

*CYPLUS SUPPLY CHAIN IN MEXICO*

## *Cyanide Code Audit*

### *Summary Audit Report*

*PROJECT NO. 0308405*

*MAY 2016*

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# SUMMARY AUDIT REPORT

## 1 GENERAL SUMMARY

### 1.1 INFORMATION ON THE AUDITED OPERATION

Name of Cyanide Transportation Facility: CyPlus Supply Chain in Mexico

Name of Facility Owner: Evonik Industries de Mexico, S.A. de C.V.

Name of Facility Operator: CyPlus Supply Chain in Mexico

Name of Responsible Manager: Andre Mieth

Address:

State/Province: Sonora Country: Mexico

Telephone \_\_\_\_\_ Fax: \_\_\_\_\_

E-Mail: andre.mieth@evonyk.com

Location detail and description of operation:

CyPlus, a subsidiary of Evonik, is a consigner for sodium cyanide supply in Mexico. CyPlus operates under the commercial name of Evonik Industries de Mexico, S.A. de C.V. in Mexico. Currently, CyPlus supplies several mines in Mexico

Cyanide is transported to Mexico by ship and is delivered by the cargo company at the Ports. Ship unloading operations are performed by the respective Port Authority, which releases the container by placing it on a truck's platform. The cyanide is transported either to a distribution center located in Ciudad Obregon, Sonora, or directly to a mine. The distribution center is operated by CyPlus.

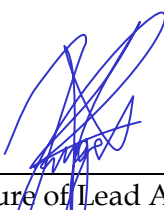
The main transportation routes are from the Ports to the CyPlus distribution center.

**This audit comprises the transport operations from the moment the Ocean Carrier delivers the cyanide to the Port facilities to its delivery to the client facilities (the mines), to the Distribution Center, or from the Distribution Centre to the Client Site. The distribution center was not included in the scope of this audit. CyPlus has been certified under the Cyanide Code principles since 2012 in Mexico; therefore, being this the second certification audit, records were reviewed back from July 2012 to 2015.**

Cyanide is packaged by the manufacturer (CyPlus, Germany)

For transport package type I, 20 boxes are placed in standard 20-foot shipping containers (the containers); the number of boxes is to prevent lateral movement of the boxes within the container. Prior to shipping, the manufacturer seals the container with a tag with a serial number at the production facility to prevent material losses. These seals are only removed at the distribution center or the mine.

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
Signature of Lead Auditor

2 May 2016  
Date

## SUMMARY AUDIT REPORT

CyPlus subcontracts Autotanques Nieto S.A. de C.V. (Autotanques Nieto) and Ahan, S.A. de C.V. (AHAN), to transport sodium cyanide from the Ports to the distribution center and to mines.

During the re-certification period, CyPlus stop using the following contractors that were included in the initial certification report:

- Transportes Tiny S. A. de C. V. (Tiny) (last used in December 2014)
- Fulanos Autotransportes y Servicios S. A. de C. V. (Fulanos) (last used in November 2013).

Additionally, Transportes Suri, S. A. de C. V. (Suri) was also used by CyPlus during the re-certification period; however, Suri obtained their independent certification in September 2014, and therefore was not included in the scope of this audit for the period after their certification.


No maintenance, operations or other records that were responsibility of Suri, Tiny and Fulanos were available for review; however, CyPlus has a Supervision Procedure that includes performing internal audits to third parties that handle cyanide. The internal audit reports prepared by CyPlus for the mentioned transporters were the basis to assess their compliance with the code while they were part of CyPlus' supply chain (or prior to obtain their independent certification). This information is included in the report within the section dedicated to CyPlus as consigner.

Transport companies subcontracted rely on emergency response services and training provided by CyPlus Evonik on the behalf of CyPlus to comply with the Code. They also follow the routes approved by CyPlus.

CyPlus has developed procedures to select the transport company. CyPlus has an internal audit program in place for third parties handling cyanides, according to CyPlus "Supervision (internal audits)" procedure.

Furthermore, the recertification of CyPlus' Distribution Center in Ciudad Obregon was announced on March 11, 2016 on the Cyanide Code website.

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
Signature of Lead Auditor

2 May 2016  
Date

# SUMMARY AUDIT REPORT

## 1.2 OVERALL AUDITOR'S FINDING

This operation is

- in full compliance
- in substantial compliance \*(see below)
- not in compliance


with the International Cyanide Management Code.

\* For cyanide transportation operations seeking Code certification, the Corrective Action Plan to bring an operation in substantial compliance into full compliance must be enclosed with this Summary Audit Report. The plan must be fully implemented within one year of the date of this audit.

This operation has not experienced compliance problems, cyanide related incidents, exposures or releases during the previous three-year audit cycle.

Audit Company: ERM Mexico, S. A. de C. V.

Audit Team Leader: Juan Carlos Rangel Lopez E-mail: [juancarlos.rangel@erm.com](mailto:juancarlos.rangel@erm.com)


Names and Signatures of Other Auditors: Alma Beatriz Valencia Puebla 

Date(s) of Audit: 17, 18, and 21 September 2015

I attest that I meet the criteria for knowledge, experience and conflict of interest for Code Verification Audit Team Leader, established by the International Cyanide Management Institute and that all members of the audit team meet the applicable criteria established by the International Cyanide Management Institute for Code Verification Auditors.

I attest that this Summary Audit Report accurately describes the findings of the verification audit. I further attest that the verification audit was conducted in a professional manner in accordance with the International Cyanide Management Code Verification Protocol for Cyanide Transportation Operations and using standard and accepted practices for health, safety and environmental audits.

CyPlus Supply Chain in Mexico  
Name of Facility

  
Signature of Lead Auditor

2 May 2016  
Date

## SUMMARY AUDIT REPORT

### 2 CYPLUS REPORT

This operation is

- in full compliance
- in substantial compliance
- not in compliance

with the International Cyanide Management Code.

#### **2.1 TRANSPORT: TRANSPORT CYANIDE IN A MANNER THAT MINIMIZES THE POTENTIAL FOR ACCIDENTS AND RELEASES**

##### **2.1.1 Transport Practice 1.1: Select cyanide transport routes to minimize the potential for accidents and releases.**

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.1
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

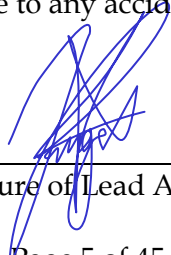
CyPlus subcontracts Autotanques Nieto S.A. de C.V. (Autotanques Nieto) and Ahan S.A. de C.V. (AHAN) to transport sodium cyanide from the Ports to the distribution center and to mines.

CyPlus has developed the "Selection of Logistics Service Providers" procedure. According to this, the contractors must comply with the following requirements, among others:

For Logistics Service Contractors:

- To be certified as a "transporter" by ICMC, to be ISO 9000 certified or to have been assessed according to SQAS, SASSMAQ, IMPCAS or comparable standards; or to comply with the following key management issues:
  - Should have a SHEQ policy in place;
  - To have appropriate equipment;
  - To have a training program; and
- To have a procedure to record accidents, incidents and potentially hazardous situations and use that information to implement preventive measures; also, to have a procedure to provide a rapid and effective response to any accidents.

