increase in the volumes of silver and gold sold.

VOLUMES OF METAL IN PRODUCTS SOLD
(Year ended 31 December)

	2009	2008	% Change
Fresnillo	32,921	31,485	4.6
Ciénega	1,453	858	69.4
Herradura	302	218	38.5
Silver (KOz)	**34,676**	**32,561**	**6.5**
Fresnillo	20,688	20,938	(1.2)
Ciénega	96,821	107,879	(10.3)
Herradura	245,696	216,356	13.6
Gold (Oz)	**363,205**	**345,173**	**5.2**
Fresnillo	9,156	7,452	22.9
Ciénega	5,409	7,976	(32.2)
Lead (MT)	**14,565**	**15,428**	**(5.6)**
Fresnillo	9,521	9,248	2.9
Ciénega	6,613	9,353	(29.3)
Zinc (MT)	**16,134**	**18,601**	**(13.3)**

Silver and gold adjusted revenues increased year-on-year, while their respective share of total adjusted revenues remained stable compared to 2008, as shown in the following table.

ADJUSTED REVENUES*[3] BY METAL
(Year ended 31 December, US$ millions)

	2009		2008		%Change
Silver	529.63	56%	479.05	57%	10.6
Gold	359.17	38%	303.54	36%	18.3
Lead	26.98	3%	30.29	4%	(10.2)
Zinc	28.18	3%	26.72	3%	4.4
Total Adjusted	943.96	100%	839.60	100%	12.4

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

Prior to the IPO in 2008, the Fresnillo Group had 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. 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 recycles them to the income statement in line with the occurrence of the transactions to which they related. In 2009, a final non-cash charge of US$25.0 million was deducted from revenues, decreasing hedging losses from the previous year by 45.1%, and as at 31 December 2009 there are no remaining deferred losses related to the terminated gold and silver derivatives.

The Group has not entered into any new silver or gold hedging contracts, and does not intend to do so. However, it has entered derivative contracts related to the price of lead and zinc to mitigate the risks associated with the sale of these by-products. In 2009, a gain of US$0.2 million was reflected in revenues as a result of the maturity of several contracts entered into in 2008 and 2009. All derivative instruments related to the price of by-products matured in 2009 and no further contracts have been entered into for subsequent years.

Cost of sales

Cost of sales increased by 7.2% compared to 2008, while adjusted production costs, calculated as total production costs less depreciation, profit sharing and the effects of exchange rate hedging, decreased by 6.1%.

			Change	
	2009	**2008**	**Amount**	**%**
Adjusted production cost	209.80	223.49	(13.70)	(6.1)
Depreciation	67.23	51.91	15.32	29.5
Change in work in progress	12.94	3.47	9.48	272.9
Profit sharing	24.58	21.00	3.58	17.1
Hedging	7.08	-	7.08	N/A
Cost of sales	**321.63**	**299.87**	**21.76**	**7.2**

The increase in cost of sales is explained as follows:

- Adjusted production costs decreased by US$13.7 million primarily due to the effect of the higher average spot exchange rate which benefited costs denominated in Mexican pesos when converted to US dollars. The exchange-related decrease in adjusted production costs was equivalent to US$25.5 million. By factoring out the impact of the exchange rate on the peso-denominated components for each cost category, the changes explained below reflect the estimated underlying operational and dollar-denominated unit costs changes.

Other positive aspects were:

- Operating efficiencies offset the small increase in the average unit cost of key operating materials, which resulted in a US$1.4 million benefit; and
- The cost of energy decreased by US$0.5 million, due to a 14.9% reduction in the unit cost of electricity, which more than offset the 9.5% increase in consumption at the mines related to production increases and the higher cost of diesel.

The benefit of the peso devaluation, operating efficiencies and decrease in energy costs was partially offset by the following factors:

- The cost of contractors increased by US$5.1 million mainly due to: i) an increase in development works at our operating mines, which is a key factor to ensure future production; ii) additional civil works; iii) increased volumes of ore and waste hauled; iv) rock bolting and shotcreting activities carried out with the aim of ensuring our workers' safety; and v) an average wage increase of 6.0%, in line with the increase given to union workers.
- Personnel costs, excluding profit sharing, increased by US$4.4 million as a result of an increase of 8% in salaries at our three mines, productivity bonuses, training, and an increase in the number of workers at Ciénega.
- Maintenance and repair costs increased by US$2.8 million primarily due to higher utilisation of equipment and the consumption of additional spare parts to service the increase in equipment.
- Other costs increased by US$1.4 million, which resulted from the combination of increases in insurance, security, maintenance of workers camps and mining rights, and the reduction in freight costs.

➢ Depreciation: increased by US$15.3 million mainly due to the increased production volumes which affected the depletion factor, the acquisition of the Noche Buena project in December 2008 and the purchase of high-volume trucks and loaders at Herradura and in-mine equipment at Fresnillo.

➢ Change in work in progress: increased by US$9.5 million mainly as a result of the reduction of mineral and concentrate inventories at our mines.

➢ Profit sharing: increased by US$3.6 million due to higher profits at our operating mines.

➢ Foreign exchange hedging losses: During the first months of 2008, the average spot exchange rate was MXN10.64 per dollar. Given the high volatility environment prevailing at that time, the Group entered into exchange rate derivative instruments as part of a programme to meet its commitments contracted in Mexican pesos, such as the payment of wages and taxes, and to guarantee a fixed exchange rate should the US dollar weaken. As a result, Fresnillo plc sold forward US$60.0 million at an average rate of MXN11.17 per US dollar. However, the average spot exchange rate at maturity dates was MXN13.25 per US dollar, thus generating an exchange rate hedging loss of US$9.5 million. In 2009, the Group sold forward an additional US$16.0 million at an average rate of MXN14.68 per US dollar, which matured throughout 2009 and generated an exchange rate hedging gain of US$2.4 million as the average spot exchange rate was MXN12.81 per US dollar. The combination of the aforementioned positions resulted in a final exchange rate loss of US$7.1 million. Additionally, in 2009, the Group sold forward US$29.0 million at an average rate of MXN13.70 per US dollar with maturity dates throughout 2010. In order to assure a minimum exchange rate and at the same time benefit from a possible devaluation of the peso against the US dollar, four put options were purchased totalling US$10.0 million, at an average strike of MXN11.75 per US dollar with maturity dates in 2010.

