



September 2011

INTERNATIONAL CYANIDE MANAGEMENT
CODE CYANIDE TRANSPORT AUDIT

PT Nusa Halmahera -
Gosowong Mine Supply Chain
Certification Audit Summary
Audit Report

Submitted to:

International Cyanide Management
Institute (ICMI)
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UNITED STATES OF AMERICA

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REPORT

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1.0 INTRODUCTION

1.1 Operational Information

Name of Transportation Facility: Gosowong Mine Supply Chain
Name of Facility Owner: Not Applicable
Name of Facility Operator: PT Nusa Halmahera Minerals
Name of Responsible Manager: Rod Lovelady, Commercial Director
Address: Gosowong Gold Mine
PT. Nusa Halmahera Minerals
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95123
State/Province: North Sulawesi
Country: INDONESIA
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1.2 Description of Operation

1.2.1 Newcrest Mining Limited

Newcrest is Australia's largest gold producer and one of the world's top ten gold mining companies by production, reserves and market capitalisation. Headquartered in Melbourne, Australia, the Company has around 5 100 employees and long-term contractors.

The origins of Newcrest date back to 1966, when Newmont Mining Limited established an Australian subsidiary, Newmont Australia Limited. In 1990, Newmont Australia Limited acquired Australmin Holdings Ltd, and subsequently merged with BHP Gold Limited in late 1990, changing its name to Newcrest Mining Limited. The Company has been listed on the ASX since 1987 – initially as Newmont Australia Limited.

Newcrest owns and operates seven mines including Gosowong. Five of these are located in Australia. These include Cadia Valley (Hill and Ridgeway), New South Wales; Cracow in Central Queensland; Mt Rawdon in south-east Queensland and Telfer in the Pilbara region of Western Australia. Newcrest also has the Lihir and Hidden Valley Gold Operations in Papua New Guinea as well as the Bonikro operation in Côte d'Ivoire.

Newcrest's exploration is predominantly in Australia, however, internationally Newcrest are currently exploring in the USA and Peru.

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1.2.2 PT Nusa Halmahera Minerals

NHM is the joint venture company formed to manage the Gosowong Gold Mine. NHM is owned 82.5% by Newcrest, with PT Aneka Tambang owning the remaining 17.5%. The Gosowong Gold Mine is located within the Gosowong gold province, which covers an area of approximately 30 000 ha. The mine is situated on Halmahera Island, in the North Maluku province, Indonesia and is 2,400 km north-east of the national capital, Jakarta.

Kencana is the third mine to be developed by Newcrest at the Gosowong site and the first underground mine. Kencana is located 1 km south of the original Gosowong pit. Underground development of the Kencana mine commenced in February 2005 with the first underground ore mined in March 2006.

The existing Gosowong processing plant is used to process Kencana ore. The processing plant comprises a primary jaw crusher followed by a SAG and ball mill ahead of a cyanide leach circuit. Gold and silver is recovered from the pregnant solution using the Merrill-Crowe (zinc precipitation) process before smelting to produce doré bars.

Materials required for the operation of the mine are imported through the Port of Barnabas and trucked to the mine site. NHM own and manage the Port of Barnabas and vehicles used to transport products between the Port of Barnabas and the Gosowong Mine Site.

1.2.3 Gosowong Mine Supply Chain Transportation Summary

NHM coordinates the transport of cyanide from Tongsuh Petrochemical Corporation in South Korea, to NHM on Halmahera Island in North Maluku, Republic of Indonesia.

The cyanide product is manufactured and packed by Tongsuh Petrochemical Corporation, an ICMC certified producer in South Korea. The product is packed firstly into IBC's and then into shipping containers for transport to Tongsuh Petrochemical Corporation customers in Indonesia.

The shipping containers are transported by Samik Logistics, to the Port of Ulsan's Dong Bang Container Terminal Co Ltd (DCT) and stored in a dedicated Dangerous Goods storage facility on the port pending shipment to the Surabaya International Port via WHL. International freight delivered to Surabaya International Port is unloaded and taken to the International container yard. The cyanide is trucked between the Surabaya International Port and Surabaya Domestic Port by PTTC.

The NHM mine is located on the north-western coast of Halmahera Island and cyanide is shipped to the Port of Barnabas directly or via the Port of Bitung. Interim transit storage is provided at the Port of Bitung (PTTC Interim Storage Compound). At the Port of Barnabas, containers are unloaded by NHM cranes and placed directly onto NHM trucks, which transport the cyanide to the Gosowong Mine Site.

