



MINERA
AUTLAN®

2009 Annual Report



unity | *work*
environment | *commitment*

vision



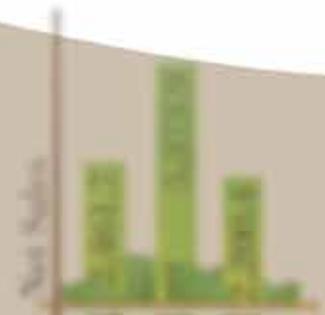
Contents

*Our Cover:
Minera Aullán supports the "Preserving of the Golden Eagle Project"
This eagle represents one of our symbols of national identity and it is also witness of our history.
2010: Commemoration of 200 years of independence and 100 years of the Mexican Revolution.*

Salient Features

Millions of constant price as of December 2009

Results	2007	2008	2009
net sales	2,561.7	5,373.9	2,300.4
gross earnings	572.3	2,676.8	568.4
operating income	1,140.0	2,268.1	209.8
operating margin	45%	42%	10%
net income	422.9	683.1	-106.9
net income	16%	13%	-5%
EBITDA	1,298.0	2,423.0	327.0
EBITDA/total assets	4%	4%	13%
Balance Sheet			
current assets	979.6	2,004.4	1,199.6
total assets	2,561.7	4,831.5	2,945.8
debt with cost	3,120.0	612.0	541.1
net debt	126.0	-322.7	289.3
total liabilities	1,224.5	2,117.8	1,441.3
stockholders' equity	2,122.0	2,708.6	2,499.6
Financial Indicators			
EBITDA/net interests (times)	10.7	3.6	3.2
cost debt/ EBITDA (times)	0.4	0.1	1.7





Contents



MINERÍA
Y ENERGÍA

Salient Features

(Millions of constant pesos as of December 2009)

Results

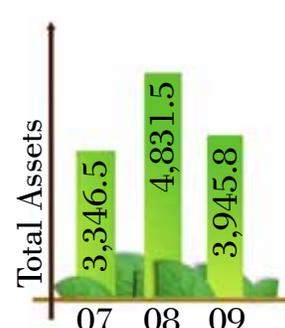
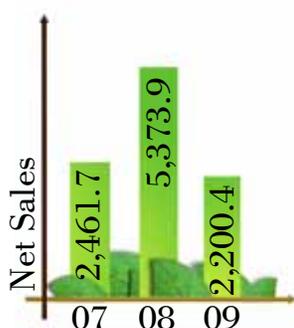
	2007	2008	2009
net sales	2,461.7	5,373.9	2,200.4
gross earnings	822.3	2,676.8	568.4
operating income	516.3	2,268.1	209.8
operating margin	21%	42%	10%
net income	402.9	683.1	-106.9
net margin	16%	13%	-5%
EBITDA	629.8	2,423.3	327.0
(operating income + depreciation and amortization)			
EBITDA margin	26%	45%	15%

Balance

current assets	979.8	2,204.4	1,269.6
total assets	3,346.5	4,831.5	3,945.8
debt with cost	352.1	612.0	541.1
net debt	126.0	-322.7	289.5
total liabilities	1,224.5	2,117.8	1,441.5
stockholders' equity	2,122.0	2,708.6	2,498.6

Financial Indicators

EBITDA/net interests (times)	10.7	35.6	5.2
cost debt/ EBITDA (times)	0.6	0.3	1.7



Our Company Ideology

I. *To be consistent with our Ideology.*

Being aware of the values we believe in means nothing if we do not practice them. We must be consistent between the things we say and the things we do every day, because facts are more important than words.

II. *To consider the Truth as our life pattern.*

We must be always honest and loyal in our interactions with people inside and outside the organization, and tell the truth. Our honesty must be always constructive and respectful to generate proposals that improve company results. We must never damage or destroy, we must add rather than subtract.

III. *To foster innovation and inclusion.*

We must be convinced that there may be always a way to make things better, therefore we devise inclusively and bravely to innovate at all times and to try options never undertaken before, accepting that a good idea may emerge everywhere in the organization.

IV. *To privilege perseverance and efficiency.*

Having and implementing new ideas is not enough. A diligent follow-up about those ideas is imperative until they really come to life to achieve success. Additionally, it is essential to search continuously for a better way to make things, and to be not only efficacious but also efficient. An objective analysis based on the facts will allow us to achieve efficiency without depending only on our intuition.

V. *To consider our colleagues as part of our family.*

We must understand that the concept of “family” is broad. Our colleagues spend a significant amount of their lives working for the company, and in time, they create spontaneous bonds that build a second family, which must be respected and taken care of honestly. If someone is sick, or in trouble, this second family must be joined and strive to be of assistance. Additionally, we must appreciate the role of our primary families, because our achieve-



Joint. commitment

ments result from their support. We must balance smartly the time spent at work and the time we devote to our primary family.

VI. *To perform our work as a team.*

We must leverage our strengths and remedy our weaknesses in different ambits of the organization through teamwork with specific responsibilities and common goals. Working as a team implies developing some skills: Tolerance towards several points of view and lifestyles; Coordination to carry the efforts of many people towards the objective established; and Modesty to avoid the useless desire to be in the limelight and to recognize other people's merits.

VII. *To promote Social Responsibility and Sustainable Development.*

We believe in a law regimen that guarantees men's fundamental freedoms, including free enterprise and respect to private property that lead to investments and to the creation of jobs in areas where our company operates for the sustainable development of these places and the company itself. To achieve this development, we must always behave with social responsibility striving to have a positive impact in our social ambit and in the environment.

VIII. *To promote the sense of urgency and dedication.*

Firstly, we must build on clear objectives. Once our objectives are set, we must meet them with dedication and a great sense of urgency because we could fail if we do not address them timely. We are aware that commitments may be both internal and external (governmental and social entities) and we must meet those commitments with the same devotion.

IX. *To admit our mistakes and do our best to overcome them.*

We are professionals, and must work to meet the objectives of the organization, recognizing our errors and taking necessary measures to overcome our faults.

X. *To be better human beings every day.*

Both, in our work and our personal life we must strive every day to be more open, respectful, courteous, prompt, polite in the way we talk and thankful for the opportunity life is giving us by having a job. Work dignifies men and we must enjoy it fully. Otherwise, we should stop and examine the causes of our lack of satisfaction and make radical decisions. Any job that causes dissatisfaction damages our physical and mental health and definitely does not help us become better human beings.

Message from the Chairman

THE FIRST SEMESTER OF 2009 WAS PARTICULARLY COMPLEX AND OUR RESULTS REPRESENT OUR BEST EFFORT WITHIN A DEPRESSED ECONOMY. HOWEVER, I WOULD LIKE TO POINT OUT THAT ONCE MORE, MINERA AUTLAN MADE USE OF TWO IMPORTANT ELEMENTS THAT CONSTITUTE THE ESSENCE OF THE COMPANY: UNITY AND COMMITMENT ATTUNED WITH TOP MANAGEMENT DECISIONS.

***T**wo thousand nine started amidst great uncertainty, due to the worldwide economic crash by the end of 2008.*

The steel and manganese industries were not on the sidelines of this situation, and as important mainstays of economy, suffered directly the effects of the crisis, which lead to a sensible demand, offer, and price contraction around the globe.

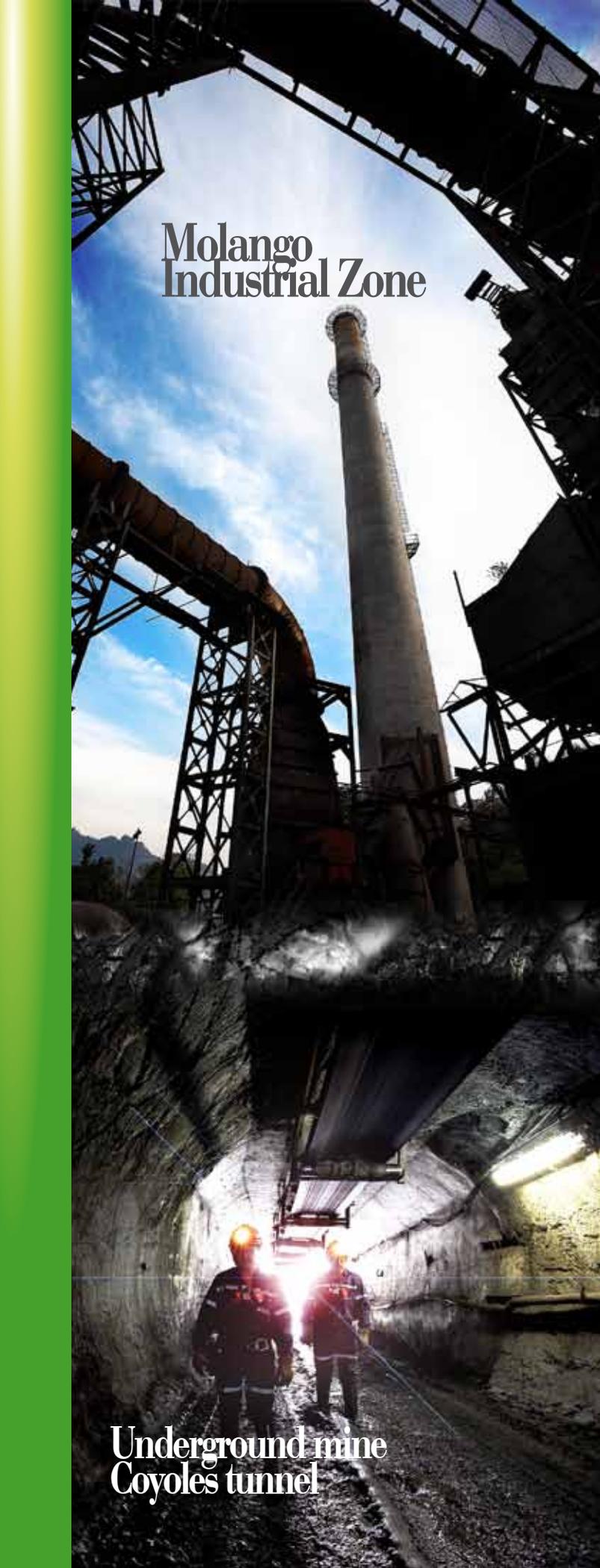
During the first months of 2009, it was hard to figure out the immediate future of manganese, and not even prominent analysts could reach a consensus in their opinions, which resulted in a mixture of prophecies, ranging from the most adverse scenarios up to those reporting relative optimism.

The truth is that the global demand of manganese ore and ferroalloys reacted rapidly and naturally with great discipline, adjusting production levels to the new pace of these demands.

In order to explain more clearly the events occurred in 2009, I think we may divide the year in two opposite stories.

The first semester undeniably set the tone of the manganese industry worldwide, since international stock prices of ferroalloys drew back nearly 40% by the end of June compared to the previous year. On the other hand, the global demand except for China shrunk over 30%. In the American Continent, especially in the United States of America and Mexico, the decrease in terms of demand was even more dramatic.





Molango Industrial Zone

Underground mine Coyoles tunnel

In contrast as of July, a more positive panorama was perceived around the world, and a consistent although slight recovery was noted gradually in steel production, which reported a beneficial apportionment for ferroalloys and manganese ore by the end of the third quarter of the year, which led to a better price level.

Minera Autlan, consistent with this global changing trend was able to face these circumstances and making use of its well-known high flexibility modified its production programs in a matter of weeks as of the last semester of 2008. Such flexibility continued throughout 2009 allowing the company to adapt to a new reality, very different from the one the company had experienced the previous year.

Evidently, this environment contributed to the operative and financial results of our organization, which are a reflection of the events, occurred in the market and of our internal efforts to prevent higher damage. Thus, in terms of net sales and utility before financing, income tax, depreciation, and amortization (UAFIRDA), the second quarter of the year was much highly affected with a significant gradual recovery in the last two quarters of 2009.

The first semester of 2009 was particularly complex and our results represent our best effort within a depressed economy. However, I would like to point out that once more, Minera Autlan made use of two important elements that constitute the essence of the company: UNITY AND COMMITMENT attuned with top management decisions.

My experience as Chairman of Minera Autlan makes me believe that these two elements really differentiate us from other companies.

In times of bonanza or during complicated situations, the togetherness of our colleagues is amazing. They are a solid block aligned with the decisions made, aiming all their energy towards the wellbeing of the company.

On the other hand, the efforts of our team go beyond established doctrines. Doing more with less, finding creative solutions to tough problems, streamline resources maximizing efficacy, are just some of the traits of our workers,

BY ADDING OUR IDEOLOGY TO THIS ANNUAL REPORT, WE WISH TO SHARE PUBLICLY THE MORAL BASES THAT SUPPORT MINERA AUTLAN, TO PROVIDE DEEPER AWARENESS ABOUT OUR ESSENCE. THE ESSENCE OF THIS COMPANY BUILDS ON VERY SOUND ETHICAL AND PRODUCTIVE CONVICTIONS THAT HAVE ALLOWED ITS PERMANENCE FOR OVER FIVE DECADES.

that spontaneously emerge every day, both in the simplest tasks and in those which impact in the company is highly sensitive.

Likewise, I would like to emphasize that beyond any economic crisis, our commitment with society and nature is a priority in all our operations. We believe that the final goal of the company is to reach a balance between the profitable generation of economic growth –as a contribution to society- and the efforts that privilege simultaneously the protection of the environment. This balance represents the philosophy that permeates every layer of our organization, which commitment towards Social Responsibility and Sustainable Development is a consistent feature, even through difficult times like 2009. As a tangible proof of the above, I am proud to say that Minera Autlan contributes actively with the Ministry of the Environment and Natural Resources (SEMARNAT) reporting voluntarily our greenhouse effect gas emissions through the GEI Mexico program, with only seventy-two company members in the country.

Aligned with our way of thinking, we included for the first time in our annual report the IDEOLOGY of Minera Autlan. I think that the values we believe in and move across have been permanent drivers of our UNITY, WORK, VISION and COMMITMENT, aligned with SOCIAL AND ENVIRONMENTAL CARE that prevails in all the areas of the company, regardless of any booming or challenging times.

By adding our Ideology to this annual report, we wish to share publicly the moral bases that support Minera Autlan, to provide deeper awareness about our essence. The essence of this company builds on very sound ethical and productive convictions that have allowed its permanence for over five decades.

The Ideology is closely linked to the Vision, Mission, and Philosophy that since many years ago we have established in the company. Internally, these concepts are profusely

spread across all levels, in such way that both, the new colleagues that we have welcomed to our organization and those who have worked for several years for Minera Autlan, share homogeneously this way of thinking that has led to great results.

On the other hand, being consistent with our strategy to leverage even more the strengths of Minera Autlan, in spite of the adverse context, Grupo Ferrominero continued its efforts to build our first hydroelectric plant in the State of Puebla, achieving very significant progress in terms of civil work, which results we expect to become tangible in 2011. This investment will benefit and minimize the costs of our power-intensive ferroalloys processes.

Likewise, we continue aiming resources and thorough investigation to different strategic projects regarding manganese ore and ferroalloys, certain that the time and money invested will result in great advantages for the company in the mid-term.

In like fashion, we have completed the transformation process from the old guests' house of Molango Mining Unit. In the middle of 2009 it finally became "STERRA-Tierra Destino" that is a hotel-spa open to the public, which takes advantage of the beauty of Hidalgo's mountain range. The hotel has become an independent operation unit of Minera Autlan, though linked through Grupo Ferrominero. This investment generates development and wellbeing in the region, while protecting nature.

It is also important to add that we have persisted in our effort to analyze strategic integrations, both vertically and horizontally, which we hope will render profits in the short future.

2010 is envisioned with hope. Deep inside we are pleased to have made appropriate decisions throughout the worldwide economic turmoil, and we are experiencing some moderate but consistent improvements.

Based on worldwide perspectives, we think that the 2008 boom will not be repeated in 2010, however there are some

factors that make us think that this will be a better year with sensitive recovery in terms of steel production and therefore in the demand and prices of manganese products.

This is our commitment to do our best to continue making Minera Autlan the best supply choice when it comes to manganese and related products.

*José Antonio Rivero Larrea
Chairman of the Board of Directors and
Chairman of the Executive Committee.
April 2010*

Message from the Chief Executive Officer

THANKS TO THE OPERATIVE AND HUMAN FLEXIBILITY OF OUR COMPANY, WE WERE ABLE TO REACTIVATE OUR ENTIRE PRODUCTION IN RECORD TIME, REESTABLISHING OUR MINING AND FERROALLOY OPERATIONS COMPLETELY BY THE LAST QUARTER OF THE YEAR.

The economic panorama that prevailed during 2009, was far more complex than expected for our company, especially during the first quarter of the year.

Steel production in Mexico was low up to September, partially for the worldwide recession and for the strike in the biggest steelworks of the country in August and September. Added to this scenario, was the massive flow to Mexico of ferroalloys coming from Korea and United States of America, at prices ridiculously low during the first half of the year.

This adverse environment affected deeply our main market, manganese ferroalloys in Mexico, affecting significantly sales volumes and incomes during the first semester.