CyPlus Supply Chain in Mexico  
Name of Facility

  
Signature of Lead Auditor

2 May 2016  
Date



## SUMMARY AUDIT REPORT

CyPlus has an internal audit program in place for third parties handling cyanides based on CyPlus "Supervision (internal audits)" procedure. The Internal Audit Questionnaire used in the internal audit is based on the ICMI's Transport Verification Protocol.

CyPlus has developed a "Selection of the Routes" procedure, which considers diverse criteria in order to select the best available route.

The procedure establishes guidelines to evaluate the risks and to categorize them into five categories (negligible, insignificant, significant, high and unacceptable risk), and includes a list of applicable risk prevention/reduction measures, such as speed reduction, assistance of a co-driver, driving schedules, GPS tracking and tracing, among others.

Transport companies contracted by CyPlus are responsible to develop their own route evaluation procedures based on the procedure developed by CyPlus.

The "Selection of the Routes" procedure states that in all cyanide transportation operations, the transport contractor presents a report to CyPlus including the indication of changes on the route. At least once a year, these reports are evaluated by the local CyPlus representatives and in consultation with CyPlus Environmental, Safety and Health (ESH) Global Compliance Manager; it is decided if the selected route report has to be amended or if the route has to be reevaluated.

According to Selection of Routes procedure developed by CyPlus, the transport contractors must evaluate the routes at least once per year.

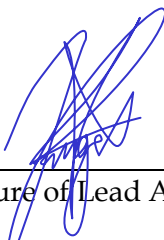
According to the Transport Emergency Response Plan, it is CyPlus responsibility to inform the emergency responders regarding the characteristics of cyanide. CyPlus has developed a training program for the different emergency responders (medical community, the firefighters, civil protection authorities, and the different police corporations) regarding cyanide transport procedures, toxicology, and emergency response, including emergency drills.

CyPlus has an agreement with a hospital located in Ciudad Obregon dated November 07, 2008; the agreement establishes the commitment of the hospital to care for CyPlus personnel, if required. The hospital has a branch in Hermosillo, Sonora, included in the agreement.

CyPlus subcontracts Autotanques Nieto S.A. de C.V. and (Autotanques Nieto), AHAN S.A. de C.V. (AHAN) to transport sodium cyanide from the Mazatlan and Guaymas Ports to the distribution center and to mines.

CyPlus has developed the "Selection of Logistics Service Providers" procedure. According to this, the contractors must comply with the following requirements, among others:

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
Signature of Lead Auditor

2 May 2016  
Date

## SUMMARY AUDIT REPORT

For Logistics Service Contractors:

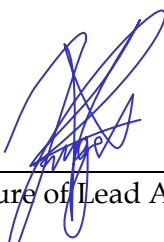
- To be certified as a “transporter” by ICMC, to be ISO 9000 certified or to have been assessed according to SQAS, SASSMAQ, IMPCAS or comparable standards; or to comply with the following key management issues:
  - Should have a SHEQ policy in place;
  - To have appropriate equipment;
  - To have a training program; and
- To have a procedure to record accidents, incidents and potentially hazardous situations and use that information to implement preventive measures; also, to have a procedure to provide a rapid and effective response to any accidents.

CyPlus has an internal audit program in place for third parties handling cyanides based on CyPlus “Supervision (internal audits)” procedure. The Internal Audit Questionnaire used in the internal audit is based on the ICMI’s Transport Verification Protocol.

As previously noted, during the re-certification period, CyPlus stop using Fulanos Autotransportes y Servicios S. A. de C. V. (Fulanos) (last used in November 2013) and Transportes Tiny S. A. de C. V. (Tiny) (last used in December 2014). Additionally, Transportes Suri, S. A. de C. V. (Suri) obtained their independent certification in September 2014. No maintenance, operations or other records that were responsibility of Suri, Tiny and Fulanos were available for review. However, according to the internal audits reports prepared by CyPlus for each of these companies, they had their route assessment procedures based on the one developed by CyPlus, they only used the transport routes approved by CyPlus and adhere to the measures established to address the risks identified.

Fulanos was audited in October 2013; Tiny was audited in July 2013 and October 2014, Suri was audited in April 2013 and was not later audited by CyPlus as they were audited for certification purposes in June 2014 and obtained their independent certification in September of the same year.

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
Signature of Lead Auditor

2 May 2016  
Date

## SUMMARY AUDIT REPORT

### 2.1.2 Transport Practice 1.2: Ensure that personnel operating cyanide handling and transport equipment can perform their jobs with minimum risk to communities and the environment.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.2
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

CyPlus requirements establish the contractors must ensure that the SHEQ training needs for all employees are identified and fulfilled so that all operations are carried out safely.

CyPlus has developed a set of Safety Standards for Cyanide Transport, which require all drivers to be trained on an annual basis on defensive driving and that the drivers have experience driving in mountain roads. Additionally, transport contractors must attend the Cyanide Safe Management training provided by CyPlus annually.

CyPlus provides cyanide handling training to all the drivers at least once per year. During this training, the toxicity of cyanide, the reaction with water as well as the emergency response procedures, and the use of respiratory protection equipment are reviewed. Attendance lists are kept as records.


Additionally, CyPlus annual training program includes the different topics that are provided to CyPlus personnel and drivers that conduct loading and unloading activities at the distribution center

Training sessions are provided by qualified and certified personnel of CyPlus (Evonik), MAYDAY Company and the Red Cross, mainly.

As previously noted, CyPlus subcontracts Autotankes Nieto and AHAN for cyanide transportation. CyPlus provides training to the personnel of the transport companies at least on an annual basis. Additionally, CyPlus audits the transporters every year to ensure that they comply with the training requirements.

No maintenance, operations or other records that were responsibility of Suri, Tiny and Fulanos were available for review. However, according to the internal audits reports prepared by CyPlus for each of these companies, they kept copies of the drivers' license and training records; additionally, CyPlus provided training on cyanide handling and emergency response on an annual basis.

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
Signature of Lead Auditor

2 May 2016  
Date

## SUMMARY AUDIT REPORT

### 2.1.3 Transport Practice 1.3: Ensure that transport equipment is suitable for the cyanide shipment.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.3
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

CyPlus is responsible for preventing overloading the transport vehicles that depart from the distribution center.

CyPlus has developed a set of Safety Standards for Cyanide Transport (the Safety Standards); which are mandatory to the transport contractors. The Standards include the obligation of inspecting the vehicles, mechanical maintenance of the vehicles, among others. CyPlus conducts periodic audits to the transport companies to verify the Safety Standards for Cyanide Transport are fulfilled.

