

Claigan Webinar

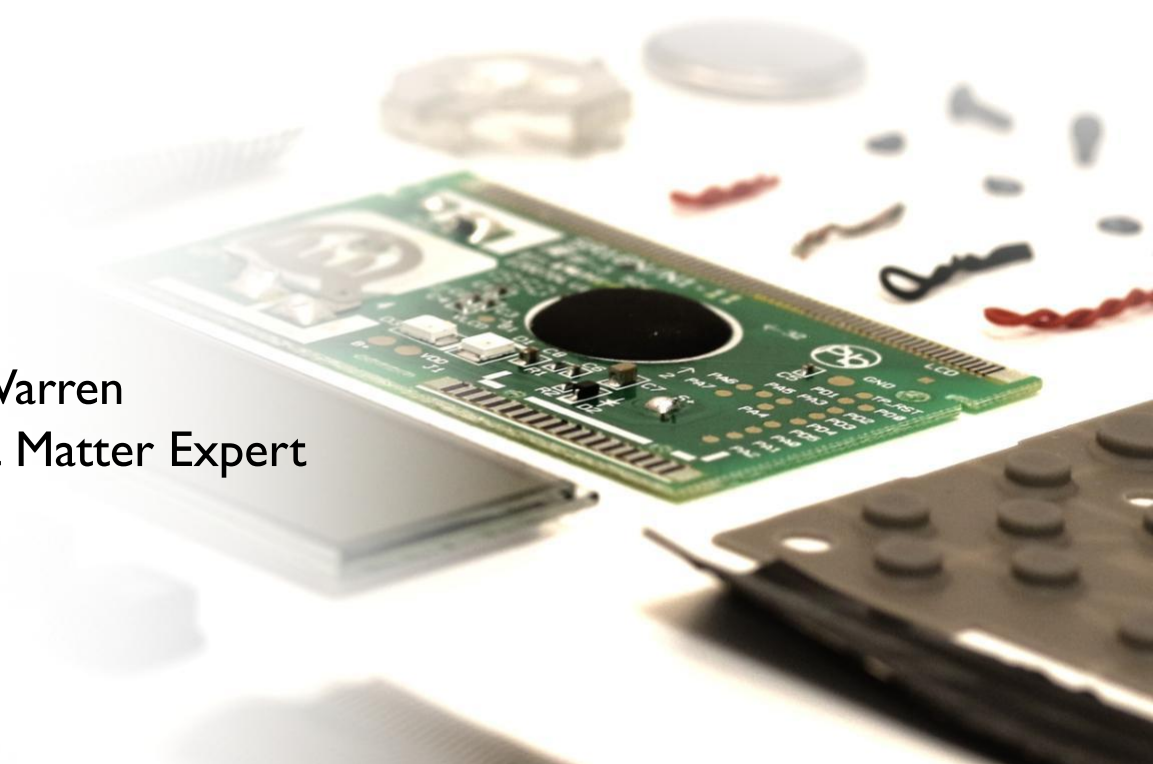
Updates in Minerals Due Diligence

Presented by:

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Operations Manager

Lucy Warren
Subject Matter Expert

June 20, 2024



Overview - Agenda

- About Us
- Overview of Current Research
 - Minerals in Scope (CMRT, EMRT, PRT)
 - Risk Categories
- Dodd-Frank
 - Process Overview
 - Case Study: African Gold Refinery & addressing sanctions
 - Case Study: Augmont Enterprises
- 3Ts Update
- Forced Labour Update
- PRT Overview
- Broader ESG Research
 - Human Rights & Environmental risk criteria
 - Case Study: Amazon Region Gold



Claigan's Experience



Testified to US Congress when Dodd-Frank 1502 was under consultation



Mentioned 18 times in SEC Final Rule on Conflict Minerals



The first to identify gold refiners sourcing gold from the Covered Countries (2013 filings)



Identified at the outset of war the impact of Russian invasion of Ukraine on mineral supply chain



The first to identify refiners sourcing from Xinjiang (UFLPA)

Mineral Scopes

CMRT	<ul style="list-style-type: none">• Gold, Tin, Tantalum, & Tungsten• Smelter DD available
EMRT	<ul style="list-style-type: none">• Cobalt & Mica• Smelter DD Available
PRT	<ul style="list-style-type: none">• Aluminum, Copper, Lithium, Natural Graphite, Nickel, Silicon• Smelter DD in progress for Lithium, Nat. Graph., Nickel

Dodd-Frank

- Non RMAP Conformant smelters sourcing from DRC and adjoining countries (Covered Countries)

CAHRA

- Non RMAP Conformant smelters sourcing from Conflict Affected and High-Risk Areas (CAHRAs) as defined by the EU Non-Exhaustive List of CAHRAs

XUAR (UFLPA)

