

*CYPLUS SUPPLY CHAIN IN ARGENTINA*

*Cyanide Code Principle 2  
Transportation Audit*

*Summary Audit Report*

*PROJECT NO. 0129066*

*MAY 2011*

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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 Argentina  
Name of Facility Owner: CyPlus  
Name of Facility Operator: CyPlus  
Name of Responsible Manager: Antonio Dominguez-Perez  
Address: Rodenbacher, Chaussee 4,  
State/Province: Hanna Country: Germany  
Telephone \_\_\_\_\_ Fax: \_\_\_\_\_ E-Mail: \_\_\_\_\_

Location detail and description of operation:

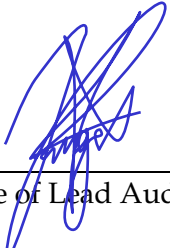
CyPlus Argentina, subsidiary of Evonik, is a consigner for sodium cyanide supply in solid state (briquettes) in Argentina. Currently, Cyplus supplies to Cerro Vanguardia mine located in southwestern Argentina.

Cyanide is transported to Argentina by ship and is delivered by the cargo company at the Deseado Port. Ship unloading operations are performed by the Port Authority, which releases the container by placing it on a truck's platform. At this point, the cyanide becomes responsibility of CyPlus. Currently, the cyanide is transported directly to the mine, without the intervention of secondary storage facilities. The transport route operated from Deseado Port to the Cerro Vanguardia is 320 km long.

**This audit comprises the transportation operations from the moment the Ocean Carrier delivers the cyanide to the Port facility to its delivery in the client facilities (the mine). CyPlus has followed the Cyanide Code principles since 2006 in Argentina; however, being this the first certification audit, records were reviewed back to January 2009.**

Cyanide is packaged by the manufacturer (CyPlus Germany) in the following way: primary packaging in a poly-propylene super-sack filled up to 1 ton. The super-sack is then protected by other two super-sacks of the same material; finally the packaged material is placed in a wooden box (package type I). For transport, 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. To further prevent movement a block and brace is applied consisting of placing wood beams between the last box and the container's door and fastening with belts the boxes inside the container. Prior to shipping, the manufacturer seals the container with a tag with serial number at the production facility to prevent material losses. These seals are only removed at the mine.

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CyPlus performs every three years a due diligence of the Deseado Port to ensure that there are acceptable safety measures for the cyanide handling and emergency response. The latest due diligence was performed in November 2010.

CyPlus subcontracts Translogistica Oroz S. R. L. (Oroz) to transport sodium cyanide in Argentina. Oroz relies on emergency response services and training provided by CyPlus to comply with the Code. CyPlus also subcontracts HAZMAT which provides training to Oroz' drivers and provides convoy supervision and emergency response services. CyPlus has developed procedures to select the Emergency Response service provider and the Logistics Service Provider. CyPlus has an internal audit program in place for third parties handling cyanides, according to Cyplus' "Supervision (internal audits)" procedure.

### 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.

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: none

Date(s) of Audit: 21 and 22 February 2011

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.

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2 CYPLUS' ROLE AS CONSIGNER

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

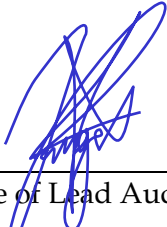
- in full compliance with
- in substantial compliance with Transport Practice 1.1
- not in compliance with

Summarize the basis for this Finding/Deficiencies Identified:

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

- Road configuration (road surface; pitch, grade, and steep slopes; gradient embankment and verges; dangerous curves and serpentines; road intersections; railroad intersections; side rail fencing; sturdy obstacles directly marginal to the roadway; and traffic routing);
- Proximity to water bodies (rivers, canals, creeks, and ditches; lakes, lagoons, and artificial water reservoirs; irrigation ditches and sewers; and water protection areas);
- Proximity to population and facilities (density of population; built-up areas; vulnerable sensitive areas such as housing, nursery, schools, hospitals; and overhead lines/power lines);
- Likelihood of detrimental natural phenomena (earthquakes, sudden flooding, rock fall, and deer pass);
- Criminal risks (robbery, commercial-driven theft, and terrorist-driven heft);
- Prevalent average weather conditions, depending to the relevant season (temperature, wind, fog, snow, and rain);
- Communication availability (cellphone/GSM net, shortwave radio/voice radio, and satellite phone);

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- Infrastructure (police stations, fire brigade stations, medical assistance/hospitals, soil recovery services, rescue and towing services, and truck stops);
- Distance and length; and
- Any other conditions that may present a risk.

