



Economic Impact Study

Torex Gold

October 2023



Note to Reader

The estimates presented within this document have been provided by Deloitte LLP (“Deloitte”) to Torex Gold (“Torex”, “the Company”) for the purpose of analyzing the economic impact of the gold mining operations of Torex in Mexico and the State of Guerrero during a representative year (based on 2022 financial data). This report is prepared with input from Torex as well as data from the Camara Minera de Mexico (CAMIMEX), the Instituto Nacional de Estadística y Geografía (INEGI), the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD). Photographs presented in this document have been provided by Torex.

This study does not represent a cost-benefit analysis for Torex, or any other stakeholder, and does not represent a comparison of the potential economic impact of Torex’s activities to the potential impact of an alternative use of resources. In particular, the study does not examine the potential costs of pursuing the capital investments or operational activities, including the opportunity costs for Torex, or other stakeholders.

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The analysis is provided as of **October 13, 2023**, and we disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting this analysis, which may come or be brought to our attention after the date hereof. In preparing this report, we have relied on historic financial, operational and other information provided to us by Torex. The estimates presented in this report are subject to the general qualification that the information and data provided to us are accurate and reliable and are also subject to the accuracy of the various assumptions described within the report. We reserve the right to amend any part of our report, or the conclusions expressed herein, in the event new or amended information is provided to us after the date of this report.







Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the analyses after the date hereof, we reserve the right to change or modify the analysis but are under no obligation to do so. Observations are made on the basis of economic, industrial, competitive and general business conditions prevailing as at the date hereof. In the analyses, we may have made assumptions with respect to the industry performance, general business, and economic conditions and other matters, many of which are beyond our control, including government and industry regulation.

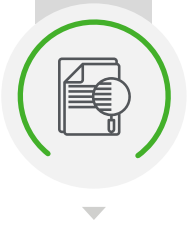
The full extent of the ongoing COVID-19 pandemic’s impact on the economic outlook remains uncertain. It is, therefore, important for readers to consider that the analysis is based on third-party data (e.g., economic and industry data) and does not include any consideration of the likely economic impact of either COVID-19 on sales, production, supply chain or any other aspect of the business, which may have an adverse impact on the performance of the Company.

No opinion, counsel, or interpretation is intended in matters that require legal or other appropriate professional advice. It is assumed that such opinion, counsel, or interpretations have been, or will be, obtained from the appropriate professional sources. To the extent that there are legal issues relating to compliance with applicable laws, regulations, and policies, we assume no responsibility therefore.

We believe that our analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by them, without considering all factors and analyses together, could create a misleading view of the issues related to the report. Amendment of any of the assumptions identified throughout this report could have a material impact on our analysis contained herein. Should any of the major assumptions not be accurate or should any of the information provided to us not be factual or correct, our analyses, as expressed in this report, could be significantly different.

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Executive Summary



About this Study



Study Background and Objective

Torex Gold Resources Inc. (“Torex”, “the Company”) is an intermediate gold producer based in Canada, engaged in the exploration, development, and operation of its 100% owned Morelos Property, an area of 29,000 hectares in the highly prospective Guerrero Gold Belt located 180 kilometres southwest of Mexico City. The Company’s principal asset is the Morelos Complex, which includes the El Limón Guajes (“ELG”) Mine Complex, the Media Luna Project, a processing plant and related infrastructure. Commercial production from the Morelos Property commenced on April 1, 2016, and an updated Technical Report for the Morelos Property was released in March 2022. Torex is currently the second-largest gold producer in Mexico employing a total of 1,108 individuals and 2,303 contractors, almost all of whom are based in Mexico.^{1,2}

The mining sector is a key pillar of Mexico’s economy, supporting economic activity and jobs across the country. Aligned with this, Torex Gold has engaged Deloitte LLP (“Deloitte”, “we”) to assess the **economic impact** of its **mining operations and capital investments during 2022 (representative year)**,³ across Mexico (United Mexican States) and within the State of Guerrero.

This study traces how the expenditures and investments associated with Torex’s operations in 2022 ripple through the economy, capturing impacts at three levels:

- **Direct impact** associated with the total expenditures from Torex’s operations. This includes the employment and income of workers directly employed and contracted by Torex;
- **Indirect impact** associated with the businesses that provide goods and services to Torex for the purpose of overhead and operations. Examples include economic activity stimulated in the professional services, transportation sectors, amongst others; and
- **Induced impact** associated with the spending of wages and salaries earned by the employees and suppliers of Torex. Examples include purchases of goods and services at the household level.

By leveraging an input-output (I-O) methodology, the study measures the economic impact of Torex’s operations in terms of **gross domestic product (“GDP”), labour income, employment,⁴ and government revenue.**

Together, the data, assessments, and bespoke insights outlined in this report provide a **holistic view** of the **economic impact of Torex’s operations** in Mexico and the state of Guerrero and highlight Torex’s ability to **support the state and national economy** through its operations and capital investments. Overall, these findings align with Torex’s view relative to the distribution of benefits gained through its operations, as voiced in the Company’s Organizational Purpose Statement ‘To transform finite mineral resources into lasting prosperity by positively impacting all the lives we touch’.⁵

1. *Torex Responsible Gold Mining 2022 Report: Positively Impacting The Lives We Touch.* Torex Gold. Accessed April 2023.
2. Job figures reported on this slide represent Torex’s total employee count as at the end of 2022. In this study, we calculate Torex’s direct employment contribution for the representative year as the average employee count across each month in 2022.
3. Representative year economic impacts are estimated based on Torex’s financial and operational data for 2022. Accordingly, throughout this report, where economic impact estimates, expenditure amounts, or other financial or operational metrics are reported, they correspond to 2022 (hereinafter also referred to as “the representative year”), unless otherwise stated. See Appendix II for considerations around how the representative year was selected.
4. Throughout this report, where economic impact estimates relating to employment are reported, use of the term “jobs” refers to part-time and full-time employment opportunities created and/or supported by Torex’s operations.
5. *Torex Responsible Gold Mining 2022 Report: Positively Impacting The Lives We Touch.* Torex Gold. Accessed April 2023.