No maintenance, operations or other records that were responsibility of Suri, Tiny and Fulanos were available for review. However, according to the internal audits reports prepared by CyPlus for each of these companies, they used transport equipment that was included in a preventive maintenance program and that had the capacity to transport the container. Additionally, these companies inspected their vehicles prior to any transport operation as required by the Safety Standards for Cyanide Transport imposed by CyPlus.

### 2.1.4 Transport Practice 1.4: Develop and implement a safety program for transport of cyanide.

The operation is

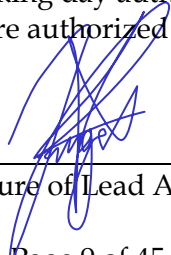
- in full compliance with
- in substantial compliance with Transport Practice 1.4
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

CyPlus has developed and implemented a Safety Standards for transport of cyanide and ensures that its subcontractor follows them.

The standards require the contractors to inspect their trucks prior to any transport operation, to have a vehicle preventive maintenance program and to keep a maintenance log, to transport cyanide only during daylight hours. Working day authorized by CyPlus is maximum twelve hours; however, only ten driving hours are authorized per day.

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Additionally, the Safety Standards establish that cyanide transport should be stop if there are severe weather conditions and that the drivers must pass a toxicological test every six months. Furthermore, prior to every transport operation, the driver must be tested for alcohol.

The Safety Standards establish that a report must be prepared by transport companies after all cyanide transportation operations and submitted to CyPlus.

CyPlus owns six iso-tanks used by the transport contractors to transport solid cyanide from the distribution center to the mines. Cyanide solution is prepared by mines personnel. CyPlus has an isotank inspection and preventive maintenance program in order to avoid cyanide releases during transportation.

CyPlus verifies compliance with the Safety Standards and the elements 1 to 3 of this Practice by the cyanide transport companies as part of the annual audits previously mentioned.

No maintenance, operations or other records that were responsibility of Suri, Tiny and Fulanos were available for review. However, according to the internal audits reports prepared by CyPlus for each of these companies, they used transport equipment that was included in a preventive maintenance program which is inspected prior to any transport operation. Also these companies followed the Safety Standards for Cyanide Transport imposed by CyPlus, which include limitation on the driving hours, alcohol test, and the instruction to modify/stop operations when there is social unrest or severe weather conditions.

### **2.1.5 Transport Practice 1.5: Follow international standards for transportation of cyanide by sea and air.**

The operation is


#### **THIS PRACTICE DOES NOT APPLY TO THE OPERATION**

- in full compliance with
- in substantial compliance with Transport Practice 1.5
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

As described in Section 1, the scope of this audit was only for the ground transportation operations performed by CyPlus from Mexico Ports or the CyPlus distribution center to the mines or to the distribution center; therefore, this practice does not apply.

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
Signature of Lead Auditor

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### 2.1.6 Transport Practice 1.6: Track cyanide shipments to prevent losses during transport.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.6
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

The Safety Standards require that the trucks are equipped with a tracking system.

Communication availability is one of the criteria included in the CyPlus "Selection of the routes" procedure. Blackout areas are limited to areas nearby some of the mines. CyPlus procedures require the drivers to contact their base prior to entering and after leaving the blackout area. If the driver does not contact the base after the estimated travel time; the base contacts the mine to determine if there has been an accident and activate the transport emergency response plan, if required.

During the transport operation, the containers are locked and tagged by CyPlus. The tags are placed either at the production site or at the distribution center. A transport document (documento de embarque) is generated by transport companies, which includes the container number. The container is only opened at the distribution center or the mine.

CyPlus has developed Safety Standards that are mandatory for the transport companies. CyPlus verifies compliance with the Safety Standards and the elements 1 to 7 by the cyanide transport companies as part of the annual audits conducted by CyPlus.

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
Signature of Lead Auditor

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SUMMARY AUDIT REPORT

2.2 INTERIM STORAGE: DESIGN, CONSTRUCT AND OPERATE CYANIDE TRANSSHIPPING DEPOTS AND INTERIM STORAGE SITES TO PREVENT RELEASES AND EXPOSURES.

2.2.1 Transport Practice 2.1: Store cyanide in a manner that minimizes the potential for accidental releases.

The operation is

THIS PRACTICE DOES NOT APPLY TO THE OPERATION

- in full compliance with
in substantial compliance with Transport Practice 2.1
not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

CyPlus operates a distribution center; however, the assessment of the distribution center is not included in the scope of this report. No other storage facilities intervene in CyPlus operations; therefore it is considered that this practice is not applicable to CyPlus as a consigner.

2.3 EMERGENCY RESPONSE: PROTECT COMMUNITIES AND THE ENVIRONMENT THROUGH THE DEVELOPMENT OF EMERGENCY RESPONSE STRATEGIES AND CAPABILITIES

2.3.1 Transport Practice 3.1: Prepare detailed emergency response plans for potential cyanide releases.

The operation is

- in full compliance with
in substantial compliance with Transport Practice 3.1
not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

CyPlus has developed a Transport Emergency Response Plan (TERP, "Plan de Contingencias en Carretera", latest review in 2015). CyPlus provides cyanide handling and emergency response training to the drivers but keeps responsibility in emergency response. CyPlus has three emergency response teams operating in Mexico.

The plan has a detailed explanation of the characteristics, toxicity and antidotes for cyanide briquettes transported in Mexico. The emergency response instructions consider solid sodium cyanide.

CyPlus Supply Chain in Mexico
Name of Facility

Signature of Lead Auditor

2 May 2016
Date

## SUMMARY AUDIT REPORT

The TERP includes procedures to attend releases of solid sodium cyanide which is the cyanide product handled by CyPlus in Mexico. The TERP includes the route assessments which identify potential risks in the selected transportation routes and describe the measures taken to address those risks as well as prevention and mitigation instructions for the potential scenario. The potential emergency scenarios considered in the TERP are related to road transportation: crash, vehicle rollover, and spill.

The TERP establishes guidelines for external emergency responders that may arrive at the emergency site before CyPlus teams do. The TERP includes the roles of firefighters, police and military bodies, Red Cross, civil protection authorities, and others during the emergency response.

### **2.3.2 Transport Practice 3.2: Designate appropriate response personnel and commit necessary resources for emergency response.**

- in full compliance with
- in substantial compliance with Transport Practice 3.2
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

CyPlus has three emergency brigades in Mexico. In the event of an emergency, CyPlus personnel would be responsible for the control of the emergency.

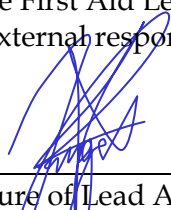
CyPlus provides training to their staff and emergency responders in charge of the emergency response. The latest training sessions were held in May, June and December 2014 and February 2015; these were attended by personnel of the transport companies, hospital personnel, civil protection, firefighting department, Red Cross and members of the military zone of Ciudad Obregon.

