



QUIMTIA S.A.

Cyanide Code Audit

Summary Audit Report

PROJECT NO. 0193580

FEBRUARY 2014

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1. GENERAL SUMMARY

1.1. INFORMATION ON THE AUDITED OPERATION

Name of Cyanide Facility: Quimtia S. A.
Name of Facility Owner: Quimtia S. A.
Name of Facility Operator: Quimtia S. A.
Name of Responsible Manager: Joceline Villar
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Quimtia S.A is a distributor for sodium cyanide in solid state (briquettes) in Peru. Currently, Quimtia supplies several mines in Peru.

Quimtia operations consist in the reception of solid cyanide in their warehouse located in El Callao, cyanide storage and shipping to the client. Quimtia does not have transport operations.

This audit comprises the warehousing operations of the Distribution Center. Quimtia has followed the Cyanide Code principles since early 2012; therefore, records were reviewed back to 2012.

The distribution center operations include storage of 1,000kg- double-bag-lined wooden boxes as received inside the containers coming from the port; each container has 20 wooden boxes that are unloaded in the distribution center facility. Forklifts transport these boxes to the storage area one by one from which they are dispatched to clients.

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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 production 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

Names and Signatures of Other Auditors:

Jaime Martinez

Christian Cardenas PA

Date(s) of Audit: 13 August 2013

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. **QUIMTIA DISTRIBUTION CENTER (LIMA CALLAO)**

This operation is

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

with the International Cyanide Management Code

2.1. **PRODUCTION PRACTICE 1. DESIGN, CONSTRUCT AND OPERATE CYANIDE PRODUCTION FACILITIES TO PREVENT RELEASE OF CYANIDE**

2.1.1. **Production Practice 1.1: Design and construct cyanide production facilities consistent with sound, accepted engineering practices and quality control/quality assurance procedures.**

The operation is

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

Production Practice 1.1

Summarize the basis for this Finding/Deficiencies Identified:

Several documents were reviewed, including definition of specific construction requirements of the Quimtia storage facility, and minutes of the meetings held during the construction. Additionally, ERM reviewed a certificate dated the 22nd of July 2013 issued by AGR in which, AGR confirms that Quimtia's warehouse is suitable to store cyanide in boxes.

ERM reviewed an annual inspection conducted on 22 July 2013 by AGR, in which AGR confirms that Quimtia's warehouse is suitable to store cyanide in boxes.

The warehouse is constructed with concrete floor, concrete block walls, and metal sheet roof. Cyanide is handled within the manufacturer containers. In addition, Quimtia has implemented a cyanide management plan (coded CD-PE-SSMA-P-001 version 01, prepared in May, 2013; hereinafter called Procedure CD-PE-SSMA-P-001) section 5.2 indicates that cyanide should not be stored within a distance of 10 meters from any liquid acid. It also indicates that this will be supervised by the EHS department.

The site only handles cyanide in wooden boxes. A power outage or equipment failure would not result in a cyanide release.

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Quimtia storage facility has a concrete slab floor. A trench along the southern side of the storage area is present as secondary containment. Quimtia does not handle cyanide in liquid state, in vessels or tanks; as well as cyanide through pipelines. Quimtia stores solid cyanide in plastic bags within a wooden box. A trench along the south side of the storage area is present as secondary containment.

2.1.2. *Production Practice 1.2: Develop and implement plans and procedures to operate cyanide production facilities in a manner that prevents accidental releases.*

The operation is

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

Production Practice 1.2

Summarize the basis for this Finding/Deficiencies Identified:

Quimtia has developed and implemented the procedure CD-PE-SSMA-001 which describes the unloading, transfer to the final storage area, storage requirements, personal protection equipment requirements, training requirements and dispatch of Cyanide containers. Relevant personnel were interviewed during the audit and they were knowledgeable of the procedure requirements; and according to the information reviewed by the workers they are consistently following this procedure.

