

Daye Nonferrous Metals Co., Ltd.

LBMA Responsible Gold Guidance Compliance

Independent Reasonable Assurance Report

The year ended 31 December 2017

Independent reasonable assurance statement by Deloitte Touche Tohmatsu Certified Public Accountants LLP to the directors of Daye Nonferrous Metals Co., Ltd. on its Compliance Report for the London Bullion Market Association's Responsible Gold Guidance for the year ended 31 December 2017

We were engaged by Daye Nonferrous Metals Co., Ltd. ('Daye Nonferrous') to provide reasonable assurance on its Compliance Report for the London Bullion Market Association's Responsible Gold Guidance ('the Responsible Gold Guidance') for the year ended 31 December 2017 ('the Compliance Report').

Our engagement was performed with the objective of providing a conclusion on whether the assertions made by management, in their Compliance Report for the year ended 31 December 2017, with respect to the activities undertaken to demonstrate compliance with the Responsible Gold Guidance, are fairly presented.

The Responsible Gold Guidance comprises the criteria by which Daye Nonferrous has measured and reported their level of compliance to the Responsible Gold Guidance and this was used for the purposes of evaluating management's assertions.

Responsibilities of management

The management of Daye Nonferrous are responsible for the preparation and presentation of the Compliance Report for the year ended 31st December 2017 in accordance with the *Responsible Gold Guidance*. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived and for such internal control as the management determine is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Assurance providers' responsibilities

Our responsibility is to express our reasonable assurance conclusion on the assertions made by management in the Compliance Report for the year ended 31 December 2017 with respect to the activities undertaken to demonstrate the level of compliance with the Responsible Gold Guidance.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued ("ISAE 3000") by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA *Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors (the Audit Guidance)*.

That ISAE 3000 standard requires us to comply with ethical requirements and to plan and perform our reasonable assurance engagement to obtain sufficient appropriate evidence on which to base our reasonable assurance conclusion. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion.

Reasonable assurance procedures performed

We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Enquiries of management to gain an understanding of Daye Nonferrous processes and risk management protocols in place
- Enquiries of relevant staff responsible for the preparation of the Report
- Site visits to the Refiner
- Assessing the suitability of the policies, procedures and internal controls that the Daye Nonferrous has in place to conform to the *Guidance*
- Review of a selection of the supporting documentation, including gold supplier counterparty due diligence file and transaction's documentation

- Testing a selection of the underlying processes and controls that support the information in the Report
- Review of the presentation of the Report to ensure consistency with our findings

Inherent limitations

Non-financial information, such as that included in the Daye Nonferrous' Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by refiners to comply with the Responsible Gold Guidance may differ. It is important to read Daye Nonferrous' gold supply chain policy which can be reached from the contact of Daye Nonferrous.

Independence and competency statement

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

Conclusion

In our opinion, Daye Nonferrous' Compliance Report for the year ended 31 December 2017, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is in accordance with requirements of LMBA responsible Gold Guidance.

Restriction on liability

This report has been prepared for Daye Nonferrous for the purpose of assisting the management in determining whether Daye Nonferrous has complied with the Responsible Gold Guidance and for no other purpose. Our assurance report is made solely to Daye Nonferrous in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Daye Nonferrous for our work, or for the conclusions we have reached in the assurance report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Deloitte Touche Tohmatsu Certified Public Accountants LLP

09 March 2018

Beijing, the People's Republic of China



Daye Nonferrous Metals Co., LTD
Refiner's Compliance Report
(Year 2017)

Daye Nonferrous Metals Co., LTD

2018.1

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1. Introduction

The LBMA Responsible Gold Guidance has been established for Good Delivery Refiners to adopt high standards of due diligence for their suppliers in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict and to comply with high standards of anti-money laundering and combating terrorist financing practice.

This report summarizes how Daye Nonferrous Metals Co., LTD has complied with the requirements of the LBMA Responsible Gold Guidance in the year ended Dec. 31st, 2017.

