

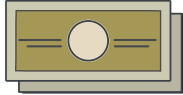
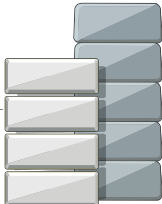


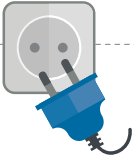

2018



**CORPORATE RESPONSIBILITY REPORT:**  
CONTINUING OUR JOURNEY

# EXCELLON

RESOURCES INC.

		2017	2018
	<b>REVENUE</b>	\$21.2 M	\$24.3 M
<b>PRODUCTION</b>	PAYABLE oz Ag	667,370	805,550
	PAYABLE lbs Zn	5,219,258	6,075,147
	PAYABLE lb Pb	4,134,184	5,073,038
	<b>EMPLOYEES</b>	320	377
	<b>TOTAL RECORDABLE INJURY FREQUENCY</b>	-59%	-30%
	<b>LOST TIME INJURY FREQUENCY</b>	-35%	-21%
	<b>TOTAL ENERGY CONSUMPTION (GJ)</b>	139,567	172,317
	<b>TOTAL GREENHOUSE GAS EMISSIONS (TONNES CO<sub>2</sub> EQUIVALENT)</b>	21,098	23,404
	<b>TOTAL WATER RECYCLED (M<sup>3</sup>)</b>	44,835,256	54,691,822

On the cover: (left) Delivery of containers for waste segregation in Miguel Auza, (middle) Drawing contest with schools in Bermejillo, (right) Support of cultural presentations in Miguel Auza

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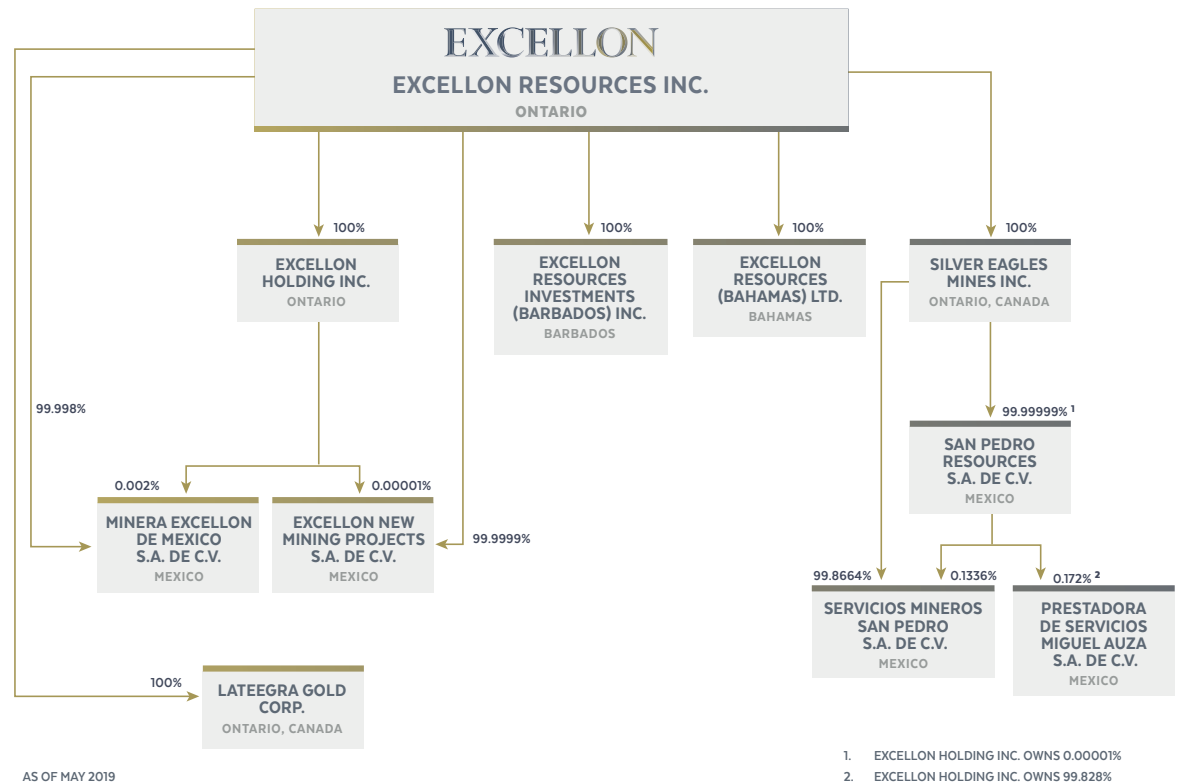
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*Crews installing concrete near the surface maintenance shop at Platosa*

## WHO WE ARE

Excellon Resources Inc. is a TSX-listed silver and base metals producer headquartered in Toronto, Canada. We mine Ag-Pb-Zn ore from our Platosa underground mine located near the town of Bermejillo, Durango, Mexico. Ore is crushed at Platosa and then trucked approximately 230 km to our concentrator facility in the town of Miguel Auza, Zacatecas, Mexico. Following flotation separation, we produce lead-silver and zinc-silver concentrates consisting of sulphide minerals; tailings from the process are stored in an engineered tailings management facility (TMF) located 1 km from the concentrator facilities. Concentrate is trucked to third-party customer port facilities at Manzanillo, Colima, Mexico. Our customers produce metals by processing the concentrate using pyrometallurgical (smelting) processes. We are paid on payable metals, defined as the contained metals in the concentrates, net of payable metals deductions. We are also charged treatment and refining charges at agreed rates as determined in the offtake agreements with our customers. Our customers then sell these metals to end-use customers through commodity markets.



We report our financial results in United States dollars (US\$) and all financial information is in US\$ unless otherwise noted. Sales of metal in 2018 were 805,550 payable ounces of silver, 6,075,147 payable pounds of zinc and 5,073,038 payable pounds of lead. Revenues were \$24.3 million and net loss was \$7.7 million for the year. The total capitalization of the Company at December 31, 2018 was \$50,155,000, consisting of \$40,177,000 in equity and \$9,978,000 in liabilities. Our market capitalization at December 31, 2018 was C\$67.4 million.

The Company's Corporate Structure is set out in the diagram above and is included in the Company's consolidated financial statements. There were no material changes to our size, structure, ownership, or supply chain during the period covered by this report.

## MESSAGE FROM BRENDAN CAHILL – EXCELLON’S PRESIDENT AND CHIEF EXECUTIVE OFFICER

We are proud to introduce our 2018 Annual Corporate Responsibility Report, our second such report. We received positive feedback from a wide range of stakeholders about our decision to begin reporting, a welcome affirmation of our efforts. This report represents an update on the elements we reported on in 2017, rather than a completely new report.

We continued to change our company in 2018. Operational improvements continue to be made at our Platosa and Miguel Auza business units, primarily in the discipline we’ve brought to our underground mining practices. These changes do not always translate directly to the bottom line in the short term but are critical improvements that increase efficiency and protect our employees and contractors. Improving our processes, procedures, controls and performance in corporate responsibility strengthens and aligns the company, creates a positive work environment and positions us well for future growth.

There were several important CR-related accomplishments during the year:

- We completed an agreement with the ejido Puerto de Jaboncillo to facilitate grassroots exploration in the vicinity of our Platosa mine. The agreement is structured around the mining life cycle so that the ejidatarios benefit more as our exploration efforts bear fruit. Our efforts to help the ejidatarios understand our business helps align interests and avoid creating unreasonable expectations since exploration is a high-risk, high-reward activity.
- Our site-level grievance mechanisms were formally rolled out at both business units. These tools are another way we demonstrate our commitment to productive and trust-based community relationships and to respect for human rights.
- Our trailing safety indicators improved materially again in 2018 which means we are doing a better job of ensuring that all workers return home safely at the end of the day.
- We completed the rollout of our eleven High Consequence Hazard standards; these standards have been the foundation of our improved safety performance.
- We hired a Community Relations Coordinator at Miguel Auza to bring more focus to building and enhancing relationships with local residents.

We also faced challenges during the year. Prices for silver and zinc declined, adversely affecting our revenue. We discovered theft of concentrate by organized criminal elements and that certain senior operational leaders were complicit in the theft. The vacuum that developed following leadership changes affected our momentum in implementing our CR standards. We responded well to the challenges and have enhanced our security footprint, at the same time ensuring that human rights considerations are front and center.

The changes that are being put in place throughout the company are creating a solid foundation that will serve as the platform for growth. We ended 2018 with stronger and more resilient operations, employees who have more experience under fire and an executive team that has developed the skills necessary to ensure future growth is successful. All of the success we have experienced in 2018 is a tribute to the dedication and hard work of all members of the Excellon family. As you read this report, I trust that our commitment to openness, transparency and corporate responsibility excellence jumps from the pages! We look forward to reporting on our 2019 performance in our next CR Report.

## ABOUT THIS REPORT

This report presents our corporate responsibility performance from January 1 through December 31, 2018. Corporate Responsibility (CR) at Excellon encompasses health, safety and security, environmental protection, community relations, community development/social investment, human rights and government relations. This report describes the material aspects and our performance against this scope.

This is our second annual CR report and describes the continuation of our journey to CR excellence. We received positive feedback about our decision to begin reporting and for the openness, honesty and transparency about our starting point and our challenges as a small-cap mining company. There are several restatements of the data contained in our 2017 report; these restatements are clearly indicated in the body of the report and in the data tables. The only change in the scope and boundary of this report involves the addition of security to the responsibilities of the Vice President, CR and the corresponding inclusion of security in this report.



*A mural underground at Platosa reminding workers to care for their families and spouses*

We continue to take a measured approach to reporting with the expectation it will evolve, expand and improve over the coming years.

This report was prepared considering the requirements of the Global Reporting Initiative (GRI) Standards (2018). We are not, however, “in accordance” with the GRI Standards at this time. We expect to evolve to an “in accordance” GRI reporting entity over time. Moreover, we have not sought external assurance for this second annual CR Report.

The indicators in this report were selected on the basis of their materiality at both Platosa and Miguel Auza and on our view of what our communities of interest (COI) will be interested in. We provide disclosure on four additional indicators in the report; 102-25 (conflicts of interest), 202-2 (proportion of senior management from local communities), 204-1 (proportion of spending on local suppliers) and 304-1 (operations owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas). We continue to focus on the basics, including trailing injury statistics, environmental compliance and incident reporting and formalizing our community relations efforts. We will also advance other, non-core indicators each year to continue our journey to an “in accordance” GRI reporter. Security became a material consideration for the Company in 2018 as will be described later in this report.

We report against all of the indicators contained in the Mining and Metals Sector Disclosure supplement, as we did in our 2017 report, regardless of their applicability to the Company.

If you have questions about this report, please contact Craig Ford, Vice President, Corporate Responsibility ([cford@excellonresources.com](mailto:cford@excellonresources.com)).

## OUR WORKFORCE

We have 377 employees, most of whom are located at the Platosa mine (73 percent) and Miguel Auza concentrator (19 percent) operations. Our exploration staff account for 6 percent of the workforce and head office staff in Toronto represent 2 percent of the workforce. Our salaried staff at Platosa, Miguel Auza and in exploration are non-unionized management staff consisting of management, supervisory and office administration employees. Our labour workforce includes our unionized hourly workers and third-party contractors who are engaged for specialized services (e.g. water management consulting, diamond drilling services) on an as-needed basis. At Platosa we have 86 non-unionized staff and 188 unionized workers. At Miguel Auza, there are 31 non-unionized staff and 40 unionized workers; the exploration team consists of 14 non-unionized staff and 9 unionized workers. Women constitute 11 percent, 17 percent and 9 percent of employees at Platosa, Miguel Auza and exploration, respectively; overall our workforce in Mexico is 11 percent female. As of December 31, 2018, we had 40 contractors at Platosa and 35 contractors at Miguel Auza.

Overall, 64 percent of our workforce is covered by collective bargaining agreements. Our collective bargaining agreements have two-year terms; the current Platosa agreement is due for renewal in 2019. The renewed agreement at Miguel Auza was finalized in 2018. We negotiate remuneration annually. There are 9 full-time employees in the Toronto head office and one contractor; four of these employees are women.

## OUR SUPPLY CHAINS

Our business, like many natural resource-related businesses, is characterized by having long upstream and downstream supply chains. We need many inputs to support both our mining and mineral concentrating processes, including diesel fuel, cement, steel support elements, drill bits, steel grinding balls and chemical reagents. Many inputs are available and sourced locally and regionally within Mexico; these are either fabricated locally and regionally or are fabricated outside of Mexico but procured from Mexican distributors. However, there are some specialty products that are not available locally or within Mexico, which we must procure and import, primarily software and specialty consulting expertise. The length of our supplier supply chains varies depending on how specialized the inputs into their products are and whether such inputs are available locally. The labour intensity associated with our inputs varies considerably, depending on the nature of the input.

Our downstream business relationships involve transportation companies who transport our ore from Platosa to Miguel Auza and the concentrate products from Miguel Auza to our customers. Ownership of the concentrate passes to our customers at the gates of their port facilities in Manzanillo, Mexico.



## VALUES, MISSION AND ORGANIZATIONAL ETHICS

Our values, mission and organizational ethics remained unchanged in 2018. We revised our vision, mission and values in July, 2019; these are available on our website at [www.excellonresources.com](http://www.excellonresources.com)

### MISSION

To become a premier precious metals producer by capitalizing on generational opportunities and striving to always do better for our shareholders, employees and neighbouring communities.

### VALUES

#### Responsibility and accountability

- The health and safety of our people is foremost. We continually improve working conditions. We will not operate if we cannot operate safely.
- We live in the communities and projects where we explore and operate. We respect the cultures we encounter and seek to increase our engagement. We continually strive to understand and reduce our environmental footprint, and act as stewards of air, land and water.
- Our business must generate returns for our stakeholders from smallest to largest for the long term.

#### People are our greatest asset

- We value people. Elevating people through respect, dialog and collaborative development plants the roots of talented, creative and diverse operational teams and sustainable local communities.

#### We build and maintain trust

- We believe that honest, open and transparent communication with our stakeholders creates the most powerful currency of all: Trust.

#### We embrace collaboration

- We welcome innovation, ideas and perspectives from all stakeholders, both internal and external. We never say “no” without first evaluating “how”.

#### We are driven to evolve

- Our curiosity drives constant evolution. We do not accept that perfection exists. We can always be better.

#### We are resilient

- Our resilience through the challenges of mining generates new opportunities and value for all of our stakeholders.

#### We are committed to quality

- We are building a business that can thrive under any market condition, by focusing on exploration, development, production and acquisitions that enhance our profitability and cash flow on a per share basis.



