

**Henan Zhongyuan Gold Smelter
LLC
RGG Compliance Report
(Year 2021)**

**Henan Zhongyuan Gold Smelter LLC
March 28th, 2022**

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<LBMA Responsible Gold Guidance> (hereinafter referred to as "LBMA RGG") has been established for Good Delivery Refiners to adopt high standards of due diligence

in order to combat systematic or widespread abuses of human rights, to avoid the contribution of conflict, to comply with high standards of anti-money laundering, to combat terrorist financing practice and to avoid non-compliance with environment and sustainability legal requirements.

This report summarised how Henan Zhongyuan Gold Smelter LLC has complied with the requirements of the LBMA RGG for the year ended December 31st, 2021.

Table1: Refiner's details

Refiner's name: Henan Zhongyuan Gold Smelter LLC

Location: China National Highway 209 South, Industry Cluster District, Sanmenxia City, Henan, China

Reporting year-end: 12/31/2021

Date of report: 03/28/2022

Senior management responsible for this report: Peng, Guomin (Board Chairman)

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Refiner's evaluation

Henan Zhongyuan Gold Smelter LLC (hereinafter referred to as "Zhongyuan Smelter" or "we") is a well-known enterprise specialised in gold smelting and refining. It is one of the key subsidiaries of Zhongjin Gold Co., LTD (hereinafter referred to as "Zhongjin Gold") and a key enterprise in Sanmenxia, Henan province.

In 2021, the annual production capacity of gold is 69.92 tons. Gold from mined gold accounts for 27.27 tons of gross gold produced and that from recycled gold is 42.65 tons.

The certificates of GB/T 19001-2016/ISO 9001:2015 Quality Management Standard and GB/T 24001-2016/ISO 14001:2015 Environment Management Standard were renewed on July 28th, 2020 and are valid till March 5th, 2023. The GB/T 28001-2001/OHSAS 18001:2007 Occupational Health and Safety Management Standard was replaced by GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety

Management Standard on July 28th, 2020 and is valid till March 5th, 2023. In addition, Zhongyuan Smelter passed attestation under ISO 50001:2018 and RB/T 117-2014 Energy Management Standard on July 28th, 2020 and is valid till July 27th, 2023. The certificates prove that Zhongyuan Smelter meets the requirements of standards in terms of product quality, occupational health and safety, and environment.

Zhongyuan Smelter is a subsidiary of Zhongjin Gold, an A-share listed company in China. As a part of listed company, Zhongyuan Smelter has to comply with Chinese listed companies internal control regulation <*The Basic Standard for Enterprise Internal Control*> and Supporting Guidance and complete annual internal control self-assessment and report. Controls over procurement process are specified in <*The Basic Standard for Enterprise Internal Control*> and the Supporting Guidance, requiring enterprises to set up a scientific system of supplier evaluation to formalise qualified supplier list and to evaluate suppliers comprehensively.

Zhongyuan Smelter has strengthened corporate governance and actively promoted risk management and control through <*Zhongyuan Smelter Internal Control Manual*> to further standardize the internal responsibility system during implementation of supply chain due diligence.

Table2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

As of December 31st, 2021, we have fully complied with Step 1: Establish strong company management systems.

Company Policy: In 2021, Zhongyuan Smelter followed the <*Responsible Gold and Silver Supply Chain Due Diligence Management Policy*> updated in July 2020, the <*Responsible Gold and Silver Supply Chain Due Diligence Management Policy*> adheres to the requirements of <*LBMA Responsible Gold Guidance (Version 8)*>.

