TRANSFORMING ADVERSITY

INTO OPPORTUNITY

2009 SUSTAINABILITY REPORT

PEÑOLES

MESSAGE FROM THE CEO

THE YEAR 2009 WAS ONE OF THE MOST CHALLENGING IN THE HISTORY OF INDUSTRIAS PEÑOLES:

In addition to confronting the global economic crisis, a strike paralyzed a very important operation in our business for more than two months - for reasons unconnected with the relationship between the Company and its employees.

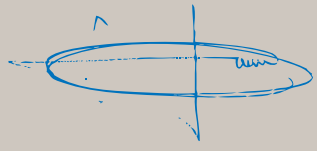
Faced with severe challenges, we broke with convention. Instead of laying off workers, we took advantage of the creativity of our employees that, combined with strict operating discipline focused on lowering production costs, integrating operations and increasing productivity, enabled us to strengthen our investments in Mexico.

We worked within our Organization to reinforce three fundamental pillars: operating efficiency, administrative discipline and personnel excellence. Together with the Chairman and the Executive Committee, the Company implemented a Strategic Plan in nine strategic areas: in Labor, Human Resources, Technology and Innovation, Administrative Excellence, Operating Excellence, Growth, Sustainable Development, Commercial and Finances.

In 2009 we reviewed and approved the Sustainable Development Policy that will govern our future priorities in the environment, safety, health, and social development. In looking at growth, we will continue to develop exploration projects both in our own mines and neighboring areas as well as in our areas of interest in Mexico, Peru and Chile. To strengthen our value chain, we are implementing a program to develop local suppliers. In addition, we are pushing ahead with institutional programs that will benefit communities adjacent to our operations under the focus of a culture of sustainability. With reference to eco-efficiency initiatives, we improved our consumption of critical supply items and invested in innovation projects such as the development of a wind park that will be constructed in the state of Oaxaca in 2010.

In spite of this adversity, we did not forget our long-term objective: "to add value to non-renewable natural resources in a sustainable manner," by increasing productivity, developing our employees and making a commitment to sustainability. As in prior years, this Sustainable Development Report summarizes the principal actions taken in 2009 that enabled us to carry out our Mission and make daily progress toward the achievement of our Vision in overall congruity with our institutional values.

I want to express my appreciation for the confidence, invaluable support and guidance of the Chairman, and the members of the Board of Directors and the Executive Committee. Their dedicated involvement and participation were fundamental in overcoming the difficulties of this year and, above all, in building a basis for healthy, efficient and sustainable growth in the immediate future.



FERNANDO ALANÍS ORTEGA
CEO

ABOUT THIS REPORT

WITH OUR NINTH ANNUAL SUSTAINABLE DEVELOPMENT REPORT, WE REAFFIRM OUR COMMITMENT TO OPENNESS AND ACCOUNTABILITY TO OUR STAKEHOLDERS AND TO COMMUNICATE TO THEM THE SOCIAL, ENVIRONMENTAL AND ECONOMIC PERFORMANCE OF PEÑOLES DURING 2009.

- For the sixth consecutive year, our report was prepared in accordance with the Global Reporting Initiative (GRI) and for the fourth time pursuant to Version G3 and its Protocols and Indices, including those related to the Supplement for the Mining and Metallurgical Sector of the International Council for Mining and Metallurgy GRI version 2002.
- This report also constitutes the third Communication on Progress in compliance with the Global Compact of the United Nations.
- The contents were developed on the basis of Peñoles' Strategy of Sustainable Development and divided into four main topical headings: environment, health, safety and social development, as well as on the relationship with our stakeholders: shareholders, suppliers, customers, personnel and neighboring communities.
- In order to give greater substance and transparency to our information, for the fifth consecutive year we submitted our report for verification to PricewaterhouseCoopers (PwC).
- The data contained in this report are limited to the key businesses and operations of Peñoles in Mexico —Exploration, Engineering and Construction, Mines and Metals-Chemicals— although in certain sections other support areas and subsidiaries are included, particularly in the corporate area and associated companies.
- In comparison with prior reports, the content and scope of the information in this document may have been modified to correct certain errors in the management of the data.

GRI Report

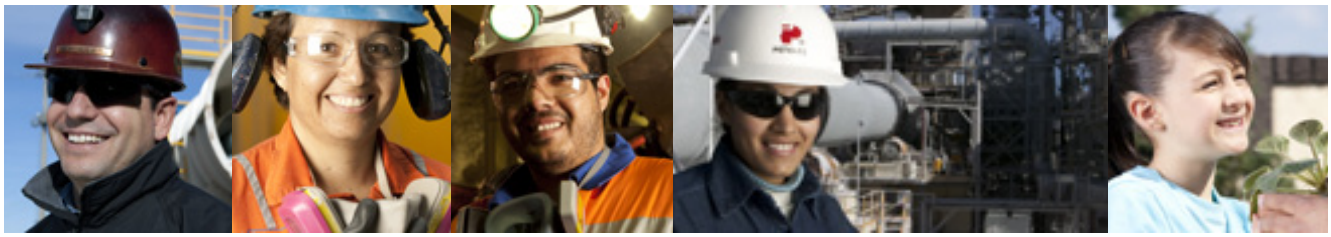
Peñoles conducted a self-evaluation of this report and obtained a grade of **A+** under the criteria and definitions of the Global Reporting Initiative (GRI-G3).

Notes:

- The data in this report includes solely information on the operations of Peñoles and not of its affiliates unless otherwise indicated.
- Figures are expressed in Mexican pesos unless otherwise indicated.
- This report is available on our Internet website: www.penoles.com.mx.
  Please visit this website to obtain additional information about our processes, products and financial performance and to access our sustainability reports.
- We welcome your comments at the following email address: penoles_sustentable@penoles.com.mx.

Corporate Offices:

Corporativo BAL
Moliére # 222. Col. Los Morales, Sección Palmas
11540 México, D.F., México
Tel.: + 52 (55) 5279 3000
Fax: + 52 (55) 5279 3014



CONTENTS

CORPORATE PROFILE

FOR PEÑOLES, SUSTAINABILITY IS A KEY FACTOR IN THE COMPANY'S LONG-TERM CONTINUITY.

Corporate profile

- Industrias Peñoles is a mercantile company legally formed under the laws of the United Mexican States and is part of Grupo BAL, a private, diversified consortium of independent Mexican companies. Its shares have been listed on the Mexican Stock Exchange since 1968.

- Since its founding in 1887, Peñoles has diversified its operations and, in addition to mining, these now include the smelting and refining of non-ferrous metals and the production of inorganic chemicals.

- The Company has associated companies among which are BAL-ONDEO and its affiliates in the management of municipal potable water systems, sanitation services and wastewater treatment; the short-line Coahuila-Durango railroad that services the chemical operations of Peñoles; and Terminar, a maritime terminal that handles exports.

- The corporate offices of the Company are located in Mexico City.

Organization structure

Peñoles is structured into three operating divisions, two divisions to drive growth processes and nine support divisions:

OPERATING DIVISIONS:
- Mines
- Metals - Chemicals
- Infrastructure

DIVISIONS FOR GROWTH PROCESSES:
- Exploration
- Engineering and Construction

SUPPORT DIVISIONS:
- Finance
- Internal Auditing
- Legal Affairs
- Human Resources
- Administrative Services
- Commercial
- Energy and Technology
- Health, Safety and Environment
- Strategic Planning and Improvement Projects

Operating Units in Mexico

MINES
1. **Milpillas, in Santa Cruz, Sonora:** Peñoles' first important copper project.
2. **Bismark, in Ascensión and Ciudad Juárez, Chihuahua:** Zinc mine.
3. **Naica, in Delicias, Chihuahua:** Largest lead mine in Mexico.
4. **Sabinas, in Sombrerete, Zacatecas:** Lead, zinc and copper mine.
5. **Francisco I. Madero, in Morelos and Guadalupe, Zacatecas:** Largest zinc mine in Mexico.
6. **Tizapa, in Zacazonapan, State of Mexico:** Polymetallic mine, principally zinc.

METALS
1. **Met-Mex Peñoles, in Torreón, Coahuila:** The fourth largest non-ferrous metallurgical complex in the world and the largest producer of refined silver and metallic bismuth in the world; refined gold, lead and zinc, sulfuric acid and sulfur dioxide.

2 **Aleazin, in Ramos Arizpe, Coahuila:** Zinc alloys.
3 **Bermejillo, Durango:** Treatment of secondary lead products and production of copper and zinc sulfate and antimony trioxide.

CHEMICALS

1 **Química del Rey, in Ocampo, Coahuila:** Largest sodium sulfate plant in the world; magnesium sulfate and magnesium oxide.
2 **Fertirey, in Torreón, Coahuila:** Ammonium sulfate and ammonium bisulfite.
3 **Industrias Magnelec, in Ramos Arizpe, Coahuila:** Electric grade magnesium oxide, electro-smelting and specialty milling.

EXPLORATION

1 **Velardeña, in Cuencamé, Durango:** Zinc.
2 **Los Humos, in Caborca, Sonora:** Copper.
3 **Rey de Plata, in Teloloapan, Guerrero:** Zinc.

INTERNATIONAL

- **Peru.**
- **Chile.**

FOREIGN OFFICES

- **Peru:** Trujillo and Lima (Exploration)
- **Chile:** Santiago (Exploration)
- **Brazil:** Sao Paulo (Sales)
- **United States:** Stamford, CT (Sales)
- **United States:** Brownsville, TX (Purchasing)

EXPLORATION OFFICES IN MEXICO

1 **Hermosillo, Sonora.**
2 **Torreón, Coahuila.**
3 **Zacatecas, Zacatecas.**
4 **Toluca, State of Mexico.**

ASSOCIATIONS

- **Minera Tizapa:** Polymetallic mine, Peñoles (51%) and Dowa Mining and Sumitomo of Japan (49%)
- **Sulquisa:** Sodium sulfate mine in Spain, Peñoles (49%) and Minersa, España (51%)

PRINCIPAL CORPORATE SUBSIDIARIES

- **Coahuila-Durango Railway.**
- **BAL-ONDEO:** Municipal Services Potable water.
- **Termimar:** Maritime Terminal.

- **Fresnillo plc:** Precious Metals (created in 2008)

MINES

1 **Fresnillo, Zacatecas.**
2 **La Ciénega, Santiago Papasquiaro, Durango.**
3 **La Herradura, Caborca, Sonora.**

EXPLORATION OFFICES

1 **Chihuahua, Chihuahua.**

EXPLORATION PROJECTS

1 **Maguarichi, Chihuahua.**
2 **Orysivo, Chihuahua.**
3 **San Julián, Chihuahua.**
4 **San Juan, Durango.**
5 **Juanicipio, Zacatecas.**
6 **El Saucito, Zacatecas.**

2009 HIGHLIGHTS

Relevant changes in the corporate profile of Peñoles in 2009.

- There were no changes in the operating structure of the Organization, nor were there any significant project expansions or openings.
- There were no changes in the equity capital structure of the Company.
- There were changes in the corporate structure, however, attributable to mergers completed on December 21 that had no effect on operating and financial aspects; these were as follows:
  - Peñoles Corporate, Industrial Chemicals, Metals and Termimar were merged into Aleazin S.A. de C.V.
  - Química del Rey was merged into Magnelec S.A. de C.V.
  - Servicios Industriales Peñoles S.A. de C.V. was merged into Dolorey, S.A. de C.V.
- No effect was recorded in the operations and financial aspects.

SUSTAINABLE DEVELOPMENT

PEÑOLES OPERATES UNDER THE MOST DEMANDING ENVIRONMENTAL STANDARDS.

Focus on the management of sustainable development

Sustainable Development is a key factor in the business strategy of Peñoles to operate responsibly with the goal of achieving the harmonious integration of economic activities and objectives with the quality of life of our personnel, the neighboring communities and the preservation of the environment, assuring that the present needs of its stakeholder groups are satisfied without compromising the opportunity of future generations to attend to their own needs. Peñoles is convinced that sustainability is a good investment and an ongoing factor in its business.

Sustainable Development Policy

To guarantee operations that are productive, safe and respectful of the environment, based on a preventive culture for the protection of life, health and ecosystems in harmony with the community through an integrated management system of sustainable development and continuous improvement that, in addition to assuring compliance with commitments made to customers and others to whom we are obligated, guarantees compliance with legal requirements.

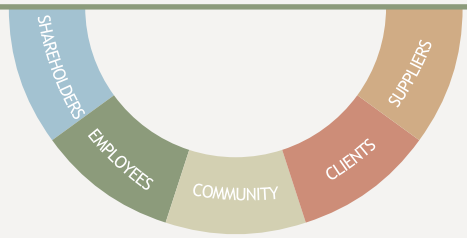
Referential framework

- ISO and OHSAS management standards.
- Sustainable Development framework of the International Council for Mining and Metals (ICMM).
- Principles of the Global Reporting Initiative (GRI).
- Principles of the United Nations Global Compact.
- Equator Principles.
- Decalogue of the Socially Responsible Company (CEMEFI).
- Life Cycle Analysis Tool (according to the stage of the Company).
- FM Global Standards.

Internal framework of standards

- Mission, Vision and Values.
- Company By-laws.
- Code of Conduct.
- Internal control and auditing policies (adopted in 2007).
- Normative electronic system: contains our policies and procedures grouped under six section headings:

1. Corporate Governance.
2. Human Resources.
3. Economic Resources.
4. Technology.
5. Operations
6. Materials Resources.



MISSION

To add value to non-renewable natural resources in a sustainable manner.

VISION

To be the best known Mexican company in the world in its sector for its global focus, the quality of its processes and the excellence of its people.

VALUES (CRIL)

- **CONFIDENCE**
  To firmly believe that all members of the Organization act consistently for the benefit of everyone.

- **RESPONSIBILITY**
  The capacity to respond correctly to the promises, commitments made and personal and work challenges.

- **INTEGRITY**
  To act with truth, rectitude and honesty with yourself and others.

- **LOYALTY**
  To be true to your own principles and those of the Organization.

The Pentagon of Stakeholders

- Industrias Peñoles has identified shareholders, customers, suppliers, employees and neighboring communities as its principal stakeholders.

- To reaffirm the commitment to its stakeholders, it fosters transparency and openness in the following participation and communication activities:

Shareholders	Annual Meeting of the Board of Directors and Shareholders' Meeting. Monthly and quarterly committee meetings. Reports of the Chief Executive Officer and executive meetings.
Employees	Management System. Code of Conduct. Periodic meetings. Talent Development System. Performance evaluation. Professional development, health and safety training. Opinion and labor climate surveys. Peñoles Plays Fair Program. Internal communication procedures.
Community	Social Development System. Monitoring methods and means. Socioeconomic diagnosis. Perception survey. Complaint resolution system. Meetings with social leaders. External communication procedures.
Customers	Customer Management System. Service and satisfaction surveys. Technical visits. Product catalogues. Certifications.
Suppliers	Training and institutional workshops. Suppliers Catalogue. Training and advisory services. Audit visits. Opinion surveys.

STAKEHOLDERS

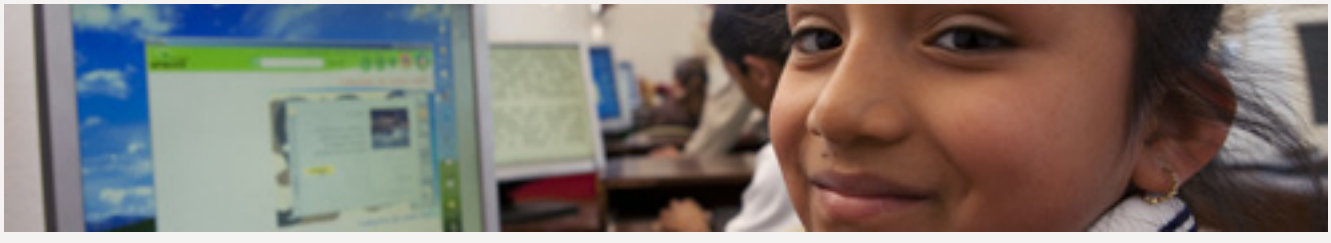
- **SHAREHOLDERS**
  To be the best long-therm investment option, with growth and profitability.

- **EMPLOYEES**
  To be the employment option of pride and dignity, for offering opportunities for development, respect and recognition in a secure environment of teamwork.

- **COMMUNITY**
  To be a socially responsible company, respectful of nature and a promoter of self-development.

- **CLIENTS**
  To be the strategic partner that offers comprehensive solutions and inspires confidence to do business with over the long term.

- **SUPPLIERS**
  To be a strategic partner in the value chain that establishes mutually beneficial relations for the long term.



SUSTAINABLE MAP / PRINCIPAL SUSTAINABLE DEVELOPMENT INITIATIVES

EXPLORATION
1 Los Humos, Caborca, Sonora.
2 Velardeña, Cuencamé, Durango.
3 Rey de Plata, Teloloapan, Guerrero.

MINES
1 Milpillas, Santa Cruz, Sonora. [1][4][5][6][7]
2 Bismark, Ascensión,Chihuahua. [3][6][7][8]
3 Naica, Saucillo, Chihuahua. [3][5][6][7]
4 Sabinas, Sombrerete, Zacatecas. [3][5][6][7][8]
5 Francisco I. Madero, Morelos y Guadalupe, Zacatecas. [1][3][5][6][7]
6 Tizapa, Zacazonapan, State of Mexico. [3][5][6][7][8]

METALS
1 Met-Mex Peñoles, Torreón, Coahuila. [1][2][5]
2 Aleazin, Ramos Arizpe, Coahuila. [1]
3 Bermejillo, Durango. [1]

CHEMICALS
1 Química del Rey, Ocampo, Coahuila: [1][*en construcción* 2][8]
2 Fertirey, Torreón, Coahuila: [1]
3 Industrias Magnelec, Ramos Arizpe, Coahuila: [1]

EXPLORATION OFFICES
1 Hermosillo, Sonora.
2 Torreón, Coahuila.
3 Zacatecas, Zacatecas.
4 Toluca, State of Mexico.

CORPORATE OFFICES
Mexico City.

TERMOELÉCTRICA PEÑOLES (TEP)
Tamuín, San Luis Potosí.

PRINCIPALES EMPRESAS SUBSIDIARIAS
Coahuila-Durango Railway.
BAL-ONDEO.
Termimar.
Fresnillo plc.

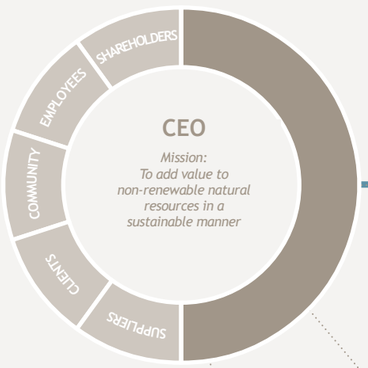
LEASED MINES
1 La Ojuela, Durango.

CLOSED MINES IN REHABILITATION
1 Cuale, Jalisco.
2 Sultepec, State of Mexico.

RESTORED MINES
1 Gochico, Sonora.
2 Reforma, Chihuahua, Sinaloa.
3 Talpa de Allende, Jalisco.

SUSTAINABILITY INITIATIVES
[1] Sewage water treatment plant.
[2] Solar collectors.
[3] Tailing dam restoration plan.
[4] Leaching pad restoration plan.
[5] Nursery.
[6] Mine closure plan.
[7] Study of biological traits.
[8] Forestation actions.
CIDT (Center for Research and Technological Development).

DIAGRAM OF PROCESSES / SUSTAINABILITY FLOW CHART



VP Internal Audit
Regulatory standards, corporate governance and ethics

VP Infrastructure
BAL-ONDEO and Coahuila-Durango railroad

VP Human Resources
Personnel and community development

Asst.VP Human Resources
Personnel selection & development, compensation

Asst. VP Communication & Sustainable Development
Sustainability Strategy Integration

Asst. VP Labor Union Relations
Labor modernization

EXPLORATION

VP Exploration

VP Engineering & Construction

ENGINEERING AND CONSTRUCTION

VP Administrative Services
Controllers Office and Fourth Financial Statement

Asst. VP Treasury and Financing
Risk Analysis

VP Finance
Finalcial Performance

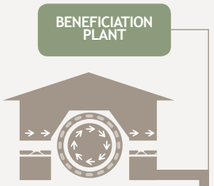
Asst. VP Supply
Suppliers

VP Internal Auditing
Regulation, corporate governance and ethics

Asst. VP Environment, Health and Safety
MASS Center

Environmental, Safety and Healt
(MASS) Provides services to all divisions

Asst. VP Strategic Planning
Peñoles Integral Management System



BENEFICIATION PLANT

MINING

EXTRACTION AND CONCENTRATION

UNDERGROUND MINE

OPEN PIT MINE

VP Mining

DOLOMITA MINE

HYDRAULIC MINING

VP Mining Operations
Sustainable mining operations and closure

Asst. VP Services
Mine closure and restoration in a sustainable manner

Asst. VP Community Outreach
Community relations

METALS

MET-MEX METALLURGICAL COMPLEX

SMELTING AND REFINING

Asst. VP Operations
Sustainability strategy in metals operations

Asst. VP Metals Operations
Metallurgical operations in a sustainable manner

VP Metals - Chemicals

VP Energy & Technology
Research and development of clean technologies and renewable energy sources

Asst. VP CIDT
Technological research and development

ALEAZIN

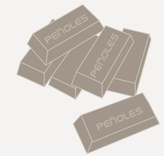
BERMEJILLO

LEAD-SILVER REFINERY

LEAD SMELTER

ELECTROLYTIC ZINC REFINERY

MARKETING



VP Marketing

Asst. VP Metals Marketing
Clients

Asst. VP Business Development
New business ventures

Asst. VP Chemicals Marketing
Clients

CHEMICALS

CHEMICAL PLANT QUÍMICA DEL REY

MAGNESIUM OXIDE PLANT

MAGNESIUM SULFATE PLANT

SODIUM SULFATE PLANT

FERTIREY: AMMONIUM SULFATE PLANT

ASTRAKANITE PLANT

INDUSTRIAS MAGNELEC

CHEMICAL PROCESSES

Corporate stance on climate change

- Peñoles is concerned about the economic, social and environmental consequences of the phenomenon of climate change and is a voluntary participant in the GHG Mexico Program sponsored by the Center for Private Center Studies for Sustainable Development (CESPEDES) and the Federal Government.

- The Company is an active participant in the discussion of the challenges and opportunities that climate change brings for Mexico.

- One of the Company's internal goals is to have 20% of the electricity required by Peñoles' operations provided from renewable sources by 2014. The projects necessary to advance toward this goal have already been determined and are being executed.

Research and development

- Peñoles conducts technological research and development to develop production processes with lower costs and environmental impacts. The Center for Technological Research and Development (CIDT) has 40 full-time researchers working on optimizing current processes, developing new applications for the company's products and conducting experiments to provide technical support for the design of new mines and metallurgical plants as well as expansion of existing facilities.

Sustainable exploration

- Peñoles takes the life cycle of mining units and remediation of environmental liabilities into account in its operations, including a progressive closure plan from the conception of a mining project.

- Peñoles observes its commitment to maintain reserve levels in operating mines and to identify new growth opportunities.

- The following environmental practices are incorporated in exploration, engineering and construction projects: exploration technology that is in the vanguard; strict control of liquid and solid residual wastes; continuous monitoring of protected natural areas; protection and rescue of endangered species; installation of water treatment plants; and structuring closure plans to include restoration and reforestation programs for impacted areas.

- The following practices have been incorporated in the social area: socioeconomic diagnoses; appropriate communication with government and communal authorities; and training for both employees and contractors.

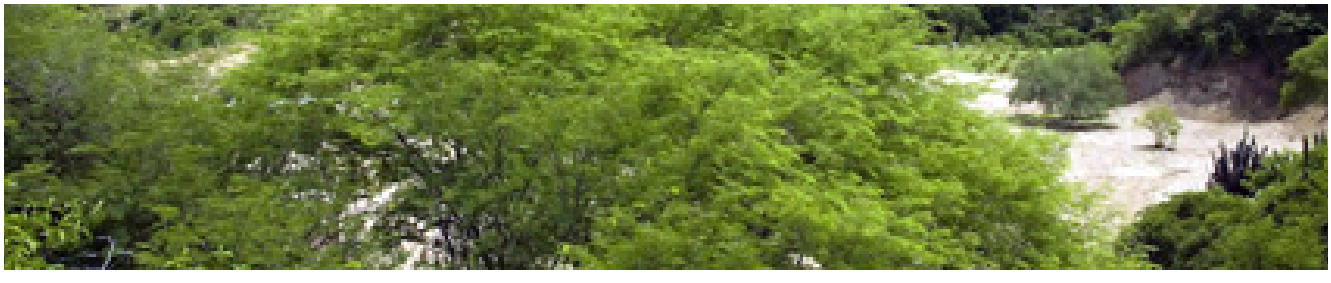
- The area of legal affairs provides agrarian communities and local communal property groups with the same treatment that others receive. Based on an understanding of sociopolitical factors and the constituent rights of local communities, the Company is committed to equitable negotiations and strict regulatory compliance.

- When surface land becomes necessary in the development of projects and expansions, there are open negotiations with the individual, communal or community owners; information is verified in public records; the legal form of acquisition is determined; internal authorizations for execution are obtained and carried out in accordance with the law. If the land is used for forestry, authorization is requested from environmental authorities to change the approved land use. The same process is followed in the case of water usage.

