



CORPORATE RESPONSIBILITY REPORT | 2016



OUR COMPANY

Torex is an emerging intermediate gold producer based in Canada, engaged in the exploration, development and operation of its 100% owned Morelos Gold Property, an area of 29,000 hectares in the highly prospective Guerrero Gold Belt located 180 kilometers southwest of Mexico City. Within this property, Torex has the El Limón Guajes Mine, which announced commercial production in March of 2016 and the Media Luna Project, which is in an early stage of development, and for which the Company issued a preliminary economic assessment (PEA) in 2015. The property remains 75% unexplored.

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CEO MESSAGE



MINING RESPONSIBLY TO IMPROVE LIVES, CREATE WEALTH, AND PROVIDE SOCIETY WITH NEEDED METALS

On behalf of the nearly 600 truly remarkable individuals comprising the Torex teams, I am pleased to welcome you to our second annual corporate responsibility report. The report summarizes our corporate responsibility performance in 2016 and provides an overview of our goals for 2017.

To mark this important achievement, I would like to take this opportunity to reflect on the Torex approach to doing business, which I believe is what makes Torex such a successful and exciting company. Key to this approach is understanding what I believe is a fundamental question for our business, namely *why do we do what we do?*

However, it is with heavy hearts that we must first report a fatality at our operations in October 2016. Mr. Jose Manuel Martinez, an employee of one of our contractors, died after being struck by falling rock while working in one of our open pits. Our thoughts and prayers continue to be with Mr. Martinez' family and friends. In the safety and health section of this report, we outline some of the steps we have taken to prevent such tragedies.

At Torex, we strive to mine responsibly, to improve lives by creating wealth, and provide metals that society needs to develop. We believe that we have extraordinary capabilities to contribute to sustainable development and help society advance. By doing so, we become much more than just a mining company.

This is especially true today as companies are widely recognized as crucial partners in helping achieve the United Nations Sustainable Development Goals (SDGs). In fact, there is a growing consensus that mining companies – particularly ones operating in the developing world – can help contribute to achieving all 17 of the SDGs.

The year 2016 was truly exciting for Torex. Operationally, we achieved our target of selling 275,000 ounces of gold, while successfully managing the inevitable complexities that come with a world-class mining project. The year 2017 promises to be equally exciting, especially given the results of the 'Sub-Sill' exploration program.

We will look forward to working with our teams, local communities, government partners, contractors, and all other stakeholders to achieve continued, shared success. We will remain firm in our conviction that – together – we can improve lives, create wealth and provide society with needed metals, through the application of responsible mining practices.

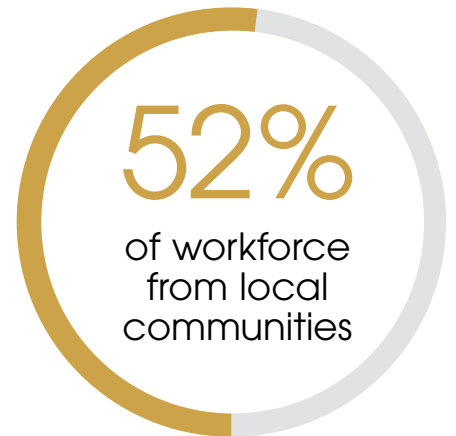
Fred Stanford

President and Chief Executive Officer



1,299

employees
(direct plus contractor)



\$124.8

million in procurement
to Mexican firms



\$0.5M
invested in community
projects to date

\$26.3M
in government
payments in 2016

60,000+
hours of employee
training



OUR APPROACH

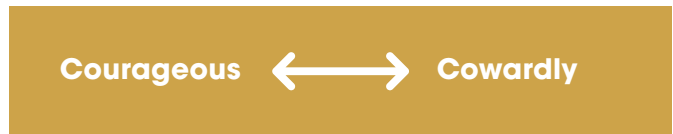
Innovation and thinking differently are part of our DNA, which enables us to deliver value for all our stakeholders in challenging situations. This approach is guided by a systems leadership model that recognizes our social strategy as a key competitive advantage.