Internal Management Structure: An internal management system has been set up to define the governance, roles and responsibilities, communication and senior

management review as per the adopted *<Responsible Gold and Silver Supply Chain Due Diligence Management Policy>*. The Senior Management Committee, the governing body of due diligence management, is responsible for *reviewing <Responsible Gold and Silver Supply Chain Due Diligence Management Policy>*, appointing Compliance Officer to manage routine work of due diligence and authorizing the Deputy General Manager in charge of the Gold-bearing Material Procurement Department to review the due diligence results and risk management strategy. The Compliance Officer is responsible for compiling and updating *<Responsible Gold and Silver Supply Chain Due Diligence Management Policy>*, reviewing the due diligence results submitted by Gold-bearing Material Procurement Department, evaluating the effectiveness of risk management strategy, coordinating the gold supply chain training and reporting directly to Senior Management Committee when necessary. Gold-bearing Material Procurement Departments are responsible for supplier evaluation prior to contracting, monitoring of transactions with approved suppliers and an annual revaluation process. Human Resource Department and Internal Audit Department also play important roles in due diligence process.

The Senior Management Committee holds committee meeting at least once a month. In 2021, Hu Yingxia served as the Compliance Officer (former Gold and Silver Supply Chain Compliance Officer) by August 2021 and Zhan Bo succeeded as the Compliance Officer (Gold and Silver Supply Chain Compliance Officer) since August 2021.

Internal System: As of December 31st 2021, Zhongyuan Smelter followed the *<Responsible Gold and Silver Supply Chain Due Diligence Management Policy>* and conducted risk-based due diligence investigation on suppliers. All the transactions were monitored to avoid establishing cooperation with suppliers associated with high risks. Meanwhile, all due diligence investigation findings and results were reviewed by the Compliance Officer and approved by the deputy General Manager. Given the changes in suppliers and risk management strategy, Purchase of Raw Material Department I and Purchase of Raw Material Department II completed due diligence assessment for suppliers. The results were reviewed and approved by the Compliance Officer and the deputy General Manager.

Engagement with Gold-supplying Counterparty: In accordance with the LBMA RGG and <Annex II of OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas>, Zhongyuan Smelter has drafted <*Supplier Responsible Gold (Silver) Commitment Letter*>. Staff from Purchase of Raw Material Department I and Purchase of Raw Material Department II should require all gold-supplying counterparties to sign the commitment letter before contracting to ensure that they are aware of company's commitment to <*LBMA Responsible Gold Guidance*>, the supply chain policy and respective requirements. In this declaration, gold-supplying counterparties should commit to and acknowledge in writing that there is no serious human rights abuse throughout the extraction, transport or trade of minerals, no direct or indirect support to non-state armed groups, no direct or indirect support to public or private security forces, no bribery and fraudulent misrepresentation of the origin of minerals, no money laundering or terrorism financing and no non-compliance with environment and sustainability legal requirements.

Communication Mechanism: In order to help all staff involved in the gold supply chain to have a thorough understanding of the due diligence system, the Risk Control and Compliance Department launched the annual gold supply chain due diligence training program on January 15th, 2021. The targeted audiences were employees from the gold-bearing material departments. The purpose of the training program was to help them establish a deep-through understanding of the LBMA RGG, including how to assess risks in light of the standards of mined gold and recycled gold by the supply chain Due Diligence system, how to conduct enhanced Due Diligence, how to design and implement a management strategy to respond to identified risks, and etc. and to present the latest edition of <*Responsible Gold and Silver Supply Chain Due Diligence Management Policy*>

Meanwhile, the latest edition of <*Responsible Gold and Silver Supply Chain Due Diligence Management Policy*> and issuing notice were uploaded via Office Automatic System and is available to all the employees on the intranet. Zhongyuan Smelter also built a company-wide communication mechanism that promotes employee engagements in risk identification activities. Employees are welcomed to

voice their concerns over the gold supply chain or any newly identified risks via hotline, E-mail or mailboxes. Zhongyuan Smelter published the latest *<Responsible Gold and Silver Supply Chain Due Diligence Management Policy>* on our official website. Anyone who raises concerns related to relevant policies can contact Zhongyuan Smelter through the contact information published on our website.

Step 2: Identify and assess risk in the supply chain

Compliance Statement with Requirement:

As of December 31st, 2021, we have fully complied with Step 2: Identify and assess risk in the supply chain.