At a Glance: Economic Contribution of Torex's Operations



Torex's Economic Impact in Mexico and the State of Guerrero

Torex is currently Mexico's second-largest gold producer and the largest gold producer in the State of Guerrero. In 2022, production from Torex accounted for 16% of Mexico's gold output.¹ Accounting for direct, indirect, and induced effects, the economic impact of Torex's operations^{2,3} includes:

Economic Contribution to Mexico



▶ **\$959.9 M** to Mexico's **Gross Domestic Product**



▶ **\$168.4 M** to **Labour Income** in Mexico



▶ **12,912 jobs** created or sustained annually in Mexico, which translates to 25.8 jobs generated in Mexico for every \$1 M that Torex spends

Economic Contribution to Guerrero



▶ **\$599.5 M** to Guerrero's **Gross Domestic Product**, accounting for 3% of Guerrero's annual GDP



▶ **\$54.5 M** to **Labour Income** in Guerrero



▶ **3,539 jobs** created or sustained annually in Guerrero, which translates to 7.1 jobs generated in Guerrero for every \$1 M that Torex spends



▶ **Contributions to Government Revenues:** Torex's operations also contributed **\$278.2 M** to Government Revenues in Mexico during the representative year. This includes taxes on products and production, corporate income taxes, personal income taxes, and royalties. Of this, \$2.2 million was attributed to payroll taxes, property taxes, permits and other related fees at the state and municipal level.

1. Deloitte Analysis; *Industria Minerometalúrgica*. INEGI. Accessed June 2023.

2. Representative year economic impacts are estimated based on Torex's financial and operational data for 2022.

3. Unless otherwise stated, all dollar figures on this slide and within this document are expressed in United States dollars.

Torex's Operations and Expenditures



About Torex's Operations

In 2022, Torex Gold was the second-largest gold producer in Mexico. The Company is engaged in the exploration, development, and operation of its 100% owned Morelos Property, an area of 29,000 hectares in the highly prospective Guerrero Gold Belt. The Company's principal asset is the Morelos Complex, which includes the ELG Mine Complex, the Media Luna Project, a processing plant and related infrastructure.¹

Torex produced **474,035 ounces (oz) of gold in 2022**.² Torex estimates that gold equivalent production will maintain comparable levels of output over the coming years (440,00 - 500,000 oz AuEq).³ Torex's activities in Guerrero have resulted in significant capital investments and operating expenditures across the country. These expenditures flow through to local, state, and national economies, generating significant economic impacts, including contributions to GDP, employment, labour income, and government revenues.



Summary of Torex's Expenditures in Mexico in 2022

The economic impact estimates included in this study are based on an analysis of Torex's operating expenditures and capital investments. In 2022, Torex's operational expenditures (i.e., spending to support mining, smelting, refining, and related activities) in Mexico amount to **\$405.7 million** with **\$109.6 million (27.0%)** of this spending within Guerrero.⁴

Additionally, Torex's capital expenditures in Mexico sum to **\$100.3 million** with **\$34.3 million (34.2%)** of this spending occurring in Guerrero. This includes spending to support mine development, construction of facilities, exploration, and related community initiatives/sponsorships.

During the representative year,

- Torex has made payments of **\$445.9 million** to its suppliers in Mexico and spends **\$60.1 million** on compensation packages – totaling expenditure of approximately **\$506.0 million**.⁵
- On average, Torex has directly employed **1,061** people, on a monthly basis, in Mexico. Of this, 60% of employees are residents of Guerrero.⁶

1. Construction is currently ongoing for the Media Luna Project. Torex estimates that production will begin in the first quarter of 2025.
 2. Torex Gold Website. Accessed June 2023. Web source: <https://torexgold.com/assets/overview/>
 3. Torex Gold: 2023 Operational Guidance And Five-year Production Outlook. Torex Gold. Accessed June 2023.
 4. Unless otherwise stated, all dollar figures in this document are expressed in United States dollars. Due to rounding, numbers presented on this slide may not add up precisely to the total.
 5. Torex's employee compensation comprises salaries, bonuses, benefits and social contributions paid to or on behalf of full-time and part-time workers.
 6. In this study, we calculate Torex's direct employment contribution for the representative year as the average employee count across each month in 2022.

Figure 1: Torex's Total Expenditures in Mexico in 2022

Distribution based on expenditure location

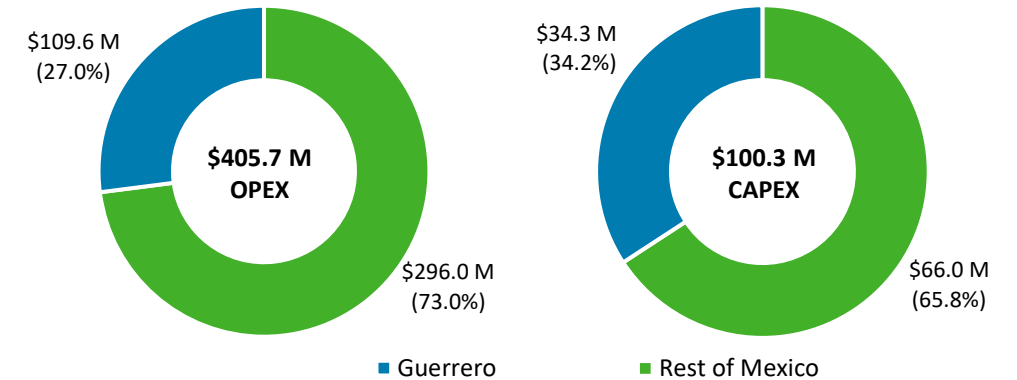
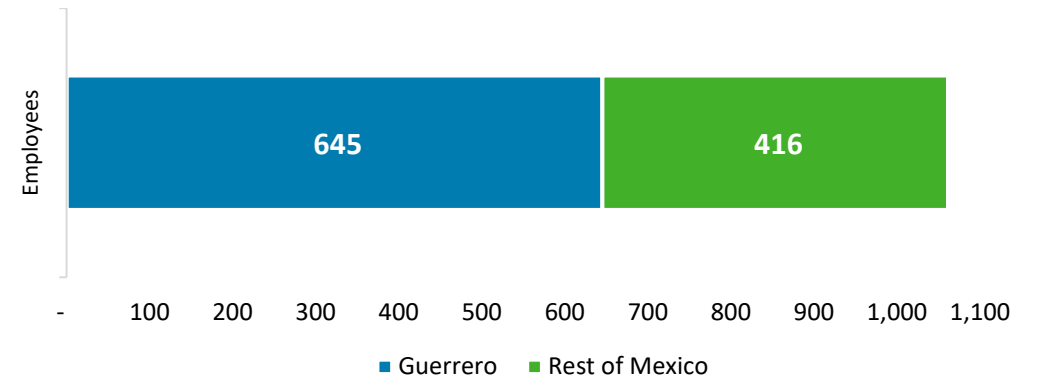


Figure 2: Direct Employees in Mexico in 2022

Distribution based on employee residence



Torex's Footprint in Local Communities



Summary of Torex's Footprint in Local Communities

To present a holistic view of Torex's impact in Mexico, this report also provides high-level insights on Torex's contribution to local communities (i.e., community investments, donations, and other related activities). Torex is dedicated to leaving a net positive legacy in the communities in which it operates and directly invested nearly **\$4.6 million¹** in 2022 to support a range of community investment activities in Guerrero. This is in addition to **\$34.2 million** paid in respect of 2022 to the Fondo para el Desarrollo de Zonas de Produccion Minera (Mexican Mining Fund), which is a tax payable by mining companies primarily allocated to a federal budget for educational projects and initiatives.

