

CYANCO SUPPLY CHAIN IN MEXICO

Cyanide Transportation Audit Summary Audit Report

PROJECT NO. 277357

MAY 2015

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SUMMARY AUDIT REPORT

1 GENERAL SUMMARY

1.1 INFORMATION ON THE AUDITED OPERATION

Name of Cyanide Transportation Facility: Cyanco’s Mexico Supply Chain
Name of Facility Owner: Cyanco International, LLC.
Name of Facility Operator: Cyanco International, LLC.
Name of Responsible Manager: Mr. Max D. Jones
Address: 1920 Country Place Parkway, Suite 400, Pearland
State/Province: Texas Country: US
Telephone (832) 590-3644 Fax: _____ E-Mail: max.jones@cyanco.com

Location detail and description of operation:

Cyanco is a sodium cyanide (NaCN) producer that has two main operations in North America which supply gold mines located in Canada, the United States, Mexico, Africa, Russia and South America.

Cyanco supplies sodium cyanide to mines located in Mexico. Transport to the Mexico is through Cyanco’s supply chains (in the US and their Global Ocean Supply Chain.

Cyanide enters to Mexico at the International Mexico-US Border and at the Guaymas Port. The trans-border crossing and transport within Mexico is performed by the selected transport contractor: TSM Division Trucking, S.A. de C.V. (TSM).


TSM receives the platform and container (or iso-tank) at their parking base in Laredo, TX, US. A trans-border dedicated vehicle is used to haul the platform to the parking base in Nuevo Laredo, Tamaulipas, Mexico, where the platform is then connected to a vehicle dedicated to in-country transport to the client’s facilities within Mexico. TSM also receives cyanide containers for their transport at the Guaymas port.

This audit comprises the following transport operations that are regarded as Cyanco’s supply chain in Mexico:

- Reception by the trans-border vehicle
- Reception at the Guaymas port
- Ground transport from the reception point to the Client’s facility.

No interim operations, other than the Guaymas port, are used by Cyanco as part of their supply chain.

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Name of Facility



Signature of Lead Auditor

December 10, 2014
Date

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1.2 OVERALL AUDITOR'S FINDING

This operation is

- in full compliance
- in substantial compliance *(see below)
- not in compliance

with the International Cyanide Management Code.

* For cyanide transportation operations seeking Code certification, the Corrective Action Plan to bring an operation in substantial compliance into full compliance must be enclosed with this Summary Audit Report. The plan must be fully implemented within one year of the date of this audit.


Audit Company: ERM Mexico, S. A. de C. V.
Audit Team Leader: Juan Carlos Rangel Lopez E-mail: juancarlos.rangel@erm.com

Names and Signatures of Other Auditors: _____
Date(s) of Audit: December 10, 2014

I attest that I meet the criteria for knowledge, experience and conflict of interest for Code Verification Audit Team Leader, established by the International Cyanide Management Institute and that all members of the audit team meet the applicable criteria established by the International Cyanide Management Institute for Code Verification Auditors.

I attest that this Summary Audit Report accurately describes the findings of the verification audit. I further attest that the verification audit was conducted in a professional manner in accordance with the International Cyanide Management Code Verification Protocol for Cyanide Transportation Operations and using standard and accepted practices for health, safety and environmental audits.

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Signature of Lead Auditor

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2 CYANCO AS CONSIGNER

This operation is

- in full compliance
- in substantial compliance
- not in compliance

with the International Cyanide Management Code.

2.1 TRANSPORT: TRANSPORT CYANIDE IN A MANNER THAT MINIMIZES THE POTENTIAL FOR ACCIDENTS AND RELEASES

2.1.1 Transport Practice 1.1: Select cyanide transport routes to minimize the potential for accidents and releases.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.1
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:


Although this practice is not applicable to Cyanco as a consignor, Cyanco has implemented a Cyanide Compliance Manual that states the responsibility of the transporter to perform the route selection using these criteria. Additionally, Cyanco designated personnel to support the route selection performed by their transport contractor (TSM).

Cyanco invited several authorities, mine companies, and TSM employees to a training session on cyanide handling and emergency response. This event took place in December 2014 and there were a total of 101 attendees to the training. At the end, several participants provided feed back to Cyanco regarding the training and their activities.

Cyanco has requested the transport contractor to provide escort vehicle with mechanical and emergency response materials for route sections that are isolated (e.g. within mountain ranges) or that have security issues.

Cyanco Compliance Manual establishes that input from communities and governmental agencies is requested. Cyanco informed to the civil protection authorities about their operations and routes through transport contractor. Additionally, Cyanco has provided training to civil

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protection agencies (e.g. Sonora in December 2014) regarding cyanide handling and emergency response.