## VALUES, MISSION AND ORGANIZATIONAL ETHICS

Our mission and values form a touchstone that is incorporated into our CR strategic objectives, targets and our management system. Our values are not prioritized; conceptually we see our values as components in a fabric that stretches and adjusts to the stresses placed upon it. This fabric is the link between our values and materiality; the magnitude of CR materiality determines how the fabric responds and which values take greater precedence in our decision-making. Regardless, CR-related values take precedence over others.

The mission and values were endorsed by the Board of Directors and are also incorporated into our Code of Business Conduct and Ethics (CBCE), which clearly articulates our expectations of all employees when confronted with potentially difficult decisions regarding how to conduct themselves in the course of business on behalf of Excellon. Our CBCE can be found [here](#). The Audit Committee is responsible for overseeing the implementation and operation of the CBCE. We provide training on the requirements of our CBCE to all new employees and to existing directors, officers, and employees on an on-going basis. On an annual basis, all directors, officers and employees are required to certify that they have complied with the requirements of the Code. We also have a Whistleblower Policy that provides for confidential reporting of unethical behaviour or business practices and protects those who report from retribution.

Employees who have concerns about organizational ethics, including conflicts of interest, sexual harassment, etc. are, in the first instance, encouraged to report concerns to their immediate supervisor. In 2018 we enhanced our confidential whistleblower complaint hotline and assigned administration to a third-party. Reports made to the complaint hotline can be made anonymously and are directed to the Audit Committee which has responsibility for investigating all complaints. We also placed more emphasis on raising the awareness of the complaint hotline (linea de denuncia in Spanish) with all employees in Mexico and providing regular training on Anti-Bribery and Corruption.

No complaints were submitted to the confidential whistleblower hotline in 2018.

1. [http://www.excellonresources.com/\\_resources/governance/Governance\\_-\\_2014-04-29\\_\\_\\_Amended\\_Code\\_of\\_Business\\_Conduct\\_and\\_Ethics.pdf](http://www.excellonresources.com/_resources/governance/Governance_-_2014-04-29___Amended_Code_of_Business_Conduct_and_Ethics.pdf)

## OUR CORPORATE RESPONSIBILITY JOURNEY AND APPROACH

As we described in more detail in our 2017 Annual CR Report, the journey we have undertaken is one of an exploration company becoming an operating company working to overcome material operating challenges that threatened our viability, largely moving past those and evolving into a stable producer with ambitious growth objectives. Our growth will be aided by our commitment to CR excellence.

Our strategic approach remains focused on bringing more structure and discipline to the elements that comprise CR to improve performance over time and enhance the conditions that create stability and trust-based relationships at Platosa and Miguel Auza. An underlying principle of our approach is to do no harm and to bring a net benefit to society as a result of our activities. Moreover, we know that CR excellence will position us as leaders within our peer group, leading to competitive advantage as we identify opportunities for growth.

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## STRUCTURE AND GOVERNANCE

As a public company, we are governed by a Board of Directors composed of professionals with governance, financial, legal, executive and operating experience and expertise. Our President and CEO is a Board member; all other directors are independent, including the Board Chair. We have one female Board member; none of our Directors are members of under-represented groups or represent key COI. Profiles of our Board members are available [here](#)<sup>1</sup>.

Directors are selected by the Nominating and Corporate Governance Committee, which is responsible for identifying potential Board members based on the expertise and experience required for an effective and high-performing Board. The Committee considers a wide range of criteria when selecting potential Board members, including diversity. Directors are proposed for election annually at the Annual General Meeting of the shareholders of the Company.

The processes to identify and report on potential conflicts of interest involving employees are overseen by the Board of Directors. Each officer and member of business unit senior management teams are required to sign an attestation annually whether they have a business-related conflict of interest or knowledge of such a conflict. Our Annual Information Form (AIF) describes the structure of the company, including the significant shareholders. At present, Excellon does not have a controlling shareholder. There are no cross-board memberships amongst our directors and no cross-shareholding with suppliers or stakeholders. We do not routinely disclose these matters to stakeholders, primarily because there are no material issues relating to conflicts of interest; the current disclosure in this report is the first such disclosure.

1.<http://www.excellonresources.com/company/board-of-directors/>

## STRUCTURE AND GOVERNANCE CONTINUED

The following Board committees have been appointed to review and report on specific matters:

- Audit Committee;
- Compensation Committee;
- Nominating and Corporate Governance Committee;
- Corporate Responsibility and Technical Committee; and
- Special Opportunities Committee.

Details of each committee, including their respective charters, are available [here](#)<sup>1</sup>. The Special Opportunities Committee was created in early 2018. Our Chief Financial Officer (CFO) reports to the CEO and has executive-level oversight for the financial aspects of the Company; this position is overseen by the Audit Committee. Executive management is responsible for developing and executing the values and mission, strategic objectives and direction of the Company; these are discussed and agreed with the Board.

Responsibility for oversight of CR matters has been delegated to the Corporate Responsibility and Technical Committee (CR&T Committee). As described in the committee charter, the CR&T Committee receives reports from management, evaluates CR performance and oversees our CR reporting. The CR&T Committee receives information on significant aspects and impacts from management in each functional element comprising CR and reviews management's approaches, actions and results in managing these. At present, the CR&T Committee does not incorporate direct feedback from COI in their oversight of CR matters. The Committee met four times in 2018 to discharge its oversight responsibilities; the Committee members reviewed and commented on a final draft of this report.

Responsibility for CR issues has been delegated to the Vice-President, Corporate Responsibility (VP, CR). This part-time contract role is based in Toronto and is part of the executive leadership team, reporting to the CEO. In this role, the VP, CR is responsible for developing and overseeing implementation of the CR management framework, including the CR Policy, strategic objectives and targets and management system, monitoring performance and working with executive and operational leaders to improve performance. The VP, CR has dotted line reporting relationships with the business unit General Manager and the business unit CR professionals.



*Miguel Auza community leaders attending the opening of the Excellon Community Relations office*

1. <http://www.excellonresources.com/company/governance/>

## STRUCTURE AND GOVERNANCE CONTINUED

Interaction with the Board is primarily managed by our CEO and this is the primary method for communicating important issues. Our CR Standard on incident classification also defines criteria for communicating high-severity CR incidents to the Board outside of regularly scheduled Board and Committee meetings. The CR&T Committee reviews the CR-related incidents deemed important during regularly scheduled meetings.

We have a General Manager (GM) role, the senior-most Company representative in Mexico. This role has overall responsibility for operations at both Platosa and Miguel Auza and direct responsibility for operational CR matters. We hired a new GM in June 2019. In turn, business unit safety, health, security, environmental and community professionals have responsibility for ensuring compliance with applicable legal requirements, overseeing the implementation of our standards, coaching all workers, working to improve CR performance, assisting in training and reporting. Once we provide training, we expect all workers, both employees and contractors, to know and comply with our requirements.

## OUR COMMUNITIES OF INTEREST AND HOW WE ENGAGE

We have important communities of interest (COI) at both the corporate and business unit levels. Our most important COI are our employees. Much of our effort in CR and by our Human Resources staff is designed to ensure that all workers operate within a culture where they work safely and have opportunities to establish productive and enjoyable work careers.

In 2018, we hired a Community Relations and Development Coordinator at Miguel Auza; creating this role resulted in an expansion of our dialogue at Miguel Auza and in our community investment program. Moreover, we formally implemented our site-level grievance mechanism. Creating this new role was an important step for the company and a further sign of our commitment to CR excellence. At Miguel Auza the primary concerns that we have heard from COI involve employment, education and healthcare, along with the overall increase in crime and the deterioration of the security situation. This is described in more detail below.

The COI identification and mapping at both Platosa and Miguel Auza reinforced that our most important external COI are influential individuals, groups and government representatives in the local communities closest to our business units.

Our COI engagement continues to progress and grow as we gain confidence that talking to people openly about our activities is not threatening, as we learn to listen, address questions about our activities and as we progress in our efforts to decouple engagement from our on-going philanthropic activities.

*The following are the general classes of COI engaged at both the corporate and business unit levels. For privacy reasons, we do not identify specific COI.*

*Business unit-level COI engagement:*

- Local residents around Bermejillo and Miguel Auza;
- Primary and secondary schools in Bermejillo;
- Ranchers in the area around Platosa;
- Ejidal groups in the area around Platosa and Miguel Auza; and
- Federal, state and local government representatives.

## RISK MANAGEMENT

The Board is responsible for overseeing our Enterprise Risk Management (ERM) program and works with management to promote a “tone from the top” approach to promote a corporate culture that understands the importance of implementing an enterprise-wide risk management system. We progressed with the assessment of corporate-level risks using our revised process; the initial assessment was completed in early 2019. Many of the risks identified derive from our business units at Platosa and Miguel Auza and which we believe have the potential to be material at the corporate level. The risks and impacts presented below are a combination of those from the ERM process, supplemented with those based on the knowledge of our business amongst the executive team and our operations leadership.

The following are the issues that were assessed as having the highest relative risk level on our scale of 1 to 10; four of these relate to water management activities at Platosa:

- Mine dewatering efforts are not reliable
- Production at Platosa is limited by ground conditions due to improper installation of support
- Unethical behaviour at our business units
- Shortage of pumping equipment spares at Platosa
- Power disruption greater than 12 hours at Platosa
- Water management and distribution at Platosa are not executed effectively

Many controls have already been developed and implemented at both the corporate and business unit levels to manage and help ensure that these will not materialize. Likewise, we are developing action plans for the remaining risks that have lower assessed levels.

ERM is a significant commitment for an organization of our size, requiring considerable time from the executive team to identify and assess risks and develop risk control plans. It is a further demonstration of our commitment to responsible management of our business and to positioning ourselves for growth.



*Ground support training for miners at Platosa*

## OUR MATERIAL RISKS, ASPECTS AND IMPACTS

In identifying our material risks, aspects and impacts for this report we have relied on our knowledge of our business, our activities at Platosa and Miguel Auza and our exploration program, coupled with the knowledge we have of the impacts we have on workers, the environment, in our communities and on certain other external COI (e.g. governments). We expect our systems to mature to the point where we can engage more effectively with external COI in conversations about the material aspects of our business from their perspectives. To be effective, such a process requires that those being engaged have an understanding of us, our business and our impacts. This has not been a focus historically and we are actively working to build such understandings, especially amongst those located closest to our business units in Mexico. We expect to be able to include these important perspectives in future CR reports. For the time being, these material risks, aspects and impacts are strictly from our perspective.

Despite the fact that no specific engagement with COI was undertaken for this report to, among other things, help identify our material risks, aspects and impacts, we nevertheless feel that we have an understanding of the primary issues of concern to our local community stakeholders and government representatives. We base this knowledge on the fact that we have regular interaction with our COI and our employees are resident in these local communities.



*Top photo: A miner inspecting a working face underground at Platosa*

*Bottom photo: Fire prevention training for teachers and students in Miguel Auza schools*



## OUR MATERIAL RISKS AND IMPACTS CONTINUED

### MATERIAL CR RISKS, ASPECTS AND IMPACTS – PLATOSA INTERNAL

- Compliance with safety and environmental legal requirements
- Worker safety, especially in relation to high consequence hazards underground
- Personal security of employees in the context of organized criminal activity
- Organized criminal activity impacting our business
- Managing water quality and quantity
- Solid and hazardous waste management
- Management of hydrocarbons and chemicals

### MATERIAL CR RISKS, ASPECTS AND IMPACTS – IMPACTS BY US ON PEOPLE AND THE ENVIRONMENT AT PLATOSA

- Reliance on the water we pump from underground mine workings by local agricultural users
- Land use impacts, especially lands of local ejidal groups
- Water quality
- Air quality
- Employment provided in the community of Bermejillo
- Pay inequality in Bermejillo
- Reliance on Excellon for employment, philanthropic giving and tax base

### MATERIAL CR RISKS, ASPECTS AND IMPACTS – MIGUEL AUZA INTERNAL

- Compliance with safety and environmental legal requirements
- Worker safety, especially in relation to high consequence hazards
- Personal security of employees in the context of organized criminal activity
- Organized criminal activity impacting our business
- Tailings management
- Managing water quality and quantity
- Solid and hazardous waste management
- Management of hydrocarbons and chemicals

### MATERIAL CR RISKS, ASPECTS AND IMPACTS – IMPACTS BY US ON PEOPLE AND THE ENVIRONMENT AT MIGUEL AUZA

- Water quality
- Air quality
- Noise
- Employment provided in the community of Miguel Auza
- Pay inequality created in Miguel Auza
- Reliance on Excellon for employment, philanthropic giving and tax base

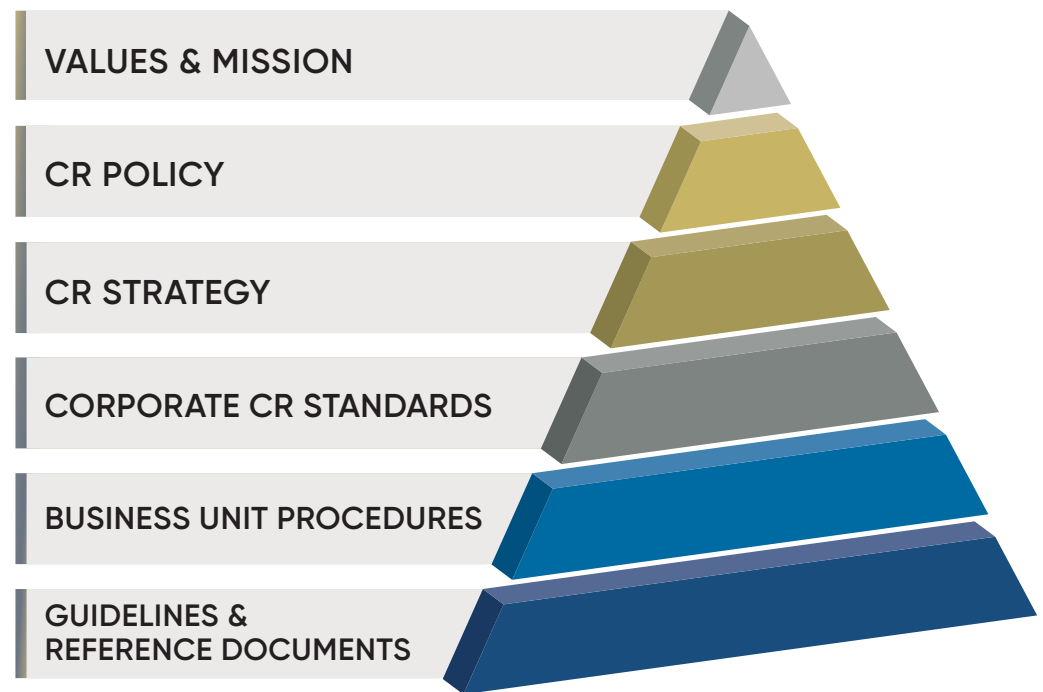
*Ejido: An area of communal land primarily used for agriculture and which are registered under Mexico's National Agrarian Registry. The ejidal system was established as an important element of Mexican agrarian land reform. Members of the ejido are referred to as ejidatarios; ejidatarios do not individually own land within the ejido.*

## OUR CORPORATE RESPONSIBILITY MANAGEMENT FRAMEWORK

In 2017 we established a practical, hierarchical and business unit-focused management framework (Figure 1). Our values are at the apex of our framework. The hierarchical nature of the framework means that the elements of each component of the framework cascade down to each successive framework component. For instance, our CR standards incorporate our values and all elements articulated in our CR Policy and our strategic objectives and targets.

