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

<table>
<thead>
<tr>
<th>Company Name:</th>
<th>Shandong Humon Smelting Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference Standard:</td>
<td>LBMA RSG</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit Team</th>
<th>Team Member:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Chuangen Wang</td>
<td>N/A</td>
</tr>
<tr>
<td>Mr. Chuangen Wang</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<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>
</tr>
</thead>
<tbody>
<tr>
<td>Full assessment Audit</td>
<td>May 13th, 2019</td>
<td>May 16th, 2019</td>
<td>4 Man days</td>
</tr>
<tr>
<td>Assessment Review</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Follow-up Assessment</td>
<td>August 1, 2019</td>
<td>August 1, 2019</td>
<td>1 Man day</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Site(s) address(es):</th>
<th>No. 11 Jin Zheng St Shuidao Town, Muping District, Yantai City, Shandong Province, P.R. China.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Refiner Contact Person:</th>
<th>Name: Mr. Shujing Zhang</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name, Title:</td>
<td>Title: Vice Manager of financial</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:462661863@qq.com">462661863@qq.com</a></td>
</tr>
<tr>
<td>Phone:</td>
<td>+86-0535-4631040</td>
</tr>
</tbody>
</table>

<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>
</tr>
</thead>
<tbody>
<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>
<td>Yes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is a follow up visit required? (In case of high risk non-compliance)</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date(s) of follow up visit:</td>
<td>N/A</td>
<td>Assigned auditor:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AUDIT SUMMARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Inputs</td>
</tr>
<tr>
<td>• Confirm if the data provided in the application/ self-assessment phase is valid.</td>
</tr>
</tbody>
</table>
This is the first full assessment audit (Assessment Period: 2018 (from Jan.1/2018 to Dec.31/2018)) for Silver carried out by BV. Total 3 NCs were raised during the assessment period. One auditor and 4 Man days’ man days were arranged for this audit.

See Third party Audit Checklist (GENERAL INFO POINT F) and describe bellow percentages

There are total 46 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): 41.3%,
  Type of companies: 19 mine supplier from domestic;
  Forms of Silver: silver copper concentrates, silver lead concentrates, silver concentrates; gold concentrates.
  Countries of provenance: China.

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

- Traders / brokers: 58.7 %;
  Type of companies:27 Trading company from 16 overseas trading companies and 11 domestic trading companies.
  Forms of Silver: silver copper concentrates,silver lead concentrates,silver concentrates;gold concentrates.
  Countries of provenance: Australia, Chile, USA, Peru, Mexico, South Africa, Spain, Bolivia, China.

- 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 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]:

Shandong Humon smelting Co., Ltd (hereinafter called “the company”) is located in Yantai City, Shandong Province, which is one of the first 14 coastal open cities in China. The company was founded in 1988 and listed on Shenzhen Stock Exchange in May 2008(referred to Humon Stock, code:002237). It covers an area of 2,100 mu, with a total asset value of 13 billion yuan and more than 6,000 employees. It is a large-scale private company in China.

The company has built a number of production process systems such as collection gold with oxygen enriched at the bottom blowing smelting process and high lead collecting gold system. At present, the company’s
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production annual capacity is 50 tons gold, 1200 tons silver, 250,000 tons electrolytic copper, 100,000 tons electrolytic lead, 1.3 million tons of sulfuric acid, and comprehensive recovery of antimony oxide, Bi, Te, selenium dioxide, and metal arsenic. The raw material of lead concentrate is mainly purchased from overseas market through foreign trading companies. The refiner’s main processes including: Mixing Materials, Lead Smelting, Lead Electrolysis, Copper Smelting, Copper Electrolysis, Silver Electrolysis, Melting, Casting. The company’s refined raw materials are sourced from mine, and the main product is gold ingots, silver ingots, Lead ingots, electrolytic copper, sulfuric acid. The by-product including: Bismuth, Tellurium Ingots, Zinc Oxide, Iron Powder.