Cyanco Compliance Manual establishes that a due diligence is performed on an annual basis to transport contractors that are not signatories of the Cyanide Code. Cyanco also has a Transportation Vendor Vetting Process which requires performing a gap analysis and corrective action plan for the gaps identified and requires evaluating the transporter under this process at least every three years. The evaluation is performed using a Vendor Evaluation Form that is based on the Cyanide Code requirements.

Cyanco uses TSM for cyanide ground transportation across the international border and within Mexico; TSM was audited as part of Cyanco's supply chain and was found in compliance with the code.

2.1.2 Transport Practice 1.2: Ensure that personnel operating cyanide handling and transport equipment can perform their jobs with minimum risk to communities and the environment.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.2
- not in compliance with


Summarize the basis for this Finding/Deficiencies Identified:

This element is not applicable to Cyanco as consigner. The transport contractor has to comply with this element. However, Cyanco provides initial and refresher training to non-signatory transporters. Cyanco provided training to the transport contractor personnel about safety procedures during cyanide management and emergency response procedures. The most recent training took place in December 2014. A review of the transport and training records indicated that all drivers were trained prior to their first participation in cyanide transport.

As previously noted, Cyanco's Compliance Manual establishes that a due diligence is performed on an annual basis to transport contractors that are not signatories of the Cyanide Code. Cyanco also has a Transportation Vendor Vetting Process which requires performing a gap analysis and corrective action plan for the gaps identified and requires evaluating the transporter under this process at least every three years. The evaluation is performed using a Vendor Evaluation Form that is based on the Cyanide Code requirements.

Cyanco uses TSM for cyanide ground transportation across the international border and within Mexico; TSM was audited as part of Cyanco's supply chain and was found in compliance with the code.

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2.1.3 Transport Practice 1.3: Ensure that transport equipment is suitable for the cyanide shipment.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.3
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

This element is not applicable to Cyanco as consigner. Containers are loaded at Cyanco's manufacturing facility, according to their Compliance Manual all transport equipment is metered or weighted to prevent overload.

As previously noted, Cyanco Compliance Manual establishes that a due diligence is performed on an annual basis to transport contractors that are not signatories of the Cyanide Code. Cyanco also has a Transportation Vendor Vetting Process which requires performing a gap analysis and corrective action plan for the gaps identified and requires evaluating the transporter under this process at least every three years. The evaluation is performed using a Vendor Evaluation Form that is based on the Cyanide Code requirements.

Cyanco uses TSM for cyanide ground transportation across the international border and within Mexico; TSM was audited as part of Cyanco's supply chain and was found in full compliance with the code.

2.1.4 Transport Practice 1.4: Develop and implement a safety program for transport of cyanide.

The operation is

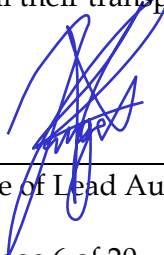
- in full compliance with
- in substantial compliance with Transport Practice 1.4
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

Containers and iso-tanks are be filled in the production facility in the US. Cyanco is responsible to verify that containers or iso-tanks are properly locked and tagged before departure. Cyanco also places placards with the UN number for sodium cyanide. The transport contractor is responsible for confirming that locks, tags and placards are in the container and replace placards if needed.

Cyanco compliance manual requires the transporter to perform random drug and alcohol test and to have a preventive maintenance for all their transport equipment; which are performed by

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TSM to their personnel as detailed in the respective section. The rest of the elements are performed by the transport contractor.

Cyanco Compliance Manual establishes that a due diligence is performed on an annual basis to transport contractors that are not signatories of the Cyanide Code. Cyanco also has a Transportation Vendor Vetting Process which requires performing a gap analysis and corrective action plan for the gaps identified and requires evaluating the transporter under this process at least every three years. The evaluation is performed using a Vendor Evaluation Form that is based on the Cyanide Code requirements. Cyanco uses TSM for cyanide ground transportation across the international border and within Mexico; TSM was audited as part of Cyanco's supply chain and was found in compliance with the code.

2.1.5 Transport Practice 1.5: Follow international standards for transportation of cyanide by sea and air.

The operation is

THIS PRACTICE DOES NOT APPLY TO THE OPERATION

- in full compliance with
- in substantial compliance with Transport Practice 1.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

As described in Section 1, the scope of this audit was only for the ground transportation operations performed by Cyanco to mines located in Mexico; therefore, this practice does not apply.

2.1.6 Transport Practice 1.6: Track cyanide shipments to prevent losses during transport.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.6
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

Cyanco's compliance manual establishes that the transport company must have a GPS to track daily movement of transport vehicles, to maintain communication and tracking equipment, to have paperwork documenting chain of custody, to have all necessary permits, MSDS information and emergency contact information to be kept at the vehicles at all times.

Cyanco Compliance Manual establishes that a due diligence is performed on an annual basis to transport contractors that are not signatories of the Cyanide Code. Cyanco also has a Transportation Vendor Vetting Process which requires performing a gap analysis and corrective

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action plan for the gaps identified and requires evaluating the transporter under this process at least every three years. The evaluation is performed using a Vendor Evaluation Form that is based on the Cyanide Code requirements.