Our CR management framework is best-in-class, fit for purpose at this stage of our evolution and incorporates elements of evolving international best practice. In this way, we can demonstrate CR leadership and excellence, despite our relatively small size. The management framework is the link between our material CR risks and impacts and on-the-ground performance.

Our CR Policy was approved by our Board of Directors in mid-2017. This is our first such policy and incorporates our statements of principle and commitments regarding Corporate Responsibility. We have not yet finalized our strategic objectives and targets, as we felt that our immediate priorities were developing our CR Policy and developing and starting implementation of the priority CR management system standards.



*Figure 1. The EXN Corporate Responsibility management framework.*



## CORPORATE RESPONSIBILITY POLICY

Excellon Resources Inc. is an emerging silver producer focused on responsible growth. Responsible growth means that we will pursue and achieve excellence in health and safety, environmental protection, community relations and development, human rights and government relations. We refer to these increasingly material functional elements of our business as Corporate Responsibility.

Corporate Responsibility excellence is one of the pillars of our company; a pillar that helps deliver exceptional operational performance and build trust-based relationships with local communities and other stakeholders. These attributes build and enhance privilege to operate and our reputation and create opportunity; ultimately, these drive business value.

### TO ACHIEVE CORPORATE RESPONSIBILITY EXCELLENCE, WE WILL:

1. Eliminate fatalities and progress in reducing harm to worker safety and health;
2. Incorporate evolving international best practice by committing to relevant international standards to ensure responsible risk management across the business life cycle;
3. Forge relationships based on trust with a broad range of stakeholders by openly, transparently and continually engaging about our business, listening to concerns and incorporating these into our plans;
4. Respect human rights by developing and implementing policy, due diligence tools, and feedback and monitoring mechanisms;
5. Deliver net positive environmental benefit, to the greatest extent feasible, through strong operational execution, sound science and innovative operational approaches;
6. Locate, design, construct, operate and decommission mine waste management facilities according to requirements of the Mining Association of Canada requirements and other evolving international best practice;
7. Work with local communities to achieve their development aspirations by catalyzing the development of human and institutional capacity and by ensuring our presence maximizes local employment and procurement opportunities;
8. Establish partnerships with civil society organizations that nurture the missions of our respective organizations, help us to further evolve and to bring expertise to the implementation of our commitments;
9. Build open and constructive relationships with all levels of government to facilitate on-going engagement on issues of mutual interest and concern;
10. Establish practical, achievable and operationally focused strategic plans and objectives that lead to continuous CR improvement in our business;
11. Implement practical, operationally focused systems to ensure effective management of our business;
12. Measure our performance to ensure that we are meeting our strategy and objectives, to evaluate the success of our approaches and systems, and to identify and execute on opportunities for improvement;
13. Participate with our industry peers in establishing leadership positions and promoting best practice in all aspects of CR;
14. Report transparently and openly on our performance, our challenges and our successes with a wide range of stakeholders; and
15. Assure our reporting and performance against international standards through auditing and external oversight.

#### THIS POLICY APPLIES TO:

- The Company;
- All business units of the Company;
- All directors, officers and employees of the Company and its subsidiaries;
- All agents or authorized representatives of the Company and its subsidiaries; and
- All contractors of the Company and its subsidiaries.

## CORPORATE RESPONSIBILITY CONTINUED

The CR management system is a series of 51 standards that address all material and evolving CR aspects based on experience and evolving international best practice. The standards describe how we expect all material aspects to be managed by describing the “what” and the “how” for each aspect. The requirements of all standards are mandatory, and we expect them to be incorporated into business unit standard operating procedures. Common standards apply across all CR functional areas and address topics such as leadership and understanding legal requirements. Functional standards address specific safety, health, security, environmental and community aspects. We further decided that eleven of the standards involved topics that have higher-than-normal inherent risk to workers (e.g. energy isolation and working at height); these were designated High Consequence Hazards (HCH) standards and include a higher level of technical detail and prescription, helping us ensure that such hazards are managed 100 percent right and 100 percent of the time to protect workers.

Once the list of 51 CR management system standards was developed, the executive team engaged business unit leadership in a review of these and in prioritizing the standards for development and implementation. We continued to advance development and implementation of the standards in 2018.

In 2018 we continued the process of incorporating the requirements of the CR Standards that were rolled out in 2017 into business unit procedures. We also developed and began implementation of eight additional CR Standards during the year, bringing the total number of CR Standards rolled out to the business units to 25 of the 51 total standards. The standards developed during the year included the final two of the 11 HCH standards.

The pace of CR Standards development slowed intentionally in 2018 for two reasons. First, we feel that many of the standards that address our current material concerns have been developed and are actively being implemented. Many of the remaining CR Standards, although important longer-term, do not address our first-order priorities or address aspects not applicable to the company at this time.

Second, we remain focused on a methodical approach to introducing new requirements at both Platosa and Miguel Auza. We therefore made a concerted effort to balance our desire to move forward quickly, bringing more structure to our efforts, with taking the time necessary to ensure proper uptake and development of competence to execute the requirements.

Overall, 2018 was a challenging year for implementation of our CR Standards. Since we have incorporated TSM’s requirements into our standards, our improvement in TSM performance was modest (please see the more detailed TSM performance disclosure later in this report). The primary reason for the less than adequate progress was a lack of senior leadership focus at the business units during the second half of the year. The lack of focus intensified following the discovery of concentrate theft in November and dismissal of certain senior employees (see the Security disclosure below).

## OUR 2018 PRIORITIES

Apart from moving forward with the implementation of the 25 CR Standards that have been introduced at Platosa and Miguel Auza, we continued with our focus on improving our safety performance, both our trailing performance and progress in changing culture, measured by leading indicators. Improving our security processes was also a priority late in the year.

## OUR 2018 PERFORMANCE

In this section, we present our 2018 CR performance, broken down by functional area – safety and health, security, environment and community.

### SAFETY AND HEALTH PERFORMANCE

We continued the journey to bring more structure and discipline to our workplace and work habits in a long-term effort to induce cultural change and to improve safety performance. We continued to focus on improving hazard recognition and reduction, modifying procedures to reflect the new requirements contained in our CR Standards, and improving our training programs by focusing on competency. Our efforts were hampered starting in the fourth quarter when certain senior operational leaders at both Platosa and Miguel Auza were terminated.

We started to address the challenges in an orderly way by developing and implementing our HCH standards, continuing to communicate our expectations and incorporating competency evaluations into the training program. During the year we completed the development and implementation of the last three HCH standards; explosives management, lifting and rigging and chemical storage and handling. These new HCH standards were incorporated into the training schedule along with the other eight HCH standards.

We continued to focus on workplace interactions as a way to encourage positive changes in workplace culture. As disclosed in our 2017 report, workplace interactions are open-ended and positive conversations between workers at any level of the organization to observe and interact on work practices to confirm if people are working safely and in accordance with our requirements. The total number of such interactions reported for 2018 was 5,767 at Platosa and 3,976 at Miguel Auza, an increase of 57 percent and 70 percent, respectively, over the annualized number of interactions reported in 2017. In early 2019 we began requiring documentation of workplace interactions to help ensure that they are high quality and being performed according to our expectations.

## SAFETY AND HEALTH PERFORMANCE (CONTINUED)

We began collecting exploration-specific safety statistics in 2018. On a consolidated basis, there were 14 lost time injuries (LTI) reported across the company in 2018 compared to 17 in 2017. Ten injuries were reported by employees and four by contractors. Nine of the 14 reported injuries in 2018 were classified as high-energy, including four exploration drilling contractors who were injured in a single incident when a hydraulic cylinder failed explosively while being maintained. Two high-energy injuries at Platosa were related to working at height.

The five low-energy LTIs in 2018 were generally related to incidents that would not normally qualify for time away from work. However, as reported in our 2017 report, the local social security hospitals routinely issue time off when employees attend the hospitals, regardless of the severity of the injury. Although we are working hard to eliminate all injuries, our focus nevertheless remains on eliminating higher-energy incidents. We are also developing a plan to work with a broad range of stakeholders to introduce a modified work/restricted duty program.

We improved our knowledge and processes involving high consequence hazards. This included, among many other initiatives, starting to formalize our energy isolation procedures. We have more work to do to achieve our desired state and we continue to progress.

Statistically, our total recordable injury frequency (TRIF), lost time injury frequency (LTIF) and injury severity declined 30 percent, 21 percent and 80 percent, respectively, over the comparable 2017 results. This translates to a decrease of 71 percent and 49 percent in TRIF and LTIF, respectively, since we began our focused efforts to improve safety performance at the beginning of 2017. Despite this improvement, our results remain elevated compared to industry benchmarks, specifically that represented by the consolidated performance of Mining Safety Round Table (MSRT) members. We know that our results will continue to improve as we implement our management system, change safety culture and invest in training.

### MINING SAFETY ROUND TABLE

*Excellon was invited to join the Mining Safety Round Table (MSRT) in December 2018. The MSRT is a learning and sharing forum of mining companies, contractors and suppliers dedicated to eliminating fatal and life-altering injuries and illnesses for the member companies. The MSRT achieves its objective through:*

- Sharing best practices/experiences;
- Collective development of tools and deliverables;
- Advising, influencing and educating senior organizational leaders; and
- Individual professional development.

*The MSRT typically meets three times per year. Excellon is the smallest member of the MSRT and we are honoured to be asked to participate. We know that we have a long way to go on our safety and health journey and we look forward to learning from our colleagues, sharing our experiences and continuing to implement evolving international best practice.*

## SECURITY PERFORMANCE

As mentioned above, the security function was taken up by our VP, CR midway through 2018. Previous to this, security was managed on-site as a strictly operational activity that focused primarily on the contractual oversight of the security contractor. Our operating context in Mexico, with its attendant crime and security concerns, coupled with our commitment to adopt the requirements of the Voluntary Principles on Security and Human Rights (VPs), indicated that a more strategic approach was required. To begin the process of bringing more structure and discipline to our security function, a security standard (CRS.30) was developed and rolled out to Platosa and Miguel Auza.

The security situation in Mexico deteriorated in the second half of 2018, ostensibly because of the vacuum that existed in the lead-up to the change in the federal government in Mexico City in December 2018. The primary expression of the deterioration in the security environment was violence perpetrated by organized crime (OC) groups against each other to secure primacy over new areas. In the Miguel Auza area, this resulted at times in our employees being fearful of being caught up inadvertently in such violence. Our response was to issue guidelines to our employees to protect their well-being and to monitor the regional security situation. In such cases we

must rely to a great extent on the presence and actions of public security forces (local and state police and the military) to provide effective responses to the OC activity – we cannot and would not supplant those resources.

In late 2018 a series of events began, including threats to some company employees, that ultimately led to the discovery of an elaborate scheme by OC and involving certain senior employees in Mexico to steal concentrate from Miguel Auza. Beginning with the first indication of an unusual occurrence we took immediate steps to protect our employees, limit the impact of the theft and investigate the circumstances of the scheme so that we could effectively eliminate future such attempts. We retained an experienced external consultant to assist us in developing a comprehensive action plan to address all aspects of the situation; the objectives of the action plan were to enhance our security footprint and process and strengthen our internal controls. The significance of the situation caused us to trigger our crisis management process; the management team was actively involved in addressing the situation and implementing our action plan in late 2018 and into the first quarter of 2019. We initiated discussions with senior officials of the State of Zacatecas to enlist their support and help in

addressing the situation. In early 2019 we signed a Memorandum of Understanding (MOU) with the State Police of Zacatecas to enhance the security presence in the Miguel Auza area. The MOU incorporates the requirements of the VPs, including a description of the services to be provided, the third-party services to be paid by Excellon relating to the patrols (food, accommodations, fuel) and the commitments relating to human rights made by the State Police. The underlying security situation in the area calmed significantly during Q1 2019, however we remain vigilant to protect the safety of our employees and contractors and to ensure our business is not further impacted.



*First aid training for teachers and students of schools in Miguel Auza*

## ENVIRONMENTAL PERFORMANCE

As we reported in our 2017 report, the significance of our environmental aspects and impacts at both Platosa and Miguel Auza are comparatively minor because of the small size of our operations and associated footprints at Platosa and Miguel Auza, coupled with the relative lack of sensitive environmental receptors. In prioritizing our environmental improvements, our primary concern has been ensuring that we understand, document and meet our legal compliance obligations. Our primary environmental aspects are water quantity and quality, solid and hazardous waste management, management of hydrocarbons and chemicals, land use matters relating to our regional exploration program and tailings management at Miguel Auza.

Water is pumped from underground wells that extend below the orebody at both Platosa and Miguel Auza. At Platosa, we dewater the mine to facilitate operations; historically, significant inflows of ground water into the underground workings at Platosa hindered production. Platosa has transitioned from pumping water that flowed from the geologic formations into mine workings to pumping water from wells below the ore to create a cone of depression that improves working conditions by removing water from work areas before mining commences. Water pumped from Platosa is of generally high quality, meeting Mexican agricultural quality standards. Effective pumping of significant water volumes is necessary to ensure the viability of our mining operation. Water is a valued resource in the Platosa area because of the relatively dry climate and we have reached agreement with local landowners to effectively manage the water and to facilitate its use in agricultural activities. This is an excellent example of the nexus between operational, environmental and community development aspects that can lead to optimal outcomes for all three.

We had a total of 13 environmental incidents combined in 2018, 11 at Platosa and 2 at Miguel Auza. All 13 incidents were rated CR1 or CR2 on our five-point incident severity scale, with CR5 being the most severe. Eight of the 13 incidents were relocations of protected species of rattlesnake at Platosa. Such encounters are relatively common during the spring and summer months and our staff have the equipment and training to protect themselves and the reptiles. Our exploration teams are also trained in emergency response in the event they encounter a snake and we have access to anti-venom if someone is bitten.

Three of the thirteen incidents were grass fires, one of which resulted in an LTI to a Miguel Auza employee who was responding to the fire. There was one minor spill of hydraulic fluid caused by a broken hose at Platosa and a release of groundwater that resulted from a failure of a PVC pipe. None of these incidents was reportable to regulatory authorities. We continue to see increased awareness and reporting of environmental incidents, and view this as a positive indication of the change in culture.



