

The Conflict-Free Sourcing Initiative

Helping companies make informed choices about conflict minerals in their supply chains

An initiative of the Electronic Industry Citizenship Coalition and the Global e-Sustainability Initiative
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Audit Summary Report

Auditee Name	<i>Planta Recuperadora De Metales SpA. ("PRM")</i>
Smelter ID	<i>CID002919</i>
Auditee Contact Person	<i>Mr. Richard Kang</i>
Audit Date(s)	<i>December 5-6, 2017</i>
Audit Type	<i>Initial</i>
Audited Material	<i>Gold</i>

Audit Company	<i>SGS</i>
Lead Auditor Name	<i>Mike Turner</i>
Date report sent to Auditee	<i>December 12, 2017</i>
Date report sent to CFSP	<i>December XX, 2017</i>
Report Revision #	<i>CTS2017-12-05</i>

AUDIT CONCLUSION:

☒	The auditor found that the auditee's operations are in conformance with the requirements of the Conflict Free Smelter Program Supply Chain Transparency Smelter Audit Protocol for Tin and Tantalum, Revision of 21 November 2013.
☐	The auditor identified non-conformance(s) between the auditee's operations and the requirements of the Conflict Free Smelter Program Supply Chain Transparency Smelter Audit Protocol for Tin and Tantalum, Revision of 21 November 2013. Non-conformance(s) relate to: ☐ Conflict Minerals Policy Compliance Requirements ☐ Mass Balance Compliance Requirements ☐ Material Type and Origin Verification ☐ The Auditee has agreed to address the non-conformance(s), to define a Corrective Action Plan (if necessary) and undergo a verification of the implementation of corrective actions. ☐ The auditee has not agreed to address the non-conformance(s), to define a Corrective Action Plan (if necessary) and to undergo a verification of the implementation of corrective actions. <i>Please refer to the summary on the next page for details.</i>

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SUMMARY OF NON-CONFORMANCES				
Number:	Non-Conformance related to *:	Description of non-conformance:	Recommended Corrective Action:	Auditee response (if any):

* Policy, Mass Balance, Material Origin, Other

SUMMARY OF OBSERVATIONS (if any)			
Number:	Description of the observation:	Recommended improvement:	Auditee response (if any):

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I. Introduction

PRM was formed as a joint venture between CODELCO and LS-Nikko Coper in 2011. In July 2014 PRM was incorporated as “Planta Recuperadora De Metales SpA” in Mejillones, Antofagasta, Chile. The headquarters operate in Santiago with 7 management and sales staff. The manufacturing facility is in Mejillones, Antofagasta, Chile operating in approximately 100,000 square meters of space in 16 buildings, with 89 employees. PRM only receives material from Three CODELCO mines/refineries in Chuquibambilla, Salvador, Ventanas, Chile in the form of Copper Slime. Cu Concentrate from CODELCO Division owned mines in Chile are treated in CODELCO owned refineries. Anodic Slime (slime left after extraction of copper in CODELCO refineries) is sent to PRM as part of an exclusive tolling agreement between CODELCO and PRM. The tolling agreement is a 20-year agreement between PRM and CODELCO in which CODELCO will supply all anodic slime produced in CODELCO Divisions to PRM, where PRM will extract Gold and Silver contents and return it to CODELCO in an ingot/bar format. Anodic Slime received in PRM is processed in the PRM plant to produce Gold/Silver ingots which are returned to CODELCO as part of the tolling agreement. In addition to gold and silver the process also produces Palladium, Platinum, and Selenium which is sold by PRM.

II. Audit Objectives

The objective of the audit is to assess the auditee’s level of compliance with the requirements of the Conflict Free Smelter Program Supply Chain Transparency Smelter Audit Standard and Instruction for Gold, Revision of 12 June 2012.

III. Audit Scope

The audit is carried out against the Conflict Free Smelter Program Supply Chain Transparency Smelter Audit Standard and Instruction for Gold, Revision of 12 June 2012.

