According to LBMA provision this document has to be made publicly available by the refiner.

<table>
<thead>
<tr>
<th>Company Name:</th>
<th>HUNAN SHUI KOU SHAN NONFERROUS METAL GROUP CO.,LTD</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Team Leader:</th>
<th>Audit Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alice ZHANG</td>
<td>Henry TENG (witness auditor)</td>
</tr>
</tbody>
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<table>
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<tr>
<th>Type of Audit</th>
<th>Date of Opening Audit</th>
<th>Date of Closing Audit</th>
<th>Total n° of man/days</th>
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<tr>
<td>Full assessment Audit</td>
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<td>20/Mar./2019</td>
<td>3</td>
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<tr>
<td>Assessment Review</td>
<td></td>
<td></td>
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<tr>
<td>Follow-up Assessment</td>
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<table>
<thead>
<tr>
<th>Site(s) address(es):</th>
<th>NO 19 DOKOU ROAD ,SHUI KOU SHAN ZHEN changning City Hunan Province China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refiner Contact Person:</td>
<td>Name: Ms. Li Pu Title: Head of the international trading department Email: <a href="mailto:13975465533@139.com">13975465533@139.com</a> Phone: +86-13975465533</td>
</tr>
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<table>
<thead>
<tr>
<th>Non Compliance – risk level</th>
<th>Compliant</th>
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<tbody>
<tr>
<td>Based on the assessment conclusions, the overall rating of the Refiner’s performance is determined to represent:</td>
<td>Yes</td>
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<table>
<thead>
<tr>
<th>Is a follow up visit required? (in case of high risk non-compliance)</th>
<th>Yes</th>
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<tr>
<td>Date(s) of follow up visit:</td>
<td>No</td>
<td>Assigned auditor: NA</td>
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</table>

**AUDIT SUMMARY**

**Basic Inputs**
- Confirm if the data provided in the application/ self-assessment phase is valid.
  - *This is the first full assessment audit for silver carried out by BV. One auditor and 3 man days were arranged for this audit.*
See Third party Audit Checklist (GENERAL INFO POINT F) and describe below percentages

There are total around 45 silver supplier during the year 2018 (from Jan.1/2018 to Dec.31/2018) The number of silver supplying counterparties is as follows:

- **Industrial mining operations (large or small scale):** 18%
  - Type of companies: //Lead Mine Company
  - Forms of Silver: // Lead mine
  - Countries of provenance: // China

- **Artisanal mining operations:** 0%
  - Type of companies: //
  - Forms of Silver: //
  - Countries of provenance: //

- **Traders / brokers:** 82%
  - Type of companies: // Foreign trading company, domestic company
  - Forms of Silver: // Lead mine
  - Countries of provenance: // China, Peru, Bolivia, Mexico, Brazil, Turkey

- **Recycled material/collectors:** 0%
  - Type of companies: //
  - Forms of Silver: //
  - Countries of provenance: //

- **Industrial scrap providers:** 0%
  - Type of companies: //
  - Forms of Silver: //
  - Countries of provenance: //

- **Others:** 0%
  - Type of companies: //
  - Forms of Silver: //
  - Countries of provenance: //

0 high risk silver supplying counterparty is found during the audit.
50% of the suppliers are classified as low risk suppliers and 50% of them are not classified risk level

**Description of the company activities [mandatory for all audits]:**

Hunan Shuikoushan Nonferrous Metals Group Co., Ltd. (SKS), is located at Songbai town, 40 km south to Hengyang City, Hunan province, is a large state-owned enterprises including non-ferrous metal mining, ore dressing, smelting, processing and trade. The company joined the Hunan Nonferrous Metals Holding Group Co., Ltd. in 2004, and joined the China Minmetals Corporation in 2009.

The company formerly known Shuikoushan Mining Bureau, was founded in 1896, now has 110 years of history. The late nineteenth century, "Reformation Movement, industry trend to save the country" thinking, gave birth to Shuikoushan Lead & Zinc Mining Agency, the first to open the National Western methods of mining, ore dressing and smelting of its kind, won the honor of the lead metropolis and "the cradle of China's..."
lead & zinc industry ".