The risk assessment following these guidelines is included in the "Determined best available route" Form.

CyPlus, in its "Selection of the Routes" procedure, also established guidelines to evaluate the risks and categorize them into five categories (negligible, insignificant, significant, high and unacceptable risk), and included a list of applicable risk prevention/reduction measures, such as speed reduction, assistance of a co-driver, daylight driving only, GPS tracking and tracing, private escort, police escort, load weight reduction, etc.

All risks identified in the route to the serviced mine were categorized as "insignificant risks" according to the respective "Road Assessment Report" Form.

The "Selection of the Routes" procedure states that in all cyanide transportation operations, the driver or convoy leaders will have to present a report including the indication of changes on the route to the local CyPlus' agency. At least once a year these reports are to be evaluated by the local agency and in consultation with CyPlus' Environmental, Safety, Health and Quality (RSHQ) Global Compliance Manager, decide if the selected route report has to be amended or if the route has to be reevaluated. The latest route assessment was completed in 15 April 2011.

According to the "Selection of the Routes" procedure, the route selected and the risks identified and measures taken to address them are registered in the "Road Assessment Report" and the "Determined best available route" forms.

The "Determined best available route" Form includes a list of actions to be taken for each one of the risks identified, while the "Road Assessment Report" Form lists which actions have to be taken at points of the route where a risk was identified.

Additionally, The Emergency Response Plan establishes general preventive measures (e.g. training, route assessment, use of convoy modality, communication of changes in the shipment date, selection of stop sites, driving only with daylight, having three of HAZMAT's representatives during each transport operation, etc.).

According to the one of the convoy supervisors from HAZMAT, no special conditions requiring additional measures have been found during the cyanide transport operations to Cerro Vanguardia in the last four years. According to him, if special conditions were found, they would be included in the report HAZMAT prepares after each transport operation.

According to the Emergency Response Plan (Rev. 3, dated April 2011) it is CyPlus responsibility to inform the emergency responders regarding the characteristics of cyanide. In November 2009 CyPlus provided training to the medical community, the firefighters, and the different police

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corporations regarding cyanide transport procedures, toxicology, and emergency response. This training was provided with the aid of HAZMAT and in coordination with the Cerro Vanguardia mine. A total of 55 representatives of these institutions participated in the training. According to CyPlus representatives, a new training was being organized to be performed in the first half of 2011.

According to HAZMAT representatives, the authorities have not provided feedback regarding the information provided.

The emergency response procedure refers to convoy operations; however, it does not establish the maximum number of trucks that can participate in a convoy. CyPlus has not established a maximum number of cyanide units in a convoy per escort vehicle.

Additional safety measures, such as police escort, are included in the risk reduction/prevention measures section of the "Selection of the Routes" procedure in case any security-related risks are identified during the route assessment. However, the security risks were considered insignificant.

CyPlus has developed "Selection of Logistics Service Providers" and "Selection of Emergency Response Providers" procedures. According to these, the contractors must comply with the following requirements, among others:

For Logistics Service Contractors:

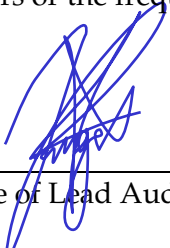
- Be certified as a "transporter" by ICMC and/or be ISO 9000 certified and/or have been assessed according to SQAS, SASSMAQ, IMPCAS or comparable standards; or comply with the following key management issues:
  - o Should have a SHEQ policy in place;
  - o Have appropriate equipment;
  - o Have a training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

For Emergency Response Contractors:

- Be capable of escorting the vehicles, provide emergency response at the scene and carry out any remediation actions if needed;
- Have experienced and trained available staff; and,
- Be capable of training the transporter's staff and stakeholders and conduct emergency mock drills.

CyPlus has an internal audit program in place for third parties handling cyanides, according to CyPlus' "Supervision (internal audits)" procedure. The Internal Audit Questionnaire used in the Internal Audit is based upon the ICMC Transport Verification Protocol. Oroz operations were audited as part of this audit and this is considered to be the first audit. No information regarding the qualifications of future auditors or the frequency of the audits was provided.

