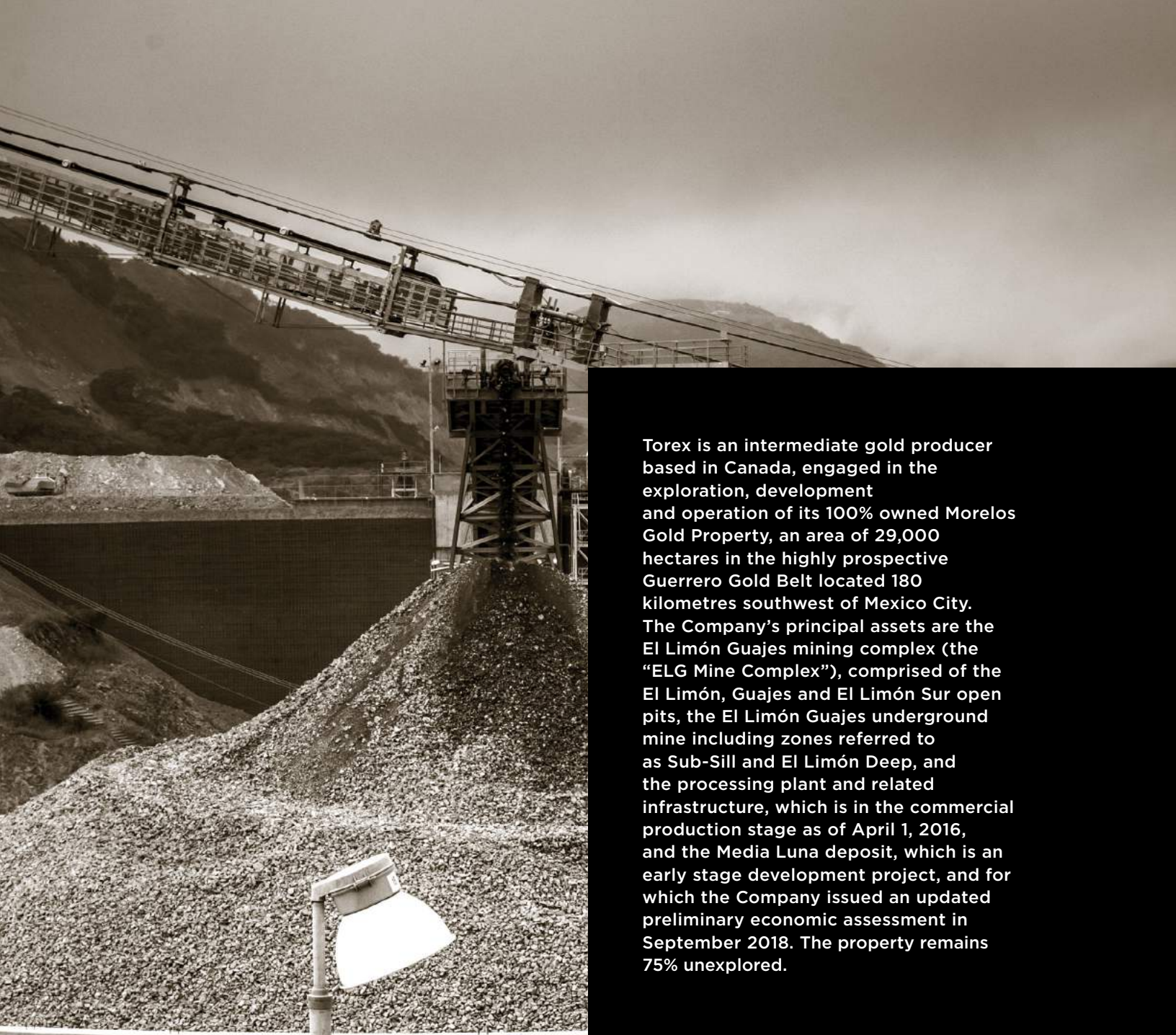**Torex Gold**

CORPORATE RESPONSIBILITY REPORT 2018

Torex is an 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 kilometres southwest of Mexico City. The Company's principal assets are the El Limón Guajes mining complex (the "ELG Mine 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 the commercial production stage as of April 1, 2016, and the Media Luna deposit, which is an early stage development project, and for which the Company issued an updated preliminary economic assessment in September 2018. The property remains 75% unexplored.

Contents

CEO Message

Welcome to our fourth annual corporate responsibility report. The report summarizes our corporate responsibility performance in 2018 and presents our goals and targets for 2019.

Last year was one of record success for our company but was also a year of great turmoil.

Success was achieved in the form of record gold production of 354,000 ounces, while lowering injury rates, costs, and having zero environmental spills.

The turmoil was the product of the Los Mineros Union attempting to displace the CTM Union as the union of record for our union eligible team members. To advance their cause, Los Mineros chose to illegally blockade our facilities and force a cessation of production. As a result, thousands of people were put out of work and violence was the inevitable outcome. The blockade led to a split in allegiance in the local communities, with some supporting one union and some supporting the other. The blockade ended when community leaders got together, without our involvement, and negotiated a cessation of the blockade. Shortly afterward the Los Mineros Union withdrew their application to be the union to represent our team members.