CyPlus emergency response personnel were interviewed and their files were reviewed. They were found to be knowledgeable on emergency response procedures and their credentials were considered sufficient to provide these services.

According to the TERP, cyanide transport drivers would provide support to CyPlus responders. The drivers of Autotanques Nieto and AHAN have received training from CyPlus' specialized personnel in the emergency response procedures, which has been properly documented.

The TERP defines the responsibilities of CyPlus emergency response teams and those of the transport contractor. The TERP establishes the roles and responsibilities of the General Coordinator, Communications Leader, the First Aid Leader, the Brigade Commander, and the Brigade Members as well as the roles of external responders.

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## SUMMARY AUDIT REPORT

The TERP includes a list of the emergency response material that is available in the distribution center located in Ciudad Obregon and the base in Queretaro. The availability and functionality of the material listed for the distribution center was verified as part of the audit. The availability of the materials stored in the Queretaro and Ciudad Obregon sites are verified on a monthly basis by CyPlus using a checklist.

Additionally, following the CyPlus requirements, the drivers carry their personal protective equipment provided by the transport contractors. According to the reviewed operation reports, these materials have been available during the respective transport operations.

Training related to emergency response is provided by CyPlus. CyPlus has a training program including emergency drills, which also covers drivers and managers of the transport contractors. The latest training sessions were held in May and June, 2015. The attendance of these training by the drivers and the emergency response brigades was confirmed during the audit.

The TERP states that the drivers must notify CyPlus of the emergency, prevent access by securing the area, and upon request, to collaborate with CyPlus personnel in logistic activities. CyPlus staff is in charge of coordinating the emergency response and communication actions.

### **2.3.3 Transport Practice 3.3: Develop procedures for internal and external emergency notification and reporting.**

The operation is


- in full compliance with
- in substantial compliance with Transport Practice 3.3
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

The TERP includes a communication flowchart. According to that, the driver will contact CyPlus in Mexico City immediately in case of emergency, and then to the company they work for. The flowchart includes the lines of communication and the list of all telephone numbers required by the flowchart and other relevant. Additional emergency numbers (Red Cross, civil protection, Transportation Emergency System for the Chemical Industry "SETIQ", police) are available in the TERP. Emergency numbers are updated every six months using the SETIQ database.

The TERP establishes that the phone number directory and facilities available in towns throughout the route are reviewed and updated by CyPlus every six months. The notification and reporting procedures are part of the TERP; which must be reviewed and updated in the event of an accident/incident or at least once a year.

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## SUMMARY AUDIT REPORT

### 2.3.4 Transport Practice 3.4: Develop procedures for remediation of releases that recognize the additional hazards of cyanide treatment chemicals.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.4
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

Instructions on how to clean a spill and decontaminate the area are included in the TERP.

The use of chemicals (e.g. sodium hypochlorite, oxygen peroxide and iron sulfate) to neutralize cyanide that has been released into surface water is explicitly prohibited in the TERP, as a part of the emergency response actions in case of crash/rollover with the product reaching a water body.

### 2.3.5 Transport Practice 3.5: Periodically evaluate response procedures and capabilities and revise them as needed.

The operation is

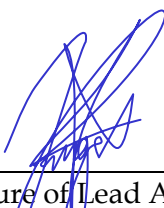
- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

The TERP establishes that it must be reviewed and updated (by CyPlus) in the event of an accident/incident occurred during the loading/unloading and transportation activities or at least once a year. The Emergency Response Plan was last updated in August 2015.

CyPlus has a training and drill program including training events and drills for the different zones of Mexico where they transport. The program includes two drills per year, training in hazardous materials and cyanides handling, and training sessions on cyanide emergency response. Last mock emergency drills were conducted in December 2014 in the cyanide transfer area and in June 2015 in the cyanide warehouse. During the mentioned drills CyPlus personnel, drivers of transport companies, and external emergency responders participated.

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## SUMMARY AUDIT REPORT

### 3 AUTOTANQUES NIETO REPORT

This operation is

- in full compliance
- in substantial compliance
- not in compliance

with the International Cyanide Management Code.

#### **3.1 TRANSPORT:**        *TRANSPORT CYANIDE IN A MANNER THAT MINIMIZES THE POTENTIAL FOR ACCIDENTS AND RELEASES*

##### **3.1.1 Transport Practice 1.1:        Select cyanide transport routes to minimize the potential for accidents and releases.**

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.1
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*


Autotanques Nieto has implemented the "Route Selection Procedure" dated February 18, 2013, which establishes the criteria to assess routes for cyanide transportation to select the transport route that minimizes the potential risks identified.

Autotanques Nieto has developed a route assessment matrix where every risk is evaluated and preventive measures for risky routes are stated.

Autotanques Nieto has evaluated the routes that are used to transport cyanide from the CyPlus distribution center to the mines. According to the Route Selection Procedure, routes will be reevaluated on a yearly basis. Additionally, during every trip, truck operators fill out a "route conditions format" to report new road conditions that could involve risks that were not considered as part of the route assessment. Route conditions formats are delivered to the route supervisor. Route supervisor communicates changes to the rest of the trucks operators and routes are reevaluated, if required.

Autotanques Nieto assesses routes for each of the criteria mentioned above and, based on these, a risk ranking is used. This assessment is documented in a matrix where the risk ranking is determined.

CyPlus Supply Chain in Mexico  
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## SUMMARY AUDIT REPORT

Based on the assessment results, Autotanques Nieto establishes preventive measures. Preventive measures include: establishing maximum speed limits, establishing transport timetables, tracking through a tracking system, among others.

### **3.1.2 Transport Practice 1.2: Ensure that personnel operating cyanide handling and transport equipment can perform their jobs with minimum risk to communities and the environment.**

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.2
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

Autotanques Nieto has developed a recruitment procedure that considers occupational-psychological interviews, technical knowledge interview, driving test and medical examination, among others.

Autotanques Nieto has developed the Training Procedure for Vehicle Operators No. RH-PSG-750-01 dated March 01, 2013. According to this procedure, trucks operators receive induction training, defensive driving training annually and refresh training sessions regarding hazardous materials management every three years. At the end of each training session, operators are evaluated. Trucks operators must obtain a minimum score of eight during evaluations to be authorized to transport hazardous materials, including cyanide.


Training is provided by qualified personnel from Autotanques Nieto accredited by the Federal Labor Agency (STPS, Secretaria del Trabajo y Previsión Social). Besides the accreditation granted by the STPS, Autotanques Nieto requires that trainers have, at least, five years working for Autotanques Nieto transporting hazardous materials.

Additionally, CyPlus provides an annual course called "Safety cyanide management".

Besides the training provided by Autotanques Nieto and CyPlus, Autotanques Nieto drivers must attend the training program and hold the driver license granted by the Federal Transport Agency (SCT, Secretaria de Comunicaciones y Transporte) that authorizes the drivers to transport hazardous materials, including cyanide.