Cyanco uses TSM for cyanide ground transportation across the international border and within Mexico; TSM was audited as part of Cyanco's supply chain and was found in compliance with the code.

2.2 INTERIM STORAGE: *DESIGN, CONSTRUCT AND OPERATE CYANIDE TRANS-SHIPPING DEPOTS AND INTERIM STORAGE SITES TO PREVENT RELEASES AND EXPOSURES.*

2.2.1 Transport Practice 2.1: **Store cyanide in a manner that minimizes the potential for accidental releases.**

The operation is:

THIS PRACTICE DOES NOT APPLY TO THE OPERATION

- in full compliance with
- in substantial compliance with Transport Practice 2.1
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

As described in Section 1, the scope of this audit was only for the ground transportation operations performed by Cyanco to mines located in Mexico do not involve the use of interim storage facilities out of the Guaymas port (see section 4 for further details). Therefore, this practice does not apply.

2.3 EMERGENCY RESPONSE: PROTECT COMMUNITIES AND THE ENVIRONMENT THROUGH THE DEVELOPMENT OF EMERGENCY RESPONSE STRATEGIES AND CAPABILITIES

2.3.1 Transport Practice 3.1: Prepare detailed emergency response plans for potential cyanide releases.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.1
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

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Cyanco has implemented the "Global Transportation Emergency Response Plan" (the Response Plan). This plan is integrated by the Roles and Responsibility description, internal notification chain, phone directory for the internal notification chain, Cyanide characteristics description and emergency response procedures. In case of emergency Cyanco together with Garner Environmental Services, Inc. (GESI) coordinate activities performed by Heritage Interactive of Mexico (Heritage) in order to respond to any emergency in Mexico. Both, Cyanco and GESI are located outside of Mexico; however, if required, an emergency brigade would be deployed to Mexico to support Heritage activities.

GESI employs fully certified, trained and experienced personnel to respond to incidents related to hazardous substances. Appendix E of the Cyanco's emergency response plan corresponds to the specific GESI emergency response plan. GESI emergency response plan is integrated and includes the internal notification plan, description of sodium cyanide characteristics and hazards, EPP required to respond in case of emergency, specific containment methods in case of sodium cyanide releases and decontamination procedures. GESI has personnel available 24 hours per day, 365 days per year.

Heritage employs a fully trained staff for managing such emergencies. Training for these individuals consists of emergency incident command and US OSHA - 40 hour HAZWOPER training. Heritage has personnel available 24 hours per day, 365 days per year.

Heritage uses approved subcontractors such as RIMSA and Desarrollos y Limpiezas Viva, S.A. de C.V. to provide quickest response possible based on the location of the incident and the nearest subcontractor. Both, RIMSA and Desarrollos y Limpiezas Viva companies are specialized companies in the management of hazardous waste.


Heritage uses Cyanco's emergency response plan as guidance for responding to any sodium cyanide related emergency involving Cyanco's transport carries in Mexico.

According to the Response Plan, Cyanco is responsible to provide support to the transporter company in case of emergency. However, emergency response is responsibility of the transporter company.

The Response Plan considers the risks associated to road transportation. Appendix C of the Response Plan includes the sodium cyanide data sheets. Appendix D has detailed explanations of the solid and liquid sodium cyanide characteristics, toxicity and first aids required. The Response Plan considers all types transportation methods, including marine barge, railroad and road. Cyanco provided the transported with a specific procedure to respond to emergencies during road transport. The Response Plan includes instructions to respond to emergencies during road transport operations.

Cyanco is responsible to provide support to the transport contractor during an emergency. Cyanco and GESI coordinate actions performed by the transport contractor and Heritage in case

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of emergency in Mexico. The transport contractor is responsible to notify to Mexican authorities. The Response Plan includes several pages regarding roles and responsibilities.

2.3.2 Transport Practice 3.2: Designate appropriate response personnel and commit necessary resources for emergency response.

- in full compliance with
- in substantial compliance with Transport Practice 3.1
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

In case of emergency Cyanco and Garner would coordinate the transport contractor and Heritage activities in Mexico. Cyanco has experienced personnel on issues related to the marine, rail, and truck transportation of solid and liquid sodium cyanide. Garner is a specializing consultant on emergency response of hazardous substances. Heritage has trained personnel in emergency incident command and hazardous waste operations and emergency response.


Cyanco's Director of Environmental Health Safety and Security (EHSS) is responsible for scheduling, conducting and maintaining Cyanco's personnel training records. Cyanco's personnel in charge to coordinate emergency response activities together with Garner is retrained every two years. The Response Plan includes several pages describing responsibilities of each party involved in the emergency response of Cyanco's sodium cyanide supply chain.