2. Company profile

Company's name:	Daye Nonferrous Metals Co., LTD
Location:	115, Xialu Road, Xialu District, Huangshi City, Hubei, China
Reporting year-end:	01/01/2017 - 31/12/2017
Responsible person:	Zhai Baojin (President)
Contact information:	Phone No. +86 714 5392265 E-mail address: shijy@dyys.com

Daye Nonferrous Metals Co., Ltd (hereinafter referred to as “Company” or “we”) is one of the top copper manufacturing companies in the industry of China. The annual production capacity of copper cathode, gold, silver and sulphuric acid are 670 thousand tons, 20 tons, 1000 tons, 1 million tons, respectively. In 2017, Company was ranked as No. 186 of top 500 in China's industry. We are an associated enterprise with integration of mining, smelting, chemical engineering, and rare and precious metals. The output of gold in 2017 was 13.613 tons, including 5.11 from mined gold and 8.503 from recycled gold. Our operations are worldwide and the products of cathode copper and gold were registered in LBMA, becoming one of the refiners on the LBMA Good Delivery List in 2015.

Company's main business includes mining minerals (including copper ore, iron ore and sulphur, etc.) refining and plating nonferrous, processing gold and silver products, manufacturing sulphuric acid, selenium dioxide, copper sulphate, nickel sulfate, selling

minerals (including copper ore, iron ore and sulphur), nonferrous production, plating production and copper sulphate.

The main sources of Company's gold products include the gold byproducts generated during copper smelting, and purchased gold-bearing materials including purchased bullion bar, crude gold, anode slime, and gold concentrate. According to the *LBMA Responsible Gold Guidance*, the gold byproducts generated during copper smelting are excluded from the scope of attestation, thus in this report the gold-bearing material only refers to four types: purchased bullion bar, purchased crude gold, purchased anode slime, and gold concentrate. In 2017, company purchased gold-bearing materials from one gold concentrate and two anode slime suppliers, and one purchased bullion bar (Shanghai Gold Exchange). No crude gold were purchased. All gold-bearing materials were purchased from China.

Company has certifications of ISO9001:2008 system and ISO14001:2004 system, and the certifications include the Design, Development, Production of Cathode Copper, Gold, Silver and Sulphuric Acid, and the authorization of geological prospecting and drilling. Besides, company also has OHSAS18001:2007 certification which covering Production of Cathode Copper, Gold, Silver, Sulphuric Acid and the activities of geological prospecting and relevant management.

The parent firm of the Company, China Daye Nonferrous Metal Mining Co. Ltd., went into public on the Hong Kong Stock Exchange (hereinafter referred to as "HEKx") in Mar. 2012, and the stock code is 00661.HK. As a subsidiary, the Company should comply with the regulatory requirements of internal control for the listed corporation (HKEx Practice Note 21 and Consolidated Main Board Listing Rules). Practice Note 21 sets a rule that the sponsor should review the internal control of the corporate planning to be listed. Besides, *Consolidated Main Board Listing Rules* requests directors at least annually review the effectiveness of internal control systems of the issuer and its affiliated corporations. The review should be reported to the stakeholders in the Corporate Governance Report, which should cover all vital monitoring aspects, including operation monitoring, compliance monitoring, and risk management functions, etc.

3. Summary of compliance activities

Step 1: Establish strong company management systems

Compliance Statement:

In the year ended Dec. 31st 2017, we have fully complied with the requirement of Step 1: Establish strong company management systems.

Internal Management Organization Structure: Gold Supply Chain Compliance Committee ("Compliance Committee") was founded by the Company on Dec. 8th, 2014. Deputy General Manager Yu Liming has taken up the post of Compliance Committee Leader in 2017. Compliance Committee set up a Compliance Office in Production Management Department, and appointed the leader of Production Management Department as the Compliance Officer to handle with daily affairs. The Deputy General Manager in charge of Commerce Department of the Company is the Compliance Committee Leader, and the Manager of Commerce Department is the Compliance Committee deputy leader. The members of Compliance Committee also include: Managers or Deputy Managers of Commerce Department (the original Marketing Department and the Investment & Trade Department), Company Management Department, Finance Department, Internal Security Center, Legal Affairs Department, Auditing Department, Quality Measurement Center, Human Resource Department, and Manager or Deputy Manager of Production Management Department. As the governing body of due diligence management, Compliance Committee is in charge of interpreting, organizing, leading and supervising the gold supply chain due diligence, and takes the responsibility for the efficiency of the gold supply chain management. In detail, the Compliance Committee is responsible for: 1) reviewing *Daye Nonferrous Metals Co., LTD Responsible Gold Supply Chain Due Diligence Management Policy* (hereinafter referred to as "*Due Diligence Management Policy*"; 2) appointing Compliance Officer of gold supply chain; 3) authorizing the Compliance Officer to review the due diligence results and risk management strategy, and 4) supervising the implementations of risk identification, risk assessment, risk control and mitigation measures of gold supply chain.