Cost per tonne and cash cost per ounce

A key measure to evaluate the performance at our mines is the adjusted production cost per tonne.

In 2009, cost per tonne milled at Fresnillo and Ciénega decreased by 11.4% and 6.8% respectively, whilst at Herradura cost per tonne deposited, excluding ore deposited from the Valles area, decreased by 9.8% when compared to 2008 as shown in the following table.

COST PER TONNE[*5]
(Year ended 31 December)

		2009	2008	% Change
Fresnillo	US$/tonne milled	36.49	41.19	(11.4%)
Ciénega	US$/tonne milled	59.21	63.53	(6.8%)
Herradura	US$/tonne deposited	5.44	6.03	(9.8%)

[*5] Cost per tonne is calculated as total production costs less depreciation and profit sharing and exchange rate hedging effects

The principal driver of cost reduction across the Group was the higher MXN/US$ exchange rate, which benefited costs denominated in Mexican pesos when converted to US dollars and, to a lesser extent, the increase in volumes milled/deposited at the mines. Notwithstanding, these aspects were partially offset by increases in personnel, contractor and maintenance costs, as further described below.

Cost per tonne at the Fresnillo mine, excluding the effects of foreign exchange was negatively impacted by: i) higher contractor costs due mainly to a 14% increase in metres developed in order to prepare a larger number of production stopes, higher volumes (approximately 7%) of ore hauled through longer distances, and a 126.6% increase in shotcreting activities for safety purposes; ii) an 8.0% increase in wages and fringe benefits as a result of the negotiations with the union; iii) increase in maintenance and repair costs derived principally from the intensive use of equipment; and iv) a 17.0% increase in insurance fees and mining concessions. These increases were offset by the devaluation effect, higher ore milled and the lower cost of electricity and operating materials, which resulted from the decrease in the unit price of steel balls for the mill and explosives. Fresnillo's cash cost[6] decreased by 10.6% from US$3.77 per silver ounce in 2008 to US$3.37 in 2009.

Cost per tonne at Ciénega, excluding the effects of foreign exchange was affected by: i) higher personnel costs due to a 6.4% increase in the number of workers and the 8.0% increase in wages and fringe benefits; ii) increased maintenance costs of scoops and loaders, as a result of the intensive use of equipment that supported the increase in production; iii) higher contractor costs due to an increase of 67.5% in development (10,000 additional metres), aiming to prepare a larger number of production stopes, and civil works carried out at the plant and mining village. These increases were offset by the devaluation effect and the increased ore milled. Ciénega's cash cost[6] decreased by 28.1% (US$190.6 per gold ounce in 2009 vs US$264.9 per gold ounce in 2008), which was achieved as a result of the increased silver revenues credited to the total cash cost. The higher revenues of this by-product were obtained due to both the increased price of silver and volume sold during 2009.

Cost per tonne at Herradura, excluding the effects of foreign exchange was impacted by the following factors: i) an 8.0% increase in wages and fringe benefits and training; ii) higher costs of operating materials principally resulting from the increase in unit price and consumption of sodium cyanide used to improve recovery rates, and the increased consumption of tyres at higher unit costs derived from the more intensive use of equipment and the acquisition of bigger trucks; and iii) increase in maintenance costs as a result of additional equipment and purchase of spare parts. These increases were offset mainly by the devaluation effect and the higher ore deposited. In 2009, Herradura's cash cost[6] decreased from US$397.5 per gold ounce in 2008 to US$358.9 per gold ounce in 2009, a reduction of 9.8%.

Gross profit

Gross profit, before hedging gains and losses for each mine, is an important financial indicator continuously monitored by management to measure the performance of each business unit and the Group as a whole. In 2009, gross profit, adjusted to exclude hedging gains and losses, increased by 20.1% compared to the previous year mainly due to steady results obtained at Ciénega and record profits achieved at Fresnillo and Herradura.

Specifically, the Ciénega mine maintained its contribution to the Group's gross profit excluding hedging effects as a result of the higher ore milled and the significant increase in silver ore grade, which compensated for the lower gold ore grade extracted. Although in 2009 the Fresnillo mine reduced its contribution to the gross profit excluding hedging effects, it remained the largest contributor to the increase in the year. Finally, Herradura's contribution increased from 18.9% in 2008 to 22.9% in 2009 due to higher production of gold resulting from the increase in ore deposited and better recovery rates, which led to a record gross profit.

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

(US$ millions)					Change		
	2009		2008		Amount		%
Fresnillo	366.17	65.4%	323.44	69.4%	42.73	45.7%	13.2
Ciénega	65.30	11.7%	54.55	11.7%	10.75	11.5%	19.7
Herradura	128.38	22.9%	88.31	18.9%	40.07	42.8%	45.4
Total for operating mines	**559.85**	100.0%	**466.30**	100.0%	**93.55**	100.0%	**20.1**
Other subsidiaries	0.33		(0.09)		N/A		N/A
Total	**560.18**		**466.21**		**93.97**		**20.2**

[6] 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.