SKS has a glorious revolutionary tradition. In 1922, the Shuikoushan Labor Movement led by Mao Zedong, Jiang Xianyun gained the victory. Song Qiaosheng, Geng Biao of the older generation of proletarian revolutionaries stepped on revolution from Shuikoushan journey

SHUIKOUSHAN has staff of 10,210. The SKS operates three mines (copper, lead, zinc), the copper, the lead, the zinc, the zinc oxide, the rare metals and mercury-free zinc smelter each one. Among, its Kangjiawan mine is the largest lead, zinc and gold mine in Hunan Province. Its Baifang Copper mine is the only copper enterprise with mining, dressing and smelting process integrity in Hunan province. The SKS has such the production capacity of major products: mining and dressing capacity at 600,000 tons per year, smelting capacity at 200,000 tons per year, gold capacity at 1,000 kilograms per year, and silver capacity at 240 tons per year. Company’s indicators of production scale and sales income are the forefront among the Hunan province non-ferrous industry.

Company has total assets of 4.5 billion yuan, sales income will exceed 5.0 billion yuan in 2010. "Twelfth Five-Year" period, the company will be striding toward the goal of billions Group Manual adequacy:

Key clauses in LBMA Responsible Silver Guidance are addressed in the LBMA compliance policy statement that is prepared by the LBMA compliance committee.

All applicable statutory requirements are mandatory implemented and maintained.

Assessment of level of compliance of Refiner’s systems, processes, procedures and practices according to the LBMA Responsible Gold Guidance:

Step 1: Establish strong Refiner management systems

See Third party Audit Checklist

1. Adopt a Refiner policy regarding due diligence for supply chains of Gold. Provide an overview of the management systems governing the due diligence policy for Gold supply chains.
2. Set up an internal management structure to support supply chain due diligence. Review the management structure for due diligence, including the methods of communication to internal and external parties.
3. Establish a strong internal system of due diligence, controls and transparency over Gold supply chains, including traceability and identification of other supply chain actors. Inventory Control Mechanism: Conduct a review of the inventory control mechanism and the documentation kept on file for Gold bearing material.
4. Strengthen Refiner engagement with Gold supplying counterparties, and where possible, assist Gold supplying counterparties in building due diligence capacities. Review the due diligence policy communicated to the Gold bearing counterparties.
5. Establish a Refiner-wide communication mechanism to promote broad employee participation and risk identification to management. Review the internal communication mechanisms in place at the Refiner focusing on the mechanism for voicing concerns over the gold supply chain.
The refiner has developed the LBMA compliance policy regarding due diligence for supply chain of Silver in compliance with LBMA Responsible Silver Guidance. The policy provides an executive summary of the management systems and procedures governing the due diligence policy for silver supply chains. The policy and procedure was last issued on Feb.12,2019

The refiner has implemented an internal management structure to support supply chain of silver in compliance with LBMA Responsible Silver Guidance. The LBMA compliance team is led by the deputy GM with five compliance team members including finance manager, trading manager, supplying manager, sales manager, quality manager. The Company Policy is communicated to all employees related to the silver-refining process. The refiner has appointed a compliance officer responsible for enforcing the implementation of the due diligence procedures and who reports to the management. The Senior Management is responsible for overseeing the supply chain and ensures that the compliance department and related departments are provided with adequate resources in order to fulfill their responsibilities.

The refiner upholds the implementation of their internal due diligence procedures, controls and processes. Transactions are consistently recorded and records are kept for a period of at least 5 years.

The refiner has a communication mechanism in place that allows employees to voice concerns over the Silver supply chain or any newly identified risk via suggestion box anonymously. Based on interview, employees are aware of the mechanism.

**STEP 2: Identify and assess risk in the supply chain**

*See Third party Audit Checklist*

1. Identify risks in the Gold supply chain. Assess the risk assessment policy for all Gold supply chains.
2. Assess risks in light of the standards of their supply chain due diligence system: Supply chain due diligence: Review “Gold supplying counterparty” files to verify if the Refiner collects the required basic information for all business entities
3. Risk assessment reporting. Evaluate the risk assessment reporting mechanisms, organization chart and communication

The refiner has a system for assessing risk among Silver supplying counterparties according to the LBMA Responsible Silver Guidance. The system allows taking into account risks in the entire Silver supply chain from the point of origin to the refiner. The risk assessment applies to all inputs of mined Silver received within the assessment period.

The refiner collects information to determine risk categories. The refiner has assigned a risk level to each silver supplier. During the assessment period, all 32 silver suppliers are assigned as low risk.

No subcontractor is used by the refiner.