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### 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:*

Although this element of Practice 1.2 is not applicable to CyPlus, CyPlus has developed "Selection of Logistics Service Providers" and "Selection of Emergency Response Providers" procedures. According to these procedures, the contractors must comply with the following requirements, among others:

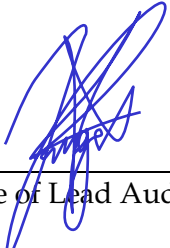
- For Logistics Services Contractors:
  - o To have a procedure to ensure that the SHEQ training needs for all employees are identified and satisfied so that all operations are carried out safely; and
- For Emergency Response Contractors:
  - o Must be qualified to provide emergency response stand-by services by phone and at the scene
  - o Must be specialized in servicing the petrochemical, chemical or mining industry
  - o Must be have available enough experienced and well trained staff (HAZWOPER or similar/commander level)
  - o Among others

Although this element of Practice 1.2 is not applicable to CyPlus, HAZMAT, on behalf of CyPlus, provides a one hour training prior to every transport operation. 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.

As previously noted, HAZMAT provides training to CyPlus personnel prior to every trip.

Additionally, CyPlus has an internal audit program in place for third parties handling cyanides, according to CyPlus' "Supervision (internal audits)" procedure. The Internal Audit Questionnaire used in the Internal Audit is based upon the ICMC Transport Verification Protocol, Oroz operations were audited as part of this audit and this is considered to be the first audit.

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### 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:*

This element is not applicable to CyPlus as a consigner

As previously noted, CyPlus subcontracts Oroz for cyanide transport. CyPlus has an internal audit program in place for third parties handling cyanides, according to CyPlus' "Supervision (internal audits)" procedure. The Internal Audit Questionnaire used in the Internal Audit is based upon the ICMC Transport Verification Protocol. Oroz operations were audited as part of this audit and this is considered to be the first audit.

### 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:*

This element is not applicable to CyPlus as a consigner.

Although this element is not applicable to CyPlus as a consigner, CyPlus' Emergency Plan in the section 5.2.3.11 establishes that an alcohol test will be performed prior to start driving on a daily basis during the shipment operations.

A report is prepared by HAZMAT after all cyanide transportation operations and submitted to CyPlus. These records are kept for at least three years.

Although this Principle is not applicable to CyPlus as a consigner, they have arranged for HAZMAT to confirm that elements 1 to 3 are followed by Oroz.

As previously noted, CyPlus subcontracts Oroz for cyanide transport. CyPlus has an internal audit program in place for third parties handling cyanides, according to CyPlus' "Supervision (internal audits)" procedure. CyPlus has an internal audit program in place for third parties handling cyanides, according to CyPlus' "Supervision (internal audits)" procedure. The Internal Audit Questionnaire used in the Internal Audit is based upon the ICMC Transport Verification

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Protocol. Oroz operations were audited as part of this audit and this is considered to be the first audit.

### 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 from the moment the ship delivers the cyanide at the Argentine port and its ground to mines in Argentina; therefore, this practice does not apply. Nevertheless, CyPlus forbids transporting cyanide by air means

### 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:*

Communication availability is one of the criteria included in CyPlus' "Selection of the routes" procedure. HAZMAT's supervisor carries a satellite phone to be used in communication blackout areas.

Oroz has designed a supervisor that travels with a basic set of spare parts; he calls their operations base to inform the location of the convoy. CyPlus has requested Oroz to inform of the shipment progress by email. Oroz' base sends an email to CyPlus, the mine, and other interested parties with the current status of the convoy.

As previously noted, cyanide is received in containers locked and tagged at the production site. A transport document (carta de porte) is generated by Oroz which includes the container number. The container is only open at the mine in presence of the custom officers.

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

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checklist was implemented in October 2010 and was available for review for the operations performed since then.

As previously noted, CyPlus subcontracts Oroz for cyanide transport and HAZMAT for emergency response services. CyPlus has an internal audit program in place for third parties handling cyanides, according to CyPlus' "Supervision (internal audits)" procedure.

**2.2 INTERIM STORAGE: DESIGN, CONSTRUCT AND OPERATE CYANIDE TRANSPORTING 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:

- 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 previously noted, cyanide is transported from the port to the mine without the intervention of interim storage sites. This practice does not apply.

