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

**Company Name:** Hunan Province Guiyang Yinxing Nonferrous Smelting Co., Ltd.

**Reference Standard:** LBMA RSG

<table>
<thead>
<tr>
<th>Audit Team</th>
<th>Team Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Henry TENG</td>
<td>NA</td>
</tr>
<tr>
<td>Henry TENG (Follow Up Assessment)</td>
<td>NA (Follow Up Assessment)</td>
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<table>
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<tr>
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<th>Date of Closing Audit</th>
<th>Total n° of man/days</th>
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<td>23/Mar./2019</td>
<td>3</td>
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<td>Assessment Review</td>
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<td>Follow-up Assessment</td>
<td>21/ Jun./2019</td>
<td>21/ Jun./2019</td>
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</table>

**Site(s) address(es):** Leidaling, Lufeng, Guiyang County
Chenzhuo City
Hunan Province
China

**Refiner Contact Person:** Name: Mr. Changji Li
Title: Head of the international trading department
Email: 187021549@qq.com
Phone: +0086-18587657983

<table>
<thead>
<tr>
<th>Non Compliance – risk level</th>
<th>Compliant</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>Zero Tolerance</th>
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<tr>
<td>Based on the assessment conclusions, the overall rating of the Refiner’s performance is determined to represent:</td>
<td>Yes</td>
<td></td>
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**Is a follow up visit required? (in case of high risk non-compliance)** Yes

**Date(s) of follow up visit:** Jun.21/2019

**Assigned auditor:** Mr. Henry TENG

**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. This is a follow up assessment carried out on Jun.21, 2019 only to verify whether all the NCs in the last assessment close or not.*
See Third party Audit Checklist (GENERAL INFO POINT F) and describe bellow percentages

There are total 10 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): 0%
  - Type of companies: //
  - Forms of Silver: //
  - Countries of provenance: //

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

- Traders / brokers: 100%
  - Type of companies: // Foreign trading company, domestic trading company
  - Forms of Silver: // Lead mine (silver content is less than 15%, the highest is 1% by weight)
  - Countries of provenance: // China, Peru, Bolivia, Mexico, Canada, Italy, Morocco, 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.
100% of the suppliers are classified as low risk suppliers and 0% of them are classified as medium risk suppliers.

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

Hunan Province Guiyang Yinxing nonferrous smelting Co., Ltd. Company was established on February 25, 2000, with a registered capital of 2 million yuan, is a private joint-stock Co., Ltd., is a set of non-ferrous metal smelting, comprehensive recovery, international trade, technology research and development, production and operation as one of the national high and new technology enterprises. At present, the company covers an area of more than 600 acres of area, more than 1500 employees, total assets of nearly 20 billion yuan.

The main products of the company is electrolytic lead, comprehensive recovery of sulfate, gold, silver, zinc oxide, matte, tellurium, bismuth, indium, antimony and other by-products. Has the national advanced lead and zinc production, development and deep processing technology, with an annual output of electric lead 10 million tons, 10 million tons of sulfuric acid, zinc oxide 2 million tons, 400 tons of silver, 1000 kg of gold, matte 2000 tons, 1300 tons of bismuth, tellurium 15 tons, production capacity of 12 tons of indium, annual output value of 50 billion yuan above.
In 2003, the company achieved import and export rights, and through the international quality management, environmental management, occupational health and safety management (ISO14001, ISO9001, OHSAS18001) three system certification. "Vulcan" brand trademark was named Hunan province famous trademark. Hunan Province, the average annual rate of 2013 selected non-ferrous metals industry 50 enterprises, in November 2014 the first 100 private enterprises in Hunan province.

**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. This policy is published in the company website available at http://www.hngyyx.cn/news.aspx?NewsCateid=128&CateID=128. 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 in Jan.,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 six compliance team members including finance manager, international trading manager, supplying manager, sales manager, quality manager and production manager. Regular training sessions are held for all staff involved with or holding responsibilities related to the supply chain, as well as the management team. At least annually, the last training was conducted on Jan.16/2019 and the training records were kept well.

