



May 2011

ICMI CERTIFICATION SUMMARY REPORT

La Herradura Gold Mine, Mexico

Submitted to:

International Cyanide Management Institute
(ICMI)
888 16th Street, NW-Suite 303
Washington, DC 20006
UNITED STATES OF AMERICA

Minera Penmont S de R.L. de C.V.
Callejon Sin Nombre 209 Oeste Entre
Ave. N y P
Col. Centro, C.P. 83600
H. Caborca, Sonora
Mexico

REPORT

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1.0 SUMMARY AUDIT REPORT FOR GOLD MINING OPERATIONS

Name of Mine: La Herradura Gold Mine
Name of Mine Owner: Fresnillo Plc
Name of Mine Operator: Minera Penmont S de R.L. de C.V.
Name of Responsible Manager: José Arturo Arredondo Morales, La Herradura Mine
Address: Minera Penmont S de R.L. de C.V.
Callejon Sin Nombre 209 Oeste Entre Ave. N y P
Col. Centro, C.P. 83600
H. Caborca, Sonora
State/Province: H. Caborca, Sonora
Country: Mexico
Telephone: + 52 637 373-2204
Fax: + 52 637 372-2044
E-Mail: arturo_arredondo@fresnilloplc.com

2.0 LOCATION DETAIL AND DESCRIPTION OF OPERATION

2.1 Mine Location

La Herradura is located in the Altar desert approximately 80 kilometres northwest of the city of Caborca and 20 km from the coast of the Gulf of California in the state of Sonora, Mexico (see Figures 1 and 2). An average of 762 persons were employed at La Herradura during 2009.



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Figure 1: Regional Location Plan

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Figure 2: Local Location Plan

2.2 Background

Exploration of La Herradura dates back to 1987. The reserves were found to reach 50 million tons with a gold grade of 1 gram of gold per ton, amounting to 1.15 million recoverable ounces. To date, 90 million tons of mineral have been mined with 1.63 million ounces recovered.

La Herradura is an open pit gold mine with a fenced, guarded plant area, a pregnant pond and six contingency ponds, a leach pad and associated pipework.

The run-of-mine mineral is sent directly to the heap leach pad. The mine has one heap leach pad which has been sub divided into 8 Phases (Phase 9 was under construction at the time of the audit). The leach pad was constructed with a composite liner of compacted clay and geomembrane. Once in the leach pad the mineral is dampened with a cyanide solution by drip irrigation.

The ore is then processed in a Merrill Crowe Plant comprising clarification, deoxygenation and zinc precipitation equipment. No carbon in leach is required due to the composition of the rock. (see Figure 3 Process Flow Diagram).