The values continua is central to this approach. We strive to always be on the left side of the continua. When we are, our stakeholders tend to follow our lead, are engaged, and share in our company's pursuit of success.

We have developed comprehensive management systems to deliver on this approach. The systems are designed so that all stakeholders should experience them on the left side of the values continua. Specific systems have been developed to manage environmental and social risks, while simultaneously creating shared value for stakeholders. Examples of these management systems include:

- Safety and health
- Environmental
- Stakeholder and social responsibility
- People Management

The systems are implemented by specialist personnel at both the corporate and site-level. Additionally, we have multiple Board-level committees that work with senior management to provide strategic guidance and oversight in these areas.





OUR COMMITMENT

We strive to operate with high standards related to corporate responsibility and have implemented a variety of international corporate responsibility standards to help drive performance excellence. These include the Equator Principles (EP) and the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability.

Additionally, we adhere to multiple, issue-specific, international practices. For example, we adhere to the United Nations Guiding Principles on Human Rights to address human rights considerations across our business.

We have a variety of corporate policies that formalize our commitments into our business approach and management systems. The policies are approved by our Board of Directors. Key policies include:

- Anti-Bribery and Anti-Corruption
- Code of Business Conduct and Ethics
- Environmental Protection
- Safety and Health
- Social Harmony and Human Rights
- Whistleblower

To access the policies, [click here](#).

Continual improvement is central to our approach to corporate responsibility. Therefore, we commit to setting annual goals and targets related to our corporate responsibility performance. The table below summarizes these goals. Additional details can be found in the various sections throughout this report.

AREA	GOALS
Safety and Health	LTIFR of <2 Zero fatalities
Environment	Zero spills to the downstream water courses
Community Relations	Work to improve grievance management systems to help ensure that complaints are resolved in a timely manner Business interruption action threats less than 4 per year
Human Rights	Zero violations of human rights by MML and contractors Annual training in the voluntary principles on human rights for our security teams

Operational Readiness Mile







OUR PEOPLE

At Torex, we believe that our people and our teams are our greatest assets and the foundations of our business success. We strive to create a workplace experience that enables all employees to willingly give their best.

In 2016, we employed nearly 600 people across our business. Of these, approximately 99% are from Mexico, 66% are from the state of Guerrero, and 52+% are from local communities. This represents approximately US\$50M in total salaries paid.

In line with our systems leadership approach, we created and implemented an innovative set of human resource management systems that we believe will help us to improve our productivity by as much as 30-50%. The system is based on four key principles, namely meritocracy, simplicity, clarity, and mutuality.

Each year, we implement a comprehensive social training program called *Working Together* to embed a culture of teamwork across our business. The training is focused on

how to work collaboratively in a safe and productive work environment. The training is co-facilitated by senior leaders and features a combination of theory and hands-on learning via team exercises. Honesty, dignity, and fairness are key values that are promoted during the training.

We encourage diversity throughout our workforce and commit to reporting on key diversity indicators annually. In 2016, approximately 13% of our workforce was female. Although modest, this is an important figure given that employment in the mining sector is typically dominated by males.

We invest in our people to help them develop and reach their full potential. To do so, we conduct a variety training for our employees. In 2016, our employees completed over 60,000 hours of training, primarily focused on safety, role-specific, and operational systems. We also provide ongoing professional development opportunities for our employees.



Minera Media Luna
AGENCIA
REGISTRADA EN EL CV
TURKIBI
KARLA AZUCENA
SANTISMA
GARCIA

Minera Media Luna
AGENCIA
REGISTRADA EN EL CV
TURKIBI
KARLA AZUCENA
SANTISMA
GARCIA



SAFETY AND HEALTH

At Torex, the safety of our employees is our top priority. Our approach to safety is guided by the principle of 'zero harm', because we believe that our employees should go home after working safely for every shift. We believe that a strong safety culture is key to providing a work environment where employees can give their best.