- Upon prior approval of the agreement for possession or execution of the contract providing for the right to use land in common use by communal property owners and, depending on the type of surface land, a special clause is included providing that the Company is obligated to follow procedures with the appropriate authorities that are necessary to obtain to change the use of the land both for lands in common use as well as lands that have been subdivided or are privately owned.

Sustainable mine closings

- With respect to the subject of environmental liabilities, the Company takes remediation actions at closed mines such as physical and chemical stabilization, visual compatibility, soil improvement and eco-technical work.



2009 HIGHLIGHTS

Principal Sustainable Development initiatives

- The Corporate Working Group on Sustainable Development was created in March that, beginning with an exhaustive strategic analysis, developed the Normative Framework of Sustainable Development throughout the year composed of the Policy on Sustainable Development and the Management Guidelines for the Environment, Health, Safety and Social Development.
- USD$1.4 million was invested in Risk Management activities that reduced the net exposure to loss of USD$340 million, both from direct damage to properties as well as business interruptions. The measures were implemented in plants and mining units on the basis of internal regulations, general prevention and the technology and experience of FMGlobal, a specialized engineering and risk prevention firm.
- There were no losses greater than USD$1 million in 2009 which strengthened the prevention of catastrophic tendencies.

Peñoles' position on climate change

- For the fifth time, Peñoles participated in the GHG Mexico Program and in the creation of the Business Vision of Climate Change sponsored by CESPEDES that was delivered to the Mexican Government on the eve of the negotiations at the Copenhagen Conference.
- Through Fuerza Eólica del Istmo S. A. de C. V., Peñoles is developing a wind park that will initially produce 50 MW of power from 20 wind turbines of 2.5 W capacity each in El Espinal, Oaxaca. The project was registered as a Clean Development Mechanism with the United Nations and received authorization to market its Certified Emissions Reductions (CER's) amounting to 133,350 tons of CO_2e annually. The wind park will commence commercial operations during the fourth quarter of 2010 and it is estimated that it will produce 214 million KWh per year. The towers and blades for the wind turbines were fabricated during the year and the Federal Energy Commission initiated construction of the high tension transmission line that will carry the energy to be generated.
- With the support of CONACYT, research commenced on the design and construction of a pilot solar energy concentrator to produce low pressure process steam (50 psi) for operations at Química del Rey. This solar concentrator could replace the use of natural gas and/or fuel oil in production units with a potential reduction in CO_2e emissions around 60,000 tons per year.
- Expenses and investments at the Center for Technology Research and Development and the energy area totaled USD$97.7 million.

Research and development

The following stand out among the activities of the CIDT:

- Nanotechnology: the first lots of a nanometric flame retardant were produced for plastic electric cables that will be launched in the European market at the end of the year. The pilot production plant was already transferred to the Strategic Business Unit for Advanced Materials.
- Sustainable process for the extraction of precious metals: design criteria were established for the construction of an electrochemical reactor with capacity of two tons per day.
- New Sodium Sulfate and Magnesium Oxide Process with low energy consumption: after having proven the PHLC process on a laboratory scale, the design and construction of the pilot plant was completed during the year to scale up the sub-processes to higher production levels. This process requires 40% less energy than the current process to produce higher quality Magnesium Oxide and take advantage of a material that is currently a waste residue.
- Long-term planning of metallurgical processes: an analysis was carried out of the different lead and zinc concentrates that will supply the metallurgical plants over the next twenty years. Because these new mines to supply concentrates will operate in new mineral orebodies, the composition of the concentrates will be different. Accordingly, the processing facilities in our plants will have to be adapted in order to operate in a sustainable manner in the environmental and economic areas.
- No significant financial support was received from the government during the year.

Exploration activities and mine closings

- A total of USD$67.7 million was invested in exploration with the principal projects being Velardeña, Durango (zinc); Rey de Plata, Guerrero (zinc-lead-copper-silver-gold) and Racaycocha, Peru (copper-gold).
- Drilling totaled 65,000 meters in these three projects during the year.
- With the objective of preserving the environment and improving community relations, the Regional Exploration Management for Hermosillo, Torreón, Zacatecas and Toluca was recertified under the ISO14001:2004 Standard.
- There were no significant resettling or relocations of populations during the year, nor were there any incidents related to the rights of indigenous groups.
- A socioeconomic study was conducted in Rey de Plata to characterize the communities near the project. The most noteworthy actions were the construction and improvement of access roads; rehabilitation of impacted areas; planting of 3,000 maguey, 250 parota and 250 mahogany trees; and the support for the Ahuehuetla primary school in the form of waterproofing roofs, improving sports facilities, and the donation of uniforms and trophies to the communities of Tehuixtla, Ahuehuetla and Zacuapa.
- Support was provided in Velardeña for the construction and improvement of roads and embankments. In addition, there was the donation of supplies and uniforms to the primary school, picture frames for the museum in the locality and materials for the construction of the police station in the Vista Hermosa communal settlement.
- The Hermosillo Exploration Office participated in the Social Responsibility Program of Sonora by adopting the 5 de Mayo Primary School in which environmental awareness and forestation campaigns were conducted and improvements to the school's infrastructure were made.
- Sporting uniforms were donated at the Los Humos and Bacanora projects.
- For the remediation of closed and leased mines, $6.6 million was invested of which $364,000 was for environmental costs, environmental rehabilitative actions at Gochico (Sonora), Reforma (Sinaloa), Sultepec (State of Mexico), Monte (Hidalgo), Cuale (Jalisco) and Talpa (Jalisco). A noteworthy action was the support for the construction of 20 water retention dams at the communal village of Texcalama de Talpa de Allende, Jalisco, for the irrigation of its fields and fish cultivation by the inhabitants.
- Peñoles participated in the first Mine Closing Workshop organized by SEMARNAT.

2010 Challenges

- To disseminate and implement the normative framework of sustainable development in all the business units.
- To finish construction and initiate commercial operations of the wind park in Oaxaca.
- To conduct performance tests on the prototype solar energy concentrator in the first quarter of the year at Química del Rey and to establish the viability of continuing this line of research.
- The Sodium Sulfate and Magnesium Oxide production facilities will start operations during 2010 with low energy consumption to obtain the design criteria for engineering a plant to produce 20,000 tpy of Magnesium Oxide. If successful, the construction of this plant could begin in 2011.
- To assure that the best practices in the world are utilized in exploration activities and the remediation of environmental liabilities.

FINANCIAL HIGHLIGHTS

PEÑOLES MET ITS COMMITMENT NOT TO RETAIN ALL PERSONNEL DURING 2009.

Creation and redistribution of value.

- Peñoles is positioned as a profitable and socially responsible company that seeks economic, environmental and social balance to generate value in the Mexican economy.
- The Company prepares its Fourth Financial Statement annually a methodology that enables one to understand the redistribution of value generated by Peñoles among its stakeholders.

FINACIAL HIGHLIGHTS

	2008	2009	% Change
Sales	53,030,808	44,812,965	-15.5
Gross profit	12,212,435	13,857,623	13.5
Exploration expenses	1,038,764	910,186	-12.4
EBITDA [1][2]	8,944,182	10,437,837	16.7
Operating profit [2]	7,143,399	8,090,181	13.3
Net profit	6,764,319	5,198,273	-23.2
Capital expenditures	4,932,957	4,956,117	0.5
Cash and investments [3]	14,845,761	12,020,538	-19.0
Property, plant and equipment, net	24,808,495	26,277,789	5.9
Total assets	52,711,724	52,482,225	-0.4
Total long-term debt	8,349,257	5,913,056	-29.2
Total liabilities	22,070,722	18,912,745	-14.3
Total stockholder's equity	30,641,002	33,569,480	9.6
Shares outstanding at year-end	397,475,747	397,475,747	0.0
Earnings per share	17.02	13.08	-23.1
Dividends per share [4]	21.86	8.67	-60.3
Share price at year-end	168.73	278.84	65.3

Notes

Figures as of December 31, 2009 and 2008 in thousands of Mexican pesos (excluding share data, which are expressed in Mexican pesos). Includes the Fresnillo plc subsidiary.

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.

(2) From 2007 it includes Employees' Statutory Profit Sharing.

(3) Includes short-term and restricted investments.

(4) Integrated by a dividend of $6.29 per share paid on July 15th, 2009 and a dividend of $2.38 per share paid on November 5th, 2009.

2009 HIGHLIGHTS

Creation and redistribution of value in 2009

- In the context of a worldwide financial crisis, Peñoles maintained its commitment to assuring the competitiveness and profitability of the Company through the creation and distribution of value for its stakeholders. During the year, it generated 14,931 direct jobs and contracted with 4,656 suppliers located in eight states with a resulting economic benefit of $764 million per month.
- With a focus on reducing the consumption of critical supplies and optimizing energy costs, Peñoles successfully reduced cash costs at all mining units thanks to the efforts of its personnel.
- The information is set forth in the Financial Statements of Peñoles at December 31, 2009.

OUR CONTRIBUTIONS TO THE COMMUNITY AND ENVIRONMENT

($ thousands of Mexican pesos)

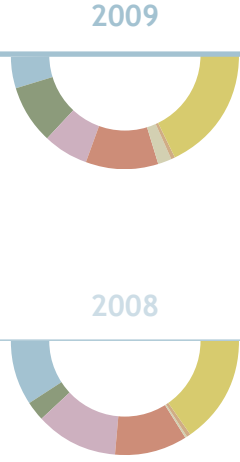
	2008	2009
Community	39,587	74,505
Environment	78,671	95,281
Depreciation of social assets	79,599	87,112
Provision of ecological expenses	46,175	36,247
Total Community and Environment	**244,032**	**293,145**

Includes the Fresnillo plc subsidiary.
Fixed asset goods for social use totaled $1,492 million.

FOURTH FINANCIAL STATEMENT

Generated Value	2008	%	2009	%
Sales	53,030,808	100.0	44,812,965	100.0
National costs	32,066,944	60.5	22,980,434	51.2
International costs	4,372,765	8.2	3,376,491	7.5
Subtotal	36,439,709	68.7	26,356,925	58.8
Generated Value in Operations	16,591,099	31.3	18,456,040	41.1
Fresnillo Added Value	16,243,410			
Total Generated Value	**32,834,509**	**100.0**	**18,456,040**	**100.0**

Distributed Value				
Employees	3,065,827	9.3	3,335,041	18.0
Taxes	5,362,224	16.3	1,033,032	5.6
Contractors	4,341,365	13.2	4,361,756	23.6
Shareholders	6,757,088	20.6	3,734,335	20.2
Financistas	1,292,277	3.9	71,867	0.3
Community and Environment	244,032	0.8	293,145	1.5
Retained in the Company	11,771,696	35.9	5,626,864	30.4
Total Distributed Value	**32,834,509**	**100.0**	**18,456,040**	**100.0**



Technical notes

Figures in thousands of Mexican pesos. Includes the Fresnillo plc subsidiary.

- The data reported for costs includes only tangible goods and services used in production.
- A distinction is made between domestic and international costs, depending if the goods or services were purchased in Mexico or imported from another country.
- The Retained item includes profits corresponding to the year 2009 that will be at the Board of Directors' disposal in accordance with the faculties delegated by the Shareholders' Meeting.
- In the Shareholder line, the dividends for 2008 correspond to extraordinary revenues generated in the same year due to the creation of Fresnillo plc.

MAP OF LOCAL SUPPLIERS IN 2009 / ECONOMIC IMPACT

COAHUILA
Total Direct Jobs: **4,705**
Local Suppliers: **1,495**
Economic Impact
(PS/Month): **$ 326,730,000**

CHIHUAHUA
Total Direct Jobs: **1,235**
Local Suppliers: **293**
Economic Impact
(PS/Month): **$ 45,850,000**

QUINTANA ROO
Total Direct Jobs: **844**
Local Suppliers: **156**
Economic Impact
(PS/Month): **$ 600,000**

ZACATECAS
Total Direct Jobs: **3,410**
Local Suppliers: **686**
Economic Impact
(PS/Month): **$ 153,490,000**

DURANGO
Total Direct Jobs: **939**
Local Suppliers: **459**
Economic Impact
(PS/Month): **$ 34,930,000**

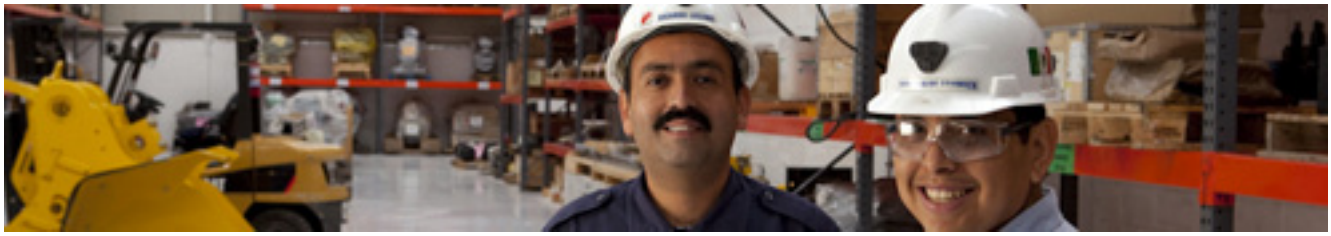
STATE OF MEXICO
Total Direct Jobs: **726**
Local Suppliers: **283**
Economic Impact
(PS/Month): **$ 18,750,000**

SONORA
Total Direct Jobs: **2,166**
Local Suppliers: **461**
Economic Impact
(PS/Month): **$ 83,800,000**

MEXICO CITY
Total Direct Jobs: **906**
Local Suppliers: **823**
Economic Impact
(PS/Month): **$ 100,100,000**

TOTAL
Total Direct Jobs: **14,931**
Local Suppliers: **4,656**
Economic Impact
(PS/Month): **$ 764,250,000**

ECONOMIC IMPACT: WAGES + SALARIES + LOCAL PURCHASES + LOCAL TAXES
The figures shown include the Fresnillo plc affiliate that has operations in Sonora, Zacatecas, Durango and offices in Chihuahua and the State of Mexico.



CORPORATE GOVERNANCE

PEÑOLES ASSURES THE APPLICATION OF ETHICAL BUSINESS PRACTICES THROUGH ITS CODE OF CONDUCT.

Compliance beyond the norm

- Peñoles insists on strict compliance with Mexican regulatory standards including the Securities Law;
- Complies with the Code of Best Corporate Practices of the Business Coordinating Council;
- Follows the internal control principles in the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- Subscribes to the United Nations Global Compact principles and publishes its Communication on Progress (CoP) annually;
- States its points of view before legislative bodies, competent authorities, state executives and business chambers on issues that promote legislative changes favorable to the country through politically cooperative negotiations and proposals concerning mining, agrarian and environmental subjects;
- Maintains prompt and informed communications with the plants and units with respect to the effectiveness of legal requirements.

Highest Governance Level

- Peñoles does not have a unitary management structure.
- The Highest Governance Level consists of the Board of Directors, an Executive Committee and Senior Management of different operating and executives divisions.
- The Board of Directors is composed of the following:
  - Chairman (who does not hold an executive position)
  - 16 Proprietary Directors and their respective alternates (of which four represent Shareholders)
  - 10 Independent Directors
  - 18 Related Directors
- The Secretary is not a member of the Board.
- The Board of Directors has the following committees:
  - Committee on Auditing and Corporate Practices: composed solely of Independent Directors and responsible for verifying the status of the internal control system and the process of issuing financial information. It also reviews the performance of the senior officers and transactions with related parties.
  - Nominating, Evaluation and Compensation Committee: validates the capacity and experience of members of the Board of Directors and recommends their compensation that is fixed at the Shareholders' Meeting according to law. Also conducts an evaluation of the officers and personnel in general.
- The Shareholders' Meeting evaluates and ratifies the activities of the Board of Directors and the Executive Committee reviews the economic, operating, social, environmental, human development and safety management monthly.
- A Compensation Policy exists for Senior Officers as well as a mechanism for communication between shareholders and employees and the Board.

Code of Conduct

- The Code of Conduct is the guide for the daily behavior of personnel in Peñoles in accordance with its Mission, Vision and Values that are aligned with the protection of human rights. Personnel reaffirm their commitment each year by letter and, pursuant to the internal control and auditing policies, an Honor Commission safeguards compliance.

"Peñoles Plays Fair" Program

- This is an institutional mechanism to promote transparent practices in all business units through a telephone line for reporting unethical conduct contrary to the Code of Conduct.
- Created in February 2007, this program is administered by an independent third party to assure anonymity and confidentiality in the cases reported.
- The Honor Commission is responsible for taking action in reported cases and deterring fraudulent actions.
- Programs are given each year to disseminate this mechanism among all personnel. It was also made available to customers and suppliers beginning in 2008.
- There are five ways to make reports:
  Telephone: **01 800 002 8477**
  Fax: **01 (55) 52 55 13 22**
  e-mail: **reporte@penolesjuegalimpio.com**
  Internet webpage: **https://www.penolesjuegalimpio.com**
  and by mail to post office box **CON-080.**

2009 HIGHLIGHTS

Corporate Governance in 2009

- The Company updated its framework of regulations through the creation of its Policy of Sustainable Development.
- The governance structure experienced no changes.
- There were no announcements during the year of cases against the Company related to monopoly practices and there were no fines or sanctions for failure to comply with economic or environmental regulations.
- In the area of social regulation, once the administrative procedure for imposing sanctions was established, six resolutions adverse to the interests of the companies in Grupo Peñoles were contested with the result that there were five positive outcomes and the remaining one is pending judgment.
- Requested agreements with communal landowners were entered into in a timely manner and form, and all authorizations, permits, concessions and licenses were obtained that were required for the lawful operation of plants and mining units.
- There were 51 negotiations during the year on land use with owners, agrarian communities and representatives of communal landowners.
- With reference to the anti-corruption program, "Peñoles Plays Fair" that was implemented in all business units, there were 14 cases in the following condition:

PEÑOLES PLAYS FAIR PROGRESS SINCE INCEPTION

Progress	Number
Hotline anti-corruption reports	53
Cases resolved	35
Cases under investigation	1
Cases not prosecuted for lack of evidence	17

REPORTS DISTRIBUTION IN 2009 ACCORDING TO CLASSIFICATION

Classification of cases	Frequency	Dismissed
Others	3	0
Benefits / unethical deals with suppliers	1	1
Deviation from policies	2	1
Discrimination	2	2
Abuse of authority	2	1
Harassment of employees	3	1
Conflict of Interest	1	In process
Total	14	6

- With the objective of promoting a culture of safe information management by electronic or physical means among employees, a campaign was extended in 11 business units based on dissemination through internal communications media and a workshop on awareness given to 434 persons.

2010 Challenges

- Implementing the Sustainable Development Policy together with the Management Guidelines on Environment, Health, Safety and Social Development.

ENVIRONMENTAL ASPECTS

OF THE TOTAL WATER CONSUMPTION, 47.6% WAS SEWAGE TREATED BY PEÑOLES.

Focus on environmental action

- Since 2009, the MASS Policy (Environment, Health and Safety) has evolved into the Policy on Sustainable Development with the following environmental objectives:

- Optimizing water consumption and minimizing residual discharges.
- Reducing and controlling atmospheric emissions.
- Minimizing the generation of residual wastes and adequate management/disposal of those that are generated.
- Protecting the flora and fauna in places where we operate.
- An environmental culture is promoted among personnel through publication in internal communications media of various environmental articles that allude to celebrations in the calendar of the United Nations Program for the Environment (PNUMA).

Consumption of electric energy and other fuels

- To optimize the consumption of electric energy, Peñoles focuses on self-sufficiency, cogeneration, systems to monitor and control demand, committees to save energy and the promotion of renewable sources.
- Since May 2004 Termoeléctrica Peñoles (TEP) has been supplying electric energy to the Company's operations.

Consumption of water resources and residual water discharges

- Peñoles is committed to utilizing water resources efficiently by increasing the use of treated residual water and reducing the demand for fresh or first use water over time.
- The fresh water that is consumed is determined on the basis of assigning volumes in accordance with water availability so that operations do not affect sources of supply.
- None of the business units discharge residual process waters and all water discharged by sanitary services are within the maximum limits established in the legal standards in effect so that operations do not affect the bodies of water in the places in which they operate.
- In certain units, a portion of the residual water is purified in septic tanks and filtered by means of absorption wells in accordance with applicable regulatory standards.
- It is common practice in Peñoles to utilize treated sewage water in its industrial processes from some of the communities where it operates. The most representative examples of this are the sewage treatment plants in Met-Mex Peñoles, Química del Rey and the Francisco I. Madero mining unit.
- The Company has systems to recycle and reuse water that enable it to take advantage of this resource to a high degree. The water from mines is recirculated and the only water consumed in operations is that lost by evaporation.
- In the beneficiation plants at the mines, water used to transport tailings to dams is recirculated in an ongoing manner.
- The mining units at Tizapa, Naica, Milpillas, Madero and Bismark have excess mine water, a portion of which is redirected to for agricultural and ranching activities of the inhabitants of neighboring communities.
- Since 1994, the Met-Mex metallurgical complex has ceased to supply itself with well water and utilized sewage water from the city of Torreón, Coahuila and its own sanitary services through a system of treatment plants. Currently, 10% of the sewage generated in Torreón city is treated.

- Química del Rey supplies itself with brackish water treated by reverse osmosis. Reject water is injected into the brine strata to assist in the extraction of Sodium Sulfate (one of the raw materials utilized in its processes) as well as reused in cooling towers.

- Bermejillo and Aleazin purify sewage water and use it in their processes or to irrigate green areas.

Control and reduction of atmospheric emissions

- Peñoles' operations incorporate practices to prevent atmospheric emissions and the Company not only complies with the levels in prevailing regulatory standards but exceeds them in many cases. The Company seeks to match its capacity to control emissions to the rate of growth in operations.

- The principal sources of the Company's emissions come from metallurgical and chemical processes. None of the operations has emissions with substances that deplete the ozone layer. To assure a high level of environmental performance, the Metals-Chemicals Division has solid control infrastructure with capacity to filter emissions that has reached 4,200,000 m^3 per hour. In addition, it has utilized an automatic monitoring network since 1992 that has been gradually upgraded with the latest technology.

- Since 1998, emissions of sulfur dioxide (SO_2) from metallurgical processes has complied with standard NOM-022-SSA1-1993 (0.13 ppm 24-hour average and 0.03 ppm annual average). Nevertheless, facilities have been the subject of continuous improvement with an internal goal of not exceeding an average of 1 ppm per minute in order to avoid bothering neighboring populations and to comply with increasingly strict standards. Lead emissions are likewise well below those established by standard NOM-022-SSA1-1993.

- Although the mining units do not generate significant atmospheric emissions, they try to contain the emission of fugitive dust. Roads are sprayed periodically and tailings dams are forested for the purpose of avoiding dust dispersion. The laboratories that analyze mineral samples and the Milpillas electrolysis plant have dust collectors and gas scrubbing facilities.

Materials and supplies and initiatives to optimize consumption

- The volume of mining and metallurgical waste residues in Peñoles is associated with the metallic content and impurities of the minerals being exploited. Practices and procedures have been developed for the management and disposition of residues and the Company is in compliance with the applicable provisions of Mexican legislation.

- Due to the magnitude of Peñoles' operations, its processes require significant quantities of raw materials and supplies such as brine, dolomite, limestone, common salt, drill steel, steel for roof bolting, minerals, explosives, blasting caps for explosives, cement, cyanide, grinding galls, special alloys (calcium-magnesium bonds), zinc concentrates, lead concentrates, metallurgical coke, petroleum coke, aluminum, tin and doré bullion.

- The Company explores the best practices to achieve optimum usage of materials and supplies. It searches for alternatives to take advantage of the use of resides generated by other companies as a raw material feedstock and to reduce the equivalent volume of minerals extracted from the subsurface. In this respect, there is value in such materials as the anodic sludge from electrolytic copper processing, the slag from the process of melting precipitates in the production of gold, and clean copper scrap from the production of zinc alloys.

- Although the Company contracts for authorized transport services for products and wastes, Peñoles verifies that these vendors follow acceptable criteria. Likewise, there are strategies for the prevention, control and restoration in the case of accidental spills of substances.

Recycling initiatives and responsible disposal of industrial and hazardous wastes

- The principal residual wastes from operations are tailings, jarosite, furnace grease, white mud, mullock, limestone ash, hydrated dolomite residues, dolomite fines, gypsum and various other hazardous residues.

- Peñoles does not export or import any type of hazardous residual wastes.

- Peñoles uses wood pallets for packaging the majority of its products that comply with respective phytosanitary standards but certain products are handled with plastic pallets that are 100% reusable, do not require strong fumigation and cost less. In some mines such as Madero, Flo-gins or metallic containers are used to ship zinc and copper sulfate in place of individual bags.

Peñoles and protection of biodiversity.

❖ None of the business units of Peñoles are located in or close to protected natural or high biodiversity areas so there is no impact on such areas. Nonetheless, in areas adjacent to its operations Peñoles takes actions to protect flora and fauna, particularly for those species included in the Red List of the International Union for the Conservation of Nature (IUCN) or in national protection lists.