Administrative expenses

Until May 2008, administrative expenses included a trademark royalty paid by the Fresnillo Group to Industrias Peñoles which is no longer payable. Between 1 May 2008 and 31 October 2009, administrative fees were paid to Servicios Industriales Peñoles SA de CV under the Transitional Services Agreement (TSA) which has subsequently been replaced by a new the New Services Agreement. Under this new agreement, an annual fee of US$27.6 million is payable, a reduction as compared to the annual fee of US$34.0 million that was payable under the TSA. The combined effect of these changes was the main reason for the reduction in administrative expenses of US$31.8 million. The aforementioned decrease was partially offset by the increase in legal and advisory fees related to evaluations of potential acquisitions.

Exploration expenses

Exploration expenses for 2009 totalled US$49.0 million, which were mainly incurred in exploration programmes aimed at increasing resources and reserves at our three operating mines, confirming and increasing resource estimates at the Soledad-Dipolos, Noche Buena and Saucito projects, and continuing drilling at the San Julián and Orisyvo prospects. However, exploration expenses decreased by 8.3% compared to the US$53.5 million incurred in 2008 mainly due to the more intensive exploration phase which took place at the Soledad- Dipolos project in the previous year.

BUSINESS UNIT / PROJECT (US$ millions)	Exploration expenses	Capitalised expenses
Herradura (Soledad – Dipolos)	13.50	0.00
Fresnillo	8.00	0.00
Ciénega	11.80	0.00
Saucito	0.00	3.90
Juanicipio	0.00	3.50
San Julián	5.90	0.00
Orisyvo	3.30	0.00
San Juan	0.90	0.00
San Nicolás	0.80	0.00
Guachichil	0.80	0.00
Guanajuato	0.50	0.00
Others	3.60	0.00

TOTAL	**49.10**	**7.40**

EBITDA

EBITDA, which is calculated as gross profit as reflected in the income statement plus depreciation less administrative and exploration expenses, is a key indicator of the Group's financial performance. In 2009, EBITDA achieved a new record level of US$496.6 million, representing an increase of 47.2% year-on-year. Similarly, the EBITDA margin rose from 46.8% in 2008 to 58.4% in 2009.

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

	2009	**2008**	**% Change**
Gross Profit	528.32	420.61	25.6%
+ Depreciation	67.23	51.91	29.5%
- Administrative Expenses	(49.87)	(81.68)	(38.9%)
- Exploration Expenses	(49.06)	(53.48)	(8.3%)
EBITDA	496.62	337.36	47.2%
EBITDA Margin	58.4%	46.8%	

Silverstream revaluation effects

The Silverstream Contract is accounted for as a derivative financial instrument, which is carried at fair value. In 2009, the fair value of this instrument increased by US$19.4 million, with a corresponding non-cash gain recognised in the income statement. Further information related to the Silverstream Contract is provided in the Balance Sheet section and in the Notes to the Consolidated Financial Statements.

Foreign exchange

The foreign exchange result is caused by the conversion of monetary assets and liabilities denominated in foreign currencies. A foreign exchange gain of US$9.5 million was recognised in the income statement mainly as a result of the weakening of the US dollar against sterling, which affected the cash position denominated in sterling. In contrast, a loss of US$14.6 million was recorded during 2008 mainly as a result of the devaluation of sterling against the US dollar.

Taxation

Income tax expense for 2009 was US$99.1 million, 13.5% lower compared to the previous year. The effective tax rate was 21.7%. A significant factor in the reduction from 2008 was that Minera Fresnillo purchased the San Julián project from the subsidiary exploration company Exploraciones Minera Parreña at market value. In accordance with Mexican tax legislation, the acquisition of a project can be deducted from the company's income, which thus significantly decreased the taxable profit of Minera Fresnillo, whilst Exploraciones Minera Parreña was able to utilise tax losses brought forward from previous years which originally were not recognised as a deferred tax asset. Other factors which contributed to the lower income tax expense were the inflationary adjustments and certain tax credits. In addition, a foreign exchange loss was recorded in the income statement under Mexican GAAS, as set out above, which lowered the Group's taxable profits. This loss was caused by the 3.5% revaluation of the Mexican peso-US dollar exchange rate which affected the Group's cash and other monetary assets and liabilities denominated in US dollars, the most significant of which being the Silverstream Contract and cash and cash equivalents.

Profit for the year
Profit for the year increased significantly from US$152.8 million to US$358.3 million, a 134.5% increase year-on-year. Despite the 46.0% increase in minority interest, profit attributable to the shareholders of the Group increased by 151.7% from US$128.0 to US$322.0 million in 2009.

Adjusted profit for the year, being profit for the year adjusted to exclude the effects of the revaluation of the Silverstream Contract, increased by 125.4% from US$152.8 in 2008 to $344.3 million in 2009.

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 (US$ millions)

	2009	2008
Cash generated by operations before changes in working capital	548.8	405.8
(Increase) / Decrease in changes in working capital	(37.8)	129.6
Net cash from operating activities	390.7	414.7
Purchase of property, plant & equipment	(250.4)	(185.0)
Silverstream Contract	39.0	31.7
Dividends	(93.6)	(42.2)
Shares issued and paid	-	901.1
Distribution to shareholders	-	(406.7)
Net increase in cash during the period	92.6	226.9
Cash year end	312.2	212.0

Cash generated by operations before changes in working capital increased by 35.2% to US$548.8 million in 2009 as a result of the higher profits derived from the increase in precious metal prices and solid performance at the operating mines. However, there was a US$37.8 million increase in working capital due to higher prices and volumes sold, which increased trade receivables by year-end. The above effects resulted in a 5.8% decrease in cash flow from operating activities after changes in working capital, to US$390.7 million. Another important source of funds was the US$39.0 million received in proceeds under the Silverstream Contract. The use of these funds included the purchase of property, plant and equipment (US$250.4 million). Investments in these items are further described below:

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

	2009	
Herradura mine	64.8	Expansion of the Centauro pit, purchase of hydraulic shovel and high-volume trucks, construction of leaching pads and acquisition of surface land
Ciénega mine	41.7	Mine development, mining works, optimization of the leaching circuit, sinking of the shaft and purchase of land
Fresnillo mine	34.6	Mine development and construction of the San Carlos shaft and the sewage water treatment plant
Soledad & Dipolos	57.7	Pre-production stripping activities, construction of the mine and of the first leaching pad
Saucito project	39.1	Equipment for the shafts and mining works
San Julián project	5.0	Construction of exploration ramp
Juanicipio project	3.5	Diamond drilling expenses
Others	4.0	La Parreña Exploration and SAFSA
Total Purchase of property, plant and equip.	**250.4**	

Additionally, dividends paid in 2009 totalled US$93.6 million, of which US$55.8 million corresponded to the final dividend of 2008, and the remaining US$37.8 million to the payment of the 2009 interim dividend.

After considering all the sources and uses of funds, there was a net increase of US$92.6 million in cash and cash equivalents during the year which, when combined with the US$212.0 million balance at the beginning of the year and the favourable effect of the exchange rate of US$7.6 million, resulted in a net cash position of US$312.2 million as at 31 December 2009.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment they have considered the Company and Group budget, the cashflow forecasts and reviewed the availability of banking facilities to the Group. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

Balance sheet

The Group has a strong balance sheet with no bank debt.

Cash and cash equivalents as of 31 December 2009 increased by 47.3% compared to the cash position at year-end 2008 to $312.2 million due to the factors described in the cash flow section.

The increase in trade and other receivables was mainly caused by the rise in metal prices during the last months of the year, and recoverable taxes.

Fresnillo plc is entitled to receive all of the proceeds in respect of the payable silver produced at the Sabinas mine under the Silverstream Contract. This contract is accounted for as a derivative financial instrument, with all payments received being credited against the carrying value of the asset. The change in the value of the Silverstream derivative from US$318.3 million at the beginning of the year to US$298.7 million at the year-end reflects cash proceeds received of $39.0 million offset by a revaluation effect of $19.4 million which is a non-cash gain reflected in the Group income statement.

The net book value of property, plant and equipment was US$688.7 million at 31 December 2009, an increase of 38.3% when compared to 2008. The main additions underlying this increase were development works including the construction of the Soledad-Dipolos project, acquisition of new equipment at the mines, purchase of land and several leaching circuit optimisation projects carried out at the Ciénega and Herradura mines.

Dividend

The final dividend will be approved at the next board meeting, scheduled for 28 April, and communicated thereafter to shareholders. It is intended that it will be paid following the AGM in line with the previous year, and the exact date together with the record date for entitlement will be communicated at the same time as the amount. The dividend will be in line with the company's stated dividend policy.

Directors

The names and functions of the directors and senior management team of Fresnillo plc are as listed in the Fresnillo Group's Annual Report for 2008. A list of current directors is maintained on the Group website: www.fresnilloplc.com.

Responsibility Statement of the Directors

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

a) the financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; 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

1 March 2010

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

	Note	Year ended 31December 2009	2008
		(US$ thousands)	
Continuing operations:			
Revenues	4	849,944	720,483
Cost of sales	5	(321,629)	(299,872)
Gross profit		**528,315**	**420,611**
Administrative expenses		(49,867)	(81,679)
Exploration expenses		(49,063)	(53,483)
Other income		3,873	5,901
Other expenses		(4,502)	(7,769)
Profit from continuing operations before net finance costs and income tax		**428,756**	**283,581**
Finance income		1,664	8,861
Finance costs		(1,901)	(10,515)
Revaluation effects of Silverstream contract		19,401	-
Foreign exchange gain/(loss)		9,498	(14,570)
Profit from continuing operations before income tax		**457,418**	**267,357**
Income tax expense		(99,151)	(114,577)
Profit for the year from continuing operations		**358,267**	**152,780**
Attributable to:			
Equity shareholders of the Company		322,011	127,949
Minority interest		36,256	24,831
		358,267	**152,780**

	Note	2009	2008
Earnings per share: (US$)			
Basic and diluted earnings per ordinary share from continuing operations	7	0.449	0.186
Adjusted earnings per share: (US$)			
Adjusted basic and diluted earnings per ordinary share from continuing operations	7	0.430	0.186

Consolidated Statement of Comprehensive Income

	2009	2008
	(US$ thousands)	
Profit for the year	**358,267**	**152,780**
Net loss on cash flow hedges recycled to income statement	34,038	45,602
Tax effect of cash flow hedges recycled to income statement	(9,531)	(12,768)
Net unrealised gain/(loss) on cash flow hedges	3,918	(11,659)
Tax effect of unrealised gain/(loss) on cash flow hedges	(1,122)	3,264
Net effect of cash flow hedges	**27,303**	**24,439**
Fair value gain/(loss) on available-for-sale financial assets	22,880	(25,533)
Tax effect of fair value gain/(loss) on available-for-sale financial assets	(6,407)	7,149
Impairment of available-for-sale financial assets taken to income	-	4,936
Tax effect of impairment of available-for-sale financial assets taken to income	-	(1,382)
Net effect of available –for-sale financial assets	**16,473**	**(14,830)**
Foreign currency translation	292	(1,276)
Other comprehensive income for the period, net of tax	**44,068**	**8,333**
Total comprehensive income for the period, net of tax	**402,335**	**161,113**
Attributable to:		
Equity shareholders of the Company	366,079	136,282
Minority interest	36,256	24,831
	402,335	**161,113**

