

**ISOSURE S.A.C.**

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## INTERNATIONAL CYANIDE MANAGEMENT CODE

### MERCANTIL S.A.

SUMMARY AUDIT REPORT

BASE TRANSPORTATION, SANTIAGO DE  
SURCO, LIMA, PERU

**CODIGO** 20552423993

**VERSION** 01. 1

**FECHA** 31/10/2017

En colaboración con:



# **INTERNATIONAL CYANIDE MANAGEMENT INSTITUTE**

## **Cyanide Transportation Operations Summary Audit Report**



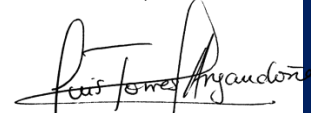
**For The  
International Cyanide Management Code  
and MERCANTIL S.A. – Santiago de Surco  
– Lima – Peru**

### **Verification Protocol**

**[www.cyanidecode.org](http://www.cyanidecode.org)  
December 2017**



OCTOBER 2017 | MERCANTIL

  
Lead Auditor Signature

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## INTRODUCTION

### Information on the audited operation

Name of Cyanide Transportation Facility: MERCANTIL COMMODITY S.A.C.

Name of Facility Owner: MERCANTIL COMMODITY S.A.C.

Name of Facility Operator: MERCANTIL COMMODITY S.A.C.

Name of Responsible Manager: Bruno Bellatin Gomez de la Torre

Address: Jr. Santorin 243, Surco

State/Province/Country: Lima/ Peru

Telephone: +51 01 618 1616 + Fax: ---

E-mail: bbellatin@mercantil.com.pe

### Aspects of the location and description of the operation:

MERCANTIL S.A. (MERCANTIL) has traded sodium cyanide over 20 years. In the Peru, the solid sodium cyanide briquettes are imported from different factories around the world. The Global Ocean Supply Chain is used for shipments from the Port of Tianjin and Qingdao (CHINA) by ocean carrier and then arriving at the port of Callao they are transported by the company certificate to warehouse, before being transported to stock "MERCANTIL" (ALMACENERA EL PACIFICO S.A.C., certified company) or mining customer by certified carriers. This certification audit included the following components.

Global Ocean Supply Chain – All global ocean moves of sodium cyanide that originate in the China and those that originate at the Port of TIANJIN or QUINGDAO as part of the MERCANTIL Supply Chain are within the scope of this certification audit. MERCANTIL processes used to manage the ocean transport of its products were evaluated through interview, a review of process descriptions, company standards, policies, shipping records, and due diligence records. The three ocean carriers for which due diligence investigations were performed are:

1. Nippon Yusen Kabushiki Kaisha (NYK)
2. Maersk Line Agency
3. Mediterranean Shipping Co. (MSC)

The Due Diligence Investigations were also conducted for Golder Associates in use at the time of the audit. Records were sampled to confirm that MERCANTIL had either evaluated the ports specifically for cyanide safety handling practices, or that the port had been previously approved and used by MERCANTIL for hazardous material shipments. The ports listed on the following page are used by MERCANTIL for sodium cyanide shipments to gold mine customers and were included in this certification audit.

1. Nippon Yusen Kabushiki Kaisha (NYK)

The NYK Group is a global logistics enterprise centered on various forms of marine transport including global logistics business and bulk energy transportation, cruises, terminal and harbor transport, shipping – related services and real estate. NYK has ocean, land, and air transportation networks that extend across the globe.

The NYK Group has made adjustments to utilize its containership fleet more efficiently and respond to surges in container-shipping demand following the Global recession in 2008. NYK is establishing a global service-rpote network by creating alliances with other shipping companies to respond to the diversifying needs of customers including the GA Alliance and G6 Alliance. The GA Alliance comprises NYK North America, whereas the G6 Alliance includes the GA members in addition to Mitsui O.S.K. Lines, APL, and Hyundai



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Merchant Marine to cover the trade between Asia and Europe in addition to the trade between Asia and the East Coast to North America.

The NYK Group provides its customer with terminal and stevedoring services for containerships, pure car carriers, and cruise ships at terminals in Japan, Asia, North America, Europe, and Australia.

NYK Group maintains global ISO 14001 Certification.

As mentioned in the Auditor Guidance for Use of Cyanide Transportation Verification Protocol (October 2009), General Guidance notes, consigners are not able to conduct inspections and checks on shipping vessels due to Port safety and security issues.

## 2. Maersk Line Agency

MAERSK, headquartered in Copenhagen Denmark, operates a fleet of containers vessels with worldwide shipping coverage. The fleet consists of approximately 590 container vessels with the capacity to handle more than three million 20 foot containers. Maersk operates a container booking and tracking system called the Global Customer Service System (GCSS). The system is also the management tool for handling the dangerous goods cargo for the proper control of the stowage of hazardous cargo.

Maersk have previously required companies to provide evidence that their product packaging has been approved by government regulators and tested in accordance with international Maritime Organization (IMO) Dangerous Goods (DG) Code. Maersk have the right to refuse cargo if the packaging, container and/or documentation are not acceptable to IMO DG Code standards.

As mentioned in the Auditor Guidance for Use of Cyanide Transportation Verification Protocol (October 2009), General Guidance notes, consigners are not able to conduct inspections and checks on shipping vessels due to Port safety and security issues.

Maersk's vessels are registered by the Lloyd's Register Group, which provides classification and certification of ships, and inspects and approves important components and accessories. Maersk also has current certificates for its vessels under the International Ship and Port Security (ISPS) Code developed by the IMO.

## 3. Mediterranean Shipping Co. (MSC)

MSC, headquartered in Geneva, Switzerland, is engaged in worldwide container transport. MSC operates approximately 480 container vessels with the capacity to handle the equivalent capacity of 2.6 million 20 foot containers. MSC has set up dangerous goods cargo management centers that manage the stowage of hazardous cargo worldwide through their MSC Link computer system headquartered in Antwerp. This hazardous cargo system is initiated when hazardous cargo is booked in the container booking MSC Link computer system.

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hazardous cargo system is initiated when hazardous cargo is booked in the container booking MSC Link computer system.