1.2.4 Transportation

The scope of the audit was the Gosowong Mine Supply Chain (Supply Chain) which covers the transportation of cyanide from the Port of Ulsan in South Korea to PT Nusa Halmahera Mineral's Gosowong Gold Mine on Halmahera Island in North Maluku, Republic of Indonesia. This specifically included:

- Port of Ulsan, South Korea.
- Shipping between the Port of Ulsan, South Korea and the international Port of Surabaya, Republic of Indonesia by Wan Hai Lines.
- PT Trans Continent (PTTC) Supply Chain which includes the following elements relevant to NHM:

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- International Port of Surabaya
 - Road Transport between the International and Domestic Ports of Surabaya
 - Transit storage at the Domestic Port of Surabaya
 - Domestic Port of Surabaya
 - Shipping between the Domestic Port of Surabaya to the Port of Bitung, Manado, Indonesia
 - Shipping between Port of Bitung and Port of Barnabas
 - Shipping between Port of Surabaya to the Port of Barnabas.
- Port of Barnabas (owned and operated by NHM).
 - Road transport between the Port of Barnabas and Gosowong Gold Mine using NHM trucks.

The scope did not include:

- Unloading and storage of the cyanide at Gosowong Gold Mine. This is included within the scope of the Gosowong Gold Mine Certification Audit.

1.2.4.1 Port of Ulsan

The Port of Ulsan lies on the south-eastern shores of South Korea, facing the Sea of Japan. The Port of Ulsan is about 50 kilometres northeast of the Port of Busan and about 60 kilometres south of the Port of Pohang.

1.2.4.2 Wan Hai Lines

WHL was founded in 1965 and is engaged in international shipping services throughout the Pacific and Indian Oceans. As of 2004, WHL operated 66 container vessels with the capacity to handle over 90 000 twenty foot equivalent units. WHL has subsidiaries and agents over Asia's major cities and ports.

1.2.4.3 PT Trans Continent

PTTC was established in 2003 and provides freight forwarding, logistical, shipping agency, custom clearance and warehousing services for mining, oil and gas and project cargo. The operation has Indonesian offices in Jakarta, Balikpapan, Batam, Manado, Medan, Sibolga, Bali, Ternate and Surabaya. In addition, PTTC has overseas agents in Australia, Japan, Singapore, USA, Germany, Thailand, China, South Africa and the UK.

PTTC are a signatory to the ICMC and an ICMC Certification audit has been conducted on PTTC's Indonesian Supply Chain, which concluded that the Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI, but a certification announcement is yet to be made.

1.2.4.4 Port of Barnabas

The Port of Barnabas is owned and managed by NHM to service Gosowong Gold Mine. The Port is capable of handling medium ships and landing craft. Containers are unloaded directly from the landing craft onto the trucks. Storage facilities are available at the Port, however, it is only used in case of emergencies.

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1.3 Auditors Findings and Attestation

in full compliance with **The International Cyanide Management Code**

NHM Ocean Freight Supply Chain is: in substantial compliance with

not in compliance with

Audit Company: Golder Associates
Audit Team Leader: Edward Clerk, CEnvP (112), RABQSA (020778)
Email: eclerk@golder.com.au

1.4 Name and Signatures of Other Auditors

Name	Position	Signature	Date
Edward Clerk	Lead Auditor and Technical Specialist		6 September 2011
Russell Beasley	Auditor		6 September 2011
Rachel Beasley	Auditing Support		6 September 2011

1.5 Dates of Audit

The transportation audit and reporting was undertaken in April 2011. The field component of the audit was undertaken over three person days on 1 April 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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2.0 CONSIGNOR SUMMARY

2.1 Principle 1 – Transport

Transport Cyanide in a manner that minimises the potential for accidents and releases.

2.1.1 Transport Practice 1.1

Select cyanide transport routes to minimise the potential for accidents and releases.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 1.1

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 1.1 requiring NHM to select cyanide transport routes to minimise the potential for accidents and releases.

NHM has developed procedures to guide the selection of transport routes to minimise the potential for accidents and releases, or the potential impacts of accidents and releases.

The procedures consider the following segments of the Gosowong Mine Supply Chain:

- Tongsoh Petrochemical Corp., Ltd to Port of Ulsan, South Korea (outside of Gosowong Mine Supply Chain).
- Port of Ulsan to Surabaya International Port, Surabaya, Indonesia.
- Surabaya International Port to Port of Barnabas Custom clearance and stevedoring.
- Surabaya to Port of Barnabas via Port of Bitung (alternative route).
- Port of Barnabas to Gosowong Gold Mine.

A risk assessment was conducted to determine the most suitable route of transporting cyanide from supplier to Gosowong with minimal potential for accidents and release. A due diligence assessment was undertaken for all subcontracted links within the supply chain, including ports. A Cyanide Emergency Response Plan (CERP) is in place to deal with any release of cyanide for the road transport from Port of Barnabas to Gosowong Storage Yard.

NHM has developed and implemented a procedure to evaluate risks of selected cyanide transport routes and take the measures necessary to manage these risks. A Bowtie risk assessment exercise was conducted on 28 October 2009 by consultants (GHD) to identify the risk of cyanide supply chain failure in land transport (including the Port of Barnabas). The controls to the risks are summarised in the Bowtie diagram and repeated in the *GSWP-SL-03 Transport Route Selection procedure*.

NHM has implemented a procedure to periodically re-evaluate routes used for cyanide deliveries.