The Company Policy is communicated to all employees related to the silver-refining process. No evidence shows the procurement policy was communicate to all its silver supplying counterparties, one medium risk non-compliance was raised during this audit. During the follow up audit onsite on Jun.21/2019, the supplier provided the evidence showing the supplier has communicate the policy to all its 10 suppliers (5 local suppliers and 5 overseas suppliers), and all the 10 suppliers has signed the writing compliance with the refiner’s own silver.
March 2018

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

supply chain policy.

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 fulfil 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 not requested that all silver-supplying counterparties have committed to and acknowledged in writing compliance with the refiner’s own Company Policy. One medium risk non-compliance was raised during this audit. During the follow up audit onsite on Jun.21/2019, the supplier provided the evidence showing the supplier has communicate the policy to all its 10 suppliers (5 local suppliers and 5 overseas suppliers), and all the 10 suppliers has signed the writing compliance with the refiner’s own silver supply chain policy.

The refiner has a communication mechanism in place that allows employees or external stakeholder to voice concerns over the Silver supply chain or any newly identified risk. But no voice anonymously mothed, one low risk non-compliance was raised during this audit. During the follow up audit, the auditor checked the new published policy issued on Apr.12/2019, on website: http://www.hngyxy.cn/newsinfo.aspx?NewsID=112&CateID=128. Clause 11 of this policy has clear communication mechanism of no voice anonymously mothed. (email and suggestion box were avaible)

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 and recycled Silver received within the assessment period. The refiner has clearly defined risk categories and has procedures prescribing enhanced monitoring for any high-risk categories identified during the due diligence procedures. The company uses relevant criteria to determine areas that are conflict-affected, high risk transit areas that carry high risk of human rights abuses, high risk of money laundering, crime or corruption.

There are 5 local trading counterparties and 5 international trading counterparties, only one foreign trading company’s beneficial owners were identified, for the others 9 supplier, no evidence shows the beneficial owner was identification. One medium risk non-compliance was raised during this audit. During the follow up audit onsite on Jun.21/2019, the supplier provided the others 9 suppliers’ beneficial owners files. And all the files were kept well for review.

No legal certification collected to verify whether the miners meet local law? One high risk non-compliance was raised during this audit, and one following up audit needed in 90 days. During the follow up audit onsite on Jun.21/2019, the supplier provided total 12 miners’ legal mine license including 5 local miners and 12 overseas miners by finished an investigation report through checking the miners’ website and collecting useful information to verified all the 17 miners have meet local law requirement.
The refiner collects information to determine risk categories. The refiner has assigned a risk level to each silver supplier. During the assessment period, all 10 silver suppliers are assigned as low risk, but no document kept for view during this audit, one medium risk non-compliance was raised. During the follow up audit onsite on Jun.21/2019, all the 10 suppliers (5 local suppliers and 5 overseas suppliers) has documented as low risk, and provided.

No subcontractor is used by the refiner.

The refiner has a risk based approach for monitoring transactions to ensure that these are consistent with information on the counterparties’ supply chain and risk profile. The refiner systematically request, gather and maintain the following documentation on file for each lot of Silver-bearing material received.

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 provides support for this strategy. Assessment results did not present any high-risk counterparties at this time.

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.


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<table>
<thead>
<tr>
<th>ASSESSMENT CONCLUSIONS</th>
<th>Non compliance – risk level</th>
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<tbody>
<tr>
<td>CATEGORY</td>
<td>SUBCATEGORY</td>
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<tr>
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Based on the above assessment conclusions, the overall rating of the Refiner’s performance is determined to represent: ✓ ✓ ✓

**Assessment scope:**

- **Refiner location(s) included in the assessment scope:** Leidaling, Lufeng, Guiyang County, Chenzhou City, Hunan Province, China
- **Assessment Period:** Jan.1/2018–Dec.31/2018

**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. Gang Hu, Deputy GM

- The following interviews with employees were conducted:
  - Mr. Gang Hu, Compliance officer
  - Mr. Changjin Li, Compliance leader
  - Ms. Jiexiang Li, Finance department
  - Mr. Zhubiao Li, Supplying department
  - Mr. Yu Zhu, Sales department
  - Mr. Yu Kuang, International trading department
  - Mr. Jiangguo Ou, Quality department
  - Mr. Guijun Zhang, 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: Henry TENG

Signature: [Signature]

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Date: 23/Jun./2019 (Initial Full Assessment) ----- 21/Jun./2019 (Follow Up Assessment)