*Aerial view of the portal, shops and administration facilities at Platosa*

## ENVIRONMENTAL PERFORMANCE (CONT.)

We developed and implemented four environment-related CR Standards in 2018, including:

- Chemical storage and handling (an HCH standard);
- Closure planning, cost estimating, asset retirement obligations & financial assurance;
- Biodiversity conservation; and
- Energy conservation, greenhouse gases & climate change.

The biodiversity conservation and energy conservation standards incorporate requirements of TSM, continuing our alignment with this leading Canadian initiative. The closure standard defines the processes to define our future closure responsibilities and actions, their costs and how these roll up to the asset retirement obligations (ARO) we report in our consolidated financial statements. Reporting of ARO is a requirement of international financial reporting standards and as such it is important that we have a well-defined process to determine and report these liabilities.

As disclosed in our 2017 CR Report, we developed CRS.34 Mine Waste Management in 2017 and finalized the document in early 2018. Among other things, this standard addresses a fundamental business risk – the operating practices and stability of our two tailings management facilities (TMFs) at Miguel Auza. Our initial, high-level review of our operating practices suggested that there were gaps compared to the MAC tailings guidelines and TSM protocols. We prepared a scope of work to retain third-party consultants to perform a visual inspection of our TMFs and to identify gaps against evolving international best practice, as represented by the MAC guidelines. A competitive process concluded with the selection of an experienced team of engineers led by the Toronto office of a recognized, international consulting firm. The team was to have undertaken their field visit to Miguel Auza in early November 2018; the visit was postponed until March 2019 due to the security concerns in the region, discussed above.

We intalled a soil cover on the decommissioned TMF #1 at Miguel Auza and began re-vegetation activities.



*Soil stockpiled to complete covering of the decommissioned TMF #1 at Miguel Auza*

## COMMUNITY RELATIONS AND DEVELOPMENT PERFORMANCE

We continued progress during 2018 to improve our management systems and tools to broaden our dialogue with a wider range of stakeholders, receive and respond to complaints from external parties and continue our community development and philanthropic activities.

We took a significant step in our community relations journey by appointing a Community Relations Coordinator at Miguel Auza. This new position reports to our Community Relations and Development Manager at Platosa, who has responsibility for these functions at both business units and brings a new level of focus to our community efforts at Miguel Auza. We have already seen the dividends of this role through the involvement with our regional exploration team to introduce the company and secure permission to conduct field activities on private lands in the area. The initial stakeholder identification and mapping process was completed, along with stakeholder engagement plans.

As part of our enhanced community presence in Miguel Auza we opened a community relations liaison office near the town square in mid-July. This provides the community with a dedicated location where they can stop by to learn about the company, ask questions and, if necessary, lodge a grievance.

We completed the formal roll-out of our grievance mechanisms at both business units. We continue to raise the awareness of these tools in local communities and at the same time emphasize that we welcome feedback from stakeholders in any form, at any time and will do our best to resolve any concerns before they rise to the level of a formal grievance.

We completed an agreement with a local ejido near Platosa during the year to facilitate greenfield exploration. This agreement is unique for us in that it is structured around the mining life cycle; payments and other benefits to ejidatarios escalate if a discovery is made and a project progresses through engineering, construction and operations. In this way both the ejido and Excellon are aligned on mutual success. During the negotiations on the agreements our senior exploration and community relations staff prepared presentations to build knowledge and understanding amongst the ejidatarios about our business.



*Women staff members at Platosa celebrating International Women's Day*



## COMMUNITY RELATIONS AND DEVELOPMENT PERFORMANCE (CONTINUED)

In 2018 we recorded two formal grievances, both at Platosa. The first involved a complaint by another company regarding the proximity of our water conveyances to their pipeline right-of-way. A process was undertaken with the third party to resolve their concerns, including production of a technical report. Their analysis continues. The second grievance was registered by a local resident on behalf of several former Platosa workers who had been terminated and who alleged mistreatment and other labour-related issues. This grievance was referred to our Human Resources Department who had employee records and was able to respond to the complaint. Neither of these grievances involved allegations of violations of human rights.

We continued to maintain our relationships in the local community and with local landowners at Platosa. As at Miguel Auza, we are conducting regional exploration activities in the Platosa area, necessitating meetings and agreements with local landowners and ejido for access to their lands for geological mapping and sampling. We take a very respectful approach in such activities, always seeking approval in advance and ensuring that we understand all requirements such access entails. We also ensure that local landowners have a contact person in the event of an issue that needs to be resolved. None of this is rocket science, it is simply respect for our neighbours.

The communities close to our business units are relatively remote and rural and generally lack the breadth and depth of governmental services found in larger metropolitan cities throughout Mexico. We know that there are many basic needs related to educational and healthcare infrastructure and knowledge gaps regarding health, household safety and environmental protection. Despite these challenges, the communities are typical of most communities – proud with a commitment to improving the present and future circumstances for the benefit of future generations. We see our place in this environment as one of understanding the aspirations of the communities and helping ensure those are achieved.



*Top photo: Traditional festival of the Guadalupeana in Miguel Auza*

*Bottom photo: First aid course with teachers in Miguel Auza*

## COMMUNITY RELATIONS AND DEVELOPMENT PERFORMANCE (CONTINUED)

In 2018, our community development highlights in the Bermejillo area near the Platosa business unit included:

- Provision of first-aid training for teachers of the Bermejillo secondary school by the Platosa mine rescue team;
- Organizing a drawing contest on water care and stewardship involving all Bermejillo middle schools with more than 2,000 students invited to participate; and
- Helping improve infrastructure in various schools and in ejidal communities.

Our community development activities in the Miguel Auza area increased markedly in conjunction with the appointment of our Community Relations Coordinator, opening of our community liaison office and expansion of our community dialogue activities. The highlights of our community development activities in 2018 include:

- Supported the San Miguel folklore ballet in their tours of Mexico City and Fort Worth, TX to showcase the cultural heritage of the Miguel Auza area and the State of Zacatecas;
- Offering first aid courses and health- and safety-related presentations, including fire prevention, the use of extinguishers and cancer prevention, in educational institutions throughout the municipality;
- Supporting and participating in the cultural and religious festivities of the community;
- Celebrating World Environment Day (June 5, 2018) in primary schools supporting the theme of “Beat Plastic Pollution” by providing receptacles for waste diversion and presentations on environmental protection; and
- Participating in National Teen Week in conjunction with the Miguel Auza Health Center.



*Top: Delivery of construction materials to improve kindergarten infrastructure in Bermejillo*

*Middle: Health campaigns in Miguel Auza*

*Bottom: New waste receptacles provided as part of World Environment Day*

## GRI INDEX

GRI STANDARD	DESCRIPTION	PRESENT?	LOCATION
<b>GRI 102: ORGANIZATIONAL PROFILE</b>			
102-1	Name of the organization	Yes	1
102-2	Activities, brands, products, and services	Yes	1
102-3	Location of headquarters	Yes	1
102-4	Location of operations	Yes	1
102-5	Ownership and legal form	Yes	1
102-6	Markets served	Yes	1
102-7	Scale of the organization	Yes	1
102-8	Information on employees and other workers	Yes	4
102-9	Supply chain	Yes	4
102-10	Significant changes to the organization and its supply chain	Yes	1
102-11	Precautionary Principle or approach	Yes	7
102-12	External initiatives	Yes	31
102-13	Membership of associations	Yes	31
<b>GRI 102: STRATEGY</b>			
102-14	Statement from senior decision-maker	Yes	2
102-15	Key impacts, risks, and opportunities	Yes	10-12
<b>GRI 102: ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards, and norms of behavior	Yes	5-6
102-17	Mechanisms for advice and concerns about ethics	Yes	6

GRI STANDARD	DESCRIPTION	PRESENT?	LOCATION
<b>GRI 102: GOVERNANCE</b>			
102-18	Governance structure	Yes	7-9
102-19	Delegating authority	Yes	8-9
102-20	Executive-level responsibility for economic, environmental, and social topics	Yes	8
102-21	Consulting stakeholders on economic, environmental, and social topics	Yes	11
102-22	Composition of the highest governance body and its committees	Yes	7-8
102-23	Chair of the highest governance body	Yes	7
102-24	Nominating and selecting the highest governance body	Yes	7
102-25	Conflicts of interest	Yes	7
102-26	Role of highest governance body in setting purpose, values, and strategy	Yes	7
102-27	Collective knowledge of highest governance body	No	
102-28	Evaluating the highest governance body's performance	No	
102-29	Identifying and managing economic, environmental, and social impacts	Yes	10-11
102-30	Effectiveness of risk management processes	Yes	10
102-31	Review of economic, environmental, and social topics	Yes	11-12
102-32	Highest governance body's role in sustainability reporting	Yes	8
102-33	Communicating critical concerns	Yes	8
102-34	Nature and total number of critical concerns	No	
102-35	Remuneration policies	No	
102-36	Process for determining remuneration	No	
102-37	Stakeholders' involvement in remuneration	No	
102-38	Annual total compensation ratio	No	
102-39	Percentage increase in annual total compensation ratio	No	

## GRI INDEX

GRI STANDARD	DESCRIPTION	PRESENT?	LOCATION
<b>GRI 102: STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups	Yes	9
102-41	Collective bargaining agreements	Yes	4
102-42	Identifying and selecting stakeholders	Yes	9
102-43	Approach to stakeholder engagement	Yes	9
102-44	Key topics and concerns raised	Yes	22
<b>GRI 102: REPORTING PRACTICE</b>			
102-45	Entities included in the consolidated financial statements	Yes	1
102-46	Defining report content and topic Boundaries	Yes	1
102-47	List of material topics	Yes	11-12
102-48	Restatements of information	Yes	3
102-49	Changes in reporting	Yes	3
102-50	Reporting period	Yes	3
102-51	Date of most recent report	Yes	1
102-52	Reporting cycle	Yes	3
102-53	Contact point for questions regarding the report	Yes	3
102-54	Claims of reporting in accordance with the GRI Standards	Yes	3
102-55	GRI content index	Yes	24-27
102-56	External assurance	Yes	3
<b>GRI 201: ECONOMIC PERFORMANCE</b>			
201-1	Direct economic value generated and distributed	Yes	35
201-2	Financial implications and other risks and opportunities due to climate change	No	
201-3	Defined benefit plan obligations and other retirement plans	N/A	
201-4	Financial assistance received from government	Yes	35

GRI STANDARD	DESCRIPTION	PRESENT?	LOCATION
<b>GRI 202: MARKET PRESENCE</b>			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	No	
202-2	Proportion of senior management hired from the local community	Yes	36
<b>GRI 203: INDIRECT ECONOMIC IMPACTS</b>			
203-1	Infrastructure investments and services supported	No	
203-2	Significant indirect economic impacts	No	
<b>GRI 204: PROCUREMENT PRACTICES</b>			
204-1	Proportion of spending on local suppliers	Yes	36
<b>GRI 205: ANTI-CORRUPTION</b>			
205-1	Operations assessed for risks related to corruption	No	
205-2	Communication and training about anti-corruption policies and procedures	No	
205-3	Confirmed incidents of corruption and actions taken	No	
<b>GRI 206: ANTI-COMPETITIVE BEHAVIOUR</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No	
<b>GRI 301: MATERIALS</b>			
301-1	Materials used by weight or volume	Yes	37-38
301-2	Recycled input materials used	No	
301-3	Reclaimed products and their packaging materials	No	
<b>GRI 302: ENERGY</b>			
302-1	Energy consumption within the organization	Yes	39
302-2	Energy consumption outside of the organization	No	
302-3	Energy intensity	Yes	39
302-4	Reduction of energy consumption	No	
302-5	Reduction in energy requirements of products and services	No	

## GRI INDEX

GRI STANDARD DESCRIPTION		PRESENT?	LOCATION
<b>GRI 303: WATER</b>			
303-1	Water withdrawal by source	Yes	40
303-2	Water sources significantly affected by withdrawal of water	No	
303-3	Water recycled and reused	Yes	40
<b>GRI 304: BIODIVERSITY</b>			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Yes	41
304-2	Significant impacts of activities, products, and services on biodiversity	No	
304-3	Habitats protected or restored	No	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	No	
<b>GRI 305: EMISSIONS</b>			
305-1	Direct (Scope 1) GHG emissions	Yes	41-42
305-2	Energy indirect (Scope 2) GHG emissions	Yes	41-42
305-3	Other indirect (Scope 3) GHG emissions	No	
305-4	GHG emissions intensity	Yes	41-42
305-5	Reduction of GHG emissions	No	
305-6	Emissions of ozone-depleting substances (ODS)	No	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	No	
<b>GRI 306: EFFLUENTS AND WASTE</b>			
306-1	Water discharge by quality and destination	Yes	43-45
306-2	Waste by type and disposal method	Yes	43-45
306-3	Significant spills	Yes	43-45
306-4	Transport of hazardous waste	No	
306-5	Water bodies affected by water discharges and/or runoff	No	

GRI STANDARD DESCRIPTION		PRESENT?	LOCATION
<b>GRI 307: ENVIRONMENTAL COMPLIANCE</b>			
307-1	Non-compliance with environmental laws and regulations	Yes	46
<b>GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT</b>			
308-1	New suppliers that were screened using environmental criteria	No	
308-2	Negative environmental impacts in the supply chain and actions taken	No	
<b>GRI 401: EMPLOYMENT</b>			
401-1	New employee hires and employee turnover	No	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	No	
401-3	Parental leave	No	
<b>GRI 402: LABOUR/MANAGEMENT RELATIONS</b>			
402-1	Minimum notice periods regarding operational changes	No	
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY</b>			
403-1	Workers representation in formal joint management-worker health and safety committees	Yes	47-48
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Yes	47-48
403-3	Workers with high incidence or high risk of diseases related to their occupation	No	
403-4	Health and safety topics covered in formal agreements with trade unions	No	
<b>GRI 404: TRAINING AND EDUCATION</b>			
404-1	Average hours of training per year per employee	No	
404-2	Programs for upgrading employee skills and transition assistance programs	No	
404-3	Percentage of employees receiving regular performance and career development reviews	No	