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The *GSWP-SL-03 Transport Route Selection* procedure requires an audit of the roads and bridges to be completed and documented every six months. Hazards identified must be reviewed, reassessed and closed immediately. The Transport Supervisor must conduct a visual inspection within 2-3 days before a shipment arrives at port. Drivers are to advise the Transport Supervisor of any changes or hazards to the route from Port of Barnabas to Gosowong site on a daily basis.

NHM seeks input from stakeholders (community leaders, police, fire and medical facilities) and applicable government agencies as necessary in the selection of routes and development of risk management measures.

NHM has held a community presentation about cyanide for the local villages during which they could ask questions and raise concerns.

NHM distributes a newsletter to local communities, sub-districts, local government and provincial government, for which the May 2010 issue was about cyanide awareness. The January 2011 issue provided information on how the operation uses cyanide, how NHM reduces the risk of cyanide and the cyanide code. The newsletter is in both English and Bahasa.

The transport routes do not present special security concerns. Despite this, NHM uses local police to escort all cyanide containers between the Port of Barnabas and the Gosowong Gold Mine.

NHM has the only emergency response capabilities on the island. As such, there are no outside responders (e.g. fire brigades) to consult in the cyanide emergency planning and response process.

NHM does subcontract the transport of cyanide to PTTC between the Surabaya International Port and the Port of Barnabas. PTTC transports cyanide for NHM under a Services Contract. The text of the Services Contract does not specifically document all of the transportation responsibilities required in this question. However, Clause 1a of Appendix 4 of the Services Contract requires PTTC to comply with:

"The requirements for the transportation and handling of Sodium Cyanide as set out in the International Cyanide Management Code; as varied from time to time."

Section 13.1 (Consent Required) of the Services Contract notes that:

"The Contractor must not assign all or any part of its rights or obligations under the Contract, or subcontract all or any part of its obligations under the contract (including the performance of the services), without the prior consent of PTNHM."

NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement has developed and implemented

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Port of Ulsan

Riskom International Pty Ltd conducted a Due Diligence Review of the Port of Ulsan on 11 February 2011. The due diligence assessment was compiled through physical visits, interviews and discussions with appropriate personnel and review of applicable documentation.

The report found the Port of Ulsan's Dong Bang Container Terminal stores cyanide in a suitable dangerous goods area, albeit with concerns regarding storage of cyanide in proximity to incompatible materials. A letter has been written to follow up the issue of dangerous goods storage/ incompatible materials restrictions and suggestions for signage improvements with Dong Bang.

The Review concluded that the Port of Ulsan complies with the principles of the ICMI Cyanide Transportation Verification Protocol For the International Cyanide Management Code, subject to the exception described above for storage at the Port of Ulsan.

Wan Hai Lines

NHM does not have control of the routes taken by the shipping lines contracted to transport sodium cyanide. In selecting a route, shipping lines must take into account factors such as tides, currents, winds, storms and load compatibilities. To account for this variability, NHM has undertaken a Due Diligence Review of WHL to ensure that the shipments are in accordance with the International Maritime Organisation Dangerous Goods (IMDG) Code.

Riskom International Pty Ltd conducted a Due Diligence Review of WHL on 11 February 2011. The Due Diligence Review was compiled through physical visits, interviews and discussions with appropriate personnel and review of applicable documentation. The Review found that WHL has systems in place to ensure compliance with all the requirements of the IMDG Code and other relevant parts of the International Convention for the Safety of Life at Sea (SOLAS Convention), particularly placarding, stowage, segregation, packaging, packing of containers and documentation.

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.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 1.2

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 1.2 requiring personnel operating cyanide handling and transport equipment can perform their jobs with minimum risk to communities and the environment.

NHM only uses trained, qualified and licensed operators to operate its transport vehicles. Under Indonesian law, all drivers are required to have a licence issued to them by the National Police for the classes of vehicle they intend to drive (NHM truck drivers require a B11 licence). Upon employment with NHM, all drivers are required to pass an on-site driving test conducted by the Safety Department. Upon successful completion of the driving test, members are given a site licence. A site licence will not be issued unless the member holds a valid Indonesian licence. Drivers must carry their licence with them at all times whilst driving.

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NHM only uses trained, qualified and licensed operators to operate its mobile crane at the Port. This crane is the only piece of equipment used to unload cyanide containers from vessels and onto the transport vehicles.

NHM personnel operating cyanide transport equipment have been trained to perform their jobs in a manner that minimises the potential for cyanide releases and exposures. NHM has elected to give all permanent employees Sodium Cyanide Safe Handling training.

NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement is yet to be made.

2.1.3 Transport Practice 1.3

Ensure that transport equipment is suitable for the cyanide shipment.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 1.3

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 1.3 requiring that transport equipment is suitable for the cyanide shipment.