The conditions prevailing in other markets serviced by the company such as ferroalloys in the United States and Europe, or manganese byproducts - excluding battery grade Mn dioxide – were not the best.

In virtue of the circumstances, the top management decided to continue the shutdown started at the end of 2008 in the Gomez Palacio Plant in Durango, and make technical shutdowns in the Teziutlan plant in Puebla.

These shutdowns were extended for six months in Teziutlan, while in Gomez Palacio the plant was closed until September. Throughout this time, we were operating the Tamos below its full capacity.



Retrospectively, I believe that this decision was the best we could make due to the dramatic contraction of the market. We were just producing exactly what the demand required.

In addition, these events of the market overlapped with the sanitary crisis in our country, resulting from the AH1N1 influenza outbreak in the second quarter of the year, which also reported repercussions in our operations. Abiding rigorously by the provisions of our governmental authorities, Minera Autlan suspended its administrative and operative activities, both in terms of mining and ferroalloys during the days instructed with the consequent negative impact in our levels of production.

However, our industry started to improve gradually in the second semester of 2009, and steel production, in both Mexico and the United States began to strengthen in the last months of the year. The above resulted in a beneficial apportionment for the ferroalloys market with an increase both, in terms of demand and price levels

Thanks to the operative and human flexibility of our company, we were able to reactivate our entire production in record time, reestablishing our mining and ferroalloy operations completely by the last quarter of the year.

In the Mining Division, I must reiterate that in spite of the tough circumstances of the first semester of 2009, we reported very significant achievements in terms of diamond drilling exploration, aimed to increase our reserves of manganese ore. Likewise, we reported progress regarding the mining method change in the underground mine to long drilling due to the advantages it has over the cutting and filling method.

In addition, the response time of the Mining Division was outstanding meeting the non-programmed manganese nodule production in the second quarter to cover the sudden demand of this product in the Chinese market.

In the case of the Ferroalloys Division, I recognize fully how smoothly the operations were suspended and reactivated during 2009, adapting extraordinarily to the volatile market conditions, to the extent that by the end of the year



Our People Our Commitment

Tamos, Teziutlan and Gomez Palacio were working at their full capacity.

On the other hand, in spite of the hardships around, we made significant investments in transformers, cooling towers and illumination that contributed to maximize our operative efficiency and to decrease power and water consumption.

With respect to human resources in the company, in spite of the economic crisis, we were able to maintain the excellent working environment that has always characterized Minera Autlan, as well as social peace and unparallel relationships with the Union. This has been the base to perform our activities during 2009 and has been the support of the decisions we made along the year. The UNITY and COMMITMENT of our colleagues was present permanently in the midst of adversity and recovery, showing once more their courage and virtue I am so proud of.

With respect to our markets, we were always very alert to

throughout the second quarter of the year, period in which the positive inertia of the last year ended experiencing the roughest part of the worldwide economic crisis. However, a slight improvement was reported during the third quarter that ended up with an important upturn in the sales in the last quarter of the year. The same was true for EBITDA. Nevertheless, the annualized amounts of this variable as well as those of the net sales are substantially lower compared to those reported in 2008 because that year was exceptionally good and established a complicated parameter to meet.



Ferromanganese Casting

their needs and performed the traditional satisfaction surveys that we have been conducted since several years ago. The results obtained both from steelworks and clients of our manganese byproducts were very encouraging. In both cases, the current perception of the service and products we provide was very positive and we confirmed the preference of our clients towards Minera Autlan as their main supply option.

It is important to mention that in November, our company was granted an Award as “Outstanding Supplier” by GERDAU-SIDERTUL steelworks as an important recognition to the services we provide.

Likewise, we continue promoting technical-commercial visits to our facilities, which have provided so many rewards in the past, and by means of which, our clients increase their knowledge about us while promoting consistent communication.

In the financial aspect, net sales reported their lowest level

With respect to the net result of the fiscal period, we have reported an annual loss of 106.9 million pesos that was lessen by our operative and financial efforts throughout the year, and that we expect to revert during 2010.

Regarding our debt profile, I must mention that in December we closed successfully the issuance of non-subordinated notes guaranteed for 40 million dollars. This has allowed us to optimize the profile of the company, by prepaying previously issued notes, while lowering the financial risk.

On the other hand, I would like to inform that we have started the works to be granted the award as a Socially Responsible Company by the Mexican Center for Philanthropy. We reported great progress in this task in 2009, and we hope to complete it soon.

In this sense, we were also pleased to see tangible results regarding the progress achieved in the promotion of Sustainable Development and Social Responsibility both in our

THE COMMITMENT WE ASSUMED WITH OUR ENVIRONMENT CANNOT BE EXPLAINED IN WORDS AND IN 2009, WE MADE VERY CONCRETE PROGRESS WITH RESPECT TO WATER, AIR, SOIL, AND POWER PROTECTION BY MEANS OF INVESTMENTS AND CONTINUOUS WORK WITH DEDICATED PERSONNEL. AMONG MANY ACTIONS, I WOULD LIKE TO MENTION THAT THE MOLANGO UNIT WAS DESIGNATED AS THE VENUE OF THE DIAGNOSIS AND FOREST PLANNING WORKSHOP OF THE ASSOCIATION OF ARBORICULTURISTS OF THE STATE OF HIDALGO. IN ADDITION, IN THE FERROALLOYS DIVISION, WE ARE ACTIVELY PARTICIPATING IN THE GREENHOUSE EFFECT GASES REPORT AND ACCOUNTING PILOT PROGRAM MANAGED BY SEMARNAT. REGARDING SOCIAL RESPONSIBILITY, WE STRIVED TO SUPPORT NEIGHBORING COMMUNITIES EVERYWHERE WE OPERATE, PROMOTING THEIR DEVELOPMENT.

mining units and in ferroalloys plants. The commitment we assumed with our environment cannot be explained in words and in 2009, we made very concrete progress with respect to water, air, soil, and power protection by means of investments and continuous work with dedicated personnel. Among many actions, I would like to mention that the Molango Unit was designated as the venue of the Diagnosis and Forest Planning Workshop of the Association of Arboriculturists of the State of Hidalgo. In addition, in the Ferroalloys Division, we are actively participating in the Greenhouse Effect Gases Report and Accounting Pilot Program managed by SEMARNAT.

Regarding social responsibility, we strived to support neighboring communities everywhere we operate, promoting their development.

I envision 2010 with great hope. I believe that 2009 was a very hard year, but fortunately, we are still standing with enthusiasm to come back to the growth path. The results we

have obtained represent the UNITY and COMMITMENT of all of those who contribute in this company and I am sure that the blend of a better environment with our talents will make 2010 a more rewarding year.

*José H. Madero Marcos
CEO and Vice-Chairman of the Board
of Directors
April 2010*

Economic Outlook



Steel

In 2009, the iron and steel industry around the globe was breached by the international economic recession that started in the last months of 2008. In the light of the contraction of global markets, the main steelworks of the world took no time to react and implemented necessary measures lowering their steel production before the imminent drop of the demand, operating below 40% capacity.

Two thousand nine was characterized as the year where recession reached deep bottom in most countries, with the lowest steel prices in the United States and main markets, after the extraordinary boom in 2008.

During the first half of 2009, the little demand in the United States market was served by the lower production levels of the national industry, and by the stocks accumulated as of the excess supply reported especially in the last quarter of 2008. The weakness faced by the dollar with respect to several currencies in 2009, made steel imports little appealing. In this sense, stocks reached their lowest levels up to mid 2009, which resulted in steel prices reacting with rising costs in June, together with increments in the costs of junk.



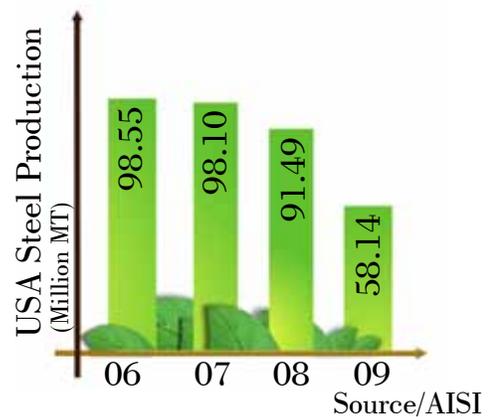
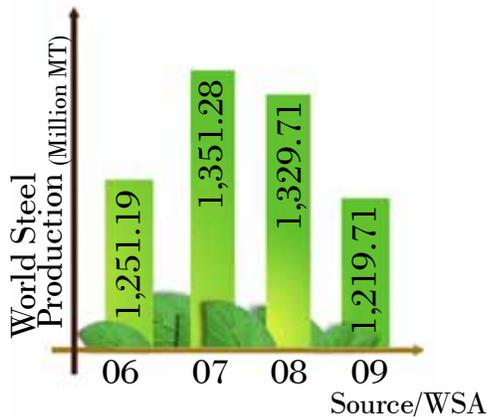
A view of the refining plant

Meanwhile, and unlike the rest of the markets, China reported a consistent growth in its steel production throughout the year, driven by governmental incentives applied in that country.

Reactivation of steel prices in the second half of the year was moderate in the United States market because the increase was not sponsored by the dynamism of steel consu-

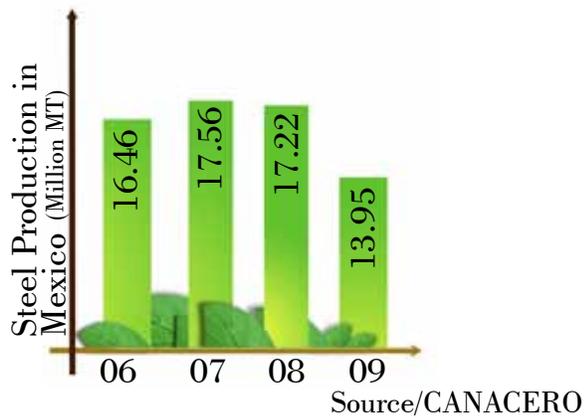
mers' markets but by stock replacement.

In the Mexican market, the situation was even more complicated due to the strike in the main steelworks of the country in August, which lasted just about a month but had significant consequences adding to the fall of steel production the entire year.



Union of work and nature in Molango underground mine





producers in general around the world in the light of a time of lower demand by steelworks.

Benchmark price of manganese for Japan –established quarterly as of 2008- reached a new historic top of US\$16.59/mtu in the first quarter of 2009. However, as in most countries, the steel production of Japan along the year was dramatically contracted, which resulted in a lower ferroalloy demand in that market and consequently of manganese ore as well. The benchmark price was then lowered to \$3.50 dollars/mtu in the third quarter, and disappear later on because it was no longer published. Unfortunately, this price lost transcendence because it was not able to respond rapidly to the conditions of the market, and because of the relevant role of China, not only as the main consumer of manganese ore around the world but due to the fact that it recorded a higher demand year by year.

Manganese Ore

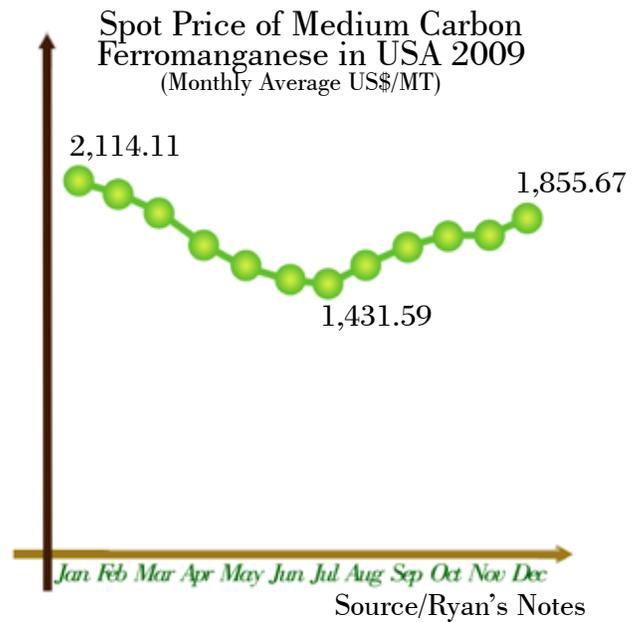
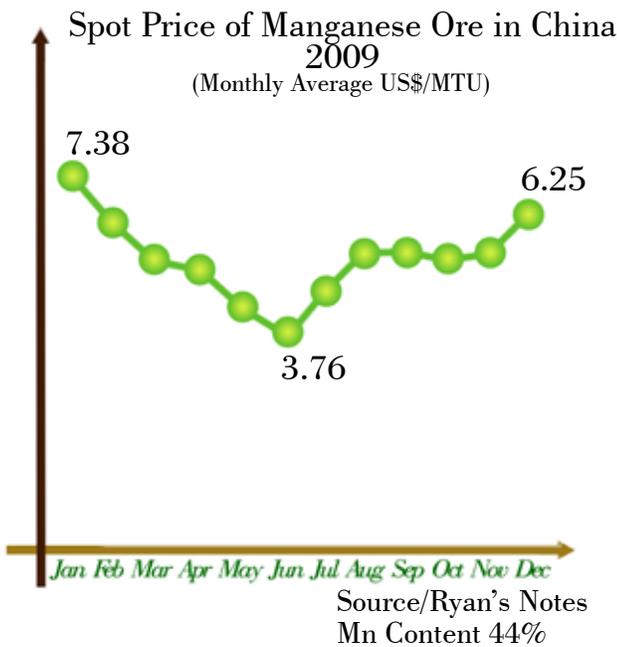
Worldwide economic recession affected the manganese market with a strong pressure on the wane in the behavior of Chinese prices, particularly in the first semester of 2009. This reaction in the prices of manganese resulted from shortages in the offer of ferroalloys adopted by alloy



Due to the importance of China in the manganese market, the prices established between this country and Australia, have set the tone regarding the world trend of prices of the ore. Another important change was annual and quarterly settings of prices that were no longer performed. In the last months of the year, the practice of monthly negotiations was implemented.

stop the price drop ferroalloys were experiencing since the third quarter of 2008.

The American market reported a significant fall in its ferroalloy imports, which contributed to prevent an excess supply and allowed prices to reach a limit in the middle of the year.



After June reported its lowest level of US\$3.76 dollars/mtu, the spot price of manganese ore in China started growing moderately in the second half of 2009, reaching a level of US\$6.25 dollars/mtu in December. This spot price increase of the ore was a reaction to the sound demand of the iron and steel industry, which prevented the price from returning to the lower levels of other years before the 2008 boom.

Spot prices of ferroalloys started recovering as of July 2009, as well as steel prices, due to the replacement of stocks in the USA market.

Ferroalloys

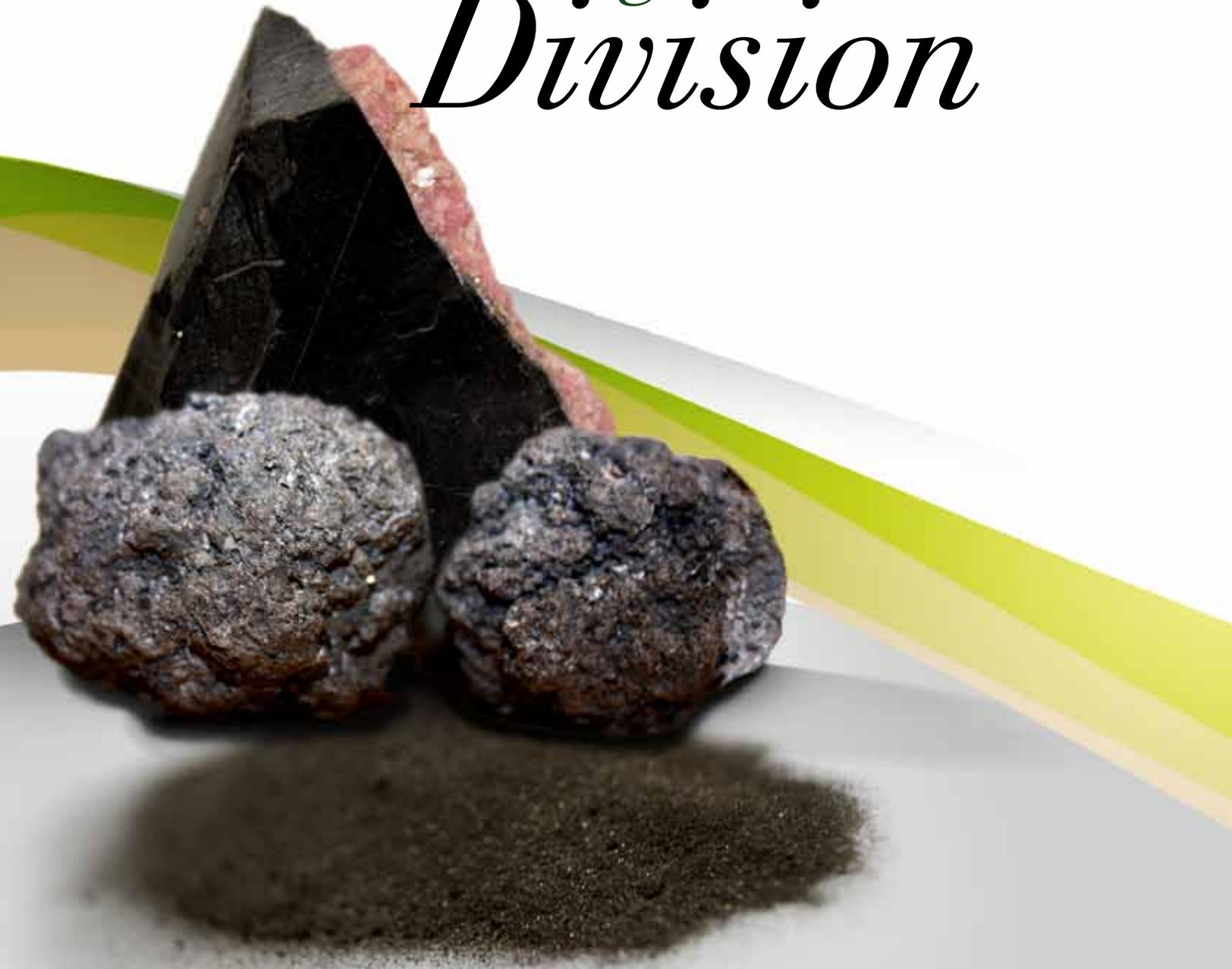
In the face of the complex international economic situation at the beginning of 2009, several ferroalloy manufacturers that represented approximately 78% of the demand around the world, adjusted their production downwards to prevent a dramatic excess supply during the year, and to



The Teziutlan Plant in Puebla

DUE TO THE IMPORTANCE OF CHINA IN THE MANGANESE MARKET, THE PRICES ESTABLISHED BETWEEN THIS COUNTRY AND AUSTRALIA, HAVE SET THE TONE REGARDING THE WORLD TREND OF PRICES OF THE ORE. ANOTHER IMPORTANT CHANGE WAS ANNUAL AND QUARTERLY DETERMINATIONS OF PRICES THAT WERE NO LONGER PERFORMED. IN THE LAST MONTHS OF THE YEAR, THE PRACTICE OF MONTHLY NEGOTIATIONS WAS IMPLEMENTED.