Unit	Species		Status NOM-059-SEMARNAT-2001 and IUCN Red List
Química del Rey	Mule, White Tail and Alesnillo Deer	*Cervidae Odocoileus Hermionus*	Threatened
Aquismón	Soyate	*Beaucarnea Inermes*	No status
	Virgin's Palm	*Dioon Edule*	Threatened
Met-Mex	Cactus	*Coryphanta Durangensis*	Special protection
	Cactus	*Glandulicactus Uncinatus*	Threatened
	Yuca	*Yucca Thompsoniana*	No status
	Noa agave	*Victoria Reginae*	Threatened
Milpillas	Nogal	*Junglas Mayor*	Threatened
	Red-tailed eagle	*Buteo Jamaicensis*	Special protection
	Hawk	*Accipiter Cooperii*	Threatened
Tizapa	Cooper Hawk	*Accipiter Cooperii*	Special protection
Bermejillo	Northern fox	*Vulpes Velox Macrotis*	Threatened
	Cacomistle	*Procyonidae Bassariscus Astutus*	Threatened
	Tlalcoyote	*Mustelidae Taxidea Taxus*	Threatened
	Mule deer	*Cervidae Odocoileus Hermionus*	Threatened
Naica	Black tailed hare	*Leporidae Lepus Alleni*	Special protection
	Texan horned lizard	*Phrynosoma Cornutum*	Threatened
	Great deaf lizard	*Cophosaurus Texanus*	Threatened
	Texan duck	*Anas Amercana*	Threatened
	Brown crane	*Ardea Herodias*	Special protection
Velardeña	Dwarf goat	*Cophosaurus Texanus*	Threatened

2009 HIGHLIGHTS

- Peñoles invested $95.3 million in environmental matters, principally in environmental infrastructure.
- Of Peñoles' twenty operations**, thirteen operate with Clean Industry Certificates issued by PROFEPA. Fourteen operations have ISO14001:2004 certification in force and two are in the implementation stage. Nine operations have ISO9001 certification.

ISO 14001 AND CLEAN INDUSTRY CERTIFICATIONS

Division	Unit	Clean Industry Expiration	ISO 14000 Expiration
Exploration	Exploration	NA	2011
Projects	Velardeña	NA	NA
Chemicals	Química del Rey	In process of recertification	2010
Chemicals	Dolomite	NA	NA
Chemicals	Aquismón	NA	NA
Chemicals	Magnelec	NA	2010
Chemicals	Salinas del Rey	NA	NA
Metals	Fertirey	Action program in process	
		of recertification	2012
Metals	Met-Mex Smelter	In process of recertification	2012
Metals	Met-Mex Refinery	In process of recertification	2012
Metals	Met-Mex Zinc	In process of recertification	2012
Metals	Aleazin	In process of recertification	2012
Metals	Bermejillo	2011	2012
Infrastructure	Termimar	NA	2012
Mines	Bismark	2010	In process of recertification
Mines	Madero	Nov-2009. In authentication	2011
Mines	Milpillas	2011	In process of implementation
Mines	Naica	Proceedings initiated for	
		recertification as Minera Maple.	2011
Mines	Sabinas	2011	2012
Mines	Tizapa	In process of recertification	2011

Includes: Exploration, Velardeña, Química del Rey, Dolomite, Aquismón, Magnelec, Salinas del Rey, Fertirey, Met-Mex Smelter, Met-Mex Refinery, Met-Mex Electrolytic Zinc, Aleazin, Bermejillo, Termimar, Bismark, Madero, Milpillas, Naica, Sabinas and Tizapa.

- In coordination with SEMARNAT, Peñoles initiated implementation of the Environmental Leadership for Competitiveness program that places emphasis on eco-efficiency. Eleven business units and four service areas participated during the year and evaluated 25 projects.
- In July the Mining Chamber of Mexico and SEMARNAT renewed an agreement providing for coordinated actions to promote the preservation of natural resources. Peñoles is a member of this Chamber and adheres strictly to this agreement.
- Three environmental incidents were recorded and remediated immediately. On August 4 in Milpillas, a spill of 50m^3 of refined substances with a pH of 1.5 into a creek occurred due to the rupture of a pipe on the east side of the intermediate solution sump. On December 3 a truck coming from Naica overturned and spilled a small portion of lead concentrate at kilometer 186 + 800 on the Salvalza-Escalón highway in Chihuahua. In Sabinas, due to the rupture of a brake hose, a truck overturned and the canvas cover split re-

sulting in a spill of a small quantity of copper concentrates on the ground and access road to the village of San Martín covering 84 square meters. The truck driver picked up the material and disposed of it on the pads at Plant 2 for processing.

- No fines or sanctions for environmental reasons were reported during the year.

Energy conservation initiatives and consumption trends

- Peñoles required 240 MW of power on average during the year of which 89% was self-generated or obtained from cogeneration facilities.
- Of total electric energy consumed, 85.3% was obtained from Termoelectrica Peñoles (TEP), 3.7% from cogeneration in Química del Rey and Met-Mex and the remaining 11% from the Federal Electricity Commission (CFE).
- Total consumption of electric energy and fuels was 14.38 Giga joules (GJ), a figure that decreased in relation to 2008. Of total energy consumption, 47.8% was electric energy, 31.6% was natural gas, 9.0% metallurgical coke, 4.3% petroleum coke, 4.0% diesel fuel, 1.9% liquefied petroleum gas, 1.1% fuel oil, and 0.3% gasoline.
- The following stand out among the initiatives to reduce the consumption of fuels during the year:
  - Implementation of systems to monitor electricity demand in Química del Rey and Francisco I. Madero and the separation of monitoring by plant in Met-Mex. The foregoing provided information to identify efficiency projects for the Committees on Energy Savings.
  - A network of investigators was formed with personnel from Peñoles, and the Institutes of Technology of Monterrey and La Laguna as well from a local company that specializes in control and automation equipment.
  - A research project is in progress for the design and construction of a prototype solar energy concentrator to produce process steam for Química del Rey at low cost with the objective of taking advantage of solar energy. This project is 80% complete.
- In general terms for Peñoles, for each ton of production of the most important products in each business unit (for Metals or Chemicals) or in terms of mineral tonnage processed (in the case of mines), a lower quantity of electric energy and fuels was consumed in comparison to the 2005 – 2009 period, that is to say, more was produced at lower energy consumption.

USE OF ENERGY BY TYPE

Energy use percentage (%)

Source	2005	2006	2007	2008	2009
Electricity	42.8	44.7	39.2	47.3 *	47.8
Natural Gas	19.8	29.6	34.0	31.5 *	31.5
Metallurgical coke	10.1	9.4	8.5	9.6	9.0
Petroleum coke	2.0	4.9	8.0	4.4	4.3
Diesel	4.7	5.9	7.4	4.2	4.0
LP Gas	0.2	0.2	0.3	0.2	1.9
Fuel oil	19.8	4.4	1.8	2.0	1.0
Gasoline	0.3	0.4	0.5	0.4 *	0.2
Total	100.0	100.0	100.0	100.0	100.0

* Data from 2008 was modified because data from Magnelec, Aleazin and Madero was added in the following items: electricity from 47.43 to 47.39; Natural Gas from 31.51 to 31.39 and Gasolline from 0.40 to 0.41. Furthermore, Saucito was not included due to its change to Fresnillo plc.

INITIATIVES FOR EFFICIENT ENERGY CONSUMPTION

DIVISION Unit	Quantity saved GJ	Description of initiative
METALS		
Aleazin	n.d.	The aluminum furnace to utilize recycled aluminum was taken out of service.
Bermejillo	n.d.	Natural gas pre-heaters were installed in the Antimony Trioxide process to save energy
Met-Mex Refinery	n.d.	The Cooling Tower was replaced to save energy and water.
	1,319.84	A heat regenerator was installed in the kettles that will save approximately 41,650 m3/year.
Met-Mex	n.d.	The consumption of powdered zinc was reduced.
Zinc Plant	0.20	Three centrifugal pumps were replaced by peristaltic pumps in various processes that resulted in savings of electric energy.
Met-Mex Smelter	n.d.	The fan in baghouse 3 was replaced and the intermediate fan was eliminated.
	0.12	A pump was installed.
Fertirey	329.56	Equipment to save natural gas was installed (savings of 10,400 m^3/year).
Water treatment	n.d.	The ventilation fans in the water treatment plant were replaced.
	n.d.	The tempering area was automated.
Magnelec	n.d.	A peak hour control module was installed to avoid the operator starting the furnace at this time.
INFRASTRUCTURE		
Termimar	n.d.	The saving of electric energy in offices was encouraged.

ECO-EFFICIENCY INDICES IN ENERGY CONSUMPTION

	2005	2006	2007	2008	2009
Consumption of Energy and Electricity (GJ) / Production (tons)	1.75	1.70	1.67	1.48	1.46

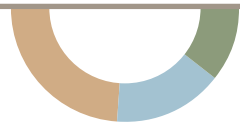
Water conservation initiatives and consumption trends

- A total of 6,920,376 m^3 of fresh water was consumed during the year for a reduction of 5.18% with respect to the prior year. The foregoing was due to the fact that operations in Peñoles have been working to replace fresh water gradually with water treated by the Company. This program increases the volume of recirculated water and represents an additional benefit for the communities in which the Company operates.
- Sewage treated by Peñoles accounted for 47.6% of water consumption while wells, springs and municipal systems provided 30.9% and the remaining 21.5% came from mine water.
- The most important other improvements in production processes were as follows:
  - Fertirey: modification of the ammoniacal water cistern to prevent ammoniacal solutions from infiltrating soils.
  - Zinc: reduction and reuse of process water to save water and energy.
- In general terms for Peñoles, water consumption per ton of the most important products in each business unit (for Metals or Chemicals) or in terms of mineral tonnage processed (in the case of mines) reflected an improving trend due to the initiatives taken to optimize the use of this resource, the improvements in production processes and the increase in sewage treatment.

WATER CONSUMPTION BY SOURCE TYPE

(m^3)

	2006	2007	2008	2009
First use water coming from mines	2,279,309	2,917,231	2,845,081	2,841,125
Well, spring or municipal supply water	3,481,834	3,063,794	4,454,656	4,079,250
Treated water	5,133,121	5,494,826	6,067,689	6,293,668
Total	**10,894,263**	**11,475,851**	**13,367,426**	**13,214,043**



ECO-EFFICIENCY INDICES IN WATER USAGE

	2005	2006	2007	2008	2009
Water use (m^3) / Production (tons)	0.72	0.70	0.65	0.74	0.70

Initiatives to control atmospheric emissions and trends

- The quantity of dust contained in the Metals-Chemicals Division increased thanks to more efficient equipment and growth in filtration capacity.
- There were five complaints from neighbors this year concerning the perception of odors from emissions and these were addressed in a timely manner. Among other improvements in production processes, the most important were as follows:

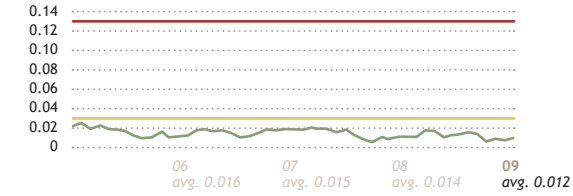
- Ventilation capacity of System 7 (Refining and Bismuth) was increased in the Refinery, baghouse 15 was replaced (Bismuth) and the bismuth warehouse area was re-roofed.
- In the zinc plant, a baghouse for the solvent extraction process was installed and the baghouses were replaced in the Electrolysis, Melting and Molds and Zinc- Cadmium sections.
- A No. 2 dust collector was installed in the Smelting Plant in the Sinter Milling area and ventilation capacity was increased with the replacement of vapor fans for the Furnaces in baghouse 3. In addition, the transport of dust from the baghouses and electrostatic precipitators was modified with a pneumatic system, confinement of the "L" area Sinter Ovens - Chilling was accomplished, and the lateral walls of the dome in the concentrates area were re-sided with windows. A system of suppressing discharge dust in the sampling room was installed to improve the ambient air inside the concentrates warehouse.
- In Bermejillo, hygienic ventilation was installed in the Antimony Trioxide area and the material in the filtration bags was changed in the baghouse.
- In Fertirey, the gas cleaning towers for the Ammonium Sulfate process were replaced – reducing total suspended particulates – as was the system of ammonia detectors in the electrochemical cells – that indicate the prevailing ammonia values which are recorded in the DeltaV system. The number of measuring units was likewise increased from 11 to 34 – to detect fugitive emissions quickly and to stop operations automatically in the event established limits are exceeded.
- A sulfuric acid cleaner was installed in the Met-Mex Water Treatment Plant.

ATMOSPHERIC EMISSIONS BY BUSINESS UNIT (TONS)

DIVISION Unit	Indirect Emission Source	Emissions NOx	COV	HC	CO	Particulates
CHEMICALS						
Química del Rey	Combustion process	119.40	---	---	408.42	161.48
Magnelec	Melting furnance dust collector	0.00	0.00	0.00	0.00	0.21
	Melting furnance dust collector 2	---	---	---	---	0.02
	Dust collector for industrial grade grinds	0.00	0.00	0.00	0.00	0.14
	Rotating furnance dust collector	0.00	0.00	0.00	0.00	0.02
	Dust collector for industrial grade grinds	0.00	0.00	0.00	0.00	0.03
	Special mills collector	---	---	---	---	0.06
	Unshielded dust collector	---	---	---	---	0.17
Salinas del Rey	Rotating dryer for common salt, Ceballos Unit	0.83	0.00	0.02	0.00	4.27
METALS						
Met-Mex Peñoles	Smelter, Zinc, Refinery, Bermejillo, Aleazin, Fertirey	478.84	3.14	20.25	7,465.49	91.25

ANNUAL AVERAGE CONCENTRATION OF SO_2, MET-MEX

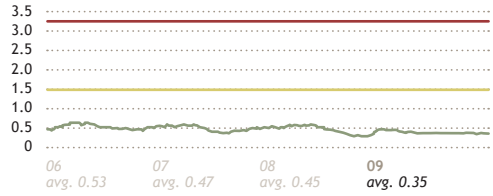
(ppm)



- Daily standard. Daily average maximum permissible limit (NOM-022-SSA1-1993) = 0.13 ppm
- Annual standard. Annual average maximum permissible limit (NOM-022-SSA1-1993) = 0.03 ppm
- Daily average

ANNUAL AVERAGE CONCENTRATION OF LEAD, MET-MEX

(µg/m³)



- Germany standard = 2.0 µg/m³
- Mexico/US standard (NOM-026-SSA1-1993) = 1.5 µg/m³
- 90-day moving average

DUST CAPTURED IN THE METALS DIVISION

(ton.)

Business Unit	2007	2008	2009
Met-Mex Peñoles Smelter	70,932	76,407	83,390
Met-Mex Peñoles Refinery	1,170	1,409	1,125

Trends in CO_2e emissions and initiatives

- The Company emitted 669,337.65 tons of carbon dioxide equivalent (CO_2e) from direct sources of which 31.5% was from steam heating and generation, 6.1% came from calcining dolomite and 4.2% was from mobile equipment used to transport materials and personnel.
- Emissions from indirect sources totaled 930,955.21 tons of CO_2e attributable to purchases of electric energy (58.2%).
- The generation of emissions from GHGs showed a reduction of 0.6% with respect to 2008.
- Emissions of GHGs expressed in tons decreased due principally to the following actions:
  - Replacement of fuel oil by natural gas in Química del Rey.
  - A strike in the Lead-Silver Refinery in the first few months.
  - Replacement of petroleum and metallurgical coke in the rotary furnace at Bermejillo.
- In general terms in Peñoles, for each ton of production, fewer emissions of CO_2e have been generated in comparison with the 2005 - 2009 period due to the various process improvements made to achieve greater efficiency in the consumption of fuels and electricity.

GREENHOUSE GAS EMISSIONS

GHGs (tons of CO_2e)

Source	2005	2006	2007	2008	2009
DIRECT EMISSIONS					
Stationary sources:					
Steam heating and generating for production processes	574,611.82	528,421.12	636,196.72	527,699.06	506,128.85
Dolomite calcinations	106,196.37	102,590.01	100,644.29	107,037.50	96,801.06
Mobile sources:					
Transport of materials and personnel (includes railway)	58,085.86	72,825.71	99,734.47	54,433.58	66,407.74
Subtotal	**738,894.05**	**703,836.84**	**836,575.49**	**689,170.14**	**669,337.65**
INDIRECT EMISSIONS					
Purchase of electric energy	954,122.77	952,816.95	915,558.56	920,636.89	930,955.21
Subtotal	954,122.77	952,816.95	915,558.56	920,636.89	930,955.21
Total	**1,693,016.82**	**1,656,653.80**	**1,752,134.05**	**1,609,807.03**	**1,600,292.86**

Note: The methodology for the calculation of CO_2e emissions from dolomite clacining was confirmed in 2008. As a result, the calculations for the years 2005, 2006 and 2007 were adjusted to this methodology. Also, Saucito is not included due to its change to Fresnillo plc.

ECO-EFFICIENCY INDICES IN CO_2 EMISSIONS

	2005	2006	2007	2008	2009
CO_2e (tons) / Production (tons)	0.207	0.196	0.184	0.158	0.156

* Magnelec and CO_2e emissions form dolomite calcing were included. Saucito was not considered due to its change to Fresnillo plc.

RAW MATERIALS SUBSTITUTES

	2006	2007	2008	2009
Processed anodic slimes (tons)	1,562	1,594	786	468
Processed slag (remitted) (tons)	164	298	9,543	22,271
Copper (tons)	10,070	27,173	43,670	50

RECYCLED RESIDUES SENT TO THIRD PARTIES (TONS)

(ton.)

Material	2006	2007	2008	2009	Aplication
Spent oil	284	284	424	449	Used as alternate fuel
Batteries	17	17	14	19	Recycled
Scrap	4,790	1,493	3,871	4,274	Recycled
Lead Chloride	6,383	2,283	4,929	4,310	Co-processed
Creosol	30	44	54	37	Co-processed
Antimonial grease	6,748	5,656	4,696	3,573	Co-processed
Furnace slag	30,432	14,310	18,750	2,003	Sold
Filter press canvas	33	12	0	0	Used as alternate fuel
Wood	848	248	190	50	Formation of compost
					Donations
Materials impregnated	42	21	27	22	Used as alternate fuel with oil
Baghouse dust	200	126	8	0	Sold
Assay melting pots	15	26	21	0	This year internal co-processing began
Contaminated soil	27	28	28	33	Used as alternate fuel

Initiatives to reduce and manage residual wastes responsibly

- The quantity of industrial and hazardous wastes sent for confinement was reduced 3.6%.
- A total of 14,770 tons of residual waste were shipped to third parties for recycling, a 55% reduction compared to 2008.
- Among other initiatives, the most important were as follows:

- In Bermejillo, a new temporary warehouse was constructed for the storage of hazardous wastes from production processes.
- In the Metals Division, recovery of "electronic garbage" was initiated and continued with campaigns to collect spent batteries and PET containers.
- In Tizapa, an ongoing campaign to collect PET containers was initiated jointly with the CEC - TEM school in Zacazonapan with the resulting collection of 500 kilograms.
- In Milpillas, ecological awareness campaigns were conducted in primary schools as well as for personnel and heads of cafeterias that was successful in reducing the use of plastic bags and bottles.
- In a significant ceremony, a gathering took place in the town square of the community with members of Section 9 of the Company's union, contractors and educational institutions for the signing of the agreement whereby all the inhabitants of Bismark agreed to unify actions to suspend the utilization of new plastic bags.

Initiatives for the conservation of biodiversity

- A total of 13,815 specimen were donated to communities and another 23,101 specimen were planted in areas adjacent to our operations for a grand total of 36,916 specimen planted.
- Installed production capacity in nurseries was 159,000 specimen per year, a quantity that was 14.74% higher with respect to 2008.

CONSUMPTION OF RAW MATERIALS AND INPUTS

DIVISION Unit	Raw Material or Input		Unit	2005	2006	2007	2008	2009
CHEMICALS								
Química del Rey	Brine	M	m^3	4,297,000	4,258,851	4,179,518	4,223,813	4,192,767
Esmeralda	Dolomite	M	tons	276,750	246,863	269,715	321,099	261,360
Aquismón	Limestone	M	tons	296,000	305,000	462,000	530,000	465,500
Salinas del Rey	Common salt	M	tons	17,028	15,509	17,524	16,936	17,081
	Brine	M	m^3	187290	182030	138630	184862	186439
Magnelec	Magnesium oxide	M	tons	-	-	-	11823	9898
METALS								
Met-Mex	Lead (concentrates)	M	tons	350,002	334,491	340,510	335,151	311,813
	Zinc (concentrados)	M	tons	456,840	460,154	449,146	450,828	451,552
	Oxygen	I	tons	35,685	37,505	43,249	18,392	13,795
	Caustic lime for neutralization	I	tons	70,538	73,000	67,832	57,510	66,500
	Calcium oxide (limestone)	I	tons	55,732	49,268	53,712	50,280	52,430
	Ammonia	I	tons	18,107	16,076	15,339	15,594	875
Fertirey	Ammonia	M	tons	38,234	39,359	37,553	41,414	47,692
MINES								
All units	Non-ferrous metallic minerals	M	tons	5,321,353	5,549,940	6,379,384	6,788,490	7,162,101
	Explosives	I	tons	3,286	3,120	3,588	4,834	4,578
	Blasting caps	I	units	1,048,408	979,820	995,703	1,346,899	1,310,836
	Cement	I	tons	37,904	14,545	40,398	44,620	20,430
	Cyanide	I	tons	702	579	245	368	349
	Grinding balls	I	tons	3,621	3,855	4,299	4,474	4,298
	Hydraulic fluid	I	m^3	1,061	1,111	1,373	1,153	1,198
	Drill steel	I	units	4,702	12,275	15,393	10,053	6,252

M: Raw Materia
I: Input

SPECIMEN PRODUCTION IN THE PEÑOLES NURSERIES

	2007	2008	2009
Installed capacity	62,435	138,580	159,000

- The Mines Division hosted a photography contest to enhance awareness among its personnel and neighboring families and communities.
- We participated in the business category of the Competition for Recognition of Conservation of Nature organized by SEMARNAT, because of the actions we are taking at closed mines to protect the environment.

2010 Challenges

- Incorporating the self-supply of TEP electricity into operations at Milpillas, Bermejillo and La Herradura.
- Completing construction and initiating operations at the wind park in El Espinal, Oaxaca.
- Completing the pilot solar energy concentrator at Química del Rey and starting the production of steam 50 psi, and determining whether it is possible to do so at costs that are competitive with a natural gas boiler.
- Identifying new opportunities in electrical energy from renewable sources as new locations for wind parks and mini-hydroelectric projects.

HEALTH ASPECTS

PEÑOLES SEEKS TO ASSURE THE PHYSICAL INTEGRITY OF ITS PERSONNEL.

Initiatives to assure personnel health

- In accordance with prevailing regulatory standards, Peñoles maintains health programs centered on the prevention and reduction of professional illnesses. Among other programs and activities, the following stand out:
  - Workers General Health Surveillance Program.
  - Epidemiology Surveillance Program for Professional Illnesses.
  - Program of Reduction in Blood Lead Levels of Occupationally Exposed Personnel.
  - Reproductive Risk Surveillance Program (for women).

- The Zero New Professional Illnesses Program was created in 2005 and consists of coordinating the actions of the Industrial Hygiene and Medical Departments in evaluating the state of health of labor through reiterative monitoring of the work environment to measure levels of health risk factors (agents) as well as indicated periodic medical examinations. On the basis of the results, preventive programs and measures are developed to control noise and dust at the source and in the environment. Appropriate equipment is also selected for protection of personnel in each case (respirators, autonomous breathing equipment and auditory protection, among others).

- In addition, the Promotion of Health area implemented the program "200 Kilos of Health" that is based on medical diagnosis, analysis and individualized follow-up of hygienic-dietetic practices of personnel.

- To guarantee the general health of personnel, since 2000 there has been an ongoing campaign of vaccination against seasonal influenza that is partially subsidized by the Company. This campaign reaches all employees and their families. The PREVENIMSS vaccination programs are promoted and carried out every year.

- The principal professional illnesses that have been recorded in the experience of the company are silicosis, auditory loss and elevated blood lead levels. In addition, the Company follows up and attends to personnel following accidents.

2009 HIGHLIGHTS

General profile of Peñoles' personnel health

TREND IN NEW CASES OF PROFESSIONAL ILLNESSES

	2005	2006	2007	2008	2009
Blood lead levels (cases that exceed 50 µg/dl)	40	24	22	9	0
Auditory loss	20	43	31	7	4
Silicosis	18	28	19	1	7
Accident consequences	16	19	19	2	6

REDUCTION IN BLOOD LEAD LEVELS OF OCCUPATIONALLY EXPOSED PERSONNEL

	2005	2006	2007	2008	2009
Workers exposed hourly	1001	1079	1081	1065	1099
Incapacitated with NPS >50µg/dl Cases	60	24	22	9	0
Work-days Lost	4048	1451	1303	472	0
Average blood lead levels in exposed personnel	30.31	26.70	23.28	21.54	19.9

Principal advances in health programs

- 3,473 complete medical examinations and 391 "check-ups" were given to employees and 155 medical and gynecological exams were given to women.
- 110,946 tests of blood lead levels were performed on Mines and Metals personnel and contractors.
- A total of 3,656 vaccinations against seasonal influenza were given.
- Thanks to the Program to Reduce Blood Lead Levels of Occupationally Exposed Personnel, there has been a reduction of 34.35% from 2005 to 2009. In addition, no case was detected that was above the maximum permissible limit of 50 µg/dl.
- The 2000 Kilos of Health Program benefited 498 persons and achieved a "donation" of 624 kilos in addition to creating a higher level of awareness among personnel.