#### 4. Port of Tianjin, China

The Port of Tianjin is the largest man made sea port in mainland China and forms an important trade port between northern China and north-east, central and western Asia. Located 160 km from Beijing and 60 km from the city center of Tianjin, it covers a land area of 131 square km, and land and sea area of 336 square km.

The Port of Tianjin is composed of five primary port areas:

- Tianjin North Port – operation of containers and general cargoes
- Tianjin South Port – dry bulk and liquid bulk cargoes
- Tianjin East Port – container terminal operation and modern services of international shipping, logistics, trade and off-shore finance.
- South Zone of Harbor Economic Area – heavy equipment manufacturing, new energy food and light industry.
- East Zone of Nangang Port – new port area for bulk cargo of coal and ore.

There are 159 different vessel berths in Tianjin Port. In 2013, the cargo throughput of Tianjin Port exceeded 500 million tons; container throughput exceeded 13 million twenty equivalent units (TEU). By 2017, the cargo throughput of Tianjin Port will exceed 600 million tons and container volume will surpass 20 million TEUs.

China is a Category A member of the International Maritime Organization (IMO) Council and a signatory to the Tokyo MoU, and as such strictly performs its Ports State obligations, supervises foreign ships in Chinese waters, and promotes compliance with international conventions among Flag States through Port State Control (PSC).

Tianjin Port (Group) Co. Ltd. (TPG) is the main body of Tianjin Port and owns the Port, and must be informed of all ship movements and major operations. The production schedule (ship movement plan) is arranged by the TPG Dispatch Control Center in coordination with the wharf operators, the MSA, and the pilot center. The Dispatch Center organizes ship movements, tracks pilotage operations, and supervises terminal operations via real-time CCTV monitoring.

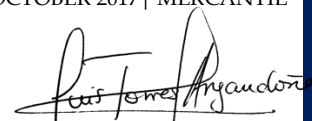
On August 12, 2015, a fire and subsequent explosions occurred at a dangerous goods warehouse located in the Tianjin Binhai New Area of the Tianjin, killing 165 people and resulting in significant infrastructure and property damage. The Accident Investigation Report released in February 2016 by the Chinese regulations relating to the storage and management of dangerous goods. A number of the investigation recommendations included changes to port security, stricter regulation and monitoring of hazardous chemicals, and to strengthen emergency response capabilities.

Following the incidents, it was reported that the Port of Tianjin stopped accepting hazardous cargo, including import and export cargo. Hazardous cargo arriving at the Port of Tianjin was allowed to be re-stowed. It is unclear whether the Port of Tianjin has since begun accepting the import/export of hazardous cargo; this due diligence assumes the Port of Tianjin is currently accepting hazardous materials including sodium cyanide.

#### 5. Port of Qingdao, China



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The Port of Qingdao is located between the Bohai Rim port region and the Yangtze Rize Delta port region and is an important hub for international trade and transportation in the West Pacific, maintaining shipping routes to over 700 ports in over 180 countries and regions around the world.

- The Port of Qingdao Area – four terminals with 18 berths operated by the Dagang Branch, primarily for handling steel, aluminum oxide, bauxite, fertizer, metal ore, coal and other general cargo.
- Quianwan Port Area – ten terminals with 36 berths operated through the Qiangang Branch (joint venture between QQCT and West United), primarily for containers, metal ore, coal, pulp and other general cargo.
- Huangdao Oil Port Area – five terminals with 11 berths operated through the joint venture Qingdao Shihua, primarily for liquid bulk cargo.
- Qingdao New Port Area (Dongjakou Port Area) – one terminal with two berths operated by the joint venture Huaneng Qingdao, primarily for handling metal ore, coal and other general cargo.

Qingdao Port International Co., Ltd. Is the primary operator of the Port of Qindao providing port-related services ranging from basic port services, such as stevedoring and storage services, to ancillary and of the Port of Qingdao exceeded 14 million twenty equivalent units (TEU).

The Port of Qingdao also serves as a container transshipment hub for ports in the Bohai Rim region, along the Yangtze river, as well as in Japan and South Korea.

In addition to stevedoring services, the Port of Qingdao provides assorted port services for containers, including short-term storage, vaning and de-vanning, and container repair services. Specialized storage services for containers with non-standard goods, such as frozen goods and hazardous subsatances are also offered at the Port of Qingdao.

On August 12 2015, a fire and subsequent explosions occurred at a dangerous goods warehouse located in the Tianjin Binhai New Area of the Port of Tianjin, china. Following these incidents, the port of Quindao was temporarily suspended form storing hazardous cargo of Class 2.1, Calss 4 (excluding sulfur UN 1350/CLS4.1) & Class 5 (UN2465 and UN2468) in their hazardous warehouse (including transshipment and importing). Following a review of dangerous goods security and handling by Quingdao Port (Group) Co. and by individual freight companies, the port of Qingdao was again authorized to receive and export dangerous goods including Sodium Cyanide.

China is a Category A member of the International Maritime Organization (IMO) Council and a signatory to the Tokyo MoU, and as such strictly performs its Ports State obligations, supervises foreign ships in Chinese waters, and promotes compliance with international conventions among Flag States through Port States Control (PSC).

#### 5. Port of Callao – Peru

The port of Callao, officially the Callao Port Terminal, is a seaport on the central coast of Peru, in the south-eastern Pacific, also belonging to the city of Callao in Callao.

It is the country's main port traffic and storage capacity. It is also one of the most important in Latin America ranking in 7th place and 1st place in the South Pacific region in 2015.

Has a depth of 16 meters, which can receive ships carrying up to 15,000 TEU, has three concessions which responds to the APN (National Port Authority) in charge of Dubai Ports World (South Dock) and APM Terminals ( North) dock, and Transportadora Callao SA



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Port infrastructure has improved in recent years due to various investments that have been made concessions product. El Callao There are five springs (1,2,3,4 and North), which are direct berth, breakwater type.

There are eleven stores in various areas. There are four areas for containers and five container yards. Additionally, a closed specialty store grains. There are two ZPMC cranes post-panamax six plus two quay cranes. There are about 4 mobilizers, 22 terminal trucks, and 10 elevators, of different capacity (2.3, 3.2, 5.5 and 30 tonnes).

#### 6. Supply Chain Peru

Once the sodium cyanide is nationalized, it is transported by certified companies to Almacenera el Pacifico (certified warehouse) to be stored before distribution to the different Mercantil customers using certified carriers.

