



2011 MINERA
Annual REPORT AUTLAN[®]

*Our partnership binds us and
strengthens the steel core*

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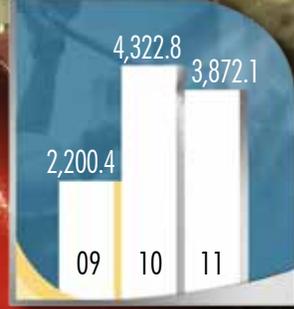
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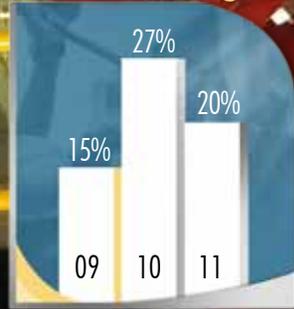
In 2011 the energy moved us to achieve important goals



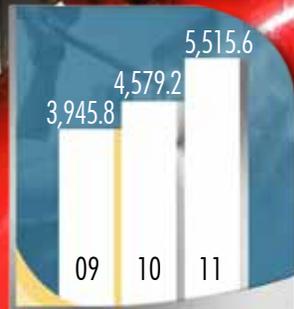
Net Sales



EBITDA Margin



Total Assets



Salient Figures

(million of constant pesos as of December 2011)

| Results | 2009 | 2010 | 2011 |
|--|---------|---------|---------|
| Net sales | 2,200.4 | 4,322.8 | 3,872.1 |
| Gross earnings | 568.4 | 1,504.6 | 1,105.9 |
| Operating income | 209.8 | 983.7 | 596.2 |
| Operating margin | 10% | 23% | 15% |
| Net revenue/loss | -106.9 | 513.9 | 244.9 |
| Net margin | -5% | 12% | 6% |
| EBITDA (operating income + depreciation and amortization) | 327.0 | 1,164.4 | 787.3 |
| EBITDA margin | 15% | 27% | 20% |
| Balance | | | |
| Current assets | 1,269.6 | 1,564.8 | 2,058.7 |
| Total assets | 3,945.8 | 4,579.2 | 5,515.6 |
| Debt with cost | 541.1 | 503.6 | 1,339.3 |
| Net debt | 286.5 | 0.7 | 457.7 |
| Total liabilities | 1,447.3 | 1,572.2 | 2,427.2 |
| Stockholders' equity | 2,498.6 | 3,007.1 | 3,088.4 |
| Financial Ratios | | | |
| EBITDA/net interests (times) | 5.7 | 12.0 | 8.4 |
| Debt with cost/EBITDA (times) | 1.7 | 0.4 | 1.7 |

Message from the Chairman

on October 4th, 2011, the Atexcaco Hydroelectric Power Station started operating

Economic and financial uncertainty shaped 2011, globally. Poor economic performance and the possibility of failure to comply with payment terms by Euro zone countries negatively affected other markets, namely the US. Therefore, risk rankings issued by the leading risk rating firms dropped for the developed economies.

The panorama seemed rather benevolent during early 2011. The positive trend that prevailed in 2010 was still present after coping with the 2009 setback. As months went by, the

growth perspectives decreased and uncertainty became evident.

During the second half of 2011, industrial sectors in Mexico and worldwide started to slow down and growth forecasts had to be adjusted downwards.

Minera Autlán was aware of the global slowing down trend. Even though production and sales volumes were similar to those observed in 2010, prices of ferroalloys dropped impacting company revenues.

As a result of worldwide fluctuations and predatory practices of some countries in our market, the price of manganese ferroalloy imports dropped in Mexico.

Reduction of company revenues and a discouraging business environment led to an annual 48% drop on Autlán stock value by the end of 2011.

Profit was possible in spite of the decline in company revenue and of aggressive market conditions, thanks to four concrete actions undertaken by Minera Autlán, namely to:

- 1. Operate with Quality**
- 2. Contribute to Sustainable Energy Generation Efforts**
- 3. Debt Restructure**
- 4. Plan with Strategic Vision**

To Operate with Quality refers to well-coordinated efforts of all company members during the different times of the year, and their ability to adapt to heterogeneous market circumstances. We were able to withstand the slow-down trend and reached positive financial results, even though such results were lower than what we expected.

*In the view of the 2011 world economic crisis, **Minera Autlán** faced the challenge with concrete actions*

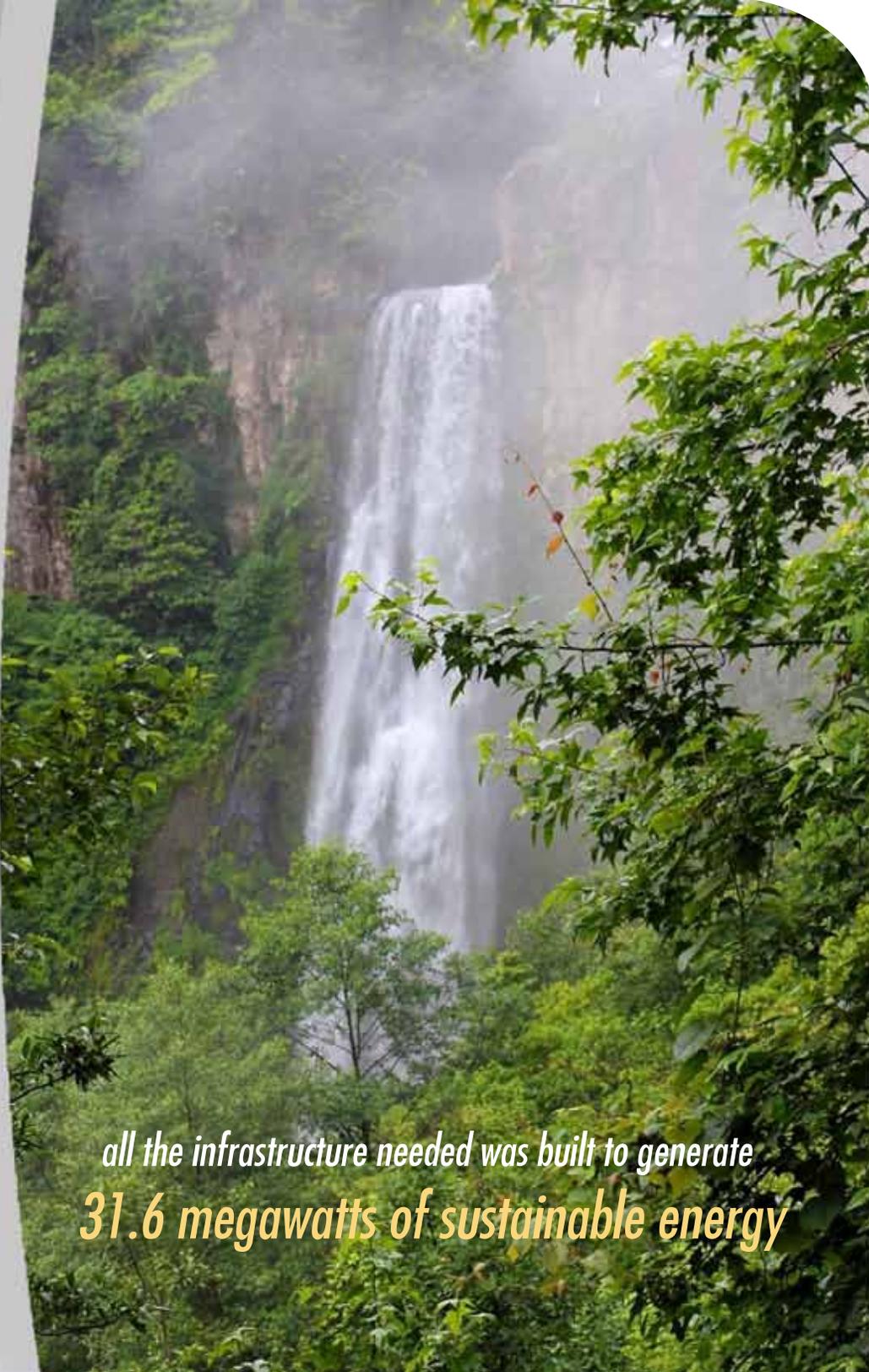




Another concrete action undertaken by Minera Autlán during such uncertain times was to Contribute to Sustainable Energy Generation Efforts. GMF Energía (Grupo Ferrominero subsidiary) and Minera Autlán brought together their knowledge, energy and commitment with the environment in order to build the Atexcaco Hydroelectric Power Station.

I am pleased to share with you that on October 4th, 2011, after 5 years of hard work, the Atexcaco Hydroelectric Power Station started operating. This power station takes full advantage of the waterfall running from the Sierra Poblana and generates 31.6 megawatts of sustainable energy.

*Atexcaco is a symbol of perseverance,
competitiveness and
sustainable development*



*all the infrastructure needed was built to generate
31.6 megawatts of sustainable energy*

Atexcaco is a symbol of perseverance, competitiveness and sustainable development; this power plant will meet 25% of Minera Autlán's total electric power needs in an environmental friendly way, and will contribute to preventing negative externalities that affect neighboring communities.

This great hydroelectric project resulted from an investment of over 100 million US dollars by GFM Energía and Compañía Minera Autlán. It proves an ongoing commitment with sustainable development that will result in a reduction of carbon dioxide release to the atmosphere by 97,000 tons per year. Furthermore, 25,000 trees were planted, protected flora species were rescued, and 500 direct and 1,500 indirect jobs were created.

A total of 9 kilometers of excavation efforts were necessary to build Atexcaco; a cave 400 meters deep was created - where the generator room is located. Likewise, a 1.7 kilometer duct - made of Mexican steel - was built for power reinforcement purposes.

A 700 meter slope power line was built in order to lead water all the way to the generating area.

Power lines and infrastructure necessary for the generation of 115 kilovolts of useful power are delivered to the grid of Comisión Federal de Electricidad (Federal Commission of Electricity).





Sustainable development topic is very important for me to remark, because thanks to the Minera Autlán's great efforts due to the improvements in each operative units and following carefully every activity of the agenda it was possible to be awarded with the Corporate Social Responsibility (CSR) certificate by second year.

Restructure debt was another one of the key actions undertaken by Minera Autlán in 2011, and it consisted of the issuance of notes for a total of 80 million US dollars with maturity by the year 2016.

The above mentioned action will allow for a reduction of company interest rates by 2.5 points in percentage terms, approximately. Moreover, since note maturity is in 2016, this will also allow for a modification in company long term debt structure. It is also worth mentioning that we do have a two year grace period for payment.

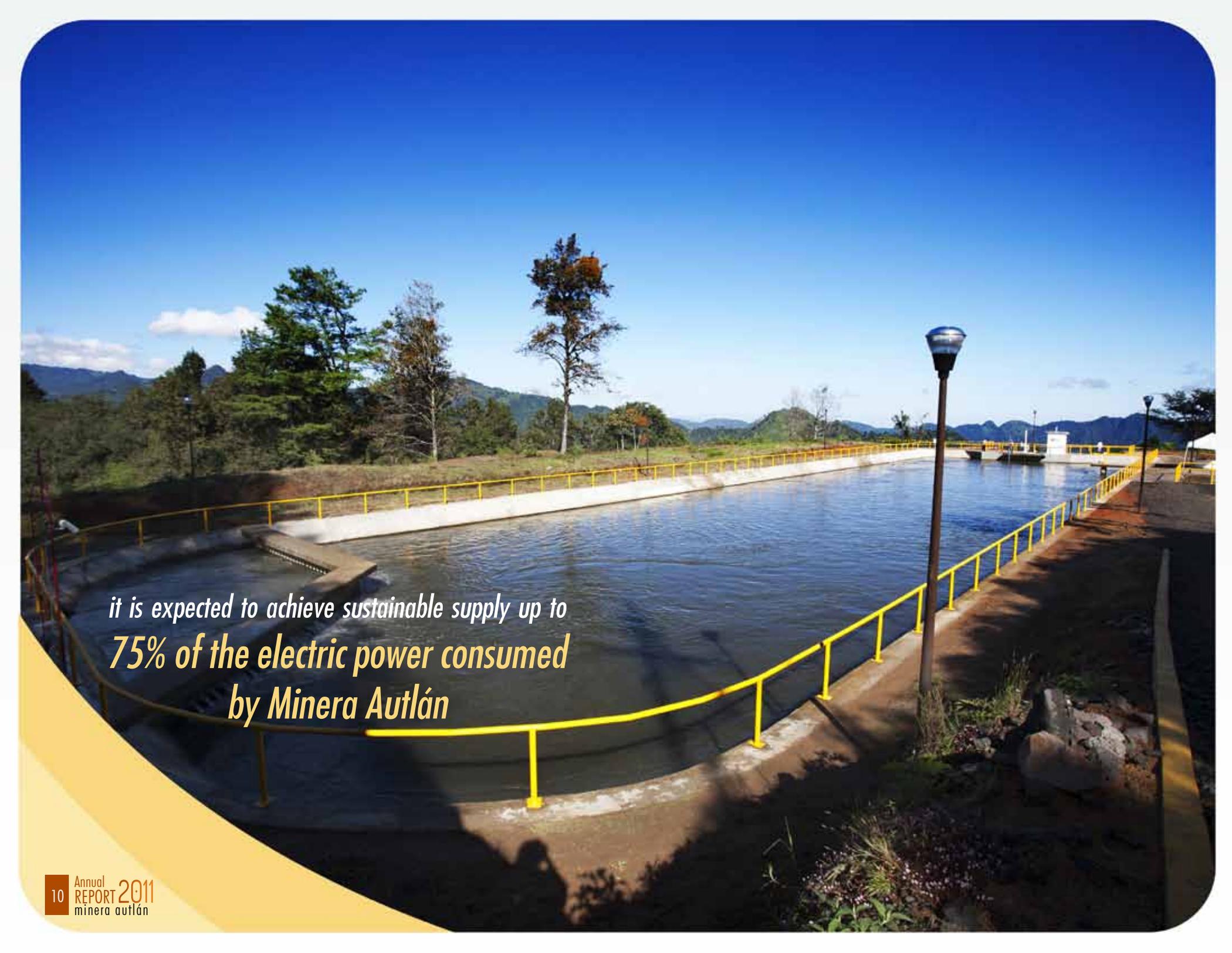
This structure provided the company with necessary liquidity, to:

- a) Consolidate mining and ferroalloy projects
- b) Support strategic merger and acquisition plans

Lastly, when I talk about Plan with Strategic Vision, I refer to the capacity of the management to formulate clear and consistent guidelines to provide operating feasibility, as well as project based company continuity and growth.

On the one hand, strategic planning works are in progress to gain closer collaboration with other companies and move projects forward that will contribute to the consolidation of Minera Autlán in the ore and manganese ferroalloy areas.

Additionally, GFM Energía and Minera Autlán are developing joint energy projects nationwide with the purpose of achieving sustainable supply up to 75% of the electric power consumed by Autlán.



*it is expected to achieve sustainable supply up to
75% of the electric power consumed
by Minera Autlán*

Now, talking about the future, 2012 seems complex. Worldwide steel production growth rates have been stricken by the prevailing international economic uncertainty. Nevertheless, the true commitment of Minera Autlán and its employees allows us to believe that this will be a year of opportunities, since, as before, we will be prepared to face the swings foreseen for the ore and manganese ferroalloy markets with “Operating Quality, Sustainable Energy and Strategic Vision”.

I believe that with hard work and commitment we will embrace growth once more and put stock level back on track.

I encourage all our employees to put effort and commitment with the company and with the development of our country. I urge you all to be true drivers of change and to contribute to share growth in an atmosphere of respect, collaboration and care for the environment.

The time has come to go higher and overcome adversity. The time has come to build a better company, a better country and a better society with hard work, enthusiasm and energy.

José Antonio Rivero Larrea
Chairman of the Board of Directors and
Executive Committee
April, 2012





*thanks to the hard work of all company members,
Minera Autlán overcame
the worldwide economic uncertainty prevailed in 2011*

Message from the Chief Executive Officer

we have improved, increasing the security and quality of our procedures

Minera Autlán was able to overcome the challenging worldwide economic uncertainty that prevailed in 2011 thanks to the hard work of all company members.

Production and sales levels were close to 2010 record figures while revenue was affected by the drop in international manganese ferroalloy demand, only.

In spite of that, all levels of the organization were fully aware of the situation, this allowed us to keep a closer look on expenditures and contribute to savings in all areas so as to reach year end with profit.

In 2011, worldwide production rates of molten steel dropped as months elapsed due to economic setbacks and as expectations for improvement decreased.

However, while a 7% increase on steel production was observed worldwide with respect to 2010, in Mexico such rate increased by almost 10% during that same period.

As far as ore and manganese ferroalloy markers are concerned, the 2011 situation was:

a) **Sobreoferta de Mineral de Manganese:** Oversupply prevailed in the manganese ore market worldwide. Thus, the Chinese benchmark prices contracted significantly. Drops in spot quotations and contract prices were 33% and 15%, respectively.

Even though this meant a reduction on ferroalloy production costs around the globe, it also led to an increasingly lower price floor for this type of commodities.

b) **Sobreoferta de Ferroaleaciones de Manganese:** In 2011, worldwide balance between supply and demand of manganese ferroalloys showed an excess of the material in the market. This situation, additional to unfair commercial practices, contributed to a significant drop on international ferroalloy prices that became more evident during the second half of the year.

Spot quotations of manganese ferroalloys in the American market dropped by 16%, in average, with respect to 2010.

***Minera Autlán's productive plants achieved
ISO 9001:2008 and ISO 14001:2004 certifications***

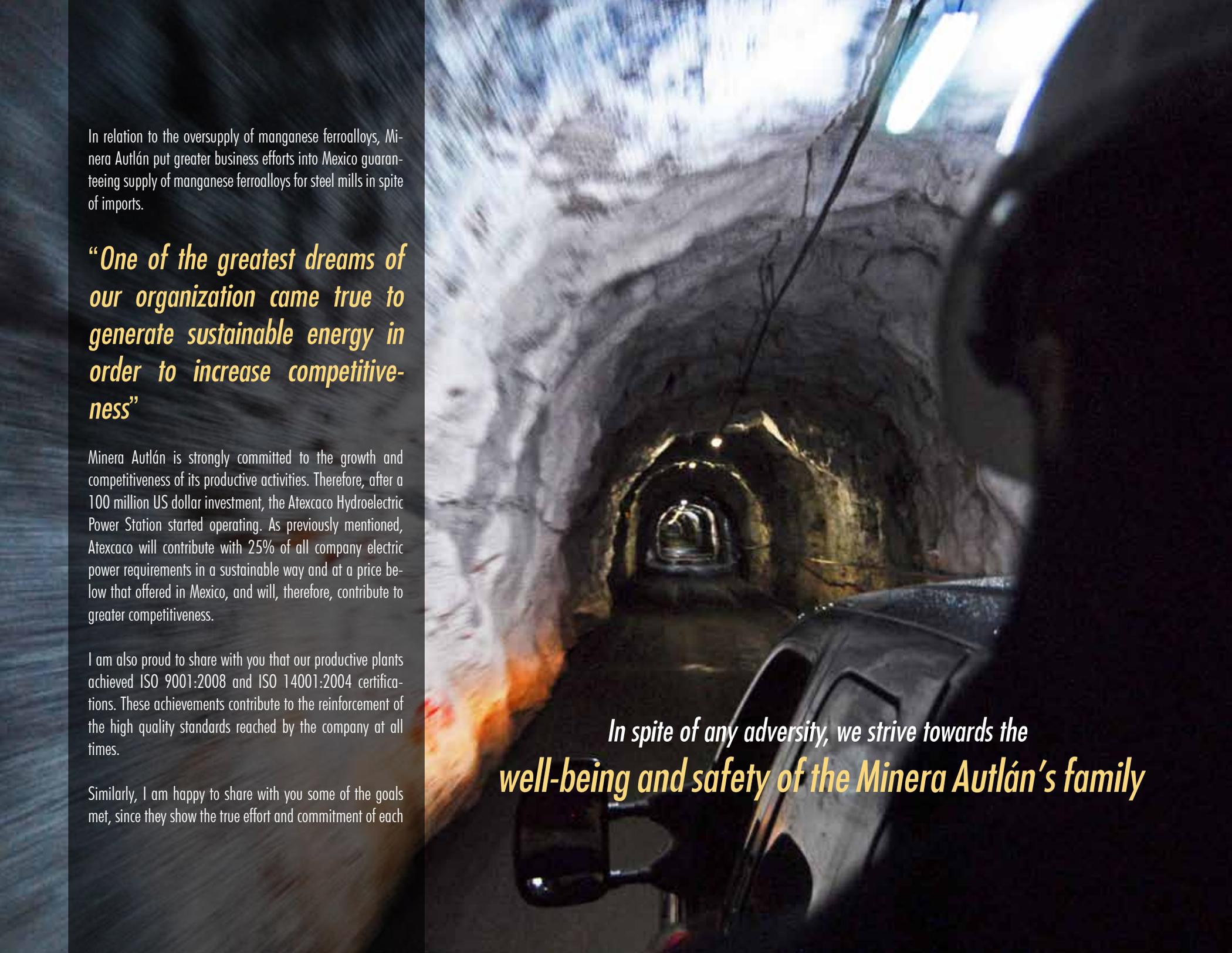
In relation to the oversupply of manganese ferroalloys, Minera Autlán put greater business efforts into Mexico guaranteeing supply of manganese ferroalloys for steel mills in spite of imports.