2010 Challenges

- Continuing to reduce professional risks based on hygiene improvements in work centers.
- More than 90% compliance with periodic examinations and "check-ups."
- 100% operation of the Health and Safety System (SEGSAL) in accordance with the needs of the Company.
- Strengthening the identification of professional and general illnesses to prevent and correct illnesses and eliminate risk factors.
- 100% compliance with regulatory standards in relation to the provision of medical services (ambulances, consultations, X-rays, management of infectious biological waste residues, etc.).
- Obtaining Workplace Medicine recertification of doctors that were previously certified and training the remaining personnel for certification.

SAFETY ASPECTS

PERSONNEL HEALTH AND SAFETY IS ONE OF OUR PRIORITIES.

Programs to assure personnel safety

- Peñoles guarantees the physical integrity of its personnel by avoiding their exposure to uncontrolled risks through the safe design and operation of production processes and facilities.

- There are standing Safety and Hygiene Committees in every business unit on which all our personnel are represented.

- The mining units have safety refuges and brigades.

- The normative framework includes the applicable official standards, the Company Policy, the Principles of the Philosophy of Safety and the Strategic Plan of Corporate Safety.

- The Safety Performance Index (IDS) has been calculated since 2007 in the Metals Division and since 2009 in the Mines Division. This index evaluates and rates every facilitator, advisor and leader in the unit on the basis of his/her programmed safety actions. The sum of these ratings is the evaluation of the Strategic Leader of the unit.

- In addition to the Safety and Hygiene Regulations, Zero Tolerance Rules, Accident Investigation, Operating Discipline Process and Personnel Improvement Talks, the institutional programs implemented to assure the safety of personnel are enumerated below:

  - Corporate Safety Audits: these consist of an evaluation of labor safety and hygiene conditions that are prevalent in the units and support the implementation of programs that aid in improving performance.
  - Accident Investigation: investigation of accidents using Root Cause Analysis (ACR).
  - STOP (a registered trademark of DuPont) reinforcement in the field: this involves training in the STOP[MR] System for personnel from various departments in the Mines and Metals Divisions including workers, facilitators and administrators of operating and administrative areas. Training includes understanding the system in the classroom and the practical application of the tool in the field.
  - Personalized training in the STOP[MR] System: for the purpose of assuring that the relevant concepts are understood by each member of middle management (Facilitators, Advisors and Leaders), personalized sessions are held with instructors that put the distinct techniques into practice directly in the field.
  - Analysis of Process Risks: these are studies of risks conducted with HAZOP (Hazardous and Operability Studies) and "What Happens If" methodologies.
  - Safety Behavior Process: this is a program to achieve integral changes in the behavior of workers and facilitators. "Working safer" behavior is expected as a result.
  - "Electrical Safety" Campaign: this is held every year in the month of May and consists of training contractors, workers and employees to prevent electrical risks. Manuals, posters, handouts and pamphlets are distributed and safety video and talks are offered. A reinforcing element of the campaign is the Card, Lock, Clear and Test procedure (TCDP).
  - Defensive Driving: this consists of training to protect life through strategies to prevent transit accidents.

2009 HIGHLIGHTS

Training, prevention and emergency response situations

- Personnel received a total of 40,110 hours of training in safety aspects.
- 32 refuges for miners were installed in mines with capacity of 20 to 30 persons.
- The business units had a total of 43 squadrons to address rescue and first aid emergencies.
- 116 simulation exercises were conducted.
- The first round of the Corporate Safety and Health Audits were completed in the units with 46.31% qualification. The areas covered were Operating Discipline and Facilities (the latter under the Safety Administration in Production Processes).
- A total of 120 accident investigations were conducted using the Root Cause Analysis methodology (ACR).
- STOP Reinforcement in the Field was given to a total of 512 persons as a new subject for those with no prior knowledge and as a reinforcement topic for those who were already applying the technique. Personalized training in the STOP System was given to 1,436 persons.
- Nine Risk Analysis activities were held in Production Processes.
- 1,058 persons (among workers, facilitators and advisors) attended workshops on strengthening human values and qualities in the Safety Behavior Process.
- 80 persons received training in the Defensive Management Program.
- The Eleventh National Course on Training for Industrial Emergencies was given in Torreón in November with the participation of 554 persons from the local area and other regions of the country.

Results of the Company's Safety System

- Of the twenty operations* in Peñoles, one has current OHSAS 18000 certification and seven are enrolled in the STPS Self-management Program; one in the first level, two in the second level and one has a Clean Industry Certificate.
- There was great success in the STPS Self-Management Program with respect to last year. Bismark is in the process of re-evaluation of its Clean Industry Certificate. Fertirey and Aleazin received Second Level recognition. Magnelec is in expectation of receiving the printed document for the Second Level.
- From 2005 to 2009 Peñoles achieved reductions in its Accident and Days Lost Indices on the order of 46.05% and 55.19%, respectively. The Accident Rate went from 6.46 to 1.50 over the same period.
- The Safety Performance Index in Mines was 61% and 91% in Met-Mex Peñoles at the end of the year.
- Although we have been stressing safety awareness among all our employees and have achieved significant improvement in our performance indices, the Company suffered the loss of two workers in 2009 in the Sabinas mine in Sombrerete, Zacatecas. This demonstrates that there are still areas in which to improve performance and the goal of Peñoles is to reach zero accidents through work and the commitment of all our employees.

SAFETY RESULTS

Safety Indices	2005	2006	2007	2008	2009
Number of type "A" and "B" accidents	893	774	989	1018	679
Number of type "C", "D", "E" and "F" accidents	283	240	203	190	200
Number of type "F" (Fatal)	6	4	4	5	2
Index of days lost	2.12	1.81	1.57	1.39	0.95
Accident Rate	3.80	3.24	2.33	2.03	2.05
Siniestrality Rate	6.46	4.72	2.94	2.26	1.50

This data includes information solely on the operations of Peñoles and not on its affiliates.

* Includes: Exploration, Velardeña, Química del Rey, Dolomite, Aquismón, Magnelec, Salinas del Rey, Fertirey, Met-Mex Smelter, Met-Mex Refinery, Met-Mex Electrolytic Zinc, Aleazin, Bermejillo, Termimar, Bismark, Madero, Milpillas, Naica, Sabinas and Tizapa.

2010 Challenges

- Continuing STOP Reinforcement training to maintain the goals achieved for safety and to improve indices.
- To complete the second round of the program of Safety Audits, included in the Audit on the subject of health.
- To achieve enrollment of 100% of the business units in the STPS Self-management Program.
- To reach the goal of Zero Fatalities in Industrias Peñoles.

SOCIAL DEVELOPMENT ASPECTS

THE COMPANY INVESTED $293.145 MILLION FOR THE BENEFIT OF NEIGHBORING COMMUNITIES AND THE ENVIRONMENT.

Social responsibility and neighboring communities

- Peñoles' commitment to the communities in which it operates goes beyond the creation of jobs and translates into concrete actions aimed at fostering their autonomous development.
- Peñoles works in a respectful and coordinated manner with communities and authorities to achieve harmonious relationships through institutional programs, projects resulting from strategic alliances and campaigns divided into five axes of action:
  - Promotion of Care of the Environment.
  - Promotion of Education, Sports and Culture.
  - Healthcare and Family Wellbeing.
  - Autonomous Development of Productive Activities.
  - Social Infrastructure.
- Likewise, Peñoles participates in RedEAmerica, a thematic network created in 2002 and composed of American business foundations and private companies that conduct basic development programs oriented to building and strengthening organizational capabilities in communities with scarce resources.

2009 HIGHLIGHTS

Social Responsibility in Peñoles

- According to the Fourth Financial Statement, Peñoles invested $293.2 million for the benefit of neighboring communities and the environment.
- The Mexican node of RedEAmérica in which Peñoles participates was the host for the Assembly and first International Forum: Private Investment for Social Development held in Mexico City in August. An expert was introduced at this forum on private social investment and the Basic Program to Strengthen Organizations to Combat Poverty financed by BID, social organizations and network members.

Promotion of Care of the Environment

In order to promote an environmental culture among the inhabitants of neighboring communities to our operations, the following initiatives were undertaken:

- Green Peñoles Program: implemented by the Metals Division, it includes such actions as the "Turn on Your Batteries" campaign – the first of its type at the national level with six editions – "Let's Clean UP Torreón" and "Recycling PET in Neighboring Schools." During the year 118,000 batteries were collected equivalent to five tons in addition to 2,397 kilograms of PET containers. Offices in Mexico City participated in the "Program for Responsible Management of Batteries and Cells in the Federal District" with the collection of 1,668 batteries for which it received recognition from the Secretary of the Environment of the Federal District.
- The Sun Festival was held for the second time in Torreón from June 20 to July 20 with 5,666 participants, 133 events, 146 exhibitors, 22 initiatives, 15 venues and 19 institutional sponsors.

- Bismark promoted the signing of an Environmental Manifest at which members of the union, Company, contractors and educational institutions committed to suspend the use of plastic bags throughout the community.
- The communities of the Naica employees adhered to the campaign, Earth Hour, convened by the World Wildlife Fund.
- For the purpose of preserving the environment and improving community relationships, the regional exploration management offices in Hermosillo, Torreón, Zacatecas and Toluca were pre-certified under the ISO 14001:2004 Standard.
- The Regional Exploration Management Office participated in the Social Responsibility Program of Sonora by adopting the 5 de Mayo Primary School in which environmental awareness and forestation campaigns were conducted along with roof construction projects to improve school infrastructure.
- In the Valardeña project the areas in the Álvaro Obregón children's kindergarten were reforested to the benefit of 200 children; a campaign was conducted in CECYTED to collect PET and plastics for the purchase of audiovisual equipment for the benefit of 110 students; help was also provided for irrigation of green areas.
- In the Rey de Plata project, a socioeconomic project was carried out to characterize the neighboring communities. The most notable actions were to rehabilitate impacted area and plant 3,000 maguey, 250 parota and 250 mahogany trees.
- In the Saucito project and for the purpose of World Environment Day, conferences were held and reforestation and clean-up work performed.
- Environmental awareness campaigns in neighboring communities: 25,319 persons benefited during the year from such activities as parades, workshops, concerts, photography and drawing contests and clean-up and recycling campaigns.

- World Water Day was celebrated on March 22. With the assistance of the Water Consultation Council, A.C. and Aguakán, all of the units of Peñoles conducted a campaign for the care of this resource. Among other things, the activities included the following:

Unit	Activities
Bismark	Talks were given on awareness and the school community held a parade with emphasis on preventive measures to preserve the resource.
Francisco I. Madero	Jointly with the school teachers, talks were given on sensitivity to the topic in the nearby populations like Noria de Gringos and El Maguey. Posters and picture postcards on the subject were given away.
Sabinas	Informational talks were given in four schools at various levels and within the unit. A poster contest was held on the subject "Care of Water" in which more than 1,000 students participated.
Naica	Jointly with the Saucillo Water Board, the Office of Mines of the government of Chihuahua and SEDUE, a number of instructional activities were held and a conference related to water.
Tizapa	A mime performance and talks about care of water were given in four schools at various levels and within the unit as well as a poster contest on the subject "Care of Water" in which more than 1,000 students participated.

- World Environment Day was celebrated on June 5. Activities such as the following were held in all of the units:

Unit	Activities
Bismark	A runway show with recyclable articles of clothing and wearing apparel. Talks on sensitivity were given to students in elementary and secondary schools and online high school students on th**e effects** of global warming.
Francisco I. Madero	Talks on a number of environmental subjects that were attended by 118 people from the community and representatives of SEMARNAT, PROFEPA and IEMAZ. A drawing contest with the participation from the elementary schools of Madero, Noria de Gringos and el Maguey. Video on global warming. Distribution of copies of the book, "And the Environment: Problems in **Mexico** and the World."
Milpillas	Environment Week was organized for the first time with representatives from CONAGUA, PROFEPA and SEMARNAT as well as the Municipal Presidents of Magdalena de Kino and Santa Cruz and conferences on the environment were held.
Naica	Forestation and talks on the handling of dead batteries and reverse osmosis. Clean-up campaign in the unit. Foot race. The ongoing campaign to collect batteries was resumed in the schools and the company. Exposition of current illustrative posters facilitated by SEMARNAT.
Sabinas	Conference given by personnel from SIPSA, PROFEPA, MSA de Mexico and INFRA. Reforestation of the tailings dam and donation of trees to schools and the community. Exposition of crafts using recyclable materials in the Community Development Center. Launch of the campaign to collect PET plastic bottles in eight schools. Six kilometer race and participation in the city's parade featuring an allusive allegorical car.
Tizapa	Planting of 1,200 trees by workers from the unit jointly with students from Thomas Alva Edison middle school and CECYTEM. Conferences with students from the primary, secondary and high school levels with the support of PROFEPA representatives. Concert called "In harmony with the mine." Contest with ecological drawings. Bicycle tour. PET collection and recycling campaigns.

- On March 28 there was a promotion in the various business units aimed at having every person participate individually in "Earth Hour." An example was Naica where electric energy service was interrupted in two neighborhoods.

Promotion of Education, Sports and Culture

The following actions were implemented with the purpose of aiding the improvement of educational performance with a focus on science and technology, human development, values and staying in school:

- Faculty Training Program given by Excelduc A.C. at the institutional level in all the neighboring communities for the sixth consecutive year that benefited 515 teachers and 46,990 students from 114 schools.
- Experiential Teaching and Investigative Science System (SEVIC): implemented in coordination with the INNOVEC Association that benefited 39 teachers and 1,195 students during the year from four participating schools in Sombrerete, Zacatecas. The Torreón Center for Technological and Scientific Resources (CEVIC) likewise opened its door to 40,000 students from 100 schools to facilitate access to scientific practices.
- Agreement between Met-Mex and the General Office for the Dissemination of Science of UNAM (Universum and Museo de la Luz) for the exchange of science and technology expositions through the Museum of Metals.

- The Museum of Metals celebrated its second year and signed an Agreement of Understanding during its festivities with UNAM that initiated the itinerant exhibition "Naica: Colossus of Christ" in museums in the Federal District. The exhibition has been visited by 56,000 persons to date.
- Through an agreement with the Municipal Government of Torreón, the DIF – Peñoles Choir today has 400 children from local neighborhoods and is the largest choir in the state.
- Laguna del Rey, in collaboration with the House of Culture and the Coahuila Institute of Culture of the state (ICOCULT), the festival of the arts was extended to this community.
- A number of agreements exist with educational, governmental and civil representatives from Laguna for collaboration in research; the conduct of professional practices; conducting a number of courses and workshops; organization of the National University Journalism Prize and support for postgraduate studies abroad.
- Zig-Zag Interactive Museum of Sciences – Peñoles agreement for visits from neighboring primary schools to the operations in Zacatecas.
- Zacatecas de Occidente Senior Institute of Technology – Peñoles Agreement for the establishment of the Mining Technician program of study.
- Autonomous University of Chihuahua – Peñoles agreement for the development of professional practices, cooperation and research in Earth Sciences.
- Agreement among the Autonomous University of Fresnillo, the Technological Institute of Zacatecas and Peñoles for the granting of scholarships to workers and resident professionals.
- Cooperation with educational institutions such as the Autonomous University of Chihuahua, National Autonomous University of Mexico, National Polytechnic Institute, University of Colima, Autonomous University of the State of Hidalgo, Autonomous University of San Luis Potosí, University of Sonora, Autonomous University of Guanajuato, Autonomous University of Zacatecas, Autonomous University of Baja California Sur, Autonomous University of Coahuila and other technological institutes of the republic for the development of professional practices, the promotion of employment and training in the Professionals in Training program.
- The Company continued its participation in national and foreign professional associations such as the Mining Chamber of Mexico, Mexican Institute of Chemical Engineers, Association of Mining Engineer, Metallurgists and Geologists of Mexico, International Council for Mining and Metals, Coparmex, Canacintra, Concamin, Conacyt and others for the conduct of research programs.
- Numerous cultural and children's events were held in the six mining units as part of the activities surrounding summer and weekly community courses. Institutional and social values, family wellbeing, productive use of free time, sporting activities, health conferences, parades and regional fairs were held.
- Bismark and Naica conducted cultural presentations within the framework of the 5th International Festival of Chihuahua.
- We continued supporting the Coahuila Camerata for the 15th consecutive year.
- We continued making financial contributions to the Arocena Museum in Torreón, Coahuila.
- Campaigns to promote sports in such events as triathlons, gymnastics, swimming an cycling. Some examples are as follow:

- Fifth Goal 10K race organized by the Peñoles Club with the participation of 1,300 runners.
- Ninth 10K Race "The Challenge of the Desert" sponsored by Química del Rey with more than 900 runners.
- First Milpillas 2009 Kino Cup in coordination with the Magdalena de Kino Sports Institute with representatives from Baja California Norte and Sur, Chihuahua, Sinaloa and Sonora and the State Volleyball Association.
- 10K Athletic race in Tizapa.
- Baseball, volleyball and soccer competitions in the mining units that together involved the participation of more than 100,000 contestants. The Dragon Kick-Boxing school from the Naica Community Center stood out that participated in the first State Championship earning a gold medal and three bronze medals.
- In the Velardeña, Rey de Plata and Los Humos projects, support was provided in the form of donations of uniforms, sports equipment and trophies.

- There is a continuing presence of professional sporting teams emblematic of Torreón such as the Santos soccer team and the Vaqueros baseball team.

Health and Family Wellbeing

The following stood out among the efforts to promote health and family wellbeing in neighboring communities:

- Skills for Life Program: given by the Center for Juvenile Wellbeing A.C. that benefited 6,325 children and young people during the year through the training of 129 promoters of preventive care who gave 2,118 hours of instruction. In addition to this, there were activities to promote health and family wellbeing that benefited 37,768 persons.
- United Way – Peñoles Program: with the participation of 2,329 volunteers, $1,230,000 pesos were contributed for philanthropic actions that benefited neighboring communities through the donation of prostheses, medications, treatments, medical equipment and infrastructure.
- Healthy School – Healthy House Program: launched by the Environmental Health Unit of Peñoles, Met-Mex Peñoles and the neighboring educational community in Torreón, the program follows a model from the United Nations to create healthy study and joint living facilities so that future generations might have the capacity to promote personal, family and community health. The program benefited 981 students during the year from three kindergartens and will continue operate on an ongoing basis.
- Campaigns for human Influenza prevention through the dissemination of preventive guidelines.
- Oral hygiene campaigns for children.
- Milpillas, in an alliance with the Cananea General Hospital General, aided 131 women from Papanicolau with preventive medical care, breast and ultrasound examinations, vaccinations and dental care.
- Support was provided in Torreón to the Secretary of Health in its fumigation program for mosquitoes that carry dengue fever with the donation of spraying equipment, larvacides and help with fumigation operations.
- The second phase of hepatitis tetanus booster vaccinations was given in the Velardeña project to 30 persons in the community. In additions, facilities were provided for rehabilitation therapy and special educational classes.

Autonomous Development of Productive Activities

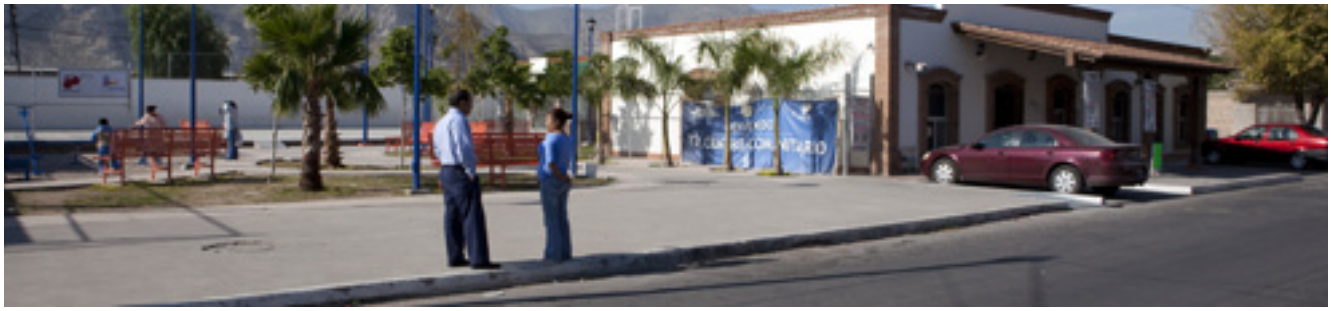
The most outstanding initiatives to develop the self-sustainable capacity of the communities were as follows:

- In the Community Development Centers and/or the Wellness Centers in each business unit, courses were given to create or strengthen abilities to generate products and self-employment that benefited a total of 1,707 persons. The following programs stood out: start-up of new businesses and strengthening of the existing small and medium size companies in the community; arts and crafts workshops (felt, embossing, ribbons, painting ceramics and handicrafts with Ocoxal); and support for professional trades (silversmithing, beauty, cooking, confectionary products, cutting and sewing).
- Alliance with the Municipal Government of Torreón – ITESM – Boato – Peñoles: support was provided for training in the design and production of silver art with the creation of the Torreón – City of Silver Association, A.C.," the construction of a silversmithing laboratory and the establishment of a permanent silversmithing specialist in ITESM Laguna.
- DIF Torreón – Peñoles Agreement: in association with Met-Mex, products were distributed that were made by cooperative community companies in the twenty DIF Development Centers.

Social Infrastructure

Through shared vision and actions with public services, Peñoles supported a number of social use projects. The most important were as follows:

- In Torreón:
  - Paving of 435,000 m^2 for the benefit of 22,000 families in the 2002-2009 period.
  - Paving of the rural highway station of Rey-Ocampo, Coahuila (70,000 square meters in the first stage).
  - Construction of the eye bank room in University Hospital.
  - Construction of playing fields and recreation areas in the Jade school.
  - Remodeling a house for the Peñoles Pro-Employment foundation.
  - Construction of a classroom in the Isauro Martínez Theater.



- Construction of four parks and green areas on the periphery of Francisco I. Madero, Eduardo Guerra and Santiago Ramírez under an agreement with the H. Municipal Government.
- Use of the Development Center of Colonia Eduardo Guerra under a loan arrangement with the DIF. Courses are attended by 400 persons monthly and 5,173 persons received outpatient pharmacy, food economy, medical consultation, laboratory, vision examination services and haircuts.
- Adaptation and remodeling of a house owned by Peñoles to create a development center with creative activities for elderly and neighboring persons.
- Construction of facilities for the Cultural Education Association of Torreón, S.C.

❖ A child care facility was inaugurated in Naica in coordination with the municipality of Saucillo and SEDESOL to support working mothers.

❖ In Bismark, a Virtual Classroom was inaugurated in secondary school #57 with 22 computers and the services of an instructor.

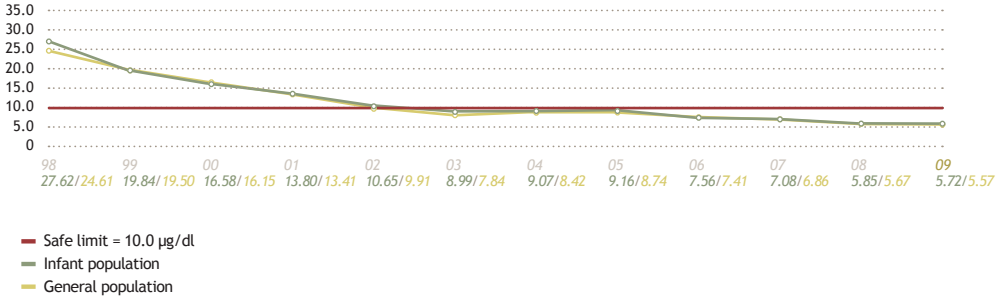
❖ The House of Culture in Bermejillo was restored for training in administrative functions and the development of programs in arts, culture and crafts that benefited 10,000 inhabitants.

❖ In Milpillas and in the Rey de Plata and Velardeña projects, support was provided in the form of the construction and improvement of roads. En Rey de Plata, the Company contributed by waterproofing the roof of the primary school of Ahuehuetla and also donated construction materials to communal residents and improved sports facilities. In Velardeña, 2000 persons were benefited by water conduits, construction materials in the main entryway, the leveling of streets and the rehabilitation of dams.

❖ In the Saucito project, support for the infrastructure of a number of schools stood out along with the conditioning of soccer and baseball fields, the maintenance of the road between Saucito and Poleo and Valdecañas, the construction of a communal room with equipment and the erection of four impoundments for ranching activities, all of which benefited approximately 1,100 persons. An elevated steel tank with capacity of 50,000 liters was also constructed that will benefit 320 persons.

BLOOD LEAD LEVEL AVERAGE IN THE POPULATION NEAR MET-MEX PEÑOLES

(µg/dl)



HUMAN RESOURCES ASPECTS

FOR PEÑOLES, ITS EMPLOYEES ARE OF THE UTMOST IMPORTANCE.

Normative framework for Peñoles human resources

The work related to human resources in Peñoles is guided by the following priorities: Count on People, Develop Talent, Communication and Innovation and Work Modernization.

Compensation, benefits and retirement plans

- Peñoles has a competitive compensation plan and a benefits plan in addition to those contemplated by the law for full-time personnel.

- Economic remuneration is established on the basis of salary ranges and the level of responsibility in positions without distinctions based on such issues as gender or age.

- The Company has established complementary benefit programs for the retirement of non-union personnel that include pension plans based on their evaluation and years of service rendered, premium for length of service upon voluntary retirement and death or disability payments. These latter items are covered by insurance contracts.