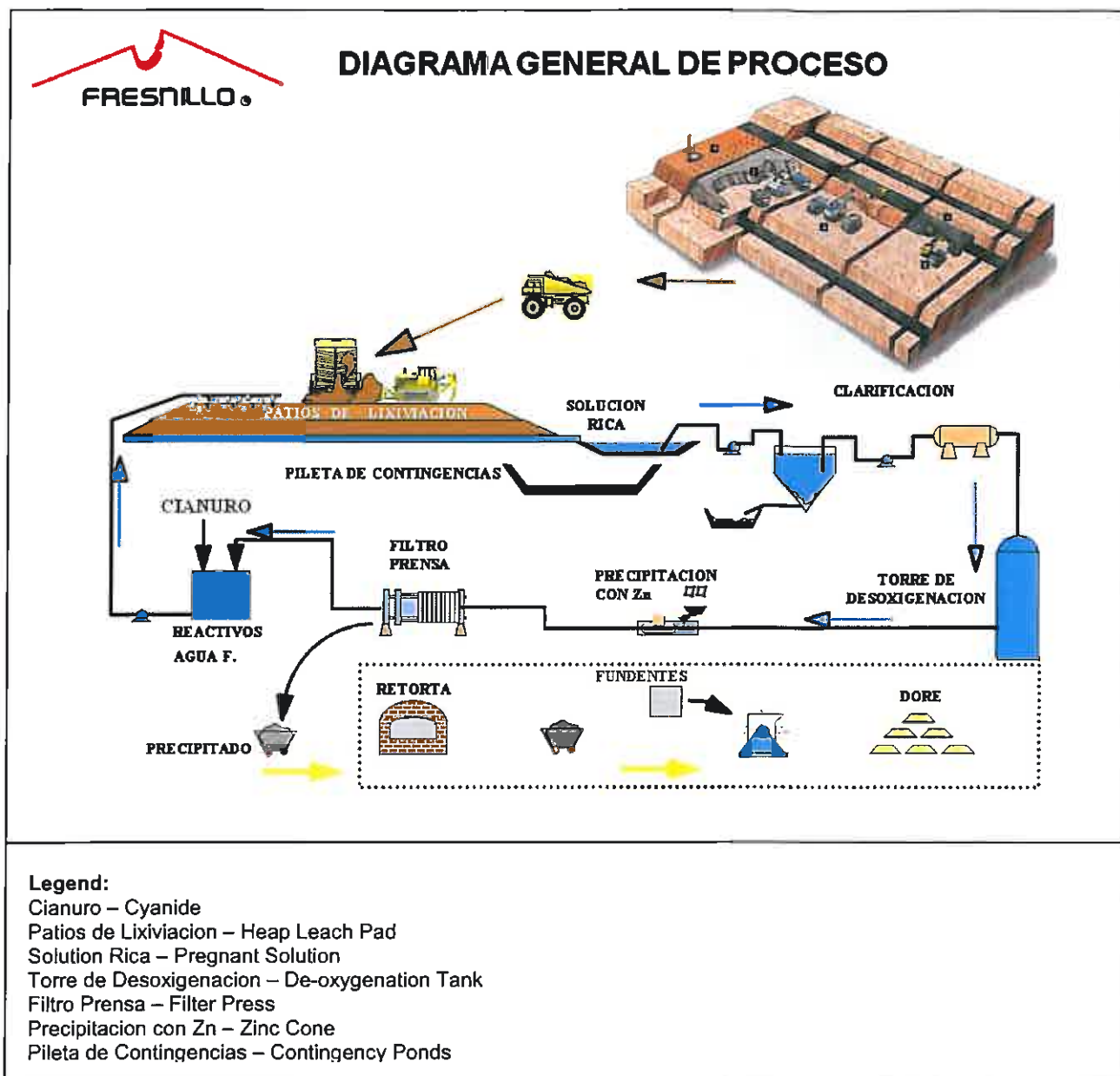


Figure 3: Process Flow Diagram (supplied by La Herradura)

The plant consists of a cyanide preparation tank (16 m³), cyanide storage tank (50 m³), a feed tank to the zinc cone (8 m³), a pregnant solution column, filter wash tanks, clarifiers, a deoxygenation tank and a zinc cone and barren tank (there is no barren pond). The mixing tank, storage tank, and feed tank are within the same secondary containment, whereas the barren tank is within a separate secondary containment along with the clarifiers and pressure filters. The secondary containment for the mixing tank, storage tank, and feed tank comprises reinforced concrete walls and floor and has a capacity in excess of 110 percent of the volume of the largest tank. The secondary containment drains to a main sump with a dedicated pump, which then returns any spilled solutions to the process circuit. The tanks are constructed of stainless steel and pipelines are constructed with stainless steel and HDPE. The plant, including all areas with tanks, is lined with reinforced concrete with an industrial sealant.

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The pipelines between the leach pad and plant are contained within a geomembrane liner. The pump stations are constructed of concrete with leak detection sumps. There is one pregnant pond and six contingency ponds. The pregnant pond is double lined (geomembrane) with leak detection. The contingency ponds are single lined (geomembrane). The pregnant pond has a floating liner to prevent bird access.

La Herradura receives solid sodium cyanide packaged in flobins, from E. I. du Pont de Nemours (DuPont) who manufacture it at their facility in Memphis, Tennessee. The cyanide is transported by both rail and road. Segutal is the local transporter in Mexico; subcontracted by DuPont to pick up the flobins at their Hermosillo warehouse and haul them to the mine. Both DuPont and Segutal have been certified as compliant with the Code by third-party auditors.

La Herradura does not discharge to surface water, and because of the extreme aridity at the site, there is no natural surface water that could be monitored. La Herradura monitors for cyanide in eight groundwater monitoring wells, three are downgradient of the site. La Herradura inspects for wildlife daily. La Herradura facilities are fenced to preclude wildlife from entering cyanide process areas.

La Herradura workers are trained in cyanide hazards and first aid, emergency response, and specific operational task training. La Herradura conducts daily, and monthly inspections to ensure that facilities are functioning as designed and to monitor process solutions. Preventive maintenance programs are in place to assure the continuous operations. La Herradura has an approved conceptual site closure plan along with a self-guarantee mechanism to cover the estimated costs for cyanide-related decommissioning activities which has been verified by an independent financial auditor.

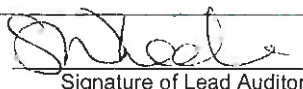
La Herradura does not maintain backup power at the mine. However, they have constructed six contingency ponds that provide between 12 and 110 hours of draindown time in a power outage, depending on which pad phases and leach cells are in operation. That amount of time has been deemed adequate to either restore power or bring in portable generators, given the mine's proximity to vendors in the United States.

La Herradura has developed Standard Operating Procedures and plans that describe the management and operation of the cyanide facilities. These procedures cover the safe operation of the entire cyanide management facility. The Plans and Procedures have been developed for the cyanide unloading and storage areas, the process plant, the heap leach facilities and the process ponds. The procedures have been updated every two years and will continue to be updated as needed as changes in the process are made. La Herradura inspects cyanide facilities daily using Standard Operation Procedures and inspection forms.

La Herradura has its own on-site medical clinic staffed with a physician and paramedic to provide first aid or medical assistance to workers exposed to cyanide. La Herradura has also developed procedures to transport workers exposed to cyanide to the Santa Fe Clinic of Caborca for further treatment, if needed. La Herradura has determined that the Santa Fe Clinic is adequate, has qualified medical physicians and cyanide antidotes (sodium thiosulfate and sodium nitrite) to respond to cyanide exposures. La Herradura conducts cyanide exposure drills and tests the relevant emergency procedures on a regular basis.

La Herradura solicits the input of various stakeholders in emergency response mock drills and training sessions. Caborca firemen participated in the October 2010 mock drill that involved both a cyanide exposure and a spill. Some of La Herradura fire brigade members are also members of the Caborca Fire Department. La Herradura, through DuPont, has provided medical training related to cyanide to local clinics, Caborca Fire Department, the Red Cross and Civil Protection. La Herradura has also provided training in Hazmat and sodium cyanide to the Caborca Fire Department.

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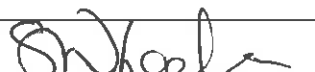
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Emergency Response Coordinators and members of the ERT at La Herradura receive the following specialized training: cyanide first aid treatment; fire fighting; evacuation routes; and procedures; PPE (including fire fighting and SCBAs); collapsed structures; incident command; and La Herradura emergency response procedures for cyanide exposures and releases. Training has been provided by external qualified entities (such as Asociacion Nacional de la Industria Quimica (Cyanide Management and Emergency), Texas A&M University System (Fire Fighting and Hazmat), DuPont, doctors and others). This training includes the use of necessary response equipment.