In this Report, we briefly highlight benefits to local communities across the following areas of impact. For more detailed information about local community investments, please refer to the Company's **2022 Responsible Gold Mining Report**.



Impact Areas:

- **Education:** Torex has made significant investments to support various educational initiatives in Mexico. These initiatives, which include scholarships, equipment and other donations, have benefitted approximately **4,000 students** from over **70** different educational institutions.
- **Business/Skill Development:** Torex has made contributions to local communities to support business and skill development, including employment training programs, short courses (e.g., haircutting and bakery course) and other entrepreneurship opportunities.
- **Infrastructure:** Torex has made significant investments to support various infrastructure initiatives in Mexico. These initiatives have included the construction, enhancement and rehabilitation of several community structure and features.
- **Health:** Torex has supported various health initiatives through its donations of medical equipment, improvements and expansions of health centres, and payment of salaries for healthcare workers.
- **Agriculture and Aquaculture:** Torex has made several contributions to support agriculture, fishing and aquaculture initiatives as well as assisting farmers and fishing cooperatives in Mexico.
- **Culture and Other Activities:** Torex has invested in several activities and other endeavors to promote culture and support the development of recreational spaces for community residents.

1. Torex Responsible Gold Mining 2022 Report: Positively Impacting The Lives We Touch. Torex Gold. Accessed April 2023.





Introduction

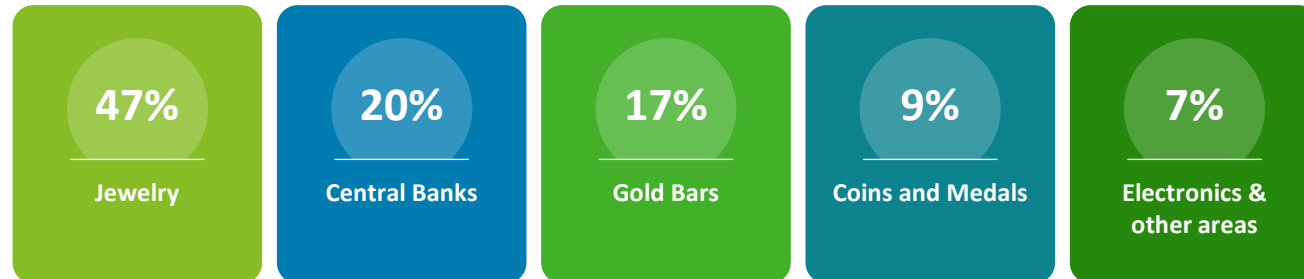


About the Global Gold Industry

Since operations began in 2016, Torex has produced approximately 2.7 million ounces of gold at its 29,000-hectare Morelos Property in Guerrero. In 2022, Torex's ELG Mine Complex produced a record 474,035 ounces of gold (surpassing the previous record of 468,203 ounces of gold produced in 2021) and making Torex the second largest gold producer in Mexico.¹ In 2022, Torex's gold production accounted for 16% of Mexico's gold output.²

Global Gold Industry Overview

- An estimated **3,100 metric tons (99.7 million ounces)** of gold were produced worldwide in 2022. Production was mainly attributed to **five** countries (China, Australia, Russia, United States and Canada) which accounted for **44% of total production**.³
- Gold is a key commodity utilized in several industries. In 2022, global consumption of the commodity was segmented across the following industries: **jewelry, physical bars, central banks and other institutions, medals and coins, electronics, and other areas**.



Mexico's Gold Industry

- As of 2022, **Mexico is the world's 7th largest producer of gold**, accounting for **4% of global output**.⁴
- Gold production in Mexico is mainly attributed to its five largest mines: Peñasquito (Newmont), ELG (Torex), La Herradura (Fresnillo plc), Dolores (Pan American Silver), and Mulatos (Alamos Gold) which are spread across the following four states: Zacatecas, Guerrero, Sonora, Chihuahua.⁵

1. Torex Gold Website. Accessed June 2023. Web source: <https://torexgold.com/assets/production-summary-and-forecast/>
2. Deloitte Analysis; *Industria Minerometalúrgica*. INEGI. Accessed June 2023.
3. *Mineral Commodity Summaries 2023*. U.S. Geological Survey. Accessed June 2023.
4. Deloitte Analysis; *Mineral Commodity Summaries 2023*. U.S. Geological Survey. Accessed June 2023.
5. Cámara Minera de México (CAMIMEX).



About the State of Guerrero

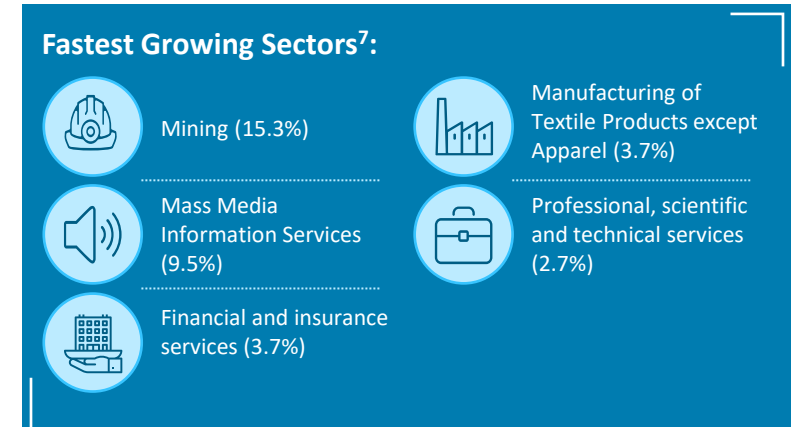
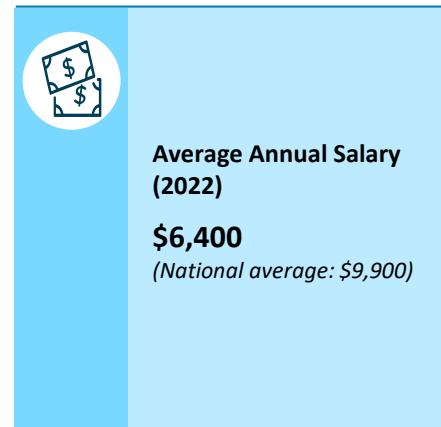
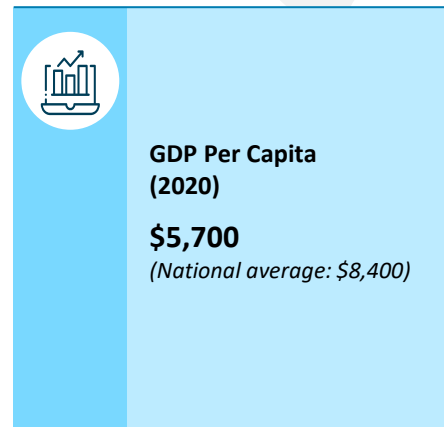
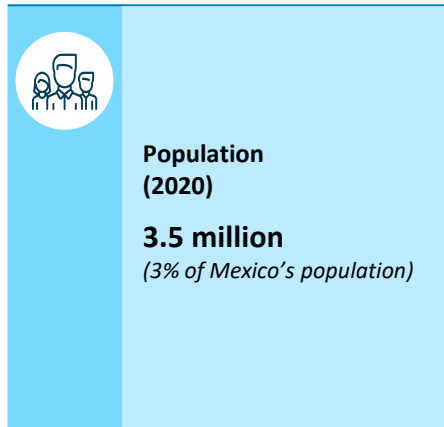
A Snapshot of Guerrero's Economy¹