NHM only uses equipment designed and maintained to operate within the cyanide loads it will be handling at the Port of Barnabas and along the road transport route. *GSWP-SL-01 Cyanide Transportation* notes only equipment that is fit for purpose shall be used in the transportation of cyanide to Gosowong. The *Certificates of Eligibility Use of Equipment* demonstrate the equipment is designed for handling of required loads. The mobile crane container lift cradle had a safe working load rating of 35 tonnes.

Vehicle power, axle loadings and other parameters are set by the manufacturer and the single 20 foot container loads are within the capacities of the vehicles and legal capacities of the public roads.

The adequacy of equipment is verified through the scheduled weekly service and maintenance programme. These include the structural integrity of the equipment to identify signs of stress or overloading.

NHM does have procedures to prevent overloading of the transport vehicle being used for handling cyanide.

GSWP-SL-01 Cyanide Transportation states that cranes used to load and unload sea containers must meet load capacity requirements (cyanide sea containers shall be limited to no more than 25 tonne total weight).

The design of the vehicles that handle cyanide prevent overloading as the trucks and cranes can only handle one container at a time. Vehicle power, axle loadings and other parameters are set by the manufacturer and the single container loads are within the capacities of the vehicles and legal capacities of the public roads.

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NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement is yet to be made.

2.1.4 Transport Practice 1.4

Develop and implement a safety program for transport of cyanide.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 1.4

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 1.4 requiring an implemented safety program for transport of cyanide.

NHM has procedures to ensure that the cyanide is transported in a manner that maintains the integrity of the producer's packaging at the Port of Barnabas and for the road transportation to Gosowong. *GSWP-SL-01 Cyanide Transportation* requires the sea containers to be inspected whilst being loaded onto the truck for any damages such as leakage, surface damage and signs of any other physical damage. If a container is suspected of damage or damaged during unloading, it is transferred to a temporary bund wall located within the compounds of the port.

NHM ensures placards or other signage used to identify the shipment as cyanide, as required by local regulations or international standards. There are no dangerous goods transport laws in Indonesia.

As all cyanide is delivered by sea and containers arrive placarded in accordance with the *IMDG Code*. Consignments of cyanide transported by NHM arrive in Indonesia via the International Port of Surabaya from Tongsuh Petrochemical Corporation who are a Code certified cyanide producer. As a Code certified cyanide producer, Tongsuh have systems in place to ensure their containers are labelled in accordance with the *IMDG Code* and as required by local regulations or international standards. This was confirmed during an inspection of a cyanide convoy.

The Tongsuh Petrochemical Corporation Audit is required to address placards and other signage used to identify the shipment as cyanide, as required by local regulations or international standards. NHM take custody of these containers once they clear customs at the Port of Ulsan. The containers are not opened nor have their signage augmented until they arrive at the final destination. The placards used on containers, include:

- UN Numbers
- Dangerous Goods Class labels, both of which are prescribed in the United Nations Model Regulations and the *IMDG Code*

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PTTC also maintains a set of spare placards. These are to be used on the containers in the event the requirements of the Pre-Delivery Checklist are not met.

NHM implements a safety programme for cyanide transport that includes (where appropriate or applicable) the following

- Vehicle inspections prior to each departure/shipment.
- A preventive maintenance programme.
- Limitations on operator or drivers' hours.
- Procedures to prevent loads from shifting.
- Procedures by which transportation can be modified or suspended if conditions such as severe weather or civil unrest are encountered.
- A drug abuse prevention programme.
- Retention of records documenting that the above activities have been conducted.

NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement is yet to be made.

2.1.5 Transport Practice 1.5

Follow international standards for transportation of cyanide by sea and air.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 1.5

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Transport Practice 1.5 requiring the operation follow international standards for transportation of cyanide by sea and air.

NHM does transport consignments of cyanide by sea within the scope of this audit. All containers transported by NHM are placarded at the Tongsoh Petrochemical Corporation in South Korea in accordance with the requirements of the IMDG Code with UN numbers, the Class 6 dangerous goods class label and the severe marine pollutant label (i.e. fish with St Andrews Cross). This level of placarding is consistent with the requirements of the Australian Dangerous Goods Code (ADG Code).

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A container intended for sea transport has documentation prepared in accordance with the IMDG code, which is faxed to the shipping agent. A copy of the marine documentation is retained with the cargo at all times.

NHM does not transport consignments of cyanide by air within the scope of this audit.

Wan Hai Lines

A due diligence WHL was conducted for NHM by Ken Price of Riskom International in February, 2011. This due diligence indicated that WHL transported cyanide in compliance with the IMDG Code. The due diligence specifically referenced provisions of the Dangerous Goods Code that are required to be addressed under this question, namely:

- If cyanide is shipped in cargo transport units, are the units placarded and marked as required by chapter 5.3 or the IMDG Code?
- Has a dangerous goods transport document been prepared with the information required under Chapter 5.4 if the DG Code?
- If the cyanide is packed or loaded into a container, has a container/vehicle packing certificate been prepared meeting the requirements of Section 5.4.2 of the DG Code?
- Does the ship carrying the cyanide have a list or manifest identifying the presence and location of the cyanide or a detailed stowage plan including this information, as required under Section 5.4.3.1 of the DG Code?
- Does the ship carrying cyanide have cyanide emergency response information, as required under Section 5.4.3.2 of the DG Code?
- Does the ship comply with the stowage and separation requirements of Part 7 of the DG Code?