At the beginning of 2015, Company finished the Refiner's Compliance Report (Year 2014) and delivered to LBMA. The Refiner's Compliance Report (Year 2014) introduced the overview of the Company and the activities of compliance, which became vital references to apply for the LBMA's Good Delivery Refiners. In June 2015, the Company was added to the list of LBMA's Good Delivery Refiners officially. Meanwhile, the relevant information was disclosed on the official website of LBMA.

On the first regular meeting of Compliance Committee held on Dec. 9th, 2014, Mr. Shi Jianyuan was appointed as the Compliance Officer. Mr. Shi has extensive experience in production management and gold supply chain management. The responsibilities of the Compliance Officer include: 1) reviewing the due diligence results and risk rating results submitted by the gold-bearing material procurement departments; 2) reviewing migration strategies of the gold-bearing material procurement departments; 3) establishing gold supply chain management internal staff communication channels and implementing the internal employee training; 4) and reporting major matters of responsible gold supply chain to Senior Management.

On regular meeting of Compliance Committee held on Aug. 21st, 2017, the Deputy General Manager Yu Liming hosted it. Each department reported the implementation of gold supply chain due diligence policy. The Compliance Officer Shi Jianyuan reported the change of Deputy General Manager and the operation of gold supply chain in the first half of 2017. The Committee made several arrangements as follows: 1) due to personnel turnover in key functions, Yu Liming has taken up the post of Compliance Committee Leader. 2) based on the rules of *Due Diligence Management Policy*, all of departments should perform their tasks effectively and fairly. 3) organizing the committee members to discuss the one low-risk derivation found by the third party last year and planning specific rectification measures. 4) gold-bearing material departments should learn the *Due Diligence Management Policy* in depth. Follow the rules of information collection, risk assessment and classification to ensure all suppliers meet the requirements. 5) Company Management Department should have an efficient communication and coordination with the third-party assurance agency and monitor the implementation of rectification measures.

Company Policy: We drafted the *Due Diligence Management Policy* in 2014 and pilot adopted this policy company-wide, meaning that all related departments and staff implement the relevant work according to the *LBMA Responsible Gold Guidance*. And the *Due Diligence Management Policy* is still in use for the year of 2017.

Due Diligence Management Policy defines the responsibilities of all related departments. Gold-bearing material procurement departments, namely the Commerce Department, is responsible for implementing due diligence for domestic and overseas gold-bearing material suppliers respectively, including: 1) launching gold supply chain due diligence information collection, risk identification, risk assessment and classification, risk mitigation strategy and supplier annual additional evaluation; 2) reporting major matters of the gold supply chain compliance management to the Compliance Officer; 3) spreading and implementing the policies and procedures of company's gold supply chain management to the suppliers; 4) and filing the material and documentations during the process of the supplier due diligence. In addition, *Due Diligence Management Policy* also defines the responsibilities of Company Management Department, Finance Department, Auditing Department, Internal Security Center, Legal Affairs Department, Quality and Metrology Center, Human Resource Department and Production Management Department.

The core framework of *Due Diligence Management Policy* is in accordance with *LBMA Responsible Gold Guidance* and *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Area*. The *Due Diligence Management Policy* includes: 1) the risk oriented supplier information collection mechanism; 2) method of supplier risk identification, risk assessment, risk rating, and risk control; 3) monitor on supplier trading risk; 4) annual supplier assessment mechanism; 5) communication mechanism with suppliers and internal staff; 6) requirement for training management and file preservation. Also, *Due Diligence Management Policy* has included the tools such as *Gold-Bearing Material Supplier Due Diligence Flowchart*, *Gold-Bearing Material Supplier Annual Additional Assessment Flowchart*, *LBMA RGG Questionnaire*, *LBMA Supply Chain Assessment Form* and so on.

Supplier Due Diligence: Based on the existing supplier development standard and the requirement of *LBMA Responsible Gold Guidance*, we supplemented the requirements related to due diligence about human rights abuse, anti-money laundering and combating terrorist financing to our existing supplier evaluation progress. For new suppliers, the due diligence should be finished before signing the trade agreement with them. As a part of continuous due diligence, gold-bearing materials procurement department should concentrate on trading risk continuously and implement the risk assessment after contract signed to ensure there is no transaction with high risk supplier. At the end of each year, gold-bearing material procurement departments are responsible for collecting changes of suppliers' information and conducting annual due diligence supplement assessment of supply chain to decide whether to change supplier risk management strategy. *Responsible Gold Supplier Due Diligence Form—Annual Supplement Assessment* should be filled in by gold-bearing material procurement departments in order to record the information.