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SUMMARY AUDIT REPORT

Auditors Findings

La Herradura is: [X] in full compliance with The International Cyanide Management Code
[] in substantial compliance with
[] not in compliance with
Audit Company: Golder Associates
Audit Team Leader: Sophie Wheeler, ICMI Pre-certified Lead Auditor
Email: swheeler@golder.com

Name of Other Auditors

Ivon Aguinaga, Golder Associates, ICMI pre-certified Mine Technical Specialist.
Kent Johnejack, Golder Associates, ICMI pre-certified Mine Technical Specialist.
Rick Frechette P.E., Independent Auditor for Sections 4.3 and 4.8.

Dates of Audit

The Certification Audit was undertaken within four days (four person-days) between January 17 and January 20, 2011.

I attest that I meet the criteria for knowledge, experience and conflict of interest for Code Verification Audit Team Leader, established by the International Cyanide Management Institute and that all members of the audit team meet the applicable criteria established by the International Cyanide Management Institute for Code Verification Auditors.

I attest that this Summary Audit Report accurately describes the findings of the verification audit. I further attest that the verification audit was conducted in a professional manner in accordance with the International Cyanide Management Code Verification Protocol for Cyanide Gold Mine Operations and using standard and accepted practices for health, safety and environmental audits.

La Herradura Gold Mine Signature of Lead Auditor 09 May 2011
Name of Facility Date

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PRINCIPLE 1 – PRODUCTION

Encourage Responsible Cyanide Manufacturing by Purchasing from Manufacturers that Operate in a Safe and Environmentally Protective Manner

Production Practice 1.1: Purchase cyanide from manufacturers employing appropriate practices and procedures to limit exposure of their workforce to cyanide, and to prevent releases of cyanide to the environment

in full compliance with

The operation is

in substantial compliance with

Production Practice 1.1

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 1.1. La Herradura purchase cyanide from a manufacturer employing appropriate practices and procedures to limit exposure of their workforce to cyanide, and to prevent releases of cyanide to the environment. The cyanide is purchased from E. I. du Pont de Nemours (DuPont) who manufacture it at their Memphis, Tennessee manufacturing facility. This facility was first certified as ICMI compliant by Management Systems Solutions Inc. on June 13, 2006 and recertified by them on December 1, 2009. La Herradura has a copy of the 2009 summary audit report downloaded from the ICMI website demonstrating DuPont's compliance with the ICMI Cyanide Production Protocol. Chain of custody documentation and invoice information was reviewed during the audit to verify that the cyanide delivered to La Herradura was produced by DuPont and hauled by Segutal from the warehouse in Hermosillo.



PRINCIPLE 2 – TRANSPORTATION

Protect Communities and the Environment during Cyanide Transport

Transport Practice 2.1: Establish clear lines of responsibility for safety, security, release prevention, training and emergency response in written agreements with producers, distributors and transporters.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 2.1

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 2.1. La Herradura has established clear lines of responsibility for safety, security release prevention, training and emergency response in written agreements with producers, distributors and transporters. The cyanide is purchased from E. I. du Pont de Nemours (DuPont) who manufacture it at their Memphis, Tennessee manufacturing facility. The facility was first certified as ICMI compliant by Management Systems Solutions Inc. on June 13, 2006 and recertified by them on December 1, 2009. La Herradura has a downloaded copy of the 2009 audit summary report from the ICMI website demonstrating compliance with the ICMI Cyanide Production Protocol. Chain of custody documentation and invoice information was reviewed to verify that the cyanide delivered to La Herradura was produced by DuPont and hauled by Segutal from DuPont’s warehouse in Hermosillo.

At the border, the boxcars are transferred to Ferrocarril Mexicano Railroad (Ferromex) who transport them to the DuPont warehouse in Hermosillo (operated by ADEMSA, S.A. de C.V). A Due Diligence audit of the warehouse (ADEMSA) and Ferromex was completed by an ICMI approved auditor from Management Systems Solutions Inc., and a report of the findings was produced titled 'DuPont's Mexican Supply chain' dated August 26, 2010.

The interim contract between La Herradura and DuPont, 'Servicios Administrativos Penoles, S.A. De C.V. Convenio de Suministro No. CORPO-38-12', dated October 28, 2010, states that La Herradura does not take responsibility for the cyanide until it is received in the warehouse at La Herradura mine site.

Transport Practice 2.2: Require that cyanide transporters implement appropriate emergency response plans and capabilities and employ adequate measures for cyanide management

in full compliance with

The operation is

in substantial compliance with

Transport Practice 2.2

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 2.2. La Herradura requires that cyanide transporters implement appropriate emergency response plans and capabilities and employ adequate measures for cyanide management.

The main contract between (DuPont) and Servicios Administrativo Penoles, S.A. de C.V (parent company of Minera Penmont) is currently under negotiation. The previous contract was dated November 1, 2005 and lasted 5 years (until October 31, 2010). An interim contract, 'Servicios Administrativos Penoles, S.A. De C.V. Convenio de Suministro No. CORPO-38-12', dated October 28, 2010, is currently in effect. There is no wording in either the main or interim contract stating that all cyanide manufacturers and distributors be

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certified as being in compliant with the Code. The proposed main contract was being drawn up at the time of the audit and La Herradura has requested that the Code requirement is included in the new contract.

All the cyanide transporters have been certified under the Code.

A Due Diligence audit of the Canadian National Railway and Union Pacific Railroad was completed by an ICMI approved auditor from Management Systems Solutions Inc., and a report produced titled 'DuPont U.S/Canada Rail & Barge Transportation' dated August 26, 2010. La Herradura has a copy of this report.

