

# CORPORATE RESPONSIBILITY REPORT 2017





## COMPANY PROFILE

The Company is a growth-oriented, Canadian-based resource company engaged in the exploration, development, and operation of the Morelos Gold property. The Morelos Gold Property is located in the prolific Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and 50 km southwest of Iguala, and consists of 7 mineral concessions covering a total area of approximately 29,000 hectares.

The Company's principal assets are the El Limón Guajes mining complex, comprised of the El Limón, Guajes and El Limón Sur open pits, the El Limón Guajes underground mine including zones referred to as Sub-Sill and El Limón Deep and the processing plant and related infrastructure, which is in commercial production stage as of April 1, 2016. In addition, for the Media Luna deposit, which is an early stage development project, (for which the Company issued a Preliminary Economic Assessment (PEA) effective August 17, 2015), a revised PEA is expected to be issued as part of an updated Technical report, in June 2018.

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MESSAGE FROM

OUR CHIEF EXECUTIVE OFFICER



On behalf of the Torex teams, welcome to our annual corporate responsibility report. The report summarizes our annual corporate responsibility performance for 2017 and details our goals and targets for 2018.

At Torex, we are proud of our success in developing world-class assets and projects. Our success to date is a testament to the hard work and dedication of our employees and contractors, as well as our local, regional, and national partners.

Developing these world-class assets and projects, however, does not come without its challenges. Indeed, 2017 was surely the most challenging year in the history of our young company.

Most regrettably, in May 2017, a fatal accident occurred at the construction site for a sediment control structure for the El Limon Sur pit. Mr. Jorge Joel Roman Mendoza, an employee of one our contractors, was fatally injured while transporting rock to the construction site. Our thoughts and prayers remain with Mr. Roman's family, friends, and co-workers. In the Safety and Health section of this report, we outline some of the actions we are taking to refocus our safety culture.

The past year was also one that tested our resolve and our ability to persevere in the face of adversity.

At Torex, we recognize the ability of our operations to positively transform individual lives, local communities, the State of Guerrero, and Mexico as a whole. We create thousands of well-paying jobs, enable myriad local and regional business opportunities, generate substantial public revenues, and provide widespread benefits that will continue long after our mining activities are complete.

At the same time, we also recognize that not everyone benefits equally from our activities. In addition, some individuals believe they deserve greater benefits than those they currently receive, which can lead to disputes with the company and among communities. To resolve these disputes, we have always taken the approach of open, honest, and respectful two-way consultation with our stakeholders. To an overwhelming degree, our stakeholders have done the same.

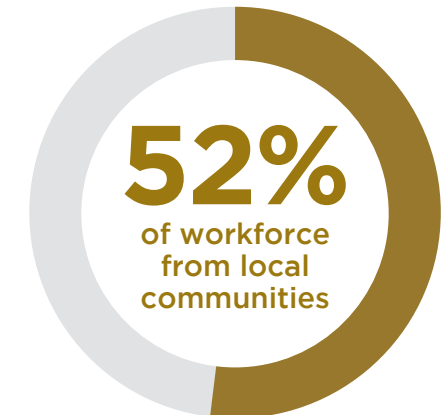
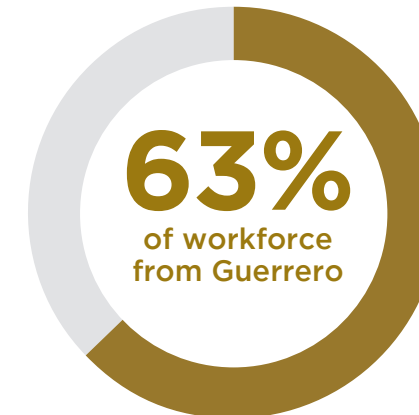
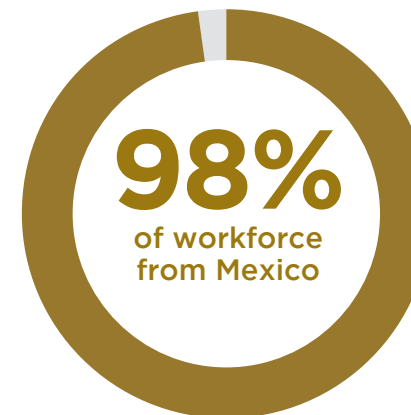
However, in November 2017 a small group of individuals supported by the Los Mineros Union illegally blockaded our operations demanding a change in labour union. Although there is a legal, government-sanctioned process to change union representation, these individuals chose to break the law and disregard the wishes of most of our employees.