The mode of transport to the customer is in a container of different sizes and isotanks.

| Company                           | Operation      | Date              | Website   |
|-----------------------------------|----------------|-------------------|---|
| <b>DCR MINERIA Y CONSTRUCCION</b> | TRANSPORTATION | June 05, 2017     | <a href="https://www.cyanidecode.org/signatory-company/dcr-mineria-y-construccion">https://www.cyanidecode.org/signatory-company/dcr-mineria-y-construccion</a>                                 |
| <b>EDEWIT</b>                     | TRANSPORTATION | July 12, 2017     | <a href="https://www.cyanidecode.org/signatory-company-categories/edewit-sr-ltda-peru">https://www.cyanidecode.org/signatory-company-categories/edewit-sr-ltda-peru</a>                         |
| <b>TRANSPORTE MERIDIAN</b>        | TRANSPORTATION | December 07, 2016 | <a href="https://www.cyanidecode.org/signatory-company-categories/transportes-meridian-sac-peru">https://www.cyanidecode.org/signatory-company-categories/transportes-meridian-sac-peru</a>     |
| <b>CONTRANS</b>                   | SUPPLY CHAIN   | January 26, 2017  | <a href="https://www.cyanidecode.org/signatory-company-categories/contrans-sac-peru">https://www.cyanidecode.org/signatory-company-categories/contrans-sac-peru</a>                             |
| <b>ALMACENERA EL PACIFICO</b>     | SUPPLY CHAIN   | August 04, 2014   | <a href="https://www.cyanidecode.org/signatory-company-categories/almacenera-el-pacifico-sac-peru">https://www.cyanidecode.org/signatory-company-categories/almacenera-el-pacifico-sac-peru</a> |





**SUMMARY AUDIT REPORT  
FOR CYANIDE TRANSPORTATION OPERATIONS**

**Instructions**

1. The basis for the finding and/or statement of deficiencies for each Transport Practice should be summarized in this Summary Audit Report. This should be done in a few sentences or a paragraph.
2. The name of the cyanide transportation operation, lead auditor signature and date of the audit must be inserted on the bottom of each page of this Summary Audit Report.
3. An operation undergoing a Code Verification Audit that is in substantial compliance must submit a Corrective Action Plan with the Summary Audit Report.
4. The Summary Audit Report and Corrective Action Plan, if appropriate, for a cyanide transportation operation undergoing a Code Verification Audit with all required signatures must be submitted in hard copy to:

**International Cyanide Management Institute (ICMI)**

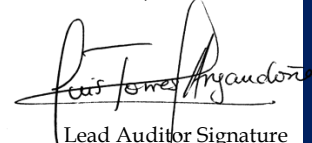
**1400 I Street, NW, Suite 550**

**Washington, DC 20005, USA**

5. The submittal must be accompanied by 1) a letter from the owner or authorized representative which grants the ICMI permission to post the Summary Audit Report and Corrective Action Plan, if necessary, on the Code Website, and 2) a completed Auditor Credentials Form. The lead auditor's signature on the Auditor Credentials Form must be certified by notarization or equivalent.
6. Action will not be taken on certification based on the Summary Audit Report until the application form for a Code signatory and the required fees are received by ICMI from the applicable cyanide transportation company.
7. The description of the cyanide transport company should include sufficient information to describe the scope and complexity of its operation.



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## Auditor's Finding

This Operation is:

☒ in full compliance

☐ in substantial compliance

☐ not in compliance

**The International  
Cyanide  
Management Code**

with the International Cyanide Management Code.

Audit Company: ISOSURE SAC | CIANURO INCORPORATED EIRL

Audit Team Leader: Luis Torres Argandoña

E-mail: auditoria@iso-sure.com

Date(s) of Audit: 06 and 07 October 2017

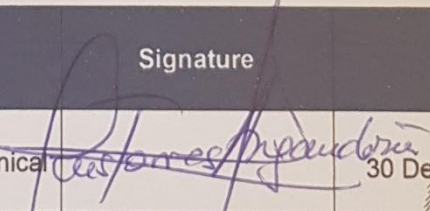
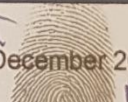
No significant cyanide incidents or exposures and releases were note as occurring during the audit period.

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 conduct 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.

Name and Signatures of Other Auditors

| Name                  | Position                   | Signature  | Date  |
|-----------------------|----------------------------|--|---|
| Luis Torres Argandoña | Lead Auditor and Technical |  | 30 December 2017<br> |

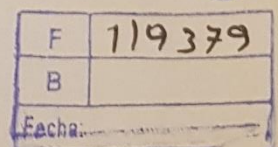
**CERTIFICO:** Que la firma que antecede pertenece a don **LUIS ALBERTO TORRES ARGANDOÑA** identificado con Documento Nacional de Identidad DNI **09993105**, la misma que es auténtica, de lo que doy fe.

El Notario no asume responsabilidad sobre el contenido del documento Art.108 D.Leg.1049.

Lima, 20 de Junio del 2018



ALFONSO BENAVIDES DE LA PUENTE  
Notario de Lima



## Verification Protocol

### TRANSPORT

Transport cyanide in a manner that minimizes the potential for accidents and releases.

#### 1.1 TRANSPORT PRACTICE 1.1

##### SELECT CYANIDE TRANSPORT ROUTES TO MINIMIZE THE POTENTIAL FOR ACCIDENTS AND RELEASES.

**X in full compliance with**

The operation is ☐ in substantial compliance with Transport Practice 1.1  
☐ not in compliance with

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

The operation is in FULL COMPLIANCE with Standard of Practice 1.1 requiring an operation Select cyanide transport routes to minimize the potential for accidents and releases.

The MERCANTIL operation for the transport and storage of sodium cyanide was subject to an audit. The Auditor was verifies and all questions related to the transport protocol ICMI were answered. MERCANTIL has the procedure for the Transport of Sodium Cyanide, whose goal is to transport sodium cyanide, without causing damage or injury to persons and / or the environment and the preservation of substances transported from port of Callao to CONTRANS (Distribution Warehouse MERCANTIL contracted) to the point set by the client or ALMACENERA EL PACIFICO (Company certified by the Code). "Emergency Response Plan", has been implemented for the route related to the cyanide transportation.