## GRI INDEX

GRI STANDARD	DESCRIPTION	PRESENT?	LOCATION
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY</b>			
405-1	Diversity of governance bodies and employees	No	
405-2	Ratio of basic salary and remuneration of women to men	No	
<b>GRI 406: NON-DISCRIMINATION</b>			
406-1	Incidents of discrimination and corrective actions taken	No	
<b>GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No	
<b>GRI 408: CHILD LABOUR</b>			
408-1	Operations and suppliers at significant risk for incidents of child labour	Yes	49
<b>GRI 409: FORCED OR COMPULSORY LABOUR</b>			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Yes	49
<b>GRI 410: SECURITY PRACTICES</b>			
410-1	Security personnel trained in human rights policies or procedures	Yes	50
<b>GRI 411: RIGHTS OF INDIGENOUS PEOPLES</b>			
411-1	Incidents of violations involving rights of indigenous peoples	Yes	51
<b>GRI 412: HUMAN RIGHTS ASSESSMENT</b>			
412-1	Operations that have been subject to human rights reviews or impact assessments	No	
412-2	Employee training on human rights policies or procedures	No	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	No	
<b>GRI 413: LOCAL COMMUNITIES</b>			
413-1	Operations with local community engagement, impact assessments, and development programs	Yes	51
413-2	Operations with significant actual and potential negative impacts on local communities	No	

GRI STANDARD	DESCRIPTION	PRESENT?	LOCATION
<b>GRI 414: SUPPLIER SOCIAL ASSESSMENT</b>			
414-1	New suppliers that were screened using social criteria	No	
414-2	Negative social impacts in the supply chain and actions taken	No	
<b>GRI 415: PUBLIC POLICY</b>			
415-1	Political contributions	No	
<b>GRI 416: CUSTOMER HEALTH AND SAFETY</b>			
416-1	Assessment of the health and safety impacts of product and service categories	No	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No	
<b>GRI 417: MARKETING AND LABELING</b>			
417-1	Requirements for product and service information and labeling	No	
417-2	Incidents of non-compliance concerning product and service information and labeling	No	
417-3	Incidents of non-compliance concerning marketing communications	No	
<b>GRI 418: CUSTOMER PRIVACY</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No	
<b>GRI 419: SOCIOECONOMIC COMPLIANCE</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	No	

## INTERNAL, TOWARDS SUSTAINABLE MINING AND GRI INDICATORS



*L: Worker obtaining his personal lock for energy isolation and lock-out at Platosa*

*M: Sports-related interactions with students from local school in Miguel Auza*

*R: Mine truck delivering ore to the crushing facilities at Platosa*

## PERFORMANCE AGAINST INTERNAL INDICATORS

### INT1 – NUMBER OF JOB HAZARD ANALYSES PERFORMED AND DOCUMENTED

Job hazard analyses (JHA) are a process to assess work, identify the things that could hurt people during the work (hazards) and the steps that are necessary to effectively eliminate or reduce the identified hazards. JHAs can be used to create standard operating procedures (SOP) for repetitive work. They are also done for non-standard work, for new work where SOP do not yet exist and when work governed by SOP has not been performed by a work team for a period of time.

JHA are a legal requirement in Mexico. We have focused on ensuring that workers produce effective JHA and that they are documented; that focus resulted in a dramatic increase in documented JHA produced in 2018.

### INT2 – NUMBER OF DOCUMENTED WORKPLACE INTERACTIONS

Workplace interactions are an important part of visible felt leadership. They are designed to be positive, two-way workplace conversations between workers about hazards, procedures and how hazards are being controlled. We introduced this process in Q3 2017 and saw a significant increase in such interactions in 2018. We began documenting these conversations in 2019 to help confirm that they are occurring and are high quality.

### INT3 – NUMBER OF FORMAL SAFETY MEETINGS

Formal safety meetings have been a regular part of the culture at Platosa and Miguel Auza for several years. We have been focusing on making the meetings more effective by involving a broader group of workers delivering the messages.

### INT4 – NUMBER OF WORKPLACE INSPECTIONS

Workplace inspections are undertaken by workers to identify potential hazards that could lead to people being injured. The inspections are followed by actions to reduce or eliminate the identified hazards. Platosa reported a significant increase in workplace inspections in 2018 compared to the prior year.

#### INTERNAL INDICATOR #1: NUMBER OF JOB HAZARD ANALYSES PERFORMED AND DOCUMENTED

Location	Job hazard analyses performed & documented	
	2017	2018
Miguel Auza	36	<b>79</b>
Platosa	6	<b>5,167</b>
Exploration	NR	<b>450</b>

#### INTERNAL INDICATOR #2: NUMBER OF DOCUMENTED WORKPLACE INTERACTIONS

Location	Documented workplace interactions	
	2017	2018
Miguel Auza	778	<b>2,706</b>
Platosa	1,226	<b>5,748</b>
Exploration	NR	<b>40</b>

#### INTERNAL INDICATOR #3: NUMBER OF FORMAL SAFETY MEETINGS

Location	Number of safety meetings	
	2017	2018
Miguel Auza	464	<b>481</b>
Platosa	789	<b>298</b>
Exploration	NR	<b>353</b>

#### INTERNAL INDICATOR #4: NUMBER OF WORKPLACE INSPECTIONS

Location	Number of workplace inspections	
	2017	2018
Miguel Auza	312	<b>312</b>
Platosa	240	<b>829</b>
Exploration	NR	<b>8</b>



## PERFORMANCE AGAINST INTERNAL INDICATORS (CONTINUED)

### INT5 – ENVIRONMENTAL REGULATORY INSPECTIONS

Regulatory agencies frequently conduct inspections of business installations to review compliance against legal requirements. There is a direct relationship between the number of such inspections and the number of non-compliance situations uncovered by regulatory officials. There were two inspections by PROFEPA in 2018, one at Platosa and one for an exploration project. Both of these uncovered an instance of non-compliance, as further discussed in GRI Disclosure 307-1 below.

INTERNAL INDICATOR #5 ENVIRONMENTAL REGULATORY INSPECTIONS					
Location	Jurisdiction	Number of inspections			Comments
		2017	2018	2018	
Miguel Auza	PROFEPA	N/A	2	0	
Platosa	N/A	PROFEPA	0	1	December, 2018 inspection by PROFEPA
Exploration	NR	PROFEPA	0	1	An inspection was made of the CUS Project "Exploración Minera Excellon 2014", in July 2018, which served the Environment area and from which recently a summons to the site derived from said inspection has been recently issued, also attended by the HSE Department.

INTERNAL INDICATOR #6 NUMBER OF FORMAL COMMUNITY MEETINGS		
Location	Community meetings	
	2017	2018
Miguel Auza	1	38
Platosa	24	96
Exploration	NR	3

### INT6 – NUMBER OF FORMAL COMMUNITY MEETINGS

Over the past two years we have emphasized stakeholder identification and mapping and a more structured program of dialogue with COI. This led to a considerable increase in formal community meetings. This is especially the case at Miguel Auza, reflecting recruitment of a dedicated Community Relations Coordinator.

## TOWARDS SUSTAINABLE MINING INDICATORS

### PERFORMANCE AGAINST THE MINING ASSOCIATION OF CANADA TOWARDS SUSTAINABLE MINING INDICATORS

The Mining Association of Canada's Towards Sustainable Mining (TSM) program features eight current performance areas with a total of 29 discrete indicators. Water stewardship is a new protocol added in 2018.

This is our second year of reporting our TSM performance – as a MAC member with no Canadian operating locations we are not required to report our TSM performance. However, we report because we believe that these indicators drive CR excellence and because openness and transparency are core values. This year we increased the disaggregation of our TSM results by breaking down all indicators that apply at Platosa and Miguel Auza. This means that we report against 56 indicators, including three that apply to the corporate office.

The TSM performance presented below is based on a self-assessment performed by our VP, CR on June 3 and 4, 2019. Our VP, CR has considerable experience with TSM and with the degree of implementation of our management system elements. The self-assessment has not been subjected to TSM verification.

The 2018 self-assessment indicates that 15 of the 56 indicators (27 percent) are scored as "A"/"yes" or higher and 32 of the 56 indicators (57 percent) are scored as "B"/"yes" or higher. On the same basis that we calculated consolidated 2017 performance, 10 of 31 (32 percent; 26 percent in 2017) were self-assessed "A"/"yes" or higher and 19 of 31 (61 percent; 52 percent in 2017) were self-assessed as "B"/"yes" or higher in 2018.

This modest improvement illustrates that more work is required to reach the stretch elements within TSM and that are incorporated into our CR Standards. We believe that the senior leadership vacuum that developed at the business units in the second half of 2018 and extended into 2019 had a significant impact on our progress.

The narrative below describes details associated with the performance of each TSM performance area.

## TOWARDS SUSTAINABLE MINING INDICATORS (CONTINUED)

### ABORIGINAL AND COMMUNITY OUTREACH

We restated the 2017 performance for Indicator #2 to reflect that engagement with COI at Miguel Auza was informal. In 2018 we continued to consolidate the progress made in improving our community relations systems and performance. We completed the stakeholder identification and mapping processes at Miguel Auza and formally rolled out our site-level grievance mechanisms at both business units. We continued our community dialogue, and this has been critical in helping us progress with our exploration programs. Our reporting to COI is in its infancy; as we grow our engagement, our reporting will also improve.

TSM PERFORMANCE AREA: ENERGY AND GHG MANAGEMENT				
Ind #	Description	Location	Self-assessed level	
			2017	2018
#1	Energy use and GHG emissions management systems	Miguel Auza	C	C
		Platosa		C
#2	Energy use and GHG emissions reporting	Miguel Auza	C	B
		Platosa		B
#3	Energy use and GHG emissions performance targets	Miguel Auza	C	C
		Platosa		C

### TAILINGS MANAGEMENT

Our work to bring more structure and discipline to our tailings management practices continued as we retained a third-party consulting firm to evaluate gaps against the MAC guidelines. Unfortunately, we rescheduled the field evaluation until early 2019 because of the deterioration of the security situation in late 2018.

TSM PERFORMANCE AREA: ABORIGINAL AND COMMUNITY OUTREACH				
Ind #	Description	Location	Self-assessed level	
			2017	2018
#1	Community of Interest (COI) identification	Miguel Auza	AA	AA
		Platosa		AA
#2	Effective COI engagement and dialogue	Miguel Auza	B*	A
		Platosa		A
#3	COI response mechanism	Miguel Auza	B	AA
		Platosa		AA
#4	Reporting	Miguel Auza	B	B
		Platosa		B

\* The "B" is a re-statement

### ENERGY AND GREENHOUSE GAS MANAGEMENT

We improved one of the three energy and greenhouse gas (GHG) management indicators by reporting our energy and GHG performance in both our 2017 Annual CR Report and in this report.

TSM PERFORMANCE AREA: TAILINGS MANAGEMENT			
Ind #	Description	Self-assessed level	
		2017	2018
	MIGUEL AUZA ONLY		
#1	Tailings management policy and commitment	B	B
#2	Tailings management system	C	C
#3	Assigned accountability and for tailings management	B	B
#4	Annual tailings management review	C	B
#5	OMS Manual	C	C

## TOWARDS SUSTAINABLE MINING INDICATORS (CONTINUED)

### BIODIVERSITY CONSERVATION MANAGEMENT

We developed and rolled out CRS.38 Biodiversity Conservation in 2018, resulting in an improvement in one of the three TSM indicators. The standard incorporates the TSM requirements and over the coming years the business units will be working to meet the commitments in the standard.

TSM PERFORMANCE AREA: BIODIVERSITY CONSERVATION MANAGEMENT				
Ind #	Description	Location	Self-assessed level	
			2017	2018
#1	Corporate biodiversity conservation commitment, accountability and communication	Miguel Auza	C	<b>B</b>
		Platosa		<b>B</b>
#2	Facility-level biodiversity conservation planning and implementation	Miguel Auza	C	<b>C</b>
		Platosa		<b>C</b>
#3	Biodiversity conservation reporting	Miguel Auza	C	<b>C</b>
		Platosa		<b>C</b>

TSM PERFORMANCE AREA: SAFETY AND HEALTH				
Ind #	Description	Location	Self-assessed level	
			2017	2018
#1	Commitment and accountability	Miguel Auza	A	<b>A</b>
		Platosa		<b>A</b>
#2	Planning and implementation	Miguel Auza	B	<b>B</b>
		Platosa		<b>B</b>
#3	Training, behaviour and culture	Miguel Auza	B	<b>B</b>
		Platosa		<b>B</b>
#4	Monitoring and reporting	Miguel Auza	B	<b>B</b>
		Platosa		<b>B</b>
#5	Performance	Miguel Auza	A	<b>A</b>
		Platosa		<b>A</b>

### SAFETY AND HEALTH

Improving our operational safety culture and performance continued to be a top priority in 2018. We rolled out the last of our eleven HCH Standards. Our gaps continue to be developing a structured occupational health program, fully embedding competence assessments into our nascent training programs and developing a broader set of performance metrics.

## TOWARDS SUSTAINABLE MINING INDICATORS (CONTINUED)

### CRISIS MANAGEMENT AND COMMUNICATIONS PLANNING

Progress was made at Platosa and Miguel Auza in finalizing their emergency preparedness and response plans and conducting fire drills. The plans are functional but still do not meet all of the detailed TSM criteria to allow us to self-assess as “yes”.

### PREVENTING CHILD AND FORCED LABOUR

Mexican labour laws prohibit anyone less than 18 years of age from working in a mine. We reviewed our processes to ensure that we do not employ persons less than 18 years of age at both Platosa and Miguel Auza. To ensure that we do not facilitate forced (compulsory) labour in our workforce, we confirmed that when workers join the company, we retain only copies of identity documentation.

TSM PERFORMANCE AREA: PREVENTING CHILD AND FORCED LABOUR				
Ind #	Description	Location	Self-assessed level	
			2017	2018
#1	Preventing forced labour	Miguel Auza	Yes	Yes
		Platosa		
#2	Preventing forced labour	Miguel Auza	Yes	Yes
		Platosa		

### WATER STEWARDSHIP

The TSM Water Stewardship protocol was formally launched in 2018 and thus we report against the indicators for the first time. Our performance is at a “C” level for the four indicators at both business units. A water management CR Standard, incorporating the elements of the TSM water protocol will be developed and introduced in 2019.

TSM PERFORMANCE AREA: CRISIS MANAGEMENT AND COMMUNICATIONS PLANNING			
Ind #	Description	Self-assessed level	
		2017	2018
<b>CORPORATE</b>			
#1	Crisis management and communications preparedness	Yes	Yes
#2	Review	Yes	Yes
#3	Training	Yes	Yes
<b>MIGUEL AUZA</b>			
#1	Crisis management and communications preparedness	No	No
#2	Review	No	No
#3	Training	No	No
<b>PLATOSA</b>			
#1	Crisis management and communications preparedness	No	No
#2	Review	No	No
#3	Training	No	No

TSM PERFORMANCE AREA: WATER STEWARDSHIP				
Ind #	Description	Location	Self-assessed level	
			2017	2018
#1	Water governance	Miguel Auza	N/A	C
		Platosa		C
#2	Operational water management	Miguel Auza	N/A	C
		Platosa		C
#3	Watershed-scale planning	Miguel Auza	N/A	C
		Platosa		C
#4	Water reporting and performance	Miguel Auza	N/A	C
		Platosa		C

## GRI DISCLOSURE OF MANAGEMENT APPROACH

As discussed above, we are in the process of bringing more structure and discipline to the management of our material corporate responsibility aspects and impacts. The following disclose our management approach for several of these material aspects and impacts. We have added five new disclosures in this report; 102-25 (conflicts of interest), 102-34 (nature and total number of critical concern), 202-2 (proportion of senior management hired from the local community), 204-1 (proportion of spending on local suppliers) and 304-1 (operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas). We expect to expand disclosures of our management approaches in the future as we continue to progress with our improvement efforts.