- A defined competitive contribution retirement plan went into effect in 2007 called Planlibre®. It is administered under a trust with Aseguradora GNP and channels its investments through the Valmex brokerage.

Development of talent and means of recognition

- A fundamental characteristic of Peñoles' vision is to have Excellent People. Training and personnel development are a priority in achieving the strategic objectives of the business.

- The Talent Development System implemented in 2009 encompasses 15 areas of Organizational Competence and such processes as Performance Evaluation, Identification of Key Positions, Identification of High Potential Personnel, Succession Planning, Career and Training Plans and Training in Organizational Competencies. It also includes means for recognizing performance and academic preparation.

- Performance Evaluation is a standardized institutional tool that measures the results of specific projects and expected behavior of personnel according to their role. Compensation increases and development opportunities depend upon performance.

- In order to have committed and motivated employees, there are additional institutional initiatives such as the Program of Support for Earth Sciences (through agreements with such academic institutions as the Zacatecas Occidente Senior Institute of Technology in Sombrerete and the Autonomous University of Chihuahua) and the Center for Technological Studies at Laguna del Rey (CETLAR).

Promotion of a satisfactory labor climate

- Peñoles is characterized by the loyalty of its personnel because the majority of its employees continue working in the Company for long periods of time.

- As a signatory to the United Nations Global Compact since 2005, the Company promotes respect for employees' human and labor rights.

- Labor practices assure respect for differences of race, gender, political affiliation and thought.

- Organizational notices are published in a timely manner by various internal communications mechanisms such as the Internet portal, a local periodical in each operation, electronic mail and electronic panels. In addition, positive relations are maintained through ex-

ternal communications media and channeling requests for information on key subjects.

- The "We are One" campaign was founded in 2007 and pursues activities favoring integration of personnel.
- To promote equality of gender, female personnel are incorporated into the production activities of exploration, extraction, concentration and packaging.
- Benefits, conditions and payments to which each worker is entitled are explained in the induction sessions as well as information related to benefits under collective work contracts. This training is also given to workers' families in some units.
- There are three kinds of Work Teams in Peñoles (ETPs):

1. For projects to create value: interdisciplinary teams that bring together diverse areas and advance a project. Recognition of up to two months' of salary is awarded.
2. For union personnel: teams formed in the Metals and Chemicals Division mainly for unionized personnel although some non-union personnel may also participate.
3. For non-union personnel: there are teams formed in the Metals and Chemicals Division for non-union personnel.

Union Relations

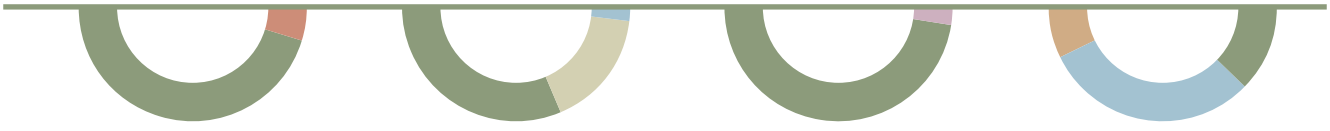
- To guarantee labor rights, the Collective Work Contracts are reviewed and revised every year that have been entered into with the various unions as well as the Contracts with Third Party Contractors in a atmosphere of respect and cordiality.
- The practice in Peñoles is to maintain the benefits and salary ranges established in the collective contracts of the business unit at a level that is competitive with other companies in the sector.
- Peñoles and the various union sections work jointly in the promotion of worker safety, health and hygiene through Safety and Hygiene Commissions. These bodies are composed of an equal number of union and non-union employees.

2009 HIGHLIGHTS

Profile of Peñoles' Personnel

- Peñoles had 6,226 workers in 2009.
- By gender: 90.5% men and 9.5% women.
- By classification: 62.4% union members, 33.2% non-union workers and 4.4% in executive management positions (vice presidents, assistant vice presidents, unit managers, corporate managers and department heads). From the total, 0.5% are scholarship recipients.
- By type of contract: 95.0% full-time and 5.0% temporary.
- By age: 14.4% are between 18 and 24 years, 61.0% between 25 and 44 years and 24.6% are over 45 years.
- 70% of total personnel were born in the state in which the unit is located in which they work.
- The age average of the Senior Managment team is 55 years.
- Peñoles works with 302 contracting companies.
- The turnover rate among personnel was 7.05%.

PERSONNEL PROFILE: 6,226 EMPLOYEES



Gender	
Male	90.5%
Female	9.5%

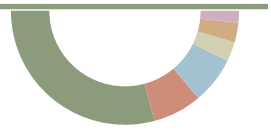
Affiliation	
Unionized	62.4%
Non-Unionized	33.2%
Executives	4.4%

Contract type	
Contract	95.0%
Temporary	5.0%

Age	
18 - 25 years	14.4%
25 - 44 years	61.0%
Over 45 years	24.6%

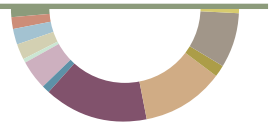
GEOGRAPHIC DISTRIBUTION OF PERSONNEL

State	# of Employees per State
Coahuila	3,615
Zacatecas	876
Chihuahua	816
Sonora	357
State of Mexico	348
Federal District	205
Tamaulipas	6
San Luis Potosí	3
Total	**6,226**



EXECUTIVE MANAGEMENT POSITIONS ACCORDING TO GENDER

Office	# Women	# Men	Total
Internal Auditing	2	4	**6**
Exploration	-	8	**8**
Finance	2	11	**13**
Executive Office	-	13	**13**
Infrastructure	-	3	**3**
Engineering and Construction	-	23	**23**
Legal Affairs	2	3	**5**
Metals – Chemicals	3	80	**83**
Mines	1	61	**62**
Human Resources	1	8	**9**
Administrative Services	4	38	**42**
Env. Health & Safety Dept.	-	5	**5**
Strategic Planning Dept.	-	1	**1**
Totals	**15**	**258**	**273**
Percentages	**5.49%**	**94.51%**	**100.00%**



Personnel Changes

- 347 persons were hired in 2009 without considering union-employees.
- 589 persons left among total personnel: 16.98% by contract termination, 14.77% were fired, 7.64% from retirement, 7.13% for transfers, the remaining 5.09% represented persons on scholarships that completed their period of work, 2.72% for contractual termination with settlement, 1.19% for reasons of health, 0.51% for contractual termination without settlement and 0.34% because of death and 1.7% for other causes. The remaining 5.09% represented persons on scholarships that completed their period of work.
- 15% of the employees fired were women.

Wages and compensation

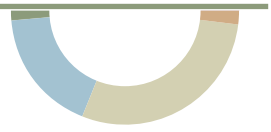
- Salaries and wages totaled $3,335 million, including payments to associates and bonuses, and represented an increase of 8.8% with respect to the prior year.
- The workers' participation in profits reach a total of $486.78 million compared with $472 million de 2008.
- The lowest salary range existing in the Company compared with the regional minimum wage was 230% higher for non-union personnel and 113.0% for union personnel.

Talent Development

- Peñoles invested $3,961,379 in internal and external training.
- A total of 3,852 persons received at least one course of 8 hours in the year of which 60% were union personnel and 40% were non-union personnel.
- A total of 311,616 hours of training was given in the Company for an average of 48 hours per employee.
- There were 29 internal workshops held aimed at organizational competencies in Effective Communications, Teamwork and Service and Empowerment in which 509 non-union employees participated. In addition, 103 workers attended external courses to strengthen some technical competence of which 41% were women.
- 100% of non-union workers on the payroll participated in the Performance Evaluation process.
- In October, the exercise began involving the Identification of Key Positions and High Potential Employees programs for the preparation of career plans and succession plans.
- $893,850 was paid in recognition of academic achievement to 63 employees who attained their diplomas, licentiate or masters degrees.
- The Engineers in Training Program benefited 37 persons (2 geologists, 8 miners, 6 metallurgists, 1 topographer, 1 electrician, 6 mechanics, 9 instrumentation technicians, 2 industrial technicians and 2 doctors).
- As part of the Program to Support Earth Sciences, a third group consisting of 77 students was received from the specialties of Metallurgy, Mining and Geology to gain practical experience in the various mining units.
- The Center for Technical Studies in Laguna del Rey (CETLAR) had 38 students of which 20 graduated in the Mechanical-Electrical specialty and 18 in Electricity-Instrumentation. Since its creation CETLAR has had 627 students of which 325 have received degrees; of these, close to half work for Peñoles.

LEVEL OF STUDIES OF NON-UNION PERSONNEL

Academic degree	Number of personnel by level of studies
High school	61
Technical Diploma	1
Technical Degree	819
Licentiate	1,365
Masters	96
Doctorate	1
Total	**2,343**



Promotion of a satisfactory labor climate

- The Diagnostic Test of Satisfaction and Leadership was given to 89% of personnel.
- 1,148 employees were recognized for their loyalty.
- There were no reported incidents related to extortion, abuse, discrimination or unfair labor practices.
- A total of 2,232 personnel participated in courses in which they addressed issues of human rights.
- The following Peñoles Work Teams (PWTs) exist: 52 PWTs for projects to create value in the Mines Division and 5 in the Metals Division; 135 PWTs for union personnel and 111 PWTs for non-union personnel.
- The Metals Division held Team Expo II with the participation of 15 teams from Aleazin, Magnelec and Met-Mex Peñoles that were evaluated with approximately 150 participating workers and attendance of 350 persons. For its part,

Química del Rey held Technology Improvement Expo XVII with the participation of 306 workers in 40 projects.

- Tizapa implemented the Integrated Safe Time project (PITS) for effective shift changes in the town in measurable time based on industrial engineering motion studies and stochastic resonance to reinforce communication and teamwork.

Company – Union Relations

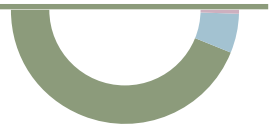
- The Company had 3,882 unionized employees.
- The Index of Absenteeism was 5.7 in the Mines Division, 10.59 in Met-Mex and 2.51 in Química del Rey.
- Fourteen agreements were negotiated during the year with the various unions on subjects related to safety, health and hygiene in the workplace.
- Relations with the Miners Union were temporarily impacted by the outbreak of a strike in Section 64 of the Met-Mex Lead-Silver Refinery. Peñoles believes that the terms upon which the controversy was resolved were favorable and even strengthened the bridges of communication with the various sections of the Union.

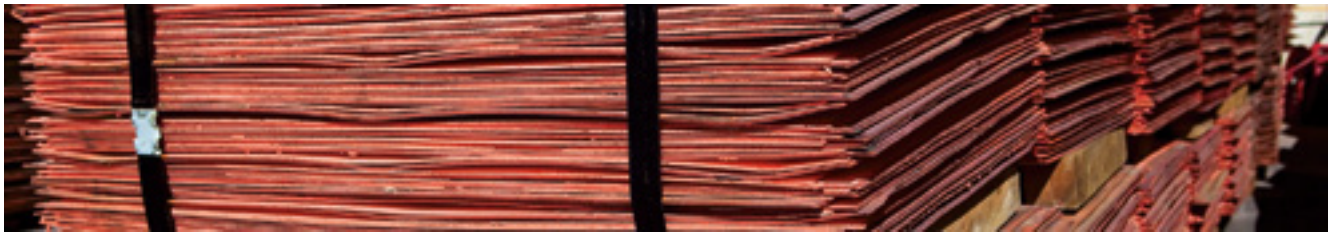
2010 Challenges

- Apply the Talent Development System throughout the Organization.
- Train all non-union personnel in the fourteen organizational competencies.
- Have a Development Plan for all personnel with potential.

WORKERS COVERED BY COLLECTIVE AGREEMENTS

Union Affiliation	%
National Union of Mining, Metallurgy and Allied Workers of Mexico *Frente de Renovación Nacional del Sindicato Minero*	87.68
National Union of Chemical, Petrochemical, Carbochemical Allied and Associated Industry Workers of Mexico	10.90
Industrial Union of Workers from the State of Coahuila	1.42
Total	**100.00**





PRODUCTS AND CUSTOMERS

PEÑOLES PROVIDES PRODUCTS AND SERVICES TO MORE THAN 40 DIVERSE INDUSTRIES.

Principal products

- Peñoles is the world's largest producer of refined silver, metallic bismuth and sodium sulfate and one of the Latin American leaders in the production of refined gold, lead and zinc.

- The Company provides products and services to more than 40 diverse industries in the world such as construction, transport, pharmaceuticals, foodstuffs and agriculture.

Regulatory compliance and safety in product handling

- Peñoles is always concerned with complying with Mexican regulations. Similarly and because of its role as an exporter,complies with the standards, permits and restrictions in effect in countries to which products are shipped and takes precautions in transporting, labeling, packing and packaging in order to avoid any accidents. The Tax, Foreign Trade, Marketing and Logistics areas work together to review these requirements.

- The Company maintains a "Listing of Legal Product Requirements) to comply with the following phases:

a) **Customer Specifications:**
This is the initial phase to determine customers' requirements. These are included in contracts or purchase orders according to the particular product and customer.

b) **Tax and Foreign Trade Requirements:**
This phase includes the legal requisites to comply with tax and customs provisions as well as international treaties with the countries to which products are exported.

c) **Production Processes:**
This phase includes the legal requisites related to operating processes so as not to exceed permissible limits under the regulatory standards.

d) **Handling, Warehousing and Shipping:**
This phase consists of compliance with regulatory standards related to the activities of packing, packaging and labeling and anything that refers to storage and shipment.

e) **Transportation for Delivery of Products:**
This phase includes the regulations associated with contracting for means of transport for delivery of products, particularly with reference to safety criteria. For this aspect, a System of Verification of Safety Conditions during Transport (SIVECOSETRA), A System of Integral Transport INSPECTION (SIITRA) and the System for the Verification of Auto Transport of Cathodes (SIVEATRACA) have been implemented.

- Each product is delivered to the customer together with a Material Safety and Data Sheet that includes the principal data on the producer, chemical substance, degree of risk, physical-chemical properties, fire and explosion danger, reactivity and health risks.

- For exports to Europe, Asia, Latin America and the United States, it is an indispensable requirement that all wood utilized in pallets must receive special treatment and is covered by a fumigation certificate.

Product labeling and packaging

- With respect to labeling, Peñoles' catalogue includes the standards to which products are subject and shows the following specifications that must be complied with:

  - Zinc Zamak - ASTM B240-07
  - Cadmium - ASTM B440-00 (2005)
  - Lead - ASTM B29-03 and Good Delivery on the LME
  - Gold - ASTM B562 95 (2005) and Good Delivery on the LBMA
  - Silver - ASTM B413-97ª (2008), JIS H2141 and Good Delivery on LBMA
  - Zinc - ASTM B6-08 and Good Delivery on the LME.

APPLICATIONS OF PEÑOLES PRODUCTS

Industry	Principal applications	Products of Peñoles
Products for the Home	Detergents	Sodium Sulfate, Magnesium Hydroxide (Hidromag DT), Magnesium Oxide (Remag CP)
	Jewelry	Gold, Silver
	Soap	Oleum, Epsom Salts (Sulmag)
	Electric appliances	Zinc, Bismuth, Magnesium Oxide (Magnelec)
	Mirrors	Silver
Automotive Industry	Automobile batteries	Lead, Sulfuric Acid, Magnesium Hydroxide (Neutromag TE)
	Chassis	Zinc
	Glass	Sodium Sulfate, Bismuth, Magnesium Oxide (RY99AD)
	Seats	Sodium Sulfate, Zamak
Construction Industry	Roofing	Zinc, Magnesium Hydroxide (Hidromag Q)
	Pipe	Zinc
	Cable	Zinc, Magnesium Hydroxide (Hidromag Q)
Coatings and Paints	Pigments	Zinc, Bismuth, Cadmium, Sulfuric Acid
	Paintst	Zinc, Bismuth, Antimony Trioxide
	Anticorrosion	Zinc, Lead
Chemical Industries	Chemical products	Led, Sulfuric Acid, Bismuth, Sodium Sulfate, Silver, Magnesium Oxide (Remag WT) Magnesium Hydroxide (Hidromag DT)
	Industrial chemicals processing	Oleum, Magnesium Oxide (Remag WT), Epsom Salts (Sulmag)
	Catalysts	Silver, Antimony Trioxide, Bismuth, Zinc
Electrical and Electronics Industry	Electric pumps	Bismuth, Antimony Trioxide, Sodium Sulfate
	Computer keyboards	Zamak, Gold
	Television and computer screens	Sodium Sulfate, Bismuth, Antimony Trioxide
	Compact discs and telephone breakers	Gold
	Fluorescent lamps	Bismuth
	Stereos	Gold, Silver, Zamak
	Fuses	Cadmium, Bismuth
	Ironwork	Bismuth, Lead, Antimony Trioxide
Infrastructure	Brass and bronze	Zinc
	Heraldry	Silver
	Ports	Zinc
	Residual water treatment	Sulfuric Acid, Magnesium Oxide (Neutromag TES), Magnesium Hydroxide (Neutromag TE)
	Structural and machine steel	Zinc, Bismuth
Agro Industry	Fertilizers	Epsom Salts (Sulmag), Magnesium Nitrate, Zinc Sulfate, Ammonium Sulfate
	Soil and foliage treatment	Calcium Sulfate (Calcimag), Block Salt, Sulfuric Acid (Sulf PH acid)
Pharmaceutical and Foodstuffs Industries	Cosmetics	Zinc, Bismuth
	Medications	Zinc, Bismuth, Magnesium Hydroxide (Hidromag PH), Epsom Salts (Sulmag), Magnesium Oxide (Remag WT)
	Food products	Ammonium Bisulfite, Sulfur Dioxide, Magnesium Oxide (Remag WT)

- Good Delivery: standard international regulations applicable to appearance, packaging and weights of metals.
- LME (London Metal Exchange): standards for zinc and lead.
- LBMA (London Bullion Market Association): standards for precious metals.

❖ For products shipped to the United States, a label is affixed with the name of the product, the CAS number (identification of the American Chemical Society), the telephone number in the event of an accident and a warning of risks involved in handling and the health reactions that could occur upon contact with the metal.

❖ The products of the Agro-industrial Division must be registered with the Inter-secretarial Commission for Process Control and Use of Pesticides and Substances (CICOPLAFEST) as an obligation of companies manufacturing fertilizers.

❖ Every bag containing products contains the registration number and information on the optimal handling of the product, possible reactions upon contact and the producer's specifications and data.

Customer satisfaction practices and product advertising

❖ The procedures are followed under the standard ISO 9001-2000 with the code PC-VTA-SAT-01 and customer satisfaction surveys are utilized periodically.

❖ In addition, the Company's technical team conducts surveys and a program of planned visits or visits at the request of the customer and forwards specific supporting and advisory technical information on the application of certain test materials. In monthly meeting of the Marketing area areas of opportunity are put forth.

❖ There are no regulations on advertising of Peñoles' products. In spite of this, at events and in disseminated materials, there are appropriate authorizations respecting the use of such logos as Peñoles, IZA, LATIZA, LME and SGS certifications.

❖ A conference is held with fertilizer distributors and customers with training and informational objectives and for the purpose of listening to their comments about the market and the performance of our products.

2009 HIGHLIGHTS

Relationships with Peñoles' customers

- The Metals Department had 619 customers in 2009 and the Chemicals department had 271 customers.
- The graphics shown below present certain information about sales of Peñoles' products:

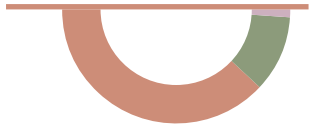
2009 NET SALES: $44,812,965

Consolidated Sales by Country

Country	%
USA	47.24
Mexico	25.78
United Kingdom	13.18
Switzerland	6.92
Brazil	1.72
South Korea	1.59
Germany	0.71
Venezuela	0.61
Japan	0.55
Other	1.70

2009 Peñoles's International Trading Operations

	%
Exports	88.53
Imports	11.47



3,864 operations:	
Metals	75.73
Chemicals	21.55
Mining	2.72

2009 Peñoles's Net Sales Volume *(Metals)*

	TM
Sulfuric acid	270,010
Zinc	234,608
Ammonium sulfate	171,378
Lead	127,454
Oleum	18,887
Sulfur dioxide	17,354
Zinc sulfate	5,124
Copper sulfate	4,162
Silver	2,550
Bismuth	995
Cadmium	912
Antimony trioxide	446
Gold	29
Total	***853,906***

2009 Peñole's Net Sales Volume *(Chemicals)*

	TM
Sodium sulfate	615,435
Magnesium sulfate	36,145
MgO Refractario	32,775
MgO Caustic	16,178
Neutromag	12,119
Mg0 electric grade	6,057
Hydromag	5,196
Moliendas especiales	1,976
Electrofundido	220
Total	***726,101***

- There were no fines paid for failure to comply with marketing regulations or with respect to the impact of products on the environment, health and safety.
- The Agro-industrial Technical Service made 142 visits while industrial metals made 23 visits.
- New products and applications were developed and introduced (Calcimag, Nima, SAM Granular, Granular Zinc, Magnesium nuts, Ecomag).
- At the end of 2009 a new program was developed to measure customer satisfaction based on changes and updates that had been made to production processes in the various product lines.
- To date there have been no claims related to privacy and the theft of personal customer data. Certain customers have ceased buying from Peñoles because they are exiting the market.
- A successful entry was made into the magnesium oxide market for tanning and friction applications.
- The Chemical Business area successfully developed caustic magnesium (Ecomag) as well as in the steel industry to aid in the direct steel reduction process and to improve the properties of the steel. Similarly, new applications were developed for Neutromag TE such as fuel additives that contribute to the reduction of emissions in the industry. In its case, Hidromag Q, in combination with nanometric products, offers competitive advantages such as greater durability and flexibility as well as excellent performance as a flame retardant in plastic cables manufactured on the basis of this product.

- The Six Sigma project was developed in the Specialty Plant for dry superficial treatment of the Hidromag product that enables it to be incorporated in plastics as a flame retardant and smoke suppressor.
- We participated in MagMin 2009 (Amsterdam, Holland), an international conference of producers, consumers and researchers of magnesium oxide and its derivative products.
- ISO9001:2008 re-certification.

2010 Challenges

- Completing the exercise of measuring customer satisfaction in the early months of the year.
- Increasing high value specialties through the internal development of products and strategic alliances as well as developing support knowledge and infrastructure.
- Shortening the time to develop new products, applications for advanced materials and consolidation of present initiatives.
- Develop support knowledge and infrastructure for the specialty markets in which Peñoles participates, particularly in Chemical Products.
- Increase Peñoles' share of the North American market.
- Conduct prospecting in the Asian market concerning product applications.

SUPPLIERS

PEÑOLES SUPPORTS LOCAL SUPPLIERS IN THE COMMUNITIES IN WHICH IT OPERATES.

Peñoles and its suppliers

- In order to position itself as a strategic partner in the value chain, Peñoles promotes the development of local suppliers in the communities in which it operates and gradually integrates them into its administrative and evaluative systems.

- Similarly, it recognizes suppliers that stand out by performing their work in a committed and responsible manner in the areas of safety, environmental performance, competitiveness and continuous improvement.

Raw materials suppliers

- In its metallurgical operations at Met-Mex in Torreón, Peñoles catalogues its raw materials suppliers - lead concentrates, zinc concentrates, doré bullion, anodic sludge and minerals — as "remitters."

- The Company has a Requirements Form for Raw Materials Remitters in order to evaluate them. This form contains official documentation and fiscal, commercial, shipping, transit and environmental requisites. This information is given to the environmental and quality administrative systems of the Company.

- Peñoles acquires materials from its remitters such as slag and wastes with metallic values for recycling purposes.

Suppliers of goods

- The Supply area strives to favor the environment through actions such as reducing consumption of energy and paper, checking vehicles for the transfer of capital good equipment and the acquisition of high-efficiency engines.

- To automate and simplify administrative procedural requirements, the information system for vendors of goods issues and sends 100% of purchase orders by electronic means without using paper.

Suppliers of services

- Peñoles provides each contractor with a uniform and safety equipment when he begins to work in the Company. A medical exam is given and there is follow-up of such aspects as dietetic and hygienic practices. In addition, training is provided and included in the requirements in the area of operating discipline as a regular employee.

Supplier satisfaction

- So that Peñoles may be considered to be a reliable, trustworthy and safe customer, Peñoles' Control Policy obligates the Company to pay promptly for the products, equipment and services it buys.

- The Metals Division has conducted a survey of its suppliers since 1995 that rates and recognizes high quality services that meet the needs of the Company in a prompt manner.