Appendix E of The Response Plan includes a list of available equipment owned by Garner to respond in case of emergency. However, in Mexico the emergency response would be provided by Heritage. And, only if Heritage capabilities are exceeded a Garner brigade would be deployed to Mexico.

Heritage maintains emergency response equipment for Cyanco in Mexico. This equipment is kept pre-staged in Hermosillo, Sonora, where the most of Cyanco's shipments are currently occurring. This equipment is sealed in a sea container and the seal is inspected once per week to ensure that its contents have not been disturbed. Heritage maintains records of the container inspections.

If during the inspections, the seal is found broken, a detailed audit is conducted of the container contents using the detailed equipment inspection sheet developed by Heritage. In addition, once every three months, based on the requirements provided by the Original Equipment Manufacturer (OEM), the equipment in the container is inspected and the detailed inspection report is completed. Any equipment found to be mission or in bad order is replaced upon discovery. The complete inspection reports are to be kept in Heritage's files.

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Heritage's emergency response equipment includes:

- 6 -Hard hats
- 4 - Flash lights
- 6 -Level B Suits (Poly Coated Tyvek)
- 4 - Duct tape rolls
- 4 gal of Clorox
- 6 -Face shields
- 6 - Goggles
- 2 - Decontamination portable pool
- 1 gal of decontamination soap
- 2 - Pump sprayers
- 1 - Drum vac unit
- 3 -Bags of green absorbent pads
- 1 - simple green - 5 gal pale
- 10 -Empty plastic buckets
- 6 - Shovels
- 60 - Drum liners (plastic bags)
- 1 - Box of leather gloves
- 5 - Bags of soda ash (potash) of 50 lb
- 1 - Bag of nitrile gloves
- 1 - Soil sampling kit
- 1 - Drum dolly
- 6 - Orange cones (Traffic control kit)
- 2 - Poly drums of 55 gal capacity
- 4 - Brooms
- 2 - FIBC Over pack
- 24 - Spare batteries
- 2 - Rolls of barricade tape
- 4 - Blue tarps (15 x 25 ft)
- 60 -Plastic tent stakes for tarp
- 2 - Rolls of plastic sheeting
- 2 - pH paper kit
- 1 - First aid kit
- 4 - SCBAs
- 4 - SCBA spare bottles
- 1 - Water tote (220 gal)
- 4 - Bottled water flats

Cyanco and the transport contractor have the required emergency response equipment through the services provided by Heritage.

Cyanco provides initial and refresher training to the transport contractor personnel. The latest training session was in December 2014. According to the training records all driver received training prior to their first participation in cyanide transport.

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The Response Plan states that transport contractor must respond in case of emergency. The transport contractor follows Cyanco's internal and external communication procedure and notifies the local authorities. As mentioned in the Response Plan, Heritage responds in case of emergency. Cyanco staff is in charge of coordinating the emergency response together with Garner.

2.3.3 Transport Practice 3.3: Develop procedures for internal and external emergency notification and reporting.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.3
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The Response Plan includes a communication flowchart. According to that, the transport contractor contacts Cyanco immediately in case of emergency. Cyanco later activates its internal communication chain. Cyanco's communication chain phone numbers are included in the emergency response plan. Cyanco has available translators, if required, by the transport contractor.. Local authorities must be contacted by transport contractor.

Section 2.7 of the Cyanco's emergency response plan establishes that the plan, including the contact list, will be updated every six months by Cyanco. Several numbers were verified during the audit and found to be accurate.

2.3.4 Transport Practice 3.4: Develop procedures for remediation of releases that recognize the additional hazards of cyanide treatment chemicals.

The operation is


- in full compliance with
- in substantial compliance with Transport Practice 3.4
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

Appendix E of the Response Plan includes instruction on how to clean a spill and decontaminate the area and equipment are included, which consist of the following:

- isolating the area,
- collect cyanide or debris,
- decontamination procedures,

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- procedures in case of potential contact with surface water,
- cyanide debris safety disposal.

Use of chlorine or hypochlorite reagents, ferrous sulfate, and hydrogen peroxide to neutralize cyanide that has been released into surface water is explicitly prohibited in Appendix E of the Response Plan.

2.3.5 Transport Practice 3.5: Periodically evaluate response procedures and capabilities and revise them as needed.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with


Summarize the basis for this Finding/Deficiencies Identified:

Section 2.7 of the Response Plan establishes that plan, including contact list, is updated every six months by the Cyanco's Director of EHSS. In addition, Cyanco's Director of Logistics and Transportation reviews the plan at least annually and after receipt of an After Action Report form an exercise or actual incident in order to implement the corrective actions, improvement recommendation and other lessons learned.