The State of Guerrero is located in the southwest of Mexico and is home to 3.5 million people according to the latest census in 2020. In 2022, Guerrero had an estimated GDP of \$20 billion, accounting for 1.4% of Mexico's GDP.² Economic growth is mainly driven by activities in the secondary sector (approximately 20% of GDP) such as mining and construction, and by tertiary industries (approximately 70% of GDP) such as retail trade and real estate services.³

In terms of labour force characteristics, the majority of individuals are employed in the tertiary sector (50%), e.g., salesclerks, retailers, domestic workers and the primary sector (34%), e.g., maize, bean, coffee, and cocoa crop cultivation.⁴ Employment income, however, remains relatively low. It is estimated that Guerrero residents earned an average salary of \$6,400 in 2022 which is 35% lower than the national average.⁵ This can be further contextualized by recent census data which shows that less than a quarter of residents aged 15 years and over (23%) have attained a high school degree or higher and that 27% of the population lives in abject poverty, making Guerrero one of the poorest states in Mexico.

The mining sector, however, is a promising industry for the state. It accounted for 7% of Guerrero's GDP in 2021 and has grown at an average annual rate of 15% over the last decade, making it the fastest growing sector in Guerrero. Torex's operations, which are centered in Guerrero, have had significant impacts on the state economy through gold production at its ELG Mine Complex. In less than ten years of operations, Torex has become the largest gold producer in Guerrero (and second largest in Mexico). Additionally, since Torex's operations commenced in Guerrero, the Company has invested several millions of dollars on initiatives to support infrastructure, education, healthcare, and other areas, which have had a remarkable impact on residents in surrounding communities.⁶

Key Statistics for the State of Guerrero:



1. Unless otherwise stated, all dollar figures in this document are expressed in United States dollars.
2. Deloitte Analysis; *Guerrero: Economy, employment, equity, quality of life, education, health and public safety*. Government of Mexico. Accessed July 2023.
3. Deloitte Analysis; *GDP by State (PIBE)*. Base 2013. INEGI. Accessed May 2023.
4. Deloitte Analysis; *National Survey of Occupation and Employment (ENOE), population aged 15 and over*. INEGI; Accessed July 2023.
5. *Average Annual Wages*. OECD. Accessed June 2023.
6. *Torex Responsible Gold Mining 2022 Report: Positively Impacting The Lives We Touch*. Torex Gold. Accessed April 2023.
7. This infographic refers to Guerrero's fastest growing industries, by output (GDP), between 2012 and 2021.

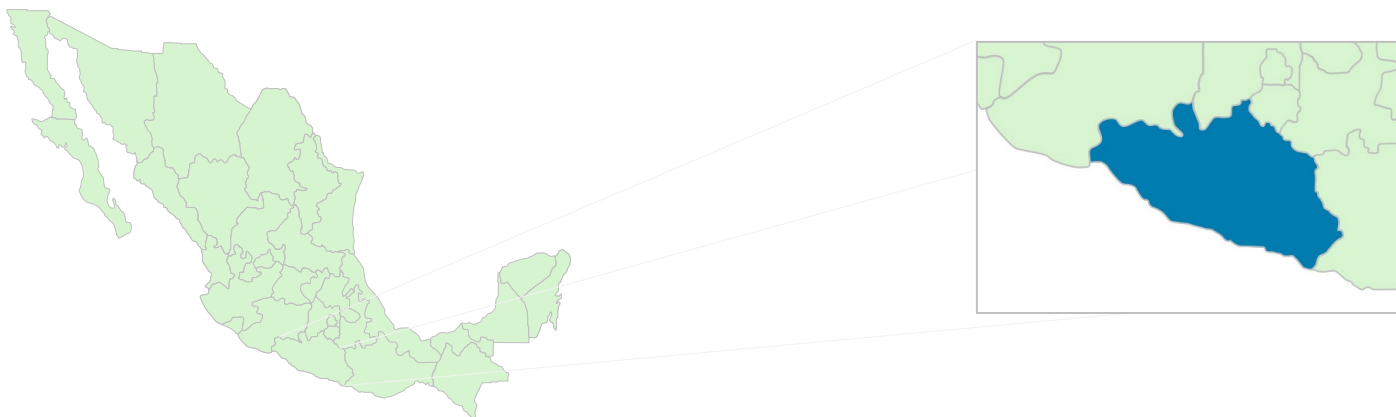
About Torex in Mexico



Torex's Operations in Mexico

Torex is a Canadian intermediate gold producer engaged in mining and exploration of gold in the southwest region of Mexico. Torex's operations in Mexico play a key role in the country's mining industry. Torex is currently the second largest gold producer in Mexico, and estimates that once complete, its Media Luna Project will diversify the Company as a key player in the copper industry.¹ In 2022, Torex directly employed, on average, **1,061** people in Mexico, with nearly **60% of them located in Guerrero**.