The route is evaluated:

- Port of Callao – Warehouse Mercantin | Lurin
- Mina Brocal | Yauli
- Volcan | Cerro de Pasco

The evidenced records are as follows

- Roadmap
- Risks of Cyanide Transportation

The evaluated routes have been approved by the Ministry of Transport of Peru. The service has been approved by the National Superintendency of Taxation of Peru.

MERCANTIL designated by the carrier for the transportation service conducts an annual review of the criteria used for evaluation of the route to: traffic density, cities, bridges, canals, road conditions, route design (curves, berms, number of lanes), altitude, crossroads, detours, weather conditions and the socio-political conditions complying with the provisions of the Code.

In the evaluation report route was identify as a major risk: Urban areas, high traffic, speeding vehicles, winding road (characteristics of the Peruvian geography), and transport of other dangerous goods.



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MERCANTIL states that in conjunction with the Transport Company must conduct the evaluation of the route prior to the first transport to a customer base or annual basis by the Chief Safety Officer Safety or the Transportation Company and Chief operations. MERCANTIL states that in conjunction with the transport company must conduct the evaluation of the route prior to the first transport to a customer base or annual basis by the Safety Officer or Safety Manager of the carrier and a Chief operations MERCANTIL cyanide. The evaluation of the route will be regularly update by the carrier MERCANTIL and find new de Cyanide of the MERCANTIL.

The evaluation route is performed annually by the transport company hired MERCANTIL. During the evaluation of route MERCANTIL staff participates with the staff of the transport company.

The Safety Officer or Safety Manager of the carrier and Chief Operating MERCANTIL cyanide is responsible for the development of the "Road Map" must consider the following points during the evaluation:

- Data Path: Start / End
- Stretches of road: description of the section in km.
- Total kilometers traveled stretch
- Maximum speed limit on the stretch
- Altitude meters above sea level.
- Type and road conditions / speed allowed
- Population

According to procedures of MERCANTIL, routes are verified entirely once a year or to the first transport to a client. In addition, for all cyanide transportation operations, the driver must present a travel log, in which the driver has to note if there were any changes on the route. If any changes are identified, these are reviewed and assessed; and if applicable, the route risk assessment is updated. Temporary changes, such as route diversions, are verbally informed to the driver prior to the departure of the convoy.

MERCANTIL identified the fire stations, Police stations, technical support and hospitals and medical centers in the area, as well as phones and contacts.

As previously noted, the risk assessment of each routes describes the risks identified along them and the specific measures to be taken to address the risks.

The existence of letters sent to the fire companies and medical centers to communicate their roles in case of any emergency and open communication channels between MERCANTIL and emergency support centers were check. Each of the support centers that are consider in the Emergency Plan MERCANTIL sealed these.

Among the letters were consider emergency support centers (fire companies and medical centers) near MERCANTIL and routes used by carriers hired by MERCANTIL.

MERCANTIL includes comments from interested parties (communities, other stakeholders, government agencies) in compliance with the procedure.

For the transport of sodium cyanide MERCANTIL asks its carriers have a control room also carriers with GPS system continually provide the positioning of each of the vehicles at all times. As well as continuous speed supervision at each point of the route from the starting point to the end then this information delivered to the Safety Officer MERCANTIL.

MERCANTIL also establishes specifications using trucks escort during the transit of sodium cyanide being due to use ONE (01) escort van for every three (03) or fewer units of traffic load.





The company can only load ONE (01) Container for each platform and can only drag a wagon chassis. The convoy may include one or more escort vehicles at your request. Convoy displacement is dependent on weather conditions; Convoy Leader evaluate the safety of the route in each case, may stop the convoy if satisfied that the conditions do not allow safe travel.

After each trip, the convoy leader must serve the "Trip Report" where findings that compromise safety during transport they are included within the assessment route for modification evidences.

MERCANTIL also established through a "Transportation Sodium Cyanide", the specifications of use of escort trucks during the sodium cyanide transportation, which should be ONE (01) escort truck for every THREE (03) or less units of cargo transportation. A safety specialist and one driver travel in the escort vehicle.

There can only be charged ONE (01) CONTAINER per platform and each wagon can only drag one chassis. The convoy may include one or more escort vehicles at the client's request. The travel of the convoy will depend on weather conditions; the Convoy Leader shall evaluate the safety of the route in each case, being able to stop the convoy if he considers the conditions do not allow safe transit.

MERCANTIL information given (MSDS, emergency record and record of product information) to support emergency centers (health centers and fire companies) along the above routes, evidenced by a letter signed and received with such information. This activity is carry out for external support centers could be prepare for emergencies. In addition, external support centers comments are ask to manage risk as a way to query and get feedback.

When MERCANTIL carrying sodium cyanide, the control room of Transport, continuously provide the positioning of each of the vehicles at all times, as well as continuous monitoring of the velocity at each point of the route. This control done through geofencing these indicate the maximum and minimum speed of the train each way along the route based on information provided by the roadmap.

Mercantil subcontract the cyanide transport operations.

| Company                           | Operation      | Date              | Website   |
|-----------------------------------|----------------|-------------------|---|
| <b>DCR MINERIA Y CONSTRUCCION</b> | TRANSPORTATION | June 05, 2017     | <a href="https://www.cyanidecode.org/signatory-company/dcr-mineria-y-construccion">https://www.cyanidecode.org/signatory-company/dcr-mineria-y-construccion</a>                                 |
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| <b>CONTRANS</b>                   | SUPPLY CHAIN   | January 26, 2017  | <a href="https://www.cyanidecode.org/signatory-company-categories/contrans-sac-peru">https://www.cyanidecode.org/signatory-company-categories/contrans-sac-peru</a>                             |
| <b>ALMACENERA EL PACIFICO</b>     | SUPPLY CHAIN   | August 04, 2014   | <a href="https://www.cyanidecode.org/signatory-company-categories/almacenera-el-pacifico-sac-peru">https://www.cyanidecode.org/signatory-company-categories/almacenera-el-pacifico-sac-peru</a> |

## 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.**

**X in full compliance with**



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*[Signature]*  
Lead Auditor Signature

The operation is ☐ in substantial compliance with Transport Practice 1.2

☐ not in compliance with

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

The operation is in FULL COMPLIANCE with Standard of Practice 1.2 requiring an operation Ensure that personnel operating cyanide handling and transport equipment can perform their jobs with minimum risk to communities and the environment.