These values and commitments are enshrined in our Code of Business Conduct and Ethics as well as our corporate Safety and Health Policy. They are also reflected in our safety motto 'Si no es seguro, no lo hagas' (If it is not safe, don't do it').

We provide ongoing training to empower all our employees to make safety a critical part of their work. In 2016, many of the 60,000 hours of training for our employees were safety-focused.

We measure our safety and health performance through several key performance indicators (KPIs). We believe that these KPIs are, in turn, key indicators of our overall success as a company.

In 2016, we recorded a lost time injury frequency rate (LTIFR) of 1.36 per million hours worked, which is lower than our stated goal of less than 2 LTIs per million hours worked. This achievement is testament to the strong safety commitment of everyone at Torex.

However, this success is overshadowed by a fatal accident that occurred at our operations in October 2016. Mr. Jose Manuel Martinez, an employee of one of our contractors, was caught in a rock fall while working in one of our pits and died of the injuries received. In response, we implemented several actions to supplement our risk mitigation plan for rockfall hazards, including additional technical safeguards and additional employee training.

Continual improvement in our performance is central to our approach to safety and health. Therefore, we set annual safety performance goals. For 2017, we will target a LTIFR of less than two and zero fatalities at our operations.

EATON®

NOTICE

**EMERGENCY
LATCH**

To Unlock:
Push Release or
Resilient Latch

To Lock:
Lift & Push Handle
To Maintenance
Position

Do Not
Lift Handle
When Interlocking

SALISBURY by Honeywell
Model 8000
Electric Arc Flash Rating
NFPA 70E Hazard Risk Category 4
Nominal Voltage 20kV to 250kV
ASTF 2015-2018
ATPV 21-40 cal/cm² with hood
100% Flash Thermal Protection
Provides 100% Arc Flash Protection
When worn correctly. For more
info call 800-368-7000 or visit
http://www.salisbury.com



STAKEHOLDER ENGAGEMENT

At Torex, we pride ourselves of the progress we have made in our community relationships since acquiring the mining project. This success is underpinned by our belief that local communities and their leaders are critical partners in the ongoing development and delivery of our projects. As such, we are committed to establishing productive and lasting relationships with our local stakeholders.

We believe that transparency is a key pathway to trust and a cornerstone of constructive stakeholder relationships. Therefore, we proactively engage with our local partners to seek their input, obtain feedback, and address concerns. We have agreements in place with local Ejidos, which have been instrumental in helping us to advance our projects. In 2016, we conducted over 200 formal consultations with local stakeholders.

We have a local grievance mechanism in place, which aims to provide local stakeholders with a prompt, fair, easy, and transparent mechanism to make claims regarding al-

leged damages they may suffer due to MML operations. In 2016, we received 31 complaints, of which 26 were resolved within the same year. Remedial work was conducted where damages were found to be a result of MML operations. In 2017, we will work to improve our grievance management systems to help ensure that complaints are resolved in a timely manner.

While we strive to maximize the positive impacts our operations, we recognize that not all stakeholders will benefit equally. In 2016, a small minority of stakeholders established an illegal blockade as a tactic because they believe they should receive more money from the mine. This illegal action was resolved peacefully with Mexican authorities. We continue to work with the government to improve social services in the area and to provide consequences for those that choose to pursue these illegal blockade actions.



LOCAL CONTENT

We believe that local stakeholders should share in the success of our business. Therefore, we implement a variety of local content measures to help retain and maximize the benefits of our operations for local stakeholders.

Local Employment

We believe that the employment we generate is one of the most significant benefits of our operations. It is one of the primary ways in which we can help improve the lives of individuals, their families, and their communities.

Therefore, we have a preferential hiring process in place to help ensure that employment at our operations is filled by members of local communities as much as possible. When a position becomes available, our Human Resources teams first seek local – and then regional – candidates. In addition, all unskilled positions are filled locally. We also implement local training initiatives to help local stakeholders acquire the required skills to fill positions. To date, some 3000 trainees have participated in the program.