Port of Ulsan

Riskom International Pty Ltd conducted a Due Diligence Review of the Port of Ulsan on 11 February 2011. The due diligence assessment was compiled through physical visits, interviews and discussions with appropriate personnel and review of applicable documentation.

The report found the Port of Ulsan's Dong Bang Container Terminal stores cyanide in a suitable dangerous goods area, albeit with concerns regarding storage of cyanide in proximity to incompatible materials. A letter has been written to follow up the issue of dangerous goods storage/incompatible materials restrictions and suggestions for signage improvements with Dong Bang.

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The Review concluded that the Port of Ulsan complies with the principles of the ICMI Cyanide Transportation Verification Protocol for the International Cyanide Management Code, subject to the exception described above for storage at the Port of Ulsan.

NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above. The CTV Protocol was used by the Auditors to assess activities at the Port of Barnabas rather than a specific due diligence and comments on cyanide manage systems implemented at the Port of Barnabas are detailed under each specific question, where relevant.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement is yet to be made.

2.1.6 Transport Practice 1.6

Track cyanide shipments to prevent losses during transport.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 1.6

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 1.6 requiring Tracking of cyanide shipments to prevent losses during transport.

NHM employs transport drivers and directly operates transport vehicles and ensures transport vehicles have means to communicate with the mining operation and emergency responders. The shipment is transported in convey. The communication is the responsibility of the escort vehicle. The truck drivers carry a hand held radio, while the escort vehicle has a radio and mobile telephone. The escort communicates with the port and mine site when in transit, and in emergency situation it is the responsibility of the escort to contact emergency responders.

GSWP-ST-02 Escort of Material from Port Site details the requirement of establishment of radio communication between the vehicles and project safety officer. *GSWP-SL-01 Cyanide Transportation* details the requirement of drivers to communicate with the ERT when they leave the blackout zone by mobile phone. This document provides the number of a dedicated phone to be kept in the escort vehicle and also provides a list of key people to call in case of an emergency.

NHM does test the communication equipment through continuous use. *GSWP-SL-01 Cyanide Transportation* requires that communications equipment is available, tested and in working condition.

NHM has identified communication blackout areas and these are detailed within *GSWP-SL-01 Cyanide Transportation* procedure. The Emergency Response Team (ERT) and/or lead driver of the convoy communicates to Site Safety and Security that trucks have departed the Port of Barnabas using a two-way radio and mobile phone, which have coverage at the Port of Barnabas. The ERT and/or the lead driver will communicate by mobile phone to Site Safety and Security when the trucks leave the communication blackout area. The drivers confirmed that this procedure is conducted.

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NHM does track of the progress of cyanide shipments through communications using two-way radios and mobile telephones. NHM keep up to date of the scheduled arrival of the shipment three months in advance. Shipping vessels are tracked with GPS, as only vessels with GPS are contracted by the Freight Forwarding Agent (PTTC). PTTC is responsible for updating NHM on the progress of the cargo voyage by email and mobile phone.

NHM does implement inventory controls and/or chain of custody documentation to prevent the loss of cyanide during shipment.

The operation has chain of custody records identifying all elements of the supply chain (producer and transporter) that handle the cyanide brought to its site. Chain of custody documents were reviewed for the period September 2010 to March 2011 for all relevant parties.

As stated in the *GSWO-ST-01 Cyanide Transportation* procedure before road transportation, the containers are weighed against the manifest. The cargo is verified against the manifest by the Port Supervisor to ensure that the correct amount of cyanide within each container has arrived. During truck loading at the Port of Barnabas containers are inspected for any damage such as leakage, surface damage or signs of any other physical damage.

Shipping records indicating the amount of cyanide in transit and Material Safety Data Sheets are available during transport. The *GSWO-ST-01 Cyanide Transportation* procedure includes a requirement to inspect the trucks for the presence of a MSDS. The MSDS are available in both Bahasa and English. The procedure also includes a requirement to verify the cargo against the manifest by the port supervisor.

NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement is yet to be made.

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2.2 Principle 2 – Interim Storage

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

2.2.1 Transport Practice 2.1

Store cyanide in a manner that minimises the potential for accidental releases.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 2.1

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 2.1 requiring cyanide to be stored in a manner that minimises the potential for accidental releases.

Storage facilities are available at the Port of Barnabas, however, they are only used in case of emergencies.

Warning signs advising workers that cyanide is present and that, if necessary, suitable PPE must be worn, are located at the Port of Barnabas. Additional signs are displayed at the entrance to the storage area to prohibit smoking, eating and drinking. These messages are reinforced in the Cyanide Storage Induction. Observations made during the audit were consistent with these prohibitions.