The unfortunate negative impact of the blockade, on so many people, was a catalyst for all sides to examine ways to enhance the productivity of relationships by working together on things like community development agreements. Good progress was made in the latter half of 2018 and this shows in the business results. We all look forward to continued progress in 2019.
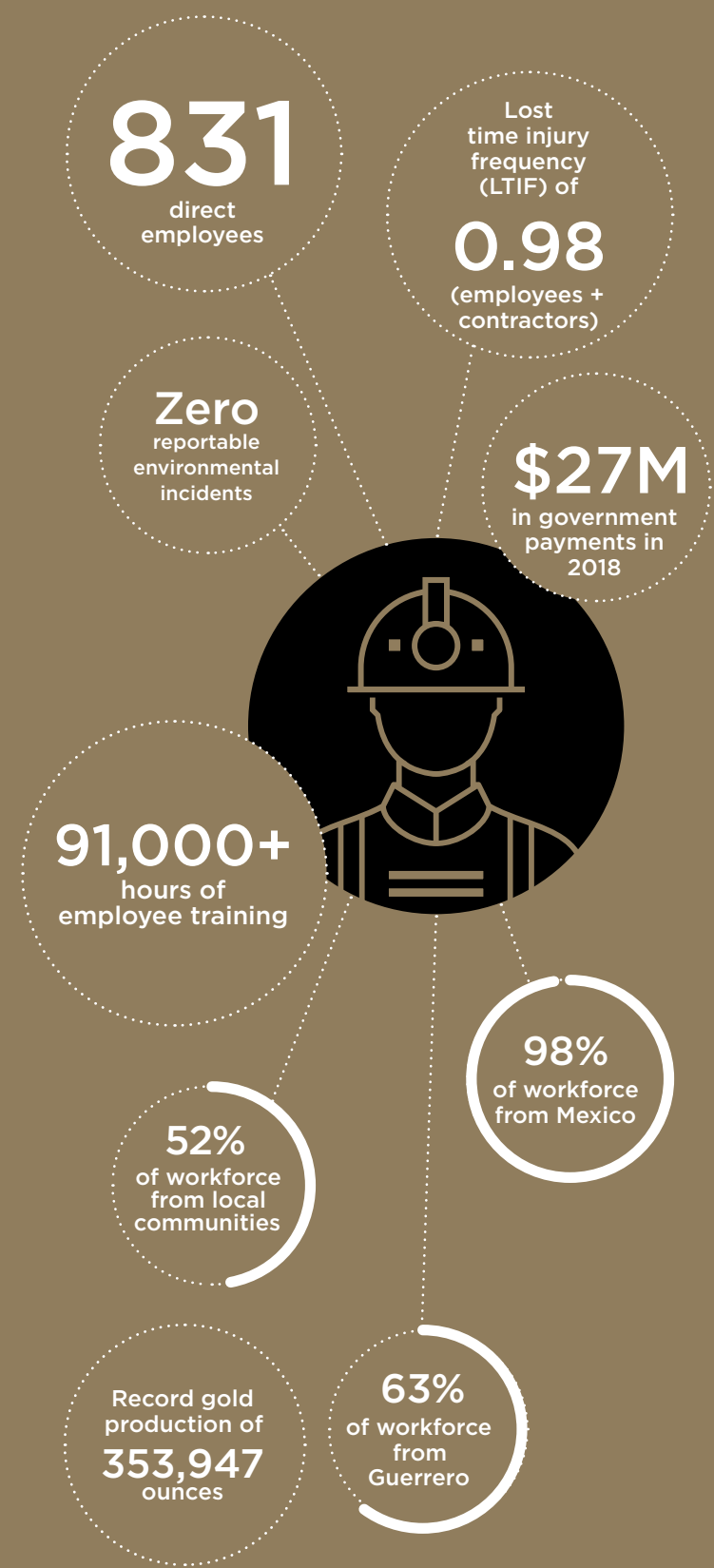
2019 also promises to be an exciting year in a number of other areas. Ms. Jody Kuzenko has joined our executive team in the role of Chief Operating Officer. (At year end our executive team was comprised of equal numbers of men and women.) Jody will lead the continued development of our safety culture and the continued drive to operational excellence. The team expects to achieve another production record in 2019 with continued improvement in safety and environmental protection.

In 2019, we will also start field testing the Muckahi Mining System, a proprietary and novel approach that may revolutionize the way underground mining is conducted. Expected benefits include a material reduction in costs and mine build schedule as well as a number of environmental benefits including less surface disruption and the substantial reduction of the use of fossil fuels underground. The field testing will take place at our operations in Mexico. We hope to make the Muckahi Mining System a key aspect of our Media Luna project, for which a feasibility study will commence in 2020.

These are exciting times, and we look forward to continuing to generate exceptional value for our stakeholders throughout the year and beyond. To do so, we will be counting on the continued success of our stakeholder partnerships and the invaluable contributions of our team members.

Fred Stanford
President and Chief Executive Officer

Highlights

831 direct employees

Lost time injury frequency (LTIF) of **0.98** (employees + contractors)

Zero reportable environmental incidents

$27M in government payments in 2018

91,000+ hours of employee training

98% of workforce from Mexico

52% of workforce from local communities

Record gold production of **353,947** ounces

63% of workforce from Guerrero

Our Approach

Responsible Mining

Corporate responsibility is central to our business philosophy and is integrated across our company, from our Board of Directors and senior management through to our operations management and individual employees.

We operate within an environment that is challenging in many ways. Safety is not generally ingrained in the local culture, there is a general lack of care for the environment, and there are multiple areas of ongoing concern for us including human rights, community harmony, and outside influences that may adversely affect our business. However, we continue to work to provide opportunities for our team members and the local communities to have a better life.

Multiple Board-level committees oversee the various aspects of corporate responsibility, including the Health and Safety Committee and the Environment and Corporate Social Responsibility Committee. Mr. Bill Shaver and Mr. Michael Murphy chair the Health and Safety, and Environmental and Corporate Social Responsibility Committees, respectively.

WHISTLEBLOWER POLICY

CODE OF BUSINESS CONDUCT AND ETHICS

SAFETY AND HEALTH POLICY

We have developed multiple corporate policies that are applicable across the business:

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

SOCIAL HARMONY AND HUMAN RIGHTS POLICY

ENVIRONMENTAL PROTECTION POLICY

We derive substantial business value from our unique approach to creating, sustaining, and improving productive social cohesion. We use one set of integrated principals and models – Systems Leadership (SL) – to design all aspects of the organization and to build our work management systems in corporate and operations.

Our approach is also guided by a variety of international guidelines and standards, including, but not limited to:

the International Finance Corporation (IFC) Performance Standards (PS); United Nations (UN) Guiding Principles on Business and Human Rights; and, the Voluntary Principles (VPs) on Security and Human Rights.

We voluntarily disclose our corporate responsibility performance annually and we strive for continual improvement in our reporting processes each year.

Materiality Assessment

In our 2018 report, we committed to improve our reporting practices by incorporating greater sustainability materiality assessments into our reports. To achieve this goal, we conducted a materiality assessment for the business in the context of our sustainability disclosures.

In the context of sustainability disclosures, a materiality assessment identifies the topics that are most important to stakeholders and our business. This augments our existing processes for identifying and managing risks and opportunities. In turn, the material topics will form the focus areas for this report.

Peer and industry benchmarking were conducted to determine issues that may be relevant to our stakeholders. We engaged an independent, external consultant to conduct the assessment and we obtained anonymous, internal stakeholder input, via a survey, to define the issues that are most important to the company and our stakeholders. Investor ratings services (*i.e.* ISS) were used to serve as a proxy for investor input into the assessment.

Overall scores were such that 13 sustainability issues met our 'materiality' threshold. A further three issues were determined material despite not meeting the threshold. This was decided at management's discretion given the existing importance of the topic to the company and our stakeholders.

We will seek continual improvement in our materiality assessment process so that the results reflect evolving stakeholder concerns and feedback. In 2019, we will incorporate greater external input into our sustainability materiality assessment.

