



June 2013

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

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|-------------------------------------|--|
| Company Name: | Zijin Mining Group Gold Smelting Co., Ltd. |
| Reference Standard: LBMA RGG | Other ref.: ISO 19011:2011 |

| Audit Team | |
|---------------------|---------------------|
| Team Leader: | Team Member: |
| Henry Teng | NA |

| Type of Audit | Date of Opening Audit | Date of Closing Audit | Total n° of man/days |
|-----------------------|-----------------------|-----------------------|----------------------|
| Full assessment Audit | | | |
| Assessment Review | 10 January 2018 | 11 January 2018 | 1.5 |
| Follow-up Assessment | | | |

| | |
|--------------------------------|--|
| Site(s) address(es): | 19, Qingang Road, Shanghang, Fujian, China |
| Refiner Contact Person: | |
| Name, Title: | Mr. Zhenglin Liang, Office Vice Manager |
| Email: | lzlgz@163.com |
| Phone: | +0086-13859509309 |

| | Non Compliance – risk level | | | | |
|---|-----------------------------|-----|--------|------|----------------|
| | Compliant | Low | Medium | High | Zero Tolerance |
| Based on the assessment conclusions, the overall rating of the Refiner’s performance is determined to represent: | Yes | 1 | | | |

| | | |
|---|--|--------------------------|
| Is a follow up visit required? (in case of high risk non-compliance) | | No |
| Date(s) of follow up visit: | | Assigned auditor: |

AUDIT SUMMARY

Basic Inputs

This was an assessment review LBMA third party audit. The last full re-assessment audit was conducted on Aug. 10~11/2017, which covering 1 year (from Jan.1/2016 to Dec.31/2016). Since the LBMA programme was introduced in 2013, data was available for the past years. The company name changed into Zijin Mining Group Gold Smelting Co., Ltd. (former as Zijin Mining Group). Therefore, the purpose of this audit was to ensure the LBMA requirement was implemented for all transactions from Jan.1/2017 to Dec.31/2017.

The factory manager and one of his team members attended the opening meeting to introduce the implementation status of supply chain management process. The LBMA compliance team is led by the Deputy President, the factory manager as a vice leader is responsible for LBMA due diligence operation with four



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compliance team members including the sales, finance, quality and admin.. All members of the compliance team were interviewed to verify the level of compliance to the LBMA programme. Key activities such as mining gold and re-cycle gold receiving for refinery process, warehouse and storage facilities were audited. The summary and individual gold transection was documented in the computer system that was presented during the audit.

The number of gold supplying counterparties was verified that information provided in the application for LBMA audit such as number of gold supplies and number of transactions of gold-bearing materials received in the assessment period for purposes of Gold Refining is justified. The main mined gold is from Zijin mountain gold & copper mining company (a sub-company belongs to Zijin Mining Group). As the exploitation for about 20 years, the output of mined gold is decreasing obviously these years, the number of recycled gold supplier are increasing year by year. In fact most suppliers are classified as low risk suppliers that no high risk gold supplying counterparties is found during the audit.

Time allocated for the audit was found adequate to complete the audit process in time.

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

The company is a state holding company with over twenty years for production of gold bars refinery process. Zijin mountain gold & copper mine is the main mined gold supply to the refinery. The company is one of the 7 companies first recognized by Shanghai Gold Exchange as an enterprise that is able to provide standard gold bullion

The refinery consists of electrowinning, refining and regeneration units. In recent years, some in-house new processes were developed with high temperature, pressure, cyanide-free gold loaded carbon desorption, electrowinning, vertical constant current carbon regeneration furnace, hydrometallurgy and extraction for rapid refining to guarantee over 99.999% ultra-high purity gold production.

The product categories range from 1kg, 3kg and 12.5kg standard gold bullions. The company also process small gold bars to customers' requirement and take on externally for gold loaded carbon desorption, EW, purification & reprocessing of gold alloy and sales of 99.999% gold products. "Zijin" trademark is recognized as "International standard production" sign. The company have China Quality 21315® quality AAA credit rating and are listed in the London Bullion Market Association (LBMA) suppliers.

The company and factory are also certified to meet ISO 9001, ISO 14001 and OHSAS 18001 standards and subject to regular and routine audit by third party. Details of these certificates can be found from the company official web site <http://www.zjky.cn>

Manual adequacy:

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

Since the company is a state holding company, 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



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1. The company has developed the LBMA compliance policy regarding due diligence for supply chain of gold since 2013. The policy provides an overview of the management system governing the due diligence policy for gold supply chain. This policy is written in Chinese and published in the company web site and is available during the audit days checked the web site.
2. In order to implement the LBMA compliance policy, the LBMA compliance committee is set up on Aug.14/2013 to define policy and strategy for implementation. Trainings for key persons as well as management team are also provided, the training records were kept well. The committee was updated according to the company organization change
3. Since the company has provided gold refinery services for more than twenty years, the company has already established a system to register all gold materials received for refinery process. Mined gold and recycled gold were all recorded in production management system with weight, test report for each shipment.
4. A gold supply inventory system is also established to record down the quantity of gold received and also the actual quantity of pure gold after in-coming inspection and testing. Almost all the product are standard 1kg and 3kg gold bar for SGE (Shanghai Gold Exchange), each gold stamped with a unique identification number and SGE logo with Zijin logo, a little amount of gold bar was taken by customer with the records kept well in sales department

STEP 2: Identify and assess risk in the supply chain

1. Risk assessment process was established for the LBMA gold supply chain due diligence procedure issued on Jan.1/2013. Since the company is a state holding company, the risk involved for money laundering and terrorism finance was minimized in general. The company also provides service to private individual customers, these individual persons were classified as low risk, and signed a yearly contract with an attached file request to obey the gold supplier chain due diligence police, and the company provided a report about the gold resource provided by these individual persons.
2. Risk assessment for all gold suppliers was conducted since the gold supply chain due diligence policy was established. Business registration certification, tax certification, individual person ID information were provided. Mine license provided, however two mining license are invalid and need update during the audit days. Therefore one low risk non-compliance was identified.
3. Risk assessment reporting and results were presented to the top management that overall results were found in order.