A Due Diligence audit of the Hermosillo warehouse (ADEMSA) and Ferrromex was completed by an ICMI approved auditor from Management Systems Solutions Inc., and a report produced titled 'DuPont's Mexican Supply chain' dated August 26, 2010.

Segutal is the local transporter in Mexico subcontracted by DuPont to pick up the flobins at the Hermosillo warehouse and haul them to the mine site. A Due Diligence audit of Segutal was completed by an ICMI approved auditor from Management Systems Solutions Inc., and a report of the audit findings was produced titled 'Dupont's Mexican Supply Chain', dated August 26, 2010.

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PRINCIPLE 3 – HANDLING AND STORAGE

Protect Workers and the Environment during Cyanide Handling and Storage

Handling and Storage

Practice 3.1:

Design and construct unloading, storage and mixing facilities consistent with sound, accepted engineering practices, quality control/quality assurance procedures, spill prevention and spill containment measures.

in full compliance with

The operation is

in substantial compliance with

Handling and Storage Practice 3.1

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 3.1; design and construct unloading, storage and mixing facilities consistent with sound accepted engineering practices, quality control/quality assurance procedures, spill prevention and spill containment measures.

The warehouse and plant at La Herradura were designed by a qualified engineering company, M3 Engineering and Technology Corporation, and are located approximately 5 km from the nearest village. Because of the extreme aridity at the site, there is no natural surface water. La Herradura does not receive liquid cyanide, and the issue of leakage and seepage from tanker trucks is not applicable. Solution levels in the mixing and storage tanks are monitored automatically from the plant control room, thereby preventing overflows. The mixing and storage tanks are located upon and within secondary containment consisting of reinforced concrete with an industrial sealant, thus providing a competent barrier to leakage and seepage. The solid cyanide is stored in a locked warehouse inside the secure plant area. The warehouse is roofed and well ventilated. The potential for contact with water is limited by curbs and drainage ditches around the warehouse. Cyanide is stored by itself in an area separated from the rest of the warehouse by a chain link wall.

Handling and Storage

Practice 3.2:

Operate unloading storage and mixing facilities using inspections, preventative maintenance and contingency plans to prevent or contain releases and control and respond to worker exposures.

in full compliance with

The operation is

in substantial compliance with

Handling and Storage Practice 3.2

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

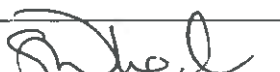
The operation is in full compliance with Standard of Practice 3.2; operate unloading storage and mixing facilities using inspections, preventative maintenance and contingency plans to prevent or contain releases and control and respond to worker exposures.



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La Herradura tracks the flobins (used for transport of solid cyanide) to ensure that the empty flobins are returned to DuPont and not used for other purposes. There are no plastic bags or liners that would require rinsing and disposal. La Herradura has developed written procedures for storing the flobins, handling the flobins, mixing the solid cyanide, and cleaning up spills of solid cyanide and cyanide solutions. Flobins are required to be stacked no more than two layers high in the warehouse. Mixing the solid cyanide is performed by two operators with a third observing from the control room; the operators were observed to wear appropriate personal protective equipment during a mixing event.

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PRINCIPLE 4 – OPERATIONS

Manage Cyanide Process Solutions and Waste Streams to Protect Human Health and the Environment

Operations Practice 4.1: Implement management and operating systems designed to protect human health and the environment including contingency planning and inspection and preventative maintenance procedures.

in full compliance with

The operation is

in substantial compliance with

Operations Practice 4.1

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 4.1; implement management and operating systems designed to protect human health and the environment including contingency planning and inspection and preventative maintenance procedures.

The operation has a series of standard operating procedures that govern the safe operation of the cyanide facilities. Design reports for the plant, ponds, pads, and associated facilities also prescribe the criteria and parameters for safe operation. The standard operating procedures include forms to record the findings of inspections, whose results are linked to the maintenance database MAXIMO. The site has implemented a change management procedure that incorporates management approval, including the environmental supervisor. La Herradura has four contingency plans/procedures for upset conditions and emergencies. La Herradura inspects cyanide facilities daily using a system of forms that document the date, inspector, items inspected, and observations. Tank integrity testing is conducted annually. La Herradura uses the maintenance database to manage both proactive (scheduled) and reactive (unscheduled) maintenance. The six contingency ponds provide sufficient draindown time in a power outage to either restore power or mobilize portable equipment to the site.

Operations Practice 4.2: Introduce management and operating systems to minimise cyanide use, thereby limiting concentrations of cyanide in mill tailings.

in full compliance with

The operation is

in substantial compliance with

Operations Practice 4.2

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

Standard of Practice 4.2 is not applicable because La Herradura does not have a mill or generate tailings.



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Operations Practice 4.3: Implement a comprehensive water management programme to protect against unintentional releases.

in full compliance with

The operation is

in substantial compliance with

Operations Practice 4.3

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 4.3; implement a comprehensive water management programme to protect against unintentional releases.

The existing water balance spreadsheet adequately addresses variable climate, operational modifications, and provides a mechanism for demonstrating adequacy of freeboard. Monitoring procedures are in place to track key observations in system performance.

Operations Practice 4.4: Implement measures to protect birds, other wildlife and livestock from adverse effects of cyanide process solutions.

in full compliance with

The operation is

in substantial compliance with

Operations Practice 4.4

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 4.4; implement measures to protect birds, other wildlife and livestock from adverse effects of cyanide process solutions.