Material Issue	Why it is important to our stakeholders	Why it is important to us	Report
Environment			
Water	Many of our stakeholders make their living harvesting fish from the Presa Caracol reservoir. Protection of the water is fundamental to the wellbeing to many of our stakeholder communities, many of whom use traditional springs for their drinking water.	We work to mitigate the risks of environmental impacts on the water around us to protect the people and aquatic life that rely on local water resources.	Environment, page 22
Tailings management	The Presa Caracol reservoir is a transportation route, and source of food and tranquility for our stakeholders.	Tailings facilities have a variety of environmental risks. We have reduced these risks significantly by choosing to design and build a filtered tailings storage facility. Proper management of the filtered tailings, in compliance with Mexican regulations and best practice requirements, are important to maintain the integrity of the biophysical systems around us, the economic source of the Presa Caracol, and the public health of the communities around us.	Environment, page 22
Air quality (dust)	This is the most visible effect of the mine and our stakeholders live with dust on their roads and in their communities.	Dust management in open-pit mining in our dry climate is a challenge. We strive to find the most efficient ways to continue to meet regulatory limits for dust emissions and minimize impact to the nearby communities.	Environment, page 22

Material Issue	Why it is important to our stakeholders	Why it is important to us	Report
Environment (cont'd)			
Greenhouse gas emissions	Our stakeholders expect us to minimize greenhouse gas production to protect the environment for future generations.	Climate change is of ever-increasing importance globally. We work to reduce our emissions for environmental protection and cost savings.	Environment, page 22
Community			
Local employment	Local people want to work and expect benefits from our presence in their community.	Social harmony with our stakeholders is fundamental to our success.	People Development and Performance page 15
Grievance mechanisms	Our community members expect fair treatment and a response to complaints.	We want to address grievances and concerns in a timely and fair manner. To do so, we maintain open communication to manage expectations, build trust, and maintain our social licence to operate.	Community Relations page 17
Community economic development	Our communities want a better life that can be achieved by a more stable, diversified local economy and our operations are seen as the catalyst for such development.	We strive to create economic opportunites for local communities to improve their quality of life and contribute to sustainable development by fostering economic activities independent from mining.	Community and Economic Development page 19
Transparency	Increases in trust require an understanding of what we do and how we do it. Members of the communities surrounding the mine want information on our operations and how we protect the environment. Community members are also interested in understanding our hiring and procurement procedures.	As we increase our transparency, we increase the understanding of our operations and stimulate conversations in areas of concern with our local community members, which, in turn, contributes to productive relationships.	Annual CR Report, focus on page 11
Local procurement	Opportunities for building businesses are a way for local people to participate in the benefits of a large, local, economic driver in the form of the ELG mine.	Maximizing local benefits results in stakeholder communities that have interests that are aligned with our presence in their community and a diversified, stable local economy.	Community Relations page 14
Community relations	Local participation and consultation are critical for building trust and maintaining relationships with the company.	Building solid foundations of trust is key to maintaining harmony with local stakeholders and maintaining our social licence to operate.	Community and Economic Development page 19, Community Relations page 17

Material Issue	Why it is important to our stakeholders	Why it is important to us	Report
Workplace			
Occupational health and safety	Our employees' families expect them to come home safe. Their lives should not be adversely affected by their work.	Health and safety is our team's key focus every day, on every job, and for every person. Our employees deserve a safe workplace.	Safety and Health, page 16
Employee development	Many of our stakeholders are unskilled so the training and opportunities provided by the ELG mine provide for more opportunity for future employment for community members and their families.	We invest in training and education to improve the capability of our local workforce to the benefit of the company and the community.	People Development and Performance page 15
Labour/ management relations	Over 50% of our workforce is local. Harmony in the workplace leads to a more engaged, more productive workforce.	We value our workforce. A workplace where our employees willingly give their best effort is facilitated by our Systems Leadership approach to organizational effectiveness. We want our employees to share in the success of our company.	People Development and Performance page 15
Social			
Human rights	There continues to be challenging human rights conditions in Guerrero. Before Torex, our local communities faced human rights challenges and now enjoy more peaceful, less threatening communities.	We recognize our corporate responsibility to respect the human rights of our stakeholders in line with the United Nations Guiding Principles on Business and Human Rights.	Human Rights page 20
Security practices	Security is a concern across Mexico. Our local communities rely on our support to maintain the relatively peaceful environment created by our presence.	Providing security is critical for the protection of our employees, their families, and our assets.	Human Rights page 20
Anti-corruption and bribery	The new AMLO government in Mexico won their mandate partially on an anti-corruption stance. This is important to most Mexicans.	Corruption has a negative effect on business directly, and on the ability to get things done within the systems around that business.	Transparency page 11