- Smelters connected to mineral sources in the XUAR Province

Russia

- Smelters located in/sourcing from Russia

Dodd-Frank - 3 Key Requirements

1

Determine if you are subject to the rule

Manufacture or contract to manufacture parts that contain 3TGs

2

Reasonable Country of Origin Inquiry

a) Supplier RCOI -
CMRT collection

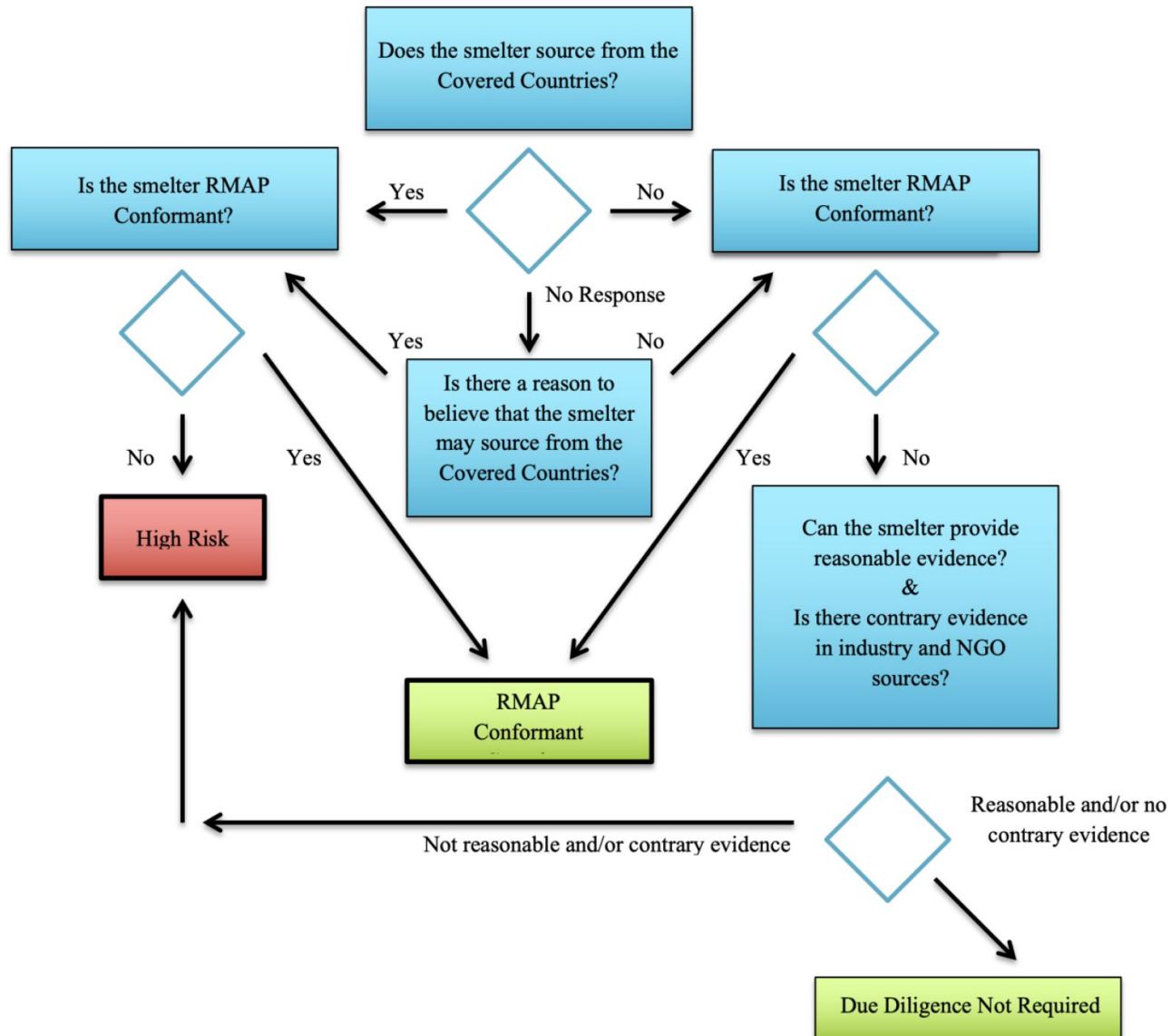
b) Smelter RCOI-
Source from Covered Countries or reason to believe they may