Quimtia has developed a Contingency Plan (code SSMA-PLA-CDPP-01, version 01, dated March 2012) which includes emergency response procedures that covers the relevant scenarios for their operations, which include but are not limited to spills and exposure.

The site has a Hazard Identification and Risk Assessment report (IPER per its initials in Spanish). EHS department updates the Hazard Identification and Risk Assessment regularly as it is stated in the cyanide management and transport procedure (SSMA-PLA-CDPP-001); which also includes a section that requires the need to re-evaluate hazards and risks related to cyanide handling whenever significant changes are done.

Cyanide boxes are handled using forklifts. All forklifts are rented and the maintenance is in charge of the rental company. Preventive maintenance is provided every 250 hours, the hours are recorded by a Hobbs meter installed in every forklift. This preventive maintenance is indicated in a procedure for use of forklift prepared by Quimtia (SSMAT-PTS-02). Additionally, forklifts are

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inspected by the operations at the start of the work shift. The inspection is recorded using a checklist.

Reportedly, there has been no need for disposal of cyanide or cyanide contaminated solids. However, Quimtia uses the services of an authorized hazardous wastes disposal vendor, and if necessary, cyanide related wastes will be handled through them. A typical hazardous waste shipment manifest was reviewed during the audit but this was not related to cyanide wastes.

Cyanide is received in plastic bags within a wooden box. The storage area is constructed with concrete block; the upper portion of the walls is open to the atmosphere and provided with a plastic mesh to allow for ventilation. The storage area is roofed and protected from storm water.

Quimtia facility has a security shed and access is controlled. In addition, access to the cyanide storage area is secured and access to it is only allowed to authorized personnel.

2.1.3. *Production Practice 1.3: Inspect cyanide production facilities to ensure their integrity and prevent accidental releases.*

The operation is

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

Production Practice 1.3

Summarize the basis for this Finding/Deficiencies Identified:

There are no tanks holding cyanide solutions in Quimtia facility. A trench along the south side of the storage area is present to collect cyanide dust that potentially can be spilled on the floor this trench has closed ends. This is inspected by the warehouse personnel on a monthly basis.

There are no pipes, pumps or valves handling cyanide solutions in the site. Inspections to the cyanide storage area are done at least on a monthly basis. As well as an inspection record were reviewed, same that identify the findings, actions required, responsible party and due date to complete the required actions.

Quimtia loads 1,000kg-double-bag-lined wooden boxes into ocean containers; each container is loaded with 20 wooden boxes. Quimtia's forklifts transport these boxes from the storage area one by one. According to the information provided by Quimtia representatives, loading the containers in a platform and hauling it is

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responsibility of the transporter; this is done with a loader also owned by the transporter.

2.2. **WORK SAFETY: PROTECT WORKER'S HEALTH AND SAFETY FROM EXPOSURE TO CYANIDE**

2.2.1. ***Production Practice 2.1: Develop and implement procedures to protect plant personnel from exposure to cyanide***

The operation is

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

Production Practice 2.1

Summarize the basis for this Finding/Deficiencies Identified:

Quimtia has developed the procedure CD-PE-SSMA-001, which is part of the annual training program given to all personnel in the facility. This procedure includes the required practices for reception, transport within the facility, storage requirements, personal protection equipment requirements, training requirements and dispatch of Cyanide containers. Relevant personnel were interviewed during the audit and they were knowledgeable of the procedure requirements and, the practices as they reportedly do it, are consistent with what it is contained in the procedure.

Since the facility is only a storage facility, emergency operations correspond only to those included in the emergency response plan. See Section 2.5.

In addition, maintenance is related only to forklifts, which is performed outside the facility by the company from which the forklifts are lased.

The Site has a Hazard Identification and Risk Assessment (IPER per its Spanish initials) for Cyanide operations in the distribution Center. Procedure CD-PE-SSMA-P-001 section 5.2 indicates that it is the Health and Safety department responsibility to keep the IPER up dated including whenever significant changes are done to cyanide handling practices.