Innovation

Innovation is a key part of our DNA as a company. We generate significant value for our stakeholders given our unique approach to innovative mine design, mining practices, and social management. This includes direct shareholder value creation through reduced capital and operating costs, improved productivity, and a reduced environmental footprint.
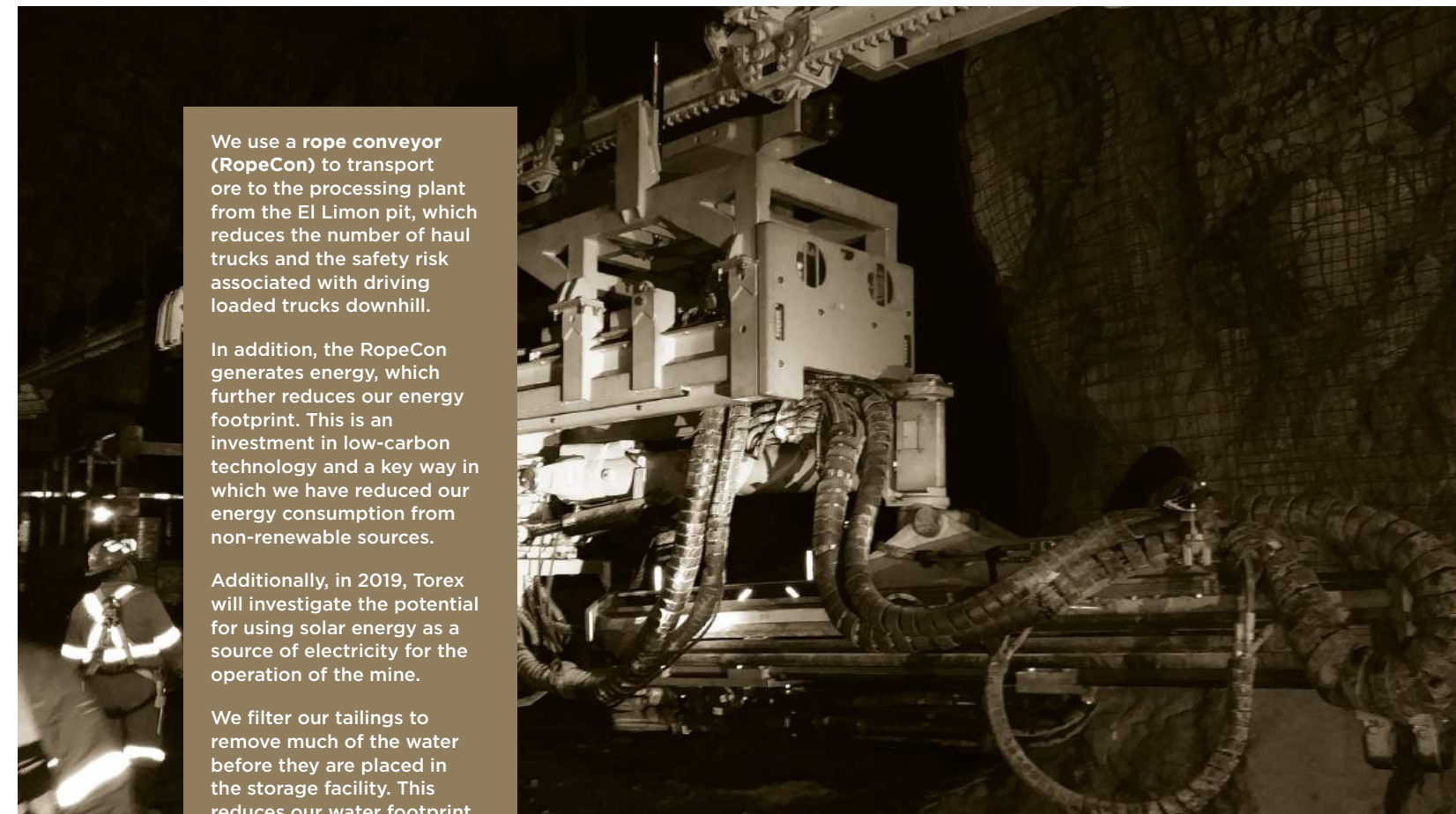
We use a **rope conveyor (RopeCon)** to transport ore to the processing plant from the El Limon pit, which reduces the number of haul trucks and the safety risk associated with driving loaded trucks downhill.

In addition, the RopeCon generates energy, which further reduces our energy footprint. This is an investment in low-carbon technology and a key way in which we have reduced our energy consumption from non-renewable sources.

Additionally, in 2019, Torex will investigate the potential for using solar energy as a source of electricity for the operation of the mine.

We filter our tailings to remove much of the water before they are placed in the storage facility. This reduces our water footprint and the land requirements compared to traditional tailings facilities, and reduces pumping. In addition, it eliminates the risk of a tailings embankment failure as there is no embankment, which is especially important as our operations are in a high seismic area. Currently, our filtered tailings plant is the largest of any gold mining operation globally.

In 2019, we will begin testing a highly-innovative mining technology, namely the Muckahi Mining System. Muckahi could offer substantial improvements over conventional mining technologies and could revolutionize the way underground mining is conducted. In our most recent technical report for Media Luna, preliminary results showed that the technology could reduce capital and operating costs as well as reduce our emissions and environmental footprint.

Estimates showed that Muckahi could increase investment returns on our Media Luna project by

19%

Sustainable Development Goals

We recognize the important role we play as an economic development catalyst for our host communities, the State of Guerrero, and Mexico as a whole. To enhance economic and development benefits, we integrate the United Nations (UN) Sustainable Development Goals (SDGs) into our overall approach to corporate responsibility.

Delivering on the SDGs cuts across our entire business. However, to optimize outcomes, we picked three SDGs on which to focus in 2018, namely SDG 4: Quality Education, SDG 8: Decent Work and Economic Growth, and SDG 16: Peace, Justice and Strong Institutions. We also place particular emphasis on SDG 17: Partnerships for the Goals. By doing so, we are able to leverage the resources and expertise of a wide range of organizations to provide even greater value to our stakeholders.

Throughout this report, look for the SDG wheel, which links the goals to the topic areas.

Transparency

Operating in an open and transparent manner is critical to securing and maintaining the trust of our stakeholders as well as our broader social license to operate.

This report serves as one of the key ways that we provide transparency to our stakeholders. An independent consultant assisted with the preparation of the report and reviewed supporting information and associated data.

We also engage in regular, open, and timely consultation with our stakeholders. More information on our stakeholder engagement can be found in the 'Community Relations' section of this report.

We report our payments to all levels of government in accordance with the Extractives Sector Transparency Measures Act (ESTMA). These reports are published on our corporate website. We have a corporate-level Anti-Bribery and Anti-Corruption Policy, which covers the entire business. Components of the policy include stipulations for not using corporate funds for political contributions.

Each year, we commit to continual improvement in our transparency initiatives. In 2019, we will seek greater transparency in our operations by implementing a real-time air quality program for the local communities (see "Environment – Air Quality Management" below). We will also incorporate greater external feedback and input into our sustainability materiality assessments (see "Materiality Assessment" above).

Our Commitment

We commit to continual improvement in our operational performance. To help achieve this, we set annual performance goals and publicly report on our ongoing performance. We recognize that there is sometimes a large learning gap to be filled between the experience of our local team members and the expectations for performance within Torex. This is addressed with ongoing training and the application of consistent standards for health, safety, and the environment across our business.

The tables below present our progress on our 2018 goals as well as our goals for 2019. Additional details on each goal can be found in the respective sections of the report alongside key performance data. The inclusion of the performance data is an important way in which we promote transparency around our commitments and performance.

Area	2018 Goal	Progress
Safety and Health	LTIF of <2 per million hours worked.	Achieved. LTIF of 0.98 per million hours worked.
	Zero fatalities.	Achieved.
Community Relations	Re-establish full access to operational areas.	Achieved.
	Continue to strengthen our grievance management systems with digital submission tools.	Achieved. An electronic grievance management system (*i.e.* Commitments Tracker System) was deployed to more efficiently manage grievances.
Environment	Zero reportable spills of 1000 litres, or more, that report to the river or reservoir.	Achieved.
	100% compliance to monitoring programs for water, air, and noise.	Achieved.
Human Rights	Conduct human rights assessment for the business.	Achieved. Assessment completed by independent, external consultant.
	Zero authenticated human rights complaints brought forward against MML.	Achieved.
	Publicly report our public[2] payments in our corporate responsibility report.	Achieved.
Our People	Provide human rights training based on outcomes of human rights assessment (see Human Rights goals below).	Ongoing security team human rights training.
Transparency	Incorporate greater materiality assessments into our corporate responsibility reports.	Assessment conducted for 2018 report.