The company has passed authentication of ISO9001:2008 for its quality control system in 1999, in 2012 the company has passed authentication of ISO14001:2004 for its environment management system Aug.2015, the first time topped on the list of “Top Ten of China Gold Smelting Enterprises”, and ranked No. 1 for 4 years in succession. Jan.2017, won the second prize of National Scientific and Technological Progress (which means the company's scientific and technological innovation achieved significant results), the company is the “Fortune top 500 companies”, “enterprise of national gold industry”, “social responsibility work advanced unit of China’s gold industry”, “top ten gold sales revenue enterprises in China”, “top ten gold’s economic benefits enterprises in China”, “The High-tech enterprise of shandong province”, Humon award”20 silver brands that are the most popular among users in 2018” and “The most popular silver brand in the national white banking industry in 2018”.

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 Silver 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 Silver. Provide an overview of the management systems governing the due diligence policy for Silver 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 Silver 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 Silver bearing material.
4. Strengthen Refiner engagement with Silver supplying counterparties, and where possible, assist Silver supplying counterparties in building due diligence capacities. Review the due diligence policy communicated to the Silver 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 Silver 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 was publicly available, http://www.hbyl.cn/news_detail/newsId=180.html
The refiner has established silver due diligence management system which including policy, procedures governing the due diligence policy for Silver supply chains. The policy and procedures was last issued on March 1st, 2019.
The refiner has established and 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 Mr. Kehe Zhang/Financial Director with seven compliance team members including raw materials department, hengbang trading company, refining workshop, quality management department, financial department, production department, smelting workshop.

The policy was published on the refiner’s website. The policy was send to relevant suppliers and customers through email. The refiner required suppliers and customers to sign the commitment letter. The refiner Policy is communicated to employees related to the Silver-refining process, but the training was Insufficient, only one meeting was conducted in April 7th, 2019. One NC was raised during this audit.

The 1st Follow-up assessment was conducted on August 1, 2019 - closed.

The refiner has appointed Mr. Shujing Zhang/Vice Manager of financial as the compliance officer was 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 requested that Silver-supplying counterparties have committed to and acknowledged in writing compliance with the refiner’s own company policy, but Only 32 of total 46 suppliers have signed commitment agreement which silver supplying counterparties should commit to and acknowledge in writing compliance with the refiner’s own silver supply chain policy. One NC was raised during this audit.

The 1st Follow-up assessment was conducted on August 1, 2019 - closed.

The other 14 suppliers’ written commitment letter were provided for review.

The refiner has a communication mechanism (e.g. compliant email and telephone) in place that allows employees to voice concerns over the silver supply chain or any newly identified risk via compliant email or hotline anonymously. Based on interview, employees are aware of the mechanism.

The refiner has issued the silver supply chain policy which including confidential grievance mechanism (e.g. compliant email and telephone) on their website. The confidential grievance mechanism (e.g. compliant email and telephone) can be available through website by external stakeholders.

STEP 2: Identify and assess risk in the supply chain

See Third party Audit Checklist

1. Identify risks in the Silver supply chain. Assess the risk assessment policy for all Silver supply chains.
2. Assess risks in light of the standards of their supply chain due diligence system: Supply chain due diligence: Review “Silver 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 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.

The refiner collects information to determine risk categories. The refiner has assigned a risk level to each silver
supplier. During the assessment period, all 46 silver suppliers are assigned as low risk.

The due diligence records of 10 trading companies were inadequate. The refiner cannot provide the following documentation for review. 1 Identification of the origin of the Silver based on reasonable and good faith efforts; 2. Mining license, if applicable; 3. Import/export Silver license, if applicable; 4. Collection and assessment of mining practice; 5. Mining capacity data, if available. One NC was raised during this audit.

The first follow-up assessment was conducted on August 1, 2019. The due diligence records of 10 trading companies were provided for review and adequate.

The refiner has established and conducted risk assessment procedure. The refiner has assigned a risk level to each Silver supplier. 100% of the suppliers are classified as low risk suppliers.

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 requests, gathers and maintains the related 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-evaluates 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.