The Response Plan establishes that Cyanco performs an annual table top simulation and one full scale simulation exercise every three to five years. The latest table top simulation was performed in December 2014, the transport contractor, Heritage, Gardner, and local authorities participated in the exercise. Lessons learned from these exercises are incorporated in Cyanco's emergency response plans.

As previously noted, Section 2.7 of the Response Plan establishes that the plan, including contact list, is updated every six months by the Cyanco's Director of EHSS. In addition, Cyanco's Director of Logistics and Transportation reviews the plan at least annually and after receipt of an After Action Report derived from an exercise or actual incident, in order to implement the corrective actions, improvement recommendation and other lessons learned.

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3 TSM DIVISION TRUCKING, S.A. DE C.V. AS TRANSPORT CONTRACTOR

3.1 **TRANSPORT: TRANSPORT CYANIDE IN A MANNER THAT MINIMIZES THE POTENTIAL FOR ACCIDENTS AND RELEASES**

3.1.1 **Transport Practice 1.1: Select cyanide transport routes to minimize the potential for accidents and releases.**

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

TSM has a written procedure to select routes, which includes the evaluation of risks in the selected routes. As part of the procedure, TSM uses the online-service provided by Mexico's Communications and Transport Agency (SCT, Secretaría de Comunicaciones y Transportes) to select routes to transport cyanide. The service provides the route that has the more adequate infrastructure, that avoids crossing urban areas (when alternative route is available) and provides information on HAZMAT traffic restriction. A route description is prepared by TSM based on the system and provides the road number, the length and the tolls costs.

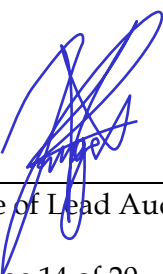
TSM personnel verify, on field, the information provided by the SCT online-service and identify blackout areas as well as the prevalence and proximity of water bodies and fog.

Information obtained on field is included in the TSM's GPS system and in the routes description.

TSM has a procedure to identify and report security risks in the route. In addition, TSM's section routes procedures stated that routes will be reevaluated on an annual basis. Active routes were assessed for the first time during 2014.

In March 2014 and December 2014, TSM distributed copies of the sodium cyanide material data sheet and routes description to governmental authorities (including civil protection agencies). In addition, TSM is member of the SETIQ, which provides telephone orientation for chemical emergency response during ground transport and identifies the brigades from other members with response capabilities in the vicinity of the incident to support the response while Heritage's brigade arrives.

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Convoys are prohibited in Mexico. TSM uses an escort vehicle in the Mulatos mine route. Escort would provide initial response in case of emergency while the Heritage team arrives to the site. Additionally, security escorts vehicles are used to mines in Zacatecas and Guerrero.

TSM does not subcontract any of the cyanide handling or transport.

3.1.2 Transport Practice 1.2: Ensure that personnel operating cyanide handling and transport equipment can perform their jobs with minimum risk to communities and the environment.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

TSM drivers hold the driver license granted by the Federal Transport Agency that authorized the drivers to transport hazardous materials, including cyanide. To obtain the mentioned license, federal regulations require the drivers to fulfill the following requirements:

- a. Two years of experience transporting hazardous waste and hazardous materials;
- b. Training course provided by the Federal Transport Agency; regarding hazardous waste and hazardous materials transportation; and,
- c. Physical and psychological surveys.

Besides, in March, August and December 2014, Cyanco provided cyanide safety management and emergency response training to TSM personnel involved in the cyanide transportation. Refresher training is programmed every two years.

TSM does not subcontract any of the cyanide handling or transport.

3.1.3 Transport Practice 1.3: Ensure that transport equipment is suitable for the cyanide shipment.

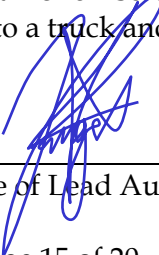
The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

At the border, TSM receives the loaded container or iso-tank on a chassis owned by the US transport company. The chassis is attached to a truck and transported to Mexico. At the port,

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TSM receives the container and places it on a chassis hauled by a truck. At the port TSM receives the container and it is placed on a chassis owned by TSM. The trucks and chassis have a combined capacity to carry 32 tons and up. However, maximum load is 18 tons. The loads are verified by TSM through the custom import permit.

Additionally, when TSM receives the chassis and container at the border they visually inspect the chassis to ensure that it is in operational conditions.

According to the interviewed personnel a detailed inspection is performed to each truck every two trips by TSM's maintenance crew. Additionally, a daily inspection is performed and recorded in the driver's logbook. This inspection includes: breaks, steering system, lights, and tires, among others.

TSM will not subcontract any of the cyanide handling or transport.

3.1.4 Transport Practice 1.4: Develop and implement a safety program for transport of cyanide.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The transport modality consists of transporting a container or iso-tank which is locked and tagged at the production facility. The lock and tag are removed at the mine by trained personnel. TSM personnel are not authorized to open the container.