Performance Area	2019 Goal
Our People	Conduct human rights training for employees across the business.
	Anti-corruption training to the level of superintendent.
Safety and Health	LTIF <2.
	Zero fatalities.
Environment	100% compliance with environmental quality standards.
	Zero reportable spills.
Community Relations	Conduct monitoring for Community Development Agreements (CDAs) against commitments.
	Continue implementation of local participation strategy.
Human Rights	Complete implementation of human rights management system.
	Conduct annual monitoring of human rights performance aiming for zero legitimate complaints.
Transparency	External stakeholder participation and input in the 2019 materiality assessment in the context of sustainability disclosures.
	Review and improve local and regional communications plan for traditional and social media.

[2] Not all payments to governments are reportable under ESTMA; for example, security payments, import taxes and payroll taxes are excluded. Of the $27 million paid to governments in 2018, $17 million were reportable payments under the ESTMA.

Economic and Operational Performance

Our Approach

As a company, we aim to create long-term value for our stakeholders. We aim to create mutually-beneficial prosperity for our employees and shareholders, our host governments, and the communities in which we operate.

We commit to publicly disclose our economic and operational performance data to a broader audience to promote transparency. We communicate our performance in our annual corporate responsibility reports as well as through our ongoing outreach with local communities.

Our Performance

In 2018, we achieved record annual production with 353,947 ounces of gold produced resulting in revenues of $438.3 million. Our all-in sustaining costs (AISC[3]) per ounce of gold sold were $964 resulting in a net income of $23.2 million for 2018.

We paid $52 million in salaries and benefits to employees, 99% of whom are from Mexico. Our total procurement spend was about $233 million, with 94% paid to firms in Mexico.

We contributed about $27 million in government payments at the local, state, and federal levels. This included $8 million in royalties to the Mining Fund (Fondo Minero), which is to be allocated by the government for community development projects. Payments for local land agreements totaled about $9.9 million (to the Ejidos of Atzcala, Real del Limon, and Rio Balsas).

In addition, we invested over $1.3 million through our Community Development Agreements (CDAs) and other commitments with local communities. The funds were spent on community projects (including roads, education, and health) that are defined and implemented in partnership with local communities, governments, and service providers.

We also continued the development of the Media Luna project in 2018. We released a technical report and preliminary economic assessment (PEA), which showed that the project could increase total gold production by over 2 million ounces at the El Limòn Guajes (ELG) complex in Mexico. This important growth project has the potential to generate widespread value for our local stakeholders through additional local procurement, job creation, and the payments of taxes and royalties.

Our Goals and Targets

In 2019, we expect to produce 430,000 ounces of gold at an AISC per ounce of gold sold of $790[4]. We will continue to provide greater access to our economic and operational performance data. In addition, we intend to start the feasibility study for the Media Luna project in early 2020.

[3]   AISC is a common financial performance measure in the gold mining industry; however, it has no standard meaning under International Financial Reporting Standards. See "Notes" at the end of this report.
[4]   These estimates are +/- 7%. See news release dated May 8, 2019 regarding our expectation that we will acheive at least the lower end of guidance.

People Development and Performance

Our Approach

To create an optimal workplace experience for all employees, we have developed a set of 16 'People Systems' to clarify work, pay fairly, fill roles, manage performance, build capability, and resolve complaints.

The purpose of our 'People Systems' is to create the workplace conditions where employees willingly work together and give their best so we can successfully achieve our business objectives.

Training is a central component of our approach to workforce development so people can continually develop their abilities. We have two types of training, namely technical, role-specific and social process people interactions.

We recognize the importance of diversity across our company, including at the Board, management, and operator levels.

We strive to employ as many local people as possible. To help achieve this, we have a local employment policy that we updated in 2018. Additional details can be found in the 'Local Content' section of this report.

Our Performance

In 2018, we provided over 91,000 hours of training to our employees. We are pleased to report that at the end of 2018, 43% of our executive leadership team was female. In addition, 17% of our workforce was female. To continue our efforts to promote female participation in the workforce, we held a haul truck driver training course for women during the year.

We are proud of the employment that our operations generate for the local, regional, and national economies. In 2018, we employed 831 direct employees in addition to 1,579 contractor employees. About 98% of the total workforce (employees plus contractors) were from Mexico, while 63% were from Guerrero. Over 52% of the workforce came from local communities. In total, this employment represents $52M in total salaries and benefits paid.

Safety and Health

Our Approach

The health and safety of our employees and contractors is our top priority. As such, embedding a strong safety culture across our business is central to our strategy.

For many of our team members, working within Torex is their first real exposure to a safety culture. This has its own challenges as we strive to provide a safe workplace for our entire team.

The Health and Safety Committee of the Board of Directors provides oversight for the health and safety management of the business; safety is then further guided by the executive team.

Our corporate Safety and Health policy outlines our company-wide commitments. The policy is reviewed annually by senior management and any changes are endorsed by our CEO and the Health and Safety Committee. The policy serves as the foundation of our safety and health management system, which is based on the 'plan, do, check, and act' model.

We implement targeted programs to promote health and wellbeing. In 2018, these included:

- Campaign for the prevention of respiratory diseases
- Deworming campaign
- Addiction prevention campaign
- Fumigation campaign at mine camp site
- Hypertension screening

Our Performance

Our health and safety performance is a key determinant of success for our company. Our performance is directly linked to executive and management compensation to help ensure that health and safety management is a top priority for the company.

We achieved an impressive safety record in 2018. Our lost time injury frequency (LTIF) per million hours worked for workers and contractors was 0.98, which represents a 43% improvement over 2017, exceeded our 2018 goal, and was less than half the LTIF for the Ontario mining industry for 2018. We also achieved our annual goal of zero fatalities.

In 2018, we implemented a new drug and alcohol testing procedure that includes a voluntary testing option for employees concerned about their sobriety. A key aim of the procedure is to promote self-awareness about alcohol use, so reducing the risk of people being impaired at work.

In 2019, we have set a goal of achieving a LTIF of <2. As with every year, we will maintain a goal of zero fatalities.

Community Relations

Our Approach

A core part of our business strategy is developing constructive, lasting relationships with our local stakeholders. To do so, we engage in timely, open, and at least monthly consultation with our local communities. In addition, we aim to link – as much as possible – our success as a business with the success of the communities in which we operate.