To be clear, at Torex, our position has always been - and will continue to remain - that all workers have a right to join their union of choice. It is their fundamental human right and we welcome the opportunity to work with whichever union our employees choose. By illegally blockading our operations, the Los Mineros Union and their accomplices have denied thousands of citizens their constitutionally-protected right to work.

Despite the challenges posed by the illegal blockade, we will not be deterred. We will persevere, and our journey will continue. We emerge from these challenges stronger, more determined, and better able to deliver on our long-term vision as a company. In partnership with our stakeholders, we will continue to positively transform the lives of countless individuals and their families, all while helping build local communities, the State of Guerrero, and Mexico as a whole.

**Fred Stanford**  
President and Chief Executive Officer

**2,369** employees and direct contractors



**\$53 million**  
in total wages paid

**\$226 million**  
in procurement to Mexican firms (over 90% of total procurement)

**\$18 million**  
in government payments in 2017

**\$1.3M**  
invested in community projects in 2017

**ZERO**  
reportable environmental incidents

**94K+**  
hours of employee training

**1.72 LTIFR**  
(LOST TIME INJURY FREQUENCY RATE)

# OUR APPROACH

## MINING RESPONSIBLY

Responsible mining is at the core of our approach to doing business. Our commitments to responsible mining practices are embedded in our corporate policies, which are developed by senior management, endorsed by our CEO, and approved by our Board of Directors. To access our corporate policies, [click here](#).

We take a systems-leadership approach in which we deploy comprehensive management systems for key aspects of the business, including safety and health, environmental protection, and community relations and human rights.

We commit to a variety of international practices to drive excellence in our corporate responsibility performance. These include initiatives like the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability, the Equator Principles (EPs), and the United Nations (UN) Guiding Principles on Business and Human Rights.

We publicly disclose our corporate responsibility performance annually. We do so to communicate transparently with our stakeholders, drive continual improvement in our operations, and promote accountability. Each year, we commit to improve our corporate responsibility reporting as our company continues to mature. For example, in 2017, we set our first public performance targets. In 2018, we will further strengthen our reporting processes by incorporating greater materiality analyses into our reports.

## SUSTAINABLE DEVELOPMENT GOALS

Our core business is producing the gold needed by the global economy and society as a whole. However, we believe that we are more than just a mining company. This is because we firmly believe that mining can be a powerful force for good beyond our direct operations, especially for the communities in which we work.

In fact, it is widely recognized that business has a critical role to play in achieving global development priorities, including the United Nations Sustainable Development Goals (SDGs), which now form the core of the global development agenda. Companies are increasingly expected to contribute to achieving the 17 SDGs and their associated targets. This is especially true of companies operating in developing economies, given that mining operations are often key economic drivers in the developing world.

In each section of this report, we will highlight how the SDGs pertain to our business. Look for the SDG wheel and icons to see how our work is focused on the SDGs. To learn more about the 17 SDGs and associated targets, please [visit here](#).

Each year, we set annual performance targets to drive continual improvement in our operations. The following tables present our progress on our 2017 goals as well as our targets for 2018.



## 2017 GOALS AND PROGRESS

Area	2017 Goal	Progress
Safety & Health	Lost Time Injury Frequency Rate <sup>1</sup> (LTIFR) of <2. Zero fatalities.	Achieved. LTIFR of 1.72. Not achieved. One fatality in May 2017.
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.	Grievance management systems upgraded and streamlined across the business. Not assessed due to circumstances surrounding illegal blockade at end-2017.
Human Rights	Zero violations of human rights by MML and contractors. Annual training in the voluntary principles on human rights for our security teams.	Achieved. Achieved. Training provided to security staff and external contractors.

## 2018 GOALS

Performance Area	Progress
Our People	Provide human rights training based on outcomes of human rights assessment (see Human Rights goals below).
Safety & Health	Zero fatalities. LTIFR <sup>1</sup> of <2.
Environment	Zero reportable spills of 1000 liters, or more, that report to the river or reservoir. 100% compliance to monitoring program for water, air, and noise.
Community Relations	Re-establish full access to operational areas. <sup>2</sup> Continue to strengthen our grievance management systems with digital submission tools.
Human Rights	Conduct a voluntary human rights risk assessment for the business. Zero legitimate human rights complaints brought forward against MML. Publicly report our public payments in our corporate responsibility report.

