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

<table>
<thead>
<tr>
<th>Company Name:</th>
<th>Yunnan Chihong Zinc &amp; Germanium Co., Ltd.</th>
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<table>
<thead>
<tr>
<th>Team Leader:</th>
<th>Audit Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>LI ZHANG</td>
<td>Team Member: Nil</td>
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</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>11th March 2019</td>
<td>12th March 2019</td>
<td>2</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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</tbody>
</table>

Site(s) address(es): Intersection of Cuifengxi Road and Xuefu Road, Economic and Technical Development District, Qujing City, Yunnan Province, China

Refiner Contact Person: Name: Ms. Guilin Tang
Title: Risk control supervisor
Email: Tgl8464@163.com
Phone: +0086-874-8966643

Non Compliance – risk level

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

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

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 2 man days were arranged for...
See Third party Audit Checklist (GENERAL INFO POINT F) and describe below percentages.

There are total 2 silver suppliers during the year 2018 (from 01/01/2018 to 31/12/2018).
The number of silver supplying counterparties is as follows:
- Industrial mining operations (large or small scale): 100%
  - Type of companies: Lead Mine Company
  - Forms of Silver: Lead mine (silver content is less than 15%, the highest is 0.0616% by weight)
  - Countries of provenance: China

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

- Traders / brokers: 0%
  - Type of companies: //
  - Forms of Silver: //
  - Countries of provenance: //

- 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]:

- In order to verify the scope, it is essential to understand the activities of the company.
  Please confirm whether the refiner activities remain unchanged since last Full assessment or Assessment review. In case activities have suffer changes please specify and detail following:

Yunnan Chihong Zinc & Germanium Co., Ltd. (hereinafter called “the company”) was founded in July 2000, which is located in Qujing city, Yunnan Province. The company is a state-owned A-share listed company integrated mining, mineral processing, smelting, chemical engineering, deep processing, trading, and R&D of metallic products with lead and zinc as the focus. With a staff of over 9,000 currently, it takes pride in being the largest company that integrates mining, mineral processing, and smelting of non-ferrous metals, including lead and zinc, across Yunnan Province.
March 2018

**LBMA Responsible Silver Guidance –**

**Summary Assessment Report**

For third-party audits based on ISO19011:2011

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The company was going public on the Shanghai Stock Exchange on April 20, 2004. In 2017, its operating income hit RMB 18.4 billion and total assets reached RMB 32.8 billion and its market value reached RMB 34 billion by the end of 2017. The wholly-owned and holding subsidiaries by company total over 100. Meanwhile, it has made comprehensive progress in production with an annual mining output of 10 million tons, an annual mineral processing output of 11 million tons, an annual smelting output of 2.2 million tons, and an annual deep processing output of 600,000 tons.

The company used traditional methods - a combined process of fire and wet process to product the Silver, fire process through the methods of reduction smelting, oxidation blowing and oxidation refining to product Gold & Silver alloy plate; wet processing: Gold & silver alloy plate as anode, titanium plate as cathode, silver nitrate solution as electrolytic medium, Conduct electrolysis through direct current, get the silver powder, then get the 99.99% Silver bar through washing-drying-casting process. The designed annual output is 180 ton Silver bar and the main sales market is China market.

The company has certified ISO9001:2015 for its quality control system in 2008 firstly and valid to 03/11/2019, the company has certified ISO14001:2015 for its environment management system, which was valid from 17/11/2016 to 05/11/2019 and OHSAS18001 for its occupational health and safety management system, which was valid from 17/11/2016 to 21/11/2019, moreover, the company has certified ISO50001:2011, which was valid from 06/02/2018 to 02/11/2020 and GB/T29490-2013 Intellectual property management system, which was valid from 20/03/2019 to 30/12/2021;

Totally two locally mining suppliers were used by company and both of them are the subsidiary company.

**Manual adequacy:**

- It is important to verify that all the clauses in LBMA Responsible Silver Guidance are covered.
- Verify that all applicable statutory requirements are complied with.
- Please state whether management systems in general have remained unchanged since the last Full or Assessment audit or whether there were some changes or improvement in systems.

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. This policy is published in the company website available at [http://yg.cymcocloud.cn/suneps/](http://yg.cymcocloud.cn/suneps/). 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.25,2019.

The refiner has implemented an internal management structure to support supply chain of Silver in compliance with LBMA Responsible Silver Guidance. Regular training sessions are held for all staff involved with or holding responsibilities related to the supply chain, as well as the management team. 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 fulfil their responsibilities.

The refiner upholds the implementation of their internal due diligence procedures, controls and processes. As per policy review and management & staff interview, it became apparent that not all staff was aware of the period of records keeping requirement, since there was no documented procedure to define the file retention period and communicate to all related staffs, this was identified as low-risk non-compliance.