Our corporate policy on Social Harmony and Human Rights outlines our commitments to sound community relations. The policy serves as the foundation of our community relations management system.

The system includes stipulations for engagement with the local communities. Monthly meetings are held to create a forum for ongoing, two-way dialogue between the company and local stakeholders. The meetings also establish responsibility and trust for all parties. Through the difficult post-blockade period, these meetings served as the key to building community trust.

We implemented a grievance management system so that local stakeholders have an established means to submit complaints. The mechanism consists of processes and procedures for submitting, tracking, and resolving grievances in a systematic and timely way. In 2018, we registered 54 grievances and resolved over 90% before the end of the year.

Our Performance

Our primary goal in 2018 was to re-establish full and unimpeded access to our operational areas. We achieved this goal in early 2018, as reported in our 2017 Annual Corporate Responsibility report. Since we achieved this, we have not had any business interruptions to our operations. This represents the longest period of time that we have not experienced a business interruption. This is a credit to a change in our approach to community negotiations, and the ability of our team to build relationships with local communities and other stakeholders through frequent and ongoing engagement with a broad base within the communities. We continue to address ongoing community unrest within our area of influence as we continue to build trust within the local population.

In 2018, we also set a goal of further strengthening our grievance management systems by implementing digital submission tools. We achieved this in 2018 by implementing an electronic grievance management system, namely the Commitments Tracker System. This streamlines the submission, tracking, resolution, and reporting of grievances submitted by local stakeholders.

Lastly, in 2018 we committed to developing and signing Community Development Agreements (CDAs) with the local communities most impacted by our operations. During the year, we signed CDAs with 11 local communities.

The CDAs establish clear expectations regarding community development contributions provided by MML. The CDAs are for one year and subject to renewal. Development priorities and project funding are determined by a committee established for each community. This enables community-driven economic development, rather than dependence on the company for development implementation. More information is provided in the 'Community Development' section of this report.

Community and Economic Development

Our Approach

We recognize the significant role that we play as a catalyst for economic development and growth in the communities in which we operate. This is because there are various economic benefits that flow from our operations including local employment and procurement as well as indirect, spin-off economic benefits.

We aim to share the benefits of our operations with our local stakeholders. In addition to the standard economic contributions, we make to local communities and host governments (*e.g.* taxes, royalties, land payments), we also contribute through various sustainable development initiatives.

In 2018, we moved away from a company-centric model of development, which can often lead to an overt dependence of communities on the company to deliver economic development.

Instead, we moved towards a 'collaborative-partnership' model based on agreements and partnerships among local stakeholders. This distributes the roles and responsibilities of community development away from the company with a primary focus on local stakeholders and institutions. Doing so removes the company from the center of dependency and allows communities
to take responsibility for development in the broader context. The communities are thus able to understand the contribution that our operations make to the local economy and are, therefore, able to evaluate the potential losses from a suspension of operations (*e.g.* effect of a blockade). Our approach results in communities promoting internal actions that are aligned with the ongoing success of our operation.

Our Performance

As outlined in the 'Community Relations' section of this report, we delivered on our promise to develop and sign Community Development Agreements (CDAs) with 11 local communities in 2018. The agreements outline the development commitments made by the company and the roles and responsibilities of the local stakeholders in delivering development projects in their communities.

Local committees were established for each CDA. Funding priorities are defined by the CDA committee representatives in consultation with community authorities and community members. This is a step beyond the more traditional impact benefit agreement model, as it increases local participation and decision-making, and places primary responsibility for development on local stakeholders, rather than the company. In 2019, we will establish key performance indicators (KPIs) as well as internal and external monitoring mechanisms, all of which will help determine the efficacy of the CDAs against their stated objectives.

In 2018, we also established a local participation program to address a perceived unbalanced distribution of benefits among local communities. Components of the program include transparent procedures for local hiring; development capacity training; community identification of its development needs; and using the Sustainable Development Goals (SDGs) to guide development programming.

During the year, we also developed a communications strategy to augment our ongoing consultation efforts. This includes a variety of traditional media (*e.g.* radio, print), non-traditional media (*i.e.* social media), and multi in-person sessions with our senior management (*e.g.* quarterly open houses with the MML GM and senior staff). In 2019, we will review and improve our communications strategy.

Lastly, we base our Corporate Social Responsibility team in Nuevo Balsas; we live in the local community and are, therefore, seen as partners. This is in addition to having a community liaison office in Real del Limon. Doing so helps provide greater access to company representatives, while increasing economic benefits to the communities through additional local procurement.

Human Rights

Our Approach

We recognize the growing importance and connection between business and human rights. Stakeholder expectations – from shareholders to host governments and local communities – are increasingly expecting companies to manage human rights risks and any identified impacts. As a result, human rights management is a key component of corporate responsibility programs for multinational companies.

We recognize that our ELG mine is in a very complex operating environment for human rights.

Our corporate policy on Social Harmony and Human Rights, which was approved by our Board of Directors, outlines our overall approach to human rights management. The policy applies to our operations, and all suppliers, vendors, and partners are expected to follow the policy.

The policy is aligned with the United Nations (UN) Guiding Principles on Business and Human Rights as well as the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

The policy serves as the foundation for our human rights management system, which we started to develop in 2018. The system design contains policies, procedures, and management plans for integrating human rights considerations across the business. The system will be finalized and implemented fully in 2019 and will be reviewed annually to reflect the changing human rights landscape. Our Community Relations team seeks human rights information across our area of influence so that we may address any issues that may arise.

We also recognize the particular importance of human rights within the context of our security practices due to our interactions with private and public security providers. Our approach to security and human rights management is guided by the Voluntary Principles on Security and Human Rights.

Our Performance

Conducting human rights due diligence is a fundamental component of the UN Guiding Principles and OECD Guidelines. Under these frameworks, due diligence enables companies to adequately address human rights risks and impacts and, in turn, discharge their human rights obligations.

Thus, in 2018, we set a goal of conducting a voluntary human rights assessment for the business. The purpose of the assessment was to establish a system for managing human rights risks across the business in order to complete due diligence reviews.

Recognizing the complexity of human rights in our work area and within the State of Guerrero, in 2018, we hired an independent, external consultant to conduct the assessment. The assessment covered a comprehensive range of human rights topics, including working conditions, security practices, environmental concerns (*e.g.* rights to clean air and water), vulnerable groups, gender, anti-corruption, and the positive enjoyment of human rights (*e.g.* promoting the right to education).

For each topic area, our current management approach and performance were assessed against a tailored set of indicators developed by the consultant. Subsequently, a risk assessment was conducted to determine the likelihood and potential consequence of human rights impacts on the company and our stakeholders.