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

1. Since the company is a state holding company, the company has no problem that risks mitigation was involved so far. Although no potential risk is identified, risk mitigation strategy was documented in due diligence process.
2. Since no risk case founded, no follow up on improvement plan was available during these audit days.

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

This was an assessment review LBMA third party audit. The last full re-assessment audit was conducted on Aug. 10~11/2017, which covering 1 year (from Jan.1/2016 to Dec.31/2016). The data is available from Jan.1/2017 to



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Dec.31/2017 for this audit. The company has made good effort to prepare for the assessment and provide relevant information to demonstrate the compliance of LBMA requirements.

STEP 5: Report on supply chain due diligence

This was an assessment review LBMA third party audit. The last full re-assessment audit was conducted on Aug. 10~11/2017, which covering 1 year (from Jan.1/2016 to Dec.31/2016).The last audit report was published on website during the audit days.

| ASSESSMENT CONCLUSIONS | | | | | | |
|---|-------------|-----------|-----------------------------|--------|------|----------------|
| CATEGORY | SUBCATEGORY | Compliant | Non compliance – risk level | | | |
| | | | Low | Medium | High | Zero Tolerance |
| General Information | | Yes | | | | |
| Step 1: Establish strong Refiner management systems | 1.1 | Yes | | | | |
| | 1.2: | Yes | | | | |
| | 1.3 | Yes | | | | |
| | 1.4 | Yes | | | | |
| | 1.5 | Yes | | | | |
| Step 2: Identify and assess risk in the supply chain | 2.1 | Yes | | | | |
| | 2.2 | Yes | X | | | |
| | 2.3 | Yes | | | | |
| Step 3: Design and implement a management strategy to respond to identified risks | 3.1 | Yes | | | | |
| | 3.2 | Yes | | | | |
| Step 4: Arrange for an independent third-party audit of the supply chain due diligence | 4.1 | Yes | | | | |
| Step 5: Report on supply chain due diligence | 5.1 | | | | | |
| Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent: | | Yes | | | | |

Assessment scope:



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|---|--|
| <i>Refiner location(s) included in the assessment scope</i> | 19, Qingang Road, Shanghang, Fujian, China Assessment Scope: Refinery of Gold Bars. |
| <i>Assessment Period</i> | January1/2017 to December 31/2017 |

Assessment methodology:

Documentation

The audit was conducted by document and record review, observation and interview. The LBMA policy was reviewed on site. Samples of records including gold bars receiving and inventory record, finished goods such as gold bar delivery orders were also checked on site. These records were selected from the gold receiving and delivery log books for various suppliers in 2017.

Factory visiting

The audit team visited the main production lines within the factory compound. The company has one three storages production building, the front three storages are for office using, the back three storages are for production workshop including gold warehouse. Gold storage for receiving materials and finished goods, all the production process were visited during the audit. The factory was set up for more than fifteen years ago.

Interview

The persons in charge for customer services, production planning and quality, finance and sales who were members of the LBMA compliance committee were interviewed together with the factory manager.

Records

The gold receiving records was checked. For gold bearing carbon from mine, each shipment has a lot number registered in management system, for example ZC170114-1ABCDEFG, ZC170114-2ABCDEF, ZC170114-3ABCDEF. For recycled gold from refinery company, sales company or individual person, each shipment also has a lot number registered in management system, for example GD171109-1, GD171109-2, GD171110-1, GD171110-2. The lot number has the information of the supplier name, gold weight and gold content test result.

In 2017, total 91.6 tons of gold received for refinery process, over 1.97 tons of gold were refined by Zijin mountain gold & copper mining company and other 1 gold mine company which classified as low risk level, the second category of gold supplier was 7 refinery companies which classified as low risk level, these 7 refinery companies provided 14.7 tons of gold; the third category of gold supplier was 18 individual personal which classified as low risk level, these 18 individual person provided 15.13tons; the fourth category of gold supplier was SGE which provided 59.8tons. So far total of 28 active suppliers were registered and access for risk management that 28 suppliers were classified as low risk

Refined gold bars bearing with SGE logo and company logo are also marked with unique number for delivery.

Sampled from 2017, 85 pieces of 1KG gold bars with unique number IX1766415 to IX1766499, 75 pieces of 1KG gold bars with unique number IX1766975 to IX1767049, 88 pieces of 1KG gold bars with unique number IX1768820 to IX1768907

The gold inventory record in warehouse was also verified.

In 2017, total around 91.3 tons gold transaction were recorded, these amount of gold including 91 tons for SGE



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(Shanghai Gold Exchange), and around 0.48 ton of balance gold transferred from 2017 to 2018.

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

Since the company is also able to provide added service for industrial products, such as 99.999% ultra-high purity gold production, this activity was not covered in the current assessment scope.

Assessment criteria:

The auditor had reviewed 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 to make 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 Gold Programme for the responsible sourcing of gold-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: Henry Teng

Signature:

Date: 12 January 2017