“One of the greatest dreams of our organization came true to generate sustainable energy in order to increase competitiveness”

Minera Autlán is strongly committed to the growth and competitiveness of its productive activities. Therefore, after a 100 million US dollar investment, the Atexcaco Hydroelectric Power Station started operating. As previously mentioned, Atexcaco will contribute with 25% of all company electric power requirements in a sustainable way and at a price below that offered in Mexico, and will, therefore, contribute to greater competitiveness.

I am also proud to share with you that our productive plants achieved ISO 9001:2008 and ISO 14001:2004 certifications. These achievements contribute to the reinforcement of the high quality standards reached by the company at all times.

Similarly, I am happy to share with you some of the goals met, since they show the true effort and commitment of each



In spite of any adversity, we strive towards the well-being and safety of the Minera Autlán's family

and every area of our company:

Mining Division Operation

- **Dust Collector at Molango and Nonoalco:** Installation of 5 new dust collecting units began at the Molango and Nonoalco Mining Units. Two of them are already 100% ready and construction of the rest will conclude by the end of 2012.
- **Reopening of the Naopa Pit:** This is one of the most important manganese ore sources that Minera Atlán has due to ore richness and quality, and volume of reserves.

The Naopa Pit will give Minera Atlán the opportunity to increase manganese carbonates production which will, in turn, contribute to the increase on the production of manganese nodules eligible for export to several markets, namely the Chinese.

- **Casco de Plata at Nonoalco:** Once again, the Nonoalco Mining Unit received the “Casco de Plata” award due high safety standards observed.

Ferroalloy Operation Division

- **Production Volumes:** In spite of worldwide economic uncertainty, manganese ferroalloy levels were close to 2010 record figures.
- **Dust Collector at the Teziutlán Plant:** A new dust collector opened in Teziutlán therefore stressing our commitment and care for the environment.
- **Record number of days with no incidents at the Teziutlán and Gómez Palacio Plants:** Teziutlán reached a total of 665 days with zero downtime resulting incidents; Gómez Palacio reached 395 days with zero disabling accidents. These are both record levels that reflect stability exceeded year after year.

Sales

- **Sales Volumes:** Sales volumes of ferroalloys and manganese derivative products were maintained within levels similar to those observed in 2010. This posed a significant challenge for the company because the adverse economic scenario forecasted unfavorable results.

Other Relevant Aspects

- **Replacement Crews:** In 2011, the Replacement Crew system — a mechanism that allows for future visibility in terms of strategic positions to insure continuity of company operations — consolidated.
- **Website:** Company website was renewed and now offers a modern user friendly platform useful for clients, investors and the public in general.

As mentioned before, the company has prepared a risk reduction plan in all areas. Thanks to this initiative and others in fields such as environment and sustainability, Minera Atlán was recognized as a Socially Responsible Corporate for the second consecutive year.

Some of the activities of this plan include:

- **Mine rehabilitation plan:** This plan will allow for risk assessment at the site in order to prevent accidents through ongoing rehabilitation of risk areas.
- **Safety program reinforcement:** A working procedure was set for a multifunctional team to plan, implement and conduct follow-up to mine safety actions.
- **Operating practices improvement:** Identify the best operating and safety practices for mine operation.
- **Safety system reinforcement:** Based upon training, education and supervision activities for the safety personnel, as well as improvement of leadership skills in company safety areas.



- **Mining exploitation and perfecting projects:** Several exploitation projects are in progress to achieve greater product diversification. We are also working on ongoing technology perfecting with the view of improving company products.

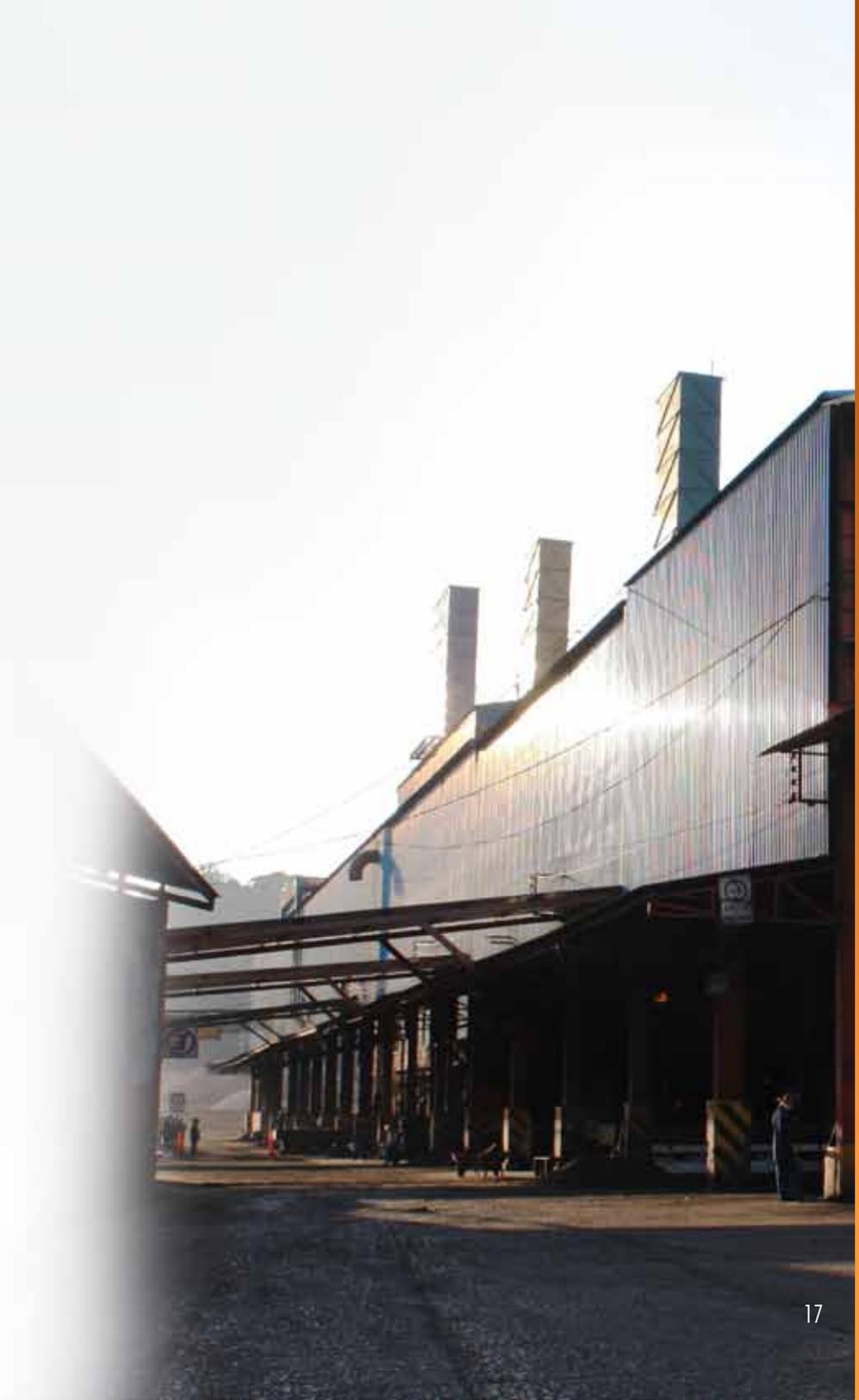
Diversification mine exploitation works include the following projects:

- **El Aretón:** Located in Puebla. Its main purpose is to find narrow gold veins.
- **VMS-Atexcaco:** Located in Puebla. Its main purpose is to identify copper, zinc, lead and by-products of gold and silver.
- **Xichú:** Located in Guanajuato. Efforts are being made to find copper and gold layers or veins.

Furthermore, Minera Autlán actively participated in several industrial associations and chambers through active membership, and stood for a number of subjects of interest for the company and for the benefit of Mexico's progress.

I wish to conclude by thanking all company members for their good performance and love for our organization; it all contributes to making this a better place to work and sets a life example for many companies nationwide.

José H. Madero Marcos
CEO
April, 2012





Economic Outlook

In 2011 worldwide economic uncertainty prevailed

Worldwide economic uncertainty prevailed through 2011 due to the possibility of failure to comply with payment terms by some European countries' debt. During the first half, most industrial sectors displayed positive data based on the 2010 trends, while during the second half growth levels dropped in most continents.



Something similar happened in the steel sector: during the first half of 2011, a strong steel production growth was observed while a drop on figures was observed during the second half. As a result, year closed with a 7% annual increase and production exceeded 1.5 billion metric tons of molten steel that contributed to a new industry record.

Steel production performance in Mexico followed worldwide behavior and registered a 7% molten steel growth with respect to 2010.

Manganese ferroalloy demand was supported by steel production registered in the early months of the year.

Nevertheless, prices decreased by 16%, annually, because ferroalloy producers in most latitudes did not adjust their production levels accordingly, therefore giving rise to oversupply.

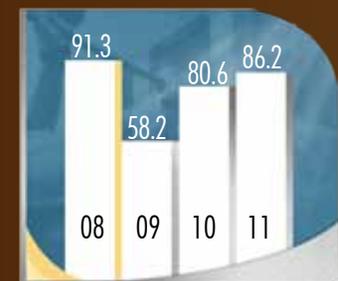
World Steel Production

Million metric tons
Source: WSA



Steel Production in the United States of America

Million metric tons
Source: WSA



Steel Production in México

Million metric tons

Source: CANACERO



Another factor that led to a low manganese ferroalloy price trend, was excess supply observed in manganese ore worldwide. Manganese ore inventory at Chinese ports, for example, accounted for more than 4 months of internal consumption, while two years ago inventory levels were below 50%.

Due to oversupply of manganese ferroalloy worldwide, countries, such as South Korea with refined ferroalloys, exported very low price products to Mexico.

In spite of that, Minera Autlán had significant market share at national level and the opportunity to serve other export markets with good quality products and service.

In economic terms, 2012 is expected to display an uncertain world panorama, thus, a clear global environment will only be defined depending upon reactions from different world economies with respect to economic measures applied.



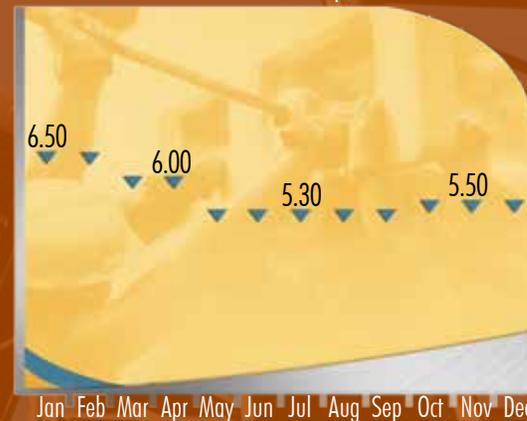


For 2012, the steel industry, both international and domestic, is expected to have moderate growth hand in hand with the evolution of local economies.

Now, the challenge to adequately balance manganese ferroalloy production with consumption is expected to happen gradually. Therefore, recovery of ferroalloy prices will not be observed in the short term, even though this trend is expected to revert as supply and demand adjusts.

Manganese Ore Contract Prices in China 2011

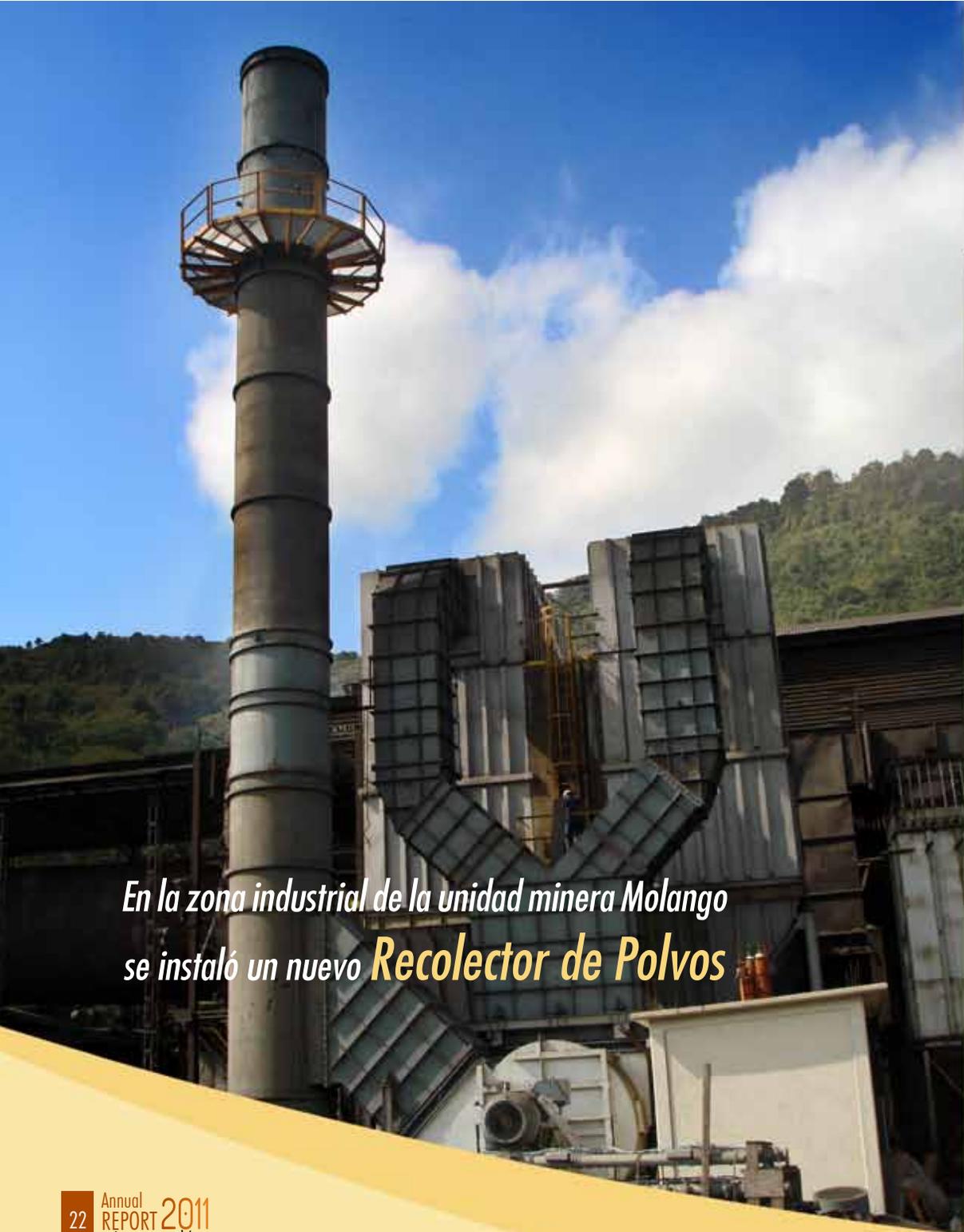
US\$/mtu CIF Mn Ore 44%-46%
Source: The TEX Report



Silicomanganese Spot Prices in USA 2011

US\$/mt. Source: Ryan's Notes





*En la zona industrial de la unidad minera Molango se instaló un nuevo **Recolector de Polvos***

Mining Division

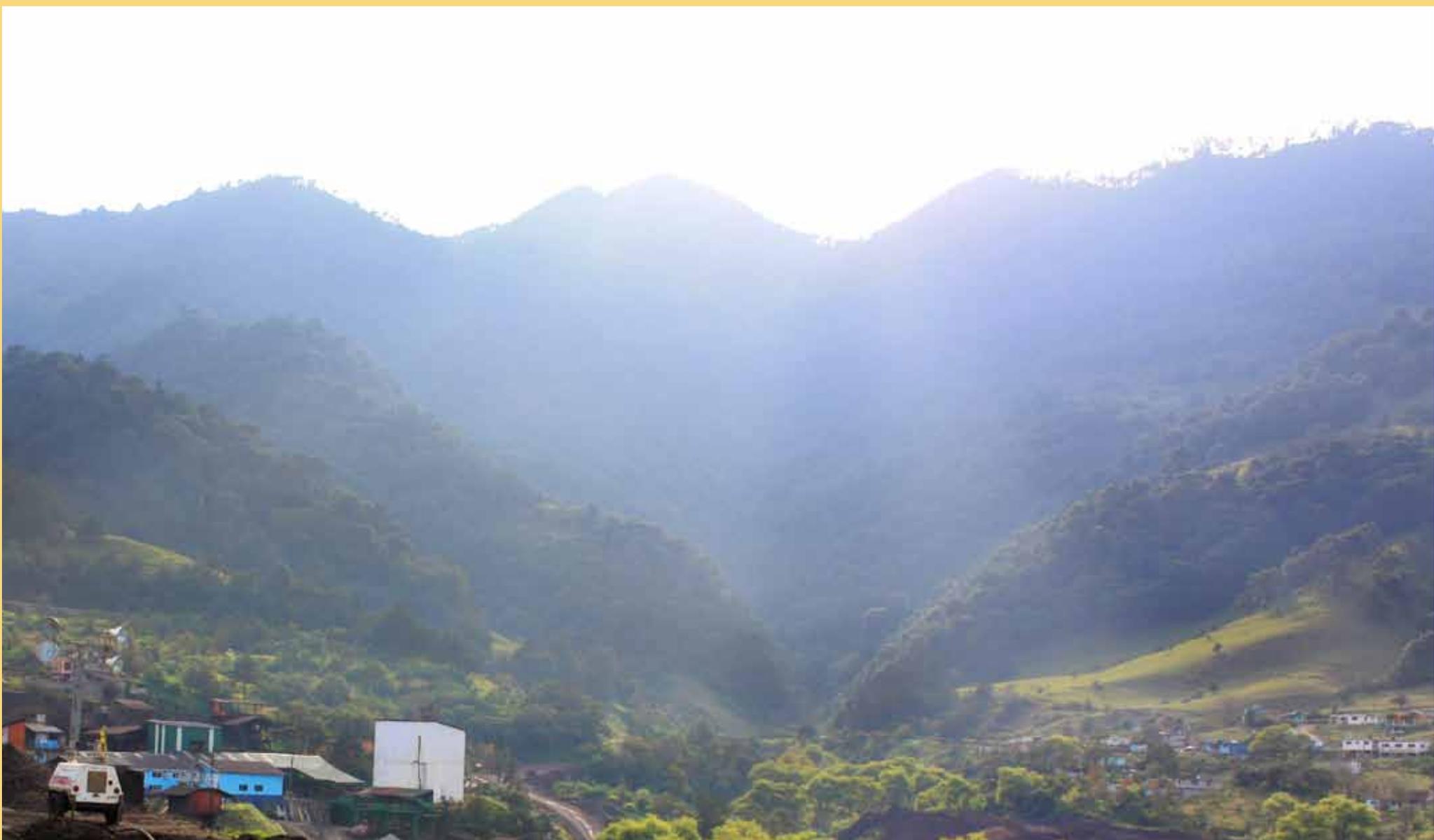
Molango Unit

If compared with 2010, manganese carbonate production in 2011 increased 5%; conversely, manganese nodule production dropped 4% due to lack of synchronization of the rotary kiln.

Development of level 500-700 and the north narrow layer area of block 700-800 of this underground mine kept moving forward. Likewise, blocks 960 and 1040 were reactivated therefore contributing significantly to underground mine production.

On the other hand, exploitation plans of the Tetlaxco area progressed, as well as of level 830 and panels of level 600.

