

ECI Exploration and Mining Inc. (Entity)

Report for Fighting Against Forced Labour and Child Labour in Supply Chains Act

Financial Reporting Year: January 1 to December 31, 2023

Original Report

Business Number: 825429079

Not subject to reporting obligations under supply chain legislation in any other jurisdiction

The Entity has a place of business in Canada and meets size-related thresholds.

Sector / Industry: Mining

Location: Headquartered in Vancouver, BC, Canada with significant operations in Durango, Mexico through a Mexican mining corporation named Minera Indé de Durango, S.A. de C.V. (the Company).

Steps to prevent and reduce the risk that forced labour or child labour

Hiring and Retention Practices and Human Resources Policy

The Company adheres to all legal standards for employment in Mexico as it is set forth in the Federal Labor Law and other applicable legal provisions. Through direct and union employment, the Company maintains compensation, welfare, and transparent employment policy and practice throughout its organization.

The Human Resources Policy sets out the minimum documentation requirements for the recruitment and hiring policy for unionized and non-unionized personnel to ensure legal and safety compliance.

Social Policies

The Employee Handbook (a.k.a. Internal Rules for Work), as well as the Collective Bargaining Agreement, each and all the Individual Labor Agreements and the Corporate Policies of Minera Indé de Durango, S.A. de C.V., the main operating entity of the Entity, specifically identify and name human and child rights to communicate the importance of these standards within the organization.

At the forefront of the policy manual is the Human Rights Policy which explicitly prohibits the conditions of forced, bonded or child labour. The policy requires that contractors and third parties proceed in a manner consistent with the Human Rights Policy.

These policies are published and acknowledged by all employees as a condition of employment.

The General Mine Manager works at the mine site and works in conjunction with the CEO to ensure the standards of these policies are clear and embedded in the culture of the organization and its contractors and suppliers. Reporting of any misconduct, with appropriate follow up, is embedded in the Company's operational reporting systems of which any labour issues are apart.

Structure, activities and supply chains

The Entity is a corporation of Canada which owns, through an intermediary Mexican subsidiary, a Mexican corporation (the Company) with an operating mine in the area of Indé, State of Durango, Mexico.

The Company is in the business of underground mining at one mine site. The Company extracts ore and processes into lead and zinc concentrates with silver content. The Company delivers to port in Mexico and sells to Mexican branches of international purchasers. In the year ended December 31, 2023, the Company processed and sold ~179,000 tonnes of concentrates.

The Company's operations are substantively directed in Mexico with only the CEO, CFO, Corporate Secretary and the General Mine Manager reporting to the Canadian office. The Company has unionized and direct employees, the majority of which report to the operations at the mine site in Indé with small administration satellite offices in Torreon and San Luis Potosi. As at December 31, 2023, the Company had 84 direct and 241 unionized employees. The Company performs its own equipment maintenance work on site. The Company does use some mining contractors which supply equipment and labour on site.

The Company's supply chains are localized with purchases made in Mexico. The Company does not regularly engage in long term supply contracts. The size and nature of operations means that contracts are individually relatively small. The Company is purchasing largely as a 'retail' or an 'off the shelf' consumer of goods and services. Procurement is organized from an administration office in Torreon with a quotation service to local suppliers. Mobile equipment purchases are sourced with local distributors of equipment manufacturers.

The mine site is powered by the Mexican federal electricity commission.

Policies and due diligence processes in relation to forced labour and child labour

The Company works at the outset to mitigate forced labour or child labour through its hiring and retention practices. The Company has entered into a Collective Bargaining Agreement with a union which is applicable at the mine site and directly employs the majority of workers on site at its mining operation to ensure appropriate staffing practices.

Procurement is conducted from a centralized office with approval oversight with a view to engaging with reputable and established suppliers. Suppliers are largely based in Torreon, a substantial business centre in the State of Coahuila.

Parts of the business and supply chains that carry a risk of forced labour or child labour being used the steps taken to assess and manage that risk

Because of the Company's limited purchasing power, the risk of forced labour or child labour use by third parties increases where the Company has poor visibility into the production process around consumables, fuel or other finished goods purchased and delivered to site for incorporation into the mining and production process. While the Company works to engage with reputable distributors, the processes into the supply of goods are largely opaque to the Company; however, provisions which explicitly prohibit the conditions of forced labour and child labour are regularly included in the contracts entered into with contractors and suppliers with the specific indication that the breach of said policies constitutes an immediate reason for the Company to rescind the respective contract. The Company has complete visibility into the use of labour at the mine site and good visibility at town of Indé where the employees and locals have significant integration. However, the Company has not engaged in significant risk analysis with respect to its direct purchases which may have such labour issues embedded in processes where manufacturing or higher risk jurisdictions contribute to the goods.

Measures taken to remediate any forced labour or child labour

No instances of forced labour or child labour have been identified.

Measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains

No specific measures have been enacted which have caused changes in staffing or purchasing to date.

Training provided to employees on forced labour and child labour

At the inception of employment, employees are informed and engaged with specific policies with respect to forced or child labour. There is no formal subsequent training; however, as indicated above, the explicit prohibitions on forced labour and child labour are published by the Company and acknowledged by all employees as a condition of employment. Additionally, there is constant communication between the main officers of the Company and the union representatives and the rest of the personnel, in order for everyone in the Company to reinforce these principles on forced labour and child labour.

How the Entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains

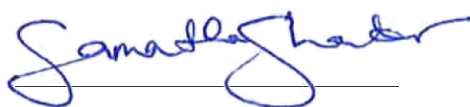
No specific effectiveness assessments are performed as the Company relies on prevention by means of (i) the effective and invariable implementation of the hiring and retention strict policies in its business; (ii) the provisions included in the contracts with third parties (contractors and suppliers) whereby the forced labour and child labour are forbidden and the breach of it a reason for the Company to immediately rescind the agreement; and (iii) other mitigation strategies, with no specific infractions identified to date.

Assertion:

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind ECI Exploration and Mining Inc.

Date: May 31, 2024



Samantha Shorter

Chief Financial Officer