2009 HIGHLIGHTS

Peñoles' suppliers

- In 2009, Peñoles had a roster of 17,665 suppliers in total of which 15,402 were domestic and 2,263 were international suppliers.
- Of the domestic suppliers, the principal ones were located in: Coahuila (24.8%); Federal District (14.99%); Nuevo León (9.8%); Zacatecas (7.81%), Sonora (7.3%), Durango (7.0%), and Chihuahua (6.8%).
- With respect to international suppliers, the United States accounted for 66.0% of imports.
- A total of $4,361 million pesos was paid to third parties for services.
- With respect to the roster of remitters, the Company worked with 188 companies of which 164 were domestic and 24 were international firms. Of the domestic remitters, 42 companies were in Durango, 29 in Zacatecas, 26 in Chihuahua, 11 in Sinaloa, 9 in Sonora and the rest were located in other states. In terms of size, of total remitters 95 were large companies, 12 were medium size and 81 were small firms.
- A new version of the Remitter Service System was developed that will compile information first hand from remitters about their forecasts of deliveries and shipping advices.
- A questionnaire was implemented for the evaluation of remitters that includes information on the development of their projects and their contribution to the preservation of the environment.
- Improvements were attained in controlling the impurities in concentrates from small remitters by providing them with advice on how to improve the quality of their materials.
- Peñoles reached a level of 90% in the evaluation program for suppliers of goods with supply agreements and 100% for suppliers of goods included in ISO-9000 quality certifications.
- A total of 1,130 suppliers are enrolled in the Quadrem electronic market for the exchange of purchasing documents.
- Out of a total of 38,198 pallets used, 95% were made of pine and the remainder were made of recycled plastic.
- In coordination with the Environmental Control area, it was assured that goods sent for repair and tires at the end of their useful lives were free of oil residues and materials from production processes. In addition, a list of hazardous wastes was prepared for final disposal and these were registered in the Company's catalogue of goods.
- In coordination with the Engineering and Maintenance area at Met-Mex, visits were made to five suppliers of services to verify infrastructure standards in their facilities, health and safety practices, and significant environmental aspects.
- In coordination with safety personnel at Met-Mex, it was decided to purchase the Key brand of anti-lead shampoo because it is a biodegradable product.
- A program of visits and reports was coordinated with the Filtex supplier to evaluate the performance of the dust bags and collectors in the plants.
- Suppliers of fuels, García Munté (petroleum coke), Baeza (fuel oil), Energéticos de Torreón (diesel fuel) y Combugas (gas) made indemnification commitments for any ecological problems resulting from spills or accidents.
- The Carus Chemical supplier submitted a proposal for the purchase of a potassium permanganate dispenser that will avoid contamination from spills in the application area as well as provide for the confinement of empty containers.

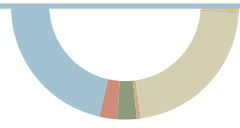
- The supplier Grupo Industrial del Parque outfitted a tank with capacity of twenty tons at Laguna del Rey that will eliminate the usage of containers, avoid spills and contamination and save space.
- There were no evaluations of suppliers with respect to human rights.
- The man-hours of training given to suppliers to the Metals Division increased from close to 1,300 in 2002 to 13,800 in 2009. The number of sanctions issued to suppliers of services has fallen from 229 in 2006 to 79 in 2009.
- The Mines Division informed the Safety Statistics Information and Documentation System of contractors' personnel in each business unit and recognized those with low accident rates.
- As part of the "Process of the development and conservation of suppliers of services," Encuentro XIV on Quality was held for the Metals-Chemicals Group and its suppliers of services. 87 companies were invited from the Lagunera Region from the mechanical-boiler, civil, electrical, instrumentation and corrosion areas that provide maintenance services and handle expansions and modification of the Company's plants. In addition, 16 transport companies participated in subject of services for finished products. In this context, suppliers were recognized that achieved zero disabling accidents for one, two, three, four, five and six consecutive years. Gonzalo González Castro received the distinction of Supplier of the Year as did Hipólito Ibarra and Rito Magdaleno López Servicios Eléctricos Mineros and Construcciones Industriales RIMSA, respectively.

2010 Challenges

- The Remitter Service System will go into effect.
- Continue with advisory services to small remitters that require the service to improve the quality of their materials.

SUPPLIERS BY PURCHASE TYPE

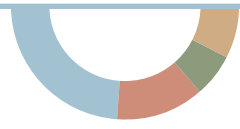
	2006	2007	2008	2009
Consumables	6,012	6,483	6,971	7,538
Transportation	712	779	838	883
Contractors	774	851	927	949
Custom agents	155	174	185	187
Services	5,220	6,167	6,982	7,684
Fixed assets	36	37	38	38
Concentrates	288	345	363	386
Total	**13,497**	**14,836**	**16,304**	**17,665**



PAYMENTS BY SERVICES PURCHASED TO THIRD PARTIES

($ thousands of Mexican pesos)

	2007	2008	2009
Contractors	1,780,729	2,102,523	2,075,076
Maintenance	889,500	888,364	1,090,859
Major repairs	451,821	553,045	544,613
Fees	543,860	587,973	637,004
Other	138,050	209,460	14,204
Total	**3,803,960**	**4,341,365**	**4,361,756**



PARTICIPATION IN ORGANIZATIONS

FOR THE EIGHTH CONSECUTIVE YEAR, THE SOCIALLY RESPONSIBLE COMPANY EMBLEM WAS ATTAINED.

Organizations related to Peñoles Products:

- International Lead and Zinc Research Organization (ILZRO)
- International Lead Management Center (ILMC)
- International Zinc Association (IZA)
- The Silver Institute
- Latin American Zinc Association (LATIZA)
- National Association for Responsible Lead Management, A.C.

Organizations related to Peñoles' businesses and operations:

- Mining Chamber of Mexico (CAMIMEX)
- International Council for Mining and Metals (ICMM)
- National Chemical Industry Association (ANIQ)
- Mexican Council on Foreign Trade, Investment and Technology (COMCE)
- National Private Transport Association (ANTP)
- Water Advisory Council (CCA)
- Latin American Association of Refractory Manufacturers (ALAFAR Congress)
- National Plastics Industry Association, A.C (ANIPAC)

Sustainable Development and Social Development Organizations in which Peñoles participates:

- Commission for Private Sector Studies for Sustainable Development (CESPEDES) in the Business Coordinating Council (CCE)
- Inter-American Foundation and Business Actions Network for Grassroots Development (RedEAmérica)
- United Way, I.A.P.
- Innovation in Teaching Sciences, A.C. (INNOVEC)

Peñoles also participates in the activities of the Mexican Center for Philanthropy (CEMEFI), World Business Council for Sustainable Development (WBCSD), World Resources Institute (WRI), Confederation of Industrial Chambers (CONCAMIN), Confederation of Mexican Employers, S.P. (COPARMEX) and International Association for Impact Assessment (IAIA).

Professional Organizations:

- Association of Mining Engineers, Metallurgists and Geologists of Mexico (AIMMGM)
- National Association of Corporate Attorneys (ANADE)
- National Association of Executives in Finance (ANEFAC)
- Mexican Association of Communicators (AMCO)
- Mexican Association of Wind Energy (AMDEE)
- National Association of Solar Energy (ANES)
- Mexican Institute of Internal Auditors (IMAI)
- Mexican Institute of Chemical Engineers (IMIQ)
- Mexican School of Public Accountants (CCPM)

RECOGNITIONS AND AWARDS

- Ethics and Values Award for the sixth consecutive occasion from the Confederation of Industrial Chambers.
- Socially Responsible Company for the eighth consecutive year from the Mexican Center for Philanthropy.
- "The Ten of Ten" Award for 10 Years of Practical Process Improvements as a High Performance Organization from the Mexican Center for Philanthropy.
- Fulfillment of the Communication on Progress from the United Nations Global Compact for the fourth time.
- Silver Helmet Prize for the best safety indices for the Bismark unit in the category of Underground Mining with more than 501 employees at the 28th Mining Convention organized by the Mining Chamber of Mexico. This is the second occasion on which Bismark has received this distinction.
- Silver Helmet Prize for the best safety indices in the Met-Mex Peñoles Refinery in the category of Metallurgical Plants and Smelters with more than 501 employees from the Mining Chamber of Mexico.
- Recognition for participating in the GHG Mexico Program accounting for greenhouse gas emissions for the fifth time.
- Work of the Year Prize for the project involving the rehabilitation and protection of the La Unidad bridge in Campeche from the International Concrete Repair Institute (ICRI).
- Recognition by the Mexican Stock Exchange as one of ten listed companies that, instead of cutting employment, created more than 200 additional jobs during the most difficult moments of the financial crisis.
- In the Tenth Competition of Underground Mine Rescue Brigades held in Pachuca, Hgo., in the category "Managing Fractures" Milpillas won first place; in "Hemorrhaging", Tizapa also won first place; and in "RCP", Naica garnered third place.
- In the framework of the Health and Safety crusade organized by the government of the State of Chihuahua through the Secretary of Industry, the "Land of Gold" distinction was awarded to Naica.
- Recognition for the 2008 Financial Report and the 2008 Report of Sustainable Development by ARC Awards.
- Mention of Peñoles (together with Teck Resources and De Beers) one of the three companies in the world with the Best Practices for Preventing Mining Risks in the article, "Digging Deep, How FM Global Delivers Value to the Mining Industry", REASON, Institutional Review of FM Global, third quarter of 2009.

SENIOR MANAGEMENT

CHAIRMAN OF THE BOARD OF DIRECTORS
Alberto Baillères

Fernando Alanís Ortega
Chief Executive Officer

Armando Sánchez López
Vice President Mining

Francisco Mireles Huerta
Vice President Mining Operations

Rafael Rebollar González
Vice President Metals and Chemicals

Alberto Ross Scheede
Vice President Metals Operations

Arturo Vaca Durán
Vice President Energy and Technology

Luis Palma Torres
Vice President Commercial

Enrique Cortés Pérez
Vice President Engineering and Construction

Leopoldo Alarcón Ruíz
Vice President Finance

Emilio Fandiño Margalef
Vice President Administrative Services

Javier García Fons
Vice President Exploration

Luis Rodríguez-Bucheli Derat
Vice President Infrastructure

Sergio Rodríguez Molleda
Vice President Law

Rodolfo Gómez Maturano
Vice President Internal Auditing

Camilo Valdéz Abrego
Assistant Vice President of the Environment, Safety and Health

Augusto Sánchez Marroquín
Assistant Vice President of Human Resources

José Raymundo Vonbertrab Saracho
Assistant Vice President of Strategic Planning and Improvement Projects

BEST PRACTICES OF PEÑOLES' SUBSIDIARIES

FRESNILLO PLC:
GOOD PRACTICES IN 2009

- Fresnillo plc was born in 2008 as a global company committed to the implementation of the best practices of sustainable development.
- There are three operating units in Fresnillo, Zacatecas; La Ciénega, Durango and La Herradura, Sonora.
- Fresnillo has a Health, Safety, Environment and Community Relations System (SSMARC) to evaluate and oversee its policies and systems. The performance of the system is evaluated at the senior level by the SSMARC Committee that met for the first time in October 2009.

Best practices for the protection of the environment

- Clean Industry and ISO 14001:2004 certificates were authenticated.
- The Exploration Division obtain re-certification under ISO14001 and constructed a nursery..
- Fresnillo invested USD$4 million to construct a residual water treatment plant with capacity of 150 liters per second to eliminate the consumption of fresh water in the concentration plant.
- With a total service area of 6,018.4 hectares, the Company placed 4.6% in a reserve consisting of forested or restored areas.
- The nursery has a capacity of 136,000 trees. 88,039 trees were planted and/or donated during the year and 93,266 individual native species were relocated with a survival rate of 86.7%.
- Conscious of the implications of the phenomenon of climate change, the Company signed the Copenhagen Communiqué in November. This is an initiative of the Prince of Wales Corporate Leader Group on Climate Change to foster mitigation and adaptive measures.
- Concerned about the conservation of biodiversity, the Company joined the initiative of the Corporate Commitment for the Protection of Wilderness Lands in November that is coordinated by The Wildlife Foundation.

Best personnel practices

- Strategic leaders, facilitators and employees received 23.3 hours of instruction per person during the year on the themes of the SSMARC System.
- In total, 286 employees were hired for the Soledad Dipolos expansion project.
- The Fresnillo Plays Fair program showed only one complaint under the classification "Supplier benefits/unequal treatment" which was resolved.
- The Program of Support for the Earth Sciences welcomed 50 professional practitioners.
- As part of the Program of Engineers in Training, an average of 35 persons were brought in for the requirements of personnel in new operations.
- 29 work teams were formed.
- The INMERSIVE simulator was installed in La Herradura that provides employees with virtual exposure to such difficult operating situations as equipment failures of unusual atmospheric conditions.
- Fresnillo created twelve training videos on operating procedures for personnel.

Best health and safety practices

- The Company completed two consecutive years with Zero Fatal Accidents.
- The Accident Rate was reduced by 14.6% and the Index of Days Lost by 24% compared with 2008.
- Construction on the Soledad y Dipolos project advanced without any serious accidents.
- The three operating units adhered to the Self-Management Program of the Secretary of Labor and Social Security.
- 635 complete medical examinations and 101 gynecological exams were given and 2,421 vaccinations were administered.
- The mining units have 21 refuges for miners and 13 safety brigades.
- Three safety audits were conducted in the operating units.
- La Herradura won first place and Fresnillo received second place in the Tenth Mine Rescue Competition organized by CAMINEX in the Firs Aid and Mine Rescue categories, respectively.
- Fresnillo achieved 20% progress in implementation of the OHSAS 18001 administrative system.
- La Ciénega invested $1,814,021 in modernizing diagnostic medical support equipment.
- La Herradura invested USD$180,000 in the acquisition of an ambulance and modernization of the radiology-diagnostic area.
- A safety diploma was given to members of the Safety and Hygiene Commission that had 160 hours and 54 persons participated. In addition, there were three modules on the subject of safety for advisors and facilitators with a duration of eight hours per module with 187 persons in attendance.
- Fifteen campaigns on influenza prevention were conducted.
- Four safety campaigns were conducted in Fresnillo on scaling, electrical safety, operating procedures and zero tolerance.
- The Safety Behavior Process workshop was given in La Ciénega and La Herradura.

Relations with neighboring communities

- With the objectives of adding value to the extraction of silver and highlighting the artistic values of silversmithing and jewelry, Fresnillo plc supported the Third Hispanic American Conference of Silversmiths organized in the city of Zacatecas. The Company served as part of the Organizing Committee, seat of the closing session and sponsor and, together with the Silver Institute, contributed $69,000.
- The Company promoted the celebration of World Water Day on Marcy 22 and World Environment Day on June 5 in the business units.
- Six guided visits were made to the Sustainable Forest in La Ciénega.

BAL-ONDEO: BEST PRACTICES IN 2009

- BAL-ONDEO, a company owned 50% each by Peñoles and Suez Environnement, has more than fifteen years' experience working with states, municipalities and operating entities in the optimization of water and sanitation systems.

- Through its subsidiaries and affiliates (TECSA, IACMEX, DHC-AGUAKAN, ECOAGUA and AIMSA) it has more than 1,000 employees distributed among Cancún, Isla Mujeres, the Federal District, Torreón and Matamoros and provides service to more than six million Mexicans.

Best practices for the protection of the environment

- TECSA and IACMEX: celebrated World Water Day and World Environment Day through exhibitions visited by 300 persons. They continued with the campaign of collecting batteries and obtained 1,875 batteries, 63% more than expected.

- AGUAKÁN: the company obtained Clean Industry recertification at the end of 2008 that expires in 2011. It has an Environmental Administration System that has enabled it to reduce hazardous wastes by 23% and non-hazardous wastes by 15%. It has taken measures to raise safety in chlorination. It is a member and active participant in the Committee on Environmental Education and Dissemination of the municipality of Benito Juárez. It sponsored the Clean Beach event and, together with authorities and local schools, it celebrated World Water Day and World Environment Day.

- BAL-ONDEO: sponsored the documentary, "Between fire and water: for the sustainable development of Mexico City" produced by Dominique de Courcelles, a member of Global Diversity Consulting. The documentary was presented at the World Water Form and sought to create awareness about the importance of the initiatives to promote sustainable development in Mexico City.

Good personnel practices

- TECSA and IACMEX: have implemented a labor climate survey over the past four years. In 2009, 466 persons participated and the rating improved 2.26% with respect to 2008.

- AGUAKÁN: has personnel development programs such as Labor Competencies, Open Education and Academic Linking. Continuing with the labor climate survey in 2008, it conducted an opinion survey with the same respondents and the results showed an advance of 0.8% with respect to the prior year. Sporting and recreational activities were organized for personnel and their families and continued with the pilot program of Women Lecturers.

Best safety practices

- The Accident Rate for the Group was 8.92 and the Severity Index was 0.10, figures that represented reductions of 26% and 56%, respectively, compared to 2008.

- TECSA and IACMEX: because of the AH1N1 influenza epidemic, a Crisis Committee was created as well as procedures to assure the continuity of operations and the protection of the health of employees. This success enabled the proper functioning of the Crisis Management directives (designed in 2008) to be corroborated. Similarly, an analysis of risks by position and activity was completed and the evacuation procedures were validated with 21 training courses on safety being given to 293 employees (2,104 man-hours of training).

- AGUAKAN: formed a team that specializes in chlorine gas. It applied the root cause method to all the accidents that have occurred. Health and safety goals ere incorporated into performance appraisal of management practices. A new record of 104 days without an accident was established.

Best health practices

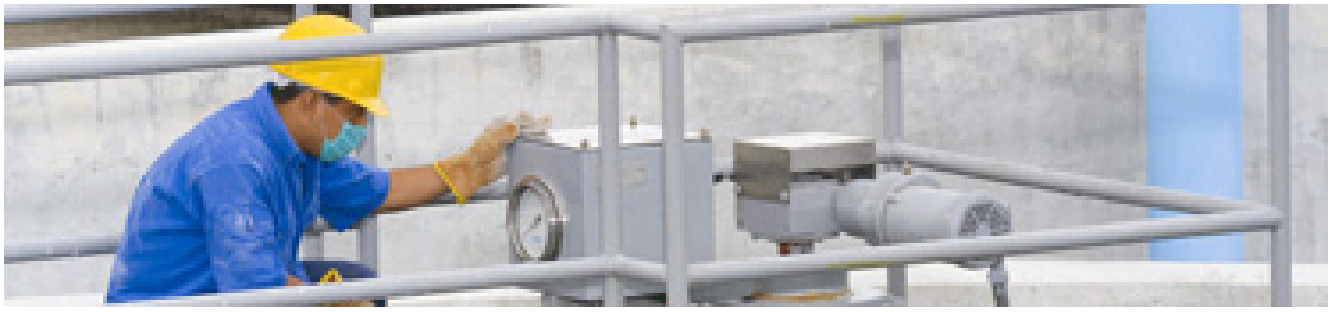
- TECSA and IACMEX: conducted campaigns against tobacco consumption and on the prevention of AIDS with exposure to more than 600 employees in addition to promoting Health Week jointly with the Secretary of Health by distributing information.

- AGUAKÁN: medical and administrative follow-up for employees with chronic suffering.

Relations with neighboring communities

- TECSA and IACMEX: made donations of foodstuffs to a rest home and toys to an orphanage.

- AGUAKÁN: talks were given on water care in schools. Visits were organized for children and young people to the North Plant and, for the first time, to the Quality Laboratory. The First Water Rally was organized for high school students. In connection with the celebration of the 15th Concession Anniversary, a institutional campaign was conducted called "We are All Water, we are AGUAKÁN, 25 years with you," as well as events for the community such as the lottery, "Celebrate your 15 Years AGUAKÁN." Continued support was provided to the municipal DIF by participating in the medical assistance brigades.



Best supplier practices

- TECSA and IACMEX: much more rigorous controls and new contractual conditions were negotiated to assure proper compliance with labor obligations of subcontractors in order to reduce the risk of labor claims.

- AGUAKÁN: continued with the signing of agreements with manufacturers or distributors that meet the quality standards required in the supply of materials; agreements have been signed for 35% of supplies. The goal in the program of supplier certification was exceeded and, at the end of 2009, 23% of the roster of suppliers had some type of ISO certification.

Best customer practices

- TECSA and IACMEX: 1.4 million pesos were invested between May and December in campaigns to promote water conservation by means of posters, picture postcards and the children's painting competition "How do you save water?" A program was initiated to refurbish the institutional image of the fleet of vehicles that render services to customers and field services.

- AGUAKÁN: the electronic invoicing system was implemented at the beginning of the third quarter and will result in administrative, operating and paper savings. The Telephone Service Center was totally transferred to Cancún and achieved continuous service. Two new copper modules were implemented in commercial locations and sustained growth of 25% was observed in the average monthly number of customers.

TERMIMAR: BEST PRACTICES IN 2009

- As a component of the Commercial Office of MetMex Peñoles, Termimar S.A. de C.V. is a maritime terminal that specializes in the handling and export of solid bulk products. Among the products that are handled are sodium sulfate, refractory magnesium oxide and chemical grade lime (products manufactured by the Company) as well as aluminum fluoride and Hidalgo and Michoacán bentonite (products of other companies).

Best practices for the protection of the environment

- By the nature of the activities of Termimar, the priority in environmental aspects has to do with the potential for atmospheric emissions. For this reason, the Company performs maintenance on the systems that control dust emissions from loading ships and the system of canvas barriers at the handling patios. These activities involved a total investment of $33,955 in 2009.

- Personnel received training in the prevention and control of accidental spills and in the management, storage and disposal of hazardous substances.

- $1,656 was invested in the collection and disposal of hazardous wastes and $31,892 was spent on the collection and domestic disposal of wastes with an authorized company.

- ISO14001:2004 re-certification was obtained in the month of September from the English certification company, Ceramic Industry Certification Scheme, Ltd.

Best health and safety practices

- There was follow-up during the year on the activities involved in the annual "Safety Operating Plan" program in coordination with the Management of the Center for Shared Environmental, Safety and Health Services (CSC MASS) of Peñoles as well as on the training in the STOP System (a registered trademark of DuPont).

- $36,731 was invested in the replacement and installation of two motorized sirens with evacuation alarms for personnel in the event of disaster contingencies.

Best practices in community relations

- The Internal Civil Protection Plan was updated to reduce environmental risks and their impact on communities. The Evaluation of Risk Analysis (analysis of property) stood out along with the procedures for the simulated emergency practices to be followed in the containment of spills, fire fighting and evacuating personnel.

LÍNEA COAHUILA DURANGO: BEST PRACTICES IN 2009

- The railway line of Coahuila Durango S.A. de C. V. is part of the infrastructure of Peñoles and consists of a short-line railroad for merchandise.

Best Practices For The Protection Of The Environment

- The Company received the Environmental Quality Certificate from PROFEPA that is valid until 2011.
- Reforestation continued in green areas with the planting of 56 shade trees and optimizing the consumption of irrigation water.
- Efforts to save electric energy savings were followed up and average consumption came to 50,000 Kw/h per month, a figure far below the consumption of 80,000 Kw/h per month at the start of operations.
- The decline in the generation of hazardous and non-hazardous wastes continued through the awareness and training of personnel. These concepts achieved a reduction of 53.2% in costs in comparison to the previous year.

Best Personnel Practices

- Negotiations with the local labor union and the National Labor Integration Council maintained harmonious and trustful worker-owner relationships.

Best Safety Practices

- Railroad accidents not catalogued as general accidents by SCT went from three in 2008 to one in 2009, that is to say, a decline of 66% thanks to the constant review of infrastructure, training of operating personnel and continuous supervision of track maintenance.
- The incidence of disabling accidents longer than 30 days was reduced by 75% from 12 in 2008 to three in 2009.
- The absenteeism index due to accidents fell by 13.6% in relation to 2008.

Best Health Practices

- The occupational health program continued that involved medical reviews of workers, a campaign of vaccination and prevention of AH1N1 influenza in addition to IMSS preventive programs.
- The Absenteeism Index due to illness was reduced by 15% with respect to 2008.

Best Practices in Relations with Neighboring Communities

- The Company supported the celebration of sporting and religious events as well as safety week through seminars, simulated evacuations and first aid practices in the home.

Best Quality Practices

- Re-certification of M-1003 quality was obtained from the American Association of Railroads for the reconditioning of rule 88 cars, ties and chassis; the recertification is valid until December 2012.

Best Supplier Practices

- Compliance in terms of both time and quality was recorded for suppliers according to their technical and financial capabilities for awards to companies of similar capacity.

Best Customer Practices

- The customer portfolio was maintained.
- The projected annual cargo program for 2009 was achieved with the movement of 4,236,284 cargoes.
- As a result of its good service, a contract was signed with Petróleos Mexicanos for a period of 5 years (2010-2014) with a maximum value of freight services of $ 425,000,000.

José Cruz Saucedo. Safety and Ecology Department, Bismark Unit, Chihuahua. January 19th, 2010.
The Silver Helmet Award is the result of the hard work of the people that form the Bismark Unit […] who are watching how their efforts are being acknowledged. As a consequence we obtain the great commitment of keeping our safety standards and improving them.

PEÑOLES AND THE SILVER HELMETS FOR SAFETY

Because they stand out in their results in preventing accidents and in complying with regulatory standards, at the 28th Mining Convention organized by the Mining Chamber of Mexico (CAMIMEX), the "Silver Helmet" award was given to Mineral Bismark (Chihuahua) for the best safety indices in 2008 in the category of Underground Mines with more than 501 workers, and to the Lead-Silver Refinery (Coahuila) in the category of Metallurgical Plants and Smelters with more than 501 workers.

These awards are the result of the commitment made by each co-worker, employee and contractor together with the Management Team and the Board of Directors to enable them to promote a culture of accident prevention through the identifying risks, training programs, updating and following-up on applicable regulatory standards.

Each business unit in Peñoles implements programs that incorporate two areas of focus: on the one hand, working on training and sensitizing personnel in such programs as STOP (a registered trademark of DuPont), Operating Discipline, Accident Investigation based on Root Cause Analysis, calculation of the Safety Performance Index (based on the Safety Program of the Facilitator), Corporate Audits, Zero Tolerance Rules, Talks on Values with personnel and graduates in Safety for the Safety and Hygiene Commissions, and positions of facilitators and advisors. On the other side, there is a search to improve the physical factors to create safe working environments through the mechanization of processes and accident prevention systems.