The Compliance Officer regularly reports risk assessment and results to the Senior Management. The Senior Management is responsible for approving each new supply chain assessed as high risk, and re-assesses these on an annual basis to determine whether the business relationship should continue. Till now no high risk supplier was found.

**STEP 3: Design and implement a management strategy to respond to identified risks**

*See Third party Audit Checklist*

1. Policy: formal risk mitigation strategy in place.
2. Improvement plans: strategy regarding the procedures for following up on improvement plans.

Risk mitigation strategy has been established formally in the refiner’s procedure. Senior Management actively
The Compliance Officer and the compliance team are aware of the enhanced due diligence measures and these are documented ready to be implemented if necessary.

Step 4: Arrange for an independent third-party audit of the supply chain due diligence

See Third party Audit Checklist

This is the first year that the refiner completes an LBMA Silver Guidance, with audits completed once a year. The refiner has ensured that these audits are diligently completed in accordance with the LBMA Guidance and the OECD Guidance.

STEP 5: Report on supply chain due diligence

See Third party Audit Checklist

Refiners should make available their company policy regarding gold supply chain and the LBMA Summary Report.

The refiner will publish the LBMA summary report after approval on their website http://www.csksg.com/english/about.asp

<table>
<thead>
<tr>
<th>ASSESSMENT CONCLUSIONS</th>
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March 2018

LBMA Responsible Gold Guidance –
Summary Assessment Report
For third-party audits based on ISO19011:2011

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<th>diligence</th>
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<tbody>
<tr>
<td>Based on the above assessment conclusions, the overall rating of the Refiner’s performance is determined to represent:</td>
<td>✓</td>
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</table>

### Assessment scope:

<table>
<thead>
<tr>
<th>Refiner location(s) included in the assessment scope</th>
<th>Shigaitang Industrial Zone, Beihu Dist, Chenzhou City, Hunan Province, China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment Period</td>
<td>Jan.1/2018~Dec.31/2018</td>
</tr>
</tbody>
</table>

### Assessment methodology:

- The evidence of compliance that was reviewed included:
  - Silver supplier chain policy, silver supplier chain due diligence procedure, silver source risk assessment procedure, silver risk mitigation strategy, traceability system, training record, risk assessment record, business certification, transaction record, silver receiving book, silver assay record, etc.
- The following areas of the facility were visited during the tour:
  - Office, warehouse, bottom blowing oxygen furnace, lead reduction furnace, lead electrolysis workshop, silver refine workshop, casting workshop, lab and all the activities production area related silver product.
- The following interviews were conducted with management:
  - Mr. Ming Zhu, Deputy GM
- The following interviews with employees were conducted:
  - Mr. Zeng guangqin, Deputy plant manager
  - Ms. Jingjing Chen, Compliance officer
  - Ms. Cao lifang, Finance department
  - Mr. Liao Wei, Production department
  - Mr. Zhong guiming, Supplier chain
  - Ms. Li Pu, Trading department
  - Mr. Lan zufeng LAB analysis
  - Mr. Li yufeng, Quality department
  - Mr Zeng guoming Operation department
  - Ms. Jiao Wang, Production department

### Any significant or inherent limitations or areas not covered that were within the assessment scope:

There were no significant or inherent limitations or areas not covered that were within the assessment scope.

### Assessment criteria:

- The auditor or assessment team took into account all relevant objective evidence provided by the Refiner. Relevant evidence was either qualitative or quantitative in as far as it is appropriate and sufficient to support the auditor or assessment team’s conclusions. Appropriate evidence is evidence that is relevant and reliable. Sufficient evidence refers to the amount of evidence provided to allow the auditor or assessment team to reach a conclusion.
Any actual or potential gaps in the Refiner’s systems in regards to the LBMA requirements are rated in accordance to the level of risk each presents to the credibility and integrity of the LBMA Responsible Silver Programme for the responsible sourcing of silver-bearing materials.

The Auditors confirm that:

☑ The information provided by the Refiner is true and accurate to the best knowledge of the Auditor(s) preparing this report.

☑ The findings are based on verified Objective Evidence relevant to the time period for the assessment, traceable and unambiguous.

☑ The Auditor(s) have acted in a manner deemed ethical, truthful, accurate professional, independent and objective.

☑ The Auditor(s) are properly qualified to carry out the assessment at this Refiner’s facility.

Lead Auditor: Alice ZHANG

Signature: 张利英 Alice Zhang

Date: 23 Mar./2019