To restrict wildlife and livestock access, La Herradura has installed fences around the perimeter of the mine and around the ponds, netting over open water at the headworks, and a floating liner on the pregnant pond. In addition, they have installed "wildlife guzzlers" with fresh water to attract wildlife away from the leach pad and ponds. Cyanide concentrations are less than 50 mg/L WAD in open water at the headworks and pregnant pond. Based on their daily inspections, La Herradura has not documented any wildlife mortality since a single event in 2005. La Herradura has implemented written procedures for leaching to prevent over application and leaks, as well as for corrective action if ponding occurs. The use of drip irrigation eliminates the potential for overspray.

Operations Practice 4.5: Implement measures to protect fish and wildlife from direct or indirect discharges of cyanide process solutions to surface water.

in full compliance with

The operation is

in substantial compliance with

Operations Practice 4.5

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

Standard of Practice 4.5 is inapplicable because of the extreme aridity in the vicinity of the mine and there is no discharge to surface water.

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Operations Practice 4.6: Implement measures designed to manage seepage from cyanide facilities to protect the beneficial uses of groundwater.

in full compliance with

The operation is

in substantial compliance with

Operations Practice 4.6

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 4.6; implement measures designed to manage seepage from cyanide facilities to protect the beneficial uses of groundwater.

La Herradura has lined the leach pad (composite liner), pregnant pond (double liner), contingency ponds (single liner), and pipeline routes (single liner) with geomembrane. The plant floor is constructed of reinforced concrete surfaced with an industrial sealant. The pump stations are constructed of concrete with leak detection sumps. Based on 2010 groundwater monitoring data, concentrations of total cyanide downgradient of the site are less than the established standard for water used for irrigation. La Herradura does not backfill tailings in underground workings because the operation has neither a mill nor underground workings. Seepage has not affected groundwater and remedial action is unnecessary.

Operations Practice 4.7: Provide spill prevention or containment measures for process tanks and pipelines.

in full compliance with

The operation is

in substantial compliance with

Operations Practice 4.7

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 4.7; Provide spill prevention or containment measures for process tanks and pipelines.

La Herradura has provided concrete secondary containment for cyanide solution tanks with capacity in excess of 110 percent of the volume of the largest tank. The secondary containment drains to a main sump with a dedicated pump, which then returns any spilled solutions to the process circuit. All cyanide-solution pipelines have been constructed within lined secondary containment ditches. No materials incompatible with cyanide or high pH were observed. Special protection measures for surface water are inapplicable, as there is no surface water due to the extreme aridity.

Operations Practice 4.8: Implement quality control/quality assurance procedures to confirm that cyanide facilities are constructed according to accepted engineering standards and specifications.

in full compliance with

The operation is

in substantial compliance with

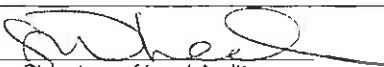
Operations Practice 4.8

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 4.8; implement quality control/quality assurance procedures to confirm that cyanide facilities are constructed according to accepted engineering standards and specifications.

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Documents for construction quality assurance were provided for Phase 1, and 3 - 8 of the leach pad, and for the pregnant pond and contingency ponds 2, 3, 4, 5A, 5B, and 6. The CQA report was also made available for the repair of the pregnant pond floating cover liner and contingency pond 1. Regarding the Phase 2 pad and contingency pond 1 construction, liner subgrade was approved by Oestec before installation and the overall quality of construction was inspected and approved by SEMARNAP (Secretariat of the Environment, Natural Resources and Fisheries). The CQA reports contain evidence of addressing material suitability, compaction testing, and liner installation CQA on the leach pad phases and ponds.

In lieu of the missing original quality assurance documentation for the plant and associated facilities, La Herradura commissioned the preparation of an updated as-built report by SAGMAG. The individual providing the report was checked to be appropriately qualified. The report contains quality assurance documentation to the extent possible and practical, and constitutes a reasonable good faith effort to provide a substitute for the original information.

Operations Practice 4.9: Implement monitoring programs to evaluate the effects of cyanide use on wildlife, surface and groundwater quality.

in full compliance with

The operation is

in substantial compliance with

Operations Practice 4.9

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 4.9; implement monitoring programs to evaluate the effects of cyanide use on wildlife, surface and groundwater quality.

La Herradura has written procedures for groundwater and wildlife monitoring; surface water monitoring is inapplicable given the extreme aridity at the site. The groundwater monitoring procedures were prepared by a regional laboratory certified by the Mexican government. The written procedures specify each step of the groundwater sampling. Conditions at the time of sampling are documented in a field form. La Herradura monitors groundwater downgradient of the site. Groundwater is monitored every six months, which is an adequate frequency given the extreme aridity at the site and the depth to groundwater. Wildlife monitoring occurs daily, the findings are recorded using two field forms.

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PRINCIPLE 5 – DECOMMISSIONING

Protect Communities and the Environment from Cyanide through Development and Implementation of Decommissioning Plans for Cyanide Facilities.

Decommissioning

Practice 5.1: Plan and implement procedures for effective decommissioning of cyanide facilities to protect human health, wildlife and livestock.

in full compliance with

The operation is in substantial compliance with **Decommissioning Practice 5.1**

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 5.1. La Herradura have planned and will implement procedures for effective decommissioning of cyanide facilities to protect human health, wildlife and livestock. La Herradura Mine employed consultants SRK Consulting to develop a Conceptual Closure Plan. The document titled 'Conceptual Closure Plan' dated May 2009 was reviewed.

The Conceptual Closure Plan contains general guidelines for decommissioning the cyanide facilities including, the heap leach facility, process ponds, and equipment that contained process solutions. Measures include cyanide stabilization/neutralization, treatment of outflows, residual chemicals, and fluids.

The Conceptual Closure Plan includes a schedule for decommissioning activities and will be reviewed every five years by third party consultants.