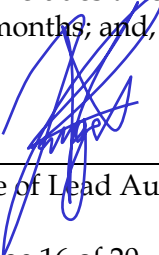
TSM has implemented a procedure to verify that placards and safety signs, required by the Mexican authorities, are posted on the trucks. Trucks drivers, logistics manager and surveillance employees verify that placards are properly posted in accordance with MSDS, prior each operation.

TSM has implemented a procedure for Visual Inspections prior to each shipment. Inspections by truck are recorder in the driver's logbook. Visual Inspection includes physical and mechanical conditions of the trucks (i.e. breaks, steering system, lights, and tires, among others).

In addition, prior of each shipment, the mechanics technician has to sign the visual inspection reports to attest that trucks are in good conditions.

The TSM preventive maintenance program includes three types of maintenances: a) 30,000 km or every 3 months; b) 80,000 km or every 7 months; and, c) 200,000 km o every 1.5 years.

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After each shipment, TSM mechanics technicians located at TSM's main base in Queretaro, record the mileage of every truck to program preventive maintenance. In addition, TSM has several authorized workshops where trucks could receive corrective and preventive maintenance if they do not arrive to Queretaro.

Maintenance programs include: oil and filters change, lights, tires, breaks, lubrication, fluids levels, cleaning, tire inspection, engine inspection and, suspension system inspection, among others.

The corrective and preventive actions are recorded in the general maintenance logbook

TSM's drivers manual established that the maximum journey is 10 hours driving per six of rest if hazardous materials are transported. This is recorded in the driver's logbook. This manual also states that cyanide transport must be suspended in case of severe weather or civil unrest.

As previously noted, the transport modality consists of transporting one container or iso-tank which is locked and tagged at the production facility. The container or iso-tank is filled in the production facility. For containers, block and brace is applied to prevent movements, and protect the container's door.

TSM has implemented an alcohol and drugs tests that is performed every six months. Additional random drugs tests are performed to all personnel when they are required by the TSM Corporate or the mines.

Besides, surveillance personnel, located at TSM patios, could require that additional drugs and alcohol test are performed before shipment if they identify any strange behavior in drivers.

When a driver is detected with drugs, he is suspended until the drug would leave his blood. If he is found recurrent, he would be terminated.

TSM keeps maintenance records as long as they own the transport unit, vehicle inspection checklists, alcohol and drugs tests records are kept for at least five years.

TSM does not subcontract any of the cyanide handling or transport.

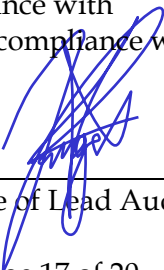
3.1.5 Transport Practice 1.5: Develop and implement a safety program for transport of cyanide.

The operation is:

THIS PRACTICE DOES NOT APPLY TO TRANSPORTER

- in full compliance with
- in substantial compliance with Transport Practice 3.5

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not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

TSM is involved only in ground transportation of cyanide. This practice does not apply.

3.1.6 Transport Practice 1.6: Track cyanide shipments to prevent losses during transport.

The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

All the trucks are equipped with a GPS system that is monitored from the TSM office. There is one person reviewing the GPS control panel to identify any delays or deviations. In addition, drivers have mobile phones.

Blackout areas have been identified in the routes used by TSM. Blackout areas have been included in the TSM's GPS systems. TSM has implemented the following actions for blackout areas:

- The driver calls the base prior to entering the blackout area and informs the estimated time to cross the area.
- There is a full time GPS monitor to confirm progress

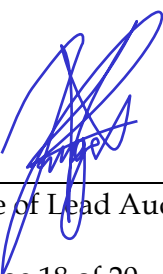
Besides the customs declaration, TSM uses the transport document (documento de embarque) required by the Mexican regulations. Transport document includes information of the truck, the net load, and the consigner.

Additionally, the containers or iso-tanks are tagged to prevent losses during the transport operations. Finally, the GPS system notifies to TSM if unauthorized stops take place or unauthorized routes are used by drivers.

The availability, at each truck, of the transport document and MSDS is verified prior to the trucks departure.

TSM does not subcontract any of the cyanide handling or transport.

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3.2 INTERIM STORAGE: DESIGN, CONSTRUCT AND OPERATE CYANIDE TRANSSHIPPING DEPOTS AND INTERIM STORAGE SITES TO PREVENT RELEASES AND EXPOSURES.

3.2.1 Transport Practice 2.1: Store cyanide in a manner that minimizes the potential for accidental releases.

The operation is:

THIS PRACTICE DOES NOT APPLY TO TRANSPORTER

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

TSM does not operate interim storage facilities. This Practice does not apply.

3.3 EMERGENCY RESPONSE: PROTECT COMMUNITIES AND THE ENVIRONMENT THROUGH THE DEVELOPMENT OF EMERGENCY RESPONSE STRATEGIES AND CAPABILITIES.