Mining *Division*



Exploration and Underground Mine

This year we started diamond exploration from the surface, thanks to the addition of two drilling machines. The above consolidates the vision of the company regarding the certification and increase of reserves, first of the ore deposits close to current operative areas, and as an important support for the prospection of reserves in the district in a second phase. In the middle of the year we started the regional prospection for carbonates and manganese oxides in the perimeter of the district, achieving significant progress in the geological study of the north region.

The main purpose of the project is to identify new exploration targets, which will benefit the company increasing reserves and providing better knowledge about the distribution of different zones of the deposit in the district.

Two thousand nine was a very atypical year of operation because due to adverse market conditions we were constantly changing our production programs. However, our most significant achievement was to aim the resources of level 600, speeding up its preparation. Due to the above our results in this area were 100%.

Paving of Coyoles tunnel, including ramp VI, was one of the most decisive actions because in addition to the excellent appearance of the Underground Mine, we were able to lower, the maintenance of vehicles used for people's commuting with important time savings in personnel's trips and contaminant-free river discharges. Likewise, the area of mechanical maintenance reported excellent performance by joining efforts to restore equipment used with minimum investment.

Nodulizing

Due to the contraction of the market, the production of manganese nodules was affected in 2009. Taking advantage of the critical moment, the nodulizing kiln was shut down for the technical stoppage that we were forced to implement. Furthermore, the Control Panel of the kiln was modernized guaranteeing process control reliability.

In the light of a volatile economic environment, the Mining Unit of Molango was able to meet the non-planned foreign demand of manganese nodules in the second semester of the year.

Carbonate, Manganese Nodules and Dioxide.

Finally, it is important to underline that operation efficiencies throughout 2009, were the highest in history: 86.2% in the Crushing Plant and 96.4% in the Nodulizing Plant.

Nonoalco

In spite of being a tough year for the Industry, Nonoalco Mining Unit operated throughout 2009, meeting shipment and production programs.

The production of Battery Grade Manganese Dioxide was 23 % over the amounts planned meeting timely all shipment dates that were 46% above the plan.

With respect to Ceramic Grade Manganese Dioxide, we made the decision to lower current stocks of this product, implementing some measures to save power.

In terms of Manganous Oxide, the production of this Plant was 2 % above the plan, with sales 21 % higher than expected. In the process area, record operation times were reported demonstrating great consistency and full operation control.

On the other hand, the construction was completed and our top technology metallurgic laboratory started working. Exploratory and laboratory tests for the production of manganese sulphate, manganese carbonate, and manganous oxide, all chemical grade, have been performed in that laboratory.

GFM Resources

Based and registered in Vancouver Canada, company GFM-Resources Ltd. (GFM-R.), may be considered as the subsidiary branch of Compañía Minera Autlan, S. A. B. de C. V., which main purpose is the detection, acquisition, and development of Exploration projects with development potential in Mexico and/or Latin America.

The shares of GFM-R are listed in the “NEX” Board of the “Venture Exchange” in Toronto, under the GFM.H symbol.

GFM-R. was incorporated under the laws of the Province of British Columbia, Canada, in 1987. In 2000, GFM-R continued operating under the “Business Corporation Act” of Yukon, although registered as an “extra-provincial” company in British Columbia and under its own laws.

GFM Resources represents for Minera Autlan, the chance to diversify its current operations regarding manganese and its ferroalloys (core and traditional activity of the company), about exploration projects of mining-metallurgic commodities with price and demand cycles different from those of manganese and alloys, products closely associated to the demand cycle of the steel market. Therefore the main purpose and merit searched for through the diversification of the exploration and/or acquisition of mineral projects different from manganese is to reduce the vulnerability of the company depending almost exclusively on the iron and steel market and its fluctuations”.



PAVING OF COYOLAS TUNNEL, INCLUDING RAMP VI, WAS ONE OF THE MOST DECISIVE ACTIONS BECAUSE IN ADDITION TO THE EXCELLENT APPEARANCE OF THE UNDERGROUND MINE, WE WERE ABLE TO LOWER THE MAINTENANCE OF VEHICLES USED FOR PEOPLE'S COMMUTING WITH IMPORTANT TIME SAVINGS IN PERSONNEL'S TRIPS AND CONTAMINANT-FREE RIVER DISCHARGES.

Perspective of the Rotary Kiln in Molango



Manganese Alloys

Ferroalloy *Division*

The Ferroalloy Division stood out in 2009 for its great flexibility and efficiency before the volatile environment we went through.

Due to the changes in the market, we resumed the operation that ceased by the technical shutdowns, including the full operation of Gomez Palacio plant.

It is important to remember that Gomez Palacio plant had stopped its operations in the last quarter of 2008, while Teziutlan plant had technical shutdowns the entire first quarter of 2009.

The reopening of the plants took place with high efficiency and at maximum speed, regularizing the production of the company throughout the last quarter of 2009.

WITH RESPECT TO THE PLANT IN TEZIUTLAN, PUEBLA, IT IS IMPORTANT TO STAND OUT THAT FOR THE FORTH YEAR IN A ROW IT WAS GRANTED THE MERIT OF HAVING ZERO CLAIMS BY OUR CLIENTS, WHICH REFLECTS THE HIGH QUALITY STANDARDS OF THIS PLANT. LIKEWISE, IT IS ALSO IMPORTANT TO UNDERLINE THAT TEZIUTLAN WAS ABLE TO LOWER THE PRODUCTION COST OF SILICOMANGANESE BELOW THE BUDGET, THANKS TO DIFFERENT PRODUCTIVITY STRATEGIES IMPLEMENTED ACCURATELY. IN TERMS OF INFRASTRUCTURE, WE IMPROVED SUBSTANTIALLY THE LIGHTING OF THE PLANT INSTALLING POWER SAVING LIGHTS.

With respect to the plant in Teziutlan, Puebla, it is important to stand out that for the forth year in a row it was granted the merit of having zero claims by our clients, which reflects the high quality standards of this plant. Likewise, it is also important to underline that Teziutlan was able to lower the production cost of silicomanganese below the budget, thanks to different productivity strategies implemented accurately. In terms of infrastructure, we improved substantially the lighting of the plant installing power saving lights.

In Gomez Palacio plant, located in the State of Durango, new cooling towers and water lines were installed.

In Tamos plant in Veracruz, we also got new cooling towers in kilns 9 and 10; the general substation of the plant was completely revamped by a transformer, and specifically, several modifications were performed in kiln 11 adding a new transformer and reducing considerably power consumption. In addition, transformers were installed in kilns 9 and 12 that will increase our operative efficiency. It is important to draw your attention to the fact that during

Casting Beds



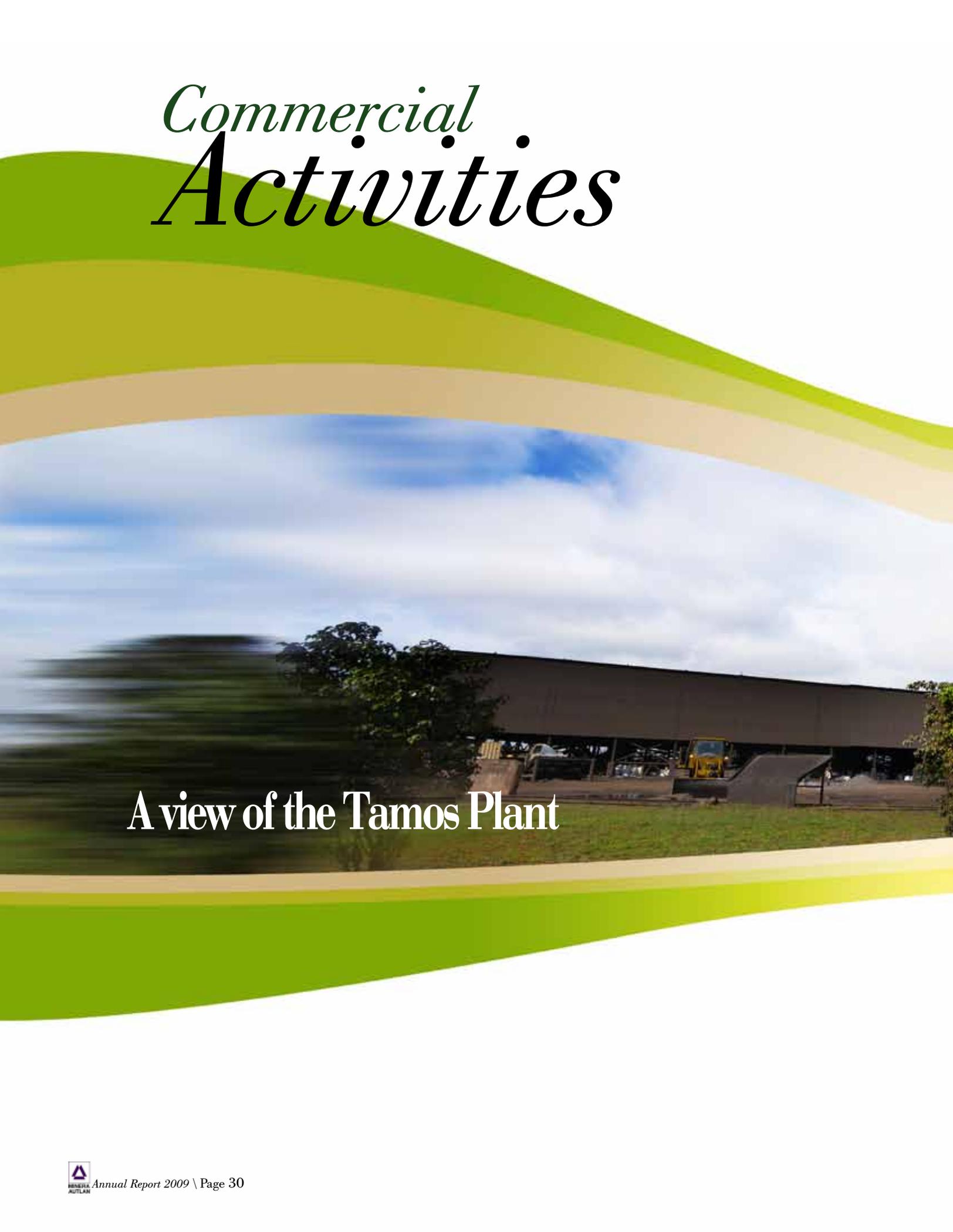
2009, 80% of aerial power lines in Tamos were eliminated and substituted by underground lines, and as with Teziutlan, plant lighting was replaced by power saving lights.

In short, the ferroalloys division was able to increase its operative efficiency and to lower significantly power and water consumption in its three plants during 2009, with very successful results.

Clean sky over
Tamos Plant



Commercial Activities



A view of the Tamos Plant

Ferroalloys

Ferroalloys' sales were directly affected by two factors that emerged in the first semester of the year: the drop of steel production in North America, and the sensitive growth of imports in Mexico at sub-valuated prices.



Nevertheless, the slight recovery reported in the national and international ambit as of June, allowed iron and steel companies to recover their production pace gradually, promoting higher consumption of manganese ferroalloys and better price levels. Likewise, the presence of foreign material lowered considerably in the second semester.

Thanks to the operative flexibility of Minera Autlan, the company reestablished its three plants and was able to face successfully the increase in the demand the second half of

the year, opening simultaneously new markets for Refined Ferroalloys in Russia, Turkey, Japan, Brazil, and Italy.

It is necessary to mention that the participation of our technical consultancy has been really welcomed by our clients, contributing to significant improvements in terms of metallurgy.

Metallurgic Manganese

During 2009, sales of Metallurgic Manganese ore increased due to a higher volume of iron and steel carbonates, exceeding significantly the original projections. On the other hand, it is important to point out that some exports of manganese nodules were made from China, this market has been gradually penetrated by Minera Autlan.

Manganese By-products

Sales of Manganous Oxide diversified to new clients in Vietnam, Thailand, and Peru to compensate somehow the low levels of demand of these products due to the economic crisis during most part of 2009. However, Europe and North America are still our main markets. Nonoalco Unit will start its certification process FAMI-QS (European Feed Additive and Premixtures. Quality System) in 2010, to meet the standards demanded in the market in terms of dioxin content control in Manganous Oxide

The sales volume of Battery Grade Manganese Dioxide exceeded substantially the original plan due to a higher production of ecological batteries by our clients, in addition to increasing combined work from the technical standpoint.

Sales of Ceramic Grade Manganese Dioxide were seriously affected by the recession of the construction industry in the United States of America, affecting pigmented brick exporters towards such market and to the consumption of our product.

DURING 2009, SALES OF METALLURGIC MANGANESE ORE INCREASED DUE TO A HIGHER VOLUME OF IRON AND STEEL CARBONATES, EXCEEDING SIGNIFICANTLY THE ORIGINAL PROJECTIONS..



**A pleasant day at
the Teziutlan Plant**



Dawn at Tamos

Marketing

ONE OF THE MOST IMPORTANT ACHIEVEMENTS IS THAT FINALLY THE MARKET WILL PERCEIVE MINERA AUTLAN AS A STEEL-RELATED COMPANY RATHER THAN ONLY AS A MINING ORGANIZATION. THIS HAS ALLOWED IRON AND STEEL COMPANIES TO UNDERSTAND THAT WE ARE IMMERSE IN THE SAME INDUSTRIAL DYNAMICS AND THEREFORE HAS MADE THEM AWARE OF THE CHALLENGES WE FACED IN 2009.

During 2009, one of our marketing efforts was to be very alert to the needs of our clients amidst a complicated and uncertain environment, getting important feedback, especially by steelworks.

Thus, we continued performing business and technical calls in the facilities of the Company, aimed to our main clients to tighten even more the commercial relationships between iron and steel companies and Autlan.

For Autlan, learning about our clients' opinions is extremely important, regardless of their size. Therefore we started applying our traditional satisfaction surveys about our

products and services, both for the ferroalloys consumer market and for our Manganese Dioxide and Manganous Oxide clients. The results of these surveys showed very good general acceptance about the performance of Autlan as the supplier of their organizations, appreciating values such as sales services and customer care.

As every year, we continued publishing the commercial bulleting on Steel, Manganese, and Ferroalloys that is delivered to all iron and steel companies around the country, and to the financial sector our company deals with.



Natural environment at Tamos

TWO THOUSAND NINE WAS THE LAST STAGE OF THE TWO SUNSET REVISIONS ON THE ANTI-DUMPING DUTIES AGAINST IMPORTS OF CHINESE HIGH CARBON FERROMANGANESE, AND IMPORTS OF SILICOMANGANESE FROM UKRAINE, THE DUTIES WERE IN FORCE OVER 2009 AND WE EXPECT A POSITIVE OFFICIAL DECISION IN 2010.

Unlike other years, this time the bulleting was designed under a journal format and was very well accepted because it shows the trends of our industry under a very objective perspective that has been used to illustrate our reality to the audiences it is aimed to.