Decommissioning

Practice 5.2: Establish an assurance mechanism capable of fully funding cyanide related decommissioning activities.

in full compliance with

The operation is in substantial compliance with **Decommissioning Practice 5.2**

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 5.2; La Herradura has established an assurance mechanism capable of fully funding cyanide related decommissioning activities.

SRK's Conceptual Closure Plan includes an estimate of the cost to fully fund third party implementation of cyanide related decommissioning measures. The costs include the heap leach facility, the process plant, contaminated areas, and include environmental studies. The Conceptual Closure Plan was submitted to the government agencies Secretania de Medio Ambiente y Recursos Naturales (SEMARNAT) and PROFEPA on May 06, 2009 and letters were stamped to confirm this.

La Herradura review and update the cost estimate every five years.

La Herradura provided documentation from an external financial auditor verifying La Herradura's compliance for a self-guarantee mechanism to cover the estimated costs for cyanide-related decommissioning activities. The letter includes financial auditor's certification number and results from the financial test.

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PRINCIPLE 6 – WORKER SAFETY

Protect Workers’ Health and Safety from Exposure to Cyanide

Worker Safety

Practice 6.1: Identify potential cyanide exposure scenarios and take measures as necessary to eliminated, reduce and control them.

in full compliance with

The operation is in substantial compliance with **Worker Safety Practice 6.1**

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 6.1. La Herradura has developed written SOPs and plans that describe the management and operation of the cyanide facilities. The SOPs and plans have been developed to eliminate, reduce and control exposure to cyanide. Individual task specific SOPs provide details for safe operation of cyanide equipment, PPE requirements and inspection requirements. La Herradura also has signage for PPE requirements located at the entrances to and inside the process plant. La Herradura safety training program and task specific training discusses the requirement of PPE.

La Herradura has developed procedures to be used when an operational or process change/modification is proposed. The procedures consider the involvement of process, environmental and safety personnel, if required, in the assessment of the proposed changes. All changes are communicated to the workforce and training requirements updated. La Herradura has safety meetings to provide information and training to employees as well as to solicit input from employees on worker safety issues.

Worker Safety

Practice 6.2: Operate and monitor cyanide facilities to protect worker health and safety and periodically evaluate the effectiveness of health and safety measures.

in full compliance with

The operation is in substantial compliance with **Worker Safety Practice 6.2**

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 6.2. The pH is monitored and maintained to prevent the formation of HCN as recommended in the operating plans. Fixed HCN monitors are installed in areas of potential exposure to cyanide. In addition, operators use portable HCN meters to conduct maintenance work, confined space related work and other cyanide tasks. HCN sensors are set at 4.0 ppm low level alarm and 10 ppm high level alarm. HCN monitors are maintained, calibrated and inspected as recommended by the manufacturer. Warning signs are posted in areas where cyanide is used to alert workers that cyanide is present, that smoking, eating and drinking are not allowed and that the necessary cyanide-specific PPE must be worn. Pipes carrying cyanide are marked and the direction of flow is indicated with arrows on the pipe.



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Showers, low-pressure eye wash stations and dry powder fire extinguishers are located at strategic locations throughout the operation and are maintained, inspected and tested on a regular basis. Showers and eyewash stations were inspected and determined to be operational. First aid procedures and MSDS are also available in the Process, Environmental and Safety Departments. The instructions are in Spanish, the language of the workforce. La Herradura implemented procedures that require all incidents and accidents involving cyanide exposure be investigated and evaluated to determine if its programs and procedures to protect worker health and safety and to respond to cyanide exposures are adequate or if changes are necessary.

Worker Safety

Practice 6.3: Develop and implement emergency response plans and procedures to respond to worker exposure to cyanide.

in full compliance with

The operation is in substantial compliance with **Worker Safety Practice 6.3**

not in compliance with


Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 6.3. Cyanide antidote kits are located in the process control room and the medical clinic. Cyanide antidote kits include amyl nitrite, sodium nitrite, sodium thiosulfate, oxygen, and a first aid kit. In addition, Automated External Defibrillators and an ambulance are located in the medical clinic. Amyl nitrite is stored at the manufacture's recommended temperature and is within expiration dates. All operators carry a radio. First aid equipment is inspected regularly.

La Herradura has developed written emergency response SOPs and plans for cyanide exposures. These documents include the 'Emergency Response Procedure', the 'Cyanide Solution Spills' SOP, the 'Clean up of Solid Cyanide Spill' SOP, the 'Emergency in Contingency Ponds' SOP, the 'Procedure for Cyanide Contingencies and Emergencies' and the 'Accident Prevention Program Plan'. The procedures and plans address response measures for cyanide exposures and releases, decontamination procedures, evacuation, emergency contact information, cleanup measures, reporting requirements and others.

La Herradura has its own on-site medical clinic staffed with a physician and paramedic to provide first aid or medical assistance to workers exposed to cyanide. La Herradura has developed procedures to transport workers exposed to cyanide to the Santa Fe Clinic of Caborca for further treatment, if needed. La Herradura has determined that the Santa Fe Clinic is adequate and has qualified medical physicians and the cyanide antidote (sodium thiosulfate and sodium nitrite) to respond to cyanide exposures. Auditors reviewed a copy of the signed agreement between La Herradura and the clinic as well as records of cyanide related medical training received by the clinic staff. La Herradura conducts cyanide exposure drills and tests the relevant emergency procedures on a regular basis.