Consolidated Balance Sheet

	Year ended 31 December	
	2009	2008
	(US$ thousands)	
ASSETS		
Non-current assets		
Property, plant and equipment	688,718	497,844
Available-for-sale financial assets	68,435	45,530
Silverstream contract	256,059	286,968
Deferred tax asset	9,363	3,161
Other assets	504	185
	1,023,079	**833,688**
Current assets		
Inventories	33,783	38,639
Trade and other receivables	108,242	81,495
Derivative financial instruments	1,373	2,409
Prepayments	1,912	1,894
Silverstream contract	42,600	31,300
Income tax refunds due	20,167	–
Cash and cash equivalents	312,192	211,985
	520,269	367,722
Total assets	**1,543,348**	**1,201,410**
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/(losses) on cash flow hedges	895	(26,408)
Net unrealised gains/(losses) on available-for-sale financial assets	12,266	(4,207)
Foreign currency translation reserve	(1,095)	(1,387)
Retained earnings	513,691	285,195
	1,176,124	903,560
Minority interest	126,979	89,832
Total equity	**1,303,103**	**993,392**
Non-current liabilities		
Provision for mine closure cost	35,513	18,951
Provision for pensions and other post-employment benefit plans	5,811	3,499
Other liabilities	4,811	4,552
Deferred tax liability	119,944	91,395
	166,079	**118,397**
Current liabilities		
Trade and other payables	48,286	42,665

Derivative financial instruments	95	14,068
Income tax	-	15,259
Employee profit sharing	25,785	17,629
	74,166	**89,621**
Total liabilities	**240,245**	**208,018**
Total equity and liabilities	**1,543,348**	**1,201,410**

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2009	2008
		(US$ thousands)	
Net cash from operating activities	10	**390,712**	**414,666**
Cash flows from investing activities			
Purchase of property, plant and equipment		(250,447)	(185,024)
Purchase of available-for-sale financial assets		(25)	(39,752)
Proceeds from the sale of property, plant and equipment and other assets		1,044	16,057
Loans granted to related parties		-	(321,538)
Proceeds from repayment of loans granted to related parties		-	353,980
Silverstream contract		39,010	31,732
Interest received		1,665	8,861
Other proceeds		3,526	5,030
Net cash used in investing activities		**(205,227)**	**(130,654)**
Cash flows from financing activities			
Loans granted by related parties		-	782,652
Repayment of loans granted by related parties		-	(1,238,102)
Capital contribution		891	2,118
Dividends paid		(93,623)	(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)
Interest paid		(105)	(9,319)
Net cash used in financing activities		**(92,837)**	**(57,088)**
Net increase in cash and cash equivalents during the year		92,648	226,924
Effect of exchange rate on cash and cash equivalents		7,559	(19,741)
Cash and cash equivalents at 1 January		211,985	4,802
Cash and cash equivalents at 31 December		**312,192**	**211,985**

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	Minoriry interest	Total equity
	Attributable to equity holders of the Company									
	(US$ thousands)									
Balance at 1 January 2008	634,270	–	(526,910)	(50,847)	10,623	(111)	293,133	360,158	62,883	423,041
Profit for the year	–	–	–	–	–	–	127,949	127,949	24,831	152,780
Other comprehensive income/(loss), net of tax	–	–	–	24,439	(14,830)	(1,276)	–	8,333	–	8,333
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**
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/(loss), net of tax	–	–	–	27,303	16,473	292	–	44,068	–	44,068
Total income and expense 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**

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").

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. Copies of Peñoles' accounts can be obtained from www.penoles.com.mx.

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 consolidated financial statements of the Group for the year ended 31 December 2009, were authorised for issue by the Board of Directors of Fresnillo plc on 1 March 2010. 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 three fully developed operating mines: Fresnillo, Herradura and Ciénega, and has completed the development of a fourth, Soledad-Dipolos during 2009.

2 Significant Accounting Policies

(a) Basis of preparation and statement of compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the years ended 31 December 2009 and 2008, and in accordance with the provisions of the Companies Act 2006. The Consolidated financial statements are also consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Company became the holding company for the Group pursuant to the Pre-IPO Reorganisation completed 18 April 2008, as detailed in Note 1. 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 year ended 31 December 2008 which presents the results of the Group's businesses as if the Company had always been the holding company.

The consolidated financial statements have 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 consolidated financial statements are presented in US dollars (US$) and all values are rounded to the nearest thousand ($000) except when otherwise indicated.

(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 2008 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 7 'Financial instruments: Disclosures',* is applicable for annual periods beginning on or after 1 January 2009. The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1, Level 2 and Level 3 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

- *IFRS 8 'Operating Segments',* is applicable for annual periods beginning on or after 1 January 2009. This standard introduces the "management approach" to segment reporting. IFRS 8, requires the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker, as defined in IFRS 8, in order to assess each segment's performance and to allocate resources to them. The adoption of this standard has given rise to additional disclosures set out in note 3, including the related comparative information.

- *IAS 1 (Revised) 'Presentation of Financial Statements',* is effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity now includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

- *IAS 23 Amendment, 'Borrowing Costs (revised in March 2007)'*, is applicable for annual periods beginning on or after 1 January 2009. IAS 23 (Revised) has removed the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise borrowing costs as part of the cost of such assets. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. This amendment has not impacted the Group, as the Group's current policy is to capitalise borrowing costs on qualifying assets.

3 Segment Reporting

For management purposes the Group is organised into operating segments based on mining projects, and therefore has three reportable operating segments, representing the Group's three 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; and,
- The Herradura mine, located in the State of Sonora is an open pit gold mine.

No operating segments have been aggregated to form the above reportable operating segments, however, other 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 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 Cienega segments below. In 2008 all revenue was derived from customers based in Mexico. 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 2009 and 2008, respectively.

