

Company Name:	Shandong Gold Smelting Co., Ltd.
Reference Standard: LBMA RGG	Other ref.: ISO 19011:2011

Audit Team	
Team Leader:	Team Member:
Mr. Henry Teng	NA

Type of Audit	Date of Opening Audit	Date of Closing Audit	Total n° of man/days
Full assessment Audit	18/Feb./2019	19/Feb./2019	2
Assessment Review			
Follow-up Assessment			

Assessment Information	
Site(s) address(es):	Jiaojia Village, Jincheng Town, Laizhou, Yantai, Shandong, China
Refiner Contact Person:	Name: Ms. Xujing Hou
Name, Title:	Title: Manager of Risk Control Department
Email:	e-Mail: houxujing123@163.com
Phone:	Phone: +86-535-2697916
Dates and places where the onsite assessment activities were conducted	Date: 18~19/Feb./2019 Place: Jiaojia Village, Jincheng Town, Laizhou, Yantai, Shandong, China

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

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

AUDIT SUMMARY
Basic Inputs
<i>This is a full assessment audit for gold and silver carried out by BV for the first time. One auditor and 4 man days were arranged for this audit. Among these 2 days were spending on gold audit.</i>
Description of the company activities [mandatory for all audits]:
<p><i>Shandong Gold Smelting Co., Ltd. is a listed company controlled by Shandong Gold Group Co., Ltd. It was established in January 2000 and was listed on Shanghai Stock Exchange on August 28, 2003.</i></p> <p><i>Principally engaged in the gold mining, the Company also has the complete industrial chain integrating exploration, mining, beneficiation and smelting (purification) of ores and deep processing and sales of gold products, as well as the matched scientific and technological R&D system. By the end of 2017, the Company has controlled and operated 12 Chinese mines, and together with Barrick Gold Corporation, operated the Veladero Mine in South America. With the registered capital of 1.857 billion yuan, a total asset of 42.16 billion yuan and the net asset of 16.324 billion yuan, the Company has become a leader in China's gold mine companies with refining and purification capacity gold reaching 200 tons, silver reaching 100 tons.</i></p> <p><i>The company is the first batch of enterprises that are accredited by Shanghai Gold Exchange as "entitled to provide standard gold ingots", one of the first group of gold ingot brand enterprises that are registered with Shanghai Futures Exchange. In January 2010, the Company obtained the qualification of trading high-quality ingots from London Bullion Market Association (LBMA); the products of the Company were rated as the high-quality products in the international gold and silver market; both gold production quality and scale of the Company reached the international advanced level.</i></p> <p><i>The company are also certified to meet ISO 9001, ISO 14001 and OHSAS 18001 standards and subject to regular and routine audit by third party.</i></p>
Manual adequacy:
<p><i>Key clauses in LBMA Responsible Gold Guidance are addressed in the LBMA compliance policy statement that is prepared by the LBMA compliance committee.</i></p> <p><i>All applicable statutory requirements are mandatory implemented and maintained.</i></p>

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>	Jiaojia Village, Jincheng Town, Laizhou, Yantai, Shandong, China
<i>Assessment Period</i>	01.01.2018 - 31.12.2018

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 Gold Guidance. Each area of the LBMA Responsible Gold 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:

- *Gold supplier chain policy, gold supplier chain due diligence procedure, gold source risk assessment procedure, gold risk mitigation strategy, traceability system, training record, risk assessment record, business certification, mine certification, transaction record, gold receiving book, gold assay record, gold refine production record, etc.*
- *The following areas of the facility were visited during the tour:*
- *Office, warehouse, ball-milling workshop, floatation workshop, cyaniding workshop, chlorination-leaching workshop, pulverization workshop, refine workshop, casting workshop, gold product end-processing workshop, lab and all the activities production area related gold product.*
- *The following interviews were conducted with management:*
- *Mr. Lianbo Yuan, Deputy GM*
- *The following interviews with employees were conducted:*
- *Ms. Xujing Hou, Risk control department*
- *Mr. Jixiang Zhang, Market department*
- *Mr. Mingze Chen Production department*
- *Mr. Xukun Liu, Quality department*
- *Ms. Yongjuan, Finance department*

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:

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 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>
Choose an item.	<i>No NC findings during this audit</i>	Click here to enter text.	Click here to enter text.	Click here to enter text.
Choose an item.	Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Choose an item.	Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
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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				

ADDITIONAL ELEMENTS	
	Assessment plan:
	<i>Refer to attach file of audit plan for Shandong Gold Smelting Co., Ltd.</i>
	List of attendees of opening and closing meeting
	<i>Refer to attach file of meeting sign</i> <ul style="list-style-type: none"> • <i>Mr. Lianbo Yuan, Deputy GM</i> • <i>Ms. Xujing Hou, Risk control department</i> • <i>Mr. Jixiang Zhang, Market department</i> • <i>Mr. Mingze Chen Production department</i> • <i>Mr. Xukun Liu, Quality department</i> • <i>Ms. Yongjuan, Finance deparment</i>
	Refiner feedback
	<i>The refiner top management will make more effort to support the gold & silver supplier chain due diligence policy and carry out more activities to make sure the company compliance with LBMA RGG & RSG requirement.</i>

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: 21/Feb./2019
