

CYANCO SUPPLY CHAIN IN MEXICO

Preoperational Transportation Audit

Summary Audit Report

PROJECT NO. 0235385

APRIL 2014

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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: 9450 Double R Blvd. Suite 2, Reno,
State/Province: Nevada Country: US
Telephone (623) 444-2989 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 will supply sodium cyanide to mines located in Mexico. Transport to the Mexico-US International Border will be provided by Cyanco's certified supply chains and/or by Cyanide Code-certified trucking companies. The trans-border crossing and transport within Mexico will be performed by the selected transport contractor: TSM Division Trucking, S.A. de C.V. (TSM).

TSM will receive the platform and container (or iso-tank) at their parking base in Laredo, TX, US. A trans-border dedicated vehicle will be used to haul the platform to the parking base in Nuevo Laredo, Tamaulipas, Mexico, where the platform will be then connected to a vehicle dedicated to in-country transport to the client's facilities within Mexico.

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

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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: Beatriz Valencia
Date(s) of Audit: March 21, 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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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:

Cyanco will use 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.

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).

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 that manual establishes that a due diligence will be 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.

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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:

Cyanco will use 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. Additionally, Cyanco Compliance Manual establishes that initial and refresher training is provided to non-signatory transporters. Cyanco provided training to the transport contractor personnel about safety procedures during cyanide management and emergency response procedures.

Additionally, Cyanco Compliance Manual establishes that a due diligence will be 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.

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

The operation is

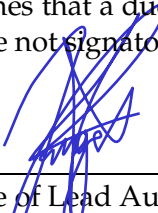
- in full compliance with
- in substantial compliance with Transport Practice 1.3
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

Cyanco will use 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.

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 will be performed on an annual basis to transport contractors that are not signatories of the Cyanide Code. Cyanco also

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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.

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:

Cyanco will use 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.

Containers and iso-tanks will be filled in the production facility. 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. Cyanco Compliance Manual requires the transporter to perform random drug and alcohol test and to have a preventive maintenance for all their transport equipment.

As previously noted, Cyanco Compliance Manual establishes that a due diligence will be 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.

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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 will use 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. Additionally; 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.

As previously noted, Cyanco Compliance Manual establishes that a due diligence will be 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.

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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. 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:

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) will 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 will be deployed to Mexico to support Heritage activities.

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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 utilized 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 carriers 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.


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. Additionally, there is no description of the truck, yet all emergency response scenarios are in relation to accidents of any type of transportation methods, including containers and iso-tanks.

Cyanco is responsible to provide support to the transport contractor during an emergency. Cyanco and GESI will coordinate actions performed by the transport contractor and Heritage in case of emergency in Mexico. The transport contractor is responsible to notify to Mexican authorities. The Response Plan includes several pages regarding roles and responsibilities.

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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 will 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 are 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.


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 will be provided by Heritage. And, only if Heritage capabilities are exceeded a Garner brigade will be deployed to Mexico.

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

If during monthly 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 six 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.

Heritage's emergency response equipment includes:

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- 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 lbs.
- 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 will have the required emergency response equipment through the services provided by Heritage.

According to their Compliance Manual, Cyanco will train and retrain the transport contractor personnel.

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

The Response Plan states that transport contractor must respond in case of emergency. The transport contractor will follow the Cyanco's internal and external communication procedure and notify to the local authorities. As mentioned in the Response Plan, Heritage will respond 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 will contact Cyanco immediately in case of emergency. Cyanco will later activate 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.

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:

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- isolating the area,
- collect cyanide or debris,
- decontamination procedures,
- 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, will be updated every six months by the Cyanco's Director of EHSS. In addition, Cyanco's Director of Logistics and Transportation will review 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 will perform an annual table top simulation and one full scale simulation exercise every three to five years.

Heritage will participate in an emergency response exercise with Cyanco at least annually as per Cyanco's written response plan. Lessons learned from these exercises will be incorporated into Heritage's and Cyanco's emergency response plans.

As previously noted, Section 2.7 of the Response Plan establishes that it, including contact list, will be updated every six months by the Cyanco's Director of EHSS. In addition, Cyanco's Director of Logistics and Transportation will review 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.

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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. 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. As previously noted, TSM follows the routes provided by SCT on-line service and respects the traffic restriction (times at which the traffic across cities is restricted).

In addition, cyanide transport routes selected by TSM have been provided to the State Civil Protection Agencies.

Convoys are prohibited in Mexico. TSM will contract an escort vehicle to those mines located in mine ranges. Escort will provide initial response in case of emergency while the Heritage team arrives to the site.

In March 2014, TSM distributes copies of the sodium cyanide material data sheet and routes description to governmental authorities (including civil protection). In addition, TSM is member

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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.

TSM will 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 must 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 regulation requires the drivers for hazardous materials transport 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, during the first quarter of 2014, Cyanco provided cyanide safety management training to TSM personnel involved in the cyanide transportation. Training refreshment will be provided every two years. As mentioned before, Cyanco trained TSM employees involved in cyanide transportation.

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

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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:

TSM will receive the loaded container or iso-tank in the US border. Container or iso-tank will be attached to a truck and transported to Mexico. TSM trucks and the container or iso-tank have a combined capacity to carry 32 tons and up. However, maximum load will be of 18 tons. Loads will be verified by TSM in the US border, through the custom import permit, before the container or iso-tank has attached to the truck.

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

As mentioned before, maximum loads will be verified by TSM in the US border, through the custom import permit, before the container or iso-tank has attached to the truck.

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 for trained personnel. TSM personnel are not authorized to open the container.

TSM has implemented a procedure to verify that placards and safety signage, required by the Mexican authorities, are posted on the trucks. Trucks drivers, logistics manager and surveillance

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employees verify that placards are properly posted in accordance with MSDS, prior each shipment.

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.

After every shipment, the 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 8 hours driving per six of rest if hazardous materials are transported.

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's driver's manual states that cyanide transport must be suspended in case of severe weather or civil unrest.

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.

Besides, surveillance personnel, located at Nuevo Laredo (the city of entry to Mexico) installations, could require that additional drugs and alcohol test are performed before shipment if they identify any strange behavior in drivers.

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

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TSM will 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
- 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. In addition, drivers have mobile phones.

GPS is monitored permanently, and errors can be identified immediately at the control panel. Drivers are responsible to review the functionality of the cellular phones.

Blackout areas have been identified in the five routes that will be 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

TSM has implemented a GPS system to monitor the progress of the trucks. There is one person reviewing the GPS control panel to identify any delays or deviations.

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

Additionally, the containers or iso-tanks will be tagged to prevent losses during the transport operations. Finally, the GPS system will notify 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 will be verified prior to the trucks departure.

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

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.

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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 will follow 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

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 will follow Cyanco's response plan.

As previously noted, 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. Training included emergency response procedure. TSM personnel will receive periodic refresher training.

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Emergency response will be provided by Heritage if required.

TSM will 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 will follow 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 will follow Cyanco’s Response Plan which is in full compliance with this practice.

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 will follow Cyanco’s Response Plan which is in full compliance with this practice.

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