One of the most important achievements of the Molango Mining Unit was the reopening of the Naopa Pit, achieved thanks to the communication effort and hard work of the Community Relations area, with ongoing communication efforts with the neighboring communities which, in turn, supported the reopening. This is of great transcendence for the company due to significant manganese ore reserves and the characteristics of the deposit.



Nonoalco Unit

The Nonoalco Mining Unit reached a 4% increase on production compared with the previous year. Production of battery grade manganese dioxide reached 11%, while ceramic grade manganese dioxide increased 5% at the Concentration Plant, accordingly to the year's budget.

The Drying, Grinding and Packaging Plant (PSME) kept battery and sinter grade manganese dioxide as expected.

Likewise, manganese oxide production goals were reached.



In 2011, the Nonoalco Mining Unit purchased two new perforation pieces of equipment that put Minera Aatlán at the forefront of exploitation.

This equipment allowed the geology area to expand the drilling area and also to reduce the cost per meter drilled.

Reserves of manganese dioxide increased at Jalamelco and Naopa by 286% and 565%, respectively.

Thanks to the ongoing effort of the geology area, Nonoalco proved to be a fertile exploration ground with significant potential to increase current reserve levels.

Manganous Oxide Plant

As a result of the FAMI-QS certification project, works were undertaken in order to meet applicable regulations .





Such works included a new warehouse construction for finished manganous oxide storage featuring a loading dock and maneuvering yard. Works also included a service building with restrooms, showers and cafeteria.

More information pertaining to the installation and start-up of a new trapezoid-type mill, as well as homogenization equipment for end product and water treatment plant will be provided later.

The enviromental respect, the continuous growth of all the mining division are possible thanks to the Mi-nera Autlán's commitment with Mexico.



*In Tamós the refined preparation
system was upgraded*

Ferroalloy Division

a molding process was implemented to reduce the generation of fines

Tamós Plant

During 2011, a new 2,000 square meter roofed industrial shed was built for refined material preparation and the water treatment plant was refurbished.

On the one hand, automation of the briquetting plant took place, and a new freeze lining crucible was installed in furnace 9. Moreover, a new hot water pumping station was built for furnaces 9 and 10, the refined preparation system was upgraded and a new direct feeding method was installed for furnaces 12 and 13.

On the other, a high-tonnage duplex balance was installed for double ferroalloy trailer weighting activities.

As far as the quality area is concerned, plant laboratory was refurbished and a new x-ray spectrometer was purchased.

As well as new milling and press equipment. Purchase of a new industrial sweeper and a bulldozer with impact hammer at the Tamón Plant are also worth mentioning.

Now, as far as the safety area is concerned, installation of gas analyzers for furnaces 9 and 10 took place; and a fire protection wall was built between the transformers and the main substation. Likewise, the doctor's office was refurbished and new diagnosis equipment was purchased; a new underground diesel tank was installed and external lighting was improved using ecological metal fixtures.

Lastly, the new office for Section 290 of the trade union was built and a new electronic personnel control system was implemented.

Tezitulán Plant

In 2011, a number of goals were achieved at the Tezitulán Ferroalloy Plant, namely a thermograph camera based electrode length verification that contributed to operation efficiency and to the reduction of emission of particles into the atmosphere.





*A new record was obtained:
650 days without accidents*

Likewise, after 2 years of testing in furnace 7, a molding process that reduces generation of fines was finally implemented. Today, this process takes place only on one side of the pouring system; however, implementation in furnaces 5 and 6 is expected to take place in 2012.

Imported manganese ore material is no longer used for the special silicomanganese production process; an ABB 12.5 MVA transformer brought from the Tamós Plant was installed in furnace 8 and started operating smoothly. Similarly, the control room was modernized upon replacing electromechanical equipment for electronic equipment in order to optimize information on electric variables.

On December, installation of the first stage of the gas cleaning equipment in furnace 8 was also concluded, and the process water supply equipment was automated.

With regard to safety, by December 2011, a total of 650 days with zero downtime resulting incidents were registered, therefore representing a new record for the Teziutlán Plant.

Gómez Palacio Plant

In 2011, some of the aspects worth stressing at the Gómez Palacio Plant include industrial safety; this is because thanks to the effort of all employees a record of 395 days with zero disabling accidents was achieved.

Furthermore, ferroalloy production volume exceeded budget by 1.5%, working 100% of the scheduled time.

Scheduled Plant preventive maintenance was met 100%.

X-ray equipment was installed in the project area to conduct raw material and end product analyses.

Finally, some of the projects that began in 2011 and will conclude in 2012 are the following:

- Automation of the dosing equipment that will allow the preparation of mixtures for the productive process and for pumping operations in the furnace cooling system.
- Installation of dust collecting equipment in the end product screening area.



Sales

Minera Autlán's sales reached similar levels to those observed in the record year 2010

In 2011, sales of Minera Autlán reached levels similar to those observed in the record year, 2010. In spite of this, revenues dropped due to a reduction on ferroalloy quotations resulting from global oversupply.

Thanks to sales volume data, the company kept its three ferroalloy plants operating, full capacity. Most of the production was for the domestic market, however exports were never neglected.

Another relevant fact was the increasing technical involvement with the Mexican Chamber of the Iron and Steel Industry (Canacero in Spanish), with the Mexican Founders Society and the collaboration with domestic steel mills.

With regard to sales of manganese derivatives, effort was mainly put into sales of ceramic-grade manganese dioxide and manganous oxide, both in volume and invoice value, in order to compensate the drop in zinc-carbon battery production worldwide for environmental reasons.

In this context, diversification of the business portfolio and actions undertaken to reinforce presence in industrial sectors, such as balanced feedstuffs, is of even greater relevance; focus on dioxin content control was kept during this year. Thus, in early 2012, the Nonoalco Unit will be FAMI-QS (European Feed Additive and Premixture Quality System) certified upon compliance with food chain regulations and will therefore add value to our current commercial offer.

Regarding marketing activities of Autlán Metal Services, 2011 efforts were put into sales of products such as High-Carbon Ferrochrome, Low-Carbon Ferrochrome and Ferrosilicon. Similarly, the possibility of supplying other raw materials such as dolomitic lime, coke, and others, is still under consideration.





*there was more technical involvements with the
Mexican Chamber of the Iron and Steel Industry*

Marketing

visit the new website: www.autlan.mx

Minera Autlán focuses on customer need satisfaction at all times. Therefore, a number of activities take place in the marketing area in order to gain knowledge on Price, Product and Publicity variables in order to generate continuous improvement to achieve the total quality total satisfaction objective.

In 2011, activities in the Price arena focused on market analysis. Using a number of economic studies, bulletins, information notes and a wide variety of specialized manganese, ferroalloy and steel industry related subscriptions, monthly reports were prepared and submitted to top management. Such effort contributed with business context infor-

mation in such markets for adequate decision making.

Likewise, foreign trade activities taking place in Mexico and worldwide were studied and follow-up conducted; thus, we were able to determine our market share, first hand, and detect existing anomalies in local imports and exports.

We held meetings with the Ministry of Economy and the Ministry of the Treasury in order to inform about irregularities found and to undertake joint actions to eliminate such distortions. Some resources still being studied are sub-valuation mechanisms and antidumping studies.

In the Product arena, actions tending to give our clients deeper knowledge of our offering were undertaken. Thus, in 2011 visits to our mines and ferroalloy units took place in order to give procurement professionals and friends a deeper understanding of our production process and the advantages of Minera Autlán.

We also carried out two satisfaction surveys with clients in the steel and manganese derivative markets. Such surveys allowed us to evaluate our performance, as well as service provided to clients, and gave us greater understanding of areas of opportunity or points of view shared by the procurement professionals who purchase our products.

Los beneficios del Manganeso
los encontramos en todos lados.

We find manganese benefits in every side we look at



Regarding advertising Minera Autlán actively participated in mining and steel industry supplements.

As well as in business articles and written materials to disseminate recognition as Socially Responsible Company. Materials were published in newspapers such as El Financiero, El Norte, Reforma, El Universal, Revista Armas and Expansión, among others.

Furthermore, the company website was renewed. It now conveys a new, fresh, dynamic image of the company, through a friendly easy to surf interface. Content is in English, Chinese and Japanese.

Visit our new website at www.autlan.mx

Marketing department is the company representative before national and international chambers and associations. Therefore, intense participation took place in working committees at the Mining Chamber of Mexico (CAMIMEX), Mexican Chamber of the Iron and Steel Industry (CANACERO), the Latin American Steel Association (ALACERO) and the International Manganese Institute (IMnI), where company interests in each industrial sector were duly defended.

Lastly, it is important to highlight the prevailing collaboration commitment with other companies through the Chairs that Minera Autlán holds at the Statistics Commission of CANACERO, the Customs Commission and the Steel Products Committee of CAMIMEX.

Human Resources

“The Replacement Grid System” was consolidated

Activity of people in charge of supervising human resources related matters in the company was intense during the year. Such activity was performed in a result driven environment where understanding and collaboration were present at all times, thus allowing for nonstop operations in all work centers.

The Replacement Grid system was consolidated during 2011 throughout the company. Preparing and developing successors has become part of the responsibility of all managerial and executive personnel.

This practice is aimed at preserving company philosophy with regards to productivity, quality and care for the environment. Furthermore, it should preserve a well communicated social responsibility with employees, and with people and organizations with which the company interacts.

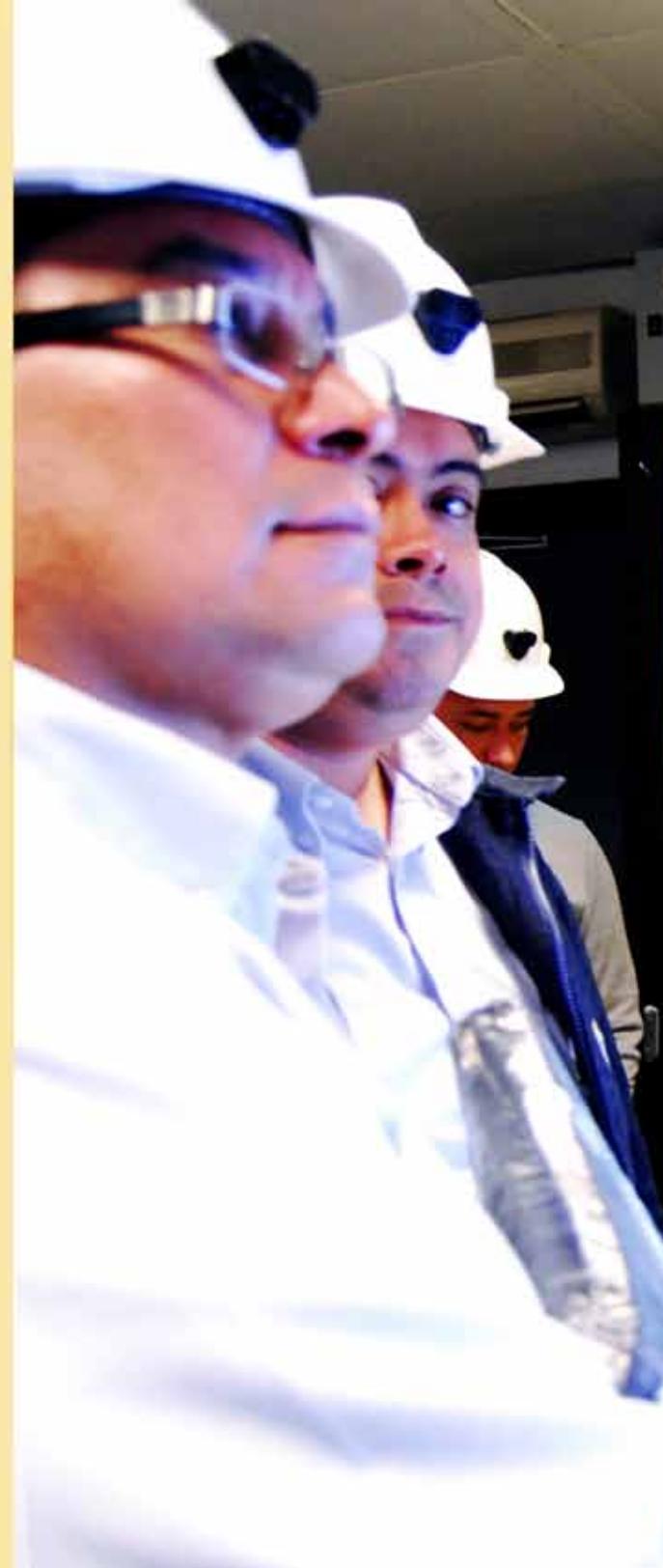
This year, a new area devoted to identify, organize and coordinate personnel development was created and started operating.

The main purpose of this new area is to identify, guide, facilitate and coordinate development efforts of people interested in and with the potential to undertake greater responsibilities for their own benefit and for the benefit of their family, the

company and Mexico.

Working environment at all Minera Autlán units is friendly and understanding.

Furthermore, training visits around “Skills and Abilities” topic continued in order to build a spirit of evolution and development among employees. Moreover, brochures dealing with company responsibility system were prepared and spread.





*working enviroment at all Minera Autlán units
is friendly and understanding*

Atexcaco Hydroelectric Power Station

a project symbol of clean sustainable energy

GFM Energía (subsidiary of Grupo Ferrominero) joined forces with Minera Autlán for the development of the Atexcaco Hydroelectric Power Station, an ambitious engineering project located in the state of Puebla, with an investment of 100 million USD. This magnificent project is a symbol of clean sustainable energy; with it we strengthen our commitment with the care and preservation of the environment as well as with regional progress. Thanks to the Atexcaco Hydroelectric Power Station, 25 thousand trees were planted during construction works, 500 direct and 1,500 indirect jobs were created. Furthermore, this project will result in a reduction of carbon dioxide release to the atmosphere by 97,000 tons per year.

Atexcaco Hydroelectric Power Station is located in the Puebla municipalities of Hueyapan and Tezuitlán. This was considered as the ideal area for the project due to its right topographic conditions and abundant rainfall.

The true challenge was to develop the project keeping environmental impact to a minimum.

Therefore, the natural force of water streaming down the mountain was potentiated through the use of engineering.

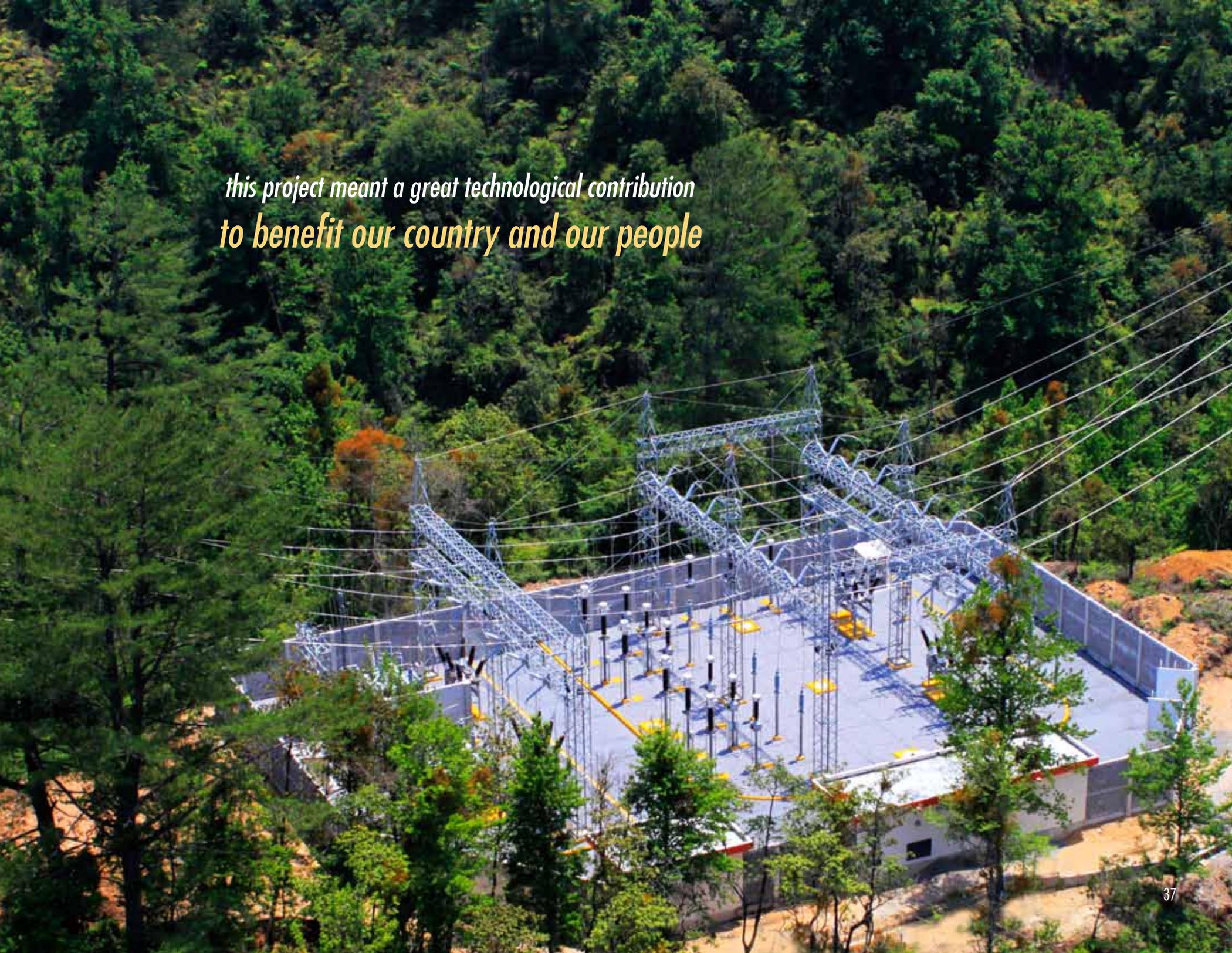
In order to achieve this effect, four structures channeling water towards two tunnels were built. The first tunnel is one thousand meters long and the second six thousand meters long; both are linked through an underground concrete conduction system with almost 2 meters in diameter. Likewise, a 1.7 kilometer long duct was built with Mexican steel, in order to have reinforced materials.

Water flows into a regulation tank which sends it by pressure through a 700 meter slope towards the control room. The room is found inside a large cavern dug 400 meters deep; it has two generators and two turbines that transform the force of water into 31.6 megawatts of electric power.

Electric power generated in the control room is then sent through a transmission line to the electric station. There, generators transform useful 115 kilovolts power and send it to the grid of Comisión Federal de Electricidad (CFE).



*this project meant a great technological contribution
to benefit our country and our people*





*the natural force of the water streaming down the mountain,
was potentiated through the use of engineering*

A large industrial machine, possibly a turbine or generator, is shown in a factory setting. The machine is primarily orange and features a prominent, large, curved pipe that arches over the top. The machine is surrounded by various components, including electrical control panels, pipes, and structural elements. The background is a blue wall, and the lighting is bright, highlighting the metallic surfaces of the machinery.

*thanks to "Atexcaco",
500 direct and 1,500 indirect jobs were created*



Sustainable Development and Social Responsibility

*along the company's history, its members have traditionally
worked with full responsibility, cared for the environment
and for the people who is part of the
Minera Autlán's family*

Introduction

Along the company's history, its members have traditionally worked with full responsibility, cared for the environment and for the people who is part of the Minera Autlán family. For us, sustainable development and social responsibility are more than a business trend or fashion, it is a constant feature in our life.

Smooth coordination of works at each Operating Unit is aimed at preserving the environment, provide all improvement opportunities available for risk and environmental affectation reduction and improvement of working conditions for our personnel.

Minera Autlán is proud to share this Sustainable Development and Social Responsibility section. It is a valuable opportunity to show coexistence with the environment, as well as our commitment with ecology, people and the progress of our country. Development and preservation of La Herradura is an evidence of this. La Herradura is a synergetic 15 thousand hectare ranch aimed at the preservation of fauna and flora from the Coahuila desert. This beautiful reserve features a number of species of cactus, only found in this region, as well as other species of flora and fauna.

Therefore, Minera Autlán has strengthened activities performed by its Department of Environment and Social Responsibility, thus taking timely and strategic based follow-up and control actions on efforts made by each operating unit.