**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:*

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The Emergency Response Plan used by CyPlus (“Plan de Respuesta a Emergencias”, latest review April 2011) has been prepared by HAZMAT based on the guidelines provided by CyPlus, agreed with CyPlus, Cerro Vanguardia S.A. and Oroz and approved by CyPlus. This is a document of two hundred and twenty one (221) pages, including fourteen (14) annexes (e.g. emergency phone directory, emergency scenarios and instructions to attend specific and general emergency scenarios, first aid instructions and protocol to diagnose and treat acute cyanide related intoxications, among others). The Emergency Response Plan includes, among other information, preventive and corrective measures in case of emergency and post emergency response guidelines, and states HAZMAT, Oroz and CyPlus’ responsibilities in relation to the emergency response. A communications flow chart is also included; CyPlus is in charge of the communication with the media.

The Emergency Response Plan includes a Route Assessment and Photographs as Appendix IV, which identifies potential risks in the selected transportation route and describes the measures taken to address risks identified. Emergency scenarios and emergency response actions developed specifically address those hazards (Appendix VI).

The plan has a detailed (fifteen pages) explanation of the sodium cyanide characteristics, toxicity and antidotes. Only sodium cyanide briquettes are transported in Argentina. The emergency scenarios, the general emergency response instruction, and scenario-specific instructions consider solid sodium cyanide.

All emergency scenarios developed are related to road transportation: crash with another vehicle, vehicle rollover, crash/rollover with spill, crash/rollover with spill in rainy weather, crash/rollover with spill and the product reaching a water body and crash/rollover with spill followed by a fire, taking into consideration the packaging and container of the product.

The Emergency Response Plan includes a detailed description of the road from the port to the mine, which identifies potential risks in the selected transportation route and describes the measures taken to address those risks.

As previously mentioned, the Emergency Response Plan includes emergency scenarios applicable to the transportation route; it also includes prevention and mitigation instructions, as well as scenario-specific instructions.

HAZMAT is in charge of the emergency response throughout the transport route. In case of an accident, HAZMAT will contact external emergency response teams (police department, firefighters, etc.) and will also provide equipment and appropriate personal protective equipment (PPE) to their staff, and ask for permission to continue working on site. External emergency response teams are in charge during the emergency, as established by local regulations.

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There is no description of the truck and/or convoy, yet all emergency response scenarios are in relation to accidents of trucks hauling a platform trailer carrying a 20-ft container, which is the only transportation modality used by CyPlus and its subcontractors.

### 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 3.1
- not in compliance with

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

As previously noted, CyPlus subcontract HAZMAT as emergency responder. The convoys include an escort vehicle from HAZMAT where two emergency response technicians travel. In the event of an emergency, HAZMAT personnel would be responsible for the control of the emergency (unless the local firefighters request to have the control upon arrival as established in local regulations).

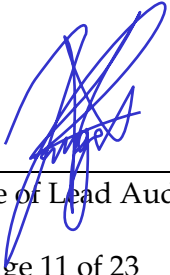
HAZMAT provides training to their staff in charge of the emergency response. A copy of HAZMAT's Annual training program for 2011 was provided, the most recent training sessions were held on April 9, 2011 (First Aid and CPR), and March 7, 2011 (Cyanide Code Training: Interim Storage, Preparation and Emergency Response) and trainings on PPE and Direct-Reading Instruments, Fire Control; Chemical Spills Control; Confined Spaces Rescue; and Cyanide Toxicology are scheduled for 2011.

HAZMAT 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 Plan, Oroz' drivers would provide support to HAZMAT responders. As mentioned in practice 1.2, the drivers have received training from HAZMAT's specialized personnel in the emergency response procedures, which has been properly documented. A copy of these records is included in the report prepared by HAZMAT after all cyanide transportation operations.

The Plan's Section 4 and Appendix XIV state that HAZMAT personnel are responsible for communicating with CyPlus, the mine and external responders. Once on site, external emergency response teams will take over and be in charge during the emergency, as established by local regulations. Emergency response actions will be coordinated between external responders and CyPlus. If needed, HAZMAT will contact the mine's emergency response brigade, and obtain additional equipment, such as cranes and trucks. HAZMAT and the mine are responsible for the elimination of any waste generated. Oroz drivers are to cooperate with HAZMAT's staff.

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Appendix XII of the Emergency Response Plan has a list of the equipment that HAZMAT's safety escort vehicle carries, and a checklist to be used before the departure of the vehicle, which includes all the tools and equipment mentioned in the emergency response procedures (with the exception of the synthetic material used to contain and absorb water accidentally contaminated with cyanide).

