



June 2013

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

<b>Company Name:</b>	Zijin Mining Group Company Limited – Gold Refinery Plant		
<b>Reference Standard:</b> LBMA RGG	Other ref.: ISO 19011:2011		

Audit Team	
<b>Team Leader:</b>	<b>Team Member:</b>
Thomas Kwok	Henry Teng

Type of Audit	Date of Opening Audit	Date of Closing Audit	Total n° of man/days
Full assessment Audit	21 December 2015	25 December 2015	4
Assessment Review			
Follow-up Assessment	18 January 2016	19 January 2016	2

<b>Site(s) address(es):</b>	19, Qingang Road, Shanghang, Fujian, China
<b>Refiner Contact Person:</b>	
<b>Name, Title:</b>	Mr. Weirong Qiu, Finance Vice Manager
<b>Email:</b>	<a href="mailto:qiu_weirong@zjky.cn">qiu_weirong@zjky.cn</a>
<b>Phone:</b>	+0086-0597-3881220

	Non Compliance – risk level				
	Compliant	Low	Medium	High	Zero Tolerance
<b>Based on the assessment conclusions, the overall rating of the Refiner’s performance is determined to represent:</b>	Yes	2			

<b>Is a follow up visit required? (in case of high risk non-compliance)</b>		Yes	
<b>Date(s) of follow up visit:</b>	18 – 19 January 2016	<b>Assigned auditor:</b>	Thomas Kwok

**AUDIT SUMMARY**

**Basic Inputs**

The company was initially audited by third party in 2013 for the LBMA compliance of 2012 activity. The first report was published in the beginning of 2104. However, the subsequent annual audit and report for 2013, and 2014 was not conducted until Bureau Veritas China was contacted by client to arrange audit in late 2015. Since the LBMA programme was already introduced in 2013, data was available for the past years. Therefore, the purpose of this audit was to ensure the LBMA requirement was implemented for all transactions from 1 January 2013 to end of December 2015. In order to ensure all gold transection records for above mentioned period were included, the audit was split into two stages. The first stage was conducted by one Bureau Veritas China auditor to audit the data from 1 January 2013 until end of November 2015, and the remaining data for December 2015 was audited by another auditor from Bureau Veritas Hong Kong office.

The factory manager and the members of compliance team attended the opening meeting to introduce the implementation status of supply chain management process. The LBMA compliance team is led by the Deputy



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President, the factory manager as a vice leader to take responsibility for LBMA due diligence operation. The compliance team includes members from the sales, finance, quality and administration functions of the refinery plant. All members of the compliance team were interviewed to verify the level of compliance to the LBMA programme. Key activities such as receiving mining raw materials and re-cycled gold for refinery process, warehouse and storage facilities were audited. The summary and individual gold transaction was documented in the production management system in computer 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 after 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 electrolysis, 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/product/zjchangye-detail-21203.htm>

**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 team.

Since the company is a state holding company, all applicable statutory requirements are mandatory implemented and maintained.

**Step 1: Establish strong Refiner management systems**

1. The company has developed the LBMA compliance policy regarding due diligence for supply chain of



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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. In fact, this policy is available at the section for the refinery plant only. The specific link to read the policy is attached as <http://www.zjky.cn/product/zjchangye-detail-21203.htm>

2. In order to implement the LBMA compliance policy, the LBMA compliance committee is set up in late 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 organisation of the committee is updated regularly in according to the company organization change. The latest organisation was documented after the stage one audit.
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 with effective since 1 January 2013. Since the company is a state holding company, the risk involved for money laundering and terrorism finance was minimized in general. However, since the company also provides service to private individual customers, and the gold provide by individual person is increasing year by year, the associated risk is continually assessed for the LBMA compliance. Although 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, no evidence is presented to demonstrate the sources of recycled gold provided by these individual persons. This should be integrated to the risk management system that is used for internal risk prevention or mitigation at the moment. Hence, non-compliance of low risk was identified for continual improvement.
2. Risk assessment for all gold suppliers was conducted since the gold supply chain due diligence policy was established. Business registration certification, banking information, individual person ID information were provided.
3. Risk assessment reporting and results were presented to the top management that overall results were found in order.
4. Since the majority of recycled gold was provided by individual collectors in Shenzhen of China, the company has conducted investigation with local suppliers to assess the risk in 2014. LBMA awareness training is also provide to local collectors to aware the potential risk associated with recycle gold.

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



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1. Since the company is a state holding company, the company has no problem that risk 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 found, 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**

Although the company has been the member of LBMA for many years, this is the second LBMA audit arranged by the company. The data is available from 2013 to 2015 for 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 is the second LBMA audit completed by the company. The gold supply chain due diligence policy was established since 2013. This LBMA Summary Report will be released soon after the audit.