<sup>1</sup> Per million hours worked (employees plus direct contractors).

<sup>2</sup> This goal was achieved during the preparation and development of this report.

# ECONOMIC & OPERATIONAL PERFORMANCE

## OUR APPROACH

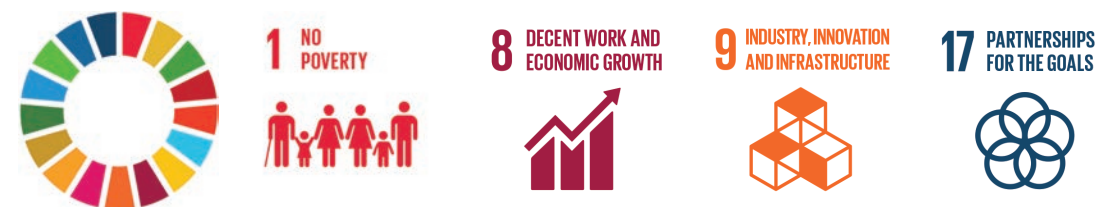
The primary aim of our business is to generate long-term economic value for our stakeholders. When we succeed as a business, our stakeholders succeed with us. Therefore, our economic and operational performance are primary metrics by which we measure our success as a company.

Starting in 2017, we have augmented our disclosure of a variety of financial information quarterly and annually, above and beyond our required existing financial reporting requirements. This will provide even more transparency around our revenues and payments to all of our stakeholders.