The following are some of the most relevant achievements of the Department of Environment and Social Responsibility:

Company Recognition

- **Corporate Social Responsibility (CSR):** For second consecutive year, Minera Autlán was recognized as Socially Responsible Company by the Mexican Center for Philanthropy. This contributes to the renewal of our commitment towards quality and the environment.





- **ISO Certifications:** Follow-up was conducted on ISO 9001:2008 and ISO 14001:2004 certification regulation compliance by all Mining and Ferroalloy Units.

- **SEMARNAT and CESPEDES:** The Ministry of Environment and Natural Resources (SEMARNAT) as well as the Commission for the Studies of the Private Sector for Sustainable Development (CESPEDES) - within the functional structure of the Consejo Coordinador Empresarial - recognized company accounting and reporting of greenhouse effect gas emissions.

Recognition to Mining Units

- **Nonoalco Mining Unit:** Nonoalco was awarded the Casco de Plata recognition by President Felipe Calderón. Casco de Plata was granted by the Mining Chamber of Mexico (CAMIMEX) to the Nonoalco Mining Unit for achieving the best safety indexes in the Open-Pit site with less than 500 workers division in 2010.

Recognition to Ferroalloy Plants

- **Teziutlán Plant:** SEMARNAT and the United Nations Development Program recognized Teziutlán as a BPC free company.

Sustainable Development Model

Aware of our commitment with the environment and society (priority in all our operations), Minera Autlán has developed a social responsibility scheme based on three key areas:

- a) Environment
- b) Quality of life in the company
- c) Good relationships with communities and other stakeholders

Environment

Environment protection is a key factor of our social responsibility strategy. Therefore, actions aimed at minimizing company impact on the environment - such as water protection, reforestation, clean energy investments and waste value, minimization and management - are developed year after year.



Quality of life in the Company

Employees are very important to Minera Autlán. That is why continuous investment aims at building an environment of harmony and safety insuring permanence of our employees. Training programs are available in all units to provide necessary education to achieve excellence in each and every area of expertise.

Good relationship with communities and other interest groups

Beyond job generating efforts made in all the communities to which we belong, we decided to be actively involved in community development. For such purpose, in late 2010, the Community Relationships Management Office was created in order to develop good neighbor plans and strategies. This office works hand in hand with communities in 4 strategic sustainable programs, moreover aimed at strengthening capacities and opportunities of community members: Nutrition, Health, Education and Children Brigades.

Our codes of ethics and procedures set the rules for our relationships with suppliers, clients, government and education institutions; they provide necessary guidelines to build transparent relationships based on trust and mutual respect.

Guidelines

Guiding principles of our business performance, relationship with employees and the environment, and social responsibility are based upon our five pillar Corporate Social Responsibility System:

- Code of Ethics
- Thinking of the Organization
- Cultural, Ethical and Moral Policy
- The Autlán Culture: Vision, Mission and Philosophy
- Corporate Social Responsibility



Performance Topics

Environment

Objectives of the ISO 14001 environment Management system set as guidelines for the certification of our operations are the following: 1. Develop an environment caring culture; 2. Control and/or reduce significant environmental impact and; 3. Minimize waste and industrialize sub-products.

Our units and ferroalloy plants observe practices and programs to improve environmental performance along these lines of action.

Environmental Improvement Program for Mining Units

With the purpose of reducing dust emissions to the atmosphere, an environmental improvement program was designed for the Molango and Nonoalco. Five new dust collectors were installed at different points of the operation, roads were paved and periodic reforestation programs are scheduled. In 2011, 100% of the collector installation was concluded and program conclusion is expected in 2012. The following is a summary of the Company's environmental improvement program.

| | | |
|-----------------|--|------------------------------------|
| Specific | Collector in the nodulization kiln stack | Efficiency above 99% (installed) |
| | Collector in the cooler stack (VX) | 97% efficiency in particle control |
| Linear | Paving and cleaning of roads and vehicle transit areas | |
| | Collector for nodules screening | 97% efficiency in particle control |
| | Collector for hopper and fine screening | 97% efficiency in particle control |
| Area | Improvement in the trailer loading booth | |
| | Collector for tertiary crusher | 97% efficiency in particle control |
| | Change in the belt transfer points | |

Detection of PST Emission Sources



Performance Data and Initiatives to Mitigate Environmental Impact at Company Mining Units and Ferroalloy Plants

1. At the Molango Mining Unit, 57%, this is 32,856 square meters, of roads and traffic areas have been paved, including: industrial platform, main accesses, road to furnace, hopper area, and Coyoles tunnel and yard.

2. At Molango Mining Unit, modification of five points of transfer of conveyors was completed in order to reduce emissions to the atmosphere.

3. Installation of four dust collectors began in different areas of the operation with the purpose of guaranteeing efficiencies above 97%. Installation will conclude in 2012 (Unidad Molango).

4. Our operations do not take place in natural protected or high biodiversity areas.

5. No accidental spills of hazardous materials were registered in 2011.

6. No ozone layer damaging substances were issued.

7. In 2011, there were no administrative sanctions or fines derived from noncompliances with environmental regulations.

8. In preparation for the FAMI-QS certification at Nonoalco Unit, we conducted paving works in transit areas which resulted in 40% reduction of suspended dust generation and new pieces of equipment were bought.

Along those same lines, dust emissions in milling, classification, homogenization and packaging of end product were reduced therefore insuring product safety and a 90% reduction of fugitive dusts emissions in process stages.

Similarly, 100% of waste water was channeled through a new sewage system servicing offices, plants, workshops and cafeterias. Such system takes water to a new treatment plant in process of construction.

9. Sprayers were installed at the slag crushing process area of the Gómez Palacio Ferroalloy Plant, both for the feeding hopper and the feeding and crushing conveyor, in order to provide water based control of emissions.



10. As far as residual oil generated at the Tamós Ferroalloy Plant is concerned, a recycling system was implemented in order to use such oil as fuel in the operation. This was made in compliance with an agreement executed by the Ministry of Environmental Natural Resources (SEMARNAT) and the Mexican Chamber of the Iron and Steel Industry (CANACERO).

11. A collaboration committee for waste water recovery and use worked in coordination with the Tamós Ferroalloy Plant. Thanks to the initiatives resulting from such committee 82% of the water discharged since 2011 has been used on the site.

12. The Gómez Palacio Ferroalloy Plant developed a recycling program for all residues.

13. The Tezuitlán plant undertook the first phase of a dust collector installation.

14. During the 2011 reforestation cycle, 17,400 trees were planted at the Mining Units.

15. On July 17, 2011, we took part in the National Reforestation Day in Atalco, Municipality of Huejutla, and 6,500 trees were planted.

Management of Residues and Raw Materials

The operation of Minera Autlán focused on maximum use of raw materials and on the development of the right management practices for all residues in full compliance with minimization and value increase principles.

Our tailings management plan used at the Nonoalco Mining Unit is registered at SEMARNAT, as well as a dust management plant used at the Molango Mining Unit. Ferroalloy plants are in process of preparing minning-metalurgic waste management plans in order to register them at SEMARNAT. They will inform on the research and development effort made on waste use.

Value materials used in our manufacturing process include manganese slag, fines and dusts resulting from different processes as well as sludges from tailings' dams.



% of value materials

| <i>Operating Unit</i> | 2009 | 2010 | 2011 |
|-----------------------|------|------|------|
| Molango | 5 | 3 | 4 |
| Nonoalco | 22 | 28 | 46 |
| Tamós | 21 | 12 | 9 |
| Teziutlán | 12 | 8 | 9 |
| Gómez Palacio | 8 | 6 | 2 |

If hazardous residues generated are solids, they are sent to authorized third parties for co-processing; if they are liquids, they are recycled, either by third parties or by the Tamós Ferroalloy Plant, in compliance with ITN-03 SEMARNAT-CANACERO regulations.

Hazardous Waste Management
(metric tons)

| | 2009 | 2010 | 2011 |
|--|------|------|------|
| Solids impregnated with oils and grease (burlap, containers, filters, hoses and sludges) | 55 | 50 | 181 |
| Liquids (used oils) | 61 | 52 | 91 |

We are currently working in accounting of other residues generated but not considered as hazardous materials, and in the integration of urban solid residue management and special management plans.

Water Management

At Minera Autlán, we understand that water is of paramount relevance for life. Thus, in 2011 great efforts were made to optimize consumption by means of responsible use and recycling plans applicable to our processes. We also made sure that our discharges do not contaminate any body of water or soil.

Furthermore, we recirculate a significant amount of treated water for a number of uses, such as cooling and watering processes, and cleaning of areas.

Total volume of recycled and reused water

(cubic meters)

| Operating Unit | 2009 | 2010 | 2011 |
|----------------|---------|--------|--------|
| Molango | 65,083 | 94,841 | 69,163 |
| Nonoalco | 11,739 | 17,165 | 13,550 |
| Tamós | 102,592 | 56,200 | 54,856 |
| Teziutlán | 9,109 | 9,152 | 11,754 |
| Gómez Palacio | 147 | 1,465 | 233 |

The following table shows yearly water consumption at our operations:

Water consumption per operating unit

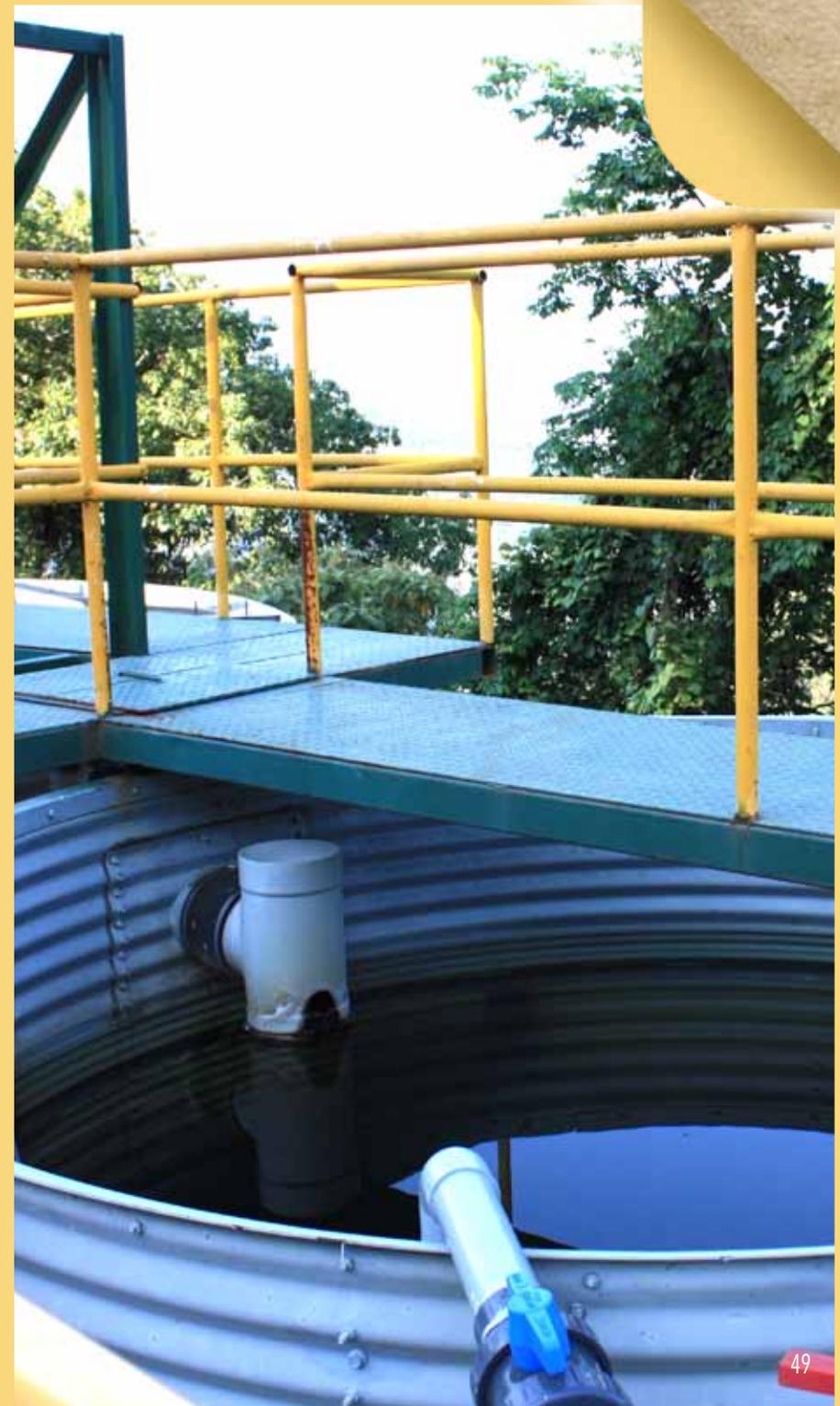
(cubic meters)

| Operating Unit | 2009 | 2010 | 2011 |
|----------------|---------|---------|---------|
| Molango | 284,097 | 317,540 | 272,811 |
| Nonoalco | 98,276 | 114,432 | 86,787 |
| Tamós | 320,747 | 415,624 | 410,438 |
| Teziutlán | 24,589 | 56,434 | 58,881 |
| Gómez Palacio | 17,689 | 99,476 | 103,521 |

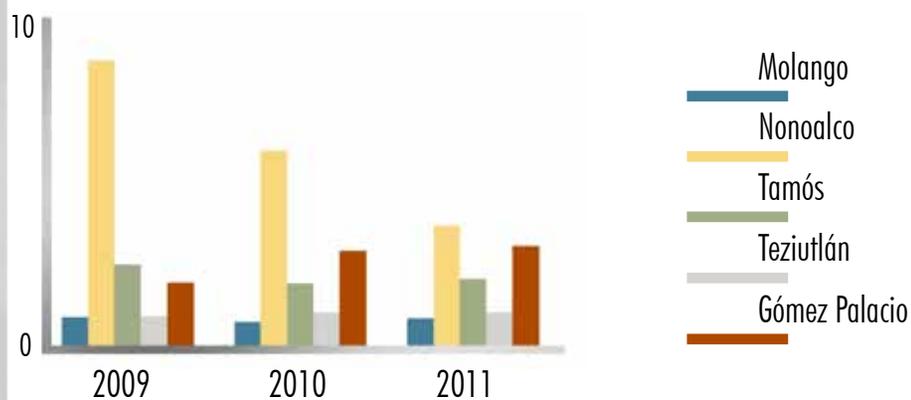
Efficiency water consumption rate

(cubic meters/ton of material produced)

| Operating Unit | 2009 | 2010 | 2011 |
|----------------|------|------|------|
| Molango | 0.89 | 0.74 | 0.85 |
| Nonoalco | 8.69 | 5.94 | 3.68 |
| Tamós | 2.48 | 1.92 | 2.06 |
| Teziutlán | 0.91 | 1.03 | 1.03 |
| Gómez Palacio | 1.94 | 2.91 | 3.06 |



Efficiency water consumption rate



Energy consumption

Direct energy consumption by primary source

| | 2009 | 2010 | 2011 |
|-------------|------------|------------|------------|
| Gasoline | 235,385 | 260,506 | 245,872 |
| Diesel | 4,219,658 | 4,173,961 | 6,386,692 |
| Natural Gas | 28,368,065 | 40,559,868 | 37,654,384 |
| LP Gas | 150,359 | 364,417 | 482,649 |

Note: Gasoline and Diesel in liters; Natural Gas and LP Gas in cubic meters.

Purchased electric power consumption

(kilowatts/hour)

| | 2009 | 2010 | 2011 |
|--|-------------|-------------|-------------|
| | 505,967,239 | 780,708,729 | 795,413,936 |

The total amount of electric power purchased in 2011, 75,137,000 KWh, were purchased from the Atexcaco Hydroelectric Power Station. This prevented emission of 37,125 tons of carbon dioxide, while reduction expected in 2012 is 105,544 metric tons of CO₂.

Emissions of greenhouse effect gases derived from operations of Minera Autlán (metric tons)

| 2010 | 2011 |
|---------|---------|
| 908,608 | 844,715 |

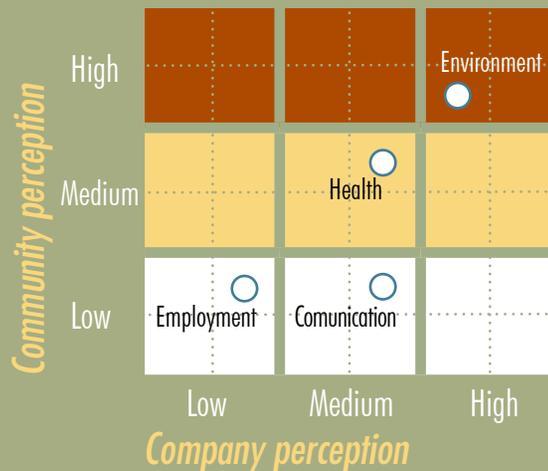
Social Affairs

Relationship with communities

Minera Autlán has always fostered healthy respectful relationships in places where operating units are located. Moreover, it has fostered development, generated value, and contributed to regional progress.

For example, communities surrounding Mining Units are greatly impoverished regions, as stated by the Consejo Nacional de Población (CONAPO). Thus, 4 programs have been successfully developed since late 2010, in order to identify the needs of the communities and put resources into meeting such needs.

The following figure shows the main areas dealt with communities during this study, as well as priority given to each area by the company and the community.





Communities included in these social programs are: Chiconcoac, Tolago, Acoxcatlán, Acayuca, Naopa, Ixcotla, Nonoalco, Chipoco, Chachala and Malila, located in 5 different municipalities and comprising a total of 6,496 inhabitants (INEGI 2010).

Nutrition program

This program has been designed to improve nutrition in communities. Such effort has been achieved thanks to family vegetable gardens and the introduction of new products into such gardens. To date, more than 500 families have improved and enriched their nutrition, and some secondary schools have joined the program.

Community testimonials

- *Melensiana Velasco*: “The program has been useful because sometimes we do not have money; we now plant and can crop from our garden”.
- *Brígida Monroy*: “The company engineers drops by frequently, with that I have prepared the land for planning and the aid is good. We do not need to buy so many things because everything is so expensive. Sometimes, the crop is large and I have enough to sell or share with other people”.
- *Cira Cruz*: “This is the first time I have grown amaranto, and the engineer has come by several times to see how the garden is doing. My husband and I water the amaranto. I am very happy waiting for plants to grow and learn how to make atole, tortillas and alegrías with the amaranto”.

Emergency and catastrophe prevention program

This program has allowed for the creation of rescue brigades in the communities, similar to the ones available in the Company.

Brigade members are trained in all sorts of emergencies (fire, hurricanes, first aid, accidents, and snake bites, among many others).

Likewise, Minera Autlán has donated specialized equipment at each community for the attention of emergencies (overall, stretchers, first aid kits, shovels, radios, etc.)

In 2011, 60 brigade members were trained — men and women — in 10 communities.

Testimonials from Nonoalco

“We met with the instructor once a month for eleven months; because the training lasted such amount of time. The truth is that the course has been very interesting because it is something indispensable for everyday life. We have felt very comfortable because we can put what we have learned at the service of the community”.

“There was once an accident on the road; I had to go there and help and see if he had a bad injury on the head. I was able to apply some of the first aid techniques I have learned, and check vital signs, and see if he had broken bones, and take his blood pressure”.

Children brigades program

Naopa children brigade

At Minera Autlán we know that investing in children is investing in the future. That is why this plan was developed for them.

“Children Brigades” were supported and helped. They are made up by children between 8 and 13 at each community so that they can play about being grownups.”

Any child of the community who so wishes can join the brigade. Children brigades do things in favor of their community such as cleaning, order, social and sports activities, among others. Moreover, the purpose of these brigades is also to aim their efforts at productive projects that Minera Autlán will foster, so as to have young entrepreneurs among community youngsters.

Education program

Our efforts are put into the improvement of quality of life in the communities where we work. Among our achievements, we have contributed to the School Councils for Social Participation (Consejos Escolares de Participación Social).

Furthermore, we have executed an agreement with the Tecnológico de Estudios Superiores Monterrey in order to grant scholarships to students from the Sierra Alta Hidalguense so that they can finish high school through the Prepanet program.

This effort also features a scholarship of excellence granted to 5 top performing students, so that they can attend the Universidad de Guanajuato, with all expenses paid by Autlán.

Testimonial: Hortensia Hernández, Primary School Teacher (Chipoco Community)

“The company is very willing to work; they have come and looked for us”.