ASSESSMENT CONCLUSIONS						
CATEGORY	SUBCATEGORY	Compliant	Non compliance – risk level			
			Low	Medium	High	Zero Tolerance
<b>General Information</b>		Yes				
<b>Step 1:</b> Establish strong Refiner management systems	<b>1.1</b>	Yes				
	<b>1.2:</b>	Yes				
	<b>1.3</b>	Yes				
	<b>1.4</b>	Yes				
	<b>1.5</b>	Yes				
<b>Step 2:</b> Identify and assess risk in the supply chain	<b>2.1</b>	Yes				
	<b>2.2</b>		X			
	<b>2.3</b>	Yes				
<b>Step 3:</b> Design and implement a management strategy to respond to identified risks	<b>3.1</b>	Yes				
	<b>3.2</b>	Yes				
<b>Step 4:</b> Arrange for an independent third-party audit of the supply chain due diligence	<b>4.1</b>	Yes	X			
<b>Step 5:</b> Report on supply chain due	<b>5.1</b>	Yes				



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diligence						
<b>Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent:</b>	Yes					

<b>Assessment scope:</b>	
<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>	1 January 2013 to 31 December 2015
<b>Assessment methodology:</b>	
<p><b>Documentation</b></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 and identification batch number were also checked on site. These records were selected from the gold receiving and delivery log books for various suppliers in 2013 2014 and 2015.</p> <p><b>Factory visiting</b></p> <p>The audit team visited the main production lines within the factory compound. The company has one two storages production building containing front block and back block. The sales and financial office is on the front block of first floor, the production workshop including gold warehouse is on the ground floor. Recycle gold receiving facility is on the ground floor of back block. Laboratory and testing is on the first floor of back block of the building. The second floor of the front block is for the meeting room and management office. The factory was set up for more than fifteen years ago.</p> <p><b>Interview</b></p> <p>The persons in charge for warehouse management, sales and marketing and finance who were members of the LBMA compliance committee were interviewed.</p> <p><b>Records</b></p> <p>The gold receiving records was checked. For gold bearing carbon from mine, each shipment has a lot number registered in management system, for example SZC151101-1, SZC151102-1. For recycled gold from refinery company, sales company or individual person, each shipment also has a lot number registered in management system, for example GD151218-1, GD1512170-1. The lot number has the information of the supplier name, gold weight and gold content test result. The yearly records for all incoming materials in 2013, 2014 and 2015 were presented.</p> <p>In 2013, total 18.768 tons of gold received for refinery process, over 11 tons of gold were refined by Zijin mountain gold and copper mining company which classified as low risk level, the second category of gold supplier was 6 refinery companies which classified as low risk level, these 6 refinery companies provided 5 tons of gold; the third category of gold supplier was 3 trading companies which classified as low risk level, these 3 trading companies provided 2.5 tons of gold; the forth category of gold supplier was 9 individual personal which classified as middle</p>	



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risk level. So far total of 19 active suppliers were registered and access for risk management that 19 suppliers were classified as either low or middle risk.

In 2014, total 47.859 tons of gold received for refinery process, over 9.4 tons of gold were refined by Zijin mountain gold & copper mining 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 10 tons of gold; the third category of gold supplier was 5 trading companies which classified as low risk level, these 5 trading companies provided 1.5 tons of gold; the fourth category of gold supplier was 27 individual personal which classified as middle risk level. So far total of 40 active suppliers were registered and access for risk management that 40 suppliers were classified as either low or middle risk

In 2015, total 71.595 tons of gold received for refinery process, over 7.5 tons of gold were refined by Zijin mountain gold & copper mining company which classified as low risk level, the second category of gold supplier was 5 refinery companies which classified as low risk level, these 5 refinery companies provided 10.7 tons of gold; the third category of gold supplier was 5 trading companies which classified as low risk level, these 5 trading companies provided 10 tons of gold; the fourth category of gold supplier was 42 individual personal which classified as middle risk level. So far total of 53 active suppliers were registered and access for risk management that 53 suppliers were classified as either low or middle risk.

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

Sampled from 2013, 20 pieces of 3KG gold bars with unique number IY1304702 to IY1304721, 20 pieces of 3KG gold bars with unique number IY1304722 to IY1304741, 60 pieces of 1KG gold bars with unique number IX1300841 to IX1300900, 60 pieces of 1KG gold bars with unique number IX1300781 to IX1300840

Sampled from 2014, 20 pieces of 3KG gold bars with unique number IY1417031 to IY1417050, 20 pieces of 3KG gold bars with unique number IY1417071 to IY1417090, 70 pieces of 1KG gold bars with unique number IX1403536 to IX1403605, 60 pieces of 1KG gold bars with unique number IX1403476 to IX1403535

Sampled from 2015, 15 pieces of 3KG gold bars with unique number IY151162 to IY1511676, 20 pieces of 3KG gold bars with unique number IY151177 to IY1511696, 95 pieces of 1KG gold bars with unique number IX1529616 to IX1529710, 50 pieces of 1KG gold bars with unique number IX1529711 to IX1529760

The gold inventory record in warehouse was also verified.

In 2013, total around 20 tons gold transaction were recorded, these amount of gold including 18.1 tons for SGE (Shanghai Gold Exchange), 1.3 tons for taking by customer self and around 0.6 ton of balance gold transferred from 2013 to 2014.

In 2014, total around 36 tons gold transaction were recorded, these amount of gold including 33.8 tons for SGE (Shanghai Gold Exchange), 0.9 ton for taking by customer self and around 1.3 tons of balance gold transferred from 2014 to 2015.

In 2015, total around 72.2 tons gold transaction were recorded, these amount of gold including 52 tons for SGE (Shanghai Gold Exchange), 0.1 ton for taking by customer self and around 0.9 ton of balance gold kept in the gold warehouse.

**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.



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**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: Thomas Kwok

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Signature:

Date: 21 January 2016  
Revised 16 February 2016

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