Figure 3: Torex's Operations in Mexico and the State of Guerrero At A Glance^{2,3,4}



In 2022, Torex in **Mexico** directly employed, on average, a total of

 **1,061**
people, with a total of

 **\$60.1 M**
paid in employee compensation.

 **\$506.0 M**
in total expenditures was incurred by Torex in **Mexico** to support its operations and capital investments with


 **\$959.9 M**
contributed to Mexico's GDP.

Within the **State of Guerrero**, in 2022, Torex directly employed, on average, a total of

 **645**
people, with a total of

 **\$30.8 M**
paid in employee compensation.

 **\$143.9 M**
in total expenditures was incurred by Torex in **Guerrero** to support its operations and capital investments with

 **\$599.5 M**
contributed to Guerrero's GDP, accounting for **3% of Guerrero's total GDP**.

1. Torex Gold Website. Accessed June 2023. Web source: <https://torexgold.com/assets/overview/>
 2. In this study, we calculate Torex's direct employment contribution for the representative year as the average employee count across each month in 2022.
 3. Torex's employee compensation comprises salaries, bonuses, benefits and social contributions paid to or on behalf of full-time and part-time workers.
 4. Torex Financials; Deloitte Analysis; *GDP by State (PIBE)*. Base 2013. INEGI. Accessed May 2023.



Economic Contributions to Mexico and Guerrero



Economic Contribution Analysis Overview

Economic Contribution Framework

This study estimates the economic impact of Torex using an “input-output” methodology, which shows how Torex’s operations (OPEX) and capital investments (CAPEX), in 2022, contribute to Mexico and the State of Guerrero’s economy by creating demand for goods and services across different industries.

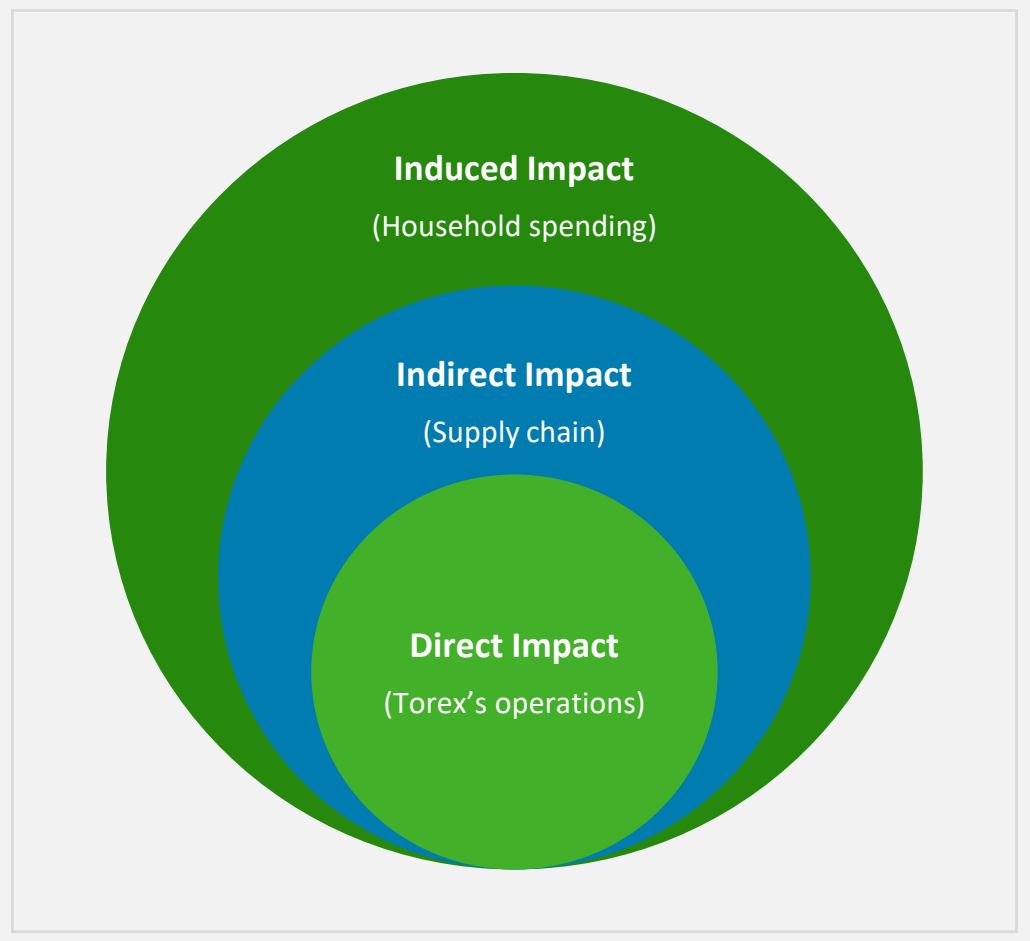
Torex’s economic impact is estimated across four commonly used variables¹:

- **GDP (Value-added)** is a measure of the total unduplicated value of goods and services produced in the economic territory of a country or region during a given period. GDP includes household income from current productive activities (e.g., wages, salaries, and unincorporated business income), as well as profits and other income earned by corporations.
- **Labour income** represents the total earnings of employees (including employees of suppliers), consisting of wages and salaries, as well as supplementary labour income (e.g., employers’ contribution to pension funds and other social contributions).
- **Employment** is estimated in terms of job positions created and/or supported as a result of Torex’s expenditures.
- **Government revenue** refers to federal, state, and municipal products and production taxes, such as payroll taxes, and duties. This report also includes corporate income taxes, personal income taxes, and royalties associated with the Torex’s expenditures.²

For each variable, the economic impact is estimated at three levels:

- **Direct impact** associated with Torex’s operations at the national and state level;
- **Indirect impact** associated with the businesses that provide goods and services to Torex for the purpose of overhead and operations. Examples include economic activity stimulated in the professional services, transportation sectors, amongst others; and
- **Induced impact** associated with the spending of wages and salaries earned by the employees and suppliers of Torex. Examples include purchases of goods and services at the household level.

This approach is based on a Deloitte model with economic multipliers sourced from Mexico’s *Instituto Nacional de Estadística y Geografía* (INEGI).