A custom risk assessment tool was developed to assess the likelihood and potential consequences of human rights impacts. The tool was developed based on our existing risk management criteria and approach and was aimed at understanding human rights from a company standpoint and our ability to influence.

A corresponding management plan was developed for implementation at the corporate and operations levels. The plan includes actions to enhance current practices and plans for the ongoing assessment and monitoring of human rights risks and impacts. The plan focused on the highest risk areas, particularly security, and its implementation is ongoing.

In 2018, we set the goal of zero authenticated human rights complaints against the company. We monitored communications via our grievance procedures and other sources for reports of potential claims (*i.e.* media reports) and determined that we have achieved this goal in 2018. For 2019, we will set a similar performance goal.

Lastly, in 2018 we committed to publicly report our public payments in our corporate responsibility report. This goal was achieved in 2018, details of which can be found in the 'Economic and Operational' performance section of this report. In 2019, we will further augment our voluntary, public disclosure of our payments to provide even greater access to transparency for our stakeholders.

Environment

Our Approach

Our corporate policy on Environmental Protection guides our overall approach to environmental management across the business. The policy is underpinned by the 'do no harm' principle and sets out our commitments to meeting or surpassing environmental regulatory requirements in all our exploration, development, mining, and closure activities.

We use an environmental management system that is based on the International Finance Corporation Performance Standard 1: Environment and Social Management. The system is implemented by specialist environmental personnel at the operations in Mexico and is overseen by our Chief Operating Officer (COO), who reports directly to the Chief Executive Officer (CEO).

Tailings Management

Tailings management is a key environmental management focus for the business. We have a tailings management plan that consists of comprehensive processes and procedures. We use a filtered tailings technology, which means that we do not require an embankment for our tailings. This mitigates the risk of a tailings dam failure. In addition, to provide additional stability, we have constructed waste rock dumps on the downstream side of the filtered tailings storage facility. This provides an additional level of safety in the event of an earthquake.

The tailings management plan was developed by internal and external experts. We engage an independent, third-party consultant to conduct monitoring of our filtered tailings storage facility twice annually (wet season and dry season).

Air Quality Management

Our operations generate dust and particulate matter, including from haul trucks, vehicular traffic, and from our waste rock storage facilities. To manage dust emissions, we employ an air quality management plan.

As part of the plan, we conduct comprehensive monitoring of air quality impacts. In 2018, we met all standards for air quality. In 2019, we will implement a real-time air quality monitoring network for local communities and continue the use of water aiming to control dust where waste rock is dumped.

Water Management

We use a water management plan that was developed in conjunction with independent, third-party consultants. Although we are permitted to discharge certain amounts of water up to 50 times per year, we have not done so since 2016. As such, our operations are considered zero-discharge.

To encourage transparency, we engage the Autonomous University of Guerrero to conduct independent sampling of water quality in conjunction with local communities. The independent data collected by the University did not detect an effect of the mine on the downstream receiving water.

Environmental Performance

In 2018, we set a goal of zero reportable environmental incidents at our operations. We are pleased to report that we achieved this goal throughout the year.

We also set a 2018 goal of being 100% compliant with our air, water, and noise monitoring program. We are pleased to report that we also achieved this goal.

In 2019, our environmental goals will be 100% compliance with environmental quality standards and zero reportable spills.

For more information on our environmental disclosures, please see the data table below.

Metric	Value
General	
Reportable Incidents	0
Spills affecting downstream environment	0
Enforcement actions / fines	1[5]
Water	
Samples	332
Sampling locations	35
Volume water consumed (ML)	306,397 m³
Volume water recycled (ML)	224,485 m³
Volume water discharged (ML)	0
Air	
# Sampling Locations	6
# Samples	24 (quarterly)
% compliance to monitoring program	100%
Significant air emissions (CO_2e)	54,895 tonnes
Land	
Land disturbance 2018 (ha)	19.8
Total disturbance to date (ha)	729.8
Land rehabilitated 2018 (ha)	2
Land fully remediated to date (ha)	4
Seedlings planted	82,000
Chemicals	
Oil consumption (L)	545,440
Diesel consumption (L)	21,081,030
Cyanide consumption (kg)	16,166,877

[5]   The action/fine was minor in nature and a nominal fine was imposed. The fine was related to the calibration of metres on an internal septic system.
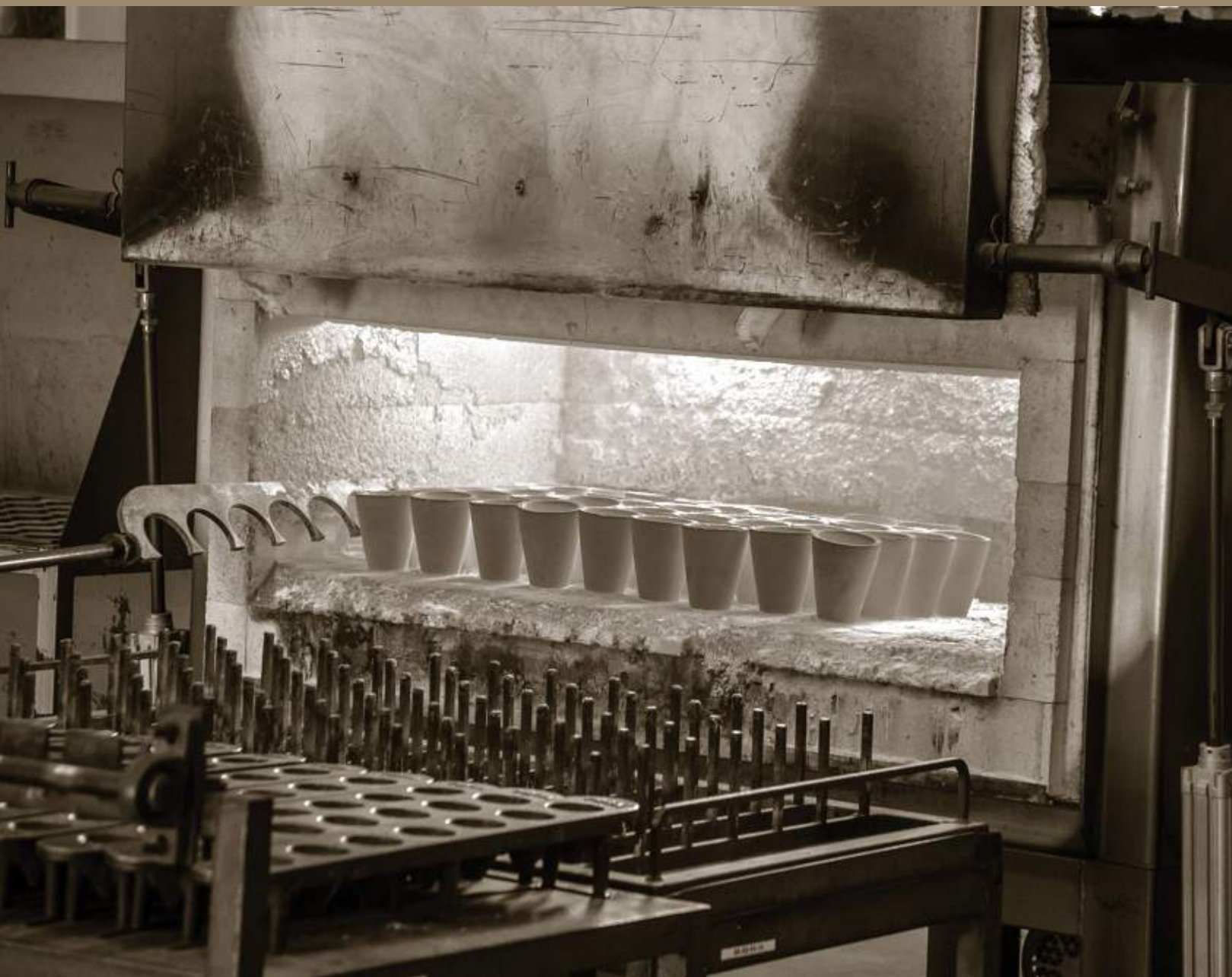
Disclaimer