For the gold-bearing material suppliers in 2017, we conducted the due diligence process for all existing suppliers following a risk-based approach. Specific documents related to supplier risk assessment and transactions are well maintained. All the due diligence findings and results were reviewed and approved by the Compliance Officer and the Leader of Compliance Committee.

Cooperation with Suppliers: According to the requirement of *LBMA Responsible Gold Guidance* and Annex II of *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, Company draw up the *Supplier Responsible Gold Commitment Letter*. Gold-bearing material procurement departments are responsible for communicating with external counterparties on the requirements from *LBMA Responsible Gold Guidance*, as well as Company's policies and procedures of the responsible gold supply chain due diligence. We try to make sure the external counterparties understand and follow the new policies and procedures of LBMA about responsible gold timely.

Gold-bearing material suppliers should sign the *Supplier Responsible Gold Commitment Letter* before signing contracts to ensure that they are aware of Company's compliance commitment to *LBMA Responsible Gold Guidance*, and understand our gold supply chain policy and relevant requirements to decrease the cooperation risks. The gold-bearing material supplier of Company in 2017 signed the *Supplier Responsible Gold Commitment Letter*.

Training and Communication Mechanism: To help all staff involved in the gold supply chain to have a thorough understanding about the content, method and procedure of due diligence, we held a training on International Letters of Credit and gold supply chain on July. 28th, 2017. The training was targeted on leaders and staffs of the Commerce Department and gold supply chain related members in the Production Management Department. The training content contains explanation of the due diligence policy and the skills on related management. The attendance list and the feedback forms were well-maintained by the Human Resource Department. And the training was found included in the primary training schedule for the year of 2017.

We posted the *Due Diligence Management Policy* on the bulletin board of the plant and upload to the Office Automatic System, through which every staff has access to read. Besides, we developed a company-wide communication mechanism to promote broad employees' participate on risk identification and risk management. Employees are welcomed to voice their concerns over the gold supply chain or any newly identified risk via the public channel like hotline, E-mail or mailbox.

Step 2: Identify and assess risks in the supply chain

Compliance Statement:

In the year ended Dec. 31st 2017, we have fully complied with requirement of Step 2: Identify and assess risks in the supply chain.

Risk Identification: In the *Due Diligence Management Policy*, we clarified the approach, which should be followed during the actual implementation, for gold supply chain risk identification. Before signing the contract with new suppliers, regarding various types of gold-bearing material (mined gold or recycled gold), we send the *LBMA RGG Questionnaire – Mined Gold* or *LBMA RGG Questionnaire – Recycled Gold* to suppliers to obtain relevant information, which includes supplier's basic information, business activities, beneficial owner(s), management structure, financial details, human resource, gold origin, facilities, and responsible gold supply chain, etc.

After that, the collected information is checked based on *LBMA Due Diligence Checklist – Mined Gold* or *LBMA Due Diligence Checklist – Recycled Gold*. According to the collected information of suppliers, gold-bearing material procurement departments launch the supplier risk identification work. During the risk identification, the following risk issues of suppliers should be paid more attention: 1) whether mineral mining, transportation and transaction process passed through high risk areas or conflict areas; 2) systematic or widespread human rights abuses, such as labor abuse or child labor, associated with the extraction, transport or trade of gold; 3) directly or indirectly support to non-state armed groups or public or private security forces, such as illegal extortion or taxation during mining, transportation and transaction process; 4) bribery and fraudulent misrepresentation of the origin of gold; 5) money laundering and terrorist financing, for example, if the actual controllers or important shareholders of suppliers also operate other high risk business like casino or diamond business, there may be money laundering risk; 6) and all the other participation, promoting and contributions to conflict.

Besides the existing recycled gold supplier (Shanghai Gold Exchange) and gold concentrate supplier (Hu Bei Jin Chen Mining Co., Ltd), Huangshi Xingxin Mining Co., Ltd and Daye Yinkai Mining Co., Ltd were the new anode slime suppliers in 2017. No crude gold was purchased. As of Dec. 31st 2017, we have completed the risk identification of all the gold-bearing material new and existing suppliers following the steps above.