With respect to our relationships with the government, this year we were visited in Molango Unit and Tamos Plant, by a numerous group of people from the Unit of International Commercial Practices (UPCI) of the Ministry of Economy, in charge of assessing and advocating the application of anti-dumping compensation fees.

Regarding foreign trade, 2009 was a very intense year and at the same time it was a key period to define the course and consistency of the commercial protection of our industry in Mexico. In terms of import customs duties, the area paid a lot of attention to the generalized reduction of taxes carried out by the Mexican government at the beginning of 2009, which purpose was to put an end to customs duties of great part of the merchandises imported by Mexico. In the light of this significant measure for national producers, Minera Autlan lobbied with relevant authorities and through industrial chambers, to prevent customs tariffs of manganese ferroalloys from being included in the zero duties scheme to be applied as of 2010 in imports coming from countries Mexico has not trade agreements with.

Also with respect to foreign trade, 2009 was the last stage of the two sunset revisions on the anti-dumping duties against imports of Chinese High Carbon Ferromanganese, and Silicomanganese imports by Ukraine, the duties were in force over 2009 and we expect an official decision in 2010.

This exam process allowed extending compensatory fess established since 2003, throughout 2009.

One of the most important achievements is that finally the market will perceive Minera Autlan as a steel-related company rather than only as a mining organization. This has allowed iron and steel companies to understand that we are immerse in the same industrial dynamics and therefore has made them aware of the challenges we faced in 2009. Minera Autlan was invited to participate in different com-

munication spaces highly broadcasted and with important public projection specialized in the steel sector, where our clients -steelworks- were the main witnesses. The participation of Autlan in the main specialized iron and steel journals was a new communication practice of the company. We must mention the invitation to Autlan by the AIST (Association for Iron & Steel Technology) –established in the United States, which has a Mexican Chapter- to participate in a special edition for Autlan in their prestigious Journal ‘Hierro y Acero’, where only iron and steel companies have had the same privilege.

Furthermore, Autlan was also invited for the first time, to participate as a panelist in the Congress of the Steel Market in Mexico. This congress is organized by a recognized consultancy in the steel industry and it is the only event of this nature focused on iron and steel in general held in our country. This type of settings offer a communication channel to companies and set the tone of the market, which has allowed Autlan to explain the nature of the ferroalloys market from their standpoint.

Autlan has participated in the main work commissions of the International Manganese Institute, the Patronal Confederation of the Mexican Republic (COPARMEX), National Chamber of the Iron and Steel Industry (CANACERO) - where Autlan completed its administration as the treasurer of this Chamber in 2009 - as well as participating actively in the Mexican Mining Chamber (CAMIMEX), as president of the Customs Commission. This has promoted closer approximation with the authorities of the Tributary Administration Service (SAT) and direct participation in Work Commissions of the Confederation of Industrial Chambers of the Mexican United States (CONCAMIN).

Human Resources



Two thousand nine was a year marked by the international economic crisis and the sanitary crisis or pandemic (AH1N1). The company experienced the effects of both phenomena, that resulted in a dramatic fall in the demand of our products. Measures implemented since some years ago in terms of operative flexibility allowed us to adapt the production capacity of the sites to the demand of our clients, without affecting the working environment or social peace in the company.

When the demand for our products was restarted, the operative activities were reactivated in the workplaces with the important merit of having rehired a significant part of our original human resources, without affecting our production programs. The attitude of people responsible for Human Resources in the company, employees and the Union, showed the cordial environment, good relationships and comprehension prevailing in the organization.

Bound to ESR

We must always face complex times such as the last two years, with great courage without losing our vision of how we want to be in the future, and without setting aside our responsible focus towards society.

Over time, Minera Autlan has generated development and wellbeing for its employees and their families, but also for the communities around us. It is the time to become accountable and to demand even more from ourselves when it comes to our commitments with the environment. Therefore, we strive to be recognized as a Socially Responsible Company (ESR in spanish), by the Mexican Center for Philanthropy (CEMEFI), because in addition to assume a permanent commitment with the environment, this award will grant us benefits such as better projection to access capital and credit, better positioning in the market, operational efficiency, etc. Finally, we expect to get the ESR award on 2010.

A photograph showing a worker in a hard hat and safety gear standing on a long, dark conveyor belt. The belt is filled with dark, rounded objects, likely manganese nodules. The worker is looking towards the end of the belt. The background shows a hilly landscape under a blue sky with scattered white clouds. The image is framed by a green border on the left and right sides.

**Conveyor belt of Manganese Nodules
in Molango Unit**



*Sustainable
Development*



*and Social
Responsibility*

Mining

With respect to environmental protection, two important tasks were performed in Molango Mining Unit related to water and power.

Two wastewater treatment plants were installed, one for the Residential Zone and the other Industrial Zone-Kiln. These plants report enough efficiency to reuse water in industrial processes, eliminating wastewater discharges and decreasing water consumption from the dam.



In addition to the economic and environmental benefit, this infrastructure will be very useful throughout dry periods.

In terms of water saving, the company also performed a very important project. The installation of a speed variator in the induced draft fan of the kiln (main power consumer of the plant), led to a 24% decrease of electric power consumption in the nodulizing plant. In terms of thermal power, gas consumption in the kiln was lower than expected.

On the other hand, in order to guarantee process consistency, the company completed the change of 1,300 meters of 6" water pipe that supplies the Residential Zone and the Industrial Zone.

In the ecological area, we performed the collector powder

pasting, thus mitigating environmental aspects considerably.

Ferroalloys

In spite of the fact that 2009 was a year when part of our ferroalloys operation was shutdown for several months due to the economic crisis, tasks related to environmental protection and social responsibility continued and were priority activities for the company.

In this sense, in terms of ecology we must mention that the three ferroalloy plants met their commitments with SEMARNAT/PROFEPA, and performed timely their obligations assumed promoting a good relationship with both relevant authorities and neighboring populations.

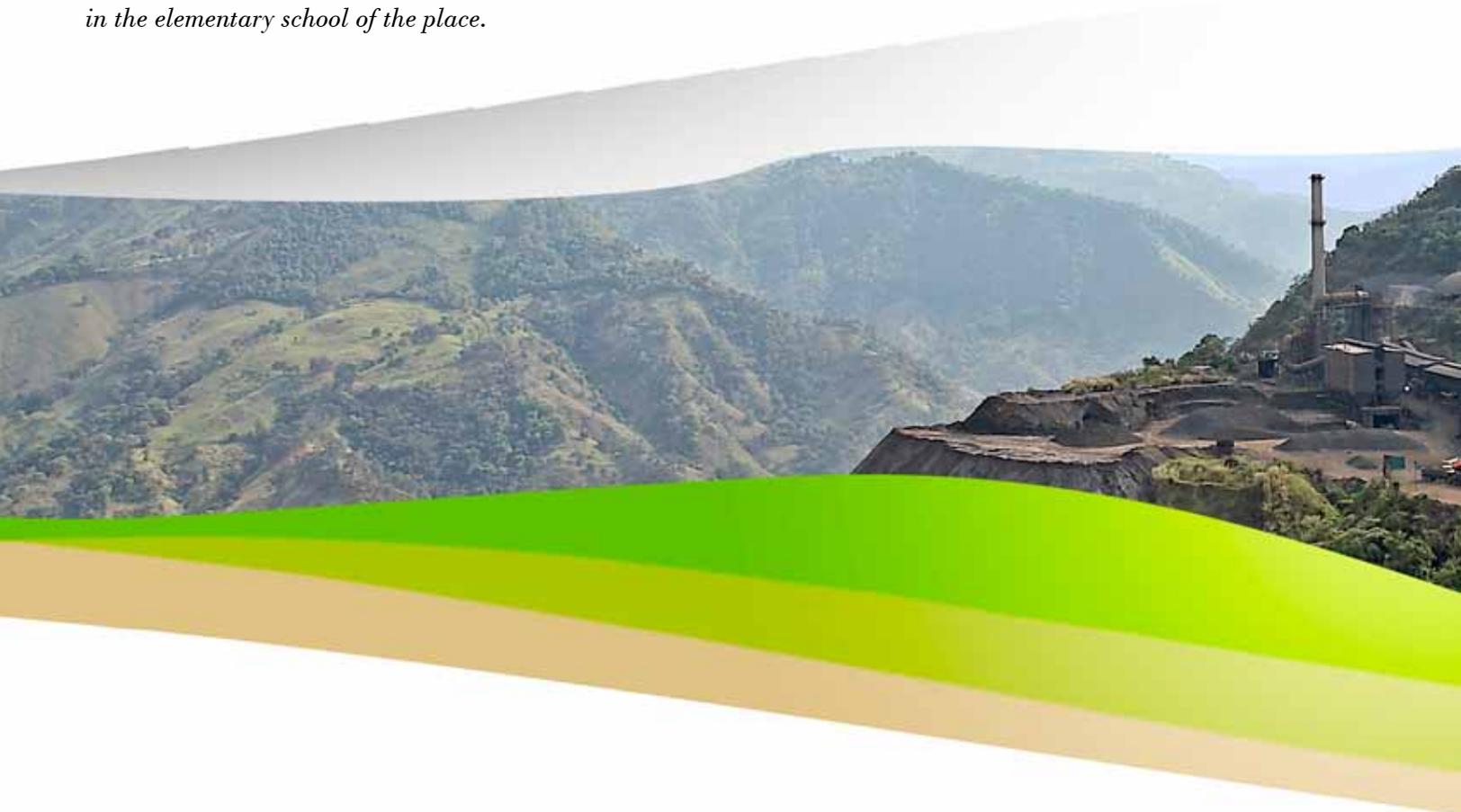


Church gardens in Otongo, Hidalgo

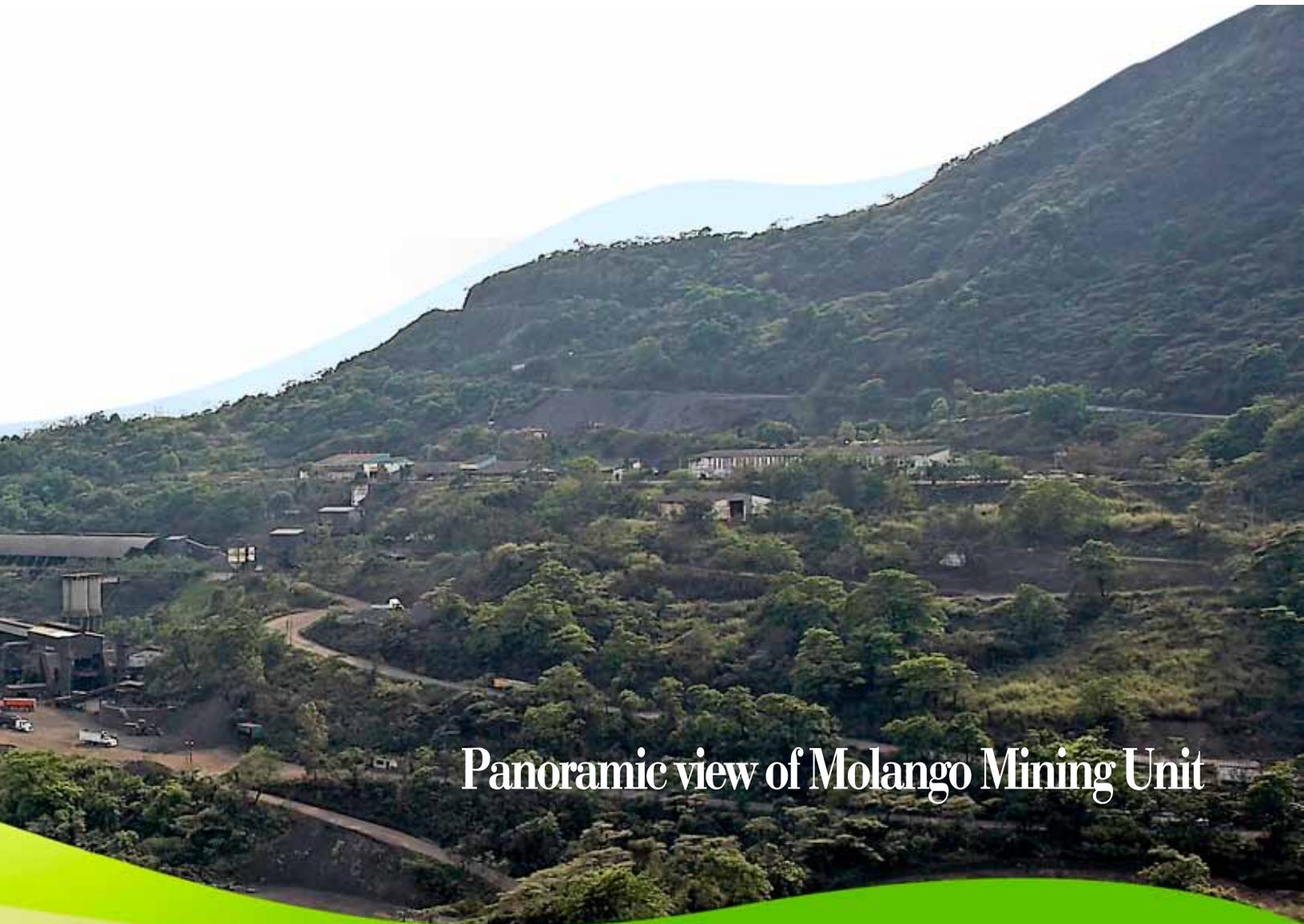
The company implemented a control and recollection program of electronic waste, classification of waste and recollection of batteries. In the particular case of Gomez Palacio plant, a neighboring town was invited, and joined the program with enthusiasm establishing its collection center in the elementary school of the place.

Additionally, we must underline that Minera Autlan participated actively in 2009 in the accounting Pilot Program and Greenhouse Effect Gases (GEI) report in Mexico from SEMARNAT, which main purpose is to identify opportunities to lower GEI emissions to improve companies' efficiency, profitability and sustainability and to participate in international markets of emission reductions or carbon bonds.

Finally, with respect to neighboring communities close to our ferroalloy plants, the company provided different types of support: slag to improve highways or build neighboring roads, participation in fairs and attendance to colleges for diverse celebrations.



IN TERMS OF ECOLOGY WE MUST MENTION THAT THE THREE FERROALLOY PLANTS MET THEIR COMMITMENTS WITH SEMARNAT/ PROFEPA, AND PERFORMED TIMELY THEIR OBLIGATIONS ASSUMED PROMOTING A GOOD RELATIONSHIP WITH BOTH RELEVANT AUTHORITIES AND NEIGHBORING POPULATIONS.



Panoramic view of Molango Mining Unit

Preservation of the Natural Habitat

Minera Autlan has assumed a significant commitment towards the preservation of nature and its inhabitants. Our company is honored to aim part of its efforts to the protection of the wild fauna of the place we belong.

Golden Eagle

This beautiful bird represents one of the main symbols of identity in our country since it is part of our national coat of arms. It is a species we must protect because of its meaning in terms of cultural roots and because its population has lowered significantly in the last years. If we wish the following generations of Mexican children to continue growing while knowing about this emblematic animal, witness of our history, we must be able to preserve it, honoring its habitat, and guaranteeing its natural reproduction.

Minera Autlan supports the “Preservation of the Golden Eagle of San Luis Potosi”, project focused on the preservation of the habitat of this beautiful animal through legal protection tools with landowners, supporting them to take the highest sustainable advantage of their natural resources and promoting environmental education among its po-

pulation, contributing this way to the long-term subsistence of the Golden Eagle.

This commitment with nature is under the certification of Pronatura.

Virginian White Tailed Deer

This animal has been so well preserved in its natural habitat that it is commonly seen in some northern zones of the country however, decades ago this species was very vulnerable due to indiscriminate hunting, but thanks to efforts aimed to its population in certain specific zones of the country, a significant quantity of these animals has been preserved.

Minera Autlan contributes to these actions focused on the preservation of the demographic level of the Virginian White Tailed Deer, through the procurement of a specific number of animals of this species, used for breeding in particular territories. This task implies the preservation of the wild food chain of these regions, such as the preservation of the cougar in its natural habitat.

Golden Eagle symbol of Vision



STERRA: Tierra-Destino

Two thousand nine was the beginning of the operations of this hotel-boutique, spa, and ceremonial center, called STERRA. The furnishing works are over and its operative structure was established to welcome the first customers of the hotel in April.

However, this year was unfavorable for the touristic industry of our country, not only due to the severe international economic crisis that started in 2008, but for the particular case faced by Mexico with the outbreak of influenza, which affected this sector dramatically.

The hotel was competing with other destinations that were forced to lower their prices due to the imminent crisis that prevailed a big part of the year.

One of the strategies of the hotel is to be positioned within the groups and conventions market. An advertising campaign has also been launched towards a specific market niche, for instance by expos (shows) specialized in entertainment and recreation.

Two thousand nine also meant a learning, training, and operation adjustment stage, which we will capitalize to achieve an important position in the market of this kind of services. Among our challenges we can mention deeper involvement of the communities in some activities related to the touristic sector such as gastronomy, handcraft, and folklore that characterize the region where the hotel is located.