### 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 Silver supply chain and the LBMA Summary Report.

This is the first LBMA full assessment was conducted in May 2019 by BV, and the assessment was conducted based on the ISO 19011:2011 standard, and the assessment period was January to December 2018. The refiner has ensured that these audits are diligently completed in accordance with the LBMA Guidance and the OECD Guidance.

The refiner will publish the LBMA summary report after approval on their website http://www.hbyl.cn/news_detail/newsId=180.html
The policy has published on their website (http://www.hbyl.cn/news_detail/newsId=180.html).

<table>
<thead>
<tr>
<th>ASSESSMENT CONCLUSIONS</th>
<th>Non compliance – risk level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CATEGORY</strong></td>
<td><strong>SUBCATEGORY</strong></td>
</tr>
<tr>
<td>General Information</td>
<td></td>
</tr>
<tr>
<td>Step 1: Establish strong Refiner management systems</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>1.2:</td>
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<td>1.3</td>
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<td>1.4</td>
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<td>1.5</td>
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<tr>
<td>Step 2: Identify and assess risk in the supply chain</td>
<td>2.1</td>
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<tr>
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<td></td>
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<td>Step 3: Design and implement a management strategy to respond to identified risks</td>
<td>3.1</td>
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<tr>
<td>Step 4: Arrange for an independent third-party audit of the supply chain due diligence</td>
<td>4.1</td>
</tr>
<tr>
<td>Step 5: Report on supply chain due diligence</td>
<td>5.1</td>
</tr>
</tbody>
</table>

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:** No.11 Jin Zheng St Shuidao Town, Muping District, Yantai city, Shandong province, P.R.China.

- **Assessment Period:** 2018 (from Jan.1/2018 to Dec.31/2018)

**Assessment methodology:**

The Assessment teams used a triangulation of findings to evaluate the existence and implementation of appropriate systems at the Refiner, addressing all areas covered by the LBMA Responsible Silver Guidance. Each area of the LBMA Responsible Silver Guidance was verified by documentation review and
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management/employee interviews, as well as observation during the facility tour.

The evidence of compliance that was reviewed included:

- Silver Supplier Chain Policy,
- LBMA Management system document:
  (including compliance team organization chart, job responsibilities, due diligence management procedure, risk assessment criteria, evaluation methods and response measures, raw material procurement traceability procedure, document and record control procedure, etc.)
- Risk mitigation strategy procedure
- Compliance team appointment,
- Training Record (not provided),
- Risk assessment record,
- Due diligence record,
- Business license,
- Transaction Record,
- Invoice,
- Assay certificate,
- Weight certificate,
- Packing list,
- Bill of lading,
- Certificate of origin,
- Silver Receiving Book,
- Silver Assay Record,
- Etc.

- The following areas of the facility were visited during the tour:
  - Office,
  - Raw Materials Warehouse #1,
  - Raw Materials Warehouse #2,
  - Silver ingots Warehouse,
  - Lead Smelting workshop,
  - Lead Electrolysis Workshop,
  - Copper Smelting workshop,
  - Copper Electrolysis Workshop,
  - Silver Electrolysis Workshop,
  - Melting workshop,
  - Casting Workshop,
  - Lab,
  - All the activities production area related silver product.

- The following interviews were conducted with management:
  - Mr. Jinliang Wang/Raw materials depart. manager,
  - Mr. Shujing Zhang/Vice manager of Financial,
  - Mr. Lianbing Zhou/Vice manager of production,
Ma

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- Mr. Shaobing Hou/Refiner production manager,
- Mr. Shanhui Zhang/Refiner director,
- Mr. Kehe Zhang/Financial director.
- The following interviews with employees were conducted:
  - One employee from financial,
  - One employee from Raw materials warehouse #1,
  - One employee from Raw materials warehouse #2,
  - One employee from silver refiner.
  - One employee from purchasing dept.

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: Mr. Chuangen Wang  Mr.Chuangen Wang

Signature:

Date: May 16th, 2019  August 1, 2019