Our people

Generation of employment

We know that a significant portion of our company success is thanks to our labor force. By the end of 2011, Minera Autlán generated 1,893 in the areas where operations take place. In general, company turnover is low.

Mean turnover by age, gender and region

| Ages | | | Female | Male | Distrito Federal | Nuevo León | Hidalgo | Veracruz | Puebla | Durango |
|----------------|----------------|----------------|--------|-------|------------------|------------|---------|----------|--------|---------|
| 18 to 33 years | 34 to 50 years | 51 to 65 years | | | | | | | | |
| 3.25% | 2.31% | 4.37% | 3.17% | 3.15% | 0% | 12.41% | 3.40% | 2.92% | 3.27% | 2.79% |

- Respect for national and International labor regulations is of key relevance to Minera Autlán. Therefore, all our labor structures have been prepared with full compliance with corresponding regulatory framework, thus observing labor laws and contracts at all times.
- 1,346 people, this is 71% of all employees, have a collective bargain agreement.

Breakdown of headcount by type of employment and region

Type of job

| Temporary | Full Time | Officials | Technical | Management | Skilled workers | Unskilled workers |
|-----------|-----------|-----------|-----------|------------|-----------------|-------------------|
| 730 | 1,163 | 41 | 208 | 298 | 861 | 485 |

By region

| Distrito Federal | Nuevo León | Hidalgo | Veracruz | Puebla | Durango |
|------------------|------------|---------|----------|--------|---------|
| 15 | 57 | 757 | 670 | 265 | 129 |

Safety

Implementing education, prevention and risk control programs help workers perceive their work area as a safe place to be. Similarly, as part of the safety project we have focused on improving performance of the health and safety areas, through:

- Plant audit and inspection
- Preparation of reports giving expert opinion on causes of accidents
- Training personnel to deal with
- Ongoing monitoring on safety measures applicable in the company

Training

Workshops and training courses constantly take place in our operating plants. This is in order to build better development opportunities for the company and for our people.

One of the key commitments of Minera Autlán is to offer education, prevention and risk control programs for workers and their families, with regards to serious diseases.

In 2011, the Molango and Nonoalco units held a total of eight advisory, prevention and risk control programs. Gómez Palacio, in Durango, held two education, two prevention and one risk control programs.

Tezuitlán, in Puebla, 31 programs were held, namely training, advisory, risk control and prevention.

Annual average of training hours by employee categories

| Employee Categories | Region | | | |
|---------------------|---------|----------|--------|---------|
| | Hidalgo | Veracruz | Puebla | Durango |
| Officials | 10 | 50 | 9 | 0 |
| Technicians | 9 | 8 | 19 | 0 |
| Administrative | 2 | 12 | 9 | 5 |
| Skilled workers | 5 | 3 | 31 | 0 |
| Unskilled workers | 6 | 26 | 20 | 0 |

Gender equality

- We have outstanding women in the company holding important positions for company development. This shows that our organization is fully committed to opening spaces for equitable opportunities.
- Wage ration between men and women is equitable.
- A pilot program began at the mining units in order to recruit women for mining related jobs. We now have 6 women in this program.



Financial Results

good finance standing was one of the Minera Autlán strengths to meet profitability and growth objectives

In 2011, good finance standing was one of the Minera Autlán strengths to meet profitability and growth objectives. Shared effort and team work of the company played a key role to issue good results in keeping a robust balance in spite of the setbacks and the decrease in ore prices, in manganese ferroalloys, as well as prevailing exchange market volatility and economic uncertainty experienced in some regions worldwide.

Consolidated Income

Even though results were good in spite of the hard times, they were not enough to exceed achievements of 2010. The company, however, was able to make significant investment to reduce costs and anticipate future growth, as described later.

On the one hand, sales to December 31, 2011 reached \$3,872.1 million pesos, 10% below those observed in 2010. Such reduction was due to continuous drop in manga-

nese products registered yearound. On the other hand, the strength of the Mexican peso and its parity with the US dollar had an impact on our products during the first eight months of the year, when appreciation of our currency was evident. During the last quarter, however, this situation reverted and partially compensated the drop on prices with an average increase of 16% through the year.

Cost of sales resulted 2% below the cost registered in the previous year and accounted for 71% of sales. The reason why cost of sales did not drop in that same proportion was because prices of electric power registered significant increases during the year and because ferroalloy sales volume grew 1% as compared to 2010. Nevertheless, we worked intensively in several initiatives that allowed us to prevent costs from skyrocketing, namely the Atexcaco Hydroelectric Power Station of Compañía de Energía Mexicana, S.A. de C.V., which partially compensated increases on electric power prices, among others.

Operating profit was equal to \$596.2 million pesos, representing a 15% margin which was 39% below the one observed in 2010. The flow of operation (UAFIRDA) generated was \$787.3 million pesos, 32% below that of 2010, therefore accounting for a 20% margin.

The integral result of financing of period was \$82.3 million pesos, 25% below the one observed in the previous year. This was due to an exchange gain equal to \$58 million pesos and an adequate investment strategy of cash excess that allowed us to lessen the cost of financing.

Net revenue of the period was \$244.9 million pesos, equivalent to a 6% margin. This figure was 52% less than the one registered in 2010.

*Net revenue of the period was
\$244.9 million pesos*



Balance Sheet

At Autlán we have made a great effort in order to keep leveraging down and a true healthy balance that makes necessary resources available for operations and investment projects. By the end of 2011, Minera Autlán successfully closed the issuance of non-subordinated guaranteed notes for US\$80 million, thus improving its debt profile by pre-paying previously issued notes, besides reducing risk and financial cost.

Notes have a 24-month grace period, 5 year maturity and floating interest rate, therefore reducing the financial cost of the company. This transaction is in line with the company's financial strategy of keeping a healthy leverage and diversifying sources of funding. Some of the resources will be kept in cash therefore allowing us to take or finance investment opportunities of projects that generate better results and growth.

Therefore, cash and cash equivalents have increased by 75.3% year after year with a balance of MX\$881.6 million as of December 31, 2011.

Our portfolio increased by 21.1%, mainly due to the devaluation of the Mexican peso before the US dollar, since most of our sales are in the latter currency.

Inventories decreased by 11.2% thanks to better displacement of material and optimum use of the working capital.

Accounts receivable from related parties show Company investment in Energía Mexicana, S.A. de C.V. (CEM) — company in charge of constructing the Atexaco Hydroelectric Power Station, which was completed in 2011.

Fixed assets increased by 6.6% due to investment made during the year. Some of those investments included the crucible in Furnace 9 that will allow us to increase its useful life and increase production in that furnace.



Other assets and deferred charges registered a 77% growth due to significant investment in the preparation of the underground mine and initial works at the Naopa Pit, which will allow us to extract manganese carbonates y the years to come.

As far as liabilities are concerned, there is an increase in short-term accounts payable due to a greater use of revolving credit lines applicable to working capital. On the long run, issuance of notes mentioned before allow us to have an even healthier debt profile, meet our investment needs and cope with volatility observed in markets; moreover, worldwide economic uncertainty will still lead us to unpredictable conditions in the near future.

Accounting capital increased thanks to results observed during the year.

Investments

2011 was an investment intensive year, reaching a total of \$20.6 million US dollars. Investment in the Atexcaco Hydroelectric Power Station project is worth mentioning, since with such project we improved cost of energy for Autlán. In the Mining Division, investment in Long Haul in the underground mine and in the Naopa Pit are worth mentioning, since they allow us to insure supply of manganese ore for the years to come. Likewise, a dust collector in the rotating

furnace was installed as part of our environmental initiatives. In the ferroalloy area, the crucible in Furnace 9 was modified and electric power installations modernized at the three plants, therefore improving consumption efficiency.

At Autlán we have strived to keep the pace on investment made on research and development far above the average in Mexico. We strongly believe that with the innovation and creativity of our engineers — as well as with the support of the best research laboratories and firms and Mexican universities — we will be able to shape the future of our company. These initiatives have given rise to projects that will certainly result in the development of new products and the widening of the variety of products we have. Therefore, a portion of the organic growth planned for the company will stem from significant effort we are currently making..

Autlán's Shares

Minera Autlán is listed in the Mexican Stock Exchange (BMV) under ticker AUTLAN B. 25% of all company stocks are allocated among BMV investors, the rest is of the holding company.

Stock value to December 31, 2011 was \$15.70,each.

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

Compañía Minera Autlán S.A.B. de C.V. April 2011 - February 2012

This Report is submitted by the Chairman of the Audit Committee of Compañía Minera Autlán, S.A.B. de C.V., under the terms and for the purpose of Article 43, section II of the Stock Market Law.

This report has been presented to the Audit Committee of the Company, which has validated its content, scope and conclusions to submit it to the opinion and approval of the Board of Directors, which in turn shall present it in the Regular Annual General Meeting of Shareholders of Compañía Minera Autlán, S.A.B. de C.V. to be held in April 2012, under the provisions of the Article 28, section IV, item a) of the Stock Market Law.

The Regular Annual General Meeting of Shareholders of the Company, held in April 27, 2011, based on the recommendation of the Board of Directors, ratified the subscriber as Chairman of the Audit Committee and to Mr. Ernesto Ortiz Lambreton and Mr. Jorge Morales Treviño, as members of said committee.

Throughout the period reported, the Audit Committee met on the following dates: (i) April 26, 2011, (ii) July 11, 2011, (iii) October 19, 2011, (iv) December 13, 2011, and (v) February 21, 2012.

Complying with its obligations and responsibilities, the meetings of the Committee have been attended by representatives of the firm PricewaterhouseCoopers, SC, 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 decisions adopted by the Audit Committee have been timely reported and submitted to the consideration of the Board of Directors by means of the respective report presented to this ultimate superior social entity in the corresponding meetings. Details of such resolutions and agreements may be consulted in the minutes filed of each meeting and that previous approval by the Committee, have been transcribed to the appropriate minute book. A file of each meeting, including reports and other documentation discussed, has been elaborated.

The Financial Statements of the Company of the corresponding quarter were presented by the Administration in each of the regular Quarter Meetings of the Committee and were then analyzed and approved, also from July 11 included therein, the expression and effects on the implementation of International Financial Reporting Standards or IFRS submitted by the Administration, together with the quarterly reports of the Stock Exchange, recommending to the Board of Directors their approval for subsequent public disclosure. In each meeting, the Committee received and analyzed the internal audit report of the corresponding period.

In all the regular quarterly meetings of the Committee, the Finance Director presented a detailed report about operations of the Company with derivative financial instruments, as well as the respective reports to the Mexican Stock Exchange. Likewise, the Committee reviewed periodically the investment portfolio of the Company and provided appropriate remarks and recommendations.

In all sessions the Committee continued its study and analysis of various topics, among which are the following: (i) to entrust the Chief Executive Office and the Finance Division to continue the analysis of possible measures to reduce Derivative Instruments positions, (ii) to entrust the Administration to create the finance division organization chart, (iii) to require the Finance division and the Internal Audit Department, the planning of their staffing and structure needs, to make them able to proceed efficiently against changes in accounting methods, both findings and recommendations of the external auditor, as for adjustments on the International Financial Reporting Standards (IFRS) or authority requests, (iv) continued of relevant work with external auditors for the implementation of a risk management structure in the Company and its subsidiaries, and the development of a self-regulatory policy in the Field of Risk Management, and (v) assess the employment of any officer treasury to be responsible for ongoing analysis of investment options.

In its meeting dated April 26, 2011, was approved (i) to present in subsequent session a report on the results, and a valuation of the Subsidiaries of the Company which include items such as (i) activity, (ii) capital, (iii) liabilities, (iv) assets and (v) investment in Subsidiary and (ii) submit a letter to the National Banking and Securities on the rating of the Company as a bad reporter derivatives published in the newspaper Reforma.

In its meeting dated July 11, 2011, the Committee suggested assessing the appropriateness of transferring U.S. \$ 2.81 million dollars that remain invested through JP Morgan fixed income in dollars to more productive investments as instruments of PEMEX or UMS.

In its meeting dated October 19, 2011, the Committee (i) reviewed and proposed changes and suggestions to the Auto Regulatory Policy of Assets Investment Authorization, requesting is submitted for validation at its next meeting, and (ii) approved the External Audit Services Plan 2011 presented by PricewaterhouseCoopers, SC

In its meeting dated 13 December 2011, were submitted and discussed (i) the report on the "Status of transition to IFRS, (currency)" and was agreed to present the analysis of the benefits each currency can bring, in April 2012, in the meantime it will continue the use of Mexican Peso, (ii) the progress in the Risk Management Program of the Company, highlighting the progress in: (a) comprehensive risk management (AIR), (b) financial risk management (AFR), and (c) deliverables, noting each of the items listed the percentage of completion and the estimated date of term, and (iii) Proforma Income Statement of the Company at year end 2011.

Also at this meeting were approved (i) changes and modifications to the Auto Regulatory Policy of Assets Investment Authorization, recommending the Board of Directors approval, (ii) the capitalization of the Mexican Energy Company (EMC) by Autlan, which will start once it is on the conversion of debt into pesos, and (iii) the refinancing of the loan notes which are in force with Credit Suisse, which will be modified in refinancing, as regards (a) quantity, (b) rate, (c) term, (d) amortization, (e) guarantees, and (f) use.

At its meeting dates February 21, 2012, the Committee (i) reviewed the audited financial statements of the Company at 31 December 2011, after analysis of the external auditors' findings, resolving to recommend to the Board of Directors approval and submission to the Shareholders Meeting and (ii) reviewed and approved the budget of the Company for 2012, meeting presentation to the Board of Directors for approval.

At the same meeting the Committee reviewed the CEO's annual report for 2011, and agreed to recommend to the Board of Directors its approval and submission to the Shareholders Meeting.

Based on the opinion of the Audit Committee, the internal control system and the internal audit system of the Company are appropriate, although they are consistently improved.

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

The recommendations of the Audit Committee have been or are being addressed by the Administration appropriately.

During the period reported, the Audit Committee did not receive from Shareholders, Members of the Board, relevant officials, employees and in general from any other third party, remarks regarding accounting, internal controls, or issues related to Internal or External Audits, other than those made by the Administration throughout the preparation or revision of the respective documentation, and did not receive any complaints about irregular facts in the Administration.

The Audit Committee has followed up promptly, within the scope of its responsibilities and according to the instructions received by superior social branches, the agreements reached by the Shareholders Meetings and the Board of Directors throughout the period referred to in this report.

In virtue of the above, we conclude that the Audit Committee met its responsibilities outlined in Article 42, Section II of the Securities Market Law throughout the period reported herein.

San Pedro Garza García, Nuevo León, February 21, 2012.

Best Regards,

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

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

Compañía Minera Atlán S.A.B. de C.V. April 2011 - February 2012

This report is submitted by the Chairman of the Corporate Practices Committee of Compañía Minera Atlán, S.A.B. de C.V. under the terms and for the purposes of Article 43 sections I of the Securities Market Law.

This report has been presented to the Corporate Practices Committee of the Company, which has validated its content, scope and conclusions to submit it to the opinion and validation of the Board of Directors and turn to the Annual General Regular Meeting of Shareholders of Compañía Minera Atlán, S.A.B. de C.V. to be held in April 2011, under provisions of Article 28, section IV, item a) of the Securities Market Law.

The Annual General Regular Meeting of Shareholders of the Company, held in April 27, 2011, based on the recommendation of the Board of Directors, ratified the subscriber as the Chairman of the Corporate Practices Committee and Mr. Pedro Reynoso Ennis and Jorge Morales Trevino as its members.

Throughout the period reported, the Corporate Practices Committee held working meetings of the following dates: (i) April 26, 2011, (ii) July 11, 2011, (iii) October 19, 2011, and (v) 21 February 2012.

All the meetings have been attended by the President of the Board of Directors, the Managing Director of the Company, and the Finance Director, in their condition of guests.

The resolutions adopted by the Corporate Practices Committee have been timely reported to the Board of Directors in the corresponding meetings. Details of such resolutions and agreements may be consulted in the minutes filed of each meeting and that previous approval by the Committee, have been transcribed to the appropriate minute book. A file of each meeting, including reports and other documentation discussed, has been elaborated.

In each of the meetings of this Committee, a report of the Administration was presented including balances of liability and active accounts of the Company with related parties for the period in question. Characteristics and circumstances of significant operations were analyzed. The Committee recommended to the Administration the most appropriate measures under the prevailing circumstances, and requested the elimination to the extent possible, of inter-company account balances. In all the Committee meetings the following issues were reviewed: (i) deputation of intercompany account balances, (ii) establishment of criteria framework for share buybacks, and (iii) review and update self-regulatory policies.

On April 26 2011 meeting, the Committee asked the Administration to prepare an analysis of the "floating" or prices and volumes required for the share of the Society to be considered again in the benchmark index of the Mexican Stock Exchange ("BMV"), including the opinion of Accival as market maker and ask various brokerage firms their views on the methodology used by the BMV to include the different shares in the index.

In the meeting of July 11, 2011, the Chief Financial Officer of the Company presented the guidelines that the BMV follow in order to consider the share of the Company in the price index. These guidelines indicate the requirements that the enterprise should met terms of prices, volume and "floating". Likewise on that meeting, there were comments and suggestions to the current text and the current Policy in the Communication Field.

In the meeting of October 19, 2011, (i) the Committee was informed of the existence of a credit of 65.6 million pesos with related parties, (ii) agreed to capitalize the account receivable from Compañía de Energía Mexicana, which showed a result for 344.3 million pesos at September 2011, with a deviation of December 2010 of 135.7 million pesos, and (iii) final comments were made to the Policy on External Communication of Information.

In the meeting of February 21, 2012, the Committee (i) was informed of the balance of Grupo Ferrominero for 64.7 million pesos, the capitalization for the equivalent of 21 million dollars from the balance of 347 million pesos by Compañía de Energía Mexicana for 49% of the equity of it, (ii) reviewed the performance evaluation and remuneration packages for directors relevant to the Company, and (iii) reviewed the marketability of the action of the Company BMV.

In addition, appellant gave up the behaviour of the price of the shares of the Company on the Mexican Stock Exchange, and interventions of the fund to repurchase shares of the Company.

Throughout the period reported, the Corporate Practices Committee did not received and did not become aware of any exemption request to take advantage of the business of the Company and/or its subsidiaries by related people.

In this sense, the Committee received a periodic report by the General Management, which states the following:

- (A) no assets of the company are used by the Members of the Board and/or Officials personally;
- (B) no credits with related companies are recorded (except for the recognized and informed balance in the meetings of October 19, 2011 and February 21, 2012);
- (C) no operations with related parties requiring approval by the Board of Directors are reported, and
- (D) no exemption has been granted to any Member of the Board, Relevant Official or person with authority, to take advantage of any business opportunities of the Company.

Likewise, the Committee did not receive by the Shareholders, Members of the Boards, relevant officials, employees, and in general, by any third party, any remarks regarding topics within the scope of the Committee, other than those form the Administration during the preparation or review of the respective documentation, and did not receive accusations about any irregular facts in the Administration.

In virtue of the above, we conclude that the Corporate Practices Committee met its responsibilities outlined in Article 42 section I of the Securities Market Law throughout the period reported herein.

San Pedro Garza Garcia, Nuevo Leon, February 21, 2012.

Best Regards,

Enersto Ortiz Lambretón
Chairman of the Corporate Practices Committee
Compañía Minera Autlán, S.A.B. de C.V.

Annual Report of the Human Resources Committee

Compañía Minera Autlán S.A.B. de C.V. February 2011 - April 2012

Introduction. The following is the report of activities of the Human Resources Committee from April 2011 to January 2012. This Committee meets since 2003.

April 2011-January 2012. The Human Resources Committee met in four occasions during this term: September, October, December 2011 and January 2012. Issues reviewed during the meetings focused on the following: Replacement Grids, Advisory Board, Reopening of the Research and Development Center (RDC), Corporate Responsibility System, Evaluation of Personnel and Compensations, among others.

Replacement Grids: The Human Resources Committee has work intensively to formalize the successor list for strategic positions within the organization. During works, replacement grids for the Mining Director's Office and Ferroalloy Director's Office, and their direct subordinates were concluded. Similarly, the Human Resources Director's Office was reinforced with a person in charge of recruitment, selection, training and development of career plans for company personnel.

Advisory Committee: The Advisory Committee was created in order to take full advantage of the experience and knowledge of senior retired, or about to retire, executives. This Committee has the purpose of providing advisory during the different projects undertaken by Minera Autlán. Start-up will be in 2012.