Security measures are in place to prevent unauthorised access to cyanide, such as lockouts on valves, and fenced and locked storage of solids. When a vessel arrives at the Port of Barnabas, cyanide is either unloaded directly onto a truck for transport to the Gosowong Mine Site or it is stored on the Landing Craft until transport resumes. No cyanide containers are stored at the Port of Barnabas during normal operational activities.

The Port of Barnabas area is fenced, with guards placed at the entry point. Correct identification is required to gain access to the Port of Barnabas.

All containers are kept locked until they are unloaded at the Gosowong Gold Mine.

Cyanide is separated from incompatible materials. All cyanide is packed by a Code certified producer into IBCs and placed with shipping containers. No other product is stored within the containers. At no point during transport are the containers opened.

The Port of Barnabas containment area is located in an open yard with suitable separation distances for buildings and other containers, which allows natural ventilation to prevent the build up of hydrogen cyanide gas.

Solid cyanide product is stored in containers in an open yard with suitable separation distances for buildings and other containers, which allows natural ventilation to prevent the build up of hydrogen cyanide gas.

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GOSOWONG MINE SUPPLY CHAIN CERTIFICATION AUDIT - SUMMARY AUDIT REPORT

All solid cyanide is packaged with IBCs, placed with shipping containers and kept on the landing craft until they are ready to be transported to the mine site. In the event of a damaged container, the containment area at the Port of Barnabas is used for emergency storage and at the time of the audit, no containers were located within this area. The storage area is sized to hold multiple containers and significant rainfall events.

NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

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Gosowong Mine Supply Chain

Name of Facility

Signature of Lead Auditor

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Date



2.3 Principle 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 **Transport Practice 3.1**
 in substantial compliance with
 not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 3.1 requiring a detailed emergency response plan for potential cyanide releases.

NHM has developed a CERP that encompasses response to cyanide emergencies at the mine, along the transport route and at the Port.

This plan is dedicated to responding to cyanide emergencies. The CERP sits beneath the overarching Emergency Management Plan (EMP), which regulates the management of all emergencies involving the site at Gosowong, Manado office and Jakarta office and where NHM has legal, ethical or community responsibilities.

The CERP is appropriate for the selected transportation routes.

Section 1 of the CERP states:

“This document regulates the response to all emergencies involving cyanide, on and off site at Gosowong Gold Mine which falls within Gosowong Gold Mine’s area of responsibility and where PT Nusa Halmahera Minerals (NHM) has legal, ethical or community responsibilities. Gosowong Gold Mine’s area of responsibility for purposes of cyanide related incidents includes the receipt of sodium cyanide at the port (Barnabas), transport of sodium cyanide to the mine, use of cyanide at the mine, including the handling of mine waste containing cyanide, and the release of mine effluent from site onto the aquatic environment.”

Section 5.3 refers to response specifically to offsite transport emergencies between the Port (including inside the Port) and the Gosowong cyanide storage yard.

The CERP does consider the physical and chemical form of cyanide (solid cyanide) for the transport route. The CERP details response actions for ERT personnel.

The CERP does consider the method of transport. Section 5.3 recognises that:

“Off-site transport emergencies will include vehicle accidents involving the truck transporting sodium cyanide to site... This plan should be read in conjunction with the following Supply and Logistics documents; GSWP-ST-03 Transport Route Selection and Transportation, GSW-SL-04, GSW-SL-002 Loading and Unloading Procedure, GSWP-SL-01 Cyanide Transportation, GSW-SL-05 Escort of Material From Port to Site and any other documents required to fulfil road emergency response to cyanide incidents.”

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The CERP does consider all aspects of the transport infrastructure. Section 5.3 states:

“To minimise the risks associated with the transportation of cyanide by road a comprehensive route selection and transportation risk assessment was conducted to determine the conditions of the road, communities that live along the transport corridor.”

The CERP does consider the design of the transport vehicle. Section 5.3 states:

“Only vehicles that are compatible with transporting the load of cyanide specified in the chain of custody documentation shall be used during any cyanide transportation run.”

The CERP does describe the response actions for various transport emergency situations.

Due to the lack of facilities and equipment on the island external to Gosowong, NHM has not designated any role for outside responders or communities in the event of an emergency during transport.

A policeman accompanies the NHM escort vehicle during transport operations, but their role is restricted to traffic management. This is covered in NHM’s *Escort of Material from Port to Site* procedure.

NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement is yet to be made..

2.3.2 Transport Practice 3.2

Designate appropriate response personnel and commit necessary resources for emergency response.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 3.2

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 3.2 requiring designated appropriate response personnel and committed resources for emergency response.

Emergency response training of appropriate personnel is provided. Each convoy includes an ERT escort that responds to all transport emergency incidents, including those related to cyanide. Non-ERT members (such as drivers) are not required to respond to cyanide incidents.

