

Environmental and Labor Issues:

This is a category B project according to the IIC's Environmental and Social Sustainability Policy because it can have potential environmental and/or social impacts that are less adverse than those of a Category A project and which are generally limited to the project site, largely reversible and can be mitigated via measures that are readily available and feasible to implement in the context of the operation. The principal environmental and social issues related to this project include: social and environmental assessment and management systems; labor and working conditions, community health, safety and security, pollution prevention and abatement, land acquisition, public consultation, biodiversity conservation and sustainable natural resource management, and monitoring and reporting.

Both the mine and the processing plant sites have Environmental Impact Assessments (EIAs) which have been approved by the Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT) and the Company has also obtained the Forest Land Use Permit (Cambio de Uso de Suelo de Terreno Forestal) for the mine. In addition, a water use permit has been obtained for the processing plant. In addition to meeting relevant national and local environmental and labor regulations, SOMIN is committed to complying with the IIC's Environmental and Social Sustainability Policy, the IFC's environmental, health and safety guidelines for mining and the relevant IFC Performance Standards.

Somin is in the process of developing an integrated Environmental and Social and Occupational Health and Safety Management System (ESMS) for both the mine and plant site. This includes the development and implementation of adequate management plans (e.g. waste handling, monitoring of subcontractors, emergency response plan, monitoring & audit). The mitigation measures proposed in the Environmental Impact Assessments and the measures established in the authorizations given by SEMARNAT will be integrated into this overarching ESMS.

Labor and Working Conditions: Somin is developing a Human Resources Policy and practices to promote fair treatment and equal opportunity of workers (i.e. non-discrimination principles, gender equality, no child or forced labor, right for collective bargaining and work contracts including job description and responsibilities, working hours, holidays, etc.). Workers will be provided with the appropriate personal protective equipment (PPE) and will be trained to handle the mining equipment and other required tools. In addition, Somin will conduct emergency fire drills at the processing plant and mine and will develop and Emergency Preparedness and Response Plans. Somin employees and all subcontractors will be required to comply with the Mexican federal labor law. The Company will develop and implement internal audits to verify that contractors fulfill the applicable requirements established by this law.

Waste management: The type of waste to be generated at the mine mainly consists of waste oils and materials or equipment stained with hydrocarbons, paints or thinner, which will be disposed of by a third party contractor with the necessary authorizations to handle and appropriately dispose of hazardous waste. No other hazardous waste is expected to be generated. Both the processing plant and mine will generate relatively small amounts of municipal solid waste, which will either be disposed of in a municipal landfill or independently by Somin depending on the capacity and nature of the local public landfills.

Wastewater: The process at the mine will not generate wastewater. Wastewater will only be generated from the septic tank that will be installed for the use of the mine's employees. Only sanitary wastewater from the processing plant's office will be discharged into the municipal sewage system. The EIA for the processing plant indicates that water from the purifying process discharged into a sludge pond on site to let the water evaporate. The sludge will not contain hazardous waste, as the substances discharged from the plant are all insoluble materials from the raw ore.

Water usage: Since the mining activities will be carried out through a dry process, water usage at the mine will be minimal and will mainly be used for watering the dirt roads to suppress dust, maintenance and cleaning of equipment and hygienic activities. However, given the scarcity of water in the region, Somin will work with the local authorities to ensure that water used for these activities does not negatively impact the local water supply. Water consumption and its impact on the public water supply will be closely monitored by Somin.

The processing plant will have a water usage of 16.360 m³ per month and will be extracted from a deep well located on site, which has the authorization from the National Water Commission (CNA).

Air Emissions: The main air emissions anticipated are related to the extraction and transportation of the mineral between the mine and the processing plant for a distance of 265 Km. and consist of combustion gases from heavy machinery and trucks, and dust generated during extraction and transportation. Somin will water the unpaved roads in the project area to mitigate the emission of particulate matter and the company will monitor the air quality in the communities in the area of influence of the Project. Regarding the processing plant, a quadruple effect evaporator will be used in the purifying process, which results in a significant reduction in energy consumption and greenhouse gas emissions when compared to other evaporators (such as single or triple effect evaporators) typically used in these types of plants. Additionally, a low NOx burner, cyclone and baghouse will be used in the steam generations processing resulting in lower particulate and NOx emissions.

Community, Health, Safety and Security: The mine will be located 4 Km. northeast of the town of Bacadéhuachi. In addition there are also several communities located along the route between the mine and the processing plant, including Pesqueira and Estación Zamora, both less than 10 Km. from the processing plant. Somin is in the process of developing and carrying out a Community Engagement and Development Strategy to formalize the public consultation and disclosure process between the Company and the local communities in the area of influence of the Project. In addition, Somin will develop a social plan to assist communities located in the area of influence of the Project in a variety of ways, which have yet to be defined.