Financial Results

In the 2009 fiscal year, the finances of Minera Autlan were immersed in an exceptional activity that put to the test the measures taken by the top management to assure the profitability of the company in the long term. The Commitment and Unity of the organization encouraged us to work harmoniously to overcome successfully these tough situations and to adapt to the high volatility of the markets throughout this tax year with positive operative results, which is a positive sign considering the conditions faced.

Volatility was overcome by operative flexibility; thanks to a healthy financial position the company was able to meet its commitments and we closed the year with a strengthened balance and an excellent debt profile. On the other hand, within a changing environment and with the economies everywhere in the world going through difficult times, with the iron and steel sector –main market of Autlan- being one of the most affected areas, the company leveraged its strengths and adapted rapidly taking advantage of the few opportunities of the market.

Company results by the closing of 2009 report a tough comparison parameter vs. 2008, with record results for Minera Autlan resulting from a demand on the rise and maximum historical prices.

Net sales in 2009 were \$ 2,200 million pesos. A 59% decrease versus the last year was due to the reduction of prices and in to the demand of ferroalloys because of the low steel production in most regions of the world. However by the end of the year the industry started recovering and the sales increased 4-fold in the fourth quarter compared to the immediate previous quarter. The sales cost reported a 40% decrease in the year mainly due to the lower sales and to the lower average prices of most inputs.

Operation expenses reported a 12% decrease although the production activity of the company had reactivated 100% in the last quarter with more export activity and by penetrating in new markets and restart exports of manganese ore to China.

The operating income was \$210 million pesos representing a 9.5% margin, variation vs. 2008 was mainly due to the lower sales during the fiscal year. Generation of operation flow better known as UAFIRDA or EBITDA reported \$327 million pesos. These results were an important achievement considering that the company reported production limits below 30% of its installed capacity at some point.

With respect to financial issues, the company recognized the remaining effect of derivative financial instruments closed during 2008 that were affected due to the volatility and depreciation of the peso resulting in losses for the company. The effect recognized in 2009 was \$112.4 million pesos out of the \$186.0 million reported in the Integral Financing Result. Likewise, the company incurred in other non-recurrent expenses caused for technical shutdowns performed to adjust the production levels to the demand of the market.

In virtue of the above, the company reported a net loss of \$106.9 million pesos in 2009.

Balance Sheet

Thanks to the healthy financial situation of the company at the beginning of 2009, we were able to meet all our commitments and to close a very difficult year with little cash generation with a healthy balance and long-term debt profile. In terms of assets, cash and stocks reported significant reductions due to payment of debt and derivative financial instruments and to the lower production and sales activity during the year.

Company liabilities show an important contraction since we were able to pay our commitments to face the losses resulting from derivative financial instruments in hedge operations engaged by the company in 2008. On the other hand it is

important to point out that the financial strategy consists in maintaining low leverage and diversifying funding sources. In order to maintain the financial soundness of Autlan, by the end of 2009 Minera Autlan closed successfully the issuance of non-subordinated notes guaranteed for US\$40 million dollars. The notes have an 18

months grace period, 5 years expiration date and a 9.5% fix interest rate. This allows the optimization of its debt profile, pre-paying previously issued notes, in addition to reducing the financial risk of the company. Through these measures the company strengthens its cash position and reports a solid balance to face 2010.

Throughout 2009 US\$9.0 million dollars were invested. Most of the investment was aimed to maintenance, the rest was used for some projects that required follow-up. The exploration activities continued throughout the year to revalidate proven reserves of manganese ore of the company, in addition to other exploration projects regarding other metals searching for higher diversification for the organization.

As with the last years and aware of the importance to innovate, the company also aimed resources to research and development to improve products and processes and commercial uses for the by-products generated in our operations.

Autlan's Shares

During 2009, Minera Autlan faced several challenges such as maintaining good communication with the market, providing timely and transparent information for the good of investors.

Shares of the Company became part of the Composite Stock Price Index since February this year, because it is considered a company with high stock exchange likelihood in the market. The confidence of investors and the results of the company resulted in this share to be listed in the Mexican Stock Exchange. By the end of 2009 AUTLAN B share price was 30.92 pesos.

Annual Report by the Chairman of the Audit Committee to the Board of Directors

Compañía Minera Autlán, S.A.B. de C.V. April 2009 - March 2010

Under the terms and for the purposes of the provisions of Article 43 section II of the Stock Market Law, this report is issued by the President of the Audit Committee of Compañía Minera Autlan, S.A.B. de C.V.

This Report has been submitted to the Audit Committee of the Company, which has validated its content, scope and conclusions to be submitted to the opinion and consideration of the Board of Directors, and to the Shareholders General Regular Annual Meeting of Minera Autlan, S.A.B. de C.V. to be held on April 28 2010, in order to meet the provisions of Article 28, section IV, item a) of the Stock Market Law.

The General Regular Annual Shareholders' Meeting of the Company dated April 29 2009, upon request of the Board of Directors, ratified the subscriber as the President of the Audit Committee and Mr. Ernesto Ortiz Lambreton and Jorge Morales Treviño, as members of the board.

Throughout the term reported, the Audit Committee met on the following dates: (i) April 21 2009; (ii) July 13 2009; (iii) October 27 2009; (iv) December 9 2009; (v) February 17 2010; and (vi) March 24 2010.

Exercising its functions and meeting its responsibilities, the Committee has been attended in the meetings mentioned hereinbefore, by representatives of the firm PricewaterhouseCoopers, S.C., by External Auditors of the Company as well as by its Financial Director. In addition, such meetings have been attended by the Chairman of the Board of Directors and by the Managing Director of the Company as permanent guests.

The resolutions adopted by the Audit Committee have been informed timely and submitted to the consideration of the Board of Directors by means of the respective report submitted to this ultimate superior social entity in the corresponding meetings. Details of such resolutions and agreements may be checked upon in the minutes filed in each meeting, which previously approved by the Committee have been transcribed to the respective minutes book in charge of the Secretary of the Committee, Mr. Juan Pablo del Rio Benitez. A file has been integrated from each meeting including the reports and other relevant documents. In each of the Meetings of the Committee referred to hereinbefore (if quarterly), the Financial Statements of the company from the quarter being completed and submitted by the Board were analyzed and approved accordingly. The Board of Directors was encouraged to issue its approval in every case for subsequent public publication. Likewise, the Committee received and analyzed the internal audit report of the respective term in every meeting.

In all the meetings of the Committee, except for the meeting held on December 9 2009, the Financial Director presented a detailed report about the operations performed by the Company with derivative financial instruments and provided the respective reports regarding the Mexican Stock Market.

In its meeting dated July 13 2009, this Committee revised the following self-regulatory policies: (i) Policy on Acquisition of Own Shares; (ii) Financing Policy; (iii) Policy on Investment of Cash Surplus and Foreign Currency Management; (iv) Policy to Authorize Investments on Assets; (v) Policy about Privilege Information Disclosure; and (vi) Policy on Transactions with Securities issued by Autlan and/or Subsidiaries; all of them previously approved by the Board of Directors on December 10 2008, however, the Board suggested to make certain clarifications, therefore this Committee resolved to notify to the Board of Directors the policies modified for ratification purposes. Likewise, it was decided to send to the Board of Directors the proposal about the self-regulatory policy for the utilization of Derivative Financial Instruments for approval purposes.



The 2009-2010 External Audit Plan of the Company submitted by firm PricewaterhouseCoopers, S.C., was analyzed and authorized, as well as its fees regarding the resolution of the Financial Statements of the Company and subsidiaries up to December 31 2009.

The 2010 budget of the Company was reviewed and authorized, resolving its presentation to the Board of Directors for approval. The Committee reviewed the audited financial statements of the Company up to December 31 2009 in the meeting held on March 24 2010, previous analysis of the conclusions of external auditors, and resolved to recommend to the Board of Directors its approval and submission to the Shareholders' Meeting. In the same meeting held on March 24 2010, the Committee analyzed the annual report of the Managing Director for 2009, and agreed to recommend its approval by the Board of Directors as well as its submission to the Shareholder's Meeting.

Based on the opinion of the Audit Committee the internal control and Internal Audit systems of the Company are suitable, although they are being improved consistently.

The Audit Committee concludes that the performance of PricewaterhouseCoopers, S.C. as External Auditors of the Company and of its partners in charge of the respective audit is appropriate and that the communication between such Committee and the auditors referred herein is consistent and smooth. Likewise, additional or complementary services contracted by the Company from such External Auditors are appropriate and useful.

The recommendations of the Audit Committee have been or are being addressed by the Board appropriately. Throughout the term reported, the Audit Committee did not receive by the Shareholders, Counselors, relevant Directors, employees, and in general by any third party, any remarks about the accounting, internal controls and other matters related to the Internal or External Audit, other than those issued by the Board during the elaboration or revision of the respective documentation, no complaints were received either about any irregular facts regarding the Administration. The Audit Committee has followed up promptly, within its competence scope and according to the instructions received by superior social entities the agreements reached in the Shareholder's Meetings and by the Board of Directors emerged during the period referred to in this report.

Based on the above, we may conclude that the Audit Committee met its functions outlined in Article 42 section II of the Stock Market Law throughout the period reported herein.

San Pedro Garza Garcia, Nuevo Leon, March 24 2010.

Sincerely,

*Pedro Reynoso Ennis
Chairman of the Audit Committee
Compañía Minera Autlan, S.A.B. de C.V.*

Annual Report by the Chairman of the Corporate Practices Committee to the Board of Directors

Compañía Minera Autlán, S.A.B. de C.V. April 2009 - March 2010

Under the terms and for the purposes of the provisions of Article 43 section I of the Stock Market Law, this report is issued by the President of the Corporate Practice Committee of Compañía Minera Autlan, S.A.B. de C.V.

This Report has been submitted to the Corporate Practice Committee of the Company, which has validated its content, scope and conclusions to be submitted to the opinion and consideration of the Board of Directors, and to the Shareholders General Regular Annual Meeting of Minera Autlan, S.A.B. de C.V. to be held on April 28 2010, in order to meet the provisions of Article 28, section IV, item a) of the Stock Market Law.

The General Regular Annual Shareholders' Meeting of the Company dated April 29 2009, upon request of the Board of Directors, ratified the subscriber as the President of the Corporate Practices Committee and Mr. Pedro Reynoso Ennis y Jorge Morales Treviño, as members of the board.

Throughout the term reported, the Corporate Practices Committee has held work meetings on the following dates: (i) April 21 2009; (ii) July 13 2009; (iii) August 26 2009; (iv) October 27; (v) December 9 2009; (v) February 17 2010; and (vi) March 24 2010.

All the meetings have been attended by the Chairman of the Board of Directors and by the Managing Director of the Company, as well as by the Financial Director in their condition of guests.

The resolutions adopted by the Corporate Practices Committee have been informed timely to the Board of Directors in the corresponding meetings. Details of such resolutions and agreements may be checked upon in the minutes filed in each meeting, which previously approved by the Committee have been transcribed to the respective minutes book in charge of the Secretary of the Committee, Mr. Juan Pablo del Rio Benitez. A file has been integrated from each meeting including the reports and other relevant documents.

In each of the meetings of the Committee referred to herein, the report of the Board regarding the balances of asset or liability accounts of the Company with their related parts by period were submitted, analyzing the characteristics and circumstances of significant operations and recommending to the Board the most convenient measures according to the Committee, under the prevailing circumstances and requesting the elimination of balances of inter-company accounts.

Likewise, this Committee followed up the updating of all legal powers of attorney conferred by the Company to start the updating and/or revocation process accordingly.

In the meeting held on July 13 2009, this Committee approved the following projects: (i) Policy regarding Communication of Information; (ii) Policy to Grant Mutuum, Loans of any type of Credits or Guaranties to Relevant People; and (iii) Policy to Use or Enjoy the Properties that Integrate the Patrimony of the Company and of the artificial people controlled by it, by Relevant Parties; and agreed to submit them to the Board of Directors for information and ratification purposes, recommending to the Board, once the policies are approved, the subscription of such Policies by the Chairman of the Board of Directors, the President of the Committee in charge of the review, the Managing Director, the Financial Director and the person in charge of the Internal Audit for notification purposes via "intranet" to the entire personnel, for duly compliance.



The 2009-2010 Work Plan of this Committee was presented, taking note of the timely compliance of relevant matters.

Specifically, on the meeting held on August 26 2009, this Committee established the guidelines for applicable hiring conditions between the Company and Compañía de Energía Mexicana, S.A. de C.V. (“CEM”).

In the meeting held on February 17 2010, this Committee analyzed the performance evaluation and compensation packages of relevant directors of the Company.

In addition, the behavior of the stock quote of the Company in the Bolsa Mexicana de Valores, S.A.B. de C.V. was followed up as well as the interventions of the fund of repurchase of shares of the Company.

In the meeting held on March 24 2010, the Committee decided to recommend the institution of a committee to analyze the convenience and feasibility for the Company of investing, by means of a capital increase, in the acquisition of up to 49% of the share capital of Compañía de Energía Mexicana, S.A. de C.V. filial up to date of Compañía Minera Autlan, S.A.B. de C.V., which is developing a project to supply electric power to the Company.

Throughout the period being reported, the Corporate Practices Committee did not receive or was aware of any request of exemption for business leverage purposes corresponding to the Company and/or its subsidiaries by any relevant people.

The Committee did not receive by the Shareholders, Counselors, relevant Directors, employees, and in general by any third party, any remarks about relevant subjects, other than those issued by the Board during the elaboration or revision of the respective documentation, no complaints were received either about any irregular facts regarding the Administration

Based on the above, we may conclude that the Corporate Practices Committee met its functions outlined in Article 42 section I of the Stock Market Law throughout the period reported herein.

San Pedro Garza Garcia, Nuevo Leon, March 24 2010.

Sincerely,

*Ernesto Ortiz Lambreton
Chairman of the Corporate Practices Committee
Compañía Minera Autlan, S.A.B. de C.V.*

Corporate Government

Board of Directors

José Antonio Rivero Larrea

Chairman

José H. Madero Marcos

Vice-Chairman

Pedro Reynoso Ennis

Jorge Morales Treviño

Antonio Elosúa González

Ernesto Martens Rebolledo

Ernesto Ortíz Lambretón

Eugenio Garza Herrera

Francisco Garza Zambrano

Ernesto Canales Santos

Everardo Elizondo Almaguer

Alternate Directors

José Antonio Rivero González

Evaristo Madero Vizcaíno

Pedro Reynoso de la Garza

Jorge García Segovia

Patricio Morales Sada

Remko Been Van Es

Ernesto Ortíz de la Garza

Andrés Garza Herrera

Fernando Rivero Larrea

Esteban Rivero González

Pedro Rivero González

Audit Committee

Pedro Reynoso Ennis/*Chairman*

Ernesto Ortiz Lambretón/*Member*

Jorge Morales Treviño /*Member*

José Antonio Rivero Larrea/*Permanent Guest*

José H. Madero Marcos/*Permanent Guest*

Gustavo A. Cárdenas Aguirre/*Permanet Guest*

Samuel Meléndez Soto/*Permanent Guest*

Juan Pablo del Río Benítez/*Secretary*

Executive Committee

José Antonio Rivero Larrea/*Chairman*

José H. Madero Marcos

Jorge Morales Treviño

Ernesto Ortiz Lambretón

José Antonio Rivero González

Esteban Rivero González

Corporate Practices Committee

Ernesto Ortiz Lambretón/*Chairman*

Pedro Reynoso Ennis/*Member*

Jorge Morales Treviño/*Member*

José Antonio Rivero Larrea/*Permanent Guest*

José H. Madero Marcos/*Permanent Guest*

Gustavo A. Cárdenas Aguirre/*Permanent Guest*

Samuel Meléndez Soto/*Permanent Guest*

Juan Pablo del Río Benítez/*Secretary*



Report of Independent Auditors

*To the Stockholders of
Compañía Minera Autlán, S. A. B. de C. V*

Monterrey, N. L., March 30, 2010

We have audited the consolidated balance sheets of Compañía Minera Autlán, S. A. B. de C. V. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Compañía Minera Autlán, S. A. B. de C. V. and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and the changes in their stockholders' equity for the years then ended, and their cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards.

PricewaterhouseCoopers, S. C.

Héctor Puente S.

Consolidated Balance Sheet

Compañía Minera Autlán, S.A.B. de C.V. and Subsidiaries (Subsidiaries of Grupo Ferrominero, S.A. de C.V.)
At december 31, 2009 and 2008. Thousands of Mexican pesos (See note 2)

	2009	2008
<i>Assets</i>		
CURRENT ASSETS:		
<i>Cash and temporary investments</i>	Ps 248,445	Ps 934,710
<i>Trade accounts receivable, less allowance for doubtful accounts of Ps 54,104 in 2009 and Ps 56,544 in 2008</i>	528,951	497,293
<i>Other accounts receivable</i>	64,030	6,244
<i>Inventories, net (Note 4)</i>	415,015	603,703
<i>Prepaid expenses</i>	6,970	20,084
<i>Restricted cash (Note 8 and 10)</i>	6,203	142,367
Total current assets	1,269,614	2,204,401
PROPERTY, PLANT AND EQUIPMENT (Note 5)	2,561,433	2,552,897
OTHER ASSETS AND DEFERRED CHARGES (Note 6)	114,785	74,162
Total assets	Ps3,945,832	Ps4,831,460

The accompanying notes are an integral part of these financial statements.