Bismark has been the first underground mine to reach the third level of participation in the STPS Program of Administration of Health and Safety in the Workplace (PASST). The Accident Index fell by 80% from 2002 to 2008 (from 3.58 to 0.71, respectively). The Lead-Silver Refinery maintains better safety indices than other metallurgical plants in Mexico. The Accident Rate fell by 90% from 2002 to 2008 (from 11.17 to 1.06, respectively).

Adriana Valdéz. Design and Cut Department. Xcapanda Cooperative Company. Torreón, Coahuila. January 14th, 2010.
The cooperative company emerged from the handcraft workshops given by Peñoles. In our company we contribute with jobs and offer to the public good-quality products at a very good price.

PEÑOLES AND THE DEVELOPMENT OF ENTREPRENEURS

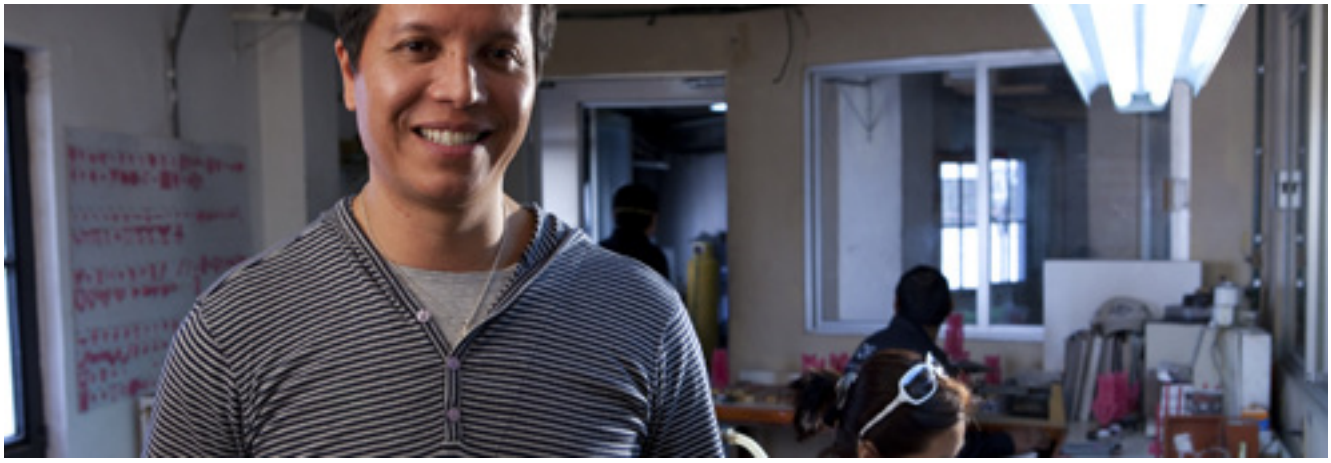
As an element in its social commitment, Peñoles develops strategies to stimulate factors of self-development in the communities surrounding its operations: the creation of an entrepreneurial climate, facilitation of innovative environments, creation of alliances and development of management capabilities. Every year the Company provides incentives for the creation of new community companies and strengthens the administrative and marketing capabilities of exciting small and medium size companies.

Beginning with an open assembly, the Company initiates a process of selection and training of persons with entrepreneurial drives. The process encompasses such subjects as entrepreneurial culture, human development, bases of business, market research, strategic planning, production, accounting and finance, and legal, tax and sales aspects. In addition, it provides help in management organization, funding resources and the formation of the legal vehicle for the creation of small and medium size companies.

A group of 106 participants was selected from the 2009 assembly. A number of entrepreneurial initiatives were developed by these persons by the end of their training. The project of creating community consumption networks stood out.

Xcapanda was created in 2009 as the first cooperative community production company in the network and consists of 18 neighboring housewives that brought together their talents in sewing and marketing wearing apparel. The Nationality Solidarity Support Fund for Companies (FONAES) provided financing of $1,027,000 to equip their facilities with 12 sewing machines and an embroidery machine.

La Esperanza was created as the first network of community production and internal consumption. It was formed by four families to prepare and/or package cleaning and personal hygiene products under the brand name, "Es FresKo!" These products are marketed and distributed through 20 points of sale with products from DIF in schools, companies and from house to house.



Oscar Figueroa Escorcia. Designer and owner of Escorcia, S.A. de C.V., a company dedicated to silverwork design and marketing. Taxco, Guerrero. January 11th, 2010.
Peñoles' Fashion Information Center for Jewelry […] has marked a milestone in our business and the sector, because thanks to all the support we get […] we have made our products known, created our own product lines and given design proposals for both México and abroad.

PEÑOLES AND THE VALUE ADDED TO SILVER

Industrias Peñoles is concerned with adding value to precious metals through support for the jewelry sector in Mexico that generates $880 million annually and employs about 1,635 persons. Two instances stood out in 2009 in which Peñoles added value to silver:

In the first instance, the Fashion Jewelry Information Center (CIMJ) emerged in 2000 with the objectives of communicating fashion trends and counseling craftsmen, manufacturers and marketing firms. Unique in kind, it interacts with all participants in the value chain for silver and supports art and design. Since its beginnings, the CIMJ has backed schools and jewelry sales departments in Mexico in a very diverse manner. In 2009, it supported the Third Hispanic – American Conference of Silversmiths and received representatives in Zacatecas from 18 countries as well as sponsoring a Mexican student in the World Skills competition in Calgary, Canada.

In the second instance, the Educational Silversmith Model was developed in coordination with the Boato company and the Torreón Municipal Office of Economic Development. A training workshop was opened in 2009 for 193 silversmith designers of which 20 were trained in the course, "Start your Company." The "Torreón – City of Silver A.C." was formed that united nine groups of artistic silversmiths and, together with ITESM Torreón, organized the first diploma school of its type in the country with 4 weekly theoretical – practical modules and a scholarship mechanism in addition to a fully equipped workshop with a permanent teaching staff.

* INEGI, 2009 Monthly Industrial Survey. Note: figures are obtained from surveys of dependable operating establishments not including marketing chains or a majority of the participants in a sector. The fact that margins are much higher for these products was taken into account and the common practice is to multiply the reported values by a factor of 5. In fact, international sources cite the consumption of USD 1 billion of gold and silver for jewelry in Mexico taking into account only the value of primary materials.

Yolanda Caceres. Road Maintenance Director, state of Campeche. December 15th, 2010.
The solution that Peñoles has proposed has given great results because the zinc anode-based galvanic system attacks the problem from its origin. This work has even won an award from the International Institute of Concrete Repair.

PEÑOLES AND VALUE ADDED TO ZINC

Industrias Peñoles has a new business development area that promotes the utilization of its products in innovative applications result in added value and guarantee customer satisfaction.

After a series of demonstration projects related to alternative uses for zinc, a pair of initiatives were well received in the market as architectonic materials for facades and cathodic protection.

With respect to the production of facades, the Company took advantage of zinc's malleability, durability, esthetic features and tolerance of climate changes. The material is 100% recyclable and there is evidence that its use in architectonic applications has a useful life of more than 100 years. The projects in which Peñoles has developed the use of zinc in architecture are the Nazas Theater (Torreón, Coah., 2004), Arocena Museum (Torreón, Coah., 2006); Santa Fe Community Center (Mexico City, Mexico, 2007) and Modelo Santos Territory (Torreón, Coah., 2009).

In cathodic protection, zinc is used in the rehabilitation of structures exposed to corrosive environments such as bridges, wharves, machinery and equipment. In the State of Campeche, Peñoles collaborated with authorities and owners in the rehabilitation the "La Unidad" Bridge with 3.2 kilometers of length and 30 years of existence that is critical for the development and subsistence of a number of populations in the Yucatán Peninsula. It has been calculated that the project will have a life of 25 years and in 2009 the International Concrete Repair Institute (ICRI) recognized it as the "Work of the Year."

In 2010, in addition to working with architectonic design offices, it is planned to propose the use of cathodic protection in transportation infrastructure as a Mexican standard jointly with the Mexican Transport Institute.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers, S. C.
Mariano Escobedo 573
Col. Rincón del Bosque
11580 México, D.F.
Teléfono: 5263 6000
Fax: 5263 6010
www.pwc.com

Report on Limited and Independent Review

To the Board of Directors of Industrias Peñoles

As per your request, we have conducted a limited and independent review of the contents of the 2009 Sustainable Development Report, prepared by Industrias Peñoles, which is responsible for the compilation and presentation of the information contained therein.

Our responsibility is to issue conclusions on the consistency and reasonability of the quantitative data, financial and non-financial information included in said report, based on the review work and the scope described in the following paragraphs. Our responsibility is also to indicate the opportunity areas identified during the course of the review process.

It should be kept in mind that the purpose of this auditor's report is not to evaluate the performance of Industrias Peñoles in terms of Safety, Health, Environment, Energy or Social Performance.

Bases and objectives of our review

Our work was conducted in accordance with the International Standard on Assurance Engagement ISAE 3000[1] established by the International Federation of Accountants, with the objective to provide limited assurance.

The purpose of our work was to verify whether or not the information contained in the 2009 Sustainable Development Report was consistent with:

- The supporting evidence presented by management, and
- The A+[2] self-declared application level according to the version G3 of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

Scope

A limited assurance work is restricted to making inquiries to company management and to apply certain limited analytical procedures and test on a sample basis on the source of the information included in the report, as well as to an analysis of the systems, processes and procedures used for gathering the information.

We conducted our review work at the Company's Corporate Office and four Business Units of Industrias Peñoles: Naica, Sabinas, Química del Rey, Bermejillo and Met-Mex), which were selected according to the significance of their activities, with respect to sustainability aspects.

For the data of the Environment, Energy, Safety, Occupational Health and Social Performance sections, our review was limited to the following:

1. Review of the systems, processes and procedures for data compilation, consolidation and data reporting;
2. Verifying, on a sample basis, the consolidation of data and information; and
3. Verifying, on a sample basis, the existence of external and internal evidence that support the information presented.
4. Interviews with head of facilities and key personnel in charge of the reported indicators.
5. Analysis of procedures and controls related to data compilation, consolidation and data reporting at each facility, and the examination of support documentation of such data.

We reviewed the data in the economic section to verify that it was consistent with, or derived from, the financial statements audited by December 31st, 2009.

Moreover, we carried out a general assessment of the 2009 Sustainable Development Report to confirm a level A+ in the fulfillment of the frameworks established in version G3 of the "*Global Reporting Initiative*" (GRI) Guidelines for Sustainability Reporting.

[1] ISAE3000: International Standard on Assurance Engagements, other than audits or reviews of historical financial information.
[2] Classification of the level at which GRI G3 guidelines were applied in the report: There are three levels of application in decreasing order: A, B and C, with the (+) option, if in any of those levels, external verification work was conducted.

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Recommendations

The following suggestions have been included and expanded in a report for the Company's Corporate Office to be considered in future improvements of the Sustainable Development Report.

- Keep strengthening internal controls implemented for the data and information reporting at corporate level and permeate it to the business units to assure its totality and integrity.
- Reinforce the key indicators information recollection systems and processes for environmental and social data in order to prevent compilation mistakes
- Continue the development of the Report Elaboration Protocol to carry out the implementation trough procedures, training development and coaching in order to achieve process maturity.

Conclusions

Based on our work described in this report, nothing has come to our attention that causes us to believe that the 2009 Sustainable Development Report has insufficient documentation to support the data reported, or that it was not prepared in accordance with the Global Reporting Initiative G3 Guidelines and supplement thereto for the mining industry, reaching a level A+ of application, notwithstanding the areas of opportunity set out under the following heading.

Mexico, February 18th 2010

Enrique Alejandro Bertran Sánchez
Partner
Sustainability Business Solutions
PricewaterhouseCoopers S.C.

FOURTH FINANCIAL STATEMENT:

GENERATION AND DISTRIBUTION OF ADDED VALUE

At Peñoles, one of our main goals is to contribute, in a sustainable manner, to the long term development of our different collaborators and Mexico. Our commitment towards them is reflected in the distribution of value. The beneficiaries include our internal collaborators, the communities where we carry out our operations, our clients, to whom we provide our products, our suppliers, our shareholders, the government and the environment through our actions oriented at mitigating the environmental impacts that industrial mining can have. It is especially noteworthy that our products help other industries reduce their negative environmental impacts.

The following numbers show the company's contribution, through the generation of added value to the Mexican economy, and how this value was distributed among the different stakeholders. This information is harmonized and supported by the financial statements as of December 31, 2008 and 2009.

Generated Value	**2009**	**%**	**2008**	**%**
Sales	4481,2965	100.00	53,030,808	100.0
Costs				
Domestic cost	2,298,0434	51.28	32,066,944	60.5
International	3,376,491	7.53	4,372,765	8.2
Total Costs	**26,356,925**	**58.82**	**3,6439,709**	**68.7**
Generated value in operations	**18,456,040**	**41.18**	**1,6591,099**	**31.3**
Added value through Fresnillo	0	0	1,6243,410	
Total value through operations	**18,456,040**	**100.0**	**32,834,509**	**100.0**
Distributed Value				
Employees	3,335,041	18.07	3,065,827	9.3
Taxes	1,033,032	5.60	5,362,224	16.3
Contractors	4,361,756	23.63	4,341,365	13.2
Shareholders	3,734,335	20.23	6,757,088	20.6
Financial institutions	71,867	0.39	1,292,277	3.9
Community & environment	293,145	1.59	244,032	0.7
Retained by the company	5,626,864	30.49	11,771,696	35.9
Total Distributed Value	**18,456,040**	**100.00**	**32,834,509**	**100.0**

- Figures in thounsands of Mexican pesos.
- Based on the principles described in "Reporte Social: Un cuarto estado financiero básico, sobre la dimensión social de las empresas" (Social reporting: a fourth financial statement, on the social dimensión of companies) by Luis Perera Aldama, edited by PricewaterhouseCoopers Chile. October 2003"

The following charts show the company's contribution among our main stakeholders for 2009 and 2008 respectively.

Distributed value 2009		**Distributed value 2008**	
Retained by the company	30.5%	Retained by the company	35.9%
Shareholders	20.2%	Shareholders	20.6%
Taxes	5.6%	Taxes	16.3%
Contractors	23.6%	Contractors	13.2%
Employees	18.1%	Employees	9.3%
Financial Institutions	0.4%	Financial Institutions	3.9%
Community & environment	1.6%	Community & environment	0.8%

TECHNICAL NOTES

- Data reported for costs includes only tangible goods and services used in production.
- Domestic and international costs are distinguished depending on whether the good or service was purchased in Mexico or imported from abroad.
- In the Retained category, the profits for 2009 remain at disposal of the Board of Directors according to the faculties delegated to them by the Shareholder's Meeting.
- In the Shareholders category, dividends for 2008 correspond to revenues generated that same year by the creation of Fresnillo Plc.

The notes 1 to 4 are part of Fourth Financial Statement and explain our corporate social responsibility policies and the details of the generated and distributed value.

NOTE 1: SOCIAL RESPONSIBILITY POLICES

a) Corporate governance
The Corporate Governance system of Peñoles adheres to and is in compliance with the Corporate Best Practices Code of the Entrepreneurial Coordinating Board and is based on a Board of Directors, which includes independent advisors and specific committees such as Audit and Corporate Practices, Nomination, Evaluation and Compensations, Finance and Planning, an Executive Committee and nine Executive Directors' Offices, all reporting to the General Director.

b) Code of Ethics
Peñoles has adhered to the United Nations' Global Compact since 2005 and maintains an Institutional Code of Ethics supported by an annual commitment statement by the collaborators.

c) Safety, Health and Labor
In 2009, Peñoles constituted a Sustainable Development Work Group and the framework of Sustainable Development, which included a Policy on Sustainable Development and standards on Environmental Protection, Health, Safety and Social Development.

Peñoles commitment to safety programs is reflected by the 50% reduction goal compared to the 2003 baseline set by the group and specific safety performance indicators are monitored to assess progress in this field. From 2005 to 2009 Peñoles has achieved a decrease of the Accident and Lost Day Rates by 46.05% y 55.19% respectively.

d) Enviroment
The Policy on Sustainable Development includes key objectives for environmental protection: optimization of water use, control of residual water discharges, control and reduction of pollutant emissions to the environment, waste management and protection of flora and fauna in all our operations.

According to its commitment to environmental issues, Peñoles has implemented Environmental Management Systems (ISO14001) in all business units and all operations and received "Industrial Limpia" Certificates, a voluntary initiative by the Federal Government.

e) Community Development
The Community Section presents the most significant aspects in relation with our operations. These actions are based on our social diagnosis policy implemented in all Peñoles operations, to characterize each community, identify our real needs and risks, and identify the community's perception of our company. Each operation must have a Social Development Plan in place, promoting actions aligned to formal and institutional processes.

f) Responsible Market and Consumer Protection Practices
The Products and Clients Section presents the actions carried out based on our customer satisfaction policies, product safety sheets and the ISO-9000-2000 quality system of our operations.

g) Social Dialogue
The Sustainable Development Policy enhances the commitment and engages in dialogue and interaction with the different stakeholders identified. This translates into assessment matrixes and different communication methods to address each of the stakeholders.

h) Social Investment
The social and environmental impact of our operations is addressed and measured through different indicators, described in detail in the Fourth Financial Statement. Peñoles manages its social participation with due attention and consideration given to its stakeholders.

i) Donations, Volunteers and Philanthropy
The application of Peñoles policies in this regard has translated into assigned budget amounts to a number of philanthropic actions, although the Company's main emphasis is placed on developing capacities, and not limiting its actions to a philanthropic role, on a selective basis.

j) Education
The education policies at Peñoles include our collaborators and the community in which we conduct our operations, through continuous plans and annual programming, measuring the efficiency and effectiveness of our programs.

NOTE 2: OUR MAIN CUSTOMERS

a) Income

In this record year for Peñoles, we reached a total of MXP$44,813 in income sales, which represents a 15% decrease from 2008 (see further financial information in the 2009 annual report, and its web page at www.penoles.com.mx).

This result is due to the decrease in the price of most metals produced and sold by Peñoles, and a decrease in silver, gold and lead volumes produced. Our strategic response has centered on cost control actions: reduction of direct purchases of raw material in the Lead-Silver Refinery, reduction in unitary costs for some key consumables, strict control in costs and purchases, and constant productivity increase through the continuous improvement programs. Thanks to these actions, Peñoles has recorded a record net profit of MXP$13,857.6.

The results reached reflect the efforts of the company and the capacity to adapt and make the best of changing external factors.

The following table shows the variations in prices and volume in 2009:

2009	gold %	silver %	lead %	zinc %
Increase (+) and decrease (-) prices	11.6	(1.96)	(17.7)	(0.12)
Decrease of Volume	(54)	(36)	(20)	5

2008	gold %	silver %	lead %	zinc %
Increase (+) and decrease (-) prices	25.1	11.9	(19)	(42.2)
Decrease of Volume	10	15.7	3.9	6.6

The following table shows how income has been generated in the different markets that we supply:

Market Sales *(in thousands of Mexican pesos)*

	2009	%	2008	%
Domestic	11,554,415	26	14,372,863	27
US	21,331,665	48	26,280,445	50
Japan	238,686	1	5,803	0
Japan	9,583,964	21	11,736,609	22
South America	1,127,768	2	404,614	1
Others	992,699	2	230,474	0
Total	**44,812,965**	**100**	**53,030,808**	**100**

SALES BY PRODUCTS 2009 AND 2008

Product	2009	2008
Silver	37.3%	38.0%
Gold	26.9%	33.0%
Zinc	13.5%	11.0%
Lead	77%	6.0%
Concentrates	52%	2.0%
Sodium sulfate	34%	2.0%
Others	**6.0%**	**8.0%**

NOTE 3: ORIGIN OF COST COMPONENTS

a) Costs

In 2009, operational costs decrease by 27.7% with respect to the previous year, reaching a total of $26,356 million according to note 2. This is due mainly to a mix effect for the sales and cost of metal decreases that are reflected in the operation's generated value.

The following table shows the variation of costs for 2008 and 2009, as well as distribution in percentage terms.

COST *(in thousands of Mexican pesos)*

	2009	2008
Metal Cost	17,839,826	28,156,763
Fuels	2,389,503	2,406,250
Operating Materials	2,010,480	1,856,655
Raw Materials	352,080	433,415
Other	3,765,037	3,586,626
SubTotal	**26,356,926**	**36,439,709**

The main component of costs is the metal purchased from third parties for treatment at the metallurgical facility.

The following tables show the detail break down of the "other" category:

BREAK DOWN OF FUELS *(in thousands of Mexican pesos)*

	2009	2008
Electrical Power	1,436,402	1295,837
Natural Gas	263,641	510,671
Coke	274,183	234,770
Diesel	311,661	260,939
Fuel and Lubricants	93,012	87,471
Fuel oil	10,604	14,972
Other	-	1,590
Total Fuels	**2,389,503**	**2,406,250**

BREAK DOWN OF OPERATING MATERIALS *(in thousands of Mexican pesos)*

	2009	2008
Explosives and detonating material	209,381	206,628
Mill balls and Bars	145,086	124,,029
Hydrated Lime	90,038	84857
Other Reactive Material	109,741	99,452
Security equipment	67,156	68,700
Baum calcium and magnesium	56,185	60,992
Building Materials	69,751	87,350
Steel and Drill	77,821	65,772
Tires and inner tubes	123,175	102,030
Sodium Cyanide	102,561	63,710
Zinc	39,536	40,411
Other Materials	178,554	181,967
Other	741,495	670,757
Operating Materials	**2,010,480**	**1,856,655**

BREAK DOWN OF RAW MATERIALS *(in thousands of Mexican pesos)*

	2009	2008
Ammonia	279,863	368,146
Magnesium oxide	31,867	25,654
Copper cements	20,237	18,427
Zinc soils	8,288	9,890
Others	11,825	11,298
Raw materials	**352,080**	**433,415**

b) Purchase

During the reporting period, Peñoles conducted commercial operations with a total of 15,402 domestic suppliers and 2,263 located abroad, totaling 17,665 suppliers, compared to 16,304 in the previous period. The following are the number of suppliers broken down per type of purchase during 2009 and 2008.

N° OF SUPPLIERS

	2009	2008
Consumables	7,538	6,971
Transportation	883	838
Contractors	949	927
Customs Agents	187	185
Services	7,684	6,982
Fixed Assets	38	38
Concentrates	386	363
Total	**17,665**	**16,304**

Peñoles supports and promotes the country's development, generating jobs and business opportunities for different domestic industries. This is a reflection of the geographic location of our 15,402 suppliers, distributed throughout the Mexican territory, marked by an 8 % increase in the number of suppliers with respect to last year.

The following are the main states where most of our suppliers in 2009 and 2008 were located: Coahuila hosts the largest number of suppliers, with 3,820 during 2009 and 3,579 in 2008; followed by Mexico City with 2,307 in 2009 and 2,139 in 2008.

These are followed by Nuevo León with 1,508 in 2009 and 1,400 in 2008; Zacatecas with 1,203 in 2009 and 1,129 in 2008; Sonora with 1,130 and Durango with 1,084, both for 2009, with respect to 1,006 and 993 in 2008, respectively; Chihuahua with 1,053 in2009 and 992 in 2008 The remaining suppliers are spread throughout Mexico.

As for our foreign suppliers, the U.S. accounts for 66% of total imports, followed by Canada with 172 suppliers, and a series of other countries that, summed, account for 34% of foreign suppliers.

NUMBER OF SUPPLIERS

	2009	2008
U.S.	1483	1030
Canada	172	157
Other countries (50)	608	843
Total	**2,263**	**2,030**

At Peñoles, depending on the type of purchase, different payment policies are applied to our suppliers. These policies have remained constant in 2009 and 2008.

	days
Consumables	30
Transportation	14
Contractors	10
Customs Agents	8
Services	15
Fixed Assets	10
Concentrates and Minerals	cash

NOTE 4: INDICATORS OF DISTRIBUTION OF ADDED VALUE

a) Employees

At Peñoles, we are aware that our work force plays a key role in the company, and given their contributions in a context of respect and trust that we have reached the Company's objectives, along with those of the employees themselves.

During 2009, salaries and wages paid to our 7,800 employees and collaborators, including payments to associates and bonuses, totaled $3,335 million, representing an 8.8 % increase from 2008.

THE "EMPLOYEES" CAPTION IS MADE UP AS FOLLOWS *(in thousands of Mexican pesos)*

	2009	2008
Compensations		
Salaries	958,748	872,631
Wages	436,206	425,242
Benefits	842,829	721,358
Subtotal Compensations	**2,237,783**	**2,019,231**
Overtime	**55,949**	**55,969**
Benefits	**554,531**	**518,767**
Profit Sharing	**486,778**	**471,860**
Total Employees	**3,335,041**	**3,065,827**

b) Contractors

Services received from third parties in 2009 amounted to $4,361 million. The following table shows the different services received and the related amounts paid:

THE "CONTRACTORS" CAPTION IS MADE UP AS FOLLOWS *(in thousands of Mexican pesos)*

	2009	2008
Contractors	2,075,076	2,102,523
Maintenance	1,090,859	888,364
Major Repairs	544,613	553,045
Fees	637,004	587,973
Other	14,204	209,460
Total	**4,361,756**	**4,341,365**

c) Taxes

In 2009, taxes paid have decreased with respect to 2008 for income tax, mainly a result of the extraordinary results of the Fresnillo operation in 2008, and in a minor scale because of the lower results for the present year.