Cautionary Note Regarding Preliminary Economic Assessment

A preliminary economic assessment should not be considered a prefeasibility study or feasibility study, as the economics and technical viability of the Media Luna Project have not been demonstrated at this time. The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. It cannot be assumed that all or any part of the inferred mineral resources will ever be upgraded to a higher category. Furthermore, there is no certainty that the conclusions or results as reported in the Media Luna PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Media Luna PEA and this report includes information on Muckahi. It is important to note that Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the system are conceptual, and proof of concept has not been demonstrated. Drill and blast fundamentals, standards and best practices for underground hard rock mining are applied in the Muckahi, where applicable. The proposed application of a monorail system for underground transportation for mine development and production mining is unique to underground hard rock mining. There are existing underground hard rock mines that use a monorail system for transportation of materials and equipment, however not in the capacity described in the technical report (the "Technical Report") released on September 4, 2018, entitled "NI 43-101 Technical Report ELG Mine Complex Life of Mine Plan and Media Luna Preliminary Economic Assessment", which has an effective date of March 31, 2018 and is available on the Company's website at www.torexgold.com and filed on SEDAR at www.sedar.com. Aspects of Muckahi mining equipment are currently in the design stage. The mine design, equipment performance and cost estimations are conceptual in nature, and do not demonstrate technical or economic viability. Torex expects to complete the development and test the concept by the end of 2019 for the mine development and production activities. Further studies would be required to verify the viability of Muckahi. Muckahi is not intended as a "trade off study" but is shown in the PEA to merely demonstrate the potential benefits Muckahi may have using the Media Luna deposit as an example. It includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The ability to develop and test Muckahi is dependent on available funding from Torex's resources including distributions from Minera Media Luna, S.A. de C.V. ("MML"), a wholly-owned subsidiary of Torex and owner of the El Limon Guajes mine. MML's debt facility places restrictions on the amount that MML may distribute to Torex. There is no assurance that the company will be able to complete the development and testing of Muckahi as planned.

Qualified Person

Scientific and technical information contained in this report on page 6, "CEO Message", 6th paragraph, page 9, "Innovation", paragraph 5, and page 14, "Our Performance", the fourth paragraph, has been reviewed and approved by Dawson Proudfoot, P.Eng., former Vice President, Engineering of Torex Gold Resources Inc. and a Qualified Person under NI 43-101.

Cautionary Note Regarding Forward-Looking Statments

This report contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation. Notwithstanding the Company's efforts, there can be no guarantee that the Company will not face unforeseen delays or further disruptions of its operations including without limitation, delays caused by blockades limiting access to the ELG Mine Complex and the Media Luna Project or by blockades or trespassers impacting the Company's ability to operate. Forward-looking information also includes, but is not limited to, expected gold production and AISC for 2019, the potential of the new mining technology (Muckahi), and if proven, the potential benefits of reduced capital and operating costs and potential to reduce emissions and environmental footprint, plans to commence a feasibility study on the Media Luna project in 2020, aim to continue to generate exceptional value for stakeholders, aim to continually improve our operational performance and reporting processes each year, aim to lift people out of poverty through investment locally, regionally and nationally, aim to make workplace health and safety our team's key focus, plans to investigate the potential use of solar energy as a source of energy for the mine, expected risk reduction associated with the use of filtered tailings, aim to further mitigate the impact of the operations on the environment, plans to implement a real-time air quality program for local communities, aim to create long-term value for our stakeholders, aim to create mutually beneficial prosperity for our employees, shareholders, host governments and communities in which we operate, expected benefits from the use of systems leadership models for the development of our workforce, expected benefits from the new drug and alcohol testing program, plans to develop constructive, long-lasting relationships with local stakeholders, aim to link our success as a business with the success of the local communities, plans to establish KPIs and internal and external monitoring systems to aid in determining the efficacy of the CDAs, plans to finalize and fully implement the human rights management system will be in 2019, goal of zero authenticated human rights complaints against the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "strive", "aim", "plans", "expects", "estimates", "intends", "anticipates", "believes" "goal", "strategy" or "potential" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", 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 information, including, without limitation, ability to access to the ELG Mine Complex and the Media Luna Project, the ability to extract mineral resources and mineral reserves economically, or at all, the success of the Muckahi mining system, the ability to fund the development and testing of Muckahi, and those risk factors identified in the Technical Report and the Company's annual information form and management's discussion and analysis. Forward-looking information are based on the assumptions discussed in the Technical Report and such other reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, and other factors that management believes are relevant and reasonable in the circumstances at the date such statements are made. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information, there may be other factors that cause results not to be as anticipated. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, whether as a result of new information or future events or otherwise, except as may be required by applicable securities laws.

Non-IFRS Financial Performance Measures

AISC is a non-IFRS measure with no standardized meaning under International Financial Reporting Standards. Refer to the Company's MD&A for the year ended December 31, 2018 for further information and a detailed reconciliation regarding historical performance measures.

Photographic Credits
Martin Vargas and the Torex teams.

Currency
All monetary values are in US$ unless otherwise noted.

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