3.3.1 Transport Practice 3.1: Prepare detailed emergency response plans for potential cyanide releases.

The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

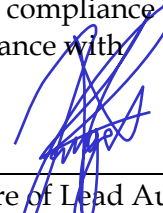
TSM follows Cyanco's Response Plan which is in full compliance with this practice.

3.3.2 Transport Practice 3.2: Designate appropriate response personnel and commit necessary resources for emergency response.

The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

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Summarize the basis for this Finding/Deficiencies Identified:

Cyanco's Response Plan establishes that Heritage will provide emergency response services. Additionally, Cyanco has provided training to TSM personnel regarding the emergency response procedures.

As previously noted, Cyanco's Response Plan includes several pages describing responsibilities of each party involved in the emergency response of Cyanco's sodium cyanide. TSM follows Cyanco's response plan. Heritage will respond in case of emergency as established in Cyanco's Response Plan.

TSM personnel involved in cyanide management were trained by Cyanco in March 2014 and December 2014. Training included emergency response procedure. TSM personnel receives periodic refresher training.

TSM does not subcontract any of the cyanide handling or transport.

3.3.3 Transport Practice 3.3: Develop procedures for internal and external emergency notification and reporting.

The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

TSM follows Cyanco's Response Plan, which is in full compliance with this practice.

3.3.4 Transport Practice 3.4: Develop procedures for remediation of releases that recognize the additional hazards of cyanide treatment chemicals.

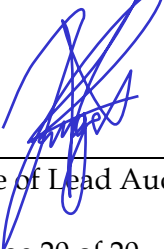
The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified

TSM follows Cyanco's Response Plan, which is in full compliance with this practice.

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3.3.5 Transport Practice 3.5: Periodically evaluate response procedures and capabilities and revise them as needed.


The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified

TSM follows Cyanco's Response Plan, which is in full compliance with this practice.

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4 GUAYMAS PORT DUE DILIGENCE

The Guaymas port is certified in the following standards:

- International Ship and Port Facility Security (ISPS) Code.
- ISO 14,001
- ISO 9,001
- Clean Industry (certifies compliance with Mexican environmental regulations)

4.1 **TRANSPORT: TRANSPORT CYANIDE IN A MANNER THAT MINIMIZES THE POTENTIAL FOR ACCIDENTS AND RELEASES**

4.1.1 **Transport Practice 1.1: Select cyanide transport routes to minimize the potential for accidents and releases.**

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

This practice is not applicable to the Guaymas Port. All activities related to Transport Practice 1.1 are performed directly by Cyanco or its Transport contractor.

4.1.2 **Transport Practice 1.2: Ensure that personnel operating cyanide handling and transport equipment can perform their jobs with minimum risk to communities and the environment.**

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

According to the interviewed port representatives, new operators of container handling machinery (container lifts, yard cranes, and trailer platforms) receive classroom and practical training and supervised on the job training prior to be allowed to operate the equipment independently. Additionally, most of their personnel have several years of experience as they are a government organization and turn-over is minimal. No licenses issued by the government are required for the operators.

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The Port has a training program including fire suppression, health and safety, and machinery operation. Refresher training is also provided.

Cyanco provided a complementary training to the port personnel on cyanide handling and emergency response that was completed on 12 February 2015.

The Port does not subcontract any activity related to cyanide handling.

4.1.3 Transport Practice 1.3: Ensure that transport equipment is suitable for the cyanide shipment.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The port receives cyanide in ocean containers, which are unloaded using the ship crane. Internal movement of the containers is performed using trucks and lifts, which have a load capacity of at least 30 tons (maximum weight of the container is approximately 24 tons) that can handle only one container at the time.

According to the interviewed port representatives and operators, the container handling equipment is inspected prior to its use at the beginning of the work day. The inspection is performed by a member of the maintenance team and the operator is not allowed to move the unit until clearance is received from the inspector. Electronic records are kept for this inspection.

The Port does not subcontract any activity related to cyanide handling.

4.1.4 Transport Practice 1.4: Develop and implement a safety program for transport of cyanide.

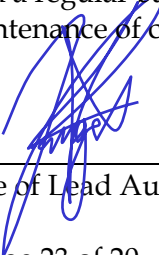
The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

This practice is not applicable to the Port. However, the port has a drugs and alcohol use prevention policy; no tests are performed on a regular basis but the workers are visually screened in the port access. Preventive maintenance of container handling equipment is

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performed based on operating hours (every 250 hrs.) or every three months; maintenance operations are recorded in logbooks. Additionally, maintenance personnel perform visual inspections of the equipment prior to its use at the beginning of the work day.

The Port avoids opening the containers at the port facility. Only if the custom authority demands the container to be open, then it is open in the presence of the shipper or the receiver representative.

4.1.5 Transport Practice 1.5: Develop and implement a safety program for transport of cyanide.

The operation is:

THIS PRACTICE DOES NOT APPLY TO TRANSPORTER

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

This practice does not apply to the Port.