MERCANTIL procedure establishes minimum requirements for drivers: health, legal, defensive driving training, emergency response training with sodium cyanide (spills and poisoning prevention).

MERCANTIL establishes criteria for the evaluation of the route to: traffic density, cities, bridges, canals, road conditions, route design (curves, berms, number of lanes), altitude, intersections, detours, weather conditions and the socio-political conditions. MERCANTIL states that transport companies that hires must use the criteria thereof which are audited by MERCANTIL annually as a result of the audit verifies that carriers comply with the standards set MERCANTIL by the same audit MERCANTIL evidence carriers use trained, qualified and licensed operators to operate their vehicles. In the same way, it is evident that all staff and transport equipment are in a position such that the possibility of cyanide releases and exposures are minimize.

MERCANTIL, warehouse CONTRANS in Callao, each year all staff (the warehouse and transport) has to go through different types of training, including new staff from scratch. There is a matrix for training. They are divide into sections for safety and routine work. Special training is carry out by the fire department and external entities specialists.

MERCANTIL has a special department within Human Resources to develop, implement and verify these workouts.

MERCANTIL has staff trained in safe handling and storage of sodium cyanide, the Annual Training Program 2016 and 2017, in which training for warehouse staff and people of Transportation Companies evidenced, was evident. In addition, he proceeded to interview two (02) equipment operators in operations management and storage of sodium cyanide. The MERCANTIL does subcontract handling Storage Operation, and subcontract the Transport Operation Practice 1.1 are performed by ICMI.

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### 1.3 TRANSPORT PRACTICE 1.3

#### ENSURE THAT TRANSPORT EQUIPMENT IS SUITABLE FOR THE CYANIDE SHIPMENT.

##### **X in full compliance with**

The operation is ☐ in substantial compliance with Transport Practice 1.3  
☐ not in compliance with

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

The operation is in FULL COMPLIANCE with Standard of Practice 1.3 requiring an operation Ensure that transport equipment is suitable for the cyanide shipment.

MERCANTIL states that Transport Companies hired must have a maintenance procedure and planning of it, this requirement is audit by the Safety Officer MERCANTIL annually according to the program without warning. MERCANTIL also states that hire companies must meet the requirements of ICMI and the Ministry of Transport and Communications (MTC) of Peru.

MERCANTIL states that vehicles will be hired lowboy trailers with a maximum load capacity of 22 tons, which are certify to transport sodium cyanide by the Peruvian government.

In addition, before each trip MERCANTIL staff verifies that vehicles are fit to travel and meet the requirements described above.

For service storage of sodium cyanide (cylinders, boxes, Isotanks), MERCANTIL has evidence of procedures for these operations. It was evident he was about a maintenance plan that contains the equipment for handling cyanide, which states: manufacturer, make, model and serial numbers and kinds of maintenance that must be maintain in accordance with the guidelines of manufacturer.

Evidences of dates and hours of service for maintenance - the equipment was verify.

Prior to their loading and use trucks are inspected by staff MERCANTIL to demonstrate any deviation that jeopardize the operation, based inspection in the format "Checklist Previous -Trip" if find any deviation is made the communication with the company carries for prior to the start of the operation solution.

After the load is, fixed MERCANTIL makes a record of the weights and measures to record the weight of the load and verify that this does not exceed the maximum set of 20 TM as established in Peruvian Law by type of vehicle configuration.

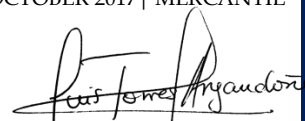
In addition, there are in all the routes used, controls weight and size of the Ministry of Transport and Communications (MTC) of Peru.

Before giving the output of unit personnel MERCANTIL check that the carrier has the following duly completed documents:

- Referral Guide Submitter
- Carrier Referral Guide
- Tract Property Cards and Semi-Trailer



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- Proof of registration of the vehicle in the National Register of Road Transport Hazardous Materials and Waste issued by the Ministry of Transport and Communications MTC (tractor and semi-trailer).
- Circulation Card MTC
- Driver's License driver
- Course Freight ERM
- National Identity
- Data Sheet Material Safety Data Sheet (MSDS) Sodium Cyanide
- Primer Product Safety Contingency Plan for the Transport of Sodium Cyanide
- Certificate of Technical Inspection for transporting hazardous materials
- Liability Policy
- Cash or Risk

In addition, MERCANTIL staff inspects the forklift, considering the following points: Suitable for a transporter tonnage, lower antiquity to 5 years. Exterior and interior of the unit in good condition (no damage), forklift mast in good condition (no cracks or breaks), cleaning the unit as mirrors in good condition and complete, safety belts and operating clean, no signs of leaking oil, coolant or fuel, parking brake operative, operative wheels, alarm, back in good state.

There are documented procedures that set the conditions in place to prevent overloading of the transport vehicle used for cyanide management; these include issues of safety and environment, as quoted below:

- Inspection of packaging
- Sobriety
- Control of HCN Levels
- Check List loading and unloading
- Check List container reception
- Procedure for Cargo and Storage Discharge
- Risk Assessment Matrices
- Contingency Plan - Cyanide Management

The operation of loading and unloading of sodium cyanide is carry out in the switchyard outside the store, in front of the storage area Sodium Cyanide. During loading and unloading, has surveillance by a Warehouse Supervisor and Safety Inspector MERCANTIL.

The MERCANTIL does subcontract handling Storage Operation, and subcontract Operation Transport Practice 1.3

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## 1.4 TRANSPORT PRACTICE 1.4

### DEVELOP AND IMPLEMENT A SAFETY PROGRAM FOR TRANSPORT OF CYANIDE.

#### X in full compliance with

The operation is ☐ in substantial compliance with Transport Practice 1.4  
☐ not in compliance with

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

The operation is in FULL COMPLIANCE with Standard of Practice 1.4 requiring an operation Develop and implement a safety program for transport of cyanide.