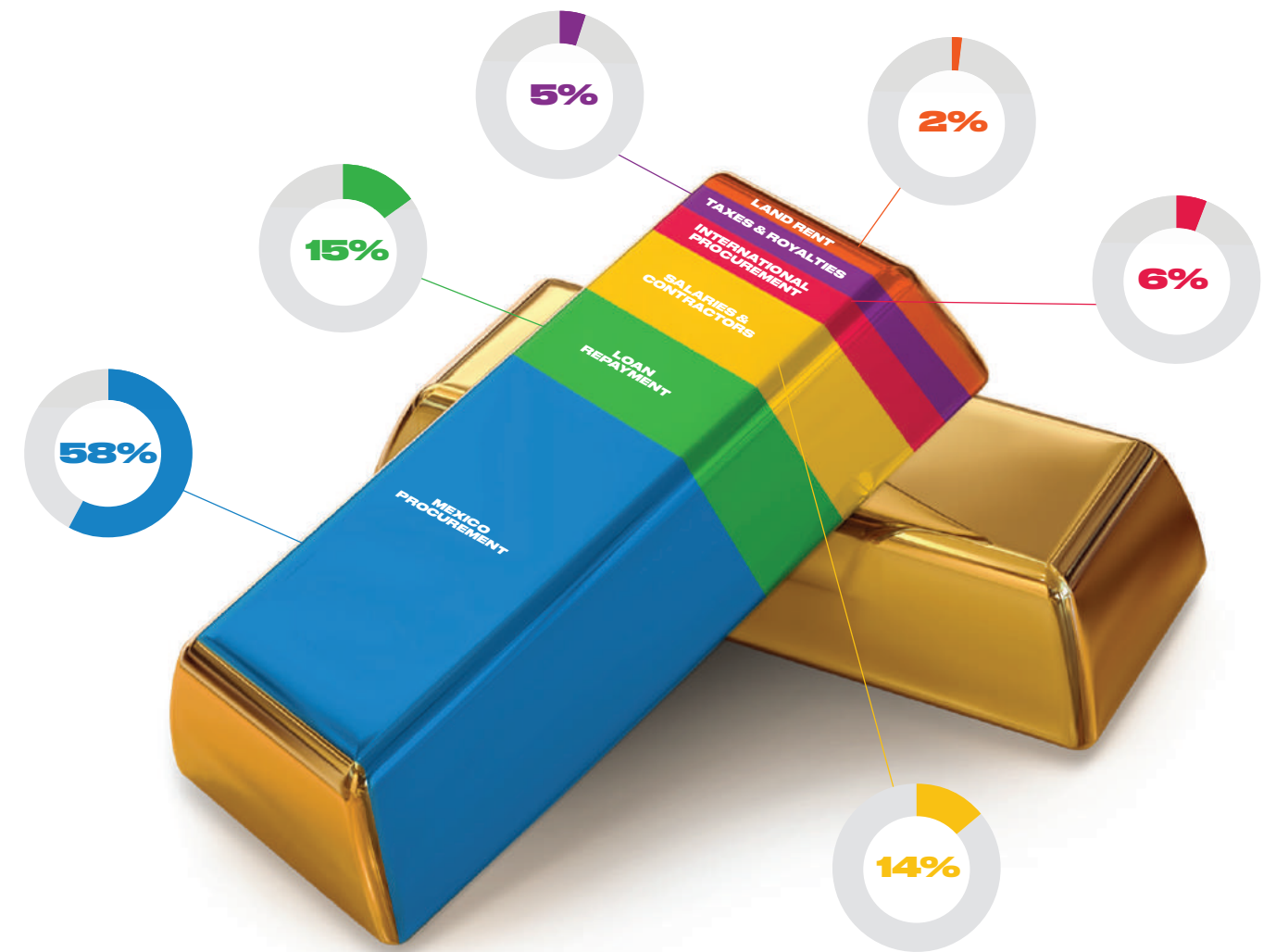
## OUR PERFORMANCE

In 2017, we produced 248,797 ounces of gold, which generated revenue of \$314.9M. We spent over \$251M on procurement, over 90% of which was paid to Mexican firms. We paid over \$53M in salaries and benefits to employees and contractors as well as \$18M in government payments and \$10M for land leases.

As a mining company listed on the Toronto Stock Exchange (TSX), we report under the Extractive Sector Transparency Measures Act (ESTMA). The Act requires that we disclose our annual payments to governments in Canada and abroad.



# GOLD PRODUCTION COSTS FOR 2017



THIS GRAPHIC PRESENTS A SUMMARY OF OUR PRODUCTION COSTS FOR 2017. THESE COSTS ARE KEY COMPONENTS OF OUR ANNUAL ECONOMIC PERFORMANCE.

# WORKFORCE DEVELOPMENT

## OUR APPROACH

The success of our company is dependent on the individual and collective efforts of our employees. We are proud of their efforts throughout the past year, particularly during the illegal blockade that began in November. During much of this time, hundreds of our employees were unable to exercise their constitutionally protected right to work. These workers and their families endured immense hardship due to the actions of a small group of individuals. We are truly grateful for their sacrifice and perseverance.

We are proud of the employment that our operations generate for the local, regional, and national economies. In 2017, we employed 790 direct employees in addition to 1,579 contractor employees. Over 98% of the total workforce (employees plus contractors) were from Mexico, while 63% were from Guerrero. Over 52% of the workforce hailed from local communities. In total, this employment represents over \$53M in total salaries and benefits paid.

Training and professional development are key aspects of our approach to supporting and developing our workforce. In 2017, we provided over 94,000 hours of training. We also invested US\$0.5M in workforce training in professional development support to our employees.

Diversity and inclusion are also important aspects of our business. We recognize that diverse viewpoints bring added value to our operations and decision-making processes. In 2017, 12% of our workforce was female and three of our eight executive management positions were filled by women. Although modest, these figures are important given that employment in the mining sector in Mexico is dominated by males. In 2016, we also welcomed our first female Director – Ms. Elizabeth A. Wademan – to our Board of Directors. Ms. Wademan currently serves as the Chairperson of the Board of Directors Environmental and Corporate Responsibility Committee.

In 2018, we will work to further promote diversity and inclusion across our business, including at the corporate and operations level.



1 NO POVERTY



3 GOOD HEALTH AND WELL-BEING



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



17 PARTNERSHIPS FOR THE GOALS



# SAFETY & HEALTH

## OUR APPROACH

The safety of our workforce is our top priority. Our [Safety and Health Policy](#) and Safety and Health Management System serve as the foundations of our approach to operating a safe working environment. These tools help embed a strong safety culture across our business.