Risk Identification for Gold-bearing Material Supplier: In the *<Responsible Gold and Silver Supply Chain Due Diligence Management Policy>*, Zhongyuan Smelter clarified the approach for risk identification in the supply chain and conducted the risk identification based on this approach. Before entering into business relationships, Purchase of Raw Material Department I and Purchase of Raw Material Department II should complete *<Due Diligence Checklist>* with *<LBMA Questionnaire>* to collect supplier information including company type, registration location, and transaction type for new supplier risk evaluation.

As of December 31st, 2021, Purchase of Raw Material Department I and Purchase of Raw Material Department II have performed risk identification of the existing suppliers.

Risk Assessment for Gold-bearing Material Supplier: In *<Responsible Gold and Silver Supply Chain Due Diligence Management Policy>*, Zhongyuan Smelter defined the methods for high-risk evaluation and the complementary annual revaluation.

Before entering into a business relationship, Purchase of Raw Material Department I and Purchase of Raw Material Department II should perform new supplier due diligence with respect to risk-identifying criteria that fall into two aspects: company risk and country risk. Country risks include:

- (1) The mined gold or recycled gold originates from or has been transported through a conflict-affected or human right abuse area (high-risk area or human right abuse area is reference to Heidelberg Barometer);
- (2) The mined gold is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold;
- (3) The recycled gold is claimed to originate from a country through which gold from conflict-affected and high-risk areas is known or reasonably suspected to transit;
- (4) The mined gold is claimed to originate from areas containing world heritage sites.

Company risks include:

- (1) Supplier or its up-stream company is located in a high-risk country that is related to money laundering, criminal or corruption;
- (2) Supplier or its up-stream company or beneficial owners are politically exposed person;
- (3) Supplier or its up-stream company is active in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, diamond merchants, sects and their leaders;
- (4) Suppliers or its up-stream company or beneficial owners engage in environmental damaging mining activities, such as the use of cyanide and mercury.

If any of above risk events occurred, Zhongyuan Smelter would classify the supplier as high-risk supplier and would not build business relationships with them. If any of those risk events tended to occur, Zhongyuan Smelter would not enter into the business relationship until an authorised investigation was completed. If none of those risk events occurred, Zhongyuan Smelter would establish business relationship as a 'normal cooperation' with this supplier.

During the transaction process, Purchase of Raw Material Department I and Purchase of Raw Material Department II should also monitor and assess the risks. We collected suppliers' information based on transaction type and origin of transaction area. We would suspend the relationship and report to the Compliance Officer if the 'normal cooperation' may be potentially involved in money laundering, financing of terrorism, contribution to conflict, violations of human rights, and non-compliance with environment and sustainability legal requirements. If there is solid evidence to prove that supplier is involved in money laundering, financing of terrorism, contribution to

conflict, violations of human rights and non-compliance with environment and sustainability legal requirements, we would end the cooperation immediately.

As of December 31st, 2021, Zhongyuan Smelter has performed risk assessments for new and existing suppliers. Regarding the country risks, we checked the mining origins through the <Heidelberg Barometer> and <Conflict Affected and High-Risk Areas List (CAHRAs List)> with information provided by suppliers, and performed risk assessment for mined gold suppliers, during which the suppliers were classified as low-risk, and formed the <LBMA Supply Chain Assessment Form> accordingly. The procurement of the recycled gold was within China. Overall, country risks have been assessed as low risk.

Regarding the company risks, Zhongyuan Smelter collected the information of company nature, registration and transaction type of suppliers. We also checked whether the recognizable beneficial owners of supplier are on the terrorist organization list published on People's Republic of China Ministry of Public Security's website and whether the recognizable beneficial owners have obtained the antique trading certificates. We have improved our work on the identification of benefit owners of private company. By taking the advantage of National Enterprise Credit Disclosure System platform (<http://www.gsxt.gov.cn>), we were able to check on suppliers' information regarding to shareholders/benefit owners.

Meanwhile, we assessed the commodity risk of our suppliers by reconciling between goods delivery notes and our own assay reports and by checking whether supplies are transported through high-risk area. Therefore, all suppliers were identified as low risk suppliers in 2021.