José H. Madero M.
Chief Executive Officer

	2009	2008
<i>Liabilities and Stockholders' Equity</i>		
CURRENT LIABILITIES:		
<i>Suppliers</i>	Ps 205,393	Ps 146,164
<i>Short-term maturities of unsubordinated notes (Note 8)</i>		124,101
<i>Short-term maturities of notes payable (Note 9)</i>	14,380	10,352
<i>Account payable to Grupo Ferrominero, S.A. de C.V., parent company</i>	5,877	2,346
<i>Short-term liabilities from valuation of derivative instruments (Note 10)</i>	85,138	571,436
<i>Income tax payable</i>	28,918	94,040
<i>Employees' profit sharing payable</i>		114,022
<i>Other accounts payable and accrued expenses</i>	2,220	21,390
Total current liabilities	341,926	1,083,851
LONG-TERM LIABILITIES:		
<i>Long-term unsubordinated notes payable (Note 8)</i>	522,348	282,048
<i>Notes payable (Note 9)</i>	4,408	15,330
<i>Long-term liabilities from valuation of derivative instruments (Note 10)</i>		180,167
<i>Deferred income tax (Note 14)</i>	519,107	509,641
<i>Estimated liability for labor benefits (Note 11)</i>	53,735	46,777
Total long-term liabilities	1,099,598	1,033,963
Total liabilities	1,441,524	2,117,814
<i>Excess of liabilities over assets in investment in associates (Note 2.g)</i>	5,739	5,029
STOCKHOLDERS' EQUITY (Note 12):		
<i>Capital stock</i>	1,116,083	1,111,635
<i>Premium on issuance of capital stock</i>	391,914	391,914
Contributed capital	1,507,997	1,503,549
<i>Retained earnings</i>	990,572	1,205,068
Total Stockholders' equity	2,498,569	2,708,617
CONTINGENCIES (Note 16)		
Total liabilities and stockholders' equity	Ps 3,945,832	Ps 4,831,460

Gustavo Cárdenas A.
Chief Financial Officer

Consolidated Statement of Income

Compañía Minera Autlán, S.A.B. de C.V. and Subsidiaries

For the years 2009 and 2008. Thousands of Mexican pesos, (See Note 2)

	2009	2008
Net Sales	Ps 2,200,352	Ps 5,373,949
Cost of sales	(1,631,930)	(2,697,114)
Gross margin	568,422	2,676,835
Operating expenses	(358,643)	(408,720)
Operating income	209,779	2,268,115
Comprehensive financing income (expense):		
Financial expense, net	(57,436)	(67,984)
Exchange (loss) gain, net	(11,029)	215,416
Valuation and realization of derivative financial transactions (Note 10)	(112,421)	(1,166,366)
	(180,886)	(1,018,934)
	28,893	1,249,181
Other expense, net (Note 13)	(90,450)	(214,561)
(Loss) income before the following provision	(61,557)	1,034,620
Provision for income tax (Note 14)	(45,346)	(351,550)
Consolidated net (loss) income	(Ps 106,903)	Ps 683,070
(Loss) earnings per share, in pesos (Note 2.r)	(Ps 0.39)	Ps 2.51

The accompanying notes are an integral part of these financial statements..

José H. Madero M.
Chief Executive Officer

Gustavo Cárdenas A.
Chief Financial Officer



Consolidated Statement of Changes in Stockholders' Equity

Compañía Minera Autlán, S.A.B. de C.V. and Subsidiaries

For the years 2009 and 2008. Thousands of Mexican pesos, (See Note 2)

	Contributed Capital			Earned surplus			Total stockholders' equity
	Capital Stock	Premium on issuance of capital stock	Total	Retained earnings	Deficit on restatement of capital	Total	
<i>Balances at December 31, 2007</i>	Ps 3,672,080	Ps 2,265,635	Ps 5,937,715	Ps 600,650	(Ps 4,416,373)	(Ps 3,815,723)	Ps 2,121,992
<i>Changes in 2008:</i>							
<i>Reclassification of accumulated gain (loss) from holding nonmonetary assets (Note 2)</i>	(2,542,652)	(1,873,721)	(4,416,373)		4,416,373	4,416,373	
<i>Dividends declared</i>				(78,652)		(78,652)	(78,652)
<i>Repurchase of own shares, net</i>	(17,793)		(17,793)				(17,793)
<i>Net income and comprehensive income for the year</i>				683,070		683,070	683,070
<i>Balances at December 31, 2009 (Note 12)</i>	1,111,635	391,914	1,503,549	1,205,068		1,205,068	2,708,617
<i>Changes in 2009:</i>							
<i>Dividends declared</i>				(107,593)		(107,593)	(107,593)
<i>Repurchase of own shares, net</i>	4,448		4,448				4,448
<i>Net loss and comprehensive loss for the year</i>				(106,903)		(106,903)	(106,903)
<i>Balances at December 31, 2009 (Note 12)</i>	Ps 1,116,083	Ps 391,914	Ps 1,507,997	Ps 990,572		Ps 990,572	Ps 2,498,569

The accompanying notes are an integral part of these financial statements.

José H. Madero M.
Chief Executive Officer

Gustavo Cárdenas A.
Chief Financial Officer

Consolidated Statement of Cash Flows

Compañía Minera Autlán, S.A.B. de C.V. and Subsidiaries

For the years 2009 and 2008. Thousands of Mexican pesos, (See Note 2)

	2009	2008
Operations		
(Loss) income before income tax	(Ps 61,557)	Ps 1,034,620
<i>Items related to investment activities:</i>		
Depreciation and amortization	117,199	155,183
Interest income	(25,197)	(7,402)
Derivative financial instruments	112,421	1,166,366
<i>Items related to financing activities:</i>		
Interest expense	87,717	75,386
Exchange gain	(44,442)	(215,416)
Employees' profit sharing		114,022
Others, net	710	71,399
Total	186,851	2,394,158
Increase in trade accounts receivable	(31,658)	(119,116)
Decrease (increase) in inventories	188,688	(284,598)
Increase (decrease) of suppliers	59,229	(58,679)
Income tax paid	(101,002)	(257,510)
Employees' profit sharing payable	(114,022)	91,224
Other	(61,983)	6,134
Net cash flows from operating activities	126,103	1,771,613
Investment		
Interest earned	25,197	7,402
Acquisition of property, plant and equipment and other assets	(125,009)	(400,202)
Derivative financial instruments	(778,886)	(414,763)
Other assets	(35,517)	54,941
Net cash flows in investments activities	(914,215)	(752,622)
Cash in excess applicable to financing activities	(788,112)	1,018,991
Financing		
Anticipated redemption of notes	(268,706)	
Payment of notes and other documents payable	(124,980)	(30,283)
Increase in financing for guaranteed unsubordinated notes and notes payable	515,916	23,562
Dividends paid	(107,593)	(78,652)
Interest and expense from issuance of debentures, paid	(53,402)	(73,079)
Other	4,448	(17,079)
Net cash flows in financing activities	(34,317)	(175,531)
Net decrease (increase) in cash and temporary investments	(822,429)	843,460
Cash and temporary investments and restricted cash at beginning of year	1,077,077	233,617
Cash and temporary investments and restricted cash at end of year	Ps 254,648	Ps 1,077,077
<i>The accompanying notes are an integral part of these financial statements.</i>		

José H. Madero M.
Chief Executive Officer

Gustavo Cárdenas A.
Chief Financial Officer

Notes to the Consolidated Financial Statements

*Compañía Minera Autlán, S.A.B. de C.V. and Subsidiaries (subsidiaries of Grupo Ferrominero, S.A. de C.V.)
At December 31, 2009 and 2008. Thousands of Mexican pesos, (See Note 2) (except where otherwise indicated)*

1. ENTITY AND OPERATIONS

Compañía Minera Autlán, S. A. B. de C. V. (Autlán), was incorporated in 1953. It is a Mexican company whose main activity is the extraction of manganese ore, and the production and sale of ferroalloys, used mainly in the production of steel. The term “the Company”, as used in this report, refers to Autlán together with its consolidated subsidiaries.

Autlán carries out its activities through operating units located in Tamós in the State of Veracruz, Molango and Nonoalco in the State of Hidalgo, Teziutlán in the State of Puebla and Gómez Palacio, in the State of Durango. It also has various service subsidiaries mentioned in Note 2. Autlán’s shares are listed in the Mexican Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements were authorized for issuance on March 24, 2010, by the Board of Directors and officers who sign the basic financial statements and notes thereto.

The accompanying consolidated financial statements for the years ended December 31, 2009 and 2008 have been prepared in accordance with Mexican Financial Reporting Standards (FRS).

The Company prepared the consolidated statement of income, under the classification criterion based on the function of the items, the fundamental characteristic of which is to separate the cost of sales from all other costs and expenses. Additionally, for a better analysis of the financial position, the Company has considered necessary to file the amount of operating income separately in the statement of income, since this information is a common disclosure practice of the sector to which the entity belongs.

In accordance with the guidelines included in FRS B-10 “Effects of inflation”, the Mexican economy is considered as non inflationary by maintaining an accumulated inflation during the past three years not exceeding 26% (maximum limit to define an economy as non inflationary). In this sense, since January 1, 2008 the acknowledgement of inflationary effects on the financial information (disconnection of the inflation accounting) has been suspended. Consequently, the figures until December 31, 2009 and 2008 of the attached financial statements are expressed in historical pesos, modified by the effects of inflation on the financial information recognized until December 31, 2007. During 2008, since it was not practical to identify the amounts of other integral items, primarily the gain (loss) from holding non monetary assets and their corresponding deferred tax in realized and unrealized concepts, were transferred to accumulated results according to the provisions of FRS B-10, described above.

Inflation percentages are presented as follows:

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
For the year	3.57%	6.53%
Accumulated in the past three years	14.48%	15.01%

Since the recording, functional and reporting currencies are all represented by the Mexican peso, it was not necessary to carry out any conversion process.

New MFRS effective as of January 1, 2009:

Beginning on January 1, 2009 the following MFRS issued by the Mexican Financial Reporting Standards Board (CINIF by its Spanish acronym), have been adopted by the Company for the preparation of these financial statements.

MFRS B-7 “Business acquisitions”. The main changes and features of this MFRS are, among other: a) confirms the purchase method in order to recognize the business acquisitions, b) recognizes that the non-controlling participation is presented at its fair value, c) establishes that the purchase and restructure expenses are not part of the counterparty, and d) establishes the standards for the recognition of reacquired assets, contingent liabilities, contingent counterparty and assets for compensation generated in the purchase.

MFRS B-8 “Consolidated or combined financial statements”. The main changes in connection with the provisions above are, among other: a) establishes that in the cases where an entity controls a specific purpose entity (SPE) this should be considered as a subsidiary and its financial statements should be consolidated, b) allows subholding companies not to present consolidated financial statements under certain requirements, c) considers the existence of potential voting rights for the control assessment, and d) requires that the participation in the non-controlling entity remains valued, in its case, based on the fair value of the subsidiaries net assets and the goodwill determined with the purchase method at the acquisition of such subsidiary.

MFRS C-7 “Investment in associates and other permanent investments”. The main changes in the previous provisions are, among other: a) the inclusion of the SPE concept in the significant influence assessment, b) the settlement of a procedure and a limit for the recognition of losses in associates and c) the potential voting rights existence analysis is required for the significant influence assessment.

MFRS C-8 “Intangible assets”. The main changes in connection with the previous pronouncements are, among other: a) explains the procedures in the determination of the amortization period and the residual value, b) mandates the annual impairment tests in the events of increasing amortization, and c) requires the balance to be amortized of preoperative expenses coming from 2002 and before to be cancelled against cumulative profit.

MFRS D-8 “Share-based payments”. This MFRS establishes guidelines for the recognition of the transactions related with share-based payments produced by purchases of goods and services received.

Interpretation to MFRS -14 “Contracts of construction, sale and provision of services related to real state”. supplements



the provisions of Bulletin C-7, “Contracts of construction and manufacturing of some equity goods”, and establishes the rules for the recognition of income, costs and expenses associated to the celebration of contracts of construction, sale and provision of services related to real estate which are: for advanced work, degree of advance in the services provision and at the moment of transferring the control, risks and benefits of the property.

Following is a summary of the most significant accounting policies followed by Autlán and its subsidiaries, which have been applied on a consistent basis in the preparation of their financial information for the years presented, unless otherwise indicated:

a. Bases for presentation and disclosure

From January 1, 2008 onwards the financial statements of the foreign subsidiaries classified as foreign entities located in a non-inflationary economy are converted as follows: (a) assets and liabilities: year-end exchange rate; (b) stockholders’ equity: historical exchange rate; (c) revenues, costs and expenses: historical exchange rate (or average in the event of no significant change); and (d) conversion effect : included in the comprehensive income or loss in stockholders’ equity.

The preparation of the financial information in accordance with FRS requires management to make estimates and assumptions that affect the reported amounts at the date of the financial statements. Actual results could differ from those estimates. The main captions subject to these estimates include the following: net fixed assets, allowances for doubtful accounts, inventory reserve, deferred income tax asset, valuation of financial instruments and labor obligations (assets and liabilities).

b. Bases for consolidation

The consolidated financial statements comprise those of Autlán and all its subsidiaries. Intercompany transactions and balances between Autlán and its subsidiaries have been eliminated in consolidation.

The principal subsidiary companies of Autlán as of December 31, 2009 and 2008 are::

<u>Service companies and other:</u>	<u>% ownership</u>
Arrendadora Autlán, S. A. de C. V.	100
Compañía Ecológica de la Sierra, S. A. de C. V.	100
Compañía Recuperadora de Escorias, S. A. de C. V.	100
GFM Cerámica, S. A. de C. V.	98
GFM Resources, Ltd.	76
Industrial Minera Teziutlán Acatlán, S. A.	100
Inmobiliaria Molango, S. A.	100
Inmobiliaria y Operadora Turística Sterra, S. A. de C. V.	100
La Herradura de México, S. A. de C. V.	99
Metcore de México, S. A. de C. V.	100
Minas de Santa Marta, S. A.	100

<u>Trading companies:</u>	<u>% ownership</u>
Autlán Metal Services, S. A. de C. V.	99
Comercial Autlán, S. A. de C. V.	100
GFM Trading de México, S. A. de C. V.	99
GFM Trading, Inc.	99

c. Temporary investments

These investments include investments in debt and capital securities, and are classified in the following categories in accordance with their maturity date and management's intention at the date of acquisition: investments to be held to maturity, negotiable financial instruments and financial instruments available for sale. They are initially stated at acquisition cost and are subsequently stated as described below:

i. Debt securities to be held to maturity are stated at acquisition cost reduced by amortization of premiums or increased by amortization of discounts, as applicable, based on the unrecovered balance while the investments are in effect. Decrease in value is recognized when appropriate.

ii. Negotiable financial instruments and those available for sale are stated at fair value, which is similar to the market value. The fair value is the amount at which financial assets can be exchanged or financial liabilities can be liquidated between interested and willing parties on an arm's-length basis. The changes in the fair value of negotiable financial instruments are charged or credited directly to income. The changes in the fair value of financial instruments available for sale are included as part of comprehensive income under stockholders' equity until the instruments are sold or are reclassified, at which time the amounts included in comprehensive income are transferred to income for the year.

d. Inventories and cost of sales

At December 31, 2009 and 2008, inventories and related cost of sales were originally recorded at average cost and were subsequently restated at estimated replacement cost, basically at the latest purchase prices and production costs of the year. The amounts shown for inventories do not exceed market value.

The cost of sales is recognized at historical cost, determined by the method of valuation mentioned on the previous paragraph.

The allowance for obsolete and/or slow-moving inventories is considered sufficient to absorb any losses of this type; it is determined in accordance with studies carried out by the Company's management.

e. Property, plant, equipment and depreciation

Property, plant and equipment including acquisitions by financial leasing, are expressed as follows at December 31, 2009 and 2008: i) acquisitions carried out from January 1, 2008 at their historical cost, and ii) acquisitions carried out until December 31, 2007 of national origin, at their updated value determined by the application of their acquisition cost of factors derived from the National Consumer Price Index. In the case of fixed assets of foreign origin, at historical

cost expressed in the currency of origin, of factors that reflect the inflation of the country of origin at the date of valuation, converted to Mexican pesos at the exchange rate.

Property, plant and equipment are subject to annual impairment tests only when there are impairment indicators. Accordingly, they are expressed at their modified historical cost, less the cumulative depreciation and, in its case, the impairment losses.