MERCANTIL established a transportation method avoiding disturbances during motion describing the administrative, operational and safety measures for the smooth operation of the transport of sodium cyanide.

For the transport of sodium cyanide, MERCANTIL requests that the carrier count with a control room, with the GPS system continuously provide the positioning of each of the vehicles at all times.

Before the trip, MERCANTIL verifies that the three visible sides of the vehicles are equipped with UN Number, NFPA diamond and diamond DOT. Peruvian law fulfilled Supreme Decree 021-2008-MTC Regulation for the transport of hazardous materials / waste.

MERCANTIL check out by prior agreement of inspection units by MERCANTIL Staff to ensure that vehicles and escort vehicles are in good condition.

During the audit process, records of inspections prior to each departure shipment are evidence.

MERCANTIL audited annually and unexpectedly the maintenance plan of the transport companies and the maintenance records of the units are revised, MERCANTIL has a prevent maintenance plan of the units and was review maintenance records and practice was confirmed during the observation and was evident in the interview with MERCANTIL Safety Supervisor, and Drivers.

The companies of transportation have a maintenance plan. The maintenance records were reviewed and the practice was confirmed during the observation of the vehicle and interview with the maintenance supervisor and drivers.

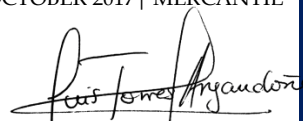
MERCANTIL states that Drivers Transportation Companies should rest at least 8 hours before a trip and do not drive more than 12 hours a day and daylight driving only during the day. It is noteworthy that the Peruvian rules provide the same hours for the transport of hazardous materials "DS 009-2004-MTC Regulation of Transport Management Act".

MERCANTIL places the burden of cyanide must travel in containers of 20 feet or 40 feet, developing mechanisms to prevent movement.

MERCANTIL set your procedure; MERCANTIL supervisor in the warehouse must verify that the load must be properly secured in the container, during the visit by staff indicated that if necessary elements are used to secure the load so that the load does not move inside the container.



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MERCANTIL states that the trip will take place in the way of convoy; the Convoy Leader is responsible for the assessment of weather conditions and is empowered to suspend the transport convoy.

At the end of the trip, the leader of the operation and drivers must submit a report detailing the same route incidents, advance information, and find relevant and sensitive areas to ensure the safety and Safety information on future trips.

MERCANTIL has a Policy of ZERO consumption of alcohol and drugs or any other substance that may impair or reduce the function of the transport driver. Prior to the commencement of activities necessary to perform a test alcohol test and periodically discard evidence of drug use, the violation of this policy has resulted in the separation of the worker from the organization.

Plans and procedures for compliance with the Code are review annually and annual follow-up audits will be develop to verify compliance with standards of MERCANTIL.

MERCANTIL establishes guidelines to ensure that their subcontractors comply with items 1, 2 and 3 of this must be respected according to the Transport Practice 1.4.

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## 1.5 TRANSPORT PRACTICE 1.5:

**FOLLOW INTERNATIONAL STANDARDS FOR TRANSPORTATION OF CYANIDE BY SEA AND AIR.**

**X in full compliance with**

The operation is ☐ in substantial compliance with Transport Practice 1.5  
☐ not in compliance with

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

The operation is in NOT APPLICABLE with Standard of Practice 1.5 requiring an operation Follow international standards for transportation of cyanide by sea and air.

MERCANTIL ships its sodium cyanide on main line ocean carriers that have demonstrated safety programs and safe performance. The ocean carriers sign standard contractual agreements that require that the carrier adhere to applicable regulations and have “organized safety programs.”

Contracts were reviewed during the audit and this standard clause appears in the ocean carrier contract. Each carrier was asked for information regarding fulfillment of ICMI Cyanide Code requirements using a customized ICMI transportation protocol. Responses and information provided by all ocean carriers was deemed to be appropriate by the auditor.

The MERCANTIL Ocean Carrier contracts require that all transportation is conducted in accordance with all regulatory requirements.

The ocean routes are chosen by the ocean carriers. Destination ports are evaluated by the MERCANTIL. This is done prior to the first shipment of product to a new location. Records were available to show that port evaluations had been conducted at each of the international ports used in this Supply Chain. MERCANTIL has also concluded that the Homeland Security infrastructure that is available to assist ports with regard to security and emergency response is sufficient to conclude that ICMI Cyanide Code requirements are fulfilled.

The auditor concluded that MERCANTIL has effective processes for ensuring that international ports have demonstrated appropriate safety, security, and road infrastructure prior to being approved for hazardous material shipments.

As recommended by the ICMI Auditor Guidance for the Use of the Cyanide Transportation Verification Protocol, specific information regarding this practice is addressed below:

- a) The MERCANTIL packaging specifications were reviewed as part of the verification audit and were found to be conformant to the packaging requirements of the IMDG Code.
- b) Packaging for drums and IBCs reviewed as part of the due diligence evaluation were appropriately marked and were found to be compliant with Chapter 5.2 of the IMDG Code requirements.
- c) Packaging for drums and IBCs reviewed as part of the due diligence evaluation were appropriately labeled and were found to be compliant with Chapter 5.2 of the IMDG Code requirements.
- d) Loaded inter-modal containers were evaluated and were found to be marked and
- e) placarded in accordance with the IMDG Code.
- f) Shipping documents were reviewed for a sample of cyanide shipments from January 2016 through April 2016 for each ocean carrier used in this supply chain. All information required by the IMDG Code is required as standard practice on MERCANTIL shipping paperwork.
- g) The container packing certificates from 2016 shipments were reviewed during the audit as part of the overall evaluation of shipping papers. All information was found to be conformant to IMDG Code requirements.
- h) MERCANTIL maintains records which show that the ocean transport is conducted in compliance with all international and DOT (U.S. Department of Transportation). The ocean carriers confirmed to MERCANTIL that they have cyanide emergency response information available on board each vessel.
- i) MERCANTIL maintains records which show that the ocean transport is conducted in compliance with all international and DOT requirements.

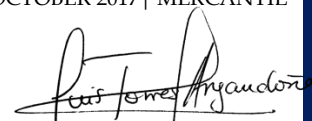
MERCANTIL not transported by air transport.