Safety training is provided to all employees and contractors. We invest in preventive health programs and other measures for the well-being of our employees. We provide medical equipment and fund the salaries of doctors and paramedics in some local communities to enhance local healthcare delivery. In 2017, we invested US\$0.58M in health initiatives.

Our contributions are especially important for local progress on the SDG 3: Good Health and Wellbeing given that quality local healthcare delivery is relatively limited in the rural area where the ELG mine is located.

## OUR PERFORMANCE

We develop and track multiple key performance indicators (KPIs) for safety and health across our operations. The KPIs help measure our performance and help drive continual improvement over time, enabling us to set annual performance targets.

Most regrettably, we came up short on one of our primary safety goals for 2017, namely zero fatalities. On 23 May 2017, a fatal accident occurred at the construction site for a sediment control structure associated with the El Limon Sur pit and dump complex. Mr. Jorge Joel Roman Mendoza, an employee of one of our construction contractors, was fatally injured while transporting rock down to the construction site. His loaded truck climbed the berm and then rolled over, coming to rest approximately 20 meters below on the next switchback.

We remain deeply saddened by the tragic loss of our fellow colleague. Our thoughts and prayers remain with Mr. Roman's family, friends, and co-workers. To help prevent these types of tragedies from occurring, we implemented the following actions to enhance safety systems and improve contractor safety practices:

- MML team leaders will require that their contractors complete a risk assessment before starting a new job. The risk assessment will then be developed into risk control actions.
- A review of operating procedures in steep terrain, including a requirement for strict traffic controls.
- Requirement that the MML Safety team visit the sites where people are working in steep terrain at least daily.

Despite this tragic event, we achieved our goal of a lost time injury frequency rate (LTIFR) of less than two, with a year-end LTIFR of 1.72.

Our targets for 2018 include a LTIFR of <2. And, as with every year, we will target zero fatalities across our operations.



**3** GOOD HEALTH AND WELL-BEING



**8** DECENT WORK AND ECONOMIC GROWTH



# COMMUNITY RELATIONS

## OUR APPROACH

We are committed to building constructive, long-term relationships with all of our stakeholders, including at the local, regional, and national levels. We recognise our stakeholders as key partners in mine development and production. Without our partners, our success to date would not have been possible.

We also recognise that some stakeholders hold differing views on many topics and that healthy disagreements are a part of any stakeholder relationship. We always prefer a negotiated solution to ongoing disagreements. However, a small group of stakeholders used illegal tactics in fall 2017 to attempt to compel our company to meet unreasonable and often illegal demands. These tactics are by no means an indication of our broader relationships with our local partners.

We fully appreciate the efforts of the communities of Nuevo Balsas and Valerio Trujano, whose support has been instrumental in getting the ELG Mine Complex re-started. We also extend our thanks to our security teams for their courage and commitment, and for the hardships they have endured during the illegal blockade. We continue to work to provide unlimited access to all of our facilities.

## OUR PERFORMANCE

We set a goal of improving our grievance management systems in 2017. We achieved this by strengthening the process for stakeholders to submit grievances and by streamlining the subsequent processing of claims. The system enables the tracking of trends and key issues, which enables us to be proactive with respect to community complaints rather than reactive.

Our overarching goal will be to regain full access to our operational areas with zero interruptions following a full restart in 2018. We will negotiate Community Development Agreements with our local stakeholder communities. These agreements will define the type and amount of support that we will provide to our stakeholder communities, along with requirements for uninterrupted operations so that these resources can be provided.

## COMMUNITY / UNION ILLEGAL BLOCKAGE SOLVED

On 3 November 2017, approximately 20 employees from Real de Limón, out of a union-eligible population of 540, started a blockade of the ELG Mine Complex access gate demanding a change in labour union. There was no option available to negotiate a resolution to this demand because a change in union requires a vote by all union-eligible employees through a government-sanctioned process.

In January 2018, with the help of the communities of Valerio Trujano and Nuevo Balsas, our team was able to regain access to the ELG Mine Complex and re-start operations. In late-January 2018, the Los Mineros Union supporters sent approximately 175 people onto the site to try and intimidate the workers into ceasing work in the processing plant. The employees, with the support of community members, refused to be intimidated and continued to operate the mines and processing plant.

On 6 April 2018, after a negotiation with community leaders that the Company was not a party to, the supporters of Los Mineros Union ended their illegal blockade. On April 11, the Company received notification that the Los Mineros Union had withdrawn their application to challenge the incumbent union to be the union to represent the Company's union-eligible employees.