Because of these measures, over 52% of our employees are from local communities and 66% are from Guerrero. In total, over 99% of our employees are from Mexico. In 2017, we will continue to seek ways to increase local employment within our company.

Local Procurement

Our operations are one of the primary drivers of economic growth and development in local communities and regionally, including our direct operations as well as the indirect, spinoff economic activity that is generated. Therefore, we implement a local procurement strategy to help spur the creation and growth of local businesses.

In 2016, we formalized our local procurement procedures for distribution to local communities, so providing local stakeholders with a clear and streamlined approach to selling goods and services to the company. In 2016, over \$124M in procurement was provided by Mexican firms, representing 90% of our total procurement value.



COMMUNITY & ECONOMIC DEVELOPMENT

We believe that we can serve as an important catalyst for local community and economic development. By doing so, we help build healthy and vibrant communities and, in turn, leave a lasting, positive legacy for our company.

MML Development Foundation

In 2016, we began to pay royalties on gold produced, some of which will be used to fund development within local communities through a fund developed by the Mexican government. However, these funds will not be available until later in 2017. In 2016, we established the MML Development Foundation, which helped bridge the gap between community development needs and the availability of the royalty funds for development.

The Foundation was funded with MXP20 per ounce of gold produced, with MXP5.5M contributed in 2016. The funds were invested in projects selected by the local communities ranging from roads to public toilets.

Sustainable Fisheries

Mining operations have a finite life. Therefore, we implement a variety of sustainable livelihoods programs to diversify economic development and provide long-term benefits lasting beyond the mine.

In collaboration with the Government of Guerrero and the federal agencies responsible for fisheries, our Economic Development team conducts a sustainable livelihoods program with local fishermen operating around the El Limón Guajes project area. Torex contributes coordination, capacity-building, and other support (e.g. módulos demostrativos) to the project.

Since the program's inception in 2013, 11 fishing cooperatives have been set up, which are the first to do so in the area. To date, some 2,720,000 hatchlings have been released into the lake (Pesa Caracol).





ENVIRONMENT

We believe that environmental management is central to our overall operations. Therefore, we embed environmental considerations throughout all stages of the mining life cycle, from exploration through to operations and closure. By doing so, we help preserve the surrounding environment for future generations.

Innovation in Project Design

We pride ourselves on challenging conventional approaches to mine and project design, including to minimize our environmental footprint. For example, ore from our pits is transported via a rope conveyor rather than the traditional method of transporting via haul trucks. By doing so, we do not need to disturb land to build haul roads.

We filter our tailings before they are placed on the filtered tailings storage facility. This removal of the water allows us to place the tailings in the storage facility without the need for dams. Our tailings filter system is one of the largest in the world and it allows us to reduce the risk in the development of a tailings storage facility in a highly seismic area.

Environmental Management and Performance

We implement a comprehensive environmental management system to avoid, minimize, and mitigate adverse environmental impacts. The system is aligned with the International Finance Corporation (IFC) Performance Standard 1: Environmental and Social Risks and Impacts.

We commit to meeting and, where possible, surpassing regulatory requirements related to the environment. We are pleased to report that there were zero reportable environmental incidents at our operations in 2016. We also met a full 100% of our regulatory compliance requirements. As such, we did not receive any enforcement actions and/or fines.

We also commit to continual improvement in our environmental performance. To drive this, we have developed a set of key performance indicators (KPIs), which help us track our performance and set goals. Key metrics include data related to:

- Air quality
- Water quality
- Land disturbance
- Chemical consumption
- Noise and vibration levels

In 2016, our primary environmental goal will be zero spills impacting downstream water bodies.

Greenhouse gas production for 2016 was about 105kt.