Research and Development Center (RDC): As mentioned in the annual 2010 report, Minera Autlán undertook again efforts for the creation of technology and innovation of its processes and products. Once the target was set, actions included approval of plans and objectives for the creation of the RDC for Mining and the RDC for Ferroalloys. Before start-up of this project, adequate metrics for evaluation and candidates for some positions will be sought.

Corporate Responsibility System (CRS): A document called CRS was prepared, including 5 key tools: Code of Ethics, Ideary, Cultural, Ethical and Moral Policy, The Autlán Culture: Vision, Mission and Philosophy, and Corporate Social Responsibility

The CRS was approved by the Board of Directors and will be disseminated across the company through a program led by the Human Resources Director's Office.

Compensations: The inflation annual salary adjustment evaluation system was decoupled and a new system was implemented. It now includes objective evaluation of work competencies, in order to determine a performance bonus or other applicable adjustments.

José Antonio Rivero Larrea
Chairman of the Human Resources Committee
Compañía Minera Autlán, S.A.B. de C.V.

Corporate Governance

Board of Directors

José Antonio Rivero Larrea

Chairman

José H. Madero Marcos

Vice-Chairman

Dionisio Garza Medina

Francisco Garza Zambrano

Everardo Elizondo Almaguer

Antonio Elosúa González

Pedro Reynoso Ennis

Fernando Canales Clariond

Ernesto Ortiz Lambretón

Jorge Morales Treviño

Ernesto Martens Rebolledo

Alternate Directors

José Antonio Rivero González

Evaristo Madero Vizcaíno

Esteban Rivero González

Pedro Rivero González

María E. Rivero González

Patricio Morales Sada

Pedro Reynoso de la Garza

Francisco Canales Stelzer

Ernesto Ortiz de la Garza

Jorge García Segovia

Remko Been Van Es

Executive Committee

José Antonio Rivero Larrea • Chairman

José H. Madero Marcos • Member

Main officers: Members

José Antonio Rivero González • Permanent Guest

Esteban Rivero González • Permanent Guest

Pedro Rivero González • Permanent Guest

Juan Pablo del Río Benítez • Secretary

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 • Permanent Guest

Samuel Meléndez Soto • Permanent Guest

Juan Pablo del Río Benítez • Secretary

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 9, 2012

We have audited the consolidated balance sheets of Compañía Minera Autlán, S. A. B. de C. V. and subsidiaries as of December 31, 2011 and 2010, 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 generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatements and that they were prepared in accordance with Mexican Financial Reporting Standards (MFRS). An audit consists of 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.

As described in Note 3, as of January 1, 2012 the Company has adopted International Financial Reporting Standards (IFRS) as its accounting basis, in order to comply with the regulations issued by the National Banking and Securities Commission and to comply with MFRS Interpretation 19 "Changes arising from the adoption of International Financial Reporting Standards".

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Compañía Minera Autlán, S. A. B. de C. V., and subsidiaries as of December 31, 2011 and 2010, and the results of their operations, the changes in their stockholders' equity and their cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards.

PricewaterhouseCoopers, S. C.

Gildardo Lili C.

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, 2011 and 2010. Thousands of Mexican pesos (See Note 2).

| Assets | 2011 | 2010 |
|--|---------------------|---------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents (Note 5) | Ps 881,602 | Ps 502,840 |
| Trade accounts receivable, less allowance for doubtful accounts of Ps 50,741 in 2011 and Ps 50,545 in 2010 | 604,282 | 499,115 |
| Recoverable taxes | 57,301 | 63,293 |
| Other accounts receivable | 8,407 | 9,540 |
| Inventories, net (Note 7) | 427,280 | 481,134 |
| Prepaid expenses | 11,240 | 8,865 |
| Accounts receivable from related parties (Note 6) | 68,601 | |
| Total current assets | 2,058,713 | 1,564,787 |
| Compañía de Energía Mexicana, S.A. de C.V., related party (Note 6) | 76,877 | 208,564 |
| PROPERTY, PLANT AND EQUIPMENT (Note 8) | 2,850,905 | 2,673,147 |
| INVESTMENT IN SHARES OF ASSOCIATED COMPANY (Note 9) | 293,552 | |
| OTHER ASSETS AND DEFERRED CHARGES (Note 10) | 235,527 | 132,748 |
| Total assets | Ps 5,515,574 | Ps 4,579,246 |

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

José H. Madero M.
Chief Executive Officer

| Liabilities and Stockholders' Equity | 2011 | 2010 |
|--|---------------------|---------------------|
| CURRENT LIABILITIES: | | |
| Suppliers | Ps 240,366 | Ps 220,293 |
| Current maturities of unsubordinated notes (Note 12) | | 80,465 |
| Current maturities of notes payable (Note 13) | 180,176 | 6,904 |
| Account payable to related parties (Note 6) | 27,326 | 21,147 |
| Current liability from valuation of derivative instruments (Note 14) | 5,067 | |
| Employees' profit sharing payable | 54,019 | 80,207 |
| Other accounts and accrued expenses payable | 27,265 | 31,155 |
| Total current liabilities | 534,219 | 440,171 |
| LONG-TERM LIABILITIES: | | |
| Long-term unsubordinated notes payable (Note 12) | 1,118,296 | 413,820 |
| Notes payable (Note 13) | 40,831 | 2,366 |
| Deferred employees' profit sharing | 10,168 | 10,168 |
| Deferred income tax (Note 18) | 656,348 | 648,345 |
| Estimated liability for labor benefits (Note 15) | 67,298 | 57,300 |
| Total long-term liabilities | 1,892,941 | 1,131,999 |
| Total liabilities | 2,427,160 | 1,572,170 |
| STOCKHOLDERS' EQUITY (Note 16): | | |
| Capital stock | 1,070,240 | 1,110,728 |
| Additional paid-in capital | 391,914 | 391,914 |
| Contributed capital | 1,462,154 | 1,502,642 |
| Retained earnings | 1,626,260 | 1,504,434 |
| Total stockholders' equity | 3,088,414 | 3,007,076 |
| Contingencies (Note 19) | | |
| Total liabilities and stockholders' equity | Ps 5,515,574 | Ps 4,579,246 |

Gustavo Cárdenas A.
Chief Financial Officer

Consolidated Statement of Income

Compañía Minera Autlán S.A.B. de C.V. and Subsidiaries
For the years 2011 and 2010. Thousands of Mexican pesos (See Note 2).

| | 2011 | 2010 |
|--|--------------|--------------|
| Net sales | Ps 3,872,129 | Ps 4,322,796 |
| Cost of sales | (2,766,238) | (2,818,153) |
| Gross margin | 1,105,891 | 1,504,643 |
| Operating expenses | (509,683) | (520,898) |
| Operating income | 596,208 | 983,745 |
| Comprehensive financing income (expense): | | |
| Financial expense, net | (46,439) | (97,328) |
| Exchange loss, net | 11,089 | (30,628) |
| Valuation and liquidation of derivative financial transactions (Note 14) | (46,963) | 18,767 |
| | (82,313) | (109,189) |
| | 513,895 | 874,556 |
| Other expense, net (Note 12 and 17) | (121,445) | (39,902) |
| Income before the following provision | 392,450 | 834,654 |
| Income tax provision (Note 18) | (147,528) | (320,792) |
| Consolidated net income | Ps 244,922 | Ps 513,862 |
| Earnings per share, in pesos (Note 4.s) | Ps 0.90 | Ps 1.89 |

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 2011 and 2010. Thousands of Mexican pesos (See Note 2).

| | Contributed capital | | | Earned surplus | Total stockholders' equity |
|--|---------------------|----------------------------|--------------|-------------------|----------------------------|
| | Capital stock | Additional paid-in capital | Total | Retained earnings | |
| Balances at January 1, 2010 | Ps 1,116,083 | Ps 391,914 | Ps 1,507,997 | Ps 990,572 | Ps 2,498,569 |
| Changes in 2010: | | | | | |
| Repurchase of own shares, net | (5,355) | | (5,355) | | (5,355) |
| Net income and comprehensive income for the year | | | | 513,862 | 513,862 |
| Balances at December 31, 2010 | 1,110,728 | 391,914 | 1,502,642 | 1,504,434 | 3,007,076 |
| Changes in 2011: | | | | | |
| Repurchase fo own shares, net | (40,488) | | (40,488) | | (40,488) |
| Dividends declared | | | | (123,096) | (123,096) |
| Net income and comprehensive income for the year | | | | 244,922 | 244,922 |
| Balances at December 31, 2011 (Note 16) | Ps 1,070,240 | Ps 391,914 | Ps 1,462,154 | Ps 1,626,260 | Ps 3,088,414 |

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 2011 and 2010. Thousands of Mexican pesos (See Note 2).

| | 2011 | 2010 |
|--|-------------------|-------------------|
| Operations | | |
| Income before income tax | Ps 392,450 | Ps 834,654 |
| Items related to investment activities: | | |
| Depreciation and amortization | 243,332 | 180,633 |
| Interest income | (22,135) | (7,126) |
| Derivative financial instruments | 5,067 | |
| Asset impairment | | (96,044) |
| Items related to financing activities: | | |
| Interest expense | 79,130 | 65,219 |
| Employees' profit sharing | 54,055 | 90,375 |
| Other, net | 9,684 | (24,498) |
| Total | 761,583 | 1,043,213 |
| (Increase) decrease in trade accounts receivable | (105,167) | 29,836 |
| (Increase) decrease in inventories | 53,854 | (66,119) |
| Increase in suppliers | 20,073 | 14,900 |
| Income tax paid | (173,468) | (190,554) |
| Employees' profit sharing payable | (80,207) | |
| Other | 39,402 | 1,886 |
| Net cash flows from operating activities | 516,070 | 833,162 |
| Investment | | |
| Interest earned | 22,135 | 7,126 |
| Adquisition of property, plant and equipment | (379,120) | (177,715) |
| Development and evaluation expenses | (96,286) | (34,848) |
| Derivative financial instruments | | (85,138) |
| Related parties | (230,466) | (208,564) |
| Other assets | | (5,739) |
| Net cash flows used in investment activities | (683,737) | (504,878) |
| Cash excess (deficit) available for (to be covered by) financing activities | (167,667) | 328,284 |
| Financing | | |
| Advance redemption of notes and payment of notes and other documents payable | (503,555) | (9,518) |
| Increase in financing from guaranteed unsubordinated notes and notes payable | 1,290,840 | |
| Dividends paid | (123,096) | |
| Interest and note issuance expense | (77,272) | (65,219) |
| Other | (40,488) | (5,355) |
| Net cash flows from (used in) financing activities | 546,429 | (80,092) |
| Net increase in cash and cash equivalents | 378,762 | 248,192 |
| Cash and cash equivalents and restricted cash at beginning of year | 502,840 | 254,648 |
| Cash and cash equivalents and restricted cash at end of year | Ps 881,602 | Ps 502,840 |

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

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, 2011 and 2010. Thousands of Mexican pesos (See Note 2). (except where otherwise indicated)

NOTE 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 4.a. Autlán’s shares are listed in the Mexican Stock Exchange.

NOTE 2. BASIS FOR PREPARATION

Mexican Financial Reporting Standards (MFRS)

The accompanying consolidated financial statements at December 31, 2011 and 2010, comply fully with the provisions of the Mexican Financial Reporting Standards (MFRS) so as to give a fair presentation of the Company’s financial position. The MFRS state that the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS), International Financial Reporting Interpretations (IFRIC) and the Interpretation Committee (SIC) interpretations should be applied supplementarily when MFRS are silent on a particular issue. Accordingly, the Company, for the purpose of recognizing, valuing, and disclosing its own particular transactions, applies the following supplementary IFRS, Interpretations and SIC issued by the International Accounting Standards Board (IASB):

IFRS-6 “Exploration for and Evaluation of Mineral Resources”, current as of January 1, 2006. See Note 4 f.

Presentation of costs, expenses and additional line items in the statement of income

The Company presents costs and expenses in the consolidated statement of income under the functional classification, the main characteristic of which is to separate the cost of sales from the other costs and expenses. Additionally, for a better analysis of its financial position, the Company has opted to separately present operating income in the statement of income as this is a common disclosure practice in the sector to which the company belongs.

Effects of inflation on financial information

In accordance with the provisions of MFRS B-10 “Effects of Inflation”, the Mexican economy is not currently inflationary, since cumulative inflation has been below 26% (threshold for defining when an economy should be considered as inflationary) in the most recent three-year period. Therefore, since January 1, 2008 the Company has discontinued the recognition of the effects of inflation in the financial information (disconnection from inflationary accounting). Consequently, the figures in the accompanying financial statements at December 31, 2011 and 2010, are stated in historical Mexican pesos (Ps) modified by the cumulative effects of inflation on the financial information recognized up to December 31, 2007.

Current inflation rates are shown below:

| | <u>December 31,</u> | |
|--|---------------------|--------|
| | 2011 | 2010 |
| Annual inflation | 3.81% | 4.40% |
| Cumulative inflation in the last three years | 12.26% | 15.19% |

Recording, functional and reporting currency

Because the Company's recording currency, its functional currency and its reporting currency are all the Mexican peso, it was not necessary to perform any conversion process.

Current MFRS as of January 1, 2011

Beginning on January 1, 2011, the following MFRS and their interpretations issued by the Mexican Financial Reporting Standards Board and effective as of the previously mentioned date have been adopted by the Company.

MFRS B-5 "Financial Information by Segments". It establishes the general rules for disclosing financial information by segments. Additionally it allows the user of such information to analyze the entity from the same approach as the Management and allows presenting information by segments more consistent with the financial statements. This standard supersedes Bulletin B-5 "Financial information by segments," which was effective up to December 31, 2011.

MFRS C-4 "Inventory". It establishes inventory valuation, presentation and disclosure rules. The principal changes are the abolition of the last-in, first-out method, leaving as valid methods: identified costs, average costs and first-in, first-out; as well as the abolition of direct costs as a valuation system. This standard supersedes Bulletin C-4 "Inventory," which was effective up to December 31, 2010.

MFRS C-5 "Advance payments". It establishes the presentation and disclosure rules for advance payments where its presentation as an item separate from the asset group to which it will eventually belong is required.

MFRS C-6 "Property, plant and equipment". It establishes the valuation, presentation and disclosure rules for property, plant and equipment, including assets used to develop or maintain biological and extractive industry assets and the division of property, plant and equipment into separate components for depreciation purposes. This standard supersedes Bulletin C-6 "Property, plant and equipment," which was effective up to December 31, 2010.

MFRS C-18 "Obligations associated with property, plant and equipment retirement". It establishes the particular rules for initial and subsequent recognition of provisions related to obligations associated with the retirement of property, plant and equipment components.

MFRS Interpretation 19 "Changes arising from the adoption of International Financial Reporting Standards (IFRS)". It requires the disclosure of the company's reasons for adopting IFRS, the forecasted date and the estimated amount of any significant effect this adoption would have on the company's financial statements.

Improvements to MFRS effective 2011

MFRS B-1 "Accounting changes and correction of errors". It establishes the rules for the presentation, in the balance sheet and statement of changes in stockholders' equity, of the effects of adjustments recognized retrospectively.

MFRS B-2 "Cash flows statement". It allows the optional presentation of the cash available for (to be obtained from) financing activities.

Bulletin C-3 "Accounts Receivable". It establishes the rules for the recognition of interest derived from delinquent accounts receivable.

Bulletin C-10 “Derivative financial instruments and hedging transactions” It establishes, among other aspects: a) the exclusion from the valuation of “options” or “forwards” of the difference between changes in their fair value and their intrinsic value during the term of the contract; b) that a forecasted future cash flow hedging transaction may be considered as primary, depending on its occurrence and if it is carried out between non-related parties; c) the presentation in supplementary accounts of the primary positions and portions of financial assets and liabilities which have been specifically modified in a portion of an investment portfolio; d) that accounts representing collateral contributions on margins, financial deposits on guarantees constituted by letters of credit or bonds, which do not become the entity’s property, should not be included as derivative financial instrument assets; and e) the option of taking just a portion of the notional amount of a hedging instrument to hedge a primary position.

MFRS C-13 “Related parties”. Extends the definition of close relative as a Company’s related party.

Bulletin D-5 “Leasing”. It establishes, among other aspects: a) an amplification and clarification of certain concepts to be considered in the determination of the discount rate to be used by the lessor and lessee in financial leases; b) additional disclosures in financial leases for lessor and lessee, and c) criteria for the determination of the gain or loss in sale-and-lease-back transactions.

Authorization of financial statements

The accompanying consolidated financial statements and their notes were authorized for issuance on February 29, 2012 by the Board of Directors and by the officers signing the consolidated financial statements and notes thereto.

NOTE 3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As of January 1, 2012 the company has adopted International Financial Reporting Standards (IFRS) as the accounting basis for its financial statements, in order to comply with the regulations issued by the National Banking and Securities Commission, and to comply with the MFRS Interpretation 19 “Changes arising from the adoption of International Financial Reporting Standards”. Subsequently, current IFRS issued to date will become the accounting basis applied in the preparation of financial statements. The effects of the adoption of IFRS on the financial statements of the Company are in process of being quantified and recorded and it would be premature to estimate the financial impact of their adoption at December 31, 2011, date of the financial statements, since changes may arise from the various options permitted by IFRS. However the most significant changes are expected to occur in property, plant and equipment and deferred taxes.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The most significant accounting policies, which have been consistently applied in the reporting years, unless otherwise indicated, are summarized below.

The preparation of the financial information in accordance with MFRS 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, allowance for doubtful accounts, inventory reserve, deferred income tax asset, valuation of financial instruments and labor obligations.

a. Consolidation

All significant balances and transactions between the consolidated companies have been eliminated for consolidation purposes. The consolidation was carried out on the basis of the audited financial statements of the subsidiaries.

The principal subsidiary companies of Autlán as of December 31, 2011 and 2010, were:

| <u>Service and other companies:</u> | <u>Main activity</u> | <u>% of ownership</u> | |
|---|--------------------------------|-----------------------|------|
| | | 2011 | 2010 |
| Compañía Ecológica de la Sierra, S.A. de C.V. | In preoperating stage | 100 | 100 |
| Compañía Recuperadora de Escorias, S.A. de C.V. | Recovery of slag and metals | 100 | 100 |
| GFM Cerámica, S.A. de C.V. | Production of ceramic products | 98 | 98 |
| Inmobiliaria Molango, S.A. de C.V. | Real estate services | 100 | 100 |
| Inmobiliaria y Operadora Turística Sterra, S.A. de C.V. | Hotel services | 100 | 100 |
| La Herradura de México, S.A. de C.V. | Agricultural products | 99 | 99 |
| Minas de Santa Marta, S.A. | Mining concessions | 100 | 100 |
| <u>Trading companies:</u> | | | |
| Autlán Metal Services, S.A. de C.V. | Marketing of ferroalloys | 99 | 99 |
| GFM Trading de México, S.A. de C.V. (1) | Marketing of ferroalloys | 99 | 99 |

(1) At a Stockholders' Meeting carried out on September 22, 2011, the stockholders approved a projected merger under which GFM Trading de México, S. A. de C. V., as the merging company, would absorb Arrendadora Autlán, S. A. de C. V., Comercial Autlán, S. A. de C. V., Industrial Minera Teziutlán Acatlán, S. A. and Metcore de México, S. A. de C. V. The merger took legal effect three months after the date of registry in the Public Registry of Property, at which time the merged companies ceased to exist.

b. Cash and cash equivalents

Cash and cash equivalents include petty cash balances, bank deposits and other highly liquid investments not exposed to significant changes in value.

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, financial instruments held for trading purposes and financial instruments available for sale. They are initially stated at acquisition cost and are subsequently valued 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. Financial instruments held for trading 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 financial instruments held for trading 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, 2011 and 2010, the inventories, purchases, raw materials and finished goods are stated at historical cost determined by the average cost method. Values so determined do not exceed market value.

Cost of sales is stated at historical cost, also determined by the average cost method.

The allowance for obsolete and/or slow-moving inventory is determined based on studies performed by the Company's Management, and is sufficient to absorb any loss for these concepts.