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PRINCIPLE 7 – EMERGENCY RESPONSE

Protect Communities and the Environment through the Development of Emergency Response Strategies and Capabilities

Emergency Response

Practice 7.1: Prepare detailed emergency response plans for potential cyanide releases.

in full compliance with

The operation is in substantial compliance with **Emergency Response Practice 7.1**

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 7.1. La Herradura has developed plans and SOPs that address emergency response to potential accidental releases of cyanide. La Herradura plans contain procedures for potential scenarios such as: 1) cyanide intoxication; 2) accidents during cyanide transportation; 3) releases during unloading and mixing; 4) release of cyanide during fires and explosions; 5) pipe, valve or tank ruptures; 6) overtopping of ponds; 7) electrical power outages and pump failures; 8) uncontrolled seepage; 9) failure of the heap leach facility; 10) cyanide spill control and clean-up; and 11) decontamination and emergency evacuation.

Emergency Response

Practice 7.2: Involve site personnel and stakeholders in the planning process.

in full compliance with

The operation is in substantial compliance with **Emergency Response Practice 7.2**

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 7.2. La Herradura involves site personnel and stakeholders in the planning process and keeps their emergency response plans current.

La Herradura solicits the input of various stakeholders in emergency response mock drills and training sessions. Caborca firemen participated in the October 2010 mock drill that involved both a cyanide exposure and a spill. Some of La Herradura brigade members are also members of the Caborca Fire Department. La Herradura, through DuPont, has provided medical training related to cyanide to local clinics, Caborca Fire Department, the Red Cross and Civil Protection. La Herradura has also provided training in Hazmat and sodium cyanide to the Caborca Fire Department.

La Herradura doctors are in frequent communication with the medical staff of the Santa Fe Clinic of Caborca. La Herradura made formalized arrangements with this clinic to provide assistance to workers exposed to cyanide.

In addition, La Herradura keeps a stakeholder contact information list in its emergency response procedures including cyanide supplier (DuPont and Segutal) and outside medical facilities (Santa Fe Clinic of Caborca).



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Emergency Response

Practice 7.3: Designate appropriate personnel and commit necessary equipment and resources for emergency response.

in full compliance with

The operation is in substantial compliance with **Emergency Response Practice 7.3**

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 7.3. La Herradura has committed in their emergency response procedures and plans the necessary emergency response equipment and first aid to manage most cyanide incidents at the operation and to coordinate transportation to the nearest medical facility. The emergency procedures define the primary and alternative emergency responders including their responsibilities and level of authority for all the different site emergency scenarios.

La Herradura has identified its ERT and has an updated list of the team members (e.g. emergency coordinators, paramedics, brigade members and first responders) including their name, shift and 24-hour contact information.

La Herradura has emergency responders and doctors onsite to respond to a cyanide emergency. Emergency responders are trained in fire fighting, Hazmat, collapsed structures and cyanide first aid. All emergency equipment and supplies are inspected monthly. The emergency response plans describes the role of outside responders and provide their contact information.

Emergency Response

Practice 7.4: Develop procedures for internal and external emergency notification and reporting.

in full compliance with

The operation is in substantial compliance with **Emergency Response Practice 7.4**

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 7.4. The emergency response plans detail the procedures (including current contact telephone numbers) for internal and external emergency notification and reporting.

Emergency Response

Practice 7.5: Incorporate in response plans and remediation measures monitoring elements that account for the additional hazards of using cyanide treatment chemicals.

in full compliance with

The operation is in substantial compliance with **Emergency Response Practice 7.5**

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 7.5. La Herradura has prepared cyanide response and remediation plans for potential cyanide releases. The plans include emergency response procedures to address the management of contaminated soils. The plans describe what final cyanide

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concentration will be allowed in residual soil as evidence that the release has been completely cleaned up. Soils samples would be taken following clean up to confirm complete removal of all cyanide contaminated materials. La Herradura has developed plans to sample and monitor soils and groundwater in the event of a cyanide spill.

La Herradura does not consider the use of chemicals to treat cyanide that has been released into surface waters. There are no water bodies in the area near La Herradura. La Herradura uses bottled water for drinking water supply; therefore, there is no risk that the drinking water supply can be adversely impacted in case of a cyanide release.

Emergency Response

Practice 7.6:

Periodically evaluate response procedures and capabilities and revise them as needed.

in full compliance with

The operation is

in substantial compliance with

Emergency Response Practice 7.6

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 7.6. La Herradura evaluates and updates their emergency response plans on a regular basis and following mock drills and actual incidents as needed. La Herradura conducts mock drills at least once per year to practice and prepare for emergencies and to provide insight into the effectiveness of its emergency response plans.

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PRINCIPLE 8 – TRAINING

Train Workers and Emergency Response Personnel to Manage Cyanide in a Safe and Environmentally Protective Manner

Training Practice 8.1: Train workers to understand the hazards associated with cyanide use.

in full compliance with

The operation is

in substantial compliance with

Training Practice 8.1

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 8.1. La Herradura provides initial training and refresher training to all employees, with the potential to be exposed to cyanide, on cyanide hazard recognition and cyanide first aid treatment. La Herradura retains all cyanide training records including test results demonstrating an understanding of the training.

Training Practice 8.2: Train appropriate personnel to operate the facility according to systems and procedures that protect human health, the community and the environment.

in full compliance with

The operation is

in substantial compliance with

Training Practice 8.2

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 8.2. All personnel in job positions that involve the use of cyanide and cyanide management (including unloading, mixing, production and maintenance) receive training on how to perform their assigned tasks with minimum risk to worker health and safety. Individual training is provided for each specific task an operator will perform related to cyanide management. Task specific SOP training is provided prior to working with cyanide independently. The SOPs include the purpose of the SOP, operator's responsibilities, the PPE required, critical activities, the individual task specific steps and emergency procedures.