Additionally, in 2009, nearly MXP$326 were paid in water taxes, property taxes, mining concessions and other fees, as shown under the section "Other taxes" in the following table:

TAXES *(in thousands of Mexican pesos)*

	2009	2008
Income tax	706,686	507,1409
Other taxes	326,346	290,815
Total	**1,033,032**	**5,362,224**

d) Shareholders

Peñoles is a public company, whose stock has been traded in the Mexican Stock Market since 1968.

DIVIDEND DISTRIBUTIONS *(in thousands of Mexican pesos)*

Ordinary dividends		
Majority	3,446,114	0
Minority	288,221	0
Extraordinary dividends	0	6,757,088
Total dividends	**3,734,335**	**6,757,088**

The dividends for the 2008 period correspond to the extraordinary profits obtained by the establishment of Fresnillo Plc, which were mostly distributed in the same year.

e) Community and Environment

At Peñoles, the environment is a key issue; therefore, we apply strict protection policies and avoid actions that damage the environment. One of the Company's main goals is to contribute to the country's sustainability through the reduction of impacts that could affect the natural environment as a result of our operations.

Furthermore, Peñoles makes contributions to the communities where we interact.

The following table shows the different contributions made by Peñoles in environmental measures and to the communities in which we conduct our operations, a sign of our commitment to responsibility and sustainability:

COMMUNITY AND ENVIRONMENT

(in thousands of Mexican pesos)	2009	2008
Community	74,505	39,587
Environment	95,281	78,671
Depreciation of social goods	87,112	79,599
Provision of ecological expenses	36,247	46,175
Total in Community & Environment	**293,145**	**244,032**

It should also be mentioned that we maintain fixed assets for social use in the amount of $1,491,867 million (approximately 5.7% of our total net assets in Property, Plants and Equipment), as shown below:

(in thousands of Mexican pesos)	2009	2008
Commonly used road	12,494	13,392
Housing	124,083	105,668
Clinics	11,751	9,226
Tailings	127,028	154,784
Ecology	936,062	613,094
Environmental control	213,762	14,599
Social benefits	66,687	63,480
Total	**1,491,867**	**974,243**

f) Retained by company

"Retained by company" includes items intended for the regeneration or subsistence of the company's production capacity, capital, or social value: essentially, income for the current exercise net income distribution of dividends and depreciation for the period (including the results in fixed asset disposals).

RETAINED BY COMPANY *(in thousands of Mexican pesos)*

	2009	2008
Depreciation, Amortization, Depletion and Other	4162,926	2,697,169
Consolidated net income	5,198,272	(411,795)
(minus) Majority and Minority dividends	(3,734,334)	-
== Retained by operations	**5,626,864**	**2,285,374**
Participation in Fresnillo plc shares placement	-	9,067,296
Extraordinary profits of Fresnillo plc operation	-	7,176,114
(minus) Extraordinary dividends	-	(6,757,088)
Extraordinary retention	**-**	**9,486,322**
Total retained by the company	**5,626,864**	**1,771,696**

The retained extraordinary profits will remain at disposal of the Board of Directors according to the faculties delegated to them by the Shareholder's Meeting.

g) Financial Institutions

As a positive result of the exchange differences, respect to the significant losses of the previous year, Peñoles incurred during 2009 a total of $ 71.9 million, in addition , consider the obligations that Company maintain with financial institutions and other suppliers of capital or financing of third parties to the company.

GRI-G3
INDICATORS

Ind.	GRI	Page(s)
GENERAL INDICATORS		
1.1	Statement of the CEO.	2
1.2	Description of principal impacts, risks and opportunities.	2
2.1	Name of the company.	5
2.2	Principal brands, products and/or services.	5,6,48,49
2.3	Operating structure of the organization.	5,6,58
2.4	Location of the headquarters of the organization.	5
2.5	Number of countries in which the organization operates.	5,6
2.6	Legal form and nature of ownership.	5
2.7	Markets served.	51
2.8	Dimensions of the organization: number of employees, net sales, number of products, etc	15,44,51
2.9	Significant changes in size, structure and ownership of the company during the period covered by the report.	6,10
2.10	Awards and distinctions received during the reporting period.	57
3.1	Period covered by the information contained in the report.	3
3.2	Date of the most recent previous report.	3
3.3	Reporting cycle.	3
3.4	Contact point for questions regarding the report or its contents.	3
3.5	Process of determining the content of the report	3
3.6	Coverage of the report.	3
3.7	Limitations on the scope or coverage of the report.	3
3.8	Basis for inclusion of information that may significantly affect comparability between periods and/or organizations.	3
3.9	Data measurement techniques and basis of calculation in the compilation of indicators and other information in the report.	3
3.10	Description of the effects of restated information appearing in previous reports.	3
3.11	Significant changes from prior periods in the scope, coverage or valuation methods employed in the report.	3
3.12	Location of the basic contents of the report.	4
3.13	Current policies and practices in relation to the request for external verification of the report.	3
4.1	Governance structure of the organization including the highest level governance committees responsible for such tasks as strategy formulation or supervision of the organization.	17
4.2	Indication of whether the chairman of the highest governance body also The Chairman of the Board	17
4.3	For those organizations that have a unitary management structure, indicate the number of members of the highest governance body that are independent or non-executive.	17
4.4	Mechanisms for shareholders and employees to communicate recommendations or suggestions to the highest governance body.	17

Ind.	GRI	Page(s)
4.5	Linkage between the compensation of the members of the highest governance body, senior officers and executives and the performance of the organization.	17
4.6	Procedures in effect to avoid conflicts of interest in the highest governance body.	17
4.7	Procedure to determine the required training and experience for the members of the highest governance body.	17
4.8	Statement of mission and values developed internally, codes of conduct and other documents for sustainability and the statement of implementation.	8,17
4.9	Procedures of the highest governance body for supervising the identification and management of economic, environmental and social performance of the organization.	17
4.10	Procedures to evaluate the performance of the highest governance body itself.	17
4.11	Description of the manner in which the organization has adopted a plan or principles of precaution.	7,17,34
4.12	Social, environmental and economic principles or programs developed externally.	11,34,37,40-42
4.13	Principal associations to which the company belongs, such as industry and/or national and international entities.	56
4.14	Relationship to stakeholders included by the organization.	8
4.15	Basis for the identification and selection of stakeholders to which the organization is committed.	8,15
4.16	Focus adopted for the inclusion of stakeholders, including the f requency of their participation by type and category of stakeholder.	8
4.17	Principal concerns and items of interest that have emerged through the participation of the stakeholders.	8

ECONOMIC PERFORMANCE INDICATORS

EC0	Economic Management Approach.	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community, investments benefits not distributed, and payments to suppliers of capital and to governments.	14,15
EC2	Financial consequences, other risks and opportunities for the company's activities due to climate change.	11
EC3	Coverage of obligations defined by the organization with respect to pension plans.	43
EC4	Significant governmental financial assistance.	12
EC5	Interval of the relationship between the standard starting wage and the local minimum wage in locations in which significant operations are conducted.	45
EC6	Policies, practices and proportion of expenses corresponding to local suppliers in locations in which significant operations are conducted.	15,53-55
EC7	Procedures for local hiring and the proportion of senior managers from the local communities in which significant operations are conducted.	45
EC8	Development and impact of investments in infrastructure and services rendered principally for the benefit of the community, through commercial commitments, pro bono or in kind.	15,37,41,42
EC9	Understanding and description of indirect significant economic impacts, including the scope of such impacts.	14,15

ENVIRONMENTAL PERFORMANCE INDICATORS

Ind.	GRI	Page(s)
EN0	Environmental Management Approach.	
EN1	Principal supplies utilized by weight or volume.	21,32
EN2	Percentage of materials utilized that are recycled or reused.	21,30
EN3	Direct energy consumption disclosed by source.	20,24
EN4	Indirect energy consumption disclosed by source.	20,24
EN5	Energy savings due to conservation and efficiency improvements.	24,25
EN6	Initiatives for efficient energy use or employing renewable energy in the products and/or services that the company supplies.	24,25,31
EN7	Initiatives to reduce the indirect consumption of energy and the reductions achieved in these initiatives.	24,25,31
EN8	Total extraction of water by business unit broken down by sources.	26
EN9	Sources of water that have been significantly affected by the extraction of water.	20
EN10	Percentage and total volume of water recycled and reused.	26
EN11	Description of adjacent lands or lands located within natural protected areas or unprotected areas with high biodiversity.	22
EN12	Description of the most significant impacts on biodiversity in natural protected areas or in unprotected areas of high biodiversity.	22,31
EN13	Protected or restored habitats.	22
EN14	Strategies and actions implemented and planned for the management of impact on biodiversity.	11,13,22,31,32
EN15	Number of species disclosed in terms of danger of extinction, included in the Red List of the International Union for the Conservation of Nature (UICN) and on national lists.	22
EN16	Total direct and indirect emissions of Greenhouse Gases (GHG), by weight.	29
EN17	Other indirect important emissions of Greenhouse Gases (GHG) by weight.	29
EN18	Initiatives to reduce emissions of Greenhouse Gases (GHGs) and the reductions achieved.	12,29
EN19	Emissions of substances that deplete the ozone layer, by weight.	21
EN20	NOx, SOx and other significant atmospheric emissions by type and weight.	21,27,28
EN21	Total discharge of residual water by quality and destination.	20
EN22	Total weight of residues generated by type (hazardous and non-hazardous) and final disposition (treatment method).	21,30
EN23	Total number and volume of most significant accidental spills.	23,24
EN24	Weight of residues transported, imported, exported or treated that are considered hazardous according to the classification of the Basel Agreement.	21
EN25	Identification, size, protection status and biodiversity value of water resources and related habitats that have been significantly affected by the company's water discharges.	20,21
EN26	Initiatives to mitigate environmental impact of the company's products and services.	20-31
EN27	Percentage of products sold (includes packaging materials) that are recollected, reused or recycled at the end of their useful life, by product category.	30
EN28	Amount of significant fines and number of non-monetary sanctions for failure to comply with environmental standards.	24
EN29	Significant environmental impacts from the transport of products and other goods and materials utilized for the activities of the organization as well as the transport of personnel or contractors.	21
EN30	Environmental expenses and investments by type.	13,15,23

SOCIAL PERFORMANCE INDICATORS

Ind.	GRI	Page(s)
LA0	Social Magement Approach.	
LA1	Total workers by type of employment, contract and region.	44
LA2	Total number of workers by gender, age and region that voluntarily left the company or due to firing, retirement or death.	45
LA3	Social benefits for full-time employees.	43,45
LA4	Percentage of employees covered by collective agreements.	44,47
LA5	Minimum notification periods prior to changes in the organization.	44
LA6	Percentage of total workers represented on health and safety committees for the supervision of these programs.	34,44
LA7	Rates for accidents, occupational illnesses, lost days and absenteeism, as well as total number of fatalities.	32,33,35,47
LA8	Education, training, assessment, prevention and risk control programs provided to workers, their families or members of the communities in relation to serious illnesses.	32,33,46
LA9	Formal union agreements related to health and safety aspects.	32,34,44,47
LA10	Average hours of training per year by employee, disclosed by employee category.	46
LA11	Skills management and continuous training programs to identify the strategic needs of the company.	43,46
LA12	Percentage of employees that receive regular performance evaluations and professional development.	43,46
LA13	Composition of corporate governance bodies and staff, disclosed by sex, age, minority groups and other indicators of diversity.	17,45
LA14	Economic remuneration is established on the basis of salary ranges and the level of responsibility in positions without distinctions based on such issues as gender or age, therefore there is no ratio of diference between salaries.	43
HR1	Percentage and total number of significant investment agreements or contracts that include human rights clauses.	17,46
HR2	Percentage of principal suppliers that have been evaluated on the subject of human rights.	55
HR3	Total hours of employee training on policies and procedures related to human rights.	46
HR4	Total number of incidents of discrimination and measures adopted.	19
HR5	Company activities in which the right to freedom of association and coverage by collective agreements can bring substantial risk.	43
HR6	Measures adopted to avoid exploitation of children.	18,19
HR7	Measures adopted to avoid forced labor.	18,19
HR8	Percentage of persons that have had humans rights courses.	46
HR9	Number of incidents of violations of indigenous people.	13
SO1	Nature, scope and effectiveness of programs and practices to evaluate and mitigate the impacts of operations on communities.	8,11,13,37-42
SO2	Percentage and total number of business units analyzed with respect to risks related to corruption.	18,19
SO3	Percentage of employees trained in the anti-corruption policies and procedures of the company.	18,19
SO4	Measures taken in response to corruption incidents.	18,19

Ind.	GRI	Page(s)
SO5	Participation in development of public policies and lobbying activities.	17
SO6	Total value of financial and kind contributions to political parties or to institutions related with the locality.	15,17,19
SO7	Total number of pronouncements related to monopolistic practices.	19
SO8	Significant fines and non-monetary sanctions for regulatory compliance failures.	19
PR1	Life cycle analysis.	7,11,23
PR2	Number of incidents of legal incompliance for the impact of products on health and safety during the life cycle.	51
PR3	Types of information required for products and services, established in procedures, regulatory standards or under voluntary codes.	48-50
PR4	Total number of compliance failures with regulations or the voluntary codes related to information and labeling of products and services.	51
PR5	Practices related to customer satisfaction, including the results of satisfaction studies.	50,51
PR6	Programs to comply with laws or adherence to standards and voluntary codes with respect to marketing communications.	48,49
PR7	Total number of incidents attributable to failure to comply with regulations and codes with respect to marketing communications.	51
PR8	Total number of claims duly based on the right to privacy and misuse of personal data of customers.	51
PR9	Number of significant fines for failure to comply with laws and regulations with respect to the supply and use of products and/or services of the organization.	51

MINING INDICATORS

MM1	Identification of operations in which the contribution to the local economy and the impact of development and interested parties may be significant.	11,13,16,37-42,55
MM2	Value added, disclosed by country.	14
MM3	Number and percentage of operations identified with and without plans to manage biodiversity and criteria for determining the need.	9,22,31
MM4	Percentage of products made from secondary materials.	30
MM5	Description of policies to evaluate eco-efficiency and product sustainability.	23,25,26,29,48
MM6	Description of focus adopted for managing overloads, waste rock, tailings/residues, sludge and quantities of residues or hazardous residues generated.	21,30
MM7	Description of significant incidents that affected communities during the period covered by the report and resources dedicated to the resolution of these incidents.	37-42
MM8	Description of programs directed to independent and small scale mining.	41,53,54
MM9	Description of relocation policies and activities.	11,13
MM10	Number or percentage of operations with closure plans that include social (including the labor transition), environmental and economic aspects.	11,13
MM11	Description of processes utilized to identify rights to the land and constitutive rights of local communities, including those of indigenous peoples.	11
MM12	Description of criteria utilized to identify, prevent and respond to emergency situations that affect workers, local communities or the environment.	34,35
MM13	Number of cases of occupational illnesses by type and programs to prevent occupational illnesses.	33

COMMUNICATION ON PROGRESS
UNITED NATIONS GLOBAL COMPACT

	Principle	Equivalent GRI Indicators
1.	Businesses should support and respect the protection of internationally proclaimed human rights, within their influence scope.	HR1, HR2, HR3, HR4, HR5, HR6, HR7, HR8, HR9, LA4, LA13, SO1
2.	Businesses should make sure they are not complicit in human rights abuses.	HR1, HR8, MM9, MM10, MM11
3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5, LA4, LA6, LA9
4.	Businesses should uphold the elimination of all forms of forced and compulsory labor.	HR1, HR2, HR7
5.	Businesses should uphold the effective abolition of child labour.	HR1, HR6
6.	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	LA2, LA3, LA13, LA14, HR1, HR2, HR3, HR4, EC5, EC7, SO7
7.	Businesses should support a precautionary approach to environmental challenges.	1.2, 4.11, EC02, EN12, EN14, EN26, EN30, PR1, MM3, MM12
8.	Businesses should undertake initiatives to promote greater environmental responsibility.	4.12, EC02, EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN24, EN25, EN26, EN26, EN28, EN29, EN30, PR3
9.	Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN2, EN5, EN6, EN7, EN10, EN18, EN22, EN27, MM4, MM5, MM6
10.	Businesses should work against corruption in all its forms, including extortion and bribery.	SO2, SO3, SO4, SO6

GLOSSARY

ACCIDENT RATE
The number of classifiable accidents (C, D, E and F). C: temporary disability for one or more days; D: partial permanent disability that results in the complete loss of use of any limb or part of the body; E: permanent total disability from a non-fatal injury that causes the individual to lose abilities for the rest of his or her life; and F: work-related fatality.

ANODIC SLIMES
Impurities containing metals in an electrolytic cell in which anodes (impure metals) and cathodes (pure metal) are alternated.

BAG HOUSE
Place where the dust product of the operation is placed and stored in sacks or special recipients.

BRACKISH WATER
Mixture of seawater and fresh water that may contain more dissolved salt than fresh water but less than seawater. Technically, water is considered to be brackish if it has between 0.5 and 30 grams of salt per liter.

CARD, LOCK, CLEAR AND TEST
A procedure to be followed by employees who perform duties in machinery, equipment and electric facilities or where exposure to gas flow, fluids or other risky materials is present.

CICLOPAFLEST
Comisión Intersecretarial para el Control del Proceso y Uso de Plaguicidas y Sustancias Tóxicas (Inter ministerial Commission for Process Control and the use of pesticides and toxic substances) created as an inter institutional effort to jointly solve issues related with the emission of registrations and authorizations to import pesticides, fertilizers and toxic substances.

CLEAN DEVELOPMENT MECHANISM (CDM)
Clean Development Mechanism derived from the Kyoto Protocol for the reduction of greenhouse gases.

CLEAN INDUSTRY CERTIFICATE
Certificate issued by the Federal Environmental Protection Agency (PROFEPA) to private or public industries that have complied with all the observations made in environmental audits.

CODE OF CONDUCT
Statement of ethical standards that a company establishes and is governed by.

COMMODITIES
Product destined to commercial use, availability and world demand, which possesses an international price rank and does not require high technology for its manufacture and processing.

CORPORATE GOVERNANCE
A set of principles that govern the design, integration and functioning of the governing bodies of the company such as the Board of Directors and its supporting committees.

CORPORATE SOCIAL RESPONSIBILITY
Companies' voluntary and active contribution to social, economic and environmental improvement, with the objective of enhancing its competitive situation as well as its added value.

COSO PRINCIPLES (Committee of Sponsoring Organizations of the Treadway Commission)
Internal control guidelines for companies with five criteria: environmental control, risk evaluation, control activities (policies and procedures), information and communication and monitoring or supervision.

CYCLE OF LIFE ANALYSIS
Tool that is used to evaluate the potential impact on the environment of a product, process or activity along its complete cycle of life by means of the quantification of the use of resources ("entries" as energy, raw materials, water) and environmental emissions ("exits" to the air, water and soli) associated with the system that is being evaluated.

DIRECT EMISSIONS
Venting of substances into the atmosphere derived from burning fuels and generating electricity, as well as heating water or utilizing boilers.

DOLOMITE
Sedimentary rock formed from 57.6% calcium carbonate and 38.4% magnesium carbonate.

ECONOMIC TURNOVER
The distribution of an eventual expense and more specifically an economic contribution. In this Report, it was calculated through Wages + Salaries + Local Purchases + Local Taxes.

ECO-EFICIENCY INDICATOR
A ratio that measures the level of efficiency associated with operating processes expressed as a combination of economic and environmental performance. Because generally eco-efficiency is expressed in terms of monetary value of the product or service divided by its environmental impact, in the case of Peñoles this indicator was calculated by dividing the consumption of first use water or total energy consumption among the sum of the most representative products of each business unit.

ECUADOR PRINCIPLES
A series of guidelines voluntarily adopted by an entity according to the policies of the World Bank's International Financial Corporation, to ensure that both the social and environmental issues receive full attention during projects' financing.

ELECTROLYSIS
Decomposition of a body produced by electricity.

ENVIRONMENTAL LIABILITY
An environmental situation generated by man in the past with progressive effects over time that represents risks to the environment and the quality of life. It can cause deterioration in the quality of water, soil, air and to ecosystems in general.

FINANCIAL STATEMENTS
Financial documents that present the generated resources or operation profit of an entity during a certain period, as well as the principal changes occurred in its financial structure and its final reflection on cash and investments.

FOURTH FINANCIAL STATEMENT
Methodology developed by PricewaterhouseCoopers, which sets forth a model of reporting that reconciles the financial statement and the social responsibility activities of companies.

GHG MEXICO PROGRAM
A voluntary national program to account for and report Greenhouse Gases (GHG) and to develop projects to reduce emissions created by private initiative as a response of the industrial sector to combat climate change.

GIGAJOULE
Energy unit equivalent to one billion of joules; a joule is equivalent to 0.239 calories.

GREENHOUSE GASES (GHG)
Gases—carbon dioxide, chlorofluorocarbons, ozone, methane and nitrous oxides—that are located in the lower portion of the earth's atmosphere that have been identified as the principal cause of global climate change.

GRI (Global Reporting Initiative)
Initiative to develop reports on the economic, environmental and social performance of companies through a series of indicators.

HALOGEN
Chemical element electronegative with the ability to form haloidic salts when combines with a metal: the flour, chlorine, Bromine, iodine, astatine are halogen.

HAZARDOUS WASTE
Elements, substances, compounds, residues or mixtures that, independent of their physical status, represent a risk for the environment, health or natural resources because of their corrosive, reactive, explosive, toxic, flammable or biological-infectious characteristics.

INDIRECT EMISSIONS
Venting of substances into the atmosphere derived from electricity consumption or transport emissions

ISO-14001
International standard for environmental management.

ISO-9000
International standard for quality management and product or service insurance.

JAROSITE
Non-hazardous waste from processing zinc minerals with high iron content.

LEACHING
Process by which soluble constituents are dissolved and filtered through the soil by percolation of fluids.

LEAD LEVEL IN BLOOD
According to the standard, NOM EM 004 SSA1-1999, the values used as criteria to establish the limits for the concentration of lead in blood are as follows: a) for children (under 15 years) and pregnant women, 10 µg/dl of blood; and b) for adults (over 15 years) 25 µg/dl of blood.

MILING SYSTEM
Technology used to grind the ore extracted from the mining units. The ball mill, containing steel balls, is rotated to pulverize the mineralized material mixed with water. The SAG mill (Semi-Autogenous Grinding) has greater capacity and efficiency than the former.

MINE WATER
Water pumped from the interior of a mine that may have a high level of acidity or some type of toxic mineral.

NANO PARTICULATE S
Particulates with a measurement of one-millionth of a meter.

NON-HAZARDOUS WASTE
Any material considered to be a waste that needs to be eliminated.

OHSAS
(Occupational Health and Safety Management Systems)
Series of internationally accepted standards for health and safety in the workplace.

PARTIAL HEARING LOSS
A disorder characterized by hearing loss or reduction.

POLYMER
Chemical compound of elevated molecular mass obtained in a process in which by means of heating, light or some catalytic converter, various molecules of a compound are joined to form a chain of multiple links, obtaining a macromolecule.

PSI (Pounds per Square Inch)
Pressure Unit which value is equivalent to 1 pound per square inch.

RENEWABLE ENERGY SOURCES
Those energy sources that can supplant current energy or energy sources either by lesser contaminating effects or fundamentally for their potential for renewal. The principal renewable energy sources are wind energy, hydroelectric power, ocean power, solar and geothermal power as well as energy created from biomass.

REVERSE OSMOSIS
Physical-chemical phenomenon whereby one component is separated from another in a solution through the forces exerted on a semi-permeable membrane.

SILICOSIS
Nodular fibrosis of the lungs and difficulty breathing caused by prolonged inhalation of chemical compounds containing crystalline silicon.

SLAG
Residue from the processes of smelting and refining metals composed principally of iron, silicon and calcium.

STAKEHOLDERS
Group of key actors for Peñoles Industries, consisting of shareholders, clients, providers, personnel and community.

SUSTAINABLE DEVELOPMENT
A process that meets the needs and aspirations of the current generation without compromising the ability of future generations to meet theirs (WBCSD, World Business Council for Sustainable Development).

TAILINGS
Waste from the concentration process or beneficiation of minerals.

UNITED NATIONS GLOBAL COMPACT
An initiative for an ethical commitment intended for entities in any country to include as an integral part of their strategy and operations the ten Principles of Conduct and Action on the subject of Human Rights, Labor Standards, the Environment and the Fight against Corruption.

VALUE CHAIN
Set of processes that are structured to provide a value proposition to customers and generate economic value for shareholders.

WASTE ROCK
Waste rock, also used in some mines to designate low grade mineralization.

WASTE WATER TREATMENT
Procedure whereby water contaminated with organic and mineral materials is purified. It is divided into three phases:

- Primary treatment: First stage in which all solids that float are eliminated and sedimentary solids are extracted by screens, mechanical extractors or other means.
- Secondary treatment: The phase in which the organic matter content is eliminated by microbial action.
- Tertiary treatment: The stage in the processing in which nutrients (phosphates and nitrogen) are removed along with a high percentage of suspended and dissolved solids.

WASTEWATER
Liquid of varying composition originating from municipal, industrial, commercial, agricultural, livestock or other public or private use, whose original quality has deteriorated.