Inventories are subject to impairment testing during every accounting period with the objective of identifying obsolete, damaged or overvalued assets. In the event that the future economic benefits from the inventories are lower than their net book value a loss from impairment is recognized and recorded in the cost of sales of the period in which it arises.

e. Property, plant, equipment and depreciation

Property, plant and equipment, including assets acquired under financial leases, are stated as follows at December 31, 2011 and 2010: i) acquisitions subsequent to January 1, 2008 at historical cost, and ii) acquisitions of domestic origin up to December 31, 2007 at restated value determined by applying factors derived from the National Consumer Price Index (NCPI) to their historical cost. In the case of fixed assets of foreign origin, at historical cost stated in the currency of the country of origin restated by applying factors reflecting inflation in the country of origin through December 31, 2007 and translated into Mexican pesos at the exchange rate at that date.

Property, plant and equipment are subject to annual impairment tests only when there are signs of impairment. Accordingly, they are expressed at their modified historical cost, less the accumulated depreciation and any impairment losses.

The acquisition cost of property, plant and equipment requiring a substantial period of time to be available for use includes the capitalization of the comprehensive financing income or expense incurred in such period and attributable to its acquisition. Amounts so determined do not exceed related recovery value.

Based on analyses carried out by management of the future economic benefits of each category of fixed assets, considering the policies of the Company and the characteristics of each asset, depreciation is calculated by the straight-line method over the useful lives of the property, plant and equipment, applying the method uniformly in each period.

Depreciation of property, plant and equipment acquired under financial leases is calculated by the straight-line method over the term of the lease.

Property, plant and equipment acquired under financial leases are capitalized because they transfer substantially all the risks and benefits inherent in ownership. The capitalized value corresponds to the lesser of the leased assets value and the present value of the minimum payments under the lease. The financial costs of the financing granted by the lessor for the acquisition of these assets are recognized in income as they accrue.

f. Development and evaluation assets

Capitalized development and evaluation costs, in the case of tangible assets, are recorded as a component of property, plant and equipment, less any impairment effect. Those expenditures which do not represent tangible assets are recognized as intangible assets, and are amortized over the useful life of the development.

All capitalized development and evaluation costs are subject to impairment testing. In the event of indications of impairment, each exploration area is evaluated jointly with the related operating assets. To the extent that the capitalized expenditure is not expected to be recovered, it is charged to income of the year.

Administrative costs not directly attributable to exploration areas are charged directly to income as incurred.

g. Deferred charges

This item is stated as follows: i) changes incurred after January 1, 2008, at historical cost, and ii) changes incurred up to December 31, 2007, at restated values determined by applying to the acquisition or development cost factors derived from the NCPI up to that date. Consequently, these are expressed at modified historical cost, less the corresponding accumulated amortization. This item includes mainly expenses for the placement of debt which are amortized over the term of the obligations, and development, exploration and investigation expenses and mining concessions, which are amortized over a twelve-year term once the mineral extraction process starts.

h. Investments in shares of associated companies

Investments in shares of associated companies are recorded using the equity method. Under this method, the acquisition cost of the shares is modified by the proportional amount of the changes in the stockholders' equity accounts of the investee, subsequent to the date of acquisition.

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

i. Provisions

The liability provisions represent present obligations arising from past events where the future outflow of economic resources is probable. These provisions have been recorded based on Management's best estimate.

j. Transactions in foreign currency and exchange differences

Transactions in foreign currency are initially recorded in the recording currency by applying the exchange rates prevailing on the dates they are entered into and/or settled. Assets and liabilities denominated in such currencies are translated at the exchange rate prevailing on the balance sheet date. Exchange gain or loss arising from fluctuations in the exchange rates between the transaction and settlement dates, or valuation at the closing date, are recognized in income as a component of comprehensive financing income (expense).

k. Estimated liability for labor benefits

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

The direct short term benefits (salary, overtime, vacations, holidays, compensated absence payments, etc.) are recognized in income as they accrue and the corresponding liabilities are stated at their nominal value. Compensated absence payments based on legal or contractual provisions are non-cumulative.

Termination benefits for reasons other than restructuring, such as dismissal compensation or indemnities, seniority premiums, special compensations for voluntary separation, as well as retirement benefits (pensions, seniority premiums, and other retirement benefits), are recognized based on actuarial studies carried out by independent actuaries using the projected unit credit method.

The net period cost of each employee benefit plan is recognized as an operating expense of the period in which it accrues. It includes the amortization of the labor cost of past services and of the actuarial gain (loss) of previous periods.

The unamortized benefit costs at December 31, 2007, known as transitional liability, which include the labor cost of past services and unamortized actuarial gains (losses), are being amortized over a five-year period commencing January 1, 2008 instead of over the estimated remaining working life of the employees, as was the case up to 2007.

The actuarial studies of employees' benefits incorporate career salary increase assumptions.

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

Changes in the fair value of derivative financial instruments are recognized in comprehensive financing income, except when they are entered into to hedge risks and comply with all related hedging 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, in the normal course of its business, to financial risks, which in accordance with its financial strategy are regularly managed through Derivative Financial Instruments (DFI); these financial risks are usually related to exchange rates.

The Company engages in transactions with DFI for 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 incurred in Mexican pesos. Consequently, with the objective of minimizing the risk of a probable depreciation of the US dollar with respect to the Mexican peso, the Company seeks hedging through DFI. The most common types of instruments used by the company are: Foreign Currency Forwards and FX Options.

Through the use of DFI, the Company seeks to hedge its financial risks as described in the previous paragraph; however, it is also exposed to a credit risk known as "default". This credit risk occurs when the DFI counterparty does not comply with the obligations established in the relative agreement. Therefore, the Company minimizes the credit risk in its DFI positions by entering into these transactions only with financial intermediaries of excellent moral and credit quality; most of these transactions are carried out in private or over-the-counter markets with international financial institutions, although the Company also works with national institutions.

Management seeks to control and limit the risk by continually reviewing its 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 Chief Financial Officer, who reports on these activities to the Executive Committee on a monthly basis and on a quarterly basis to the Audit Committee and the Board of Directors.

m. Stockholders' equity

The capital stock, legal reserves, additional paid-in capital, and retained earnings are stated as follows: i) movements occurring after January 1, 2008 at historical cost, and ii) movements occurring before January 1, 2008 at restated values determined by applying factors derived from the NCPI through December 31, 2007 to their historical amounts. Accordingly, the various stockholders' equity components are stated at modified historical cost.

The additional paid-in capital represents the excess of the amounts paid for subscribed shares over their nominal value.

n. Repurchase of own shares

The purchase of the Company's own shares is recorded by a charge to stockholders' equity for the purchase price, part to the capital stock at modified historical value and the remainder to retained earnings. These amounts are stated at historical cost.

o. Revenue recognition

The Company recognizes revenues in the period in which it transfers the risks and benefits of inventories to the customers acquiring them, which generally occurs when these are shipped to the customer and the latter assumes the responsibility for such goods.

p. Comprehensive financial income (expense)

Comprehensive financial income (expense) is determined by grouping in the income statement all financial expenses and income and exchange differences.

q. Income tax and flat tax

For tax purposes, Autlán and its subsidiary, Compañía Ecológica de la Sierra, S. A. de C. V., consolidate their results for income tax purposes with Grupo Ferrominero, S. A. de C. V. (parent company). The charge for income tax shown in the consolidated statement of income represents the tax incurred in the year as well as the deferred tax effects determined in each company by the comprehensive asset-and-liability method, by applying the current tax rate to the total temporary differences resulting from comparing the accounting and comprehensive tax values of assets and liabilities, considering where applicable any tax loss carryforwards to the extent considered recoverable. The effect of any change in tax rates is recorded in income for the period in which the change in rate is enacted.

r. Deferred employees' profit sharing

The recognition of deferred employees' profit sharing is made based on the comprehensive asset-and-liability method, which consists of recognizing deferred employees' profit sharing for all differences between the accounting and tax values of assets and liabilities, where future payment or recovery is probable.

s. 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.

t. 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)".

u. Concentration of risks

The main financial instruments maintained by the Company with 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, 2011, 67.60% of the total accounts receivable portfolio was concentrated in five customers (77.81% in 2010). In addition, the Company maintains allowances for doubtful accounts based on the estimated recoverability of the accounts receivable.

v. Financial information by segments

MFRS B-5 "Financial information by segments" requires the Company to analyze its organizational structure and its reporting system for the purpose of identifying segments. In 2011 and 2010, the Company has operated based on only one business segment. This segment has been determined considering homogeneous types of goods and customers.

w. Goodwill

Based on MFRS C-7 "Investment in associated companies" investments in associated companies must be recognized initially based on the net fair value of identified assets and liabilities of the investee at the date of acquisition. When the fair value of the compensation paid for the acquisition is greater than the fair value of the net assets acquired, the difference represents Goodwill, which must be recognized as part of the investment in the associated company.

Goodwill is considered to have indefinite life and represents the excess of the cost of shares of subsidiaries over the fair value of the acquired assets, and its value is subject to annual impairment testing. Goodwill is stated at historical cost less any impairment effects.

NOTE 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances at December 31, 2011 and 2010, are composed primarily of cash funds, bank deposits, balances in foreign currency, precious metals and temporary investments realizable on demand. All of these are of great liquidity and subject to insignificant risks of change in value. The related balances are analyzed as follows:

| | December 31, | |
|--|--------------|------------|
| | 2011 | 2010 |
| Cash | Ps 3,229 | Ps 627 |
| Bank deposits | 38,523 | 29,003 |
| Investments realizable on demand with maximum maturity of three months | 829,728 | 467,339 |
| Total unrestricted cash | 871,480 | 496,969 |
| Restricted cash | 10,122 | 5,871 |
| Total cash and cash equivalents | Ps 881,602 | Ps 502,840 |

NOTE 6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The account receivable at December 31, 2011 and 2010, from Compañía de Energía Mexicana, S. A. de C. V. (CEMSA) (related party) in the amount of Ps76,877 and Ps208,564, respectively, shown in the balance sheet outside the current assets corresponds to contributions for future capital increases by Compañía Minera Autlán, S. A. B. de C. V. in that company (See Note 9).

The principal balances with related parties at December 31, 2011 and 2010, were as follows:

| Accounts receivable: | 2011 |
|--|-----------|
| Grupo Ferruminero, S.A. de C.V. (parent company) (1) | Ps 64,709 |
| Other | 3,892 |
| Total accounts receivable | Ps 68,601 |

| Accounts payable: | 2011 | 2010 |
|--|------------------|------------------|
| Grupo Ferrominero, S.A. de C.V. (parent company) (1) | | Ps 20,822 |
| CEMSA (Associated company) | Ps 24,027 | |
| Lynx Servicios Aéreos, S.A. de C.V. (Affiliate) | 3,299 | |
| Other | | 325 |
| Total accounts payable | Ps 27,326 | Ps 21,147 |

(1) These accounts come from lines of credit in current accounts; they do not bear interest and are considered recoverable in the short term or on demand.

The statement of income includes the following income (expenses) with related parties from transactions carried out in market conditions and at market prices:

| <u>Operations with parent company:</u> | 2011 | 2010 |
|--|----------|----------|
| Income from services | Ps 169 | Ps 115 |
| Financial expenses, net | (36,405) | (39,235) |
| Technical service expenses, net | (36,405) | (39,235) |
| Other expenses | (3,240) | |
| <u>Operations with associated companies:</u> | | |
| Income from services | 4,238 | 5,214 |
| Cost of supply of electrical energy (1) | (80,940) | |
| <u>Operations with affiliates:</u> | | |
| Income from services | 3,700 | 3,904 |
| Interest income | | 5,281 |
| Transportation services | (17,729) | (15,536) |
| Leasing expenses | (3,460) | |
| Administrative services | (29,218) | (20,932) |
| Other expenses | (3,235) | (3,334) |

(1) Autlán has established a long-term contract with CEMSA (associated company) for the supply of electrical energy which qualifies as an operating lease in accordance with MFRS bulletin D-5. The contract has a duration of 12 years and considers granting letters of credit to CEMSA and establishes that applicable rates on the supply of electrical energy will be determined applying a discount to reference rates of the Federal Electricity Commission.

For the period ended December 31, 2011, the salaries, wages and benefits paid to the principal officers of the company totaled Ps16,302 (Ps12,371 in 2010), composed of base salaries and benefits granted by law and complemented by a program of variable compensation based principally on the results of Autlán. No agreement or program exists that would involve employee share ownership.

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

NOTE 7. INVENTORIES

Inventories comprised the following:

| | 2011 | 2010 |
|--|-------------------|-------------------|
| Finished goods | Ps 208,998 | Ps 202,094 |
| Minerals and raw materials | 111,740 | 187,115 |
| Spare parts inventory | 106,991 | 92,374 |
| | 427,729 | 481,583 |
| Allowance for slow-moving and obsolete inventories | (449) | (449) |
| Total | Ps 427,280 | Ps 481,134 |

As mentioned in Note 12, the inventory of finished goods and raw materials is pledged to guarantee new unsubordinated notes issued during the month of December 2011.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

This caption comprised the following:

| | 2011 | 2010 | Depreciation |
|---|---------------------|---------------------|--------------|
| Components subject to depreciation: | | | |
| Buildings and constructions | Ps 1,316,676 | Ps 1,297,762 | 3% |
| Machinery and equipment | 4,746,104 | 4,622,717 | 4% |
| Furniture and equipment | 43,916 | 43,898 | 9% |
| Transportation equipment | 39,149 | 36,824 | 30% |
| Data processing equipment | 61,058 | 59,358 | 33% |
| Other assets | 300,049 | 222,751 | 37% |
| | 6,506,952 | 6,283,310 | |
| Less - Accumulated depreciation | (4,029,390) | (3,829,869) | |
| | 2,477,562 | 2,453,441 | |
| Components not subject to depreciation: | | | |
| Land | 69,137 | 69,137 | |
| Construction in progress | 304,206 | 150,569 | |
| Net restated value | Ps 2,850,905 | Ps 2,673,147 | |

At December 31, 2011 the analysis of impairment carried out did not result in any adjustment in asset value.

In view of the favorable conditions observed in the steel industry in 2011 and the behavior of prices of ferroalloys, and applying guidelines from MFRS C-15 "Impairment of Long-Lived Assets and their Disposal", in 2011 the company reversed the remaining impairment in the value of fixed assets that was recognized in the year 2001. The amount of the reversal for the year ended December 31, 2011 totaled Ps96,044, which is included in the caption "Other expenses, net" in the income statement for the year.

During 2011 and 2010, the following movements in property, plant and equipment occurred:

| | Balances at December 31, 2010 | Additions | Retirements | Depreciation | Balances at December 31, 2011 |
|--------------------------------|-------------------------------|-------------------|-------------------|---------------------|-------------------------------|
| Buildings and constructions | Ps 1,297,762 | Ps 18,914 | | | Ps 1,316,676 |
| Machinery and equipment | 4,622,717 | 126,364 | (Ps 2,977) | | 4,746,104 |
| Furniture and office equipment | 43,898 | 18 | | | 43,916 |
| Transportation equipment | 36,824 | 2,331 | (6) | | 39,149 |
| Data processing equipment | 59,358 | 1,700 | | | 61,058 |
| Other | 222,751 | 77,298 | | | 300,049 |
| | 6,283,310 | 226,625 | (2,983) | | 6,506,952 |
| Accumulated depreciation | (3,829,869) | | 1,841 | (Ps 201,362) | (4,029,390) |
| | 2,453,441 | 226,625 | (1,142) | (201,362) | 2,477,562 |
| Land | 69,137 | | | | 69,137 |
| Construction in progress | 150,569 | 153,637 | | | 304,206 |
| Total | Ps 2,673,147 | Ps 380,262 | (Ps 1,142) | (Ps 201,362) | Ps 2,850,905 |

| | Balances at December 31, 2009 | Additions | Retirements | Depreciation | Impairment | Balances at December 31, 2010 |
|--------------------------------|-------------------------------|-------------------|--------------------|---------------------|------------------|-------------------------------|
| Buildings and constructions | Ps 1,284,918 | Ps 12,844 | | | | Ps 1,297,762 |
| Machinery and equipment | 4,493,627 | 43,686 | (Ps 10,640) | | Ps 96,044 | 4,622,717 |
| Furniture and office equipment | 41,795 | 2,103 | | | | 43,898 |
| Transportation equipment | 45,239 | 6,660 | (15,075) | | | 36,824 |
| Data processing equipment | 57,581 | 1,821 | (44) | | | 59,358 |
| Other | 127,716 | 95,035 | | | | 222,751 |
| | 6,050,876 | 162,149 | (25,759) | | 96,044 | 6,283,310 |
| Accumulated depreciation | (3,652,780) | | 14,849 | (Ps 191,938) | | (3,829,869) |
| | 2,398,096 | 162,149 | (10,910) | (191,938) | 96,044 | 2,453,441 |
| Land | 67,127 | 2,100 | (90) | | | 69,137 |
| Construction in progress | 96,212 | 54,357 | | | | 150,569 |
| Total | Ps 2,561,435 | Ps 218,606 | (Ps 11,000) | (Ps 191,938) | Ps 96,044 | Ps 2,673,147 |

NOTE 9. PERMANENT INVESTMENT IN ASSOCIATED COMPANY

At December 31, 2011, Compañía Minera Autlán, S. A. B. de C. V. acquired 49% of the shares of CEMSA through the capitalization of contributions for future capital increases.

The fair value of the assets acquired and the determination of the goodwill is summarized as follows:

| | |
|---|------------|
| Equity at fair value | Ps 160,677 |
| Contributions for the future capital increases made by Autlán and now capitalized | 293,552 |
| Goodwill | Ps 132,875 |

Since at the date of issuance of the financial statements, the Company is in the process of calculating the exact amounts of acquired assets and liabilities, the balances shown represent their best estimate at the end of the year.

The Company exercises significant influence over the aforementioned associated company since it participates in deciding the financial and operating policies without having full control. Since it holds more than ten percent of voting power of the shares of CEMSA, it has representation on the Board of Directors.

The balance of the investment in shares of the associated company at December 31, 2011 is composed as follows:

| | |
|---|------------|
| Investment in permanent shares of associated company | Ps 160,677 |
| Goodwill | 132,875 |
| Investment in permanent shares of associated company at the end of the year | Ps 293,552 |

Certain financial information of the associated company at December 31, 2011 and 2010, and the ownership percentage, is shown below:

| | 2011 |
|-----------------------|------------|
| Percentage ownership | 49% |
| Current assets | Ps 57,793 |
| Noncurrent assets | 1,042,374 |
| Current liabilities | (67,194) |
| Long-term liabilities | (705,061) |
| Total | Ps 327,912 |
| Income | Ps 85,557 |

NOTE 10. OTHER ASSETS AND DEFERRED CHARGES - NET

At December 31, 2011 and 2010, the balance of other assets and deferred charges comprised the following:

| | 2011 | 2010 |
|--|-------------------|-------------------|
| Capitalized expenses in connection with issuance of unsubordinated guaranteed notes due 2014 (a) | | Ps 22,399 |
| Capitalized expenses in connection with issuance of unsubordinated guaranteed notes due 2016 (b) | Ps 48,463 | |
| Mining concessions (c) | 36,733 | 8,433 |
| Development, exploration and investigation expenses (d) | 198,985 | 140,223 |
| Other assets | 15,976 | 6,752 |
| | 300,157 | 177,807 |
| Accumulated amortization | (64,630) | (45,059) |
| Total other assets and deferred charges | Ps 235,527 | Ps 132,748 |

(a) As mentioned in Note 12, during the year 2011, notes issued with maturity date of 2014 where paid in advance and the corresponding deferred charges were cancelled.

(b) Corresponds to expenses and fees incurred in the issuance of notes with maturity dates in 2016. These are being amortized by the straight-line method over the term of the notes (See Note 12).

(c) In 2011, the Company acquired the concession of the manganese mining lot "Xilitla" through a public offering by the Mexican Geological Service. This will be amortized over approximately 20 years.

(d) During the years 2011 and 2010, the Company continued to prepare a subterranean mine with the purpose of exploiting it under a new safer and more productive system. In the year ended December 31, 2011, Ps58,762 (Ps34,848 in 2010) was invested. It is estimated that once the project has been concluded, the exploitation period will commence and the investment will be amortized over 12 years.

The amortization charged to income for the years ended December, 31, 2011 and 2010, totaled Ps41,970 and Ps20,925, respectively.