Risk Assessment for Gold-bearing Material Supplier: The Compliance Officer is responsible for reviewing the authenticity, validity and completeness of due diligence and then reporting to the Deputy General Managers in charge of Purchase of Raw Material Department I and Purchase of Raw Material Department II. The Deputy General Manager in charge of Purchase of Raw Material Department I and Purchase of Raw Material Department II should review and sign off the <LBMA Supply Chain Assessment Form>. In addition, Long-term suppliers should sign off the new

procurement contract every year and complete <Material Suppliers Complementary Annual Evaluation Form>. Only in the case that risk management strategy is identified as 'normal', the purchase transaction could be processed.

All <LBMA Supply Chain Assessment Form> were reviewed and approved by the Procurement Managers, the Compliance Officer and the Deputy General Manager in 2021.

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

Compliance Statement with Requirement:

As of December 31st, 2021, we have fully complied with Step 3: Design and implement a management strategy to respond to identified risks.

Risk Management: Zhongyuan Smelter takes diverse risk management strategies based on different due diligence results. Where the result of the due diligence is not fully satisfactory, but the assessed company in the supply chain is using reasonable and good faith effort, we will continue to refine gold coming from this source provided that it adopts an improvement strategy stating clear performance objectives within a reasonable timeframe. If the result of the gold supply chain due diligence concludes that there may exist money laundering, financing of terrorism, contribution to conflict, violations of human rights, non-compliance with environment and sustainability legal requirements, or if the possibility of the same is deemed high, we will stop immediately to refine gold from this source until additional information or data confirming or refuting the preliminary assessment.

For 'normal cooperation' that planned risk resolution with specific schedule, Purchase of Raw Material Department I and Purchase of Raw Material Department II are responsible for overseeing the implementation of risk resolution. Compliance Officer should review the results regularly.

According to the due diligence results in 2021, there was no supplier that need a management strategy of risk mitigation.

Continuous Monitoring: In 2021, Purchase of Raw Material Department I and Purchase of Raw Material Department II collected changes to suppliers' information, the on-going monitoring results of transactions and conducting the supply chain due diligence reevaluation to decide whether to continue cooperation.

As of December 31st, 2021, Purchase of Raw Material Department I and Purchase of Raw Material Department II conducted risk assessments for all the existing suppliers and completed <LBMA Supply Chain Assessment Form>. The assessment results were reviewed and approved by the Procurement Managers, the Compliance Officer and the Deputy General Manager.

Step 4: Arrange for an independent third-party audit of the supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

We have entered into a service agreement with Deloitte Touche Tohmatsu Certified Public Accountants LLP (hereinafter referred to as "Deloitte") to carry out an independent third-party assurance on our compliance practices in 2021 adhered to the LBMA RGG.

Deloitte performed an independent third-party limited assurance engagement in accordance with International Standard in Assurance Engagements ISAE3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). Deloitte and we agreed that a limited assurance is to be applied to year 2021 The Independent Limited Assurance Report and the Management Report can be found in attached document.

Step 5: Report on supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 5: Report on supply chain due diligence.

To align to the specific requirements in the LBMA RGG, Zhongyuan Smelter prepares and reports <The Refiner's Compliance Report> on time. Other stakeholders

could contact us to obtain a copy of <The Refiner's Compliance Report> via telephone and email.

Zhongyuan Smelter's overall conclusion

Table 3: Management conclusion:

Overall speaking, in 2021, Zhongyuan Smelter has improved the RGG supply chain management system, identified and assessed the associated risk for our suppliers, designed and implemented risk management strategy, conducted independent third-party audit for supply chain due diligence investigation, and reported supply chain due diligence. As of December 31st, 2021, Zhongyuan Smelter was in full compliance with the LBMA RGG.

In the next phase of work, given the fact that made organizational structure adjustment and the strategy of Zhongyuan Smelter, we will take this opportunity and are committed to continuous improvement and aim to combine the responsible gold supply chain process with our existing supply chain process more effectively. Any corrective action identified will be monitored internally on a regular basis.

Table4: Other report comments

If users of this report wish to provide any feedback to us with respect to this report, feel free to contact us by telephone +86-0398-2756627 or E-mail 277407501@qq.com.