The acquisition cost of the property, plant and equipment requiring a substantial period to be in usage conditions includes: the acquisition cost and the capitalization of the finance cost (RIF by its Spanish acronym) accrued in such period and attributable at acquisition. Values so determined do not exceed its recovery value.

Depreciation is calculated by the straight line method based on the estimated useful lives based on the financial leasing contracts validity of the assets applied to the property, plant and equipment values, including the acquired under financial leasing.

The property, plant and equipment from financial leasing are capitalized because they substantially transfer all the inherent risks and benefits to their property. The capitalized value corresponds either to the leased asset value or to the present value of the minimal payments, the lower. The financial costs derived from the financing granted by the leasing for the acquisition of such assets is recognized in the income as accrued.

f. Deferred charges

This item is expressed as follows: i) as from January 1, 2008, at historical cost, and ii) up to December 31, 2007, at restated values determined through the application of the acquisition or development cost of factors derived from the NCPI up to that date. Consequently, these are expressed at modified historical cost, subtracted from the corresponding accumulated amortization. This item includes mainly expenses from the placement of debt amortized based on the effective period of obligations and development expenses, exploration and investigation and mining concessions, which are amortized during a twelve-year term once the ore extraction process starts.

g. Investments in shares in associates

Investments in shares in associated companies are registered by the equity method. According to this method, the acquisition cost of the shares is modified by the proportional amount of the changes in the account of stockholders' equity of the company that issues the shares, subsequent to the date of acquisition.

At December 31, 2009, Lynx Servicios Aereos, S.A. de C.V., associated company, held a deficit in stockholders' equity. The excess of liabilities over assets of this associated firm is shown in the consolidated balance sheet at December 31, 2009 separately from liabilities.

Investments in shares of associated companies are subject to the recognition of impairment and its reversal, when circumstances require so.

h. Provisions

Provisions of liabilities represent present obligations for past events in which the outflow of economic resources is probable. These provisions have been registered under the best estimate carried out by Management.

i. Transactions in foreign currency and exchange differences

Transactions in foreign currency are initially recorded at recording currency by applying the exchange rates effective at the transaction date. Assets and liabilities denominated in foreign currency are translated at the exchange rate effective at the balance sheet date. The differences resulting from fluctuations in exchange rates between the transaction and settlement or valuation dates at year end, are recorded in income as a component of the RIF.

j. Estimated liability for labor benefits

The employees' benefits granted by the company to its employees, including the defined benefit plans (or defined contribution plans) are described as follows:

The direct benefits at short term (salary, overtime, vacation, holidays, and paid absences) are recorded in income as they accrue and their corresponding liabilities are expressed at their nominal value. Absences paid based on the legal or contractual provisions, are non cumulative.

Benefits from termination of labor relationship for causes other than restructuring, as in the case of legal indemnities from dismissal, seniority premiums, bonuses, special compensations or voluntary separation, as well as retirement benefits (pensions, seniority premiums and indemnities) are recorded based on actuarial studies made by independent experts through the projected unitary credit method.

The period net cost of each employee's benefit plan is recognized as operative expenses of the period when it is accrued, including among other, the amortization of the labor cost of the past services and the actuarial profit (loss) of previous periods.

The items pending amortization at December 31, 2007, known as transitional liability, including the labor cost of the past services and the unamortized pending actuarial gain (losses), will be amortized as of January 1, 2008, in a five year term instead of the estimated working life of the employee up to 2007.

Actuarial studies on employees' benefits include the hypothesis on the salary history.

k. Derivative financial instruments

Autlán uses derivative financial instruments for purposes of reducing its risk relative to adverse fluctuations in prices of raw materials and in exchange rates.

All derivative financial instruments entered into and identified and classified as held for trading or as hedge instruments are included in the balance sheet as assets and/or liabilities at fair value. The fair value is determined based on

the prices of recognized markets; when no quoted market prices are available, it is determined based on valuation techniques accepted in the financial sector.

The changes in the fair value of derivative financial instruments are recognized in the comprehensive financing income (expense), except when entered into to hedge risks and comply with all related requirements. Their designation as a hedge is documented at the inception of the transaction, specifying the related objective, initial position, risks to be hedged, type of hedge relationship, characteristics, accounting recognition and how their effectiveness will be assessed. Fair value hedges are stated at fair value and changes in valuation are recorded in income under the same caption as the hedged item. In the case of cash flow hedges, the effective portion is temporarily included in comprehensive income in stockholders' equity and is reclassified to income when the hedged item affects income. Any ineffective portion is recognized immediately in income.

Financial risk factors

The Company is exposed, due to the normal course of its business, to financial risks, which in accordance with its financial strategy, are regularly managed through the Derivative Financial Instruments (DFI); these financial risks are usually related to exchange rates.

The Company performs transactions with DFI with the purposes of mitigating the financial risks to which it is exposed. Positions are held with these instruments to hedge mainly the exchange rate risk since practically all of the Company's revenues are denominated in US dollars, while most of its costs and expenses both fixed and variable are stated in Mexican pesos. Consequently, with the objective of minimizing the risk of a probable depreciation of the US dollar with respect to Mexican pesos, the Company seeks hedging through the DFI. The most common types of instruments used by the company are: Exchange Rate Forward, Exchange Rate Options, Target Profit Forward with Exchange Currency Options, and Target Profit Forwards.

Through the use of DFI, the Company seeks to hedge its financial risks as determined in the paragraph above; however, it is in turn exposed to a credit risk known as "default". This credit risk is originated when the counterparty of the Company does not comply with obligations determined within the agreement established for the operation of Derivative Instruments. Therefore, the Company minimizes the credit risk in its positions with DFI, performing these transactions with financial brokers with an excellent moral and credit quality; most of these transactions are carried out in private or over the counter markets and with international financial institutions, although it also works with national and international institutions.

Management seeks to delimit and limit the risk, through the review of the effective self-regulatory policies, among other actions, while the Audit Committee assumes the activities of the comprehensive risk management committee. The use and management of the DFI is the responsibility of the Finance Management, which reports the activities to the Executive Committee on a monthly basis and on a quarterly basis to the Audit Committee and the Board of Directors.

l. Stockholders' equity

Capital stock, the legal reserve, the premium in subscription of shares and retained earnings, are expressed as follows: i) movements carried out starting January 1, 2008 at their historical cost, and ii) movements carried out before

January 1, 2008 at their updated values determined by the application of their historical values of factors derived from the National Consumer Price Index until December 31, 2007. Consequently, the different units of capital stock, are expressed at their modified historical cost.

The net premium in the placement of shares represents the difference in excess between the payment for subscribed shares and the nominal value of the same.

m. Repurchase of own shares

The purchase of own shares is made through a charge to stockholders' equity at its purchase price, part of it to the capital stock at modified historical value and the remaining part to retained earnings. These amounts are expressed at historical cost.

n. Revenue recognition

The Company recognizes revenues in the period during which they transfer the risks and benefits of inventories to clients acquiring them, which generally occurs when these are shipped to the client and the latter assumes the responsibility of such goods.

o. Comprehensive financial result

The comprehensive financial result is determined by grouping in the income statement: expenses and financial income and exchange differences.

p. Income tax and flat tax

For tax purposes, Autlán and its subsidiaries, except for the Company Recuperadora de Escorías, S. A. de C. V. and Inmobiliaria Molango, S. A., consolidate their results for Income Tax (IT) purposes with Grupo Ferrominero, S. A. de C. V. (holding company). The amount of IT is shown in the consolidated statement of income, representing the tax incurred in the year, as well as the deferred IT effects determined in each subsidiary by the method of assets and liabilities, by applying the deferred IT rate to the total temporary differences resulting from comparing the accounting and tax values of assets and liabilities, considering in each case, the tax loss carryforwards, prior analysis of their recovery. The effect from the change in effective IT rates is recorded in income for the period in which Tax Authorities determine the change in rate.

q. Deferred employees' profit sharing

The recognition of deferred employees' profit sharing is made based on the method of assets and liabilities with a comprehensive approach, which consists in recognizing a deferred employees' profit sharing for all differences between the accounting and tax values of assets and liabilities, where its payment or recovery is probable.

r. Earnings per share

Earnings per share are computed on the basis of the weighted average number of common shares outstanding during the year. There are no effects arising from potentially dilutive shares.



s. Comprehensive income

The transactions recorded in the various captions relating to earned surplus for the year, other than those carried out with the stockholders, are included in the statement of changes in stockholders' equity under the caption "comprehensive income (loss)".

t. Concentration of risks

The main financial instruments maintained by the Company under a credit risk concentration correspond to cash in banks and temporary investments, as well as trade accounts receivable. Cash and temporary investments are maintained in recognized financial institutions. The related investments are in fixed interest and money market securities. The risk concentration with respect to accounts receivable is important since at December 31, 2009, 75.6% of the total accounts receivable portfolio was concentrated in five customers (83.6% in 2008). In addition, the Company maintains allowances for doubtful accounts based on the estimated recoverability of the accounts receivable.

u. Business segments

Company management evaluates their operations based solely on one business segment.

3. TRANSACTIONS WITH RELATED PARTIES

The statement of income includes the following income (expense) with related parties that have been carried out under market conditions and values:

	2009	2008
Sale of finished goods	Ps 36,472	Ps 34,827
Income from services	2,801	
Transportation services	(12,987)	(3,996)
Net financial costs	(17,976)	(42,578)
Costs from technical services	(17,976)	(42,538)
Administrative services	(15,250)	
Other cost	(6,286)	

For the period ended December 31, 2009, salaries, wages and benefits that are received by the principal officials of the company totaled Ps11,098 (Ps14,055 in 2008), amount integrated by base salaries and benefits granted by law and complemented by a program of variable compensation that is governed based on the results of Autlán. No agreement or program exists that will involve employees in Autlán's equity.

Autlán and its subsidiaries declare that they had no significant operations with related persons or conflicts of interest to disclose.

4. INVENTORIES

Inventories comprised the following:

	2009	2008
<i>Finished goods</i>	Ps 213,414	Ps 277,993
<i>Ores and raw materials</i>	123,050	249,054
<i>Spare parts inventory</i>	79,000	77,105
	415,464	604,152
<i>Allowance for slow-moving and obsolete inventories</i>	(449)	(449)
<i>Total</i>	Ps 415,015	Ps 603,703

5. PROPERTY, PLANT AND EQUIPMENT

This caption comprised the following:

	2009	2008
<i>Land</i>	Ps 67,127	Ps 66,916
<i>Buildings and constructions</i>	1,284,917	1,211,801
<i>Machinery and equipment</i>	4,493,635	4,396,949
<i>Furniture and equipment</i>	41,790	41,394
<i>Transportation equipment</i>	45,239	51,713
<i>Data-processing equipment</i>	57,624	56,887
<i>Construction in progress</i>	96,214	176,711
<i>Other assets</i>	127,716	136,204
	6,147,135	6,071,659
<i>Less - Accumulated depreciation</i>	(3,652,829)	(3,585,678)
	2,494,306	2,485,981
<i>Net restated value</i>	Ps 2,561,433	Ps 2,552,897

Depreciation charged to income represented average annual rates of approximately 3% for buildings and constructions and 4% for machinery, furniture and equipment in both years.

At December 31, 2009 and 2008, the impairment analysis did not determine any adjustment to asset value.

6. DEFERRED CHARGES AND OTHER ASSETS - NET

At December 31, 2009 and 2008 the balance of deferred charges is integrated as follows:

	2009	2008
<i>Capitalized expenses derived from the placement of obligations 2014 (a)</i>	Ps 22,399	
<i>Capitalized expenses derived from the placement of obligations 2012 (b)</i>		\$ 8,955
<i>Mining concessions</i>	2,683	2,683
<i>Development, exploration and investigation expenses (c)</i>	105,375	69,738
<i>Other assets</i>	8,462	8,582
	138,919	89,958
<i>Accumulated amortization</i>	(24,134)	(15,796)
<i>Total deferred charges and others</i>	Ps 114,785	Ps 74,162

(a) Corresponds to expenses and fees made in the placement of obligations with maturity date in 2014 and are amortized based on the straight line method during the validity of the obligations (see Note 8).

(b) Corresponds to expenses and fees carried out by the placement of obligations with maturity date in 2012. Until December 22, 2009, the company amortized the remaining balance of Ps5,084, due to the advanced maturity of these obligations (see Note 8).

(c) During the 2009 period, the Company continued to develop a subterranean mine with the purpose of exploiting it under a new, safer and more productive system. In the period ended December 31, 2009, Ps35,637 (Ps15,878 in 2008) was invested.

The amortization charged to results for the years ending December 31, 2009 and 2008, totaled Ps15,108 and Ps8,136 respectively.

7. FOREIGN CURRENCY POSITION

At December 31, 2009 and 2008, the exchange rates were Ps13.06 and Ps13.54 nominal pesos to the U.S. dollar, respectively. At March 30, 2010, date of issuance of these audited financial statements, the exchange rate was Ps12.54 nominal pesos to the dollar.

Amounts shown below are expressed in thousands of U.S. dollars (US\$), since this is the currency in which most of the companies' transactions are carried out.

At December 31, 2009 and 2008, the companies had the following currency assets and liabilities:

	2009	2008
<i>Monetary assets</i>	US\$55,780	US\$101,155
<i>Monetary liabilities</i>	(52,162)	(84,015)
<i>Foreign currency monetary position</i>	US\$ 3,618	US\$17,140
<i>Nonmonetary assets</i>	US\$95,044	US\$ 120,777

The nonmonetary assets (inventories, machinery and equipment) mentioned above are those manufactured outside Mexico or whose replacement costs are determined in foreign currency and are stated at their net restated cost.

Following is a summary of the foreign currency transactions carried out:

	2009	2008
<i>Goods and services:</i>		
<i>Exports</i>	US\$ 42,773	US\$ 284,827
<i>Imports</i>	(33,492)	(115,025)

8. NOTES ISSUED

During the month of December, the company acquired new financing in the amount of US\$40 million by issuing private debt denominated as “Guaranteed subordinated notes”. This liability’s date of maturity is 2014 and will cause an annual interest rate of 9.50% which will be payable on a monthly basis. These new notes are guaranteed with future inflows generated from certain domestic sales as well as a pledge placed on the Company’s inventory. The resources obtained were destined primarily towards the anticipated redemption of previously issued notes in the amount of US\$20.8 million, since it represents better financial benefits as compared to the previous issuance. Consent and approval was granted by the holders of these notes on December 9, 2009, during a Governing Council Session.

The costs and expenses, including premiums, prizes and discounts of this new placement of debt amounted to Ps22,399 Mexican pesos and will be amortized based upon the maturity of this credit. The costs and expenses from the previous placement still pending to be amortized until the month of December, 2009 totaling Ps5,084 Mexican pesos, were offset against the year’s income result and are included in the consolidated income statement under “other expenses”.

As of December 31, 2009, long term debt maturities are the following:

2011	Ps 85,035
2012	145,771
2013	145,771
2014	145,771
	Ps 522,348

At December 31, 2009 and 2008, there were cash deposits (restricted cash) that assured the upcoming maturities of equity and interests from financing the company held at those dates. Until December 31, 2009 and 2008 these deposits totaled US\$475 and US\$694 thousand dollars, respectively (equivalent to Ps6,203 and Ps9,392 respectively) which form part of “Restricted cash” in current assets.

The current debt contract contains certain restrictions, primarily related to compliance with financial metrics and delivery of financial information, which if not met or redeemed within a determined period of time that satisfies creditors, could be considered as cause of anticipated expiration. At December 31, 2009, Autlán and its subsidiaries comply satisfactorily with the aforementioned restrictions and commitments.

9. NOTES PAYABLE

At December 31, 2009 and 2008, the following notes payable are analyzed as follows:

	2009	2008
Finance lease contract	Ps 14,203	Ps 25,090
Other credits without guarantee	4,585	592
Current portion on short term finance lease contract	(14,380)	(10,352)
Long term debt	Ps 4,408	Ps 15,330

The Company carried out finance lease contracts to acquire machinery in the amount of US\$2.2 million dollars which bear interest at an annual average rate of 6%. This lease is payable by similar monthly payments, and its last payment is scheduled for July 2011.

10. DERIVATIVE FINANCIAL INSTRUMENTS

During the period that ended December 31, 2009, the company paid of the majority of its open positions on derivative financial instruments at December 31, 2008. As part of this strategy, the Company paid all operations with expiration date during the 2009 period, paid off in anticipated form some instruments whose maturity was dated in 2010 and closed out open position by means of other hedging instruments to establish a fixed decrease in value

During the years ended December 31, 2009 and 2008, the Company registered charges to the results of Ps112,421 and Ps1,166,366, for the valuation and clearing of the contracts that where current during those years.