Risk Assessment: We defined the principles and procedures of risk assessment in the *Due Diligence Management Policy*, including primary risk assessment, additional risk assessment for medium and high risk supplier, transaction risk assessment, and supplier annual additional assessment.

The assessment of responsible gold supply chain is conducted with respect to Country Risk, Company Risk and Commodity Risk before proceeding the transactions. The Country Risk involves the gold-bearing material originating from or transported through a conflict-affected or human right abuse area (cross-reference to Heidelberg Barometer). The Company Risk involves five risk issues, such as the supplier or its up-streaming company is located in a high risk country that is related to money-laundering, criminal or corruption. The Commodity Risk involves total of five risk issues, one of which is the route of gold-bearing material output, transit or transaction transport passes through areas of worldwide conflict or high risk violations of human rights. The security and logistics companies directly or indirectly supported by non-governmental armed groups or the security forces, such as shipping and trading process is illegal extortion or taxation.

Based on the risk issues above, a preliminary risk assessment is implemented. For non-low risk suppliers, an enhanced due diligence should be performed by gold-bearing material procurement department, by following the additional due diligence procedures. An on-site investigation / visit would be carried out to substantiate the documentary supply chain due diligence findings, including the identification of the counterparty and verifying its identity and information using reliable, independent source documents, data or information; checking that the counterparty and their beneficial owners' identity; checking and verifying the information with government surveillance lists. For mined gold, the information of each company involved in the gold supply chain from mine to refiner, should be verified including gold producers, intermediaries, gold traders and exporters, transporters. For recycled gold, the information of each counterparties involved in the gold supply chain from recycled gold supplier to refiner (including transportation provider) should be checked.

Gold-bearing material procurement departments are responsible for the risk assessment during the transaction. Transaction should be identified as high risk when the following issues happen: mined gold or recycled gold were once transported through a conflict-affected or human right abuse high risk area; information provided by the supplier is seriously inconsistent with the information obtained by the Company. The Company would suspend the relationship and report to Compliance Officer immediately, if gold-bearing material procurement departments found the 'normal cooperation' supplier potentially involved in or may be involved in money laundering, financing of terrorism, conflicted-affected and high-risk areas or violations of human rights activities. Senior Management would authorize the investigation of the supplier that has potential high risk. If there is solid evidence to prove that supplier is involved in money laundering, financing of terrorism, conflicted-affected and high-risk areas or violations of human rights, we would abandon the cooperation relationship immediately.

As of Dec. 31st 2017 we completed the risk assessments of all gold-bearing material suppliers. For Country Risks, all occurred transactions were identified as non-high risk, all of the gold-bearing materials suppliers are within the boundary of China. For Company Risks, Shanghai Gold Exchange, the only national market for legal gold exchange, was originally authorized by China's State Council and established by the central bank of China. With a very strict selecting mechanism and highly-traceable gold resources, it is considered as the low-risk supplier. Hu Bei Jin Chen Mining Co., Ltd, Huangshi Xingxin Mining Co., Ltd and Daye Yinkai Mining Co., Ltd are private-owned suppliers and their business license and social credit report were obtained. We knew about the property and transaction type of the suppliers, and checked whether the recognizable beneficial owners are in the list of terrorist organizations issued by Ministry of Public Security of the People's Republic of China. We collected the information of beneficial owners via questionnaire and business license (to see the legal person). Besides, other beneficial owners of listed firm can be confirmed through the website of the enterprise and annual report. According to the result of risk assessment, all the gold-bearing material suppliers with respected to Company Risks were identified as low risk in 2017.

Meanwhile, we assessed the Commodity Risk of our suppliers by checking and comparing the weight and quality between goods delivery notes and our own assay reports. Based on the results of risk assessment, all the gold-bearing materials suppliers with respected to Commodity Risk were identified as low risk in 2017.

Compliance Officer is responsible for reviewing the result of due diligence and risk assessment, and the Leader of Compliance Committee is responsible for approving the result of due diligence and risk assessment. In 2017, the result of risk assessment for all gold-bearing material suppliers were recorded into *LBMA Supply Chain Assessment Form*, which includes the basis of the assessment, the comments and date of the approval. Additionally, all the results of gold-bearing material suppliers were summarized into *Daye Nonferrous Metals Co., LTD Gold-Bearing Materials Supplier – Risk Classification Table*. In 2017, all the gold-bearing material suppliers were identified as low-level risk.