3

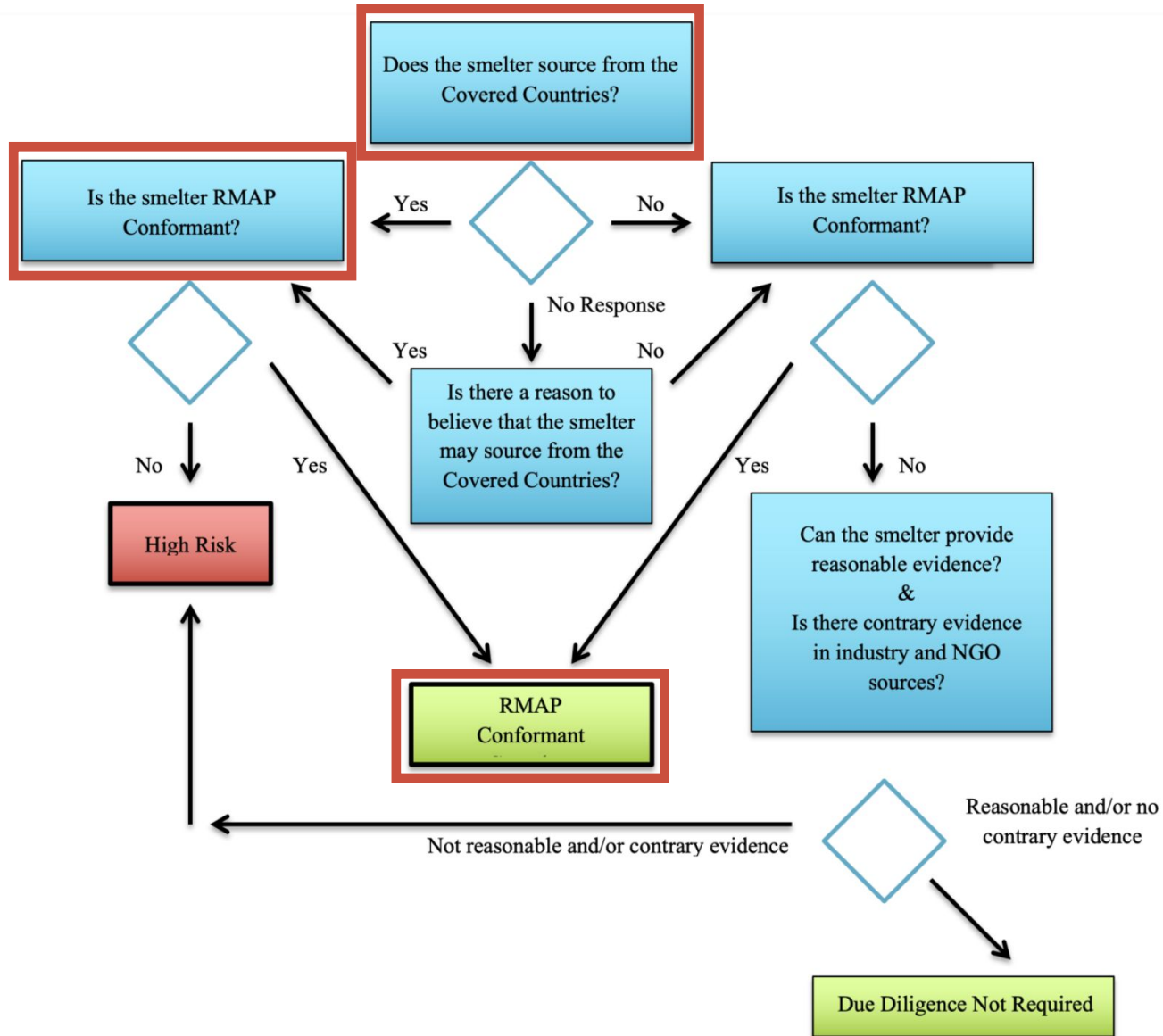
Due Diligence

Benefit and/or finance armed groups in the Covered Countries

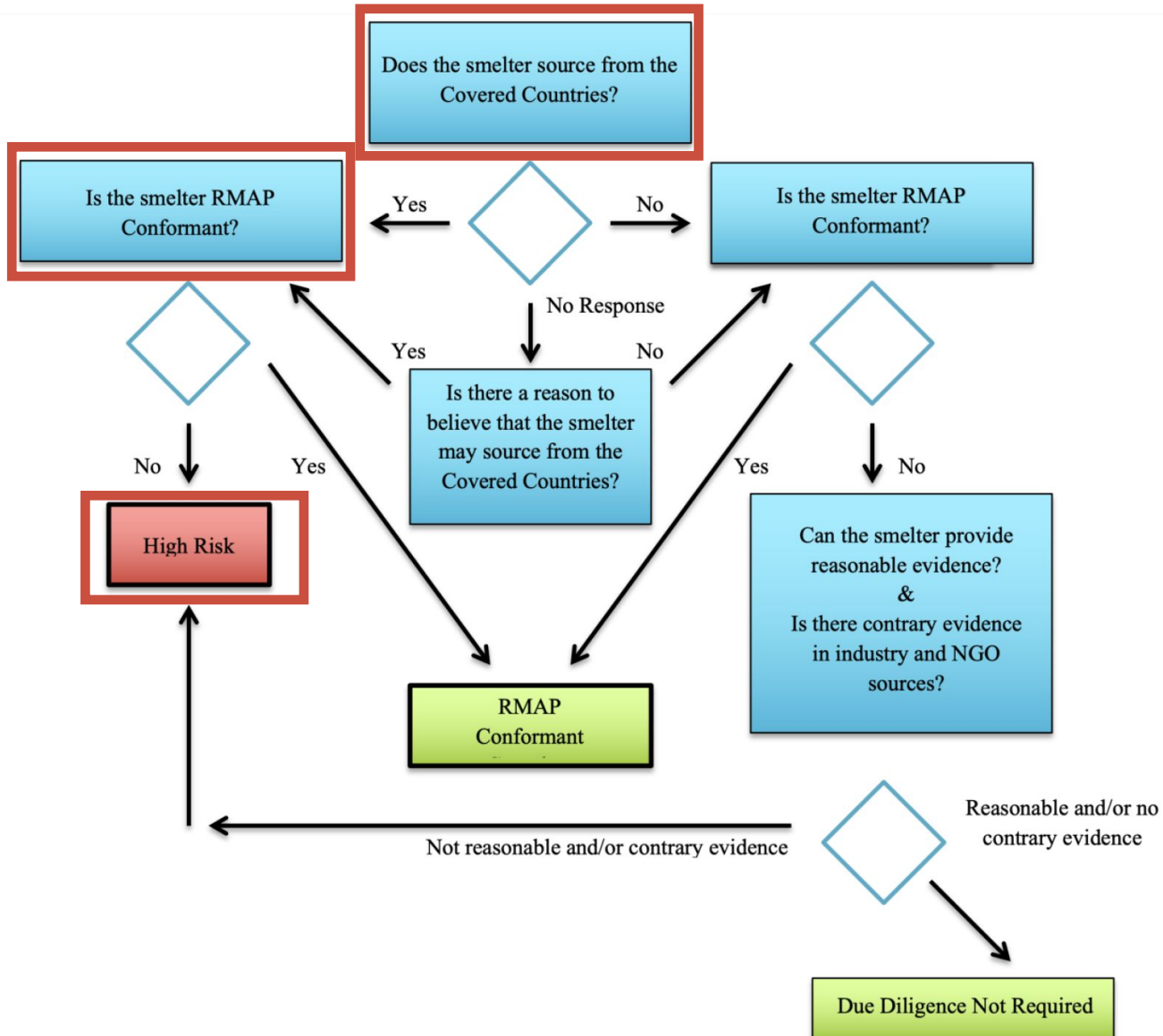
Process Flowchart