Training program is attended by all Autotanques Nieto's drivers and personnel related to the management of cyanide. Autotanques Nieto's drivers are retrained annually by CyPlus and every three years by Autotanques Nieto. During this training, the toxicity of cyanide, the reaction with water as well as the emergency response procedures and the use of respiratory protection equipment are reviewed.

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
Signature of Lead Auditor

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Date

## SUMMARY AUDIT REPORT

### 3.1.3 Transport Practice 1.3: Ensure that transport equipment is suitable for the cyanide shipment.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.3
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

Autotanques Nieto transports solid cyanide in sea containers from Ports and CyPlus distribution center to mines. Additionally, Autotanques Nieto transports solid cyanide in iso-tanks owned by CyPlus from the distribution center to mines.

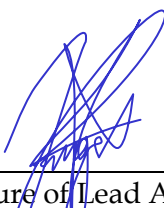
CyPlus personnel are responsible for preventing overloading the transport vehicle loaded in the distribution center according to the Mexican Official Standard NOM-012-SCT2-2014.

Autotanques Nieto maintenance department verifies that mechanical conditions of the trucks are suitable for the load weight that will transport. Autotanques Nieto has a preventive maintenance program for trucks. In order to ensure the trucks used by Autotanques Nieto are in good mechanical conditions, trucks are replaced every five years as required in the "Safety Rules for Cyanide Transportation" developed by CyPlus and signed by Autotanques Nieto representatives.

Autotanques Nieto vehicles have received authorization by Mexican authorities to transport hazardous materials. Autotanques Nieto owns platforms, dry boxes and trucks registrations granted by the Federal Communications Agency.

Autotanques Nieto has implemented a maintenance program to ensure that mechanical conditions of the trucks do not compromise their load capacity. Additionally, Autotanques Nieto has a trucks replacement program; therefore, old trucks are replaced for new trucks every five years.

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Signature of Lead Auditor

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## SUMMARY AUDIT REPORT

### 3.1.4 Transport Practice 1.4: Develop and implement a safety program for transport of cyanide.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.4
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

The transport modality consists of transporting an ocean container or isotank which is locked and tagged at the production facility or by CyPlus. The locks and tags are removed at the destination site. Autotanques Nieto personnel are not authorized to open the container or truck.

Trucks are inspected by Autotanques Nieto before every shipment in order to verify that the placards are posted on the truck.

Autotanques Nieto has implemented a procedure for Visual Inspections. Inspections of trucks are recorded in the driver's logbook. Visual Inspection includes physical and mechanical conditions of the trucks (i.e. brakes, steering system, lights, and tires, among others). Inspections are performed by drivers.

Trucks undergo preventive maintenance on a regular basis. The preventive maintenance program includes: oil and filters change, fluid levels, oil and diesel leakages checks, cleaning of the magnetic brake, lights, engine inspection, brakes, suspension systems inspection, among others. Autotanques Nieto has developed a checklist that must be inspected during preventive maintenance.

Autotanques Nieto follows CyPlus Safety Standards on maximum driving hours, rest periods, and daylight only. Working day authorized for drivers is maximum twelve hours; however, only ten driving hours are authorized per day.

Autotanques Nieto follows CyPlus Safety Standards which require them to stop at pre-selected stops or delay the operation if there is severe weather or civil unrest. Autotanques Nieto conducts alcohol and drugs abuse tests to truck drivers. Tests results are provided to SCT and truck operators must maintain a copy of the last tests results as part of the truck file. Alcohol abuse tests are performed prior to every shipment and drugs abuse tests quarterly.

Autotanques Nieto keeps maintenance records and vehicle inspection checklists as long as the unit is owned. Alcohol and drugs tests and training records are kept for up to ten years after the truck operators leave the Company.

CyPlus Supply Chain in Mexico  
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## SUMMARY AUDIT REPORT

### 3.1.5 Transport Practice 1.5: Follow international standards for transportation of cyanide by sea and air.

The operation is

**THIS PRACTICE DOES NOT APPLY TO THE OPERATION**

- in full compliance with
- in substantial compliance with Transport Practice 1.5
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

As described in Section 1, the scope of this audit was only for the ground transportation operations performed by CyPlus from the Ports to its distribution center and to mines; therefore, this practice does not apply.

### 3.1.6 Transport Practice 1.6: Track cyanide shipments to prevent losses during transport.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.6
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

All the trucks are equipped with a satellite system. The system allows monitoring trucks in real-time, maintaining communication with the truck driver, and controlling speed, among others.

Each truck driver has a mobile phone provided by Autotanques Nieto. Mobile phones are tested prior to the departure of the trucks.

Communication blackout areas have been identified by Autotanques Nieto as part of the routes evaluation. Truck operators know the location of communication blackout areas. However, all the trucks are equipped with the satellite system and are monitored in real-time

The availability, at each truck, of the transport document, the emergency response plan, and the SDS, among other documents, is verified using a checklist prior to the truck departure.

CyPlus Supply Chain in Mexico  
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Signature of Lead Auditor

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SUMMARY AUDIT REPORT

**3.2 INTERIM STORAGE:** *DESIGN, CONSTRUCT AND OPERATE CYANIDE TRANSPORTING DEPOTS AND INTERIM STORAGE SITES TO PREVENT RELEASES AND EXPOSURES.*

**3.2.1 Transport Practice 2.1:** **Store cyanide in a manner that minimizes the potential for accidental releases.**

The operation is

**THIS PRACTICE DOES NOT APPLY TO THE OPERATION**

- in full compliance with
- in substantial compliance with Transport Practice 2.1
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

As described in Section 1, Autotanques Nieto is a ground transportation company and does not own any storage facilities. Therefore, this practice does not apply.

**3.3 EMERGENCY RESPONSE: PROTECT COMMUNITIES AND THE ENVIRONMENT THROUGH THE DEVELOPMENT OF EMERGENCY RESPONSE STRATEGIES AND CAPABILITIES**

**3.3.1 Transport Practice 3.1:** **Prepare detailed emergency response plans for potential cyanide releases.**


The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.1
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

Autotanques Nieto follows the Emergency Response Plan prepared by CyPlus; which is in compliance with the seven elements of this practice. See Section 2.3.1 for further details.

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SUMMARY AUDIT REPORT

**3.3.2 Transport Practice 3.2: Designate appropriate response personnel and commit necessary resources for emergency response.**

- in full compliance with
- in substantial compliance with Transport Practice 3.1
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

According to CyPlus emergency response procedure, the emergency response brigades of CyPlus would be in charge of attending the emergency. Autotanques Nieto drivers could support CyPlus if required. Autotanques Nieto drivers have been trained from CyPlus specialized personnel in the emergency response procedures.

All trucks owned by Autotanques Nieto are equipped with emergency response equipment. Autotanques Nieto has developed a checklist to verify prior to every shipment that emergency response equipment is complete and in operable conditions.