The list includes, among others:

- Twenty (20) overall tyvek suits;
- Two (2) level A protection suits;
- Twenty (20) pairs of leather gloves;
- Ten (10) safety glasses or goggles;
- Forty (40) pairs of impermeable gloves;
- Three (3) 3M 6800 series masks and twelve (12) disposable filters (does not specify which type of filters);
- Thirty (30) danger tape rolls;
- Ten (10) duct tape;
- One (1) cyanide gas detector;
- Six (6) shoves;
- Seventy-five (75) polyethylene bags;
- 150 m<sup>2</sup> of Agropol (High-density polyethylene film);
- Three (3) sweeps;
- Eight (8) safety cones;
- Three (3) hand lanterns;
- Four (4) spotlights;
- One (1) satellite phone;
- Two (2) snow chains;
- Self-contained breathing apparatus and air compressor; and
- One (1) electrical generator.

The Emergency Response Plan in Section 4.3.3 states that the emergency response and health and safety equipment listed above will be provided by HAZMAT's and carried in the safety escort vehicle throughout the route.

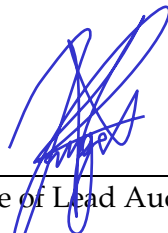
According to the reviewed reports, these materials have available during all transport operations.

The Emergency Response Plan states that training related to emergency response is to be provided by CyPlus through HAZMAT.

Transport vehicle drivers receive, by law, annual training in hazardous materials transportation. Additionally, they receive training from HAZMAT in sodium cyanide transportation prior to the departure of a convoy. This training is redundant with that provided by the transporter to its personnel four times a year.

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As previously mentioned, a checklist was created based on the abovementioned Appendix XII list, and it is used prior to the departure of the convoy to verify that tools and equipment are available and operational, including fuel levels for the generator and air compressor, calibration certificate of cyanide gas detector and phone and satellite phone batteries. Also, phone calls have to be made with both mobile and satellite phones before departure, and registered in the check list. The abovementioned checklist is signed by the safety escort vehicle leader, and then filed with the cyanide transport operation report. As noted, according to the reviewed reports, these materials have available during all transport operations.

The plan was prepared by HAZMAT on behalf of CyPlus and Oroz is required to follow the instructions established in the Emergency Response Plan. The Plan in Section 5.3.1.4 states that Oroz drivers must collaborate, upon request, with HAZMAT's personnel in logistics activities. HAZMAT 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 Plan includes a communication flowchart. According to that and Section 5.3.2 of the Emergency Response Plan, HAZMAT will contact CyPlus immediately in case of emergency. It will later contact the Fire Department, Police Department, Civil Defense, Traffic Department, and Subsecretariat of Environment; all of these phone numbers are included in Appendix V, together with a detailed list of facilities available in Santa Cruz province's cities.

The Plan's Section 4.3.5 establishes that facilities available in towns throughout the route will be reviewed and updated by HAZMAT on a year. The notification and reporting procedures are part of the Plan; which must be reviewed and updated in the event of an accident/incident or at least once a year. The Emergency Response Plan was last updated in April 2011. The Plan also establishes that the phone number directory will be updated on a semiannual basis. The directory includes institutional and personal contact information (e.g. the firefighting department phone and the chief firefighter cellular number) for most institutions; therefore alternative contacts information is available.

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### **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:*

In the emergency scenarios covered in Appendix VI, instructions on how to clean a spill and decontaminate the area are included, which consist of the following:

- isolating the area,
- sweeping the cyanide (it is handled only in dry state),
- collect the debris in plastic bags,
- covering the area with high density polyethylene film in case of potential rain,
- in case of potential contact with surface water, use synthetic absorbent to prevent the cyanide from getting to the surface water,
- transport the plastic bags to the mine, where it will be disposed.

Use of sodium hypochlorite, oxygen peroxide and iron sulfate to neutralize cyanide that has been released into surface water is explicitly prohibited in the Emergency Response Plan, 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

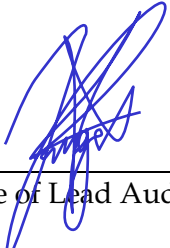
- in full compliance with
- in substantial compliance with Transport Practice 3.5
- not in compliance with

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

The Plan establishes that it must be reviewed and updated (by HAZMAT) 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 April 2011.

The Plan in Appendix VI states that one mock emergency drill must be conducted once a year. The latest drill was carried out on April 12, 2011. The emergency response scenario was crash/rollover with spill. This drill was performed at Oroz facilities and CyPlus', HAZMAT's and Oroz' personnel took part.