HUMAN RIGHTS

We recognize that our operations have the potential to impact human rights both positively and negatively. Therefore, in our Policy on Social Harmony and Human Rights, we commit to embedding human rights considerations across our business.

Our approach is aligned with the United Nations Guiding Principles on Business and Human Rights: We recognize that we have a responsibility to respect the human rights of stakeholders within our sphere of influence. To achieve this, our policies and procedures on human rights are aligned with the 'do no harm' principle. We also conduct due diligence to address human rights considerations.

Under the Guiding Principles, companies must apply appropriate and effective remedies where they cause or contribute to negative human rights impacts. Therefore, we have integrated a formal human rights grievance mechanism into our existing community relations programs.

In 2016, there were no human rights claims against our company.

Additionally, we recognize that we have a responsibility to prevent and mitigate negative human rights impacts that arise from our business relationships. Therefore, in 2016, we commissioned an independent human rights review of our top suppliers of goods and services.

The review uncovered some minor human rights concerns and risks, all of which were determined to be of low significance. However, corrective actions were taken to help ensure that negative human rights impacts do not arise from these relationships. By conducting the due diligence – and taking appropriate corrective actions – we can 'discharge' our human rights responsibilities in relation to our supply chain.

We believe that we have extraordinary opportunities to positively affect human rights in our sphere of influence. For example, our operations provide employment opportunities for local stakeholders, which, in turn, helps improve living standards. By investing in educational initiatives, we help promote the right to education. By supporting community water projects, we support the right to clean water. In 2017, we will continue to seek ways in which we can help promote the enjoyment of human rights.



RESETTLEMENT

Mine operations sometimes require land acquisition, restrictions on land use, and, in some cases, resettlement. Our resettlement projects comply with the International Finance Corporation Performance Standard 5 on Land Acquisition and Involuntary Resettlement. Key to this approach is avoiding resettlement wherever feasible and restoring or improving the livelihoods and standards of living of resettled communities.

In April 2016, we successfully completed the resettlement of the Real de Limon community. This was the second resettlement project undertaken by Torex and followed the successful resettlement of the La Fundición community in 2015. The Real de Limon resettlement was completed during an illegal blockade of the site and is testament to the collaboration between the Real de Limon community and Torex Community Relations team.

We moved 67 families comprising about 300 people. The new community of Real de Limon has paved streets, street lights, potable water, and a sewage treatment system that discharges into a wetland.

Additionally, the community has public buildings to serve educational needs, including a kindergarten, and elementary school, and has access to a secondary school shared with La Fundición. Offices for the Municipal and Ejidal authorities were provided as were recreational facilities, such as a basketball court and a children's playground. A Catholic Church and Jehovah's Witness temple were also constructed.

We continued to work with the communities of La Fundición and Real de Limon as they became accustomed to their new houses. Each of the new owners has been provided with legal title to their new home and the Municipality of Cocula has formally accepted responsibility for the maintenance and operation of the community infrastructure.

Our presence in the area allows us to foster constructive, lasting relationships with our resettled communities. In 2017, we will continue to develop and implement the associated livelihood restoration programs, and we will audit our resettlement process against the IFC Performance Standard 5.





NOTES

Disclaimer

This report may contain “forward-looking statements” and “forward-looking information” within the meaning of Canadian securities legislation. Forward-looking statements relate to future events or the anticipated performance of the Company. Forward-looking statements include, but are not limited to, achieving full production to become an intermediate gold producer, the safety and health, environment, human rights, and community relations targets, the establishment of a permanent security force in the region, the advantages of RopeCon and the dry-stack tailings, and security and access to the ELG Mine. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects”, “believes”, “target” or variations of such words and phrases or state that certain actions, events or results “will” or “will be taken”, “occur”, or “be achieved”. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements or information, including those risk factors identified in the Company’s annual information form and management’s discussion and analysis which are available on the Company’s website www.torexgold.com and SEDAR at www.sedar.com.