Step 3: Design and implement a strategy to respond to identified risks

Compliance Statement with Requirement:

We have fully complied with Step 3: Design and implement a strategy to respond to identified risks in the year ended Dec. 31st 2017.

According to the result of supplier due diligence, the suppliers are to be classified into three classes: low-level risk, medium-level risk, and high-level risk. We generate different risk management strategies for them. In 2017, all the gold-bearing material suppliers were identified as low-level risk.

Risk Management Strategy for Low-level Risk Supplier: If the due diligence discovers a few matters that are not involved in money laundering, financing of terrorism, encouraging conflict or human rights violations, the company can maintain the trading as well as implementing risk reduction measures. For instance, if the supplier can provide the risk solution with clear improvement plan and time schedule, the company can build a 'normal cooperation' relationship with the supplier. Risk solution should including clear

performance targets, performance evaluation indicators based on quantitative and qualitative analysis and reasonable deadline.

Risk Management Strategy for Medium-level Risk Supplier: If the due diligence discovers the clues indicating that the supplier is involved in money laundering, financing of terrorism, encouraging conflict or human rights violations, the company should suspend the trading and cooperating with the supplier. Meanwhile, the company should take risk mitigation measures, such as putting off purchasing gold-bearing material from the supplier until obtaining more information and evidences.

Risk Management Strategy for High-level Risk Supplier: If the result of due diligence and risk assessment show the grade of supplier is high-level risk, and the company did not take risk mitigation measures to improve or reduce the risk grade, for example, a conclusive evidence proves that the supplier is definitely involved in money laundering, financing of terrorism, encouraging conflict or human rights violations, the company should terminate trading and cooperating with the supplier until the supplier takes risk solutions. Meanwhile, the company can re-cooperate with the supplier until more information and evidences are obtained to prove that the risk grade of the supplier has been decreased to the non-high risk. For supplier which has risk resolution with “normal cooperation” in due diligence, the gold-bearing material procurement departments are responsible for the implementation of the risk resolution. According to the due diligence results for 2017, there was no suppliers that need a management strategy of risk mitigation.

Continuous supervision of risk: At the end of each year, gold-bearing material procurement departments are responsible for collecting all suppliers’ information change and conducting the annual supply chain due diligence supplement assessment to decide whether to continue cooperation. *Responsible Gold Supplier Due Diligence Form—Annual Supplement Assessment* should be filled in by gold-bearing material procurement departments in order to record the information. Whether an adjustment for supplier risk management strategy is necessary depends on the result of the assessment. The results of annual supplement assessment should be reviewed by the Compliance Officer and then reported to the Leader of Compliance Committee. According to the supplementary assessment results, the qualified supplier list should be renewed.

By Dec. 31st 2017, company has finished collecting the due diligence information of the new gold-bearing material suppliers and traced the information updates of the existing suppliers. The annual supplementary assessments in the year end were completed and the cooperation in between will be continuous.

Step 4: Carry out independent third-party audit of refiner's due diligence practices

Compliance Statement with Requirement:

We have fully complied with Step 4: Carry out independent third-party audit of refiner's due diligence practices.

We engaged the services of the assurance provider Deloitte Touche Tohmatsu Certified Public Accountants LLP. They performed a reasonable assurance engagement in accordance with *International Standard in Assurance Engagements ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)*. Deloitte's assurance report can be found in attached document.

Step 5: Report annually on supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 5: Report annually on supply chain due diligence.

We have compiled *Daye Nonferrous Metals Co., LTD Refiner's Compliance Report* based on *LBMA Responsible Gold Guidance* to report our condition for the supply chain due diligence in the year ended Dec. 31st 2017.

4. Management conclusion

As of Dec. 31st, 2017, we built the management system of supply chain process and controls, continued implementing the *Due Diligence Management Policy*. We also collected the information of due diligence, identified and assessed risk in supply chain, designed the risk

management strategy, arranged for an independent third-party audit of supply chain due diligence and compiled a report on supply chain due diligence during 2017. Therefore, we have fully complied with *LBMA Responsible Gold Guidance* in the year ended Dec. 31st 2017.

In the next phase of work, we are committed to continuous improvement on the basis of current gold supply chain due diligence system. We aim to combine the responsible gold supply chain process with our existing supply chain process more effectively. Any corrective action identified will be monitored internally on a regular basis.

5. Other report comments

If users of this report wish to provide any feedback to us with respect to this report, feel free to contact us via telephone +86 714 5392265 or E-mail shijy@dyys.com.