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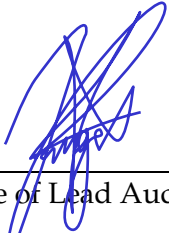
  
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HAZMAT is responsible for reviewing and updating the Emergency Response Plan in the event of an accident/incident occurred during the loading/unloading and transportation activities or at least once a year. According to CyPlus representatives, no accidents have taken place.

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### 3 PORTS DUE DILIGENCE

This operation is

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

with the International Cyanide Management Code.

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

CyPlus has the Standard Operating Procedure (herein after referred to as SOP) "Supervision (Internal Audits)" (Latest revision April 2011), which describes the supervision process and internal auditing to manage the cyanide shipment from the port of entry to interim storage facilities and/or mine sites in abroad. The SOP requires performing a due diligence of the different ports every three years. The aspects to assess during the due diligence are the following:

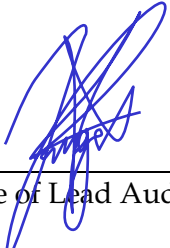
- Location and Site Factors (i.e. proximity to public areas, accessibility of location, natural disasters with the potential to cause severe damages, potential exposure to adjacent hazardous situations)
- Handling of Cyanides – Experience, Qualification and Permits (i.e. general experience in the company with cyanides, qualification of staff, permits, emergency plan)
- Technical Equipment of Handling of Cyanides – Experience, Qualification and Permits (i.e. equipment for cyanide loading and unloading, equipment for cyanide storage, emergency procedures, and equipment for handling spills/leaking)
- Environmental, Health & Safety Impact (i.e. proximity to water, spill control, clean-up equipment for handling spills, availability of personal protective equipment, security)
- Fire Protection (i.e. availability of water supply, availability of fire fighters, availability of fire extinguishing foam concentrate, maintenance of fire protection equipment)
- Port and Terminal Facility Security

The ports assessment procedure establishes that these aspects must be assessed during a port inspection and includes a questionnaire/report format.

According to the reviewed Deseado Port due diligence report, the latest took place on November 2010 and was performed by CyPlus's Latin America and Africa Sales Manager, Mr. Frank Ladwig.

According to the reviewed Deseado Port due diligence report, there are sufficient safety measures to prevent releases in the Deseado Port. The Deseado Port is inside a closed area, where only authorized personnel have access to the facility. Paved road from the port to the

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national route was observed in good condition. A fire brigade, a hospital, and the police are in the vicinity of the port.

As previously noted, CyPlus subcontracts Oroz for cyanide transport and HAZMAT for emergency response services. An escort team of HAZMAT is on-site during the unloading of the ship. No recordable incidents or accidents have been reported.

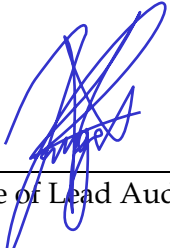
According to the discussions held between CyPlus and the port authorities, no cyanide is stored inside the port terminal. The port has a designed infrastructure for the movements of the cyanide containers. It was decided not to store cyanide in this area since fishery products could be exposed during the unloading procedure, being the main export goods of this region.

To ensure the port has personnel trained on cyanide handling and emergency response, they have been trained by HAZMAT every two years, together with the fire brigade and civil defense. Last training was conducted in 2010.

According to the reviewed Deseado Port due diligence report, the risk for potential exposures with other chemicals is zero. No other chemical facilities or other industries are located within the port area.

Finally; the report mentions that HAZMAT has developed the Emergency Response Plan of the Deseado Port, which has been implemented by CyPlus in Argentina. A spill control procedure has also been implemented in this port.

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### 4 TRANSLOGÍSTICA OROZ S. A.

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:*

CyPlus has developed a "Selection of Routes" procedure which is compliant with this requirement. Oroz follows the route and the measures established by CyPlus in the Emergency Response Plan.

Oroz convoy planning procedure establishes that the maximum number of trucks in a convoy is six. Additionally, Oroz follows the safety measures established by CyPlus in the Emergency Response Plan. CyPlus is responsible for advising external responders, medical facilities and communities of their roles and/or mutual aid during an emergency response.

Oroz does not subcontract any of the cyanide handling or transport. This element is not applicable to Oroz.

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### 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:*

Oroz has developed the document Skills and Knowledge Guidelines (rev. 1 dated 18 Feb 2009) that state that the drivers should have completed elementary and high-school, and must hold municipal driver license and national driver license for general and hazardous materials.