Autotanques Nieto drivers receive refreshment training at least annually by CyPlus and by Autotanques Nieto. These training sessions include emergency response procedures.

**3.3.3 Transport Practice 3.3: Develop procedures for internal and external emergency notification and reporting.**


The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.3
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

CyPlus has prepared and implemented an Emergency Response Plan which is compliant with these requirements. Autotanques Nieto follows CyPlus Emergency Response Plan. See Section 2.3.3 for further details.

CyPlus Supply Chain in Mexico  
Name of Facility

  
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SUMMARY AUDIT REPORT

**3.3.4 Transport Practice 3.4: Develop procedures for remediation of releases that recognize the additional hazards of cyanide treatment chemicals.**

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.4
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

CyPlus has prepared and implemented an Emergency Response Plan which is compliant with these requirements. See Section 2.3.4 for further details.

**3.3.5 Transport Practice 3.5: Periodically evaluate response procedures and capabilities and revise them as needed.**


The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

CyPlus has prepared and implemented an Emergency Response Plan which is compliant with these requirements. Autotanques Nieto drivers participate in the mock emergency drills coordinated by CyPlus in their distribution center.

CyPlus Supply Chain in Mexico  
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Date

## SUMMARY AUDIT REPORT

### 4 AHAN REPORT

The operation is

- in full compliance
- in substantial compliance
- not in compliance

with the International Cyanide Management Code.

#### 4.1 **TRANSPORT PRACTICE 1. TRANSPORT CYANIDE IN A MANNER THAT MINIMIZES THE POTENTIAL FOR ACCIDENTS AND RELEASES.**

##### 4.1.1 **Transport Practice 1.1: Select cyanide transport routes to minimize the potential for accidents and releases.**

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.1
- not in compliance with


*Summarize the basis for this Finding/Deficiencies Identified:*

AHAN has implemented the route selection procedure "PRO-SEL-RUT" dated March 17, 2015 which establishes the criteria to assess routes for cyanide transportation to select the transport route that minimizes the potential risks identified.

Preventive measures established by AHAN include maximum speed limits; establish transport timetables, tracking through GPS or satellite systems, among others.

Routes used by AHAN have been previously authorized by CyPlus. CyPlus is responsible for seeking input from communities and other stakeholders as established in the "Routes Selection" procedure developed by CyPlus. CyPlus is responsible for complying with this element. AHAN follows the routes and the measures established by CyPlus in the Emergency Response Plan.

CyPlus Supply Chain in Mexico  
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## SUMMARY AUDIT REPORT

### 4.1.2 Transport Practice 1.2: Ensure that personnel operating cyanide handling and transport equipment can perform their jobs with minimum risk to communities and the environment.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.2
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

AHAN has developed an annual training program that must be attended by all drivers.

AHAN has received support from the Fire Department and the Municipal Transit Department during training sessions.

Additionally, CyPlus provides an annual course called "Safety cyanide management".

Besides the training provided by AHAN and CyPlus, AHAN drivers must attend the training program and hold the driver license granted by the SCT, Secretaria de Comunicaciones y Transporte) that authorizes the drivers to transport hazardous materials, including cyanide.

AHAN personnel are retrained annually by both, CyPlus and AHAN. During this training, the toxicity of cyanide, the reaction with water as well as the emergency response procedures and the use of respiratory protection equipment are reviewed. AHAN keeps copies of the attendance list for each training session.

### 4.1.3 Transport Practice 1.3: Ensure that transport equipment is suitable for the cyanide shipment.

The operation is


- in full compliance with
- in substantial compliance with Transport Practice 1.3
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

AHAN transports solid cyanide in oceanic containers from Ports and CyPlus distribution center to mines. Additionally, AHAN transports solid cyanide in iso-tanks owned by CyPlus from the distribution center to mines

CyPlus personnel are responsible for preventing overloading the transport vehicle loaded in the distribution center according to the Mexican Official Standard NOM-012-SCT2-2014.

CyPlus Supply Chain in Mexico  
Name of Facility

  
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## SUMMARY AUDIT REPORT

AHAN has implemented a preventive maintenance program in order to ensure that mechanical conditions of the trucks are suitable for the load weight that will transport.

AHAN vehicles are authorized by Mexican authorities to transport hazardous materials.

AHAN has implemented a checklist to conduct visual inspection prior to every cyanide shipment.

Additionally, AHAN has a truck replacement program.

### **4.1.4 Transport Practice 1.4: Develop and implement a safety program for transport of cyanide.**

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.4
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

The transport modality consists of transporting an ocean container or isotank which is locked and tagged at the production facility or by CyPlus. The locks and tags are removed at the destination site. AHAN's personnel are not authorized to open the container or truck.

AHAN has implemented visual inspections. The inspections are recorded in the driver's logbook. Visual Inspection includes physical and mechanical conditions of the trucks (i.e. brakes, steering system, lights, and tires, among others).

AHAN has implemented a preventive maintenance program on a regular basis.

In accordance with CyPlus policy, AHAN prohibits the use of refurbished wheels in trucks that requires change of tires. Trucks wheels are replaced by new wheels. The corrective and preventive actions are recorded in the general maintenance logbook.

AHAN follows CyPlus Safety Standards on maximum driving hours, rest periods, and daylight only.

AHAN implements an alcohol test that is performed prior to every shipment. AHAN has a format to document this activity. In addition, AHAN has an anti-drug policy which is in line with CyPlus Safety Standards. AHAN keeps maintenance records as long as the unit is owned, vehicle inspection checklists. Alcohol and drugs tests records are kept for at least three years.

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Name of Facility

  
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## SUMMARY AUDIT REPORT

### 4.1.5 Transport Practice 1.5: Follow international standards for transportation of cyanide by sea and air.

The operation is

**THIS PRACTICE DOES NOT APPLY TO THE OPERATION**

- in full compliance with
- in substantial compliance with Transport Practice 1.5
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

AHAN is a ground transport contractor; this element is not applicable to AHAN.

### 4.1.6 Transport Practice 1.6: Track cyanide shipments to prevent losses during transport.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 1.6
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

All the trucks are equipped with radio communicators and mobile phones. Additionally, all the trucks are equipped with a GPS system. As required by CyPlus, trucks are being equipped with a satellite system for tracking.

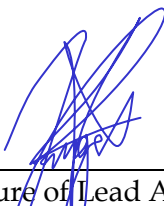
According to the interviews performed, mobile phones and radios are tested prior to the departure of the trucks. AHAN has a supervisor in charge to verify the satellite system is operating.

Communication blackout areas have been identified by AHAN as part of the routes evaluation. Truck operators know location of communication blackout areas. However, trucks are monitored all time for a Satellite system. All the trucks are equipped with a GPS system and are monitored in real-time from the AHAN's operation base.

. A transport document (document de embarque) is provided by CyPlus before trucks leave the Distribution Center. The container is only opened at the mines. The lock and tag are only removed at the distribution center or the mine.