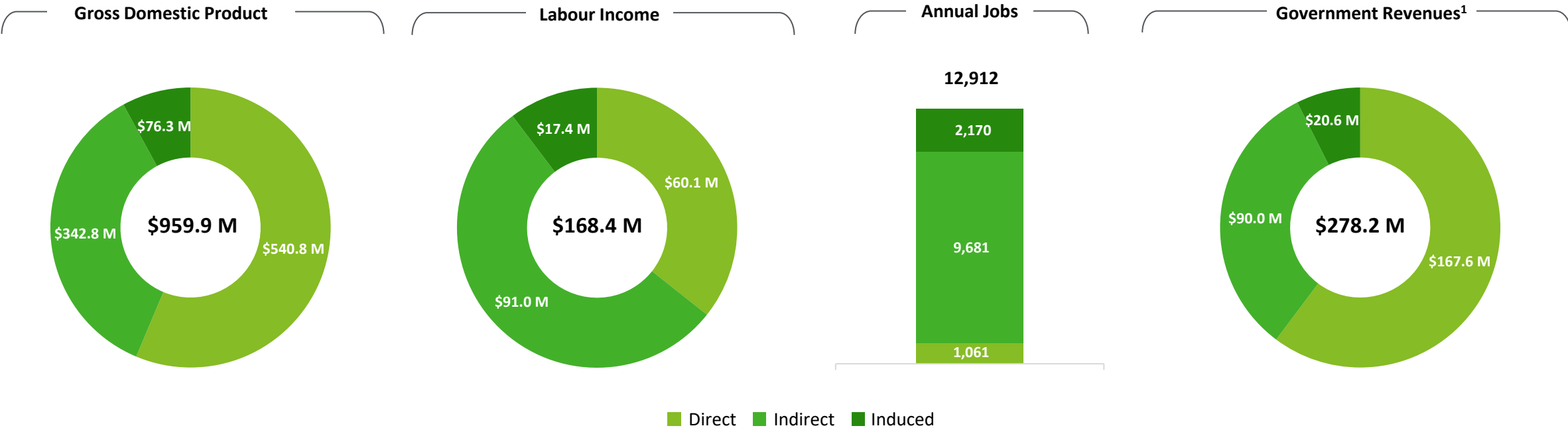


1. See Appendix II for a detailed definition of each variable.
2. At the national level, the estimated contribution to government revenue captures revenues to national and state level governments across the country. At the state level, the estimated contribution to government revenue captures revenues to the corresponding state government and local governments located in that state. The estimated contribution to Mexico’s government revenues reflects revenues attributed to federal, state and municipal level governments across the country. The value reported comprises taxes on products and production, corporate income taxes, personal income taxes, and royalties. The estimated contribution to Guerrero’s government revenues reflects revenues attributed to the state government and municipal level governments across the state. The value reported comprises payroll taxes, property taxes, and permits and other related fees.

Detailed Summary: Economic Contribution to Mexico

It is estimated that Torex’s operations contribute **\$959.9 million to Mexico’s GDP**, of which **\$168.4 million** is contributed to **labour income**, and support approximately **12,912 jobs across Mexico** during the representative year. It is also estimated that the economic activity stimulated by Torex’s operations generates **\$278.2 million in government revenues** annually for federal and state governments across Mexico.

Figure 4: Estimates for the Economic Contribution of Torex’s Operations to Mexico



It is estimated that approximately **\$1.91 of GDP** is generated for the Mexican economy for **every dollar Torex spends**, accounting for direct, indirect, and induced impacts.

It is estimated that **25.8 jobs** are generated in Mexico for **every million dollars Torex spends**, accounting for the direct, indirect, and induced impacts.

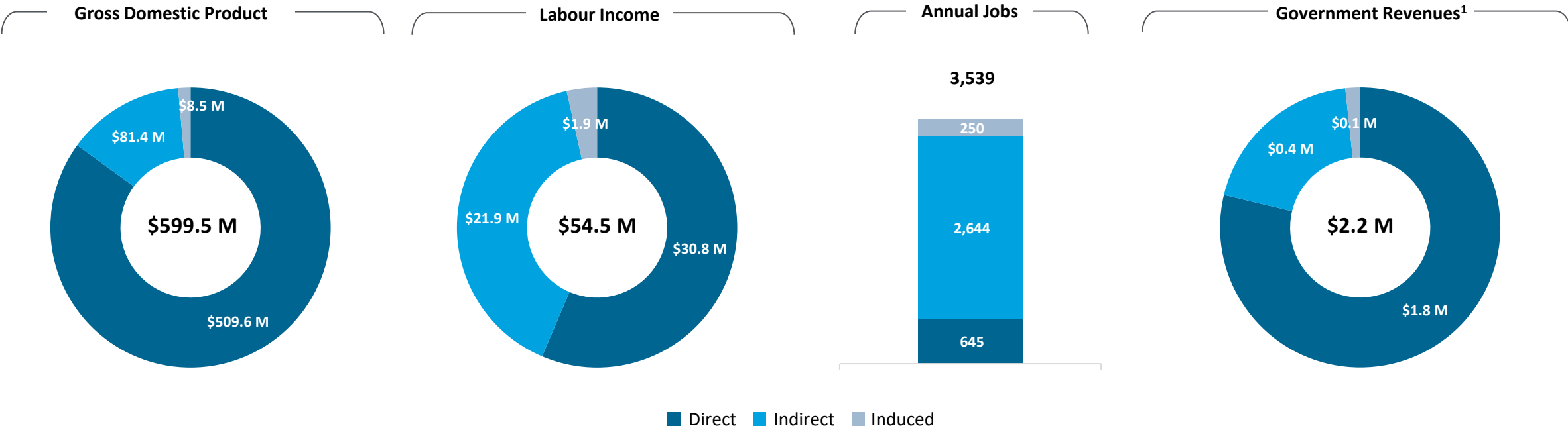
1. This reflects the estimated contribution to government revenues in Mexico, i.e., revenues to federal, state and municipal level governments. This estimated contribution to government revenue comprises taxes on products and production, corporate income taxes, personal income taxes, and royalties.

Note: Due to rounding, numbers presented on this slide may not add up precisely to the total.

Detailed Summary: Economic Contribution to Guerrero

It is estimated that Torex’s operations contribute **\$599.5 million to Guerrero’s GDP**, of which **\$54.5 million** is contributed to **labour income**, and support approximately **3,539 jobs across the State** during the representative year. It is also estimated that the economic activity stimulated by Torex’s operations generates **\$2.2 million in government revenues** annually for state and municipal governments.

Figure 5: Estimates for the Economic Contribution of Torex’s Operations to Guerrero



It is estimated that approximately **\$1.19 of GDP** is generated for Guerrero’s economy for **every dollar Torex spends**, accounting for direct, indirect, and induced impacts.

It is estimated that **7.1 jobs** are generated in Guerrero for **every million dollars Torex spends**, accounting for the direct, indirect, and induced impacts.

1. The estimated contribution to Guerrero’s government revenues reflects revenues attributed to the state government and municipal level governments across the state. The value reported comprises payroll taxes, property taxes, permits and other related fees.

Note: Due to rounding, numbers presented on this slide may not add up precisely to the total.