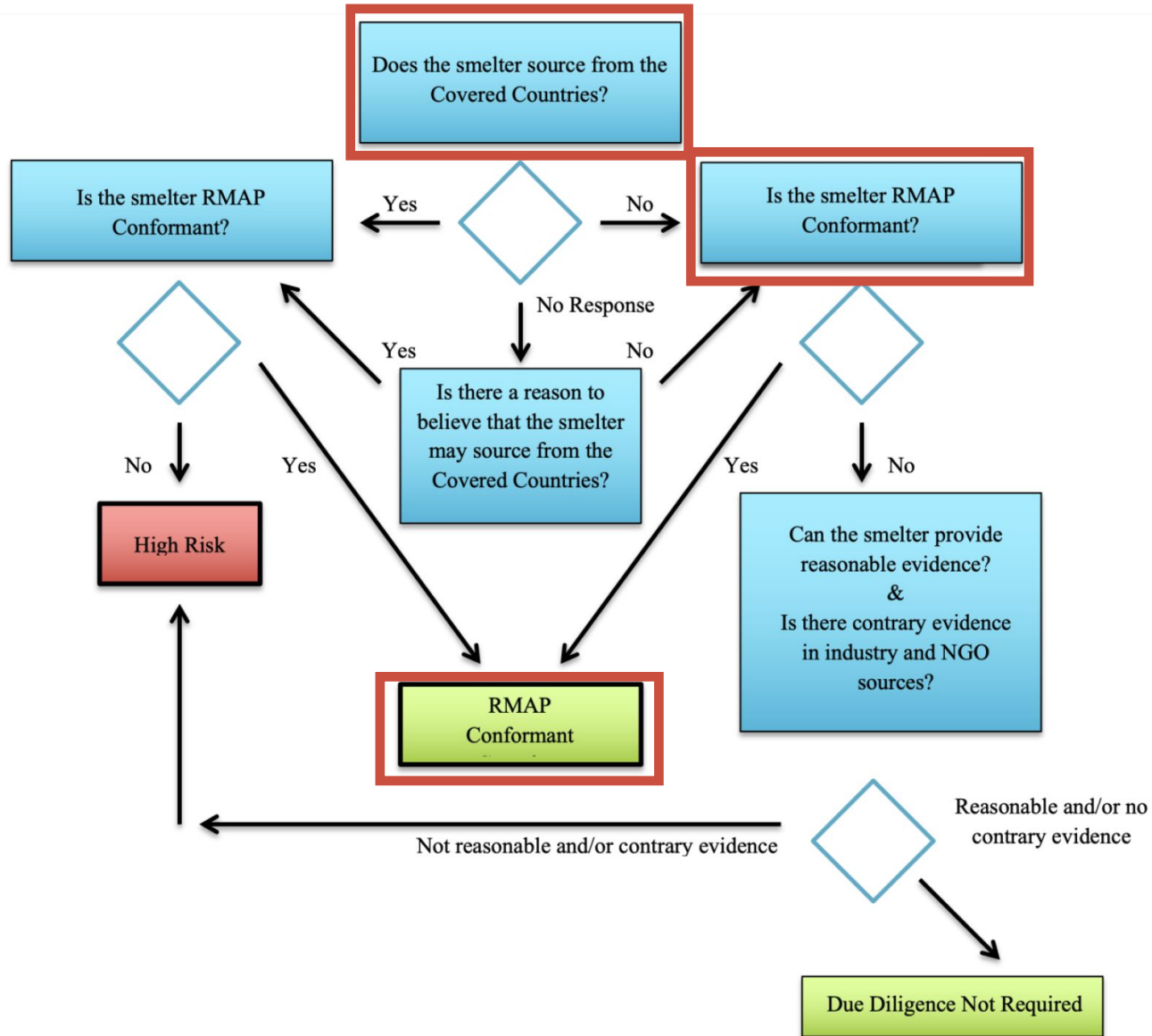
Responsible Sourcing from CC



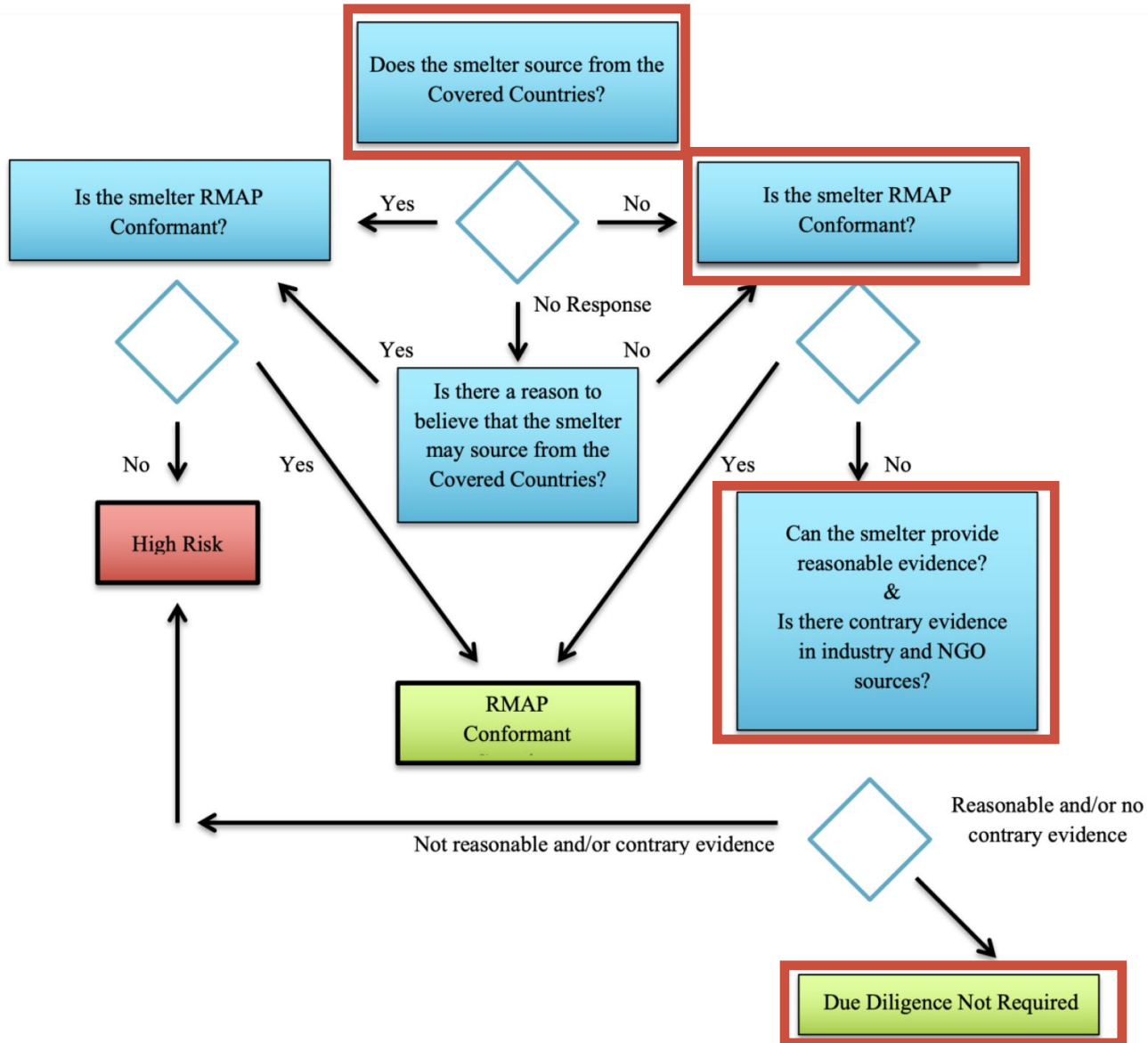
High Risk Smelter



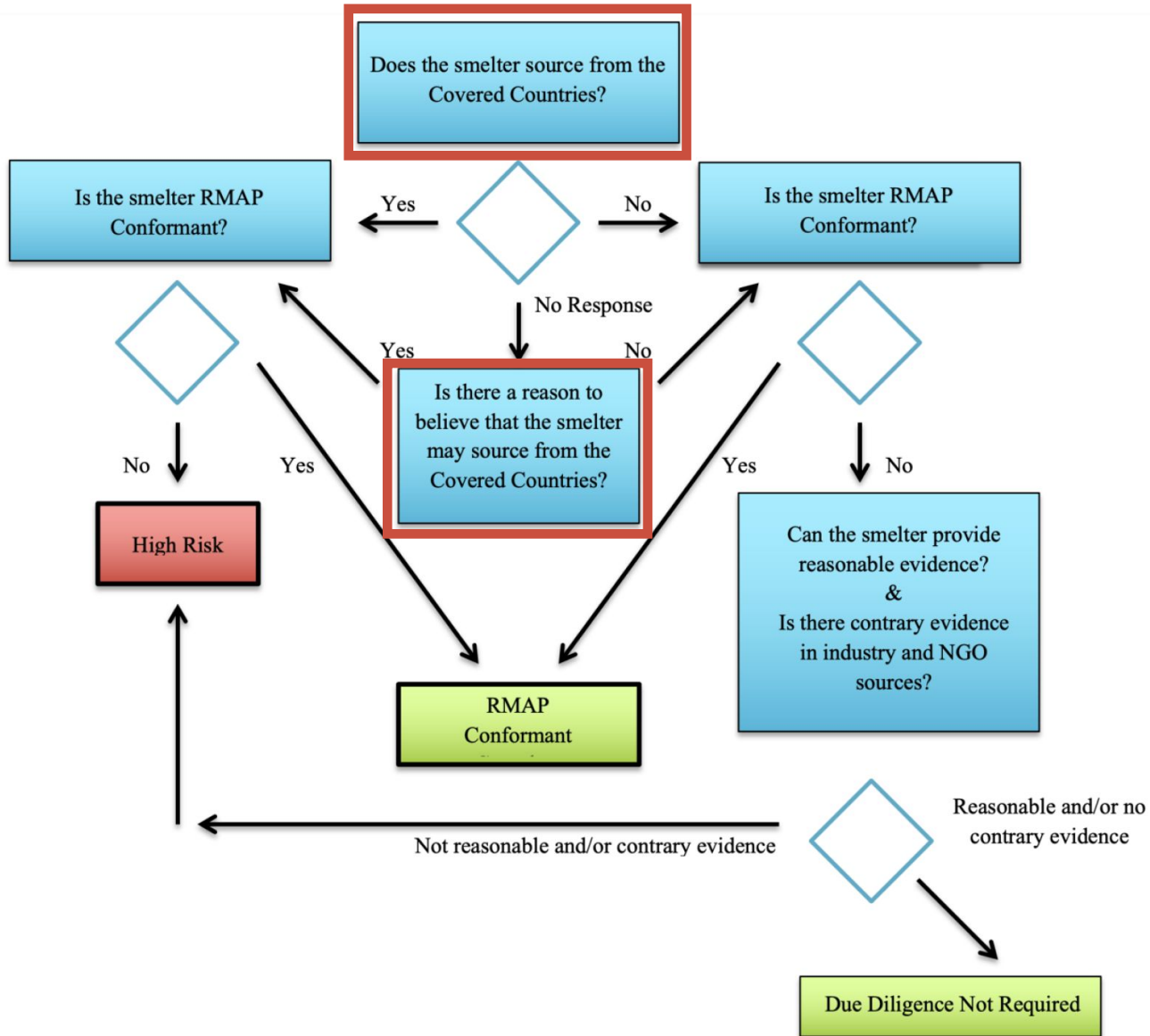
Not Sourcing from CC + RMAP



Not Sourcing from CC + No RMAP



Reason to Believe



High-Risk Smelter: African Gold Refinery

1980-90s

→ The Tony Goetz refinery in Belgium (now Industrial Refining Company)

2014

→ African Gold Refinery opens

2015-20

→ UN Group of Experts / NGO reports

2020

→ Money laundering conviction in Belgium

2022

→ AGR appears on OFAC Sanctions List

Sanctions

Sanctions can be complex . . .