Year ended 31 December 2009

(US$ thousands)	Herradura	Cienega	Fresnillo	Other	Eliminations	Total
Revenues excluding treatment and refining charges and hedging:						
Third party	245,565	126,735	498,572	-	(20,928)	849,944
Inter-Segment	-	-	-	17,385	(17,385)	-
Segment revenues	245,565	126,735	498,572	17,385	(38,313)	849,944

Segment Profit	160,635	92,247	464,494	18,483	(14,246)	721,613
Hedging						(31,863)
Treatment and refining charges						(69,227)
Depreciation						(67,227)
Employee profit sharing						(24,981)
Gross profit as per the income statement						528,315

Profit before tax	113,874	19,926	293,340	271,434	(241,156)	457,418
Gain/ (loss) on disposal of property, plant and equipment	94	114	(16,010)	105,955	(90,297)	(144)
Segment assets (1)	207,318	127,970	263,342	204394	(114,306)	688,718
Capital expenditure (2)	64,813(3)	41,665(4)	34,628(5)	107,768(6)	1,573	250,447

(1) Segment assets only include property, plant and equipment.
(2) Capital expenditure consists of additions of property, plant and equipment, excluding additions relating to changes in the mine closure provision.
(3) Capital expenditure relates to equipment such as dump trucks, wheel loaders and mine development activities.
(4) Capital expenditure relates to mine development work including work on a tailing dam and shaft sinking.
(5) Capital expenditure relates to mine development work including a shaft, waste waters treatment plant and raise boring equipment.
(6) Capital expenditure relates to the Soledad–Dipolos and Saucito mine developments including hoisting equipment and ramp and shaft developments.

Year ended 31 December 2008

(US$ thousands)	Herradura	Cienega	Fresnillo	Other	Eliminations	Total
Revenues excluding treatment and refining charges and hedging:						
Third party	192,237	118,070	451,554	55	(41,433)	720,483
Inter-Segment	-	-	-	21,169	(21,169)	-
Segment revenues	192,237	118,070	451,554	21,224	(62,602)	720,483

Segment Profit	109,788	63,591	415,961	40,250	(16,761)	612,829
Hedging						(45,602)
Treatment and refining charges						(73,522)
Depreciation						(51,906)
Employee profit sharing						(21,188)
Gross profit as per the income statement						420,611

Profit/ (loss) before tax	71,095	(204)	218,111	(45,197)	23,552	267,357
Gain/ (loss) on disposal of property, plant and equipment	225	(527)	(11,533)	4,540	8,314	1,019
Segment assets (1)	164,324	97,037	142,548	99,131	(5,196)	497,844
Capital expenditure (2)	74,742(3)	27,183(4)	28,757(5)	54,342(6)	-	185,024

(1) Segment assets only include property, plant and equipment.
(2) Capital expenditure consists of additions of property, plant and equipment, excluding additions relating changes in the mine closure provision.
(3) Capital expenditure relates to the acquisition of the Noche Buena gold project, dump trucks, and investment in the maintenance worskshop.
(4) Capital expenditure relates to mine development work, scoop equipment, land and raise boring equipment.
(5) Capital expenditure relates to mine development work, scoop equipment, land and raise boring equipment.
(6) Capital expenditure relates to the Soledad–Dipolos and Saucito mine developments.

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	
	2009	*2008*
	(US$ thousands)	
Lead concentrates (containing silver, gold, lead and by-products)	573,594	529,283
Doré and slag (containing gold, silver and by-products)	245,822	192,509
Zinc concentrates	38,324	28,131
Precipitates	16,990	16,162
Effects of hedging	(24,786)	(45,602)
	849,944	**720,483**

In 2009 all lead concentrates, precipitates, doré and slag, were sold to Peñoles' metallurgical complex for smelting and refining, aside from a minimal amount of product sold to a third party. In 2008 all product was sold to Peñoles.

(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 2009 the Group has recognised a profit of US$24.0 million (2008: loss of US$18.2 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	
	2009	*2008*
	(US$ thousands)	
Silver(1)	529,626	460,031
Gold(2)	334,169	276,963
Zinc(3)	28,282	26,725
Lead(4)	27,094	30,286
Value of metal content in products sold	919,171	794,005
Adjustment for treatment and refining charges	(69,227)	(73,522)
Total revenues(5)	849,944	720,483

(1) Includes hedging losses of US$nil (2008: US$19 million)
(2) Includes hedging losses of US$25 million (2008: US$26.6 million)
(3) Includes gains of US$0.1 million (2008: US$nil)
(4) Includes gains of US$0.1 million (2008: US$nil)
(5) 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 2009 the Group has recognised a profit of US$24.0 million (2008: loss of US$18.2 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	
	2009	*2008*
	(US$ per ounce)	
Gold	988.9	879.3
Silver	15.3	14.7

5 Cost of sales

	Year ended 31 December	
	2009	*2008*
	(US$ thousands)	
Depreciation	67,227	51,906
Personnel expenses	60,349	59,986
Maintenance and repairs	39,251	41,326
Operating materials	47,110	50,363
Energy	35,257	37,800
Contractors	31,905	32,701
Freight	6,143	7,313
Mining rights and contributions	4,633	5,016
Loss on foreign currency hedges	7,077	-
Change in work in progress and finished goods (ore inventories)	12,944	3,466
Other	9,733	9,995
	321,629	**299,872**

6 Income tax expense

a) The major components of income tax expense are:

	Year ended 31 December	
	2009	*2008*
	(US$ thousands)	
Consolidated income statement:		
Current income tax:		
Current income tax charge	110,427	146,762
Amounts overprovided in previous years	(6,108)	(1,619)
Credit for income tax paid on dividends	-	(12,559)
IETU(1) in excess of income tax	249	-
Recognition of previously unrecognised tax losses	(12,946)	-
	91,622	132,584
Deferred income tax:		
Origination and reversal of temporary differences	13,189	(18,007)
Changes to future tax rates(2)	5,082	-
Recognition of previously unrecognised tax losses	(757)	-
Amounts overprovided in previous years	(4,432)	-
Revaluation effects of Silverstream contract	(5,432)	-
	7,529	(18,007)
Income tax expense reported in the income statement	**99,151**	**114,577**

(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, 2011 and 2012 will be 30%, the tax rate for 2013 will be 29% and the tax rate for 2014 will be 28%. The deferred taxes have been calculated at the rate applicable to the year the amounts are expected to materialise.