Local regulations require the drivers for hazardous materials transport to attend a mandatory training on an annual basis. The training includes:

- Defensive driving
- Hazardous materials transport behavior and case studies
- Fire safety
- Local transport regulations

Additionally, local regulations require drivers to take a health test every two years.

Currently, Oroz employs ten drivers; the files for five of them were reviewed and included current copies of the documents showing the mandatory health exam and proof of the mandatory training and license.

HAZMAT, on behalf of CyPlus, provides a one hour training prior to every transport operation. 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. Oroz keeps copies of the attendance list for each training session.

Oroz does not subcontract any of the cyanide handling or transport. This element is not applicable to Oroz.

### 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

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

Local regulations establish that the trucks and trailers must pass a technical inspection. According to the reviewed inspection reports, Oroz' trucks and trailers have a loading capacity from 27.5 to 28.5 tons. Oroz has the written policy of using vehicles that are not older than 10 years (as also required by local regulations). The oldest vehicle owned by Oroz was manufactured in 2004.

Oroz has the procedure "Vehicles Visual Inspection prior to Cyanide Transport" (no code, version 1, dated 6 September 2010). This includes a checklist that requires reviewing:

- The twenty tires (truck, trailer, and spare tires)
- Lights (blinking, turns, large, stops, etc.)
- Windshield
- Horn
- Mirrors
- Extinguishers
- Safety cones
- Placards

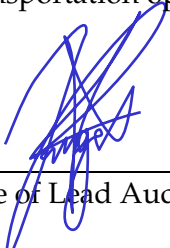
This checklist was implemented in September 2010 and was available for the transport operations performed since then.

Additionally, Oroz has implemented a daily report prior to the use of vehicles with includes a check list that requires reviewing:

- Engine oil level
- Antifreeze
- Fuel
- Hydraulic liquid level
- Tires
- Lights
- Extinguisher
- Breaks
- Steering
- Jack
- Safety cones
- Safety belt
- Spare tires
- Twist lock of the platform
- Belts

This checklist was implemented in January 2011 upon CyPlus request, and was available for the transport operations performed since then. A copy of the checklist is included in the report prepared by HAZMAT after all cyanide transportation operations.

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Oroz only has trailers that can carry only one container. Additionally, local regulations establish that the maximum gross weight of loaded vehicles is 45 tons.

Oroz does not subcontract any of the cyanide handling or transport. This element is not applicable to Oroz.

### 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 a container which is locked and tagged at the production facility. The lock and tag are removed at the mine in presence of the customs officer. Oroz personnel are not authorized to open the container. As previously noted, the container is filled with twenty boxes and block and brace is applied to prevent movements within the container, and protect the container's door.

The visual inspection checklist requires verifying that placards identifying the load as cyanide are posted on the truck.

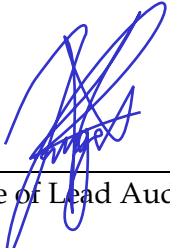
Oroz has a safety program for cyanide transport that includes:

- Vehicle Daily Report Prior to Use and one for Visual Inspection prior to Cyanide Transport.
- Oroz has a preventive maintenance program composed of the following procedures:
  - Oil and filters change procedure, which includes check list per truck brand (includes frequency of oil and filters change based on the mileage recommended by the manufacturer); and
  - General maintenance checklist which requires an inspection of the vehicle when arriving after a trip for both the truck and the trailer (including lights, tires, breaks, lubrication, fluids levels, belts and twist lock of the platform).
  - Additionally, there are general lubrication, breaks inspection, suspension system inspection, and tire inspection procedures.

The corrective and preventive actions are recorded in the general maintenance checklist. During the audit the files of four (out of ten) units were reviewed. No major issues were identified.

- The General Preventive Measures for Cyanide Transport Procedure (no code ver. 1, dated 19/07/2007) that establishes that the maximum journey is 8 hours. Additionally, the

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distance from the port to the mine is approximately 320 km which are covered by the convoys in approximately 5 hrs.

- The transport modality consist of one containers loaded in a trailer. The container is filled with 20 wooden boxes with no free space within the container. To protect the door block and brace is applied at the production site. The container is fixed to the trailer with twist locks.
- The General Preventive Measures for Cyanide Transport Procedure establishes that the operation can be delayed or suspended in case of rain or snow, social unrest. The procedure also establishes that the lead driver will notify the base.
- Per CyPlus request, Oroz implemented an alcohol test that is performed prior to start driving on a daily basis during shipment operations including a format to document this activity in October 2010 that was available for the operations performed since then.
- Oroz keeps maintenance records as long as the unit is owned, vehicle inspection checklists, alcohol test records will be kept for at least three year.