Positions on derivative financial instruments in foreign currency carried out for negotiations until December 31, 2009 are summarized as follows:

Type of derivative, value or contract	Notional amount	Value of underlying asset		Fair value
		Units	Reference	
Currency forward	US\$ 36,000,000	Pesos / Dollars	12.99	Ps 7,249
Call sale option	63,000,000	Pesos / Dollars	11.98	(95,617)
Call purchase option	9,000,000	Pesos / Dollars	13.85	2,852
Put sale option	18,000,000	Pesos / Dollars	10.27	(17)
Put purchase option	18,000,000	Pesos / Dollars	11.32	395
Total				(Ps 85,138)

At December 31, 2009 the fair value net position of the derivative financial instruments mentioned before totaled Ps85,138, which is reflected in short term liabilities on the consolidated balance sheet.

11. ESTIMATED LABOR BENEFITS

a. Reconciliation between initial and final balances at present value of obligations derived from defined benefit obligations (DBO) for the 2009 and 2008 periods:

	<i>Pension plan</i>	<i>Seniority premium</i>	<i>Benefits from termination</i>	<i>Other benefits at retirement</i>	<i>Total</i>
<i>DBO at January 1, 2009</i>	Ps 26,338	Ps 22,492	Ps 10,488	Ps 2,433	Ps 61,751
<i>Add (deduct):</i>					
<i>Labor cost of current service</i>	2,771	1,090	715	433	5,009
<i>Financial cost</i>	2,390	1,945	917	194	5,446
<i>Period generated</i>					
<i>Actuarial losses</i>	1,340	1,185	1,409	136	4,070
<i>Payments</i>	(559)	(859)	(399)	(632)	(2,449)
<i>DBO at December 31, 2009</i>	Ps 32,280	Ps 25,853	13,130	Ps 2,564	Ps 73,827

	<i>Pension plan</i>	<i>Seniority premium</i>	<i>Benefits from termination</i>	<i>Other benefits at retirement</i>	<i>Total</i>
<i>DBO at January 1, 2008</i>	Ps 30,554	Ps 23,108	Ps 8,388	Ps 2,242	Ps 64,292
<i>Add (deduct):</i>					
<i>Labor cost of current service</i>	2,282	886	451	360	3,979
<i>Financial cost</i>	2,626	1,908	700	168	5,402
<i>Period generated</i>					
<i>Actuarial (gains) losses</i>	(8,603)	(3,410)	949	(337)	(11,401)
<i>Reductions</i>	(521)				(521)
<i>DBO at December 31, 2008</i>	Ps 26,338	Ps 22,492	Ps 10,488	Ps 2,433	Ps 61,751

b. The value of obligations from benefits acquired until December 31, 2009 and 2008 totaled Ps40,070 and Ps34,635, respectively.

c. A reconciliation between the recognized value in the balance sheet, the DBO and amounts pending amortization is shown below:

	<i>Pension December 31,</i>		<i>Seniority premium December 31,</i>		<i>Indemnities December 31,</i>		<i>Other benefits at retirement December 31,</i>		<i>Total</i>	<i>Total</i>
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<i>Labor liabilities:</i>										
<i>DBO</i>	Ps 32,280	Ps 26,338	Ps 25,853	Ps 22,492	Ps 13,130	Ps 10,488	Ps 2,564	Ps 2,433	Ps 73,827	Ps 61,751
<i>Fair value of plan assets</i>	(31,206)	(29,069)							(31,206)	(29,069)
<i>Financing situation</i>	1,074	(2,731)	25,853	22,492	13,130	10,488	2,564	2,433	42,621	32,682
<i>Less items to be amortized:</i>										
<i>Actuarial losses</i>	6,713	8,361	5,193	6,790					11,906	15,151
<i>Transition liability</i>	(36)	(73)	(253)	(325)	(502)	(650)	(1)	(8)	(792)	(1,056)
<i>Net projected liabilities</i>	Ps 7,751	Ps 5,557	Ps 30,793	Ps 28,957	Ps 12,628	Ps 9,838	Ps 2,563	Ps 2,425	Ps 53,735	Ps 46,777

d. Net average cost of the period (CNP)

An analysis of the net average cost by type of plan is presented as follows:

	<i>Pensions December 31,</i>		<i>Seniority premium December 31,</i>		<i>Indemnities December 31,</i>		<i>Other benefits at retirement December 31,</i>		<i>Total</i>	<i>Total</i>
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<i>CNP:</i>										
<i>Labor cost of service</i>	Ps 2,771	Ps 2,282	Ps 1,090	Ps 886	Ps 715	Ps 451	Ps 433	Ps 360	Ps 5,009	Ps 3,979
<i>Financial cost</i>	2,390	2,626	1,945	1,908	917	700	194	168	5,446	5,402
<i>Return of plan assets</i>	(2,694)	(2,684)							(2,694)	(2,684)
<i>Actuarial gain or loss</i>	(311)	(16)	(413)		1,409	(651)	136	(1,561)	821	(2,228)
<i>Labor cost of previous service</i>	37	68	72	71	167	167	8	576	284	882
<i>Total</i>	Ps 2,193	Ps 2,276	Ps 2,694	Ps 2,865	Ps 3,208	Ps 667	Ps 771	(Ps 457)	Ps 8,866	Ps 5,351

e. Principal actuarial hypothesis:

The principal actuarial hypothesis used, expressed in absolute terms, the discount rates, the yield of assets, salary increase and changes in indexes and other variables referred to at December 31, 2009 and 2008 are the following:

	2009	2008
<i>Concept</i>	<i>% (*)</i>	<i>% (*)</i>
<i>Discount rate</i>	8.42	8.42
<i>Rate of return</i>	8.42	9.50
<i>Rate of salary increase</i>	5.03	4.77
<i>Rate of minimum salary increase</i>	4.25	4.25
<i>Rate of medical inflation</i>	4.25	4.25

() Annual nominal*

12. STOCKHOLDERS' EQUITY

From January 1, 2008 onwards the capital stock, legal reserve, additional paid-in capital and retained earnings are stated in modified historical Mexican pesos (see Note 2).

At December 31, 2009 the fixed minimum capital stock without right of withdrawal, fully subscribed and paid-in, amounted to Ps72,268, and was represented by 106,656,929 Series "B", common nominative shares, without par value.

At December 31, 2009, Autlán had 460,200 shares held in treasury; each such share had a market value of Ps30.92 pesos at such date (Ps27.00 at the date of issuance of these financial statements).

At December 31, 2009, the retained earnings included Ps230,125 appropriated to the legal reserve.

In a meeting held on April 29, 2009, the stockholders approved to decree and pay a dividend of Ps0.3957 per share of Series "B", equivalent to Ps107,593.

Dividends paid are not subject to income tax if paid from the net tax profit account (CUFIN by its Spanish acronym). Any dividends paid in excess of this account will cause a tax equivalent to 38.89% if they are paid on 2010. The current tax is payable by the Company and may be credited against its income tax in the same year or the following two years or in its case against the Flat tax of the period. Dividends paid coming from profits previously taxed by income tax are not subject to tax withholding or additional tax payment.

In the event of capital stock reductions, any excess of stockholders' equity over capital contributions, the latter inflation-indexed in accordance with the provisions of the Mexican Income Tax Law, is accorded the same tax treatment as dividends.

13. OTHER (EXPENSE) INCOME, NET

Management follows the practice of recording in this item, expenditures that are not directly identified with its main activities and are mainly integrated by employees' profit sharing (PTU), surcharges, technical services, nonrecurring expenses and other reserves.

14. INCOME TAX AND FLAT TAX

a. INCOME TAX:

In 2009, the Company and subsidiaries determined a tax loss of Ps175,846 (tax profit of Ps1,418,471 in 2008). The tax result differs from the accounting result, mainly in such items accumulated and deducted differently through time for accounting and tax purposes, from the recognition of the inflation effects for tax purposes, as well as such items only affecting either the accounting or tax result.

Based on its financial and tax projections, the Company's management determined that the tax to be paid in the future will be the Income tax, therefore it has recognized deferred Income Tax.

On December 7, 2009 the decree through which several provisions of the Income Tax Law are reformed, added and revoked for 2010, which establishes, among other, that the Income Tax rate applicable from 2010 to 2012 will be 30%, for 2013 it will be 29% and as of 2014 it will be 28%. At December 2009, the rate change previously described produced a reduction to the income tax deferred balance of Ps5,237, the corresponding effect in the income statement of the year of which was determined based on the expectation of the temporary reversal of the effective rates. Also, the possibility of using credits for the excess of deductions on taxable income for Flat tax purposes (credit of tax loss of flat tax) in order to reduce the Income tax to be paid; although, they may be credited against the Flat Tax basis.

b. FLAT TAX:

In 2009, the Company determined a tax profit of Ps211,058, which exceeds the determination for income tax purposes. The tax result differs from the accounting result mainly because, for accounting purposes, the transactions are recognized on the accrued basis while for tax purposes, these are recognized on the basis of the cash flows and for such items only affecting the accounting or tax result of the year.

Flat Tax of the period is calculated at the 17% rate (16.5% for 2008) on the profit determined based on cash flows, such net income represents the difference between the total income collected by taxable activities, less the authorized tax deduction paid. In addition, it is also allowed to reduce this amount with the Flat tax credits, based on the procedures established in the law. As of 2010 the Flat tax rate will be 17.5%.

According to the effective tax law, the Company must pay annually the higher tax between Income tax and Flat tax.

The net (charge) credit to consolidated income from taxes is as follows:

	2009	2008
<i>Flat tax payable</i>	(Ps 35,880)	
<i>Income tax payable</i>		(Ps 397,172)
<i>Deferred income tax</i>	(9,466)	45,622
<i>Total</i>	(Ps 45,346)	(Ps 351,550)

The reconciliation between the current and effective income tax rate is shown as follows:

	2009	2008
<i>(Loss)/profit before income tax</i>	(Ps 61,557)	Ps 1,034,620
<i>Income tax at statutory rate (28%)</i>	\$ 17,236	(Ps 289,694)
<i>Add (deduct) effect of income tax on:</i>		
<i>Inflation accounting and tax effects</i>	(1,545)	12,568
<i>Non-deductible expenses</i>	(9,177)	(48,248)
<i>Effects from change of rate</i>	5,237	
<i>Other permanent differences, net</i>	(21,217)	(26,176)
<i>Total income tax provision charged to income</i>	(Ps 9,466)	(Ps 351,550)
<i>Effective income tax rate</i>	(15.4%)	(33.9%)

The reconciliation between the effective and currently payable Flat tax rates for the year ended December 31, 2009 are shown below:

	2009
<i>Loss before income tax</i>	(Ps 61,557)
<i>Flat tax at effective rate</i>	\$ 10,465
<i>Add (deduct)</i>	
<i>Non-deductible expenses</i>	(5,571)
<i>Other items, net</i>	(40,774)
<i>Total flat tax provision charged to income</i>	(Ps 35,880)
<i>Effective rate</i>	(58%)

At December 31, 2009 and 2008 the main temporary differences on which the deferred income tax was recognized are analyzed as follows:

	2009	2008
<i>Allowance for doubtful accounts</i>	(Ps 54,104)	(Ps 56,544)
<i>Inventories</i>	(29,172)	(30,177)
<i>Property, plant and equipment, net</i>	2,189,315	2,272,108
<i>Other assets</i>	230,002	188,437
<i>Valuation of derivative financial instruments</i>	(85,138)	(253,335)



<i>Liability provision</i>	(31,824)	(25,314)
<i>Employees' profit sharing payable</i>		(114,022)
<i>Estimated labor benefits</i>	(53,735)	(44,167)
<i>Tax loss carryforwards</i>	(175,846)	
	1,989,498	1,936,986
<i>Income tax at statutory rate</i>	27.7%	28%
<i>Deferred income tax</i>	551,822	542,356
<i>Asset tax recoverable</i>	(32,715)	(32,715)
<i>Deferred income tax liability</i>	\$ 519,107	\$ 509,641

Deferred income tax payable recorded at December 31 was (charged) credited to the following accounts:

	2009	2008
<i>Balance from prior year</i>	(Ps 509,641)	(Ps 555,263)
<i>Income (expense) for the year</i>	(9,466)	45,622
<i>Total</i>	(Ps 519,107)	(Ps 509,641)

At December 31, 2009 the Company has consolidated accumulated tax losses for a total of Ps175,846, whose right of amortization against future consolidated profits expire in 2019.

15. COMMITMENTS

During the year ended December 31, 2009, the Company signed a sales agreement with a supplier agreeing to acquire 162,000 tons of Manganese during the period comprised from July 1, 2009 to June 30, 2012. The agreement establishes a mechanism to determine the sales price per ton of Manganese adjusted in conformity with the market conditions.

At December 31, 2009 the agreement is effective and 124,837 tons are to be acquired, which in conformity with the operative projections of the Company, are estimated to be acquired prior to the period established in the agreement.

16. CONTINGENCIES

The Company has contingent obligations in connection with the following:

a. At December 31, 2009, the Company has a balance receivable from Altos Hornos de México, S. A. B. de C. V. (AHMSA), which amounted to US\$5.7 million at the date when such company declared its suspension of payments (March 31, 2001). At the date of issuance of the financial statements, this situation is yet to be resolved; however, Management estimates that such balance is recoverable in the future since the requirement of ferroalloys is strategic within the productive process of AHMSA. It is important to mention that currently AHMSA's sales, subsequent to the date it was declared in suspension of payments have been recovered in a 15-day average.

b. The company has entered into a revolving credit line agreement with Banco de Comercio Exterior, S. N. C. (Bancomext) for up to an amount of US\$15 million, with maturity in July 2010, under which Autlán transfers the rights of invoices

of local clients. At December 31, 2009, the company had placed Ps138,422 (US\$10.6 million) with resource. The amount of invoices transferred to Bancomext is shown net of the item of trade accounts receivable in the balance sheet.

c. The company has filed a request in connection with disagreement of income tax settlements corresponding to fiscal year 2003, originated from rejections of several deductions and application of fines from apparent irregularities in the presentation of provisional payments. Management estimates that these issues will be favorably resolved for the company; consequently, no provision has been recorded to cover surcharges, restatements and sanctions that could have to be paid to this respect.

17. NEW FINANCIAL REPORTING STANDARDS

The Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF) issued, during December 2009, a series of Mexican Financial Reporting Standards (MFRS) and Interpretations (INIF) which become effective as of January 1, 2010, with exception of the INIF 18 which became effective as of December 7, 2009 and the MFRS B-5 and B-9 which will become effective as of January 1, 2011. Such MFRS and interpretations are not considered to have a significant impact in the financial information presented by the Company, as it is explained in the following:

MFRS B-5 “Financial Information by Segments”. It establishes the general standards to disclose financial information by segments, additionally it allows the user or such information analyze the entity from the same vision as the management and allows to present information by segment more consistent with its financial statements. This standard will leave Bulletin B-5 Financial Information by Segment without effect, which will be effective up to December 31, 2010.

MFRS B-9 “Financial Information at Interim Dates”. It establishes standards for the determination and presentation of financial information at interim dates for external use where it is required, among other, the presentation of the statement of changes in stockholders’ equity and of cash flows, such statements were not required by Bulletin B-9 Financial Information at interim dates, which will be effective up to December 31, 2010.

MFRS B-16 “Financial statements of non-profit entities”. It establishes which are the core financial statements that the non-profit entities should issue; also it modifies the structure of the activity statement and introduces new terminology for these kind of entities. This standard leaves Bulletin B-16, Financial statements of non-profit entities without effect, which was effective until December 31, 2009.

MFRS C-1 “Cash and cash equivalents”. It establishes standards on the accounting treatment and disclosure of cash, restricted cash and available for sale investments, it also introduces new terminology to make it consistent with other MFRS previously issued. This standard leaves Bulletin C-1, Cash without effect, which was effective up to December 31, 2009.

MFRS E-2 “Donation received or granted by non-profit entities”. It establishes the standards for valuation, presentation and disclosure of contributions received or granted by non-profit entities. Also, it establishes other changes, accounting treatment of pieces of art, treasures, collection pieces, goods coming from received contributions, etc., and introduces new terminology for this kind of entities. This standard leaves Bulletin C-1 Income and contributions received by non-profit entities, as well as contributions granted by them without effect, which was effective up to December 31, 2009.

INIF 17 “Service concession contracts”. The INIF 17 removes the inconsistency between MFRS D-6 Capitalization of the comprehensive financial result and Bulletin D-7 Contracts of construction and manufacturing of some equity goods, concerning the accounting treatment of the comprehensive financial result in the event of recognition of an intangible asset during the construction phase, for service concession contracts.

INIF 18 “Recognition of effects of the Tax Reform 2010 in the Income tax”. The INIF 18, was issued to give response to diverse questioning of the financial information preparators related with the Tax Reform 2010 effects, especially for the changes established in the tax consolidation regime and modifications to the Income tax rate.

*José H. Madero M.
Chief Executive Officer*

*Gustavo Cárdenas A.
Chief Financial Officer*



A night view of the Molango Mining unit

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Stock Market
Bolsa Mexicana de Valores

Ticker Symbol
AUTLAN B

This annual report may contain references to the future performance of Minera Autlan, which should only be considered as estimates made in good faith by the Company. The references reflect management's expectations and are based on the assumptions and information available at a given moment in time, so are subject of future events, risks and unknown factors that may affect the Company's results.

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