	Year ended 31 December 2009	2008
	(US$ thousands)	
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	(9,531)	(12,768)
Net loss arising on valuation of cash flow hedges	(1,122)	3,264
Unrealised (gain)/ loss on available-for-sale assets	(6,407)	5,767
Income tax (gain)/ expense reported in equity	**(17,060)**	**12,222**

(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 2009	2008
	(US$ thousands)	
Accounting profit before income tax	457,418	267,357
Tax at the Group's statutory income tax rate 28.0% (2008: 28.0%)	128,077	74,860
Expenses not deductible for tax purposes	1,547	364
Inflationary uplift of the tax base of assets and liabilities	(4,787)	(4,244)
Tax losses arising in the year not recognised	-	7,234
Recognition of previously un-recognised tax losses	(13,703)	-
Current income tax overprovided in previous years	(6,108)	(1,619)
Deferred income tax overprovided in previous years	(4,553)	-
Put option closed prior to maturity	(4,105)	-
Tax credit not previously recognised on past dividends	-	(12,559)
Tax depreciation de-recognised	1,029	3,054
Changes to future tax rates	5,082	-
Exchange rate effect on tax value of assets and liabilities	1,034	8,010
Non-deductible asset disposals	3,229	7,062
Non-deductible/non-taxable foreign exchange gains or losses	(5,491)	30,891
Inflationary uplift of tax losses	(1,141)	-
IETU in excess of income tax	249	-
Other	(1,208)	1,524
Tax at the effective income tax rate of 2009: 21.7% (2008: 42.9%)	**99,151**	**114,577**

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 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 2009 and 2008, earnings per share have been calculated as follows:

Year ended 31 December

	2009	2008
Earnings:		
Profit from continuing operations attributable to equity holders of the Company (*US$ thousands*)	322,011	127,949
Adjusted profit from continuing operations attributable to equity holders of the Company (*US$ thousands*)	308,042	127,949

Adjusted profit is profit as disclosed in the Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$19.4 million gain (US$14.0 million net of tax) (2008: US$ nil).

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	687,688

Earnings per share:		
Basic and diluted earnings per share (US$)	0.449	0.186
Adjusted basic and diluted earnings per ordinary share from continuing operations (US$)	0.430	0.186

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 2009 total proceeds received were US$39.0 million (2008: US$31.7 million), corresponding to 3.0 million ounces of payable silver (2008: 2.5 million ounces).During the year revaluation effects of US$19.4 million gain were taken to income (2008: US$nil).

A reconciliation of the beginning balance to the end balance is shown below:

	(US$ thousands)
Balance at 1 January 2009:	**318,268**
Cash received	(39,010)
Remeasurement gains recognised in profit and loss	19,401
Balance at 31 December 2009:	**298,659**

9 Related party balances and transactions

The Group had the following related party transactions during the years ended 31 December 2009 and 2008 and balances as at 31 December 2009 and 2008. During 2008, and as a result of the initial public offering of the Group, related party receivables and payables with members of the Peñoles Group have been settled other than related party trade receivables arising from the sale of the Group's products to Met-Mex Peñoles S.A.B. de C.V., with whom trade is continuing.

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 As at 31 December		*Accounts Payable As at 31 December*	
	2009	*2008*	*2009*	*2008*
		(US$ thousands)		
Trade:				
Met-Mex Peñoles, S.A. de C.V.	89,391	60,423	–	–
Other	434	68	375	668
Sub-total	89,825	60,491	375	668
Less-Current portion	89,825	60,491	375	668
Non-current portion	-	–	-	–

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

Other balances with related parties:

	Year ended 31 December	
	2009	*2008*
	(US$ thousands)	
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	298,659	318,268

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, the Company's parent, are as follows:

	Year ended 31 December	
	2009	*2008*
	(US$ thousands)	
***Income*:**		
Sales:[(1)]		
Met-Mex Peñoles, S.A. de C.V.	821,578	773,704
Interest on loans to related parties:		
Industrias Peñoles, S.A.B. de C.V.	-	1,863
Other	-	13
	-	1,876
Other income	659	2,820
Total income	**822,237**	**778,400**

(1) Figures do not include hedging losses.

	Year ended 31 December 2009	2008
	(US$ thousands)	
***Expenses*:**		
Administrative services:		
Servicios Industriales Peñoles, S.A. de C.V.	30,308	44,825
Servicios de Exploración, S.A. de C.V.	1,678	3,324
	31,986	48,149
Trademark royalties:		
Industrias Peñoles, S.A.B. de C.V.	-	31,232
Realised result on derivatives:		
Energy:		
Termoelectrica Peñoles, S. de R.L. de C.V.	17,785	17,038
Interest on loans from related parties:		
Minas Peñoles, S.A. de C.V.	-	5,864
Industrias Peñoles, S.A.B. de C.V.	-	3,064
	-	8,928
Operating materials and spare parts:		
Wideco Inc	2,977	2,870
Equipment repair and administrative services:		
Serviminas, S.A. de C.V.	2,427	2,241
Met-Mex Peñoles, S.A. de C.V.	1,563	1,891
	3,990	4,132
Other expenses:	8,366	9,555
Total expenses	65,104	121,904