### DISCLOSURE 201 – ECONOMIC PERFORMANCE

Revenue in 2018 was higher because of increased silver, zinc and lead production. Operating costs were higher, primarily reflecting increased electricity consumption from higher pumping rates to dewater the underground operations at Platosa.

GRI 201-4: FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT		
Element	MXP ('000)	
	2017	2018
Tax relief and tax credits	0	0
Subsidies	0	0
Investment grants, research and development grants, and other relevant types of grants	0	0
Awards	0	0
Royalty holidays	0	0
Financial assistance from Export Credit Agencies (ECAs)	0	0
Financial incentives	0	0
Other financial benefits received or receivable from any government for any operation	0	0

GRI 201-1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED			
	US\$ ('000)	2017	2018
Direct economic value generated:			
Revenues		\$21,208	\$24,313
Economic value distributed:			
Operating costs		\$11,890	\$15,043
Employee wages and benefits		\$4,970	\$5,989
Payments to providers of capital		\$280	\$3,876
Payments to government (by country)			
Mexico		\$1,700	\$2,572
Canada		\$650	\$626
Community investments		\$10	\$15
Economic value retained (Direct economic value generated - Economic value distributed)		\$1,708	-\$3,808

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 202 – MARKET PRESENCE

Senior management at our two business units consist of the General Manager and his direct reports at the superintendent level. We consider local communities to be those within a 50 km radius of both Platosa and Miguel Auza. We are pleased that a significant proportion of our members of senior management at both business units are from the local area and that we increased the proportion at Platosa in 2018.

### DISCLOSURE 204 – PROCUREMENT PRACTICES

We take efforts to procure goods and services from the local area surrounding our Platosa and Miguel Auza business units. Local procurement generally makes business sense because most goods and services are available locally and we value the commercial relationships that develop. These efforts also meet our objective of sharing the benefits of our presence with local communities. We consider that businesses are “local” if they are located within a 50 km radius of our business units.

GRI DISCLOSURE 202-2: PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY				
	2017		2018	
	Miguel Auza	Platosa	Miguel Auza	Platosa
Number of senior management employees	3	7	3	9
Number of senior management employees from local communities	1	3	1	5
Percentage of senior management employees from local communities	33%	43%	33%	56%

“Senior management” is defined as the business unit General Manager and his/her direct reports at the superintendent level.

“Local communities” are defined as those within a 50 km radius of the business units.

GRI DISCLOSURE 204-1 - PROPORTION OF SPENDING ON LOCAL SUPPLIERS				
	2017		2018	
	Miguel Auza	Platosa	Miguel Auza	Platosa
Total procurement spending (US\$)	2,230,132	12,458,329	3,679,944	12,055,849
Procurement spending on local suppliers (US\$)	465,969	5,112,092	416,523	4,523,096
Percentage of spending on local suppliers	21%	41%	11%	38%

“Local suppliers” are defined as those within a 50 km radius of the business units.

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 301 – MATERIALS

We require materials produced by others to conduct our business, both at the Platosa Mine and the Miguel Auza concentrator. The mineral concentration processes at Miguel Auza use chemicals (reagents that react with crushed ore to create the physical and chemical conditions that concentrate the valuable minerals) and physical elements, such as steel grinding balls.

Whenever possible, we buy these materials from local suppliers. These local suppliers, in turn, may purchase these materials from international suppliers or they may be local distributors for these products.

We store materials in dedicated warehouses and storage areas. We take special measures and care with chemicals to ensure that they are stored, handled and disposed of in ways that protect workers and minimize the risks to the environment. These special requirements are contained in our High Consequence Hazard Corporate Responsibility Standard CRS.37 Chemical Handling and Storage and are incorporated into SOPs at Platosa and Miguel Auza.

We restated the 2017 litharge consumption from 4 kg to 825 kg and the consumption of ammonium fluoride from 825 kg to 4 kg. We also restated the 2017 explosives consumption at Platosa from 409,089 kg to 70,911 kg.

In general, the consumption of process reagents used at Miguel Auza increased in 2018 because of increased production. The consumption of cement was reduced at Platosa because we increased pumping of water from the underground workings, reducing the amount of grout needed to reduce water inflow.

Consumption of diesel fuel decreased at Platosa in 2018 despite increased production. We attribute the decrease to fewer contractors on site during the year and more efficient use of the mine fleet.



*Crushed ore at Platosa*



## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

GRI 301-1: MATERIALS USED BY WEIGHT OR VOLUME									
Type of material	Location	Renewable (R) or Non-renewable (NR)	Units	2017			2018		
				Total material used		Comments/analysis	Total material used		Comments/analysis
				Miguel Auza	Platosa		Miguel Auza	Platosa	
ammonium acetate	MAZ	NR	kg	45		Laboratory	80		
ethyl alcohol	MAZ	NR	mL	1,000		Laboratory	2		
bromothymol blue	MAZ	NR	gr	0		Laboratory	20		
borax	MAZ	NR	kg	125		Laboratory	300		
sodium thiosulphate	MAZ	NR	kg	21,078		Laboratory (3) and plant (21,075)	21,128		
ascorbic acid	MAZ	NR	gr	1,000		Laboratory	1,000		
sodium carbonate	MAZ	NR	kg	310		Laboratory	320		
ammonium chloride	MAZ	NR	kg	10		Laboratory	1		
litharge	MAZ	NR	kg	4		Laboratory	1,200		
ammonium fluoride	MAZ	NR	kg	825		Laboratory	4		
xylene orange	MAZ	NR	gr	40		Laboratory	43		
potassium nitrate	MAZ	NR	kg	75		Laboratory	89		
hydrogen peroxide	MAZ	NR	L	6		Laboratory	6		
hydrochloric acid	MAZ	NR	L	450		Laboratory	440		
nitric acid	MAZ	NR	L	120		Laboratory	92		
sulphuric acid	MAZ	NR	L	40		Laboratory	15		
ammonium hydroxide	MAZ	NR	L	76		Laboratory	45		
perchloric acid	MAZ	NR	L	20		Laboratory	45		
acetic acid (undiluted)	MAZ	NR	L	60		Laboratory	160		
acetone	MAZ	NR	L	8		Laboratory	20		
acetylene gas AA	MAZ	NR	kg	184		Laboratory	180		
Liquid petroleum gas	MAZ	NR	L	20,700		Laboratory	19,897		
zinc sulphate	MAZ	NR	kg	51,850		Concentrator	66,000		
copper sulphate	MAZ	NR	kg	35,725		Concentrator	56,575		
sodium cyanide	MAZ	NR	kg	950		Concentrator	1,300		
metabisulphate	MAZ	NR	kg	21,075		Concentrator	27,225		
sodium sulphide	MAZ	NR	kg	125		Concentrator	0		
calcium oxide	MAZ	NR	kg	32,300		Concentrator	40,675		
Aerofina 3407	MAZ	NR	kg	8,165		Concentrator	8,964		
SIPX	MAZ	NR	kg	9,740		Concentrator	15,500		
MIBC	MAZ	NR	kg	2,610		Concentrator	4,950		
Lubricant oil	Platosa	NR	L		39,715	Mine/Maintenance		41,856	Mine/Maintenance
Diesel fuel	Platosa	NR	L		297,849	Mine		273,110	Mine
Gasoline	Platosa	NR	L		N/A	N/A		61,997	Mine
Propane gas	Platosa	NR	L		N/A	N/A		4,752	Heating and services
Cement	Platosa	NR	kg		324,400	Mine		269,750	Mine
Explosives	Platosa	NR	kg		70,911*	Mine		77,466	Mine
Calcium hydroxide	Platosa	NR	kg		N/A	N/A			

\*Restatement

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 302 – ENERGY

Energy consumption increased at both Platosa and Miguel Auza due to increased production. A large part of the increase at Platosa resulted from improved underground pumping of water and the corresponding rise in electrical consumption.

Energy intensity at Platosa and Miguel Auza, measured as GJ per tonne of silver equivalent produced, decreased in 2018, despite the increase in absolute energy consumption. This is a direct result of increased production of silver, zinc and lead in 2018.

We report energy consumption from our exploration activities for the first time. The energy consumption reflects diesel consumed by diamond drills and gasoline for light-duty trucks.

#### GRI 302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Indicator	Renewable (R) or Non-renewable (NR)	Units	Total consumed/sold					
			Miguel Auza	Platosa	Exploration	Miguel Auza	Platosa	Exploration
			2017			2018		
Total energy consumption	NR	GJ	19,434	120,133	NR	22,210	141,902	8,205

#### GRI 302-3: ENERGY INTENSITY

	Indicator	Denominator used in ratio (tonnes AgEq produced)	Types of fuel included	Within (W), Outside (O) or Both (B)	Result		
					(GJ/tonne AgEq produced)		
					Miguel Auza	Platosa	Exploration
2017	Energy intensity	41.69	Fuels, electricity	W	466	2,881	NR
2018	Energy intensity	54.69	Fuels, electricity	W	406	2,595	150

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 303 – WATER

Water is material to our business from a number of perspectives because we both produce and consume water. First, we produce water from our Platosa Mine. Water is contained within the rocks that host the mine and as we create underground tunnels the water flows into these openings from the surrounding rock. To operate Platosa we must remove water from the underground mine openings and from the surrounding rock. We do this through a series of water wells equipped with pumps. This is necessary to prevent the mine openings from flooding, to facilitate the effective operation of equipment and to protect the safety of our workers. Second, we consume water both underground at Platosa and at Miguel Auza. Water is used in underground drilling to cool equipment and remove the rock cuttings from the drill bits. We consume water in our flotation process to recover valuable metals at Miguel Auza. We use water to transport tailings (small particles of ground up rock) to the storage area at Miguel Auza; we recover approximately 70 percent of this water and use underground water from the former Miguel Auza mine to make up the remaining 30 percent that is retained in the tailings management facility.

Water is also important to our COI, especially in the arid climatic conditions at Platosa. We provide the water pumped from Platosa to nearby property holders, who irrigate tracts of land and plant them with, primarily, alfalfa and corn. This relationship is symbiotic, as we need to responsibly manage the water pumped from Platosa and the irrigation and cropping has created a new economy for local property holders.

We monitor the quantity and quality of water at both Platosa and Miguel Auza. Neither business unit has industrial water discharges; we monitor water voluntarily at Platosa and compare the water quality to the Mexican agricultural water quality standards; the water meets these standards.

The volume of water pumped from the underground workings at Platosa increased by 22 percent in 2018 as a result the increased pumping effort required to effectively dewater the mine. Water withdrawal at Miguel Auza decreased in 2018 as a result of increased recycling of water from TMF #2.

Water will be the subject of a future Corporate Responsibility Standard that will be developed and rolled out in 2019.

GRI 303-1: TOTAL WATER WITHDRAWAL BY SOURCE				
Water Source	Total water withdrawn (m <sup>3</sup> )			
	2017		2018	
	Miguel Auza	Platosa	Miguel Auza	Platosa
Surface water	0	0	0	0
Ground water	1,165,857	44,671,734	1,110,949	54,454,757
Rainwater	0	0	0	0
Waste water	0	0	0	0
Municipal water	2,903	5,370	2,903	3,900
<b>Total</b>	<b>1,168,760</b>	<b>44,677,104</b>	<b>1,113,852</b>	<b>54,458,657</b>

GRI 303-3: PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED 2017							
Volume of water recycled (m <sup>3</sup> )				Percentage of total water withdrawn			
2017		2018		2017		2018	
Miguel Auza	Platosa	Miguel Auza	Platosa	Miguel Auza	Platosa	Miguel Auza	Platosa
163,522	44,671,734	237,065	54,454,757	14%	100%	21%	100%

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 304 – BIODIVERSITY

Our business units are not located within or adjacent to protected areas or areas of high biodiversity value outside of protected areas.

Our Platosa business unit is located 40 km south southeast of the southernmost border of the Mapimí Biosphere Reserve which is a UNESCO Biosphere Reserve established in 1977. The reserve covers more than 340,000 ha and includes desert ecosystems that are typical of the central portions of the Chihuahua Desert. The reserve is home to puma, mule deer and sandhill crane, among other species of fauna. The reserve is administered jointly by the municipalities of Mapimí and Tlahualillo.

The Miguel Auza business unit is located approximately 28 km northeast of the Sierra de Órganos National Park. The park was established by federal decree in 2000, is administered by SEMARNAT (the Mexican Secretariat of Environment and Natural Resources) and covers an area of 1,125 ha. The park takes its name from the distinctive column-like rock formations which are reminiscent of organ pipe cacti.

### DISCLOSURE 305 – EMISSIONS

Direct (Scope 1) GHG emissions declined marginally in 2018, despite increased production. This primarily reflects more efficient use of underground mining equipment and fewer contractors, resulting in a decrease of more than 24,000 L diesel fuel consumed. We report on exploration emissions for the first time in this report.

Indirect (Scope 2) GHG emissions increased marginally at both Platosa and Miguel Auza as a result of increased production. The primary grid electricity consumption at Platosa is for pumps to dewater the underground workings. There are no emissions reported for the exploration group because all of their energy is in the form of direct emissions from fuel consumption.

Overall, GHG emissions intensity decreased by 17 percent at Platosa and 22 percent at Miguel Auza in 2018 as a result of increased production, which increased the denominator used in the intensity calculation by 31 percent. In addition, the emissions factor for grid electricity in Mexico decreased from 0.582 kg CO<sub>2</sub>/kWh in 2017 to 0.527 kg CO<sub>2</sub>/kWh in 2018.



