

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/Jan./2018	11/Jan./2018	1.5
Follow-up Assessment			

Assessment Information	
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
Dates and places where the onsite assessment activities were conducted	From 10/Jan./2018 to 11/Jan./2018, the audit was conducted for Zijin Mining Group Company Limited Gold Finery Factory located on 19, Qingang Road, Shanghang, Fujian, China

		Non Compliance – risk level			
		Compliant	Low	Medium	High
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 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.

LBMA Refiner Assessment Report	
Assessment objectives:	
The objectives of the assessment were to evaluate the conformity of the Refiner's management system procedures processes and practices with the LBMA Responsible Gold Guidance.	
Assessment scope:	
<i>Refiner location(s) included in the assessment scope</i>	19, Qingang Road, Shanghang, Fujian, China
<i>Assessment Period</i>	01.01.2017 - 31.12.2017
Assessment methodology:	
<p>Documentation</p> <p>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.</p> <p>Factory visiting</p> <p>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.</p>	

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

Statement of the confidential nature of the contents:

All the data contained in the assessment report, as well as all information obtained during the performance of the certification, is private and confidential between the auditing body and the Refiner.

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.

Assessment findings:				
<i>Category/subcategory</i>	<i>Non-compliance/Observation: Include evidence found to substantiate the non-compliance as well as frequency of its occurrence.</i>	<i>Recommended corrective action</i>	<i>Timeframe for implementing corrective actions</i>	<i>Refiner comments</i>
Step 2.2	Mine license provided, however two mining license are invalid and need update during the audit days	It is recommended the mining license update as soon as possible.	Mar.2018	<i>Click here to enter text.</i>
Choose an item.	<i>Click here to enter text.</i>	<i>Click here to enter text.</i>	<i>Click here to enter text.</i>	<i>Click here to enter text.</i>
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Assessment conclusions	Compliant	Low	Medium	High	Zero Tolerance
Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent:	Yes	1			



ADDITIONAL ELEMENTS	
Assessment plan:	
	<i>Refer to Attach file of audit plan for Zijin Mining Group Gold Smelting Co., Ltd.</i>
List of attendees of opening and closing meeting	
	<i>Refer to Attach file of meeting sign</i> Mr. Fengxian Lin/Factory Manager, Mr. Weirong Qiu/Finance, Ms. Lixia Huang/Warehouse, Ms. Tingting Wang/Sales, Mr. Zhenglin Liang/Admin.
Refiner feedback	
	As for most of recycle gold provided by individual person was from Shenzhen market, the refiner will take measurement to collective the information of individual person, and the information of Shenzhen gold market trading. The refiner will take effort to reduce the risk of recycle gold from individual person.

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 2018