10 Notes to the Consolidated Cash Flow Statement

	Year ended 31 December 2009	2008
	(US$ thousands)	
Reconciliation of profit for the year to net cash generated from operating activities		
Profit for the year	358,267	152,780
Adjustments to reconcile profit for the period to net cash inflows from operating activities:		
Depreciation	67,227	51,906
Employee profit sharing	24,981	21,188
Deferred income tax	7,529	(18,007)
Income tax expense	91,622	145,143
Credit for income tax paid on dividends	-	(12,559)
Gain on sale of mining assets	-	(1,391)
Loss on the sale of property, plant and equipment and other assets	144	372
Other expenses	485	2,887
Net finance costs	237	1,654
Foreign exchange (gain)/losses	(9,498)	14,570
Difference between pension contributions paid and amounts recognised in the income statement	2,174	1,614

	Year ended 31 December	
	2009	*2008*
	(US$ thousands)	
Non cash movement on derivatives	25,018	45,602
Changes in fair value of Silverstream	(19,401)	-
Working capital adjustments		
(Increase)/decrease in trade and other receivables	(50,495)	118,384
Decrease/(increase) in prepayments and other assets	1,643	(1,102)
Decrease/(increase) in inventories	4,856	(2,158)
Increase in trade and other payables	6,162	14,430
Cash generated from operations	**510,951**	**535,313**
Income tax paid	(102,347)	(96,404)
Employee profit sharing paid	(17,892)	(24,243)
Net cash from operating activities	**390,712**	**414,666**

Annual Report and Accounts 2009

Fresnillo plc will publish on or around 29 April 2010 its Annual Report and Accounts for the year ended 31 December 2009 on its corporate website www.fresnilloplc.com and intends to distribute copies to shareholders at the same time.

Principal risks and uncertainties

STRATEGIC

Risk	Mitigation / control
Depletion of reserves at existing mines and development projects, combined with no new mineral deposits identified, which would impact the Company's growth projections and production capabilities.	• Company's exploration programme has been intensified, including a doubling of the budget in regional properties and areas of influence • Long-term exploration programme • Highly trained and experienced exploration team
Delays in obtaining access to the land for performing exploration/mining activities, caused by complex or unsuccessful negotiations with *ejidos* (cooperative landowners).	• Engagement with government agencies and communities • Hiring of personnel with specific expertise • Purchases of surface land at and near our projects at an early stage
Difficulty in **finding and/or retaining personnel** with the requisite knowledge, skills and experiences for key positions, particularly when competition for such personnel is greater during periods of expansion in the mining industry.	• Talent identification plan deployed • Ongoing training programme linked to a succession plan and development programme • Ongoing recruitment strategy
Internal union conflicts at the national level may cause temporary stoppages or discontinue operations, even when the source of those conflicts is not related to local labour contracts and/or working conditions at Fresnillo plc.	• 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
Security related risks such as drug cartels, kidnapping, thefts, etc., which have increased markedly in Mexico over the past year, could cause business interruptions resulting from their impact on personnel and property. While the Company, its employees, contractors and facilities are not necessarily specific targets, security issues have become pervasive in many parts of the country.	• Philosophy of no involvement with "power groups" • Prudence regarding unknown persons around our offices and operations • Security measures in place at the local level

OPERATIONAL

Risk	Mitigation / control
Lower ore grade extracted compared to planning stage estimates that could impact cash cost projections and production programmes.	• Capacity increases at mines and plants • Optimisation of recoveries at our plants • Ongoing search for deposits in areas of influence • Dilution control efforts
Difficulty in **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.	• Strategic redundancy programme maintains key parts in inventory • Long term contracts with suppliers
Continued upward trend in the **price of key operating materials** due to competitive demand and reliance on third party suppliers.	• Ongoing focus on productivity (lower per unit consumption and cost control) • Long term procurement programmes with key suppliers
Expensive or insufficient energy to meet demands of mining operations, due to reliance on CFE, the state-run electric utility.	• Evaluating feasibility of direct or indirect (JV/associations) investments in alternative energy programmes (wind and hydroelectric) • Generators installed in key operating equipment • Close communication with CFE
Accidents or irresponsible actions caused by the Company in the communities where it operates that may disrupt operations from a civil or legal perspective.	• Training in execution of civil contingency plans. • Compliance controls for the Group's Health, Safety, Environment and Community Relations System
Difficulties in obtaining permission from the Mexican Ministry of Defence for **the use of explosives**, due to the aforementioned security risks that have increased the military's control and management of explosives.	• Engagement with the Mexican military, close communication with authorities • Key personnel being added; training reinforced • Rigorous on site discipline to comply with regulations

FINANCIAL

Risk	Mitigation / control
Volatility in **silver and gold prices** that could impact the realised prices of the Company's production output, and in **exchange rates** that could impact peso-denominated production costs when converted into dollars.	• Silver and gold: None; the Company has committed not to hedge in order to allow investors full exposure to silver and gold prices • MXN/US$ exchange rate: selective hedging to protect against the adverse impact on the peso component of costs and expenses
Adverse changes in the tax law and/or new mining royalties, rights or duties that could impact the Company's profitability. Highly profitable companies and industries tend to attract more scrutiny in times of governmental budget constraints.	• Dialogue with key legislators via CAMIMEX (Mexican Mining Chamber) to influence Government decisions makers • Collaboration with peer group mining companies to engage with the Government regarding industry interests

COMPLIANCE

Risk	Mitigation / control
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 position in CAMIMEX to influence legislators to produce acceptable regulations • Monitoring of Government policies and political activists
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.	• Compliance controls for the Group's Health, Safety, Environment and Community Relations System • Enforcement of strict safety and health regulations; training • Zero tolerance programme for dangerous conditions