The refiner has requested that all Silver-supplying counterparties have committed to and acknowledged in writing compliance with the refiner’s own Company Policy. The policy is communicated to all counterparties on a yearly basis along with expectations and moral and ethical principles governing the company’s activities through commitment letter, which was signed and stamped by their suppliers.

The refiner has implemented an effective, anonymised communication mechanism (whistle-blowing) that allows employees to express concerns or provide feedback over issues related to the Silver supply chain. The whistle-blowing mechanism was published in the company website available at [http://yg.cymcocloud.cn/suneps/](http://yg.cymcocloud.cn/suneps/).

Following the description above, please state which are the new activities which have been implemented during the current audit period and highlight any improvements from the refiner management system related to step 1. Please specify and detail following:

**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 regularly reviews and revises their assessment procedure. The refiner has clearly defined risk categories and has procedures prescribing enhanced monitoring for any high-risk categories identified during the due diligence procedures. Transactions were through the bank, no cash transaction was found during the audit. One low-risk non-compliance was identified during the assessment that No risk identification of human rights abuses associated with the extraction, transport or trade of silver as per due diligence report provided by company. 

The refiner collects information including due diligence form and commitment letter on clients from reliable and independent sources and conducts their activities with LBMA Good Delivery Refiners. 

No subcontractor was used by the refiner. 

The refiner has assigned a risk level to each silver supplier based on the information provided by suppliers. During the assessment period, both 2 silver suppliers are assigned as low risk. 

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. The last Senior Management review was conducted in March 2019. There are documented consequences if the risk assessment reporting tasks are not completed. If documentation is missing or the documentation does not contain sufficient information, then the supplier is rejected until all fields are completed. 

Following the description above, please state which are the new activities which have been implemented during the current audit period and highlight any improvements related to identification and risk assessment in the refiner supply chain as per step 2. Please also be reminded to provide a description on the refiner’s criteria related to risk assessment and detail supplier counterparties risk evaluation in the audit period including number of suppliers and level of risk assigned. Please specify and detail following: 

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 is aware of the enhanced due diligence measures and these are documented ready to be implemented if necessary. 

Following the description above, please state which are the new activities which have been implemented during the current audit period and highlight any improvements from the refiner management strategy to respond to identified risks related to step 3. Please specify and detail following: 

3. 

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.

Please state which are the new activities which have been implemented during the current audit period and highlight any improvements. Please specify and detail following:

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.

The refiner will publish the LBMA Summary report and Company Policy on their website (http://www.chxz.com/).

Please state which are the new activities which have been implemented during the current audit period and highlight any improvements related to reporting on supply chain due diligence that the refiner might have performed. Please specify and detail following:

<table>
<thead>
<tr>
<th>ASSESSMENT CONCLUSIONS</th>
<th></th>
<th></th>
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<th>Non compliance – risk level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CATEGORY</strong></td>
<td><strong>SUBCATEGORY</strong></td>
<td>Compliant</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
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<tr>
<td><strong>General Information</strong></td>
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<tr>
<td><strong>Step 1:</strong></td>
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</table>
Step 5:
Report on supply chain due diligence

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 | Intersection of Cuifengxi Road and Xuefu Road, Economic and Technical Development District, Qujing City, Yunnan Province, China |
| Assessment Period | 11th March 2019. - 12th March 2019 |

Assessment methodology:

[Each area of the LBMA Responsible Silver Guidance was verified by documentation review and management/employee interviews, as well as observation during the facility tour.]

The evidence of compliance that was reviewed included:

- The following areas of the facility were visited during the tour: the related area of silver production including lead production line, silver production line, testing center, warehouse.
- The following interviews were conducted with management:
  - Management structure & responsibility, the sourcing, internal and external communication, monitoring, internal audit and management review, supply chain risk assessment and approval process, high-risk actions, etc.
  - The following interviews with employees were conducted:
    - LBMA general requirements, training, records keep period requirement, whistle-blowing, supplier chain due diligence investigation, communication with supply chains, etc.
- The evidence of compliance that was reviewed included: Documented policy, procedures, records, traceability system, due diligence procedure, commitment letter, training records, transaction records, supplier risk assessment table, silver assay record, etc.
- The following areas of the facility were visited during the tour:
  - Lead production line
  - Silver production line
  - Testing center
  - Warehouse
- The following interviews were conducted with management:
  - Mr. Chen Peng, Head of Business Department
Ms. Tang Guilin, Business Department

- The following interviews with employees were conducted:
  - Mr. Li Xianhui, The electronic commerce center
  - Mr. Nie Wenbin, New materials plant
  - Mr. Luo Jiansheng, New materials plant
  - Ms. Wu Xiaoli, New materials plant
  - Ms. Tian Weiwei, New materials plant
  - Mr. Yang Hua, New materials plant
  - Ms. Zhang Xiaoli, New materials plant
  - Ms. Han Lingyan, Technical department

Please state in case there were any changes during the current audit period related to company’s facilities visited or any other change, please specify and detail following:

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 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: Li ZHANG

Signature: 

Date: 22/03/2019