17 PARTNERSHIPS FOR THE GOALS





# LOCAL CONTENT

## OUR APPROACH

We recognize that our operations serve as a key catalyst for local community and economic development. Therefore, we strive to maximize the benefits of our operations for our local stakeholders through a variety of local content initiatives, including a requirement for local employment and local procurement.

## OUR PERFORMANCE

Local employment generation is one of our stakeholder's primary concerns. This is due to high levels of unemployment in Guerrero state and the fact that mining sector salaries are better than many other sectors. In addition, our company pays some of the highest salaries within the mining sector in Mexico.

Therefore, we strive to fill employment positions locally. To do so, we implement a preferential local hiring process. When local candidates are unavailable, we seek regional candidates. National candidates are sought only when these options are exhausted. In addition, all unskilled positions within the company are filled by local community members. To promote employability in local communities, we implement local training initiatives.

In 2017, over 52% of our workforce came from local communities and over 63% came from the State of Guerrero. In 2018, we will continue to seek ways to enhance local employment opportunities.

Local procurement is also a critical concern for our stakeholders. In 2017, over 90% of our procurement spending went to Mexican firms, representing \$226M. In addition, we implement a variety of support measures for local vendors, including preferential procurement for certain goods and services. We also provide a variety of business support services, including training on company procurement processes and support for local advertising.

In 2018, we will continue to work with the Guerrero Mining Cluster (Clúster Minero de Guerrero) - a multi-stakeholder association of Guerrero's mining companies, service providers, academia, and government agencies - to enhance the capacity of local and regional vendors.



1 NO POVERTY



8 DECENT WORK AND ECONOMIC GROWTH



11 SUSTAINABLE CITIES AND COMMUNITIES



# COMMUNITY & ECONOMIC DEVELOPMENT

We recognize that we can generate sustainable, long-term value beyond our direct operations. Through community investments, we support local and regional development priorities and needs. Critically, this includes contributing to the Sustainable Development Goals (SDGs) and their associated targets. As we advance our projects, we will work to integrate the SDGs into our approach to supporting community and economic development, including in our partnerships with local stakeholders.

## DEVELOPMENT FUNDS

We pay annual royalties to the Mexican government on the gold we produce. A portion of these funds are paid into the Fondo Minera, which in turn funds local community development initiatives. In 2017, we contributed US\$7.84M to the fund.

In 2016, we established the MML Development Foundation as a temporary organization to fund development projects and build community capacity while communities awaited disbursement of funds from Fondo Minera. In 2017, the first disbursement of funds was made available to the municipality of Cocula. We assisted local community organizations in submitting applications to the fund for priority development projects. We expect that these projects will be fully implemented in 2018.

## LIVELIHOODS RESTORATION

We completed the resettlement of the communities of La Fundición and Real de Limon in 2015 and 2016, respectively. The resettlements were conducted in

accordance with the International Finance Corporation (IFC) Performance Standard (PS) 5 on involuntary resettlement.

As part of IFC PS 5, we commit to restoring and/or improving the livelihoods of displaced persons. In 2017, we continued our livelihood restoration programs and post-resettlement monitoring programs in conjunction with our external consultants.

## INVESTING IN EDUCATION

We recognize that investments in human capital are some of the most effective and sustainable development investments that we can make. Doing so provides lasting benefits for individuals and communities well into the future. Therefore, investing in human capital is a cornerstone of our approach to community investments.

In 2017, we invested over US\$5.84M in capacity building initiatives. In addition, we have helped build three schools and two nursery facilities in surrounding communities. We also maintain a community scholarship program for local students. In 2017, we provided 67 scholarships and 47 local internship placements.

To support broader skills development for the Guerrero mining sector, we established eight partnerships with regional universities. These partnerships will help further develop local and regional talent rather than attracting employees from elsewhere in Mexico.



# ENVIRONMENT

## OUR APPROACH

For us, reducing adverse environmental impacts starts with innovation in project design. We do things differently to minimize our environmental footprint and generate superior value for our stakeholders. This includes building one of the most innovative ore conveyor systems in the world with the 'RopeCon' as well as the largest filtered tailings storage facility for gold mining globally. Doing so makes good business sense and helps preserve the surrounding environment for future generations.