Photo Credits

Martin Vargas and the Torex teams

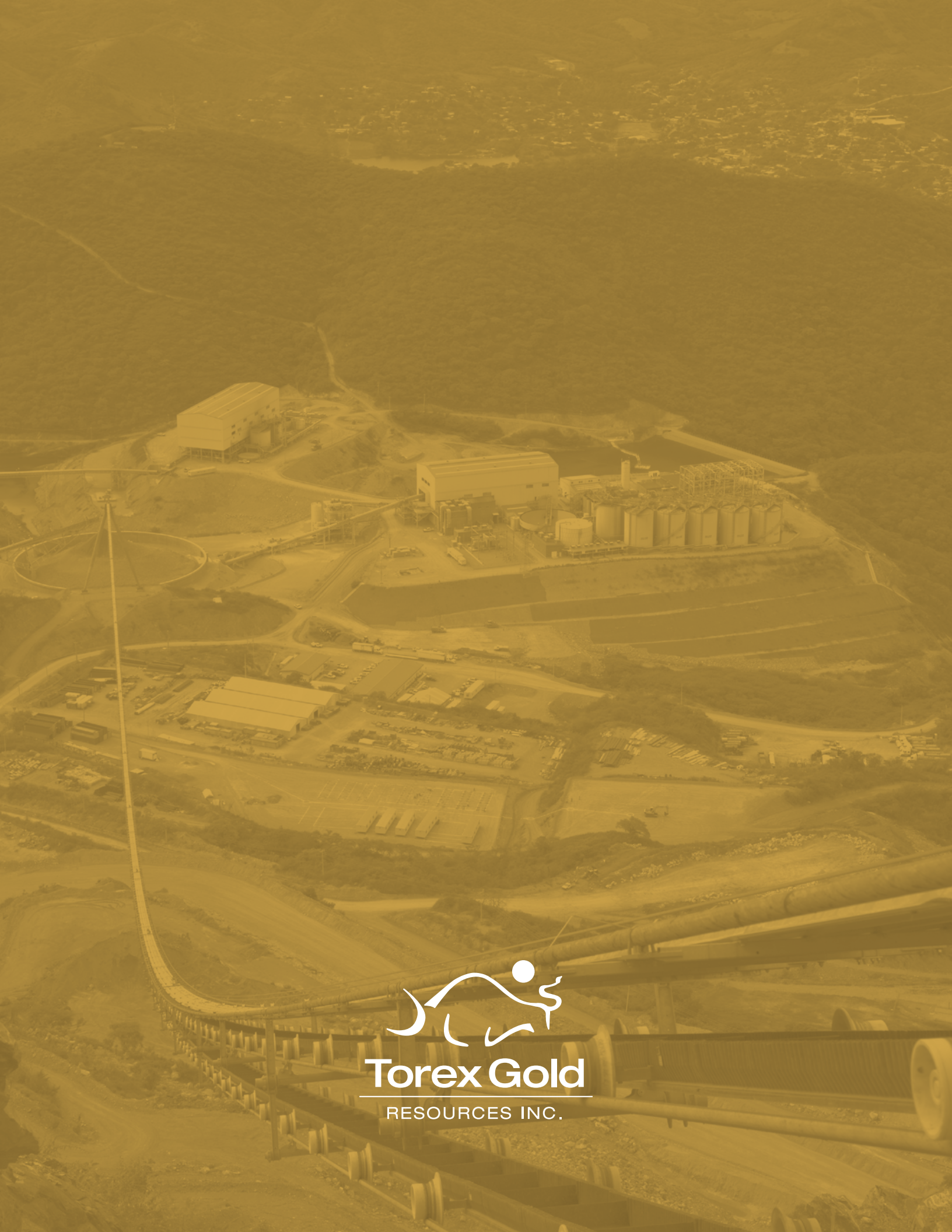
Contact Information

Exchange Tower
130 King St. West, Suite 740
Toronto, ON M5X 2A2
(647) 260 1500
www.torexgold.com



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Torex Gold

RESOURCES INC.