Somin will also carry out a traffic impact evaluation prior to the operation phase of both sites in order to determine the traffic volume, road network and precise impacts that will result from the traffic related to trucks traveling from the mine to the plant. This will allow Somin to minimize the risk of negatively impacting these communities by causing congestion and damaging the road itself. Additionally, Somin will develop an Emergency Preparedness and Response Plan, which will be communicated to the local communities. Emergency drills will also be conducted involving community members, such that they are aware of what to do in case of an emergency. In addition, Somin has developed a grievance mechanism for external stakeholders, as well as employees.

Land Acquisition and Involuntary Resettlement: No physical or economic displacements were necessary either for the 11.5 Ha acquired for the construction of the processing plant or for the 24 Ha acquired for the Mine. For the mine, 400 Ha are being leased from the owners of communal land, referred to as an ejido. The 96 owners of this communal land receive payments from Somin for leasing the land during the life of the concession of the mine. During the visit and based on interviews with the leaders of this ejido, it was observed that the owners are satisfied with the leasing agreement in place. The purchase of the land for the processing plant was also done under a willing seller/willing buyer arrangement.

Biodiversity Conservation and Sustainable Natural Resource Management: The land where the processing plant will be located consists mostly of undeveloped agricultural land on part of a larger plot of land destined to be an industrial park. Since it is closer to urban and sub-urban areas

near Hermosillo that have already been altered by human activities, the environmental risks and impacts will be rather small. The surrounding area where the processing plant will be located is mainly agricultural land with dispersed rural residences, farm houses, and commercial facilities. The east side of the industrial park property shares a boundary with the railroad and the San Pedro-Pesqueira Road, while the remaining boundaries are surrounded by undeveloped farmlands. The only other current tenant on this industrial park property is a Grupo Simsa's fructose trans loading station. Somin will be the second tenant in this industrial park.

No endangered species were found according to the Mexican Official Norm NOM-059-SEMARNAT-2010 that establishes categories for species that need special protection. The mining operation is expected to affect a total of 24 Ha, 21.8 of which have forest vegetation according to the General Law of Sustainable Forest Development issued by SEMARNAT. The site has vegetation classified as "mezquital and matorral subtropical". The required complete sampling for the Land Use Permit indicated that the most abundant species identified were the Mesquite (*Prosopis juliflora*) and the Pencil Cholla (*Opuntia arbuscula*), and some type of regional chollas and cacti, which were present to a lesser extent. None of these species are listed on NOM-059-SEMARNAT-2010 or under the IUCN's lists. Nevertheless, Somin will prepare a biodiversity management plan, including establishing a relocation area for rescued plants. This plan must be submitted to SEMARNAT prior to removal of the vegetation and should include specific information on the species types and number present, rescue and replanting techniques, maintenance and survival rate and growth of the rescued species. This information will also be included in Somin's environmental monitoring program (Programa de Vigilancia Ambiental).

There are no official Natural Protected Areas on site or on the surrounding areas; the closest one is the Forest Reserve and Refugee "Ajos-Bavispe" located 9 Km. south-west from the mining site. The Mine's EIA takes into consideration this Forest Reserve and Refugee as well as the aquifers and water flows and run-offs. The mining operations will not require any water for its processes and steps (such as overflow and drainage pits, dikes and ditches) will be taken to avoid a negative impact on the Bacadéhuachi River basin due to increased concentration of salts and other minerals from the mining activities.

Regarding ecosystem services, the owners of the ejido sometimes use the land for cattle grazing or for their donkeys. There are some tree species, which are abundant such as Mesquite, which has a fruit which can be used both for animal or human consumption. The Cholla, which is also abundant in the area can also be eaten by cattle. During the time of the visit, very few animals were observed in the mining concession area. However, the ejido owners will be able to continue grazing on the 400 Ha that is being leased to Somin, as only the area being mined within the 24 Ha will be fenced off for safety reasons.

Somin will ensure that proposed measures and plans are in place avoiding damage to local biodiversity. Rainwater management programs will be implemented to reduce the impact of water infiltration and contamination in a drought area. Training will also be provided to personnel about biodiversity and water preservation to be implemented during all the phases of the project.

Mine closure: As required in the EIA, Somin will establish a Mine Closure Program, which will be submitted to the Federal Environmental Agency. According to the information provided by Somin, decommissioning phase will happen a year before ending operations at the mine. Various mitigation measures will be taken, including reclamation of the vegetation at the mine site, stabilizing slopes of the pit and including a barrier around the pit for safety reasons, amongst others.

Monitoring and reporting: The Company's monitoring procedures are described in the environmental management plan (EMP), included in the EIA. Somin will submit an annual report to

the IIC summarizing the monitoring data related to the implementation of its EMP. However, the IIC is also requesting that Somin implement an environmental and social action plan (ESAP), which will include additional activities that the company will implement to ensure compliance not only with local requirements, but international environmental and social requirements, such as those specified by the IIC.