4.1.6 Transport Practice 1.6: Track cyanide shipments to prevent losses during transport.


The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

This practice does not apply to the Port.

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4.2 INTERIM STORAGE: DESIGN, CONSTRUCT AND OPERATE CYANIDE TRANSSHIPPING DEPOTS AND INTERIM STORAGE SITES TO PREVENT RELEASES AND EXPOSURES.

4.2.1 Transport Practice 2.1: Store cyanide in a manner that minimizes the potential for accidental releases.

The operation is:

THIS PRACTICE DOES NOT APPLY TO TRANSPORTER

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The port has designed a cyanide storage area. No warning signs were observed in the area; however, there is no personnel stationed in the area as it is not a warehouse. The cyanide remains in the ocean container; which is labeled with the UN number and the division number placards. The port employees have been trained to identify the cyanide containers and the safety rules around them. The containers are not open at the port.

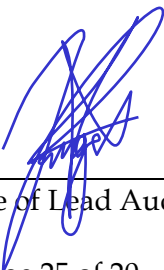
The perimeter of the port is fenced with block walls and cyclonic mesh and metal bars and security shed. The port also has CCTV surveillance.

Cyanide is the only chemical handled in containers by the port. No incompatible materials are stored nearby the cyanide interim storage. Sulfuric acid is stored in tanks approximately 580 m away and in the other side of a hill from the cyanide storage area. Additionally, the cyanide remains at all times in their packaging material and in their container. Therefore, it is considered that cyanide is protected from contact with incompatible materials.

Although cyanide is not stored under a roof, as previously noted, cyanide is kept in its packaging material (which includes plastic bags) and container. Therefore, it is considered that cyanide is protected from contact with water and no ventilation is required to prevent build-up of hydrogen cyanide.

The port does not have secondary containment; however, cyanide is handled only in solid state within the container and approximately 200 meters away from the coast line. Other liquids handled in containers by the port include vegetable oil, but it is handled way from cyanide containers; therefore, no liquids could be spilled in the containers storage area.

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4.3 EMERGENCY RESPONSE: PROTECT COMMUNITIES AND THE ENVIRONMENT THROUGH THE DEVELOPMENT OF EMERGENCY RESPONSE STRATEGIES AND CAPABILITIES.

4.3.1 Transport Practice 3.1: Prepare detailed emergency response plans for potential cyanide releases.

The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

Cyanco has prepared and implemented an Emergency Response Plan which is compliant with these requirements. Cyanco has provided copies of the Emergency Response Plan and a training session for Port personnel, which took place on 12 February 2015, prior to the send the first shipment of cyanide to the port. In case of an emergency related to cyanide at the port, the Port will follow Cyanco' Emergency Response Plan; therefore, it is considered that the port is in full compliance with this practice.

Nonetheless, the port has its own emergency response program that covers:

- Fire
- Explosion
- Dangerous goods spill
- Flooding
- Among other emergencies.


The Port has an Emergency Response Brigade that receives training on an annual basis provided in-house. The brigades are trained in fire control, hazardous materials handling, among other topics. The role of the port brigade in case of a cyanide related emergency would be to isolate the area and prevent escalation.

4.3.2 Transport Practice 3.2: Designate appropriate response personnel and commit necessary resources for emergency response.

The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

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Summarize the basis for this Finding/Deficiencies Identified:

Cyanco's Response Plan establishes that Heritage will provide emergency response services. As previously noted, Cyanco's Response Plan includes several pages describing responsibilities of each party involved in the emergency response of Cyanco's sodium cyanide. The Port follows Cyanco's response plan. Heritage responds in case of emergency as established in Cyanco's Response Plan.

The port has SCUBA units, Tyvek suits, rubber boots, neoprene gloves, and empty containers which are inspected on a monthly basis. This is additional to the equipment that would be brought to the port by Heritage's team. Additionally, Cyanco provided an antidote kit to the Port during the training that took place on 12 February 2015.

The port does not subcontract any of the cyanide handling or transport.

4.3.3 Transport Practice 3.3: Develop procedures for internal and external emergency notification and reporting.

The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

The port follows Cyanco's Response Plan, which is in full compliance with this practice.

4.3.4 Transport Practice 3.4: Develop procedures for remediation of releases that recognize the additional hazards of cyanide treatment chemicals.

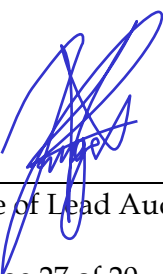
The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified

The port follows Cyanco's Response Plan, which is in full compliance with this practice.

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4.3.5 Transport Practice 3.5: Periodically evaluate response procedures and capabilities and revise them as needed.


The operation is:

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified

The port follows Cyanco's Response Plan, which is in full compliance with this practice.

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