The reconciliation of the value of intangible assets at the beginning and end of the year is as follows:

| | Investment | Accumulated amortization |
|--|-------------------|--------------------------|
| Balances at January 1, 2011 | Ps 177,807 | (Ps 45,059) |
| Plus (less): | | |
| Development expenses | 58,762 | (14,847) |
| Capitalized expenses in connection with issuance of unsubordinated guaranteed notes due 2016 | 48,463 | |
| Concessions | 28,300 | (1,349) |
| Amortization of expenses from the issuance of bond | | (17,919) |
| Cancelation of capitalized expenses from the issuance of unsubordinated notes due 2014 | (22,399) | 22,399 |
| Other | 9,224 | (7,855) |
| Balances at December 31, 2011 | Ps 300,157 | (Ps 64,630) |

| | Investment | Accumulated amortization |
|--|------------|--------------------------|
| Balances at January 1, 2010 | Ps 138,919 | (Ps 24,134) |
| Plus: | | |
| Development expenses | 33,138 | (16,445) |
| Capitalized expenses in connection with issuance of unsubordinated guaranteed notes due 2014 | | (4,480) |
| Concessions | 5,750 | |
| Balances at December 31, 2010 | Ps 177,807 | (Ps 45,059) |

NOTE 11. FOREIGN CURRENCY POSITION

At December 31, 2011 and 2010, the exchange rates were Ps13.98 and Ps12.36 pesos to the U.S. dollar, respectively. At March 9, 2011, date of issuance of these audited financial statements, the exchange rate was Ps12.78 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, 2011 and 2010, the companies had the following foreign currency assets and liabilities:

| | 2011 | 2010 |
|------------------------------------|--------------|--------------|
| Monetary assets | US\$ 134,641 | US\$ 93,843 |
| Monetary liabilities | (105,767) | (51,435) |
| Foreign currency monetary position | US\$ 28,874 | US\$ 42,408 |
| Nonmonetary assets | US\$ 101,592 | US\$ 106,577 |

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:

| | 2011 | 2010 |
|---------------------|-------------|--------------|
| Goods and services: | | |
| Exports | US\$ 99,902 | US\$ 121,377 |
| Imports | (64,076) | (86,501) |

NOTE 12. NOTES ISSUED

During the month of December 2011, the Company contracted new financing in the amount of US\$80 million through the private issuance of debt denominated “Unsubordinated guaranteed notes”. The liability matures in the year 2016 and bears annual variable interest at Libor at three months plus 6.5 points, payable on a monthly basis. These notes are guaranteed with the future income from certain domestic sales as well as a pledge of the Company’s inventory. The funds obtained from this financing were used for the advance repayment of the balance of notes previously issued in the amount of US\$34,419 million dollars since the terms of the new notes were more favorable. At a Board of Directors meeting on December 13, 2011 the consent and approval of the holders of such notes was ratified.

The costs and expenses including the premiums and discounts on the placement of the new notes totaled Ps48,463 and are being amortized over the term of the notes. The unamortized costs and expenses of the earlier issue at December 2011 in the amount of Ps13,430 were cancelled against the year’s income and are presented in the income statement in other expenses.

At December 31, 2011, long-term maturities were as follows:

| | |
|------|--------------|
| 2013 | Ps 30,223 |
| 2014 | 362,691 |
| 2015 | 362,691 |
| 2016 | 362,691 |
| | Ps 1,118,296 |

At December 31, 2011 and 2010, there were cash deposits (restricted cash) that guaranteed the upcoming maturities of principal and interest on the above notes. At December 31, 2011 and 2010, these deposits totaled US\$724,000 and US\$475,000 respectively (equivalent to Ps10,126 and Ps5,870 respectively).

The current debt agreement contains certain restrictions, primarily related to compliance with financial ratios and delivery of financial information, which, if not complied with or covered to the satisfaction of the creditors within a specific time period, could be considered as an event of default requiring immediate repayment of the notes. At December 31, 2011, Autlán and its subsidiaries had complied satisfactorily with the aforementioned restrictions and commitments.

Subsequent event

On February 27, 2012, management acquired a derivative financial instrument denominated “interest rate swap” through a financial institution which allows the interest flows from the notes issued, originally set at a variable rate, to be exchanged for a fixed monthly rate of 7.39%. The instrument will have the same duration as the notes issued, until the year 2016.

NOTE 13. NOTES PAYABLE

At December 31, 2011 and 2010, the notes payable were analyzed as follows:

| | 2011 | 2010 |
|---|-----------|----------|
| Current note payable in dollars bearing interest at a fixed annual rate of 1.125% | Ps 90,862 | |
| Current note payable in dollars bearing interest at a variable annual rate of Libor plus 4.5 points | 75,073 | |
| Long-term note payable in dollars bearing interest at a variable annual rate of Libor plus 2 points | 41,908 | |
| Long-term note payable in dollars bearing interest at a fixed annual rate of 7.9% | 8,271 | |
| Financial lease contract bearing interest at an average annual rate of 6% | | Ps 4,066 |
| Other loans without guarantee | 4,893 | 5,204 |
| | 221,007 | 9,270 |
| Current portion of notes payable | (180,176) | (6,904) |
| Long-term debt | Ps 40,831 | Ps 2,366 |

At December 31, 2011 the maturities of the long-term debt were as follows:

| | |
|------|-----------|
| 2013 | Ps 10,765 |
| 2014 | 8,367 |
| 2015 | 7,672 |
| 2016 | 14,027 |
| | Ps 40,831 |

NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended December 31, 2011, the company acquired and settled derivative financial instrument contracts negotiated at short-term to cover exchange rate and natural gas price risks.

a) Exchange rates

The Company's strategy to hedge the exchange rate risk factor during 2011 and 2010 was to use short-term hedges classified as held for trading purposes and it paid in full all operations with maturity dates at December 31, 2010. The open positions at December 31, 2011 are summarized as follows:

| Type of derivative, security or contract | Notional amount | Value of the underlying asset | | Fair value |
|--|-----------------|-------------------------------|-----------|------------|
| | | Unit | Reference | |
| Currency forward | US\$ 3,000,000 | Pesos/Dollar | 13.41 | Ps 1,651 |
| Currency forward | US\$ 3,000,000 | Pesos/Dollar | 13.70 | 779 |
| Option put | US\$ 3,000,000 | Pesos/Dollar | 13.95 | 2 |
| Option call | US\$ 3,000,000 | Pesos/Dollar | 13.95 | (1,347) |
| Option put | US\$ 5,000,000 | Pesos/Dollar | 13.95 | 142 |
| Option call | US\$ 5,000,000 | Pesos/Dollar | 13.95 | (716) |
| Option put | US\$ 3,000,000 | Pesos/Dollar | 13.99 | 60 |
| Option call | US\$ 3,000,000 | Pesos/Dollar | 13.99 | (1,698) |
| Option put | US\$ 5,000,000 | Pesos/Dollar | 13.99 | 527 |
| Option call | US\$ 5,000,000 | Pesos/Dollar | 13.99 | (1,466) |
| Option put | US\$ 3,000,000 | Pesos/Dollar | 13.94 | 158 |
| Option call | US\$ 3,000,000 | Pesos/Dollar | 13.94 | (2,002) |
| Option put | US\$ 5,000,000 | Pesos/Dollar | 13.94 | 836 |
| Option call | US\$ 5,000,000 | Pesos/Dollar | 13.94 | (1,993) |
| Total | | | | Ps 5,067 |

b) Energy

At December 31, 2011, the Company had no open positions on derivative financial instruments covering natural gas and at December 31, 2010 it had open positions on 7 contracts with a notional amount of 720,000 MMBTU and maturity dates in the short-term and with a total market value of Ps1,519 (US\$122,889), which are shown in the balance sheet in the caption "Other accounts receivable".

During the years ended December 31, 2011 and 2010, the company recorded net charges and credits, respectively, to income of Ps46,963 and Ps18,767, for the valuation and settlement of contracts in force in those years.

NOTE 15. ESTIMATED LABOR BENEFITS

a. The reconciliation between the initial and final balances of the present value of defined benefit obligations (DBO) for the years 2011 and 2010 is as follows:

| | Pension plan | Seniority premiums | Severance indemnities | Other retirement benefits | Total |
|----------------------------------|--------------|--------------------|-----------------------|---------------------------|-----------|
| DBO at January 1, 2011 | Ps 41,691 | Ps 28,174 | Ps 11,916 | Ps 2,731 | Ps 84,512 |
| Add (deduct): | | | | | |
| Labor cost of current service | 3,727 | 1,331 | 862 | 570 | 6,490 |
| Financial cost | 3,542 | 2,327 | 991 | 213 | 7,073 |
| Actuarial (gains) losses in year | 2,790 | 7 | (4,226) | | (1,429) |
| Payments | (1,970) | 879 | 3,132 | (312) | 1,729 |
| DBO at December 31, 2011 | Ps 49,780 | Ps 32,718 | Ps 12,675 | Ps 3,202 | Ps 98,375 |

| | Pension plan | Seniority premiums | Severance indemnities | Other retirement benefits | Total |
|-------------------------------|--------------|--------------------|-----------------------|---------------------------|-----------|
| DBO at January 1, 2010 | Ps 32,280 | Ps 25,853 | Ps 13,130 | Ps 2,564 | Ps 73,827 |
| Add (deduct): | | | | | |
| Labor cost of current service | 2,796 | 1,209 | 761 | 411 | 5,177 |
| Financial cost | 2,877 | 2,258 | 1,135 | 201 | 6,471 |
| Actuarial (gain) loss in year | 4,298 | 720 | (2,429) | 221 | 2,810 |
| Payments | (560) | (1,866) | (681) | (666) | (3,773) |
| DBO at December 31, 2010 | Ps 41,691 | Ps 28,174 | Ps 11,916 | Ps 2,731 | Ps 84,512 |

b. The value of vested benefit obligations at December 31, 2011 and 2010, was Ps50,607 and Ps45,093, respectively.

c. The reconciliation between the projected net liabilities recorded in the balance sheet, the DBO and the amounts pending amortization, is shown below:

| | Pensions December 31 | | Seniority premiums December 31 | | Indemnities December 31 | | Other retirement benefits December 31 | | Total | |
|------------------------------------|----------------------|-----------|--------------------------------|-----------|-------------------------|-----------|---------------------------------------|----------|-----------|-----------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| <u>Labor liabilities:</u> | | | | | | | | | | |
| DBO | Ps 49,780 | Ps 41,691 | Ps 32,718 | Ps 28,174 | Ps 12,675 | Ps 11,916 | Ps 3,202 | Ps 2,731 | Ps 98,375 | Ps 84,512 |
| Fair value of plan assets | (29,015) | (29,142) | | | | | | | (29,015) | (29,142) |
| Funding position | 20,765 | 12,549 | 32,718 | 28,174 | 12,675 | 11,916 | 3,202 | 2,731 | 69,360 | 55,370 |
| <u>Less items to be amortized:</u> | | | | | | | | | | |
| Actuarial losses | (5,002) | (1,799) | 3,222 | 4,059 | (1) | | | | (1,781) | 2,260 |
| Transition liability | | | (109) | (3) | (165) | (327) | | | (281) | (330) |
| Net projected liabilities | Ps 15,763 | Ps 10,750 | Ps 35,831 | Ps 32,230 | Ps 12,509 | Ps 11,589 | Ps 3,202 | Ps 2,731 | Ps 67,298 | Ps 57,300 |

d. Net period cost (NPC)

An analysis of the NPC by type of plan is as follows:

| | Pensions December 31, | | Seniority premiums December 31, | | Indemnities December 31, | | Other retirement benefits December 31, | | Total | |
|-----------------------------|-----------------------|-----------------|------------------------------------|-----------------|--------------------------|-------------------|---|---------------|------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| <u>NPC:</u> | | | | | | | | | | |
| Labor cost of service | Ps 3,727 | Ps 2,796 | Ps 1,331 | Ps 1,209 | Ps 862 | Ps 761 | Ps 570 | Ps 411 | Ps 6,490 | Ps 5,177 |
| Financial cost | 3,542 | 2,877 | 2,327 | 2,258 | 991 | 1,135 | 213 | 201 | 7,073 | 6,471 |
| Return on plan assets | (2,262) | (2,551) | | | (13) | | 3 | | (2,272) | (2,551) |
| Actuarial (gain) or loss | | (68) | (128) | (232) | (1,077) | (2,428) | (310) | 226 | (1,515) | (2,502) |
| Labor cost of prior service | | | 72 | 72 | 165 | 167 | | | 237 | 239 |
| Other | 6 | | | (1,866) | (14) | (681) | 1 | (666) | (7) | (3,213) |
| Total | Ps 5,013 | Ps 3,054 | Ps 3,602 | Ps 1,441 | Ps 914 | (Ps 1,046) | Ps 477 | Ps 172 | Ps 10,006 | Ps 3,621 |

e. Principal actuarial hypotheses:

The principal actuarial hypotheses used, expressed in absolute terms, the discount rates, the return on assets, salary increases and changes in indexes and other variables, referred to December 31, 2011 and 2010, were the following:

| <u>Concept</u> | 2011 | 2010 |
|---------------------------------|------|------|
| | %(*) | %(*) |
| Discount rate | 8.10 | 7.98 |
| Rate of return | 7.98 | 7.98 |
| Rate of salary increase | 4.61 | 4.79 |
| Rate of minimum salary increase | 3.75 | 3.75 |

(*) Annual nominal

NOTE 16. STOCKHOLDERS' EQUITY

Capital stock, legal reserve, additional paid-in capital and retained earnings are stated in modified historical Mexican pesos (see Note 2).

At December 31, 2011 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, and variable capital stock was represented by 165,250,087 Series "B", common nominative shares without par value.

At December 31, 2011, Autlán had 1,871,800 shares held in treasury; each such share had a market value of Ps15.70 pesos at such date (Ps30.29 at the date of issuance of these financial statements).

At December 31, 2011, the retained earnings included Ps255,820 appropriated to the legal reserve.

In a meeting held on April 27, 2010, the stockholders declared a dividend of Ps0.4544 per Series "B" share, equivalent to Ps123,096.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account, the balance of which at December 31, 2011 and 2010, was Ps1,064,454 and Ps1,237,698 respectively. Any dividends paid in excess of this account will cause a tax equivalent to 42.86% if they are paid in 2011. This tax is payable by the Company and may be credited against its income tax in the same year or the following two years or, if applicable, against the Flat tax of the year. Dividends paid from previously taxed profits are not subject to any 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.

NOTE 17. OTHER (EXPENSE) INCOME, NET

Management follows the practice of recording in this caption expenditures that are not directly identified with its main activities. These consist mainly of employees' profit sharing in the amount of Ps54,019 in the year ended December 31, 2011 (Ps80,207 in 2010), tax surcharges, fines, technical services, nonrecurring expenses and other provisions.

NOTE 18. INCOME TAX AND FLAT TAX

a. Income tax:

In 2011 the Company and subsidiaries determined a tax profit of Ps537,934 (Ps808,236 in 2010). The tax result differs from the accounting result mainly because of items taxed or deducted on a different basis or in different time periods for accounting and tax purposes, and due to the recognition of the effects of inflation for tax purposes, as well as items that only affect either accounting or taxable income.

Based on its financial and tax projections, the Company's management determined that the primary tax it will pay in the future will be the income tax rather than the flat tax. Therefore it has recognized deferred income tax rather than deferred flat tax.

A tax reform enacted in December 2009 established that the income tax rate applicable from 2010 to 2012 would be 30%, for 2013 20% and for 2014 28%. Also, the possibility of applying the excess of deductions over taxable income for flat tax purposes (flat tax loss carry forwards) to reduce the income tax currently payable was eliminated; however, this excess may still be applied to reduce flat tax income of future years.

b. Flat tax:

For the years ended December 31, 2011 and 2010, the Company had no flat tax liability since its income tax liability was greater than the amount determined for flat tax. The flat tax result differs

from the accounting result primarily because for accounting purposes the transactions are recognized on an accrual basis, while for tax purposes they are recognized on a cash basis, and because certain items only affect the accounting or tax income of the year.

Flat tax for 2011 and 2010 is calculated at a 17.5% rate on the profit determined based on cash flows. This profit represents the difference between the total income collected from taxable activities, less the authorized deductions paid. In addition, this amount is then reduced by certain flat tax credits, based on the procedures established in the law.

In accordance with the current tax law, the Company must pay annually the greater of income tax and flat tax.

The net (charge) credit to consolidated income for taxes was as follows:

| | 2011 | 2010 |
|------------------------------|--------------|--------------|
| Income tax currently payable | (Ps 139,525) | (Ps 191,554) |
| Deferred income tax | (8,003) | (129,238) |
| Total | (Ps 147,528) | (Ps 320,792) |

The reconciliation between the statutory and effective income tax rates is as follows:

| | 2011 | 2010 |
|--|--------------|--------------|
| Profit before income tax | Ps 392,450 | Ps 834,654 |
| Income tax at statutory rate (30% in both years) | (Ps 117,735) | (Ps 250,396) |
| Add (deduct) effect of income tax on: | | |
| Accounting and tax effects of inflation | (917) | 1,322 |
| Non-deductible expenses | (8,615) | (2,699) |
| Effect of non-deductible investments | (2,067) | (5,736) |
| Valuation reserve on tax losses and asset tax | (20,774) | (18,784) |
| Other permanent differences, net | 2,580 | (45,499) |
| Total income tax provision charged to income | (Ps 147,528) | (Ps 321,792) |
| Effective income tax rate | 37.6% | 38.5% |

At December 31, 2011 and 2010, the principal temporary differences on which deferred income tax was recognized were as follows:

| | 2011 | 2010 |
|---|--------------|--------------|
| Allowance for doubtful accounts | Ps 49,245 | Ps 49,245 |
| Inventories | 34,124 | 28,201 |
| Property, plant and equipment, net | (2,359,738) | (2,382,638) |
| Other assets | (258,217) | (266,255) |
| Valuation of derivative financial instruments | 5,067 | |
| Liability provisions | 30,337 | 52,686 |
| Employees' profit sharing | 63,250 | 90,375 |
| Estimated labor benefits | 64,223 | 57,300 |
| Tax loss carryforwards | 82,190 | 67,677 |
| | (2,289,519) | (2,303,409) |
| Income tax at applicable rate | 28% | 28% |
| | (633,335) | (646,106) |
| Asset tax recoverable | 34,526 | 34,526 |
| Valuation reserve (a) | (57,539) | (36,765) |
| Deferred income tax liability | (Ps 656,348) | (Ps 648,345) |

(a) The valuation reserve was recognized due to the uncertainty as to whether the tax losses in the subsidiaries and the asset tax paid until 2007 can be recovered.

The deferred income tax liability recorded at December 31 was charged as follows:

| | 2011 | 2010 |
|---------------------------------------|--------------|--------------|
| Balance from prior year | (Ps 648,345) | (Ps 519,107) |
| Deferred tax effect charged to income | (8,003) | (129,238) |
| Balance at end of year | (Ps 656,348) | (Ps 648,345) |

Consolidated tax loss carryforwards are restated for inflation and may be offset against future taxable income. They expire in the following years:

| | |
|------|-----------|
| 2012 | Ps 1,503 |
| 2013 | 2,604 |
| 2014 | 3,916 |
| 2015 | 1,492 |
| 2016 | 1,994 |
| 2017 | 1,884 |
| 2018 | 2,492 |
| 2019 | 25,855 |
| 2020 | 13,563 |
| 2021 | 26,887 |
| | Ps 82,190 |

Figures have been restated for tax effects to December 31, 2011.

Asset tax in excess of income tax effectively paid through December 31, 2007 (when this tax was eliminated) may be recovered in accordance with the method established in the Flat Tax Law. The Company has the right to request the return of the asset tax for an accumulated amount of Ps34,526, as follows:

| Year in which the tax was paid | Restated amount | Year in which the right of recovery expires |
|--------------------------------|------------------|---|
| 2002 | Ps 6,717 | 2012 |
| 2003 | 11,116 | 2013 |
| 2004 | 16,693 | 2014 |
| | <u>Ps 34,526</u> | |

NOTE 19. CONTINGENCIES

The Company is currently involved in several lawsuits and other disputes arising in the normal course of its operations, none of which are of importance in the individual or the aggregate. They are not expected to have a significant effect on the future financial position and results of operations.

José H. Madero M.
Chief Executive Officer

Gustavo Cárdenas A.
Chief Financial Officer



This annual report may contain references to the future performance of Minera Aulán, 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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