Benefits to Local Communities



Torex's Footprint in Local Communities (1/3)

Torex has made significant investments to local communities with the goal of supporting education and skill development. Some of Torex's contributions in 2022 include:



Impact on Educational Institutions

- In partnership with the Council of Cocula, Torex made donations valued at approximately **\$100,000 (\$2 million pesos)** to local schools. Torex's contributions included the provision of computers, printers, classroom furnishings and wall paintings which were utilized by **3,700** students from **70** different educational institutions.
- Additionally, nearly **\$50,000 (\$1 million pesos)** was donated to the community of Tepehuaje to enhance the educational infrastructure:
 - Torex donated **\$31,000 (\$633,000 pesos)** to support the construction of dormitory rooms for teachers at the Juan Escutia preschool and the Benito Juárez elementary school.
 - Torex invested over **\$17,000 (\$340,000 pesos)** to upgrade the computer rooms with equipment and furniture for students.
- Torex invested over **\$50,000 (\$1 million pesos)** to provide scholarships to more than 140 students within local communities.
- Torex also donated over **\$23,000 (\$463,000 pesos)** to build a school cafeteria for the José Vasconcelos Elementary School in the community of Mezcala.
- In partnership with Colegio Nacional de Educación Profesional Técnica (CONALEP), Torex also supported the delivery of basic and advanced level **computer training courses for high school and elementary school students** who reside in the community of Tepehuaje.
- Approximately **\$10,000 (\$200,000 pesos)** was invested by Torex in the community of Puente Sur Balsas to obtain a **motorboat for the safe transportation of preschool, primary, and high school children.**



Impact on Business/Skill Development

- To support skills development and sustainable community development, Torex **launched an employment training program** within local communities.
- To encourage family training and entrepreneurship, Torex supported the delivery of **cooking courses for residents in Puente Sur Balsas.**
- As well, Torex organized a **hair-cutting course for residents in San Miguel Vista Hermosa.** The top performer of the program was **awarded an entrepreneurship kit.**

Source: Torex Responsible Gold Mining 2022 Report: Positively Impacting The Lives We Touch. Torex Gold. Accessed April 2023.



Torex's Footprint in Local Communities (2/3)

Torex has made significant investments to local communities with the goal of improving infrastructure, and health outcomes. Some of Torex's contributions in 2022 include:

Impact on Infrastructure

- Torex donated approximately **\$527,000 (\$10.6 million pesos)** towards the **construction of social infrastructure in the Eduardo Neri municipality** in 2022.
- Torex assisted with the **reconstruction of the water storage tank** that is sourced from the La Escalera spring. Torex also assisted with the improvement and extension of the water supply line. This initiative provided water for all **residents in the community of Puente Sur Balsas**. The estimated cost of this initiative was approximately **\$46,000 (\$926,000 pesos)**.
- Approximately **\$100,000 (\$2 million pesos)** was spent to **support road improvements** for one of the main avenues in the community of Mezcala.
- As well, Torex allocated over **\$75,000 (\$1.5 million pesos)** in the town of Mazapa, for the rehabilitation of the town's road and enhancements to the vehicular bridge.
- Torex contributed approximately **\$39,000 (\$790,000 pesos)** for the construction of a perimeter fence and gate **at the San Arcangel Church in the community of San Miguel Vista Hermosa**.
- In the community of Puente Sur Balsas, **over \$32,000 (\$650 000 pesos)** was donated to support the renovation of a multifunctional court in collaboration with Nuestra Comunidad program. As well, Torex invested over **\$30,000 (\$600,000 pesos)** to facilitate the continuity of the paving and hydraulic concrete of the interior circuit.
- Torex also led the **construction and enhancement of various public spaces** which benefitted of **over 108 individuals in Puente Sur Balsas**.
- To support the delivery of community services and environmental upkeep, Torex invested over **\$50,000 (\$1 million pesos)** in **San Miguel** to provide a garbage collection unit.

Impact on Health

- Torex has supported the development of health centres within various communities:
 - In 2022, Torex **invested funding for the construction of a new health centre** in the community of La Fundación.
 - Torex also **supported renovations of the Valerio Trujano Health Centre**.
- In several communities including, Valerio Trujano, Atzcala, La Fundación, and Nuevo Balsas, Torex Gold **supports a percentage of the salaries of medical staff members** as well as provides **donations of medications and other medical supplies**.

Source: Torex Responsible Gold Mining 2022 Report: Positively Impacting The Lives We Touch. Torex Gold. Accessed April 2023.



Torex's Footprint in Local Communities (3/3)

Torex has made significant investments to local communities with the goal of improving agriculture, culture and other areas. Some of Torex's contributions in 2022 include:



Impact on Agriculture and Aquaculture

- In 2022, Torex partnered with farmers from the community of Atzcala to support the development of non-traditional crops and increase production efficiency.
- In Puntas Sur Balsas, Torex donated approximately **\$7,500 (\$150,000 pesos)** to support aquaculture and fishing cooperatives. This funding was used by the cooperatives to provide food for Tilapia Hatchlings.
- As well, in collaboration with the National Fisheries Institute (INAPESCA) and fishing cooperatives, Torex has **supported the repopulation of the El Caracol dam**, where around 640,000 hatchlings have been introduced. Similar initiatives by Torex have resulted in the adoption of new fishing methods (e.g., the usage of floating cages) and supported local fisher folk.

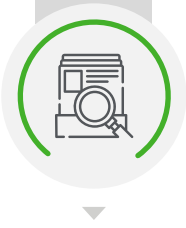


Impact on Culture and Other Activities

- In collaboration with the Enchulemos Juntos Nuestra Comunidad program, Torex invested over **\$35,000 (\$695,000 pesos)** in Mancillas towards the development of an open-air theatre, and a recreational area for cultural and civic activities. The program was also in charge of building the esplanade, a gate and a fence to a playground for children, and a multifunctional court.
- Torex made investments to contribute to the **preservation of community traditions** and the organization of various cultural events in the community of Tepehuaje. To support culture and inclusion in its operations, Torex **engaged a local artist to create murals on the north and south portal entrances of its operations facility**.
- Torex also launched an event named "**Social Voices of Mining**" to foster constructive dialogue about the Company's operations and mining in general, and to raise awareness of the Company's impact.



Source: Torex Responsible Gold Mining 2022 Report: Positively Impacting The Lives We Touch. Torex Gold. Accessed April 2023.



Appendix I: Detailed Economic Contribution Tables



Torex Economic Contribution Tables

Economic contributions associated with Torex's operations and expenditures during the representative year of 2022.

Contribution to Mexico

	GDP	Labour Income	Government Tax Revenues ¹	Employment
Direct Contributions	\$540.8 M	\$60.1M	\$167.6 M	1,061
Indirect Contributions	\$342.8 M	\$91.0 M	\$90.0 M	9,861
Induced Contributions	\$76.3 M	\$17.4 M	\$20.6 M	2,170
Total	\$959.9 M	\$168.4 M	\$278.2 M	12,912

Contribution to Guerrero

	GDP	Labour Income	Government Tax Revenues ²	Employment
Direct Contributions	\$509.6 M	\$30.8 M	\$1.8 M	645
Indirect Contributions	\$81.4 M	\$21.9 M	\$0.4 M	2,644
Induced Contributions	\$8.5 M	\$1.9 M	\$0.1 M	250
Total	\$599.5 M	\$54.5 M	\$2.2 M	3,539

1. Government tax revenues for Mexico consists of tax revenues accruing to the national, state, and municipal governments such as product and production taxes, corporate and personal income taxes, and royalties.