The availability, at each truck, of the transport document, the emergency response, and the SDS, among other documents, is verified using a checklist prior to the truck departure.

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
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SUMMARY AUDIT REPORT

**4.2 INTERIM STORAGE: DESIGN, CONSTRUCT AND OPERATE CYANIDE TRANS-SHIPPING DEPOTS AND INTERIM STORAGE SITES TO PREVENT RELEASES AND EXPOSURES.**

**4.2.1 Transport Practice 2.1: Store cyanide in a manner that minimizes the potential for accidental releases.**

The operation is

**THIS PRACTICE DOES NOT APPLY TO THE OPERATION**

- in full compliance with
- in substantial compliance with Transport Practice 2.1
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

AHAN is a ground transport contractor and does not have any storage facilities; this element is not applicable to AHAN.

**4.3 EMERGENCY RESPONSE: PROTECT COMMUNITIES AND THE ENVIRONMENT THROUGH THE DEVELOPMENT OF EMERGENCY RESPONSE STRATEGIES AND CAPABILITIES.**

**4.3.1 Transport Practice 3.1: Prepare detailed emergency response plans for potential cyanide releases.**


The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.1
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

AHAN follows the Emergency Response Plan prepared by CyPlus; which is in compliance with the seven elements of this practice. See Section 2.3.1 for further details.

CyPlus Supply Chain in Mexico  
Name of Facility

  
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## SUMMARY AUDIT REPORT

### 4.3.2 Transport Practice 3.2: Designate appropriate response personnel and commit necessary resources for emergency response.

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.2
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

AHAN follows the Emergency Response Plan prepared by CyPlus; which establishes that the emergency response brigades of CyPlus would be in charge of attending the emergency. AHAN drivers could support CyPlus if required. AHAN drivers have been trained from CyPlus specialized personnel in the emergency response procedures. All trucks owned by AHAN are equipped with emergency response equipment.

AHAN verifies prior to every shipment that emergency response equipment is complete and in operable conditions. AHAN drivers receive refreshment training at least annually. This training includes emergency response procedures.

### 4.3.3 Transport Practice 3.3: Develop procedures for internal and external emergency notification and reporting.

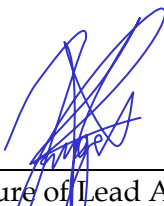
The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.3
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

As previously noted, AHAN follows the emergency plan prepared by CyPlus, which complies with the two elements of this practice. See Section 2.3.3 for further details.

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
Signature of Lead Auditor

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SUMMARY AUDIT REPORT

**4.3.4 Transport Practice 3.4: Develop procedures for remediation of releases that recognize the additional hazards of cyanide treatment chemicals.**

The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.4
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

As previously noted, AHAN follows the emergency plan prepared by CyPlus, which complies with the two elements of this practice. See Section 2.3.4 for further details.

**4.3.5 Transport Practice 3.5: Periodically evaluate response procedures and capabilities and revise them as needed.**


The operation is

- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

*Summarize the basis for this Finding/Deficiencies Identified:*

As previously noted, AHAN follows the emergency plan prepared by CyPlus, which complies with the three elements of this practice. AHAN drivers participate in the mock emergency drills coordinated by CyPlus in their distribution center. See Section 2.3.5 for further details.

CyPlus Supply Chain in Mexico  
Name of Facility

  
\_\_\_\_\_  
Signature of Lead Auditor

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Date

## SUMMARY AUDIT REPORT

### 5 GUAYMAS PORT REPORT

This operation is

- in full compliance
- in substantial compliance \*(see below)
- not in compliance

with the International Cyanide Management Code.

This section is based in the due diligence performed by Mr. André Mieth from CyPlus in 10 October 2014. Mr. Mieth has 8 years of experience the transport of cyanide including providing training and support to ports for the safe handling of cyanide.

The Guaymas port is certified in the following standards:

- International Ship and Port Facility Security (ISPS) Code.
- ISO 14001
- ISO 9001
- Clean Industry (certifies compliance with Mexican environmental regulations)

According to due diligence performed by CyPlus, the Guaymas port has trained personnel to operate container lifts, yard cranes, and trailer platforms. No licenses issued by the government are required for the operators.

The Port personnel receive training sessions regarding fire suppression, health and safety, hazardous goods handling, evacuation and spillage.


Additionally, CyPlus has provided annual training sessions regarding safe cyanide handling since 2012. The latest training session was conducted in November 2014. In addition to port authorities, police, fire brigade and medical service personnel also attended the training.

The port receives cyanide in ocean containers, which are unloaded using two ship cranes. Internal movement of the containers is performed using yard cranes and lifts. The equipment used by the port can only handle one container at the time and has capacities of 30 tons and above (maximum weight of the container is approximately 24 tons).

According to the due diligence performed by CyPlus, the Guaymas port has a preventive maintenance program for container handling equipment (cranes and vehicles) to ensure that it is in good conditions to operate. Preventive maintenance program of 2014 was reviewed by CyPlus. Additionally, the port has a written procedure for the cleaning and inspection of equipment used for loading and unloading containers.

The port also inspects the containers to ensure that they are received in good conditions.

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Signature of Lead Auditor

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Date

## SUMMARY AUDIT REPORT

CyPlus has agreed with the Port and Custom authorities to avoid opening the containers at the port facility; these are opened at the distribution center or the client site.

The port has designed a cyanide storage area. No warning signs are located in the area; however, warning signs have been placed in administrative areas. Additionally, operators are trained regarding safe cyanide handling. The cyanide remains in the ocean container; which is labeled with the UN number and the division number placards. The containers are not opened at the port.

The perimeter of the port is fenced with cyclonic mesh and metal bars. The port has control access and security procedures. The port also has CCTV surveillance. Trucks and visitors must be registered at the security booth to obtain access authorization. The Mexican Navy is in charge of the Port security.

The Guaymas port has the procedure API-GOI-P-15 that specifies the incompatibility characteristics of the hazardous materials handled. Sulfuric acid is stored in tanks in the other side of a hill from the cyanide storage area. The port is designated to receive ammonium nitrate that is controlled by the Mexican Navy. Ammonium nitrate is stored in a separate area from the cyanide storage area.

Additionally, the cyanide remains in their packaging material and in their containers at all times. Therefore, it is considered that cyanide is protected from contact with incompatible materials including water; therefore no ventilation is required to prevent build-up of hydrogen cyanide.


CyPlus has prepared and implemented an Emergency Response Plan which is compliant with these requirements. CyPlus has provided copies of the Emergency Response Plan to the port management team. In case of an emergency related to cyanide at the port, the Port will follow CyPlus Emergency Response Plan.

According to CyPlus emergency response procedure, the emergency response brigades of CyPlus would be in charge of attending the emergency with support from the port personnel. Port personnel receive training from CyPlus specialized personnel in the emergency response procedures on an annual basis. The training has been documented through attendance lists. Additionally, CyPlus has provided training also to other external emergency responders that could cooperate during an emergency at the port.