All task-specific training is conducted by individuals that have several years working in the process area. La Herradura requires and provides refresher training in 'Cyanide Properties and Intoxication' (annually) and task specific SOPs (every 6 months) to ensure that employees continue to perform their jobs in a safe and environmentally protective manner. La Herradura requires written tests to evaluate the effectiveness of cyanide training and those training records are retained throughout an individual's employment, documenting the training received. The records include the name of the employee and the trainer, the date of training; the topics covered, and test results demonstrating an understanding of the training materials.



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Training Practice 8.3: Train appropriate workers and personnel to respond to worker exposures and environmental releases of cyanide.

in full compliance with

The operation is

in substantial compliance with

Training Practice 8.3

not in compliance with


Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 8.3. Personnel responsible for unloading, mixing, production, and maintenance are trained in procedures to be followed if cyanide is released. Task specific SOPs, the 'Emergency Response Procedure' and the document called 'Accident Prevention Program' describe response procedures and first aid if a person is exposed to cyanide or if there is an environmental release. La Herradura response team is trained in the procedures described in these emergency response plans. La Herradura response personnel receive annual refresher courses in cyanide first aid treatment, cyanide hazard awareness, decontamination and remediation procedures for cyanide-related exposures and releases. Outside emergency responders are familiar with emergency response procedures and participate in mock drills.

La Herradura conducts mock emergency drills based on likely release/exposure scenarios. Cyanide emergency drills are evaluated from a training perspective to determine if personnel have knowledge and skills required for effective response. Training procedures will be revised, if needed.

Training records are retained throughout an individual's employment documenting the cyanide training they receive. The records include the names of the employee and the trainer, the date of training; the topics covered, and test results demonstrating an understanding of the training materials.

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PRINCIPLE 9 – DIALOGUE

Engage in Public Consultation and Disclosure

Dialogue Practice 9.1: Provide stakeholders the opportunity to communicate issues of concern.

in full compliance with

The operation is

in substantial compliance with

Dialogue Practice 9.1

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 9.1 to provide stakeholders with the opportunity to communicate issues of concern.

Stakeholders are able to raise issues of concern through telephone calls, email or visits. As well as being able to contact the mine direct the company has an office in Caborca that can be visited and where some meetings/workshops are held.

Dialogue Practice 9.2: Initiate dialogue describing cyanide management procedures and responsively address identified concerns.

in full compliance with

The operation is

in substantial compliance with

Dialogue Practice 9.2

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 9.2 to initiate dialogue describing cyanide management procedures and responsively address identified concerns.

La Herradura operates an 'open door' policy and organises many visitor days at the site. Approximately 2 - 3 visits take place each month and a variety of people including worker's families, school children, students, communities and stakeholders attend. During visits a video entitled 'La Herradura mine' is shown which describes the activities at the mine including the process and use of cyanide.

La Herradura publish articles in local journals including 'CAMIMEX Mexico Minero' which is distributed to all workers and available to members of the community. The June 2010 edition contained an article titled 'Everything you want to know about Cyanide'.

On June 5, 2010 La Herradura had a stand at the International Environment Day held in Caborca where they explained a mine program called 'Salud, Seguridad, Medio Ambiente y Relaciones Con la Comunidad' (SSMARC) which involves Health, Safety, Environment and Community Relations. An article on SSMARC was also published in a journal widely available in Sonora known as 'El Imparcial' in November 2010.

The Fresnillo and Peñoles websites have contact information and information about the use of cyanide at La Herradura.



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Dialogue Practice 9.3: Make appropriate operational and environmental information regarding cyanide available to stakeholders.

in full compliance with

The operation is

in substantial compliance with

Dialogue Practice 9.3

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The operation is in full compliance with Standard of Practice 9.3 to make appropriate operational and environmental information regarding cyanide available to stakeholders.

La Herradura operates an 'open door' policy and organises many visitor days at the site. Approximately 2 - 3 visits take place each month and a variety of people including worker's families, school children, students, communities and stakeholders attend. During visits a video entitled 'La Herradura mine' is shown which describes the activities at the mine including the process and use of cyanide.

La Herradura publishes articles in local journals including 'CAMIMEX Mexico Minero' which is distributed to all workers and available to members of the community. The June 2010 edition contained an article titled 'Everything you want to know about Cyanide'. This article is also posted on the company intranet site which can be accessed by all workers.

The local population is considered to be literate.

La Herradura has not had any on or off-site cyanide spills, releases of cyanide or incidents of exposure to cyanide requiring response or remediation. La Herradura has procedures to follow in the event of a cyanide spill, which state that details of a spillage would be reported to the federal agency Procuraduría Federal de Protección al Ambiente (PROFEPA) within three days of the incident occurring. This information would then be made available to the public by PROFEPA. In the event of an exposure incident La Herradura would report details of the exposure to the Insituto Mexicano del Seguro Social (IMSS) and Secretaria del Trabajo y Prevision Social (STPS). These federal agencies would make the information available to the public.

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Report Signature Page

GOLDER ASSOCIATES (UK) LTD

Sophie Wheeler
ICMI Lead Auditor/Project Manager

David Hybert
Reviewer

Date: 09 May 2011

Authors: Sophie Wheeler, Ivon Aguinaga, Kent Johnejack, Richard Frechette/DH/pr

Company Registered in England No.1125149

At Attenborough House, Browns Lane Business Park, Stanton-on-the-Wolds, Nottinghamshire NG12 5BL

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Africa	+ 27 11 254 4800
Asia	+ 852 2582 3658
Australasia	+ 61 3 8862 3500
Europe	+ 356 21 42 30 20
North America	+ 1 800 275 3281
South America	+ 55 21 3095 9500

solutions@golder.com
www.golder.com

**Golder Associates (UK) Ltd
Cavendish House
Bourne End Business Park
Cores End Road
Bourne End
Buckinghamshire
SL8 5AS
UK
T: [+44] (0) 1628 851851**