2. Government tax revenues for Guerrero consists of tax revenues collected by the state and municipal governments in Guerrero such as payroll taxes, property taxes, and permits and related fees.

NOTE: Due to rounding, numbers presented on this slide may not add up precisely to the total.



Appendix II: Methodology and Model Assumptions



Economic Contribution Analysis Methodology

The study uses an Input-Output modelling approach to estimate the direct, indirect and induced economic impacts of Torex’s operations, based on a Deloitte model with economic multipliers sourced from Mexico’s Instituto Nacional de Estadística y Geografía (INEGI).

Direct contribution 01

Directly associated with Torex’s operations at the national and state level. For example, employment and income of workers directly involved in Torex’s operations as well as the economic value-added arising from those operations.


Indirect contribution 02

Associated with the economic impact of suppliers due to demand for goods and services arising from Torex’s operations. For example, economic activity stimulated in the professional services, transportation sectors, amongst others.

Induced contribution 03


Associated with the spending of wages and salaries earned as a result of Torex’s operations and the associated stimulated activity of suppliers. This includes purchases of goods and services at the household level.

We measure the economic impact in terms of:

- 

Gross Domestic Product: a measure of the total unduplicated value of goods and services produced in the economic territory of a country or region during a given period.
- 

Labour income: the total earnings of employees (including employees of suppliers), consisting of wages and salaries, as well as supplementary labour income (e.g., employers’ contribution to pension, employment insurance, worker compensation funds and other social contributions).
- 

Employment: Part-time and full-time employment created and/or supported by Torex’s operations. Direct employment refers to the average number of individuals employed by Torex, each month, in 2022.
- 

Government revenue: taxes on products and taxes on production, such as sales tax (VAT), payroll taxes, and import duties accruing to the national and state economies. This report also includes corporate income taxes, personal income taxes and royalties.¹

1. At the national level, the estimated contribution to government revenue captures revenues to national and state level governments across the country. At the state level, the estimated contribution to government revenue captures revenues to the corresponding state government and local governments located in that state.

Model Inputs and Assumptions (1/2)

I. Additional Information on Quantitative Approach

The quantitative approach employed to estimate the economic impact of Torex's operations in 2022 (i.e., the representative year) is as follows:

- Collated and analyzed financial, employment, and tax data by region, as provided by Torex for the 2022 fiscal year.
- Used INEGI Input-Output tables to develop direct, indirect, and induced multipliers (industry categories for Mexico and Guerrero) and applied to the corresponding revenue and expenditure items. The latest available year of input-output multipliers (2013, at the time of this study) has been employed to analyze Torex's revenues and expenditures. While this is the latest available data, we do note the following implicit assumptions in the analysis: (a) labour productivity has not changed significantly compared to 2013, and (b) the structure of the economy (i.e., sectoral linkages and supply chains) has not changed significantly compared to 2013.
- Estimated taxes on production and products, corporate income taxes, personal income taxes (in addition to the direct tax data collected from Torex).
- Computed economic impact ratios to illustrate economic contributions to GDP and employment for every dollar (or for every million dollars in the case of the employment ratio) spent by Torex's operations. These ratios are based on Torex's operations' total expenditures in 2022.

II. Key Data Assumptions and Parameters

The analysis provided in this report is based on the following key data assumptions:

- To create an estimate of Torex's contributions to the Mexican economy in a typical year, our estimate of capital and operational expenses are based on Torex's expenditure data in 2022. Given Torex's forecast for gold production at its Morelos Property, which includes the ELG Complex and the Media Luna Project, it is expected that operational expenditures will remain analogous to 2022 and therefore our impact estimates (based on the 2022 representative year) can be reasonably assumed to be valid for the next few years.
- It is noted, however, that activities related to Media Luna Project will likely lead to an increase in total capital expenditures for Torex over the few next years.
- Due to data limitations, taxes on products/production (e.g., indirect taxes) at the direct level are estimated based on Torex's financial data.
- Moreover, the breakdown of certain taxes (e.g., income taxes) by level of government (i.e., federal and state level) is estimated for the purposes of this study. Accordingly, the tax information presented in this study may differ from tax information published by Torex.
- Please note that all data used to analyze economic impacts were reviewed and confirmed by Torex.

III. Measuring Economic Contribution by Region

- The economic impact at the national level is inclusive of the economic impact to Guerrero.

1. 2023 Operational Guidance And Five-year Production Outlook. Torex Gold. Accessed April 2023.

Model Inputs and Assumptions (2/2)

Introduction to Input-Output Models

Input-output (“I-O”) models are used to simulate the economic impact of an expenditure on a given basket of goods and services or the output of one of several industries.

- Input-output analysis uses data on the flow of goods and services among various sectors of the economy, and attempts to model how an expenditure, increase in demand, or investment ripples through a region’s economy.
- This is done by mapping the production of products and services by each industry, and identifying the intermediate inputs used in the production of each final product or service used by consumers, sold as an export, or purchased by government.
- The model can then aggregate all of the employment and value-added impacts generated in the supply chain as commodities are produced. I-O models also consider the role of imports, which tie the supply chain to the global economy.
- This data is combined into a single model of the economy which can be solved to determine how much additional production is generated by a change in the demand for one or more commodities or by a change in the output of an industry.

Assumptions and Limitations of Input-Output Models

The I-O model is subject to a number of general assumptions and limitations:

- The model reflects a simplified macroeconomic structure and does not include some variables of interest for macroeconomic analysis such as interest rates, unemployment rates, or income tax rates.
- The model assumes that the Mexican economy has the capacity to produce the goods and services stimulated by the economic shock. The model is not able to forecast situations in which demand may outpace the capacity to produce the required goods and services, however it does estimate the portion of goods and services sourced from other states in Mexico and internationally.
- The model makes a basic underlying assumption that the number of jobs created maintains a linear relationship with short-term gross output. This approach can be considered sound if the value and quantity measures are for the same year and the analysis is focusing on the structure of the economy for that same year. When used for projecting beyond the IO model year, the relationship between values and quantities may be impacted by price variations.
- Deloitte’s estimates will provide a snapshot of the economic activity likely to be associated with Torex’s operations. However, our results will not take account of the opportunity cost of the labour and capital resources used for the ongoing operations. As such, the estimates do not represent net new economic impacts.



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