A training consultant has been engaged to provide regular six monthly training in cyanide emergency response to ERT members and other selected site personnel. This training includes use of emergency equipment, first aid and mock drills using the procedures detailed within the CERP. Twenty-five out of the 27 ERT personnel have undergone this training since the programme roll out in October 2010.

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The CERP identifies the key roles and responsibilities in the event of an emergency during transport. Section 1.2 states:

“The ultimate responsibility for all Emergency Response, also in conjunction with cyanide incidents at [NHM] rests with the General Manager Operations.”

Duties and responsibilities are outlined in Section 4.0 of the EMP for all EMT members and Section 1.4 of the CERP for the ERT members and ERT Captain.

Section 3.3 of the CERP lists the equipment that should be available for emergency response during unloading at the Port and transport. In addition, several inspection sheets maintained by the ERT and site clinic list the equipment available to them.

NHM does have the necessary emergency response and health and safety equipment available during transport. The ERT escort vehicle carries PPE, containment and communications equipment to allow first response in the event of a cyanide emergency. In addition, further equipment is available on-site, which is approximately 15.2 km from the Port.

ERT members receive periodic training in cyanide emergency response. A training consultant has been contracted to deliver this training every six months. This training is captured in the ERT drill schedule for 2011, with training completed in February and further training scheduled for August. In addition, all permanent employees undergo Sodium Cyanide Safe Handling refresher training every twelve months. As this training was rolled out less than twelve months ago, no personnel have been required to undergo refresher training.

ERT equipment inspection frequencies (weekly, fortnightly, monthly etc) have been entered into the site's event management software (Cintellate). Reminders are sent to the Senior Safety Supervisors to complete the inspections as per the required frequencies. Interrogation of the inspection checklists suggests that these inspections are being carried out as stipulated.

NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement is yet to be made.

2.3.3 Transport Practice 3.3

Develop procedures for internal and external emergency notification and reporting.

The operation is **in full compliance with** **Transport Practice 3.3**
 in substantial compliance with
 not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 3.3 requiring procedures for internal and external emergency notification and reporting.

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NHM's emergency documentation includes procedures and contact information for notifying management, regulatory agencies, outside response providers and medical facilities of the cyanide emergency during transport.

In the event of an emergency, personnel are instructed to raise the alarm via the emergency radio channel or the emergency phone number. These contact points are manned 24 hours a day by ERT members, who assess what facets of emergency response are required. The ERT Captain is then required to contact the Duty Safety Officer, who will in turn contact the EMT Leader (GM or appointed Department Head). A decision will then be made on whether the EMT requires activation. The EMT has personnel responsible for internal and external communication. Key internal and external contact information is contained within Appendix J of the EMP.

Systems are in place to ensure that internal and external emergency notification and reporting procedures relevant to transport are kept current. Whilst not specifically referring to internal and external contact information, Section 1.2 states:

"The cyanide emergency plan shall be reviewed every year to ensure that it is current and applicable to changes to other procedures, plant and equipment."

The Cyanide Code Champion stated that this review includes changes to contact information.

NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement is yet to be made.

2.3.4 Transport Practice 3.4

Develop procedures for remediation of releases that recognise the additional hazards of cyanide treatment.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 3.4

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 3.4 requiring procedures for remediation of releases that recognise the additional hazards of cyanide treatment.

The CERP contains procedures during transport for remediation, such as recovery or neutralisation of solutions or solids, decontamination of soils or other contaminated media and management and/or disposal of spill clean-up debris.

The CERP contains procedures during cyanide handling at the Port for remediation, such as recovery or neutralisation of solutions or solids, decontamination of soils or other contaminated media and management and/or disposal of spill clean-up debris.

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The CERP prohibits the use of chemicals to treat cyanide that has been released into surface water along the transport route. Section 4.5 of the CERP states:

“Treatment of any spill of cyanide, whether in pellet form or in solution, to flowing water sources other than water which is contained within the metallurgical water circuit should not be attempted. Such interventions are generally ineffective due to the inability to ensure effective mixing or treatment chemicals with contaminated water [sic]. Treatment chemicals themselves are also harmful to aquatic fauna and water users. Emergency response efforts should in such cases be aimed at emergency management measures to limit the effects of the spill on humans and biota.”

The CERP allows the use of sodium hypochlorite to neutralise spills to soil. However, it prohibits the use of this chemical or other neutralising agent in surface drainage areas.

NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement is yet to be made.

2.3.5 Transport Practice 3.5

Periodically evaluate response procedures and capabilities and revise them as needed.

in full compliance with

The operation is

in substantial compliance with

Transport Practice 3.5

not in compliance with

Summarise the basis for this Finding/Deficiencies Identified:

The NHM Gosowong Mine Supply Chain is in FULL COMPLIANCE with Standard of Practice 3.5 requiring periodically evaluating response procedures and capabilities and revising them as needed.

A passage in the CERP requires it to be reviewed on an annual basis. The document is yet to come up for annual review. However, NHM have revised it several times as part of the fine tuning process.