It covers the following entity and material:

- Entity audited: *Planta Recuperadora De Metales SpA*
- Material audited: Gold (Au)

A. Audit Period

- 06/1/2016-10/31/2017

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B. Physical Sites and Description

Exact company name: *Planta Recuperadora De Metales SpA*

Physical address: *Sexta Industrial 8147, Mejillones, Antofagasta, Chile*

Types of materials received are below:

Cu Concentrate from CODELCO Division owned mines in Chile are treated in CODELCO owned refineries within Chile (Chuquibambilla / Salvador / Ventanas) Anodic Slime (slime left after extraction of copper in CODELCO refineries) is sent to PRM as part of exclusive tolling agreement between CODELCO and PRM.

Processes performed:

Process:

Codelco material receipt (Copper Slime) ⇒ Materials are assigned an identification number ⇒ material is sampled and analyzed, Residual copper separation ⇒ Roasting to separate Selenium ⇒ Remaining solids processed in tilted rotary furnace (TROF) to produce Ag anodes ⇒ Ag Electrolysis ⇒ Ag Slime ⇒ Leaching ⇒ Gold Sand ⇒ impure metal cast into anodes for electrolytic refining ⇒ Pure cathode metal from electrolytic refining weighed, melted, analyzed and formed into finished gold bars ⇒ manual entry of all data tracks weights and material identification throughout the entire process.

IV. Audit Team

Mike Turner (Lead Auditor)

V. Audit Methodology

Pre-audit review of LIS and PRM Conflict Minerals Policy.

Opening Meeting conducted consisted of the following: introduction of auditor to audit attendees attendance log sign in, brief auditor presentation of audit procedure, presentation by the facility providing overview of PRM including conflict free policy and training of employees on policy records, product line, identification, individual functions and responsibilities of top management, brief corporate history, CFSP history relating to facility, and corporate commitment to sustainable conflict-free sourcing.

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Management interview consist of confirming information provided in management systems portion of the Line Item Summary. Information regarding the most recent version on conflict free policy and those employees receiving training provided during PRM presentation.

Facility walk through consisting of observing raw material storage area, manufacturing process, material processing, and material ready to ship storage

Document completion and review including Management Systems Sheet completion on the Line Item Summary, mass balance review and consistency of maintained documents to Line Item Summary of all receipts requiring validation which included all shipments received during the period audited.

Closing Meeting held in which audit findings were reviewed.

The audit team completed the following steps:

- 1) Gathered objective evidence (documentation review, interviews, visual observation).*
- 2) Assessed the effectiveness of the implementation of the Conflict Minerals Policy and the processes and systems used for sourcing.*
- 3) Determined the material to be included in the origin determination (Refer to Audit Standard, Section II).*
- 4) Selected the samples of materials to be reviewed.*
- 5) Determined the plausibility of materials sources purchased or received by the smelter.*

VI. Summary of Audit Observations

A. Conflict Minerals Policy

- *PRM defines a conflict minerals policy. The policy is maintained at the facility and is published in both English and Spanish. PRM does not have a web site, and have asked the CFSP to post the policy to the web which has been agreed to pending the outcome of the audit review. The policy was established on August 1, 2017, and is signed by Martin Kim, CEO of PRM.*
- *The policy states: Columbite-tantalite (coltan), cassiterite, wolframite and gold, or their derivatives, including tantalum, tin, and tungsten, originating from the Democratic Republic of the Congo (DRC) and adjoining countries are sometimes mined and sold by armed groups to finance unfair labor practices or human rights violations. Some of these minerals and/or derivatives can make their way into the supply chains of the products used around the world. It is the policy of PRM to avoid Gold that directly or indirectly finance or benefit armed groups from conflict-affected regions.*
- *At the time of the audit training was in process. Auditor reviewed the training and the list of employees that had completed it. An updated training log was received on 12/12/2017*

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and 100% of employees have completed the training. Training was conducted by Nicolas Rodriguez, Manager Human Resources.