Relevant workers participate during the IPER review meetings and they provide relevant input to the definition of the requirements and conditions to be maintained for a safe operation

Quimtia has cyanide detectors to monitor cyanide air concentrations while unloading cyanide containers; the detectors are calibrated to trigger the alarm at 4.7 ppm. Detectors are calibrated and a calibration certificate is issued by the

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manufacturer. The calibration certification No. 3004, dated 10 May 213, by MSA (the manufacturer) was reviewed during the audit.

Reportedly, no areas or activities with such concentrations have been identified. Despite this, class A PPE is maintained at the facility and used when a cyanide container is damaged and repairs to the same are made.

Radios and telephones are used to communicate among relevant personnel related to the cyanide operations. Forklift operators have radio with them at all times.

Pre-employment medical tests are required prior to hiring new personnel, periodically while working at Quintia, and upon leaving Quintia. Specific requirements are defined for different operations and positions. Relevant documentation was reviewed during the audit related to this.

Disposable Teak suits are used as part of the PPE required at the cyanide storage area.

There are warning signs posted at the cyanide storage area, advising workers that cyanide is present and that, if necessary, suitable personal protective equipment must be worn. In addition, it is prohibited smoking, eating and drinking, and having open flames in areas where there is the potential for cyanide contamination.

2.2.2. *Production Practice 2.2: Develop and implement plans and procedures for rapid and effective response to cyanide exposure.*

The operation is

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

Production Practice 2.2

Summarize the basis for this Finding/Deficiencies Identified:

The Site has a specific written emergency respond plan within a Contingency Plan (SSMA-PLA-CDPP-01), which addresses spillages, fires and intoxication due to cyanide exposure. This plan has been included in the Annual Training Program and the training monitoring program.

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The site has low pressure portable eye wash stations and dry chemical powder extinguishers. According to the interviewed personnel eye wash stations are inspected on a daily basis and extinguishers are inspected on a monthly basis.

The facility has an oxygen tank, antidote and a physician trained to attend an exposed employee. The employees have radio for internal communication and the facility has telephone services.

Quimtia has implemented a monthly inspection checklist; which includes the minimum amounts of first aid and emergency response equipment. Checklists from 2012 to the date of the audit were reviewed; the availability of the equipment was confirmed during the audit.

The Spanish MSDS was available next to the cyanide storage area. Only the first aid brigade is authorized to perform those tasks. The cyanide storage area and each individual box are identified regarding the cyanide presence; there are no tanks, pipes or other vessels. Only authorized personnel are allowed to enter in the area. Disposable Tyvek suit is mandatory to enter the area.

The facility has a physician on-site who is familiar with the cyanide intoxication symptoms and first aid procedures. As previously noted oxygen tank and antidote kit are available on site as well.

Quimtia's Contingency Plan (SSMA-PLA-CDPP-01) includes a procedure to transport exposed workers to the nearest medical facility. This procedure indicates in which case the exposed worker should be evacuated as well as name and address of the medical facility; how the exposed worker will be transported and who will be with the exposed worker at all times.

Written communications with external responders were available for review (dated May 2012), including the local hospital. The communication indicated that the hospital was to provide medical attention to exposed personnel.

The Site conducted a mock emergency drill on 11 October 2013 regarding a worker exposure. Quimtia has an incident investigation procedure. As part of this investigation, section 6 includes an emergency response procedure that applies to cyanide; this procedure indicates that such incident investigation must be backed up by a report. Additionally, procedure F-PE-SSMA-P-004-003 is used to follow up on the status of corrective actions indicated in the incident report.

2.3. MONITORING: ENSURE THAT PROCESS CONTROLS ARE PROTECTIVE OF THE ENVIRONMENT.

2.3.1. Production Practice 3.1: Conduct environmental monitoring to confirm that

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planned or unplanned releases of cyanide do not result in adverse impacts.

The operation is

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

Summarize the basis for this Finding/Deficiencies Identified:

Quimtia is a storage facility, cyanide is not removed from their package; their operations do not generate air emission or wastewater containing cyanide under normal conditions