Nonetheless, the port has its own emergency response plan, API-GUA-GOI-P-04 updated on August 19, 2014. This emergency response plan describes responsibilities during the emergency response and chain of communication with public fire brigade and emergency services.

The Port has an Emergency Response Brigade that receives training on an annual basis. The brigades are trained in fire control, hazardous materials handling, among other topics. The role of the port brigade in case of a cyanide related emergency would be to isolate the area and prevent escalation.

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**SUMMARY AUDIT REPORT**

The port has nine SCUBA units, six Hazmat suits, one HCN detector, and four disposable Tyvek suits, among others elements. The port inspects its emergency response equipment on a monthly basis. The mentioned equipment was inspected during a due diligence performed by CyPlus on October 10, 2014. This is additional to the equipment that would be brought to the port by CyPlus brigades.

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## SUMMARY AUDIT REPORT

### 6 MAZATLAN PORT REPORT

This operation is

- in full compliance
- in substantial compliance \*(see below)
- not in compliance

with the International Cyanide Management Code.

This section is based in the due diligence performed by Mr. André Mieth from CyPlus in 14 October 2014. Mr. Mieth has 8 years of experience in the transport of cyanide including providing training and support to ports for the safe handling of cyanide.

The Mazatlan port is certified in the following standards:

- International Ship and Port Facility Security (ISPS) Code.
- ISO 14001 (re-audit performed on April 2015)
- ISO 9001 (re-audit performed on April 2015)

Annually, CyPlus provides training session to Port's employees regarding safe cyanide handling. Last training session was conducted on September 26, 2014.

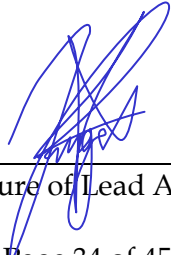
The port provides induction training to new hire employees that includes items such as handling of materials, first aid, firefighting and emergency response. Refreshment sessions are provided annually by the Port authorities. In addition, crane operators receive training to operate container handling equipment. Last training records are dated July 12, 2014. No licenses issued by the government are required for the operators.

The Port has a training refresher program including fire suppression, health and safety, hazardous goods identification and handling, machinery operation. Additionally, the port has implemented the procedure TMAZ-OPIP-P dated March 14, 2014 that establishes safety measures during loading and unloading activities.

In addition to the training described above, CyPlus has provided complementary training to the port personnel (operators and managers) regarding cyanide handling and emergency response.

The port receives cyanide in ocean containers, which are unloaded using a dock crane. The Ports owns two dock cranes. Internal movement of the containers is performed using cranes and trucks with trailer platforms. The movement of the containers onto/from the trailer platform is carried out by container stackers. Container handling equipment has a loading capacity of at least 30 tons (maximum weight of the container is approximately 24 tons) and can handle only one container at a time.

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According to the CyPlus due diligence report, the container handling equipment is inspected prior to its use at the beginning of the work day using a checklist. The port also inspects the containers to ensure that they are received in good conditions.

The port has a preventive maintenance programs for container handling equipment which is conducted every 300 hours of operation; preventive and corrective maintenance orders are recorded in individual files. Additionally, maintenance personnel perform visual inspections of the equipment prior to its use at the beginning of the work day in accordance with procedure TMAZ-OPIP-P dated March 14, 2014.

CyPlus has agreed with the Port and Custom authorities to avoid opening the containers at the port facility; these are open at the distribution center or the client site. However, CyPlus has shared its safety procedure to open ocean containers in case authorities, such as customs officer, requires inspect the contents of ocean containers.

According to the CyPlus due diligence report, the port has warning signs posted in the cyanide storage area. The cyanide remains in the ocean container; which is labeled with the UN number and the division number placards. The port employees have been trained to identify the cyanide containers and the safety rules around them. The containers are not open at the port.

Additionally, procedure TMAZ-OPIP-P establishes personnel protective equipment required to conduct routine operations in the Port. Personnel protective equipment used by the Port personnel includes: safety helmet, safety glasses, reflective vest and gloves.

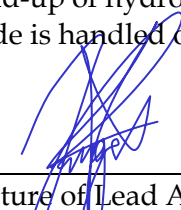
The perimeter of the port is fenced with cyclonic mesh and metal bars. The port has control access and security procedures. The port also has CCTV surveillance. Trucks and visitors must be registered at the security booth to obtain access authorization. The port is permanently guarded by members of the Navy.

The port has selected an area to store the cyanide containers. The cyanide remains at all times in their packaging material and in their container. Additionally, the port complies with the requirements established in the Mexican Official Standards NOM-023-SCT4-1995 that establishes safety conditions for handling and storage of hazardous materials in ports and NOM-033-SCT4-2013 that specifies requirements to allow entrance of hazardous materials with port facilities. Therefore, it is considered that cyanide is protected from contact with incompatible materials.

Although cyanide is not stored under a roof, as previously noted, cyanide is kept in its packaging material (which includes plastic bags) and container. Therefore, it is considered that cyanide is protected from contact with water.

Although cyanide is not stored in closed areas, it is protected from contact with water. Therefore no ventilation is required to prevent build-up of hydrogen cyanide. The port does not have secondary containment; however, cyanide is handled only in solid state within the container.

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## SUMMARY AUDIT REPORT

CyPlus has prepared and implemented an Emergency Response Plan which is compliant with these requirements. CyPlus has provided copies of the Emergency Response Plan and training to the Port personnel. In case of an emergency related to cyanide at the port, the Port will follow CyPlus Emergency Response Plan.

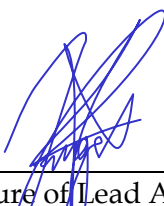
Nonetheless, the port has its own emergency response program updated on March 14, 2014. The Emergency response program is updated and approved by the Mexican Navy every five years. During due diligence performed by CyPlus it was identified that the Port emergency response plan lacked of CyPlus' emergency numbers; therefore, CyPlus provided them.

The Port has an Emergency Response Brigade that receives training on an annual basis. The brigades are trained in fire control, hazardous materials handling, among other topics. The role of the port brigade in case of a cyanide related emergency would be to isolate the area and prevent escalation. The brigade has nine members.

According to CyPlus emergency response procedure, the emergency response brigades of CyPlus would be in charge of attending the emergency with support from the port personnel. Port personnel have received training from CyPlus specialized personnel in the emergency response procedures. The training has been documented through attendance lists. Additionally, CyPlus has provided training to the Mazatlan municipal firefighters, the emergency response brigades from PEMEX's adjacent facility, and other external emergency responders that could cooperate during an emergency at the port.

The port has SCUBA units, disposable Tyvek suits, class A suits, firefighting equipment, among other equipment which are inspected by the Port authorities. Additionally, CyPlus provided a HCN detector and an antidote kit. This is additional to the equipment that would be brought to the port by CyPlus brigades. The port conducts emergency exercises every three months.

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2 May 2016  
Date