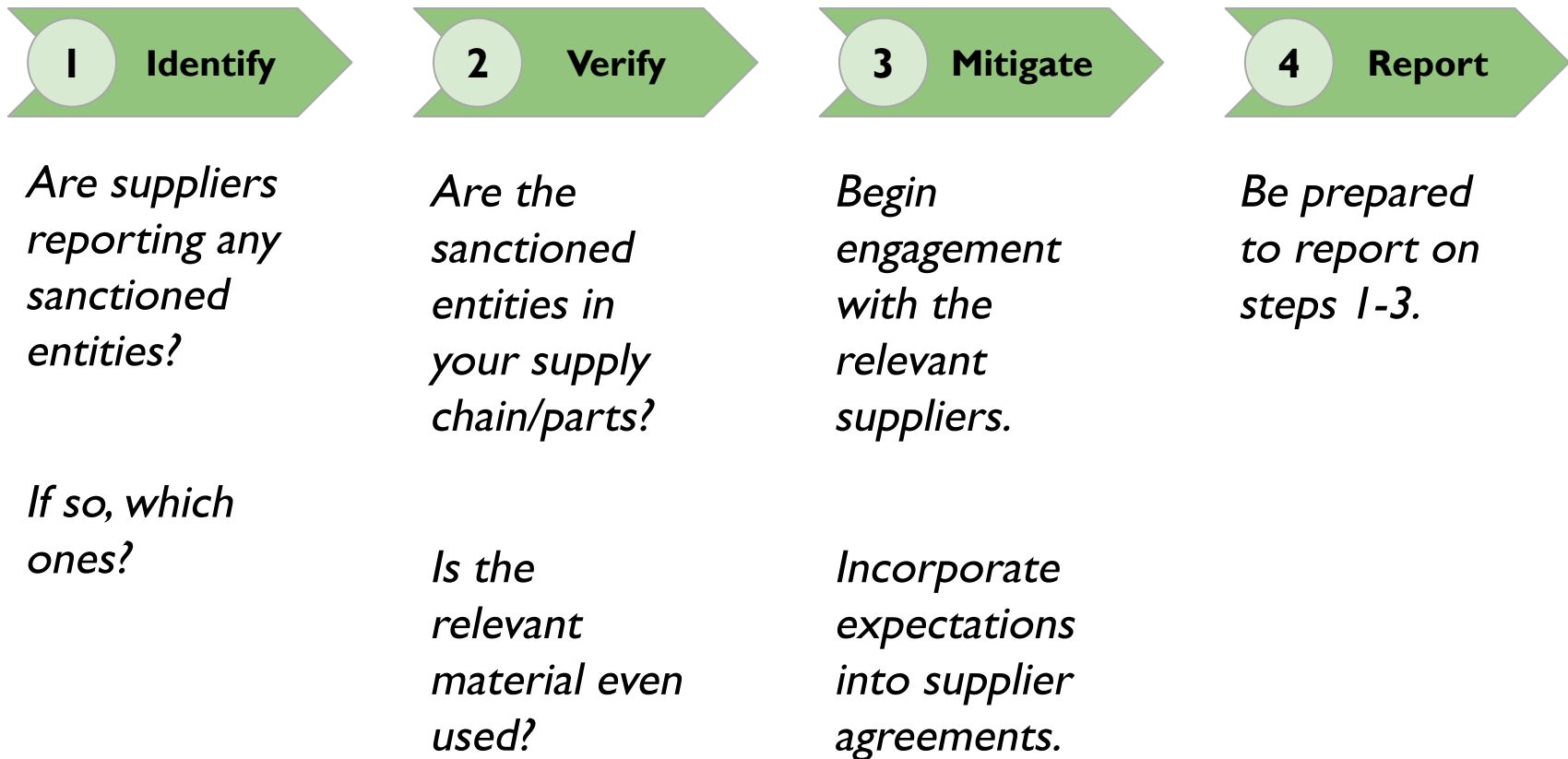
Sanctioned entities are reported on supplier surveys (i.e. indirect or unconfirmed sourcing)

Context of the sanction may be different than the initial risk inquiry

Material-wide bans (ex: Russian gold) vs. OFAC sanctioned entities (ex: AGR)

Sanctions cont'd

But the process is the same ...



High-Risk Smelter: Augmont Enterprises

2019

Named in NGO report in connection to smuggled gold from Uganda

2020

Allegation made in 2020 in regard to sourcing from illicit gold dealers in Peru

2021-24

“Active” audit status

Jan. 2024

Augmont comes off “Active” list

3Ts Update



Escalation of Conflict in Eastern DRC, including presence of armed groups in and around 3T sites



Changes for smelters formerly relying on ITSCI

- Could impact conformance rates



Unfortunate alternative: smelters cease sourcing from Great Lakes region

Forced Labour Update

9 High-Risk SORs

- Gold (7), Tungsten (1), Cobalt (1)
- **Example:** Zhongyuan Smelter of Zhongjin Gold Corporation (See next slide)

10 SORs with affiliations

- Gold (3), Tantalum (1), Tin (3), Tungsten (3)
- And counting

*Expect to see more for battery minerals

Example: Zhongyuan Gold Smelter of Zhongjin Gold Corporation



China Gold 600489(SH) 14.29↓

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product information

Products

product

Mining Development

Smelting and processing

Smelting and processing

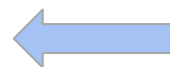
Current location: Home > Product Information > Smelting Processing

The company currently owns 5 smelting enterprises, and its main products include smelted gold, electrolytic copper, etc.

