

# AUDIT AND CORPORATE GOVERNANCE COMMITTEE OF INDUSTRIAS PEÑÓLES, S.A.B. DE C.V.

## ANNUAL REPORT

Mexico City, February 13, 2012

### **Board of Directors Industrias Peñoles, S.A.B. de C.V.**

#### **Dear Board Members:**

On behalf of the Audit and Corporate Governance Committee of Industrias Peñoles, S.A.B. de C.V. (the "Company") and in my capacity as President of the Committee, I have the pleasure to submit the annual report corresponding to the 2011 fiscal year, in accordance with Article 43 of the Securities Market Law.

The Internal Auditor submitted to this Committee a report about the significant internal control items that arose during the execution of his annual audit plan, as well as those that were rectified during the year and those still unresolved. Similarly, the Internal Auditor analyzed the internal control items reported by the Company's External Auditor, and detailed compliance with the Code of Conduct and complaints received through the anonymous whistleblower mechanism for reporting improper actions.

The Committee analyzed the Company's separate and consolidated financial statements prepared by management, as well as the External Auditors' opinion which was included in their report about the financial statements corresponding to the 2011 fiscal year. Based on that information and in accordance with Article 42, section II, subsection e) of the Securities Market Law, the Committee's opinion about the content of the Report from the Chief Executive Officer ("CEO") is that: (i) all accounting policies and criteria applied by the Company are adequate and sufficient, taking in consideration the Company's specific circumstances; (ii) these policies and criteria have been consistently applied within the information submitted by the Company's CEO, and (iii) as a result of sections (i) and (ii) above, the information submitted by the CEO reasonably reflects the financial position and results of the Company. As such, the Committee recommends the Board of Directors approve the separate and consolidated financial statements.

The Committee evaluated the performance of the external audit firm which renders the services of external audit, any other additional services, as well as the services rendered by the External Auditor leading the audit, ensuring that all those services met the requirements necessary for performing the tasks entrusted to them and that the additional services rendered by the firm achieved the recognized purposes.

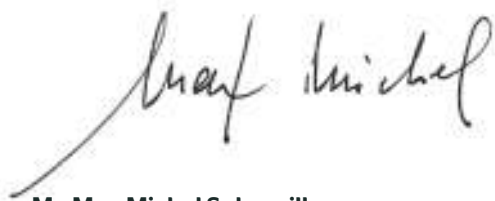
In accordance with the Certification issued by the Secretary of the Board of Directors, the Committee was informed that the resolutions from the Shareholders and from the Board of Directors corresponding to the 2011 fiscal year were duly executed and, moreover, that several proceedings of the Board of Directors' ordinary meetings included resolutions regarding the transactions and activities in which the Board participated pursuant to the provisions of the Securities Market Law. Additionally, this Certification ascertains that during the fiscal year, the Board of Directors did not grant waivers to Directors, Executive Officers or individuals with Power of Command, to take advantage of business opportunities for their own benefit or for that of third parties, related to the Company or to those entities controlled by it or in which the Company has a significant influence.

Furthermore, the Committee has no knowledge of any shareholder, Director, Executive Officer, employee and, in general, any third party, who has expressed any observation whatsoever regarding the Company's accounting, internal controls and matters related to the internal or external audit, or of any claims received during the 2011 fiscal year related to wrongdoings in management.

The Nomination, Compensation and Evaluation Committee of the Company ("NCEC") submitted a report to this Committee, by which the NCEC reported that during the 2011 fiscal year it analyzed the performance of the Executive Officers without any remarks, and that it examined the compensation and remuneration packages for the CEO and for the Executive Officers and that, upon the NCEC's opinion, those packages are in compliance with the policy approved by the Board of Directors.

According to information provided by management, the most significant transactions executed with related parties during the 2011 fiscal year correspond to, among others, the sale of metals, treatment fees, purchase of mineral concentrates, collection of royalties, rendering of services, and revenue from financial instruments, all executed with the Company's subsidiaries, as well as with other companies in the holding group to which the Company belongs, thereby informing that such transactions were executed at market prices and that the Company obtained transfer pricing studies from external specialists for the majority of those transactions.

On behalf of the Audit and Corporate Governance Committee,



**Mr. Max Michel Suberville**

CHAIRMAN OF THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Industrias Peñoles, S.A.B. de C.V.