- *It is observed the facility's conflict-free policy is embedded in the processes conducted. An example of the Policy embedded in their procedure: "Procedimiento de Recepcion y descarga de Barro Anodico desde Camiones" (Procedure for receiving and unloading of anodic slime from trucks) GP-P47/R01.*
- *The policy has been communicated to CODELCO (PRM's sole supplier of raw material for its tolling business). There are no other suppliers to PRM. The communication was sent via e-mail and verified by the auditor.*

B. Mass Balance Calculation

- *The Mass balance was reviewed with PRM and confirmed. Error Margin = .227 which is within acceptable limits. Receipts were verified in the LIS.*
- *Individual lot numbers were verified.*
- *PRM uses a manual process for lot/batch control*
- *The Excel Data Base for the entire year was reviewed with PRM process engineers. The month of July 2017 was analyzed for verification against individual shipping records. Total volume shipped out in July was 438,292.1 g. PRM uses Prosegur (similar to Brinks) and Brinks for shipments out.*
- *No discrepancy was found.*

C. Origin Determination

PRM only receives material from Three CODELCO mines/refineries in Chuquicamta, Salvador, Ventanas, Chile in the form of Copper Slime. Cu Concentrate from CODELCO Division owned mines in Chile are treated in CODELCO owned refineries. Anodic Slime (slime left after extraction of copper in CODELCO refineries) is sent to PRM as part of an exclusive tolling agreement between CODELCO and PRM. The tolling agreement is a 20-year agreement between PRM and CODELCO in which CODELCO will supply all anodic slime produced in CODELCO Divisions to PRM, where PRM will extract Gold and Silver contents and return it to CODELCO in an ingot/bar format. Anodic Slime received in PRM is processed in the PRM plant to produce Gold/Silver ingots which are returned to CODELCO as part of the tolling agreement.

PRM provided supporting documents such as Guia De Despacho (Government required transport documents) as well as receiving documents, analysis reports, and tolling agreement for all deliveries in sampling. Review was made of supporting documentation to determine compliance of materials as listed in the line item summary

1. Origin Determination Level 1

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- a. LSM Sources
 - *No purchase from LSM*

- b. ASM Sources
 - *No purchase from ASM.*

2. Origin Determination Level 2 and 3

No purchase from Level 2 and 3 country.

3. Verification of legacy and secondary material

No legacy material purchased.

No secondary material received

- *165 receipts were made during the audit period (June 1, 2016 – October 31, 2017) 30 samples of 165 (Cu Anodic Slime containing gold/silver/copper contents) (Square root and more- considering incoming date, item and suppliers) were reviewed with relevant documents, all items comply with intent of the standard.*

From the “Gold Supply Chain Transparency Smelter Audit Standard and Instruction”:

Gold is sometimes produced as a byproduct of other metal ores, notably silver, copper, lead and zinc, that are not classified as conflict minerals. The primary metal is processed first, typically in very large continuous processing steps in which many batches of source materials are mixed. Gold is only extracted months later from a final residue, such as electrolytic cell slimes, which then require substantial additional processing and refining. The constant mixing of the primary metal materials precludes identification of byproduct gold from specific original non---gold mines. The country of origin of non--- conflict mineral mining byproduct gold should therefore be the point at which a gold---bearing material is created for initial transfer into a gold recovery process, or at any point at which its gold concentration rises above one percent, whichever occurs first.

4. Verification of material received from a supplying smelter

No material received from a supplying smelter

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VII. Opening and Closing Meeting

Present at opening and closing meeting:

Opening Meeting Attendees: Alejandro Gutierrez Ovalle, Plant Manager, Camilo Torrini, Office Assistant Manager, Mike Turner, Lead auditor

Closing Meeting: Alejandro Gutierrez Ovalle, Plant Manager, Camilo Torrini, Office Assistant Manager, Mike Turner, Lead auditor

VIII. Limitations and General Feedback

The auditee does not have a web site to publish the conflict minerals policy and is depending on the CFSP to publish when the audit review is completed.