1. Henan Zhongyuan Gold Smelter Co., Ltd.
2. China Gold Song County Songyuan Gold Smelting Co., Ltd.
3. Liaoning Xindu Gold Co., Ltd.
4. Tongguan Zhongjin Smelting Co., Ltd.
5. Jiangxi Sanhe Gold Industry Co., Ltd.



smelter listed on Zhongjin Gold Corp website 17/06/2024



mine in Xinjiang listed on Zhongjin Gold Corp website 17/06/2024



China Gold 600489(SH) 14.29↓

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14. CI
15. Liaoning Erdaogou Gold Mining Co., Ltd.
 16. Shandong Yantai Xintai Gold Mining Co., Ltd.
 17. Lingyuan Rixing Mining Co., Ltd.
 18. Hebei Yuerya Gold Mining Co., Ltd.
 19. Henan Jinqu Gold Co., Ltd.
 20. China National Gold Group Shihu Mining Co., Ltd.
 21. Shaanxi Xinyuan Science and Technology Industry and Trade Co., Ltd.
 22. Songxian Qianhe Mining Co., Ltd.
 23. Gansu Zhongjin Gold Mining Co., Ltd.
 24. Hebei Jinchangyu Mining Co., Ltd.
 25. Hebei Dongliang Gold Mining Co., Ltd.
 26. China National Gold Group Xinjiang Jintan Mining Co., Ltd.
 27. Hubei Jilongshan Gold Mining Co., Ltd. (mineral gold, mine copper, iron ore concentrate)
 28. Anhui Taiping Mining Co., Ltd. (iron concentrate, mineral gold)
 29. Shaanxi Lueyang Huachanggou Gold Mine Co., Ltd.
 30. Hebei Dabaiyang Gold Mine Co., Ltd.

PRT Overview

Casts a wide net


- don't get lost in the weeds and ask supply chain for everything

Limited scope

- Nickel, Lithium, Natural Graphite, Copper, Aluminum, Silicon

Start early!

- Prepare your suppliers now for success in 2025



Pilot Reporting Template (PRT)

Select Language Preference Here:
 選択言語の言語:
 选择语言 的 语言:
 選擇語言 之 语言 类别 如下:
 Sélectionner la langue préférée ici:

English

Revision 1.01
December 14, 2022

The purpose of this document is to collect sourcing information on aluminum, copper, lithium, nickel, and other minerals/metals used in products.

Mandatory fields are noted with an asterisk (*). Consult the instructions tab for guidance on how to answer each question.

Company Information

Company Name (*)					
Declaration Scope or Class (*)					
Description of Scope:					
Select Minerals/Metals in Scope (up to a maximum of 10) (*): This Declaration can include up to 10 minerals or metals. If mineral or metal doesn't appear on the list, select "Other".	Aluminum	Copper	Lithium	Nickel	Other (specify below)
If you selected "Other" in previous question, please specify which other minerals/metals are in scope (2)	Other (specify below)				Natural Graphite

Broader ESG Research

Environmental

- **Pollution** (water, air, soil, noise)
- **Biodiversity** (incl. deforestation)
- **Waste**

Human Rights

- **Child labour**
- **Forced labour**
- **Workers' Rights**
- **Indigenous/Community Rights**

CAHRAs

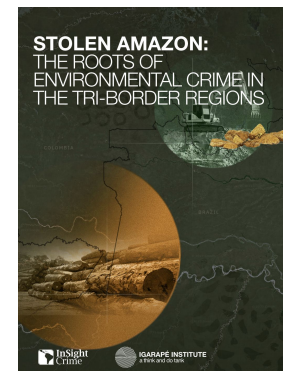
- **Conflict / Violence**

- Intended to compliment Smelter RCOI
- Focus is on countries of origin (i.e. mining regions)
- Largest producers and high-risk areas
- Recycled material included as its own category

Case Study: Amazon Region Gold



- Major issue with illegal mining
- Difficult region to regulate - tri-border regions
- South American gold is prevalent in supply chains



Case Study: Amazon Region Gold

Environmental

- **Pollution** (water, air, soil, noise)
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CAHRAs

- **Conflict / Violence**

May 2024: United Nations Office on Drugs and Crime announces that while conducting a study on illegal gold mining in **Brazil**, the group found it is possible **up to 40%** of workers may classify as victims of [forced labour](#).

Dec. 2023: A [collapse](#) at a small-scale gold mine in **Peru** kills seven miners.

June 2023: Members of an organized crime group conducted a [fatal attack](#) at a large gold mine in **Colombia**. Criminal organizations in Colombia are known to benefit from exploiting gold resources.

Case Study: Amazon Region Gold

Environmental

- **Pollution** (water, air, soil, noise)
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Human Rights

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CAHRAs

- **Conflict / Violence**

Jan. 2024: Three organizations representing the **Yanomami Indigenous peoples** contributed to a joint [letter](#) calling for the Brazilian government to take stronger action against **illegal mining** in their territories. The letter cites major impacts to the **community's health and safety**.

The Yanomami People and other Indigenous communities in the Amazon have been heavily impacted by the **environmental impacts** of illegal mining such as [deforestation](#) and [mercury contamination](#).

Any questions?

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