*Workers installing a new concrete pad outside of the Platosa surface maintenance shop*

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 305 – EMISSIONS (CONTINUED)

GRI 305-1: DIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 1)														
Location	2017							2018						
	Total (tonnes CO <sub>2</sub> equivalent)	Gases included						Total (tonnes CO <sub>2</sub> equivalent)	Gases included					
		CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	SF <sub>6</sub>	NF <sub>3</sub>		CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	SF <sub>6</sub>	NF <sub>3</sub>
Platosa	1,014	989	2	23	0	0	0	911	891	1	19	0	0	0
Miguel Auza	198	195	0	0	0	0	0	189	187	0	2	0	0	0
Exploration	NR	NR	NR	NR	NR	NR	NR	571	564	1	7	0	0	0

GRI 305-2: INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 2)							
Location	Indirect GHG emissions (tonnes CO <sub>2</sub> equivalent)					Gases included	
	Explanation	Total (tonnes CO <sub>2</sub> equivalent)	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O		
2017	Platosa	Purchased grid electricity. All emissions calculated using the GHG Inventory Worksheet from the Mining Association of Canada. The grid emission factor is 0.582 kg CO <sub>2</sub> equivalent/kWh from SEMARNAT for the grid in Mexico for 2017.	17,108	17,108	0	0	
	Miguel Auza	Purchased grid electricity. All emissions calculated using the GHG Inventory Worksheet from the Mining Association of Canada. The grid emission factor is 0.582 kg CO <sub>2</sub> equivalent/kWh from SEMARNAT for the grid in Mexico for 2017.	2,778	2,778	0	0	
2018	Platosa	Purchased grid electricity. All emissions calculated using the GHG Inventory Worksheet from the Mining Association of Canada. The grid emission factor is 0.527 kg CO <sub>2</sub> equivalent/kWh from SEMARNAT for the grid in Mexico for 2018.	18,894	18,894	0	0	
	Miguel Auza	Purchased grid electricity. All emissions calculated using the GHG Inventory Worksheet from the Mining Association of Canada. The grid emission factor is 0.527 kg CO <sub>2</sub> equivalent/kWh from SEMARNAT for the grid in Mexico for 2018.	2,838	2,838	0	0	

GRI 305-4 : GREENHOUSE GAS (GHG) EMISSIONS INTENSITY 2017						
Indicator	Denominator used in ratio (tonnes AgEq produced)	Types of GHG emissions included (Scope 1, 2)	Within (W), Outside (O) or Both (B)	GHG EMISSIONS INTENSITY (tonnes CO <sub>2</sub> equivalent/tonne AgEq produced)		
				MIGUEL AUZA	PLATOSA	
2017	GHG intensity	41.69	Scope 1, 2	W	71	435
2018	GHG intensity	54.69	Scope 1, 2	W	55	362

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 306 – EFFLUENTS AND WASTE

There are no liquid effluent discharges at Platosa or Miguel Auza.

We produce different kinds of waste as workers perform their jobs. There is a well-developed waste management legal framework in Mexico and many of our management actions are designed to ensure that we comply with these requirements. The primary principle underlying waste management legislation is ensuring the proper handling and disposal of different forms of waste to protect the environment.

We categorize all forms of waste that we generate to determine how they must be handled. In general, we segregate the following types of waste:

- Organic waste;
- Recyclable waste;
- Solid, non-hazardous waste;
- Solid and liquid hazardous waste; and
- Mine waste, including waste rock and tailings.

We train all workers about the different types of waste and where these are to be placed so that they can be handled properly. Organic wastes are composted whenever possible to produce new soil resources. Recyclables are sent to various recycling facilities, depending on the material. The primary materials we recycle are steel and fibers (paper, cardboard, etc.). Solid, non-hazardous waste is sent to local municipal landfills. Solid and liquid wastes that are deemed hazardous are stored in special facilities and are then carried by licensed transport contractors to approved hazardous waste treatment, storage and disposal facilities. There is a formal chain-of-custody process for such waste so that we can document the responsible handling, transport and ultimate disposal of these wastes.

GRI 306-1: WATER DISCHARGE BY QUALITY AND DESTINATION								
Discharge name/number	Location	Destination	Treated? If so, what method?	Water reused by another organization?	Water Quality			
					Parameter	Units	2017	2018
TANQUES AMARILLOS, DESCARGA #1	MAZ	ARROYO EL BUEY	Water is not treated as it never enters the process and is unimpacted by EXN	Yes - local farmers	As total	mg/L	0.012075	0
					Cd total	mg/L	0.0255	0.0069
					CN total	mg/L	0.015	0
					Cu total	mg/L	0.075	0.0053
					fecal coliform	NPM/100 mL	144.75	70.48
					Cr total	mg/L	0.15	0.0021
					biological O <sub>2</sub> demand	mg/L	8.4875	0.7663
					P total	mg/L	0.45	0.2515
					grease and oil	mg/L	5.175	1.31
					floating material		absent	absent
					Hg total	mg/L	0.0007625	0
					N total	mg/L as N	3.86125	3.39
					Ni total	mg/L	0.15	0.0033
					Pb total	mg/L	0.14875	0
					total suspended solids	mg/L	5.25	0.875
					sedimentable solids	mL/L	0.375	0
					Zn total	mg/L	0.7825	1.229
					pH average	units	7.6	7.1
					nitrate	mg/L as N	1.9325	3.0075
					nitrite	mg/L as N	0.0065625	0.0003
					total Kjeldahl nitrogen	mg/L as N	1.8125	0.1301
Helminth eggs	organisms/L	0.15	0					
temperature	°C	24.36875	20.95					
chemical O <sub>2</sub> demand	mg/L	14.56	1.9275					
795 Pump Station	Platosa	agricultural use	No	Yes - local farmers	As total	mg/L	<0.0010	0.238
					Cd total	mg/L	<0.05	0.0048
					CN total	mg/L	<0.02	<0.02
					Cu total	mg/L	<0.10	0.02
					fecal coliform	NPM/100 mL	<30	0.667
					nitrate	mg/L as N	0.42	0.3679
					nitrite	mg/L as N	<0.01	0.001
					Zn total	mg/L	<0.05	0.128
					Hg total	mg/L	<0.0010	<0.0010
					Pb total	mg/L	<0.20	0.559
					As total	mg/L	<0.0010	0.1458
					Cd total	mg/L	<0.05	0.017
623 Pump Station	Platosa	agricultural use	No	Yes - local farmers	CN total	mg/L	<0.02	<0.02
					Cu total	mg/L	<0.10	0.007
					fecal coliform	NPM/100 mL	<30	4.167
					nitrate	mg/L as N	1.17	0.337
					nitrite	mg/L as N	0.02	0.006
					Zn total	mg/L	0.06	0.533
					Hg total	mg/L	<0.0010	<0.0010
					Pb total	mg/L	<0.20	1.192

Mine waste is generated in the course of our mining and mineral processing activities. Waste rock is produced at Platosa; most of this rock is retained underground. A small volume of waste rock is stored in a stockpile on surface. We have analyzed this material to evaluate its potential to generate acid drainage (AD); these tests demonstrate that the AD risk is low. Tailings are the by-product waste stream of mineral processing at Miguel Auza, consisting of finely ground rock particles. Tailings are sent in a water slurry to an engineered tailings management facility (TMF), a dedicated final storage area enclosed by a dam. Tailings are retained behind the dam and 70 percent of the water is recycled back to the concentrator. The TMF dam was designed by a qualified engineer and constructed by qualified contractors. We operate the TMF according to SOPs to ensure the stability of the dam and we regularly inspect the facility.

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 306 – EFFLUENTS AND WASTE (CONTINUED)

Since the management of waste is tightly regulated and our operations are focused on meeting legal requirements, we did not feel that the development of a solid and hazardous waste management CR Standard was the highest priority. We expect this standard to be introduced in 2019.

We developed and rolled out a mine waste management CR Standard (CRS.34) that describes our requirements to ensure the responsible management of waste rock and tailings. Most importantly, this standard incorporates requirements to implement the Mining Association of Canada (MAC) tailings guides. This will help ensure that our mine waste management facilities are physically and chemically stable for the long term and that we meet the MAC Towards Sustainable Mining (TSM) requirements.

GRI 306-3: SIGNIFICANT SPILLS						
Location	2017			2018		
	Number of spills	Volume spilled		Number of spills	Volume spilled	
		Units	Volume		Units	Volume
Miguel Auza	0	N/A	N/A	0	N/A	N/A
Platosa	0	N/A	N/A	0	N/A	N/A

GRI DISCLOSURE 306-2: WASTE BY TYPE AND DISPOSAL METHOD									
Type of waste		Miguel Auza				Platosa			
		Units	Disposal method	How is disposal confirmed?	Mass	Units	Disposal method	How is disposal confirmed?	Mass
2017	Hazardous	L	recycled	Issuance of transport manifest, cargo and final disposal	1,472	L	recycled	Issuance of transport manifest, cargo and final disposal	9,200
		kg	landfill	Issuance of transport manifest, cargo and final disposal	1,480	kg	incineration	Issuance of transport manifest, cargo and final disposal	21,270
	Non-hazardous	kg	landfill		4,698	kg	Municipal landfill	Service invoice	30,000
2018	Hazardous	L	Recycled	Issuance of transport manifest, cargo and final disposal	1,533	L	Recycled	Issuance of transport manifest, cargo and final disposal.	10,511
		kg	Landfill	Issuance of transport manifest, cargo and final disposal	1,548	Kg	Confinement on site authorized by SEMARNAT	Issuance of transport manifest, cargo and final disposal.	16,923
	Non-hazardous	kg	Landfill		3,957	Kg	Municipal landfill	Service invoice	25,560



## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 307 – ENVIRONMENTAL COMPLIANCE

We developed and rolled out CR Standard CRS.02 – Legal Requirements and Compliance Management in 2017. This standard describes the requirements to identify and document our compliance obligations, the actions necessary to comply and provide assurance of compliance at both the business units and at head office.

Responsibility for environmental compliance, and compliance with all other legal requirements, is vested at the business unit level, with oversight from head office executives. Thus, the business unit General Manager is responsible for ensuring compliance with all environmental legal requirements; this responsibility has been delegated at both Platosa and Miguel Auza to business unit environmental staff, who are responsible for knowing the legal requirements, and developing and implementing the tools to ensure that we comply.

Staff at both Platosa and Miguel Auza have developed registers that identify the legal obligations we have, compliance requirements and a schedule to ensure that we know when compliance obligations are due.

Our CR Standard CRS.02 also defines the responsibilities of head office executive staff to oversee and provide assurance to the company that we comply. This responsibility is discharged in two ways; interactions between head office executive staff and business unit management and environmental staff and third-party environmental compliance audits. The interactions between head office and business unit staff occur on a regular basis in a number of formal and informal settings.

There were two events to report in 2018. The 2017 fine from PROFEPA at Platosa was commuted in 2018 in exchange for a reforestation project and the installation of community waste collection stations in Bermejillo. This work was completed in February 2019 and is subject to periodic reports on the success of the reforestation activities. A Notice of Violation was received from PROFEPA relating to late reporting for the 2014 exploration permit. A fine of MXP 5,642 (approximately US\$289) was levied and was paid in 2019.

Third-party compliance audits provide external assurance of our compliance status. We plan to perform our first third-party environmental compliance audit at Platosa in 2020.

GRI 307-1 : NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS				
Type of incident	2017		2018	
	Miguel Auza	Platosa	Miguel Auza	Platosa
Convictions	0	0	0	0
Fines	1	1	0	0
Commutation	0	0	0	1
Notices of violation	1	1	0	1
Monetary value of fines (MXP)	30,196	18,495	0	5,642

2017 - For both Miguel Auza and Platosa, there was one NOV at each location each of which was accompanied by a fine. The NOV and fine at Platosa related to a 2016 waste management violation, with the NOV and fine received in 2017.

For 2018 - For Platosa - in relation to the notice of infringement of the regulations and the 2017 fine for Platosa, PROFEPA granted the commutation of the 2017 NOV in exchange for a reforestation project and installation of waste stations in Bermejillo, Dgo. This work was completed in February, 2019.

Regarding the Notice of Violation, a Site Agreement was received due to omissions to the Law detected during the inspection visit carried out by PROFEPA in July 2018 to the CUS Exploración Minera Excellon 2014 project. A MXP 5,642 fine was levied in 2019 and was paid.

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 401 – EMPLOYMENT

We have a range of policies relating to employment at Platosa and Miguel Auza. Most of our requirements revolve around safety at work for both employees and contractors. We have a number of training programs, ranging from induction training to task- and hazard-specific training. We introduced a disciplinary decision tree to deal with situations where a worker violates a Life Saving Rule or procedure. For such a process to work and to be equitable, all workers must first understand the steps to comply with the LSRs and procedures and be competent. We delayed formal implementation of the disciplinary process to ensure our workers have the knowledge and awareness required to meet our requirements; the process was implemented in 2019.

Our knowledge of the CR-related aspects of our supply chain is in its infancy; there are more central matters requiring our attention at this point in our CR journey.

### DISCLOSURE 402 – LABOUR-MANAGEMENT RELATIONS

Our workforce at Platosa and Miguel Auza consists of a mixture of non-unionized management staff and unionized hourly workers. The unions at both business units are local branches of a national union that represent workers and negotiate with Excellon's Mexican subsidiaries to establish collective agreements. The frame collective agreements have a two-year term with wages and benefits negotiated annually. The collective agreements also contain bonus clauses; these were revised in 2018 to better align the bonus elements with our safety and business objectives. Unions elect local leaders at each business unit to represent unionized workers. We have a formal labour-related grievance process and maintain cooperative and productive relationships with the union locals and the national union leadership.

### DISCLOSURE 403 – OCCUPATIONAL HEALTH AND SAFETY

As mentioned throughout this report, improving workplace safety remained our highest priority in 2018. At this stage we have basic occupational health checks in place which are organized by the company doctor who are stationed at both business units.

The company-wide requirements vis-à-vis health and safety are described in a series of 15 CR Standards that also encompass security and community health. We completed the formal roll-out of the 11 HCH standards during the year. Nine of the 11 have been adopted at Miguel Auza; the two other standards address activities that are not undertaken at Miguel Auza (Working in Water and Ground Control).



*Celebrating National Adolescent Health Week in Miguel Auza*

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 403 – OCCUPATIONAL HEALTH AND SAFETY (CONTINUED)

Recognizing that our workplace hazard recognition and management needed to be improved, we continued to focus on improving job hazard analyses (JHA) as an integral part of effective work planning. JHA is embedded in Mexican occupational health and safety regulations and we are working to ensure that it is regularly performed in advance of work that is new, where no SOP exists or when the task has not been performed recently. Although the number and quality of JHA was generally good we continue to experience examples where hazards are not identified by workers or the hazard mitigation action does not reduce the hazard to a sufficiently low level. We continue to work to improve our hazard recognition and mitigation.

GRI 403-1: WORKERS REPRESENTATION IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES			
Location	Description of JHSC	Percentage of workforce covered by JHSC	
		2017	2018
Miguel Auza	A general secretary and three members.	66	70
Platosa	One secretary and three members	70	70

Our business unit CR staff at Platosa includes four people who are responsible for interacting in the workplace with all workers on an on-going basis. Our emphasis is on having coaches in the field, where work is occurring to ensure that we our maximizing opportunities to build our desired interdependent culture.

