

RISK MANAGEMENT, MATERIAL RISK, AND IMPACTS

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.