NHM have conducted mock drills as part of CERP training provided by a training consultant in October 2010 and February 2011. These drills involved response to a cyanide spill and exposure during transport. The cyanide response drills are scheduled every six months, with the next one planned for August 2011.

In addition, ERT members are involved in periodic mock drills at the Gosowong mine. Whilst not specific to transport emergencies, the skills practiced, such as first aid, decontamination and clean-up are relevant to both mine site and transport emergency response.

The CERP has a requirement for review following its activation for a cyanide related emergency. There have been no transport incidents requiring the activation of the CERP. However, the CERP was activated in February 2011 in response to a tailings pipeline burst at Gosowong Mine. As a result of this activation, the CERP was reviewed on 1 April 2011.

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Date



NHM Port of Barnabas

The Port of Barnabas is owned by NHM and managed using NHM processes and procedures described above.

PT Trans Continent

The PTTC Indonesian Supply Chain was subjected to an ICMC Certification Audit in March 2011. The audit concluded that the PTTC Indonesian Supply Chain was fully compliant with the ICMC. The audit was submitted to the ICMI but a certification announcement is yet to be made.

3.0 SEA TRANSPORT SUMMARY

3.1 Wan Hai Lines

3.1.1 Audit and Operational Information

Riskom International Pty Ltd conducted a Due Diligence Review of WHL on behalf of PTTC on 11 February 2011. The Reviewer met the ICMI requirements for a Transport Expert.

3.1.2 Scope and Summary of Due Diligence Investigation

The following items were addressed within the due diligences:

- Introduction
- Scope of Review
- Due Diligence Review Methodology
- ICMC Transport Verification Protocol Assessment
 - Transport Practice 1.1
 - Transport Practice 1.5.1 d-i
 - Transport Practice 2.1

The due diligence assessments were compiled through physical visits, interviews and discussions with appropriate personnel and review of applicable documentation.

The due diligence assessments were found to sufficiently evaluate the shipping operations (discussed below), and additional management measures by the consigner were not considered necessary.

The Due Diligence Review concluded:

- *“NHM is preparing contractual agreements to ensure that it does not consign any product on a vessel that is not a container vessel operated by WHL;*
- *Part of NHM’s contracts will also prescribe that product may only be exported through the Port of Ulsan, thereby ensuring that it is delivered to the port of embarkation by the shortest most direct route with the least public exposure;*
- *WHL has systems in place to ensure compliance with all the requirements of the IMDG Code and other relevant parts of the SOLAS Convention, particularly placarding, stowage, segregation, packaging, packing of containers and documentation;*

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- *The delivery route selected will minimize the potential for accidents and releases;*

In my opinion, the shipping from Korea to Indonesia is in compliance with the principles of the ICMI Cyanide Transportation Verification Protocol For the International Cyanide Management Code..."

3.2 Port of Ulsan

3.2.1 Audit and Operational Information

Riskom International Pty Ltd conducted a Due Diligence Review of the Port of Ulsan on behalf of PTTC on 11 February 2011. The Reviewer met the ICMI requirements for a Transport Expert.

3.2.2 Scope and Summary of Due Diligence Investigation

The following items were addressed within the due diligences:

- Introduction
- Scope of Review
- Due Diligence Review Methodology
- ICMC Transport Verification Protocol Assessment
 - Transport Practice 1.1
 - Transport Practice 1.5.1 d-i
 - Transport Practice 2.1

The due diligence assessment was compiled through physical visits, interviews and discussions with appropriate personnel and review of applicable documentation.

The due diligence assessment was found to sufficiently evaluate the shipping operations (discussed below), and additional management measures by the consigner were not considered necessary.

The Due Diligence Review concluded:

"Interim storage at the Port of Ulsan is not fully in compliance with the requirements of the IMDG Code for Port Storage of Dangerous Goods, however NHM has action in hand to work with the Port to ensure that it achieves compliance.

In my opinion, the operations at the Port of Ulsan... is in compliance with the principles of the ICMI Cyanide Transportation Verification Protocol For The International Cyanide Management Code, subject to the exception described above for storage at the Port of Ulsan."

4.0 LIMITATIONS

Your attention is drawn to the document – "Limitations", which is included in Appendix A of this report. The statements presented in this document are intended to advise you of what your realistic expectations of this report should be, and to present you with recommendations on how to minimise the risks associated with the groundworks for this project. The document is not intended to reduce the level of responsibility accepted by Golder Associates, but rather to ensure that all parties who may rely on this report are aware of the responsibilities each assumes in so doing.

Gosowong Mine Supply Chain

Name of Facility

Signature of Lead Auditor

6 September 2011

Date



Report Signature Page

GOLDER ASSOCIATES PTY LTD

A handwritten signature in black ink, appearing to read 'Ed Clerk'.

Ed Clerk
Associate and Environment Group Manager

RJB/ECW/arp

A.B.N. 64 006 107 857

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APPENDIX A

Limitations



LIMITATIONS

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