We implement a comprehensive environmental management system that is aligned with the International Finance Corporation (IFC) Performance Standard 1: Environmental and Social Risks and Impacts. The system is underpinned by our corporate [policy on environmental protection](#), which establishes our commitment to the environment at the highest levels of our company.

## ENVIRONMENTAL MANAGEMENT AND PERFORMANCE

We publicly disclose a variety of environmental performance information to increase transparency and accountability.

In 2017, there were no reportable environmental incidents at our operations. In addition, we met a full 100% of our environmental regulatory requirements. In our 2016 corporate responsibility report, we set a goal of zero spills impacting downstream water bodies. We are pleased to report that we met this goal in 2017.

In 2018, our primary environmental goals will be as follows:

- Zero reportable environmental incidents.
- 100% compliance to monitoring program for water, air, and noise.

Metric	Value	Progress
General	Reportable Incidents	0
	Spills affecting downstream environment	0
	Enforcement actions / fines	0
Water	Volume water consumed (m <sup>3</sup> )	603,799
	Volume water recycled (m <sup>3</sup> )	805,808
	Volume water discharged (m <sup>3</sup> )	0
Air	# Sampling Locations	4
	# Samples	27
	% compliance to monitoring program	100
	Greenhouse gas production (kt)	137
Land	Land disturbance 2017 (ha)	77.49
	Total disturbance to date (ha)	710.17
	Land rehabilitated 2017 (ha)	4.3
	Land fully remediated to date (ha)	63.53
	Seedlings planted	39,706
Chemicals	Gasoline consumption (ML)	0.8
	Cyanide consumption (t)	7,912
	Diesel consumption (ML)	16.9



# HUMAN RIGHTS

## OUR APPROACH

While governments have the primary duty for protecting human rights, we recognize that we must respect human rights within our sphere of influence. We also recognize that we have an important role to play in promoting the enjoyment of human rights among our stakeholders.

Therefore, respect for human rights is fundamental to our company values and how we conduct our business activities. This commitment is embedded in our corporate [Policy on Social Harmony and Human Rights](#) as well as our operational management systems. Our approach is guided by the United Nations Guiding Principles on Business and Human Rights and the Voluntary Principles on Security and Human Rights.

## OUR PERFORMANCE

In 2016, we set a goal of zero human rights violations by our company and our contractors in 2017. We are pleased to report that we achieved this goal, as determined by a human rights assessment of our supply chain.

We set an additional goal in 2016 to provide annual human rights training for our security providers. We also achieved this goal in 2017 and will pursue a similar goal in 2018.

In 2018, we will conduct a comprehensive assessment of human rights issues and risks across our business. The assessment will build on previous human rights assessments conducted for the company. Critically, the assessment will help identify stakeholder concerns with respect to human rights and will identify areas for improvement across the business. Based on the outcome of the assessment, we will provide additional human rights training for our employees and contractors, security forces, and local communities.

Lastly, we will continue to promote the enjoyment of human rights within our sphere of influence. This is especially important in the context of our support for the SDGs, as human rights serve as the foundation of the overall SDG framework and underpin over 90% of the SDG targets. As such, the integration of SDGs will help promote a human rights-based approach to our development support and programming.



# NOTES

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## 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](http://www.torexgold.com) and SEDAR at [www.sedar.com](http://www.sedar.com)

## PHOTOGRAPHIC CREDITS

Martin Vargas and the Torex teams.

## REPORTING PERIOD

The data and information in this report are valid as at 31 December 2017, unless otherwise indicated.

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## GLOSSARY

<b>EPs</b>	Equator Principles
<b>ESTMA</b>	Extractive Sector Transparency Measures Act
<b>ha</b>	Hectares
<b>IFC</b>	International Finance Corporation
<b>KPI</b>	Key Performance Indicator
<b>kt</b>	Kilotonnes
<b>L</b>	Litres
<b>LTIFR</b>	Lost Time Injury Frequency Rate
<b>ML</b>	Million litres
<b>PEA</b>	Preliminary Economic Assessment
<b>SDG</b>	Sustainable Development Goal
<b>t</b>	Tonnes
<b>TSX</b>	Toronto Stock Exchange
<b>UN</b>	United Nations