GRI 403-2 : TYPE OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES (NOT BROKEN DOWN BY GENDER)														
Location		Total exposure hours			LTIF			Severity (LDR)			TRIR	DIR	ODR	AR
		Employee	Contractor	Total	Employee	Contractor	Total	Employee	Contractor	Total	Total	Total	Total	Total
2017	Miguel Auza	134,189	0	134,189	1.5	0.0	1.5	21	0	21	1.5	1.5	NR	NR
	Platosa	544,973	120,603	665,576	5.1	3.3	4.8	2,438	63	2,007	5.4	4.8	NR	NR
	Exploration	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR
	Head office	18,913	0	18,913	0.0	0.0	0.0	0	0	0	0.0	0.0	NR	NR
	Total EXN	698,074	120,603	818,677	4.3	3.3	4.2	1,907	63	1,635	4.6	4.2	NR	NR
2018	Miguel Auza	169,835	600	170,435	4.7	0.0	4.7	48	0	48	4.7	4.7	NR	NR
	Platosa	540,817	16,651	557,468	2.2	0.0	2.2	55	0	53	2.2	2.2	NR	NR
	Exploration	59,529	51,498	111,027	0.0	15.5	7.2	0	4,757	2,207	7.2	7.2	NR	NR
	Head office	19,332	0	19,332	0.0	0.0	0.0	0	0	0	0.0	0.0	NR	NR
	Total EXN	789,513	68,749	858,263	2.5	6.6	3.3	48	2,031	330	3.3	3.3	NR	NR

LTIF = lost time injury frequency = lost time injuries\*200,000/work hours  
 Severity (LDR) = lost days rate = lost days due to injury\*200,000/work hours  
 TRIR = total recordable injury rate = medical aid injuries + modified work injuries + lost time injuries\*200,000/work hours  
 DIR = disabling injury rate = modified work injuries + lost time injuries\*200,000/work hours  
 ODR = occupational disease rate = number of occupational diseases modified work injuries + lost time injuries\*200,000/work hours  
 AR = absenteeism rate = absentee days lost as a percentage of the total number of days scheduled to be worked  
 NR = not reported

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 408 – CHILD LABOUR

Our operations take place exclusively in Mexico a jurisdiction with concerns regarding the use of child labour. Nevertheless, we believe that our business units have a low risk of child labour. Mexican labour law specifies that all workers in hazardous industrial settings, such as mining and mineral processing, must be 18 years of age. Our processes at Platosa and Miguel Auza confirm that all workers have attained a minimum of 18 years of age.

Our efforts to analyze our supply chain for CR-related aspects is in its infancy. Some of our supply chain involves procurement of goods and products that are manufactured internationally, rather than in Mexico. We have work to do to evaluate our supply chain to identify which aspects of our products and services have the potential to employ adolescents.

### DISCLOSURE 409 – FORCED OR COMPULSORY LABOUR

Our operations are confined to two states in Mexico; Zacatecas and Durango. Mexico, according to international studies, has an elevated risk of forced labour. Nevertheless, we believe that our business units have a low risk of forced labour. According to the Prevention of Child and Forced Labour protocol of the MAC TSM program we ensure that our Platosa and Miguel Auza business units do not use forced labour in our operations.

Our Human Resources processes ensure that we retain only copies of identity and employment-related documentation; this helps ensure that compulsory labour is not employed. Our efforts to analyze our supply chain for forced labour and human trafficking are in their infancy and we have work to do to identify which aspects of our products and services have the potential to have a higher risk of forced labour and human trafficking. This is a considerable undertaking.

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 410 – SECURITY PRACTICES

Throughout most of 2018 we had basic security processes and personnel on place at Platosa and Miguel Auza. Our security activities primarily involve ensuring that access to our properties is controlled to protect both people and hard assets from unauthorized entry. Security is provided by third-party contractors. The responses to routine questions indicate that human rights training has not been provided to these persons by their company. We intend to fill this training gap. Security personnel are not armed. Following discovery of concentrate theft in Q4 2018 we began the process of enhancing our security footprint and processes. We rolled out CSR.30 Security early in Q4; this will provide the basis for many improvements in security.

Because of OC-related activity, both the Platosa and Miguel Auza areas are considered high risk for personal security because of drug cartel-related activity. We continue to review our security processes to ensure that we are taking the steps necessary to protect our people.

At Platosa, there is a perimeter gate at the property boundary and a guard post closer to our administrative offices and operational facilities. Hourly workers are bussed to Platosa and are checked through the guard post. We perform both routine and random screening for intoxication. Upon exiting the property, workers are checked to confirm that they are not removing company property since we experience theft of company property. Management travels to work in company vehicles and are checked through the guard post.

At Miguel Auza, our administrative offices are separate from the concentrator facilities. Both areas are secured with gates and security personnel.

GRI 410-1: SECURITY PERSONNEL TRAINED IN HUMAN RIGHTS POLICIES OR PROCEDURES			
	Location	Percentage of security personnel trained in the organization's human rights policies or procedures	Training applicable to contract security personnel?
2017	Miguel Auza	0	N/A
	Platosa	0	N/A
2018	Miguel Auza	0	N/A
	Platosa	0	N/A

## GRI DISCLOSURE OF MANAGEMENT APPROACH (CONTINUED)

### DISCLOSURE 411 – RIGHTS OF INDIGENOUS PEOPLES

Our Platosa and Miguel Auza business units are not located on traditional lands of indigenous peoples and we do not have any on-going or significant interaction with indigenous peoples.

### DISCLOSURE 413 – LOCAL COMMUNITIES

As discussed earlier in this report, we began working to formalize our approaches to the communities in proximity to Platosa and Miguel Auza. Bermejillo is located 6 km from Platosa and our concentrator is within the town limits of Miguel Auza.

We continued dialogue with stakeholders in the Bermejillo area and completed stakeholder identification and mapping processes at Miguel Auza. The recruitment of a Community Relations Coordinator brings a new focus to our efforts. We completed the formal roll-out of site-level grievance mechanisms at both business units.

Our community development activities continued to focus on the perceived priorities in Bermejillo, specifically health, education and assisting vulnerable people. We will continue these efforts while at the same time we identify other fundamental priorities through our on-going dialogue. We also began to increase our community development activities at Miguel Auza.



*Traditional and religious celebrations in the Miguel Auza community*

GRI 413-1: OPERATIONS WITH IMPLEMENTED LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS 2017											
	Location	Social Impact Assessment	Environmental Impact Assessment	On-going EIS monitoring?	Stakeholder mapping?	Stakeholder engagement plans?	Local community development programs?	Broad-based CCCs <sup>1</sup> ?	Do CCCs <sup>1</sup> include vulnerable groups?	OHS committees and other bodies?	Formal community grievance mechanism?
2017	Miguel Auza	No	No	No	No	No	No	No	N/A	Yes	No
	Platosa	No	No	No	Yes	Yes	Yes	No	N/A	Yes	No
2018	Miguel Auza	No	No	No	Yes	Yes	Yes	No	N/A	Yes	Yes
	Platosa	No	No	No	Yes	Yes	Yes	No	N/A	Yes	Yes

## MINING AND METALS SECTOR SUPPLEMENT

The Mining and Metals Sector Supplement (MMSS) provides organizations in the sector with a tailored version of GRI’s Sustainability Reporting Guidelines. It includes the original Guidelines, which set out the Reporting Principles, Disclosures on Management Approach and Performance Indicators for economic, environmental and social issues. The Supplement’s additional commentaries and Performance Indicators, developed especially for the sector, capture the issues that matter most for companies in the mining and metals sector.

### DISCLOSURE MM1 – AMOUNT OF LAND OWNED OR CONTROLLED

The change in land rehabilitation at Miguel Auza in 2018 reflects closure of TMF #1 with a soil cover.

MM1: AMOUNT OF LAND OWNED OR CONTROLLED (HA)					
Location		Total land disturbed and not yet rehabilitated at beginning of year	Total land newly disturbed during the year	Total land newly rehabilitated during the year	Total disturbed and not yet rehabilitated at year-end
2017	Miguel Auza	32.1	10.0	1.0	41.1
	Platosa	17.8	0.2	0.2	17.8
2018	Miguel Auza	41.1	0.0	2.0	39.1
	Platosa	17.8	0.3	0.1	18.0

MM2: NUMBER AND PERCENTAGE OF TOTAL SITES IDENTIFIED AS REQUIRING BIODIVERSITY MANAGEMENT PLANS AND NUMBER (PERCENTAGE) OF THOSE SITES WITH PLANS IN PLACE				
Location		Total sites requiring BMPs <sup>1</sup>	Percentage of sites requiring BMPs <sup>1</sup>	Sites with required BMPs <sup>1</sup> in place
2017	Miguel Auza	0	N/A	N/A
	Platosa	0	N/A	N/A
2018	Miguel Auza	0	N/A	N/A
	Platosa	0	N/A	N/A



Cancer Prevention Campaign in Miguel Auza

## MINING AND METALS SECTOR SUPPLEMENT

MM3: TOTAL AMOUNTS OF OVERBURDEN, WASTE ROCK, TAILINGS, SLUDGES AND THEIR ASSOCIATED RISKS									
	Location	Overburden produced		Tailings produced		Waste rock produced		Other mine waste produced	
		Tonnes	Risks identified	Tonnes	Risks identified	Tonnes	Risks identified	Tonnes	Risks identified
2017	Miguel Auza	0	N/A	55,270	Acid drainage and metal leaching, stability of the tailings management facility	0	N/A	0	N/A
	Platosa	0	N/A	0	N/A	38,828	Acid drainage and metal leaching	0	N/A
2018	Miguel Auza	0	N/A	69,926	Acid drainage and metal leaching Stability of tailings management facilities	0	N/A	0	N/A
	Platosa	0	N/A	0	N/A	34,828	Acid drainage and metal leaching	0	N/A

MM4: NUMBER OF STRIKES AND LOCK-OUTS EXCEEDING ONE WEEK'S DURATION						
Location	2017			2018		
	Strikes exceeding one week	Lock-outs exceeding one week	Total strikes and lock-outs exceeding one week	Strikes exceeding one week	Lock-outs exceeding one week	Total strikes and lock-outs exceeding one week
Miguel Auza	0	0	0	0	0	0
Platosa	0	0	0	0	0	0



Ore being trucked to surface from the ramp at Platosa



## MINING AND METALS SECTOR SUPPLEMENT

### MM5: NUMBER OF OPERATIONS TAKING PLACE IN OR ADJACENT TO INDIGENOUS PEOPLES' TERRITORIES AND FORMAL AGREEMENTS

Location	2017			2018		
	Operating in or adjacent to IP territories	Formal agreements with IP communities		Operating in or adjacent to IP territories	Formal agreements with IP communities	
		Number	Percentage		Number	Percentage
Miguel Auza	N/A	0	0	N/A	0	0
Platosa	N/A	0	0	N/A	0	0

### MM6: NUMBER AND DESCRIPTION OF SIGNIFICANT DISPUTES RELATING TO LAND USE, CUSTOMARY RIGHTS OF LOCAL COMMUNITIES AND INDIGENOUS PEOPLES

Location	2017		2018	
	Number of significant disputes relating to land use/customary rights	Nature of significant disputes	Number of significant disputes relating to land use/customary rights	Nature of significant disputes
Miguel Auza	0	N/A	0	N/A
Platosa	0	N/A	0	N/A



*Our Miguel Auza concentrator facility*

### MM7: THE EXTENT TO WHICH GRIEVANCE MECHANISMS WERE USED TO RESOLVE DISPUTES RELATING TO LAND USE, CUSTOMARY RIGHTS OF LOCAL COMMUNITIES AND INDIGENOUS PEOPLES AND THE OUTCOMES

Location	2017			2018		
	Status of significant disputes reported in MM6	Use of grievance mechanism to resolve significant disputes reported in MM6	Outcome of grievance process used to resolve significant disputes reported in MM6	Status of significant disputes reported in MM6	Use of grievance mechanism to resolve significant disputes reported in MM6	Outcome of grievance process used to resolve significant disputes reported in MM6
Miguel Auza	0	N/A	N/A	N/A	N/A	N/A
Platosa	0	N/A	N/A	N/A	N/A	N/A

## MINING AND METALS SECTOR SUPPLEMENT

MM8: NUMBER AND PERCENTAGE OF OPERATIONS WHERE ASM <sup>1</sup> TAKES PLACE ON OR ADJACENT TO THE SITE, ASSOCIATED RISKS AND ACTIONS						
Location	2017			2018		
	Are ASM <sup>1</sup> activities present?	Risks associated with ASM activities	Actions taken to address the risks of ASM <sup>1</sup> activities	Are ASM <sup>1</sup> activities present?	Risks associated with ASM activities	Actions taken to address the risks of ASM <sup>1</sup> activities
Miguel Auza	No	N/A	N/A	No	N/A	N/A
Platosa	No	N/A	N/A	No	N/A	N/A
Total percentage of sites with ASM	0			0		

1. Artisanal and Small Scale Mining

MM9: OPERATIONS WHERE RESETTLEMENTS TOOK PLACE, NUMBER OF HOUSEHOLDS AFFECTED AND HOW LIVELIHOODS WERE AFFECTED						
Location	2017			2018		
	Have people been resettled?	Number of households resettled	How were livelihoods affected by resettlement?	Have people been resettled?	Number of households resettled	How were livelihoods affected by resettlement?
Miguel Auza	0	0	N/A	0	0	N/A
Platosa	0	0	N/A	0	0	N/A

N/A = not applicable

### DISCLOSURE MM10 – NUMBER AND PERCENTAGE OF OPERATIONS WITH CLOSURE PLANS

The change in financial assurance in place at Miguel Auza in 2018 reflects the scheduled increase contained in the January 2017 approval for TMF #2.

MM10: NUMBER AND PERCENTAGE OF OPERATIONS WITH CLOSURE PLANS						
	Location	Closure plan components in place (Yes/No)			Financial provisions for closure	Review processes
		Economic	Environmental	Social	Amount (MXP)	
2017	Miguel Auza	No	Yes	No	1,178,000	Reviewed and updated December, 2017; going forward will be reviewed and updated according to the requirements of the corporate CR standard.
	Platosa	No	Yes	No	0	Reviewed and updated December, 2017; going forward will be reviewed and updated according to the requirements of the corporate CR standard.
2018	Miguel Auza	No	Yes	No	1,433,000	
	Platosa	No	Yes	No	0	

**CORPORATE RESPONSIBILITY**  
**CONTINUING OUR JOURNEY**

Questions about this report?  
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