Oroz does not subcontract any of the cyanide handling or transport. This element is not applicable to Oroz.

### 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:*

As described in Section 1, the scope of this audit was from the moment the ship delivers the cyanide at the Argentine port and its ground transportation operations to mines in Argentina; therefore, this practice does not apply.

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

The operation is

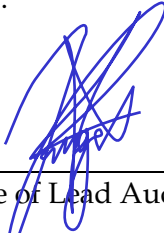
- in full compliance with
- in substantial compliance with Transport Practice 1.6
- not in compliance with

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

All the trucks are equipped with radio communicators and mobile phones. Additionally, the safety escort vehicle carries a satellite phone.

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Oroz has implemented records to test GPS (based on cellular phone signals), mobile phone, and radios prior to the departure of the convoy. These records were implemented in January 2011 and were available for the operations performed since that date.

According to Oroz personnel there are two blackout areas, one is 50 km long and the second is 10 km long. During these sections there is no GPS or cellular phone signal coverage. To ensure communication in these areas, HAZMAT (per CyPlus request) carries a satellite phone in the safety escort vehicle. According to HAZMAT personnel the coverage for the phone has been tested and confirmed to be available all along the route.

Oroz has designed a supervisor that travels with a basic set of spare parts; he calls the base to inform the location of the convoy. CyPlus has requested Oroz to inform of the shipment progress by email. The base sends an email to CyPlus, the mine, and other interested parties with the current status of the convoy.

As previously noted, cyanide is received in containers locked and tagged at the production site. A transport document (carta de porte) is generated by Oroz which includes the container number. The container is only open at the mine in presence of the custom officers.

The availability, at each truck, of the transport document, the emergency response, and the MSDS, among other documents, is verified using a checklist prior to the convoy departure. The checklist was implemented in October 2010 and was available for review for the operations performed since then.

Oroz does not subcontract any of the cyanide handling or transport. This element is not applicable to Oroz.

**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

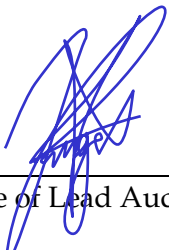
**THIS PRACTICE DOES NOT APPLY TO THE OPERATION**

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

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

As previously noted, cyanide is transported from the port to the mine without the intervention of interim storage sites.

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### 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:*

CyPlus has prepared and implemented an Emergency Response Plan which is compliant with this practice. Oroz follows CyPlus' Emergency Response Plan; therefore it is considered that Oroz is in full compliance with this practice.

#### 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

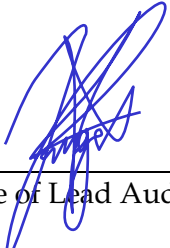
*Summarize the basis for this Finding/Deficiencies Identified:*

According to CyPlus emergency response procedure, HAZMAT personnel would be in charge of attending the emergency, with support from Oroz drivers who receive a one-hour training from HAZMAT's specialized personnel in the emergency response procedures, which has been properly documented. See Section 2.3.2 for further details.

CyPlus has prepared and implemented an Emergency Response Plan which is compliant with this requirement. The Plan describes the responsibilities of Oroz' drivers and a list of all emergency response equipment that should be available during transport. Oroz follows CyPlus' Emergency Response Plan; therefore it is considered that Oroz is in full compliance with this requirement. Emergency response equipment is provided by CyPlus through HAZMAT, which is also responsible for its inspection.

Oroz does not subcontract any of the cyanide handling or transport. This element is not applicable to Oroz.

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### 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:*

CyPlus has prepared and implemented an Emergency Response Plan which is compliant with this practice. Oroz follows CyPlus' Emergency Response Plan; therefore it is considered that Oroz is in full compliance with this practice.

### 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:*

CyPlus has prepared and implemented an Emergency Response Plan which is compliant with this practice. Oroz follows CyPlus' Emergency Response Plan; therefore it is considered that Oroz is in full compliance with this practice.

### 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:*

CyPlus has prepared and implemented an Emergency Response Plan which is compliant with this practice. Oroz follows CyPlus' Emergency Response Plan; therefore it is considered that Oroz is in full compliance with this Practice.

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