## 1.6 TRANSPORT PRACTICE 1.6:

### TRACK CYANIDE SHIPMENTS TO PREVENT LOSSES DURING TRANSPORT.



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**X in full compliance with**

The operation is ☐ in substantial compliance with Transport Practice 1.6  
☐ not in compliance with

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

The operation is in FULL COMPLIANCE with Standard of Practice 1.6 requiring an operation Track cyanide shipments to prevent losses during transport.

MERCANTIL states that contract carriers must use a GPS system. They must also have a telephone service, radio and cellular pathway that ensures full coverage during movement and be fully connected to the control room where his base and MERCANTIL. In addition to providing, a system that continuously indicates the position of each vehicle at all times.

MERCANTIL inspects the telephone lines are in operation prior to departure, further checks are done to verify the operation of mobile equipment, GPS and radio by List Pre-Trip Inspection Authority.

Additional, MERCANTIL periodically test communication equipment to ensure it functions properly.

The phone lines were operating at the time of the audit; and also an inspection was done to verify the operation of mobile equipment and it was found the payment of the phone, the GPS, satellite phone and the radio UHF services.

MERCANTIL have identified areas without cell coverage and radio, for it asks MERCANTIL contract carriers using satellite equipment.

MERCANTIL verifies that the GPS system have transport companies that hire has location updates in real time also continually sought (periods not to exceed one hour) the location of the transport units.

Before each trip MERCANTIL check the bill of lading and waybill, transported amounts of cyanide, Data Sheet Material Safety also this documentation must be available throughout the trip as MERCANTIL guidelines, this same data is review by Customer (final destination). Note that this information must be show to the inspectors if MTC is request otherwise the carrier be fine.

MERCANTIL is secure before each trip that the sender reference guide to indicate the product name, number of the United Nations (UN), and weight of packages transported cargo quantity, and likewise that product safety considerations indicated.

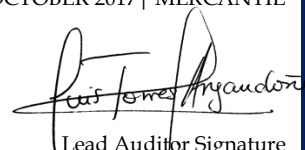
Upon delivery of the send, reference guide supplied Data Sheet Material Safety to the carrier. The lack of guidance sender reference and Data Sheet Material Safety during transport is fine by the confiscation of the cargo by the Peruvian government that makes mandatory controls on all tolls departure City Lima. It is worth mentioning that the sender reference guide should be preserve and stored by the carrier for not less than five (05) years' time.

MERCANTIL establishes guidelines to ensure that their subcontractors comply with the elements 1 to 6 of this, should be respected according to the Transport Practice 1.6.

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## INTERIM STORAGE

Design, construct and operate cyanide trans-shipping depots and interim storage sites to prevent releases and exposures.

### 2.1 TRANSPORT PRACTICE 2.1

STORE CYANIDE IN A MANNER THAT MINIMIZES THE POTENTIAL FOR ACCIDENTAL RELEASES.

**X in full compliance with**

The operation is ☐ in substantial compliance with Transport Practice 2.1  
☐ not in compliance with

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

The operation is in FULL COMPLIANCE with Standard of Practice 2.1 requiring an operation Store cyanide in a manner that minimizes the potential for accidental releases.

This Practice is not applicable; MERCANTIL within the supply chain hires CONTRANS and ALPA as a distribution warehouse.



## EMERGENCY RESPONSE:

**Protect communities and the environment through the development of emergency response strategies and capabilities.**

### 3.1 TRANSPORT PRACTICE 3.1:

**PREPARE DETAILED EMERGENCY RESPONSE PLANS FOR POTENTIAL CYANIDE RELEASES.**

**X in full compliance with**

The operation is ☐ in substantial compliance with Transport Practice 3.1  
☐ not in compliance with

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

The operation is in FULL COMPLIANCE with Standard of Practice 3.1 requiring an operation Prepare detailed emergency response plans for potential cyanide releases.

MERCANTIL has an emergency response plan (EMERGENCY RESPONSE PLAN FOR CYANIDE TRANSPORTATION). Information on road conditions is defined in the Roadmap document. The Emergency Plan describes the response actions for anticipated emergency situations. These were verified during the audit.

The Emergency Response Plans for transportation is suitable for the selected transport route, based on the hazards and risk assessment after the completion of the ROADMAP.

The Emergency Response Plan is suitable for the selected transport route, taking into account the physical and chemical form of cyanide clearly based on the Safety Data Sheet of the Product "Sodium Cyanide". MERCANTIL is a transporter of sodium cyanide supply in solid state (briquettes).

MERCANTIL indicates the use of trucks to transport sodium cyanide taking into account the characteristics of the equipment and assesses the structural condition of the road where the transportation sodium cyanide is done.

Information on road conditions is defined in the Roadmap document. The Emergency Response Plan describes the response actions for anticipated emergency situations. These were verified during the audit.

It also establishes the logical line of action to be taken by the convoy leader and drivers in case irregularities arise during transportation of sodium cyanide.

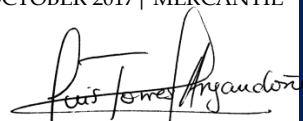
MERCANTIL requests and verifies that the transport companies use trucks also all ships in trailers low or high platform acquired with a maximum load capacity of 22 tons, which are certify to transport sodium cyanide by the Government Peruvian.

MERCANTIL sets action if incidents occur on the route which is described below.

- Mechanical problems/does not continue
- Rollover with spill



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- Rollover with no spill
- Fire in the truck
- Crash with injuries/no injuries
- Water spill, cleaning and decontamination
- Spill with rain (falling to the ground, Meltdown, the presence of others, railway, earrings)

Awareness on the part of drivers and supervisors of the actions in each case was evidenced after interview with the staff.

MERCANTIL has defined three levels of emergency response:

- 1st Response – Product Spill of less than 1 tons.
- 2nd Response – Product Spill of more than 1 tons or Product Spill in contact water.

For 2do Response, MERCANTIL subcontracts External Emergency Responder (IFSEC PERU) and also contacts the Fire Department, Police, and Emergency Medical Services.

During 2nd Response emergencies, the External Emergency Responder is in charge of the emergency response actions when they arrive (delimitation of the area, communication, and access and traffic control are performed by the drivers and the safety specialist while the External Emergency Responder arrives). However, when the National Fire Department arrives to the scene, they take control of the emergency, as established by local regulations. This is established in the Emergency Response Plan. Finally, specific roles of each outside responder are outlined in the Emergency Response Plan.

### 3.2 TRANSPORT PRACTICE 3.2:

**DESIGNATE APPROPRIATE RESPONSE PERSONNEL AND COMMIT NECESSARY RESOURCES FOR EMERGENCY RESPONSE.**

**X in full compliance with**

The operation is ☒ in substantial compliance with Transport Practice 3.2  
☐ not in compliance with

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

The operation is in FULL COMPLIANCE with Standard of Practice 3.2 requiring an operation Designate appropriate response personnel and commit necessary resources for emergency response.

MERCANTIL during the audit has show that Drivers, and Supervisors receive training in emergency response from appropriate personnel on the safe handling of cyanide (spill and intoxication) and others receive training courses in defensive driving, firefighting, first aid. These trainings are renewed annually complying with the training plan 2016 and 2017.

Drivers, Supervisors are responsible to respond in an emergency; they pass through medical tests to verify their good physical condition to perform these activities and have received the necessary training for efficient emergency response.



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Each truck has the necessary amount of emergency response equipment and the safety escort also has a Response Kit for spills and poisoning (oxygen), and personal protective equipment which must be verified before the trip, as well as the verification of courses prior to starting the travels and the periodic emergency response training.

MERCANTIL verifies that the carrier has the necessary equipment for emergency response in case of a larger and second activation MERCANTIL spill response activates the second answer.

Inspection records of the response teams prior to each trip through the emergency Checklist before Trip were check. The presences of these teams in the convoy were verify. The Emergency Plan indicates staff functions in an emergency, also the emergency equipment to be use in both the first and second response. The Emergency Plan describes specific emergency response roles and responsibilities of staff.

MERCANTIL trains staff and staff of transport company. The transport vehicle operators receive initial and periodic refresher training in emergency cyanide (Spill and poisoning) annually and emergency response procedures including implementation of the Emergency Responce Plan. Additionally organizes lectures before the trip indicating safety procedures and a summary of actions in an emergency. Delivering drivers summary information emergency response plan.

During the audit process were interviewed to transport personnel and reported having received training.

In the "Procedure for loading, transportation and unloading of sodium cyanide", is specified the verification criteria of the units before each journey.

During the audit, inspection records were evident.

MERCANTIL does subcontract this cyanide transport operations.

### 3.3 TRANSPORT PRACTICE 3.3:

#### DEVELOP PROCEDURES FOR INTERNAL AND EXTERNAL EMERGENCY NOTIFICATION AND REPORTING.

##### **X in full compliance with**

The operation is ☒ in substantial compliance with Transport Practice 3.3  
☐ not in compliance with

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

The operation is in FULL COMPLIANCE whit Standard of Practice 3.3 requiring an operation Develop procedures for internal and external emergency notification and reporting.

It was evident that the contact information in case of emergency is update in case of emergencies and update the Emergency Plan in this case warrants. The Emergency Plan indicates the current list of contact, which is review, and updated through calls in each revision of Emergency Planning. By performing 02 calls to the numbers given in the contact list updating is evidenced contact numbers in case of emergency.

The Emergency Response Plan includes an internal communication and external schema that specifies the call flow by the safety personnel, the receptors, the regulatory agencies, external response providers, medical centers, fire departments, and communities potentially affected by an emergency.

### 3.4 TRANSPORT PRACTICE 3.4:

#### DEVELOP PROCEDURES FOR REMEDIATION OF RELEASES THAT RECOGNIZE THE ADDITIONAL HAZARDS OF CYANIDE TREATMENT CHEMICALS.

**X in full compliance with**

The operation is ☐ in substantial compliance with Transport Practice 3.4  
☐ not in compliance with

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

The operation is in FULL COMPLIANCE with Standard of Practice 3.4 requiring an operation develop procedures for remediation of releases that recognize the additional hazards of cyanide treatment chemicals.

It was noticed in the Emergency Response Plan, the description of how to recover or neutralize the solids, the procedure of decontamination of soils or other contaminated medium and how to manage these wastes.

The Emergency Response Plan prohibits the use of chemicals such as sodium hypochlorite, ferrous sulfate and hydrogen peroxide to treat cyanide that has been released to surface waters.

### 3.5 TRANSPORT PRACTICE 3.5:

#### PERIODICALLY EVALUATE RESPONSE PROCEDURES AND CAPABILITIES AND REVISE THEM AS NEEDED.

**X in full compliance with**

The operation is ☐ in substantial compliance with Transport Practice 3.5  
☐ not in compliance with

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

The operation is in FULL COMPLIANCE with Standard of Practice 3.5 requiring an operation Periodically evaluate response procedures and capabilities and revise them as needed.

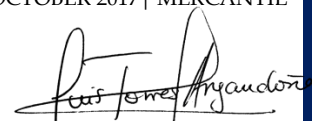
The period of review and evaluation of this Emergency Response Plan is at least once a year.

The ALPA's Management is responsible for requesting immediate changes to this Plan, in the event of serious incidents, by simulation results, results of audits or inspections by process improvement etc.

During the audit, records spill drill evidenced, in 2016 and 2017.



OCTOBER 2017 | MERCANTIL

  
Lead Auditor Signature

The Emergency Response Plan and the Training Plan define the frequency of emergency drills. The document presents the schedule of emergency simulations.

The simulations are made by the Chief of Safety who has an ANNUAL DRILL PROGRAM indicating the completion of ONE (01) practical simulation, for the purpose of evaluating the effectiveness of the Emergency Plan and correct what is indicated on it.

The purpose is to measure the efficiency of the response procedure to ensure that the staff involved in an emergency act according to the Emergency Response Plan.

The Chief of Safety takes into account the rapid preliminary compilation of the situation, gathering basic facts as they are known such as time the who, what, where, when, how and why of the situation, contacts the responsible person and broadcasts the obtained information, and continuously communicates with the Convoy Leader and will meet the requirements of authorities.



*Alcance de certificación:*  
PROVISIÓN DE SERVICIOS DE CONSULTORÍA.  
CAPACITACIÓN Y GESTIÓN DE RECURSOS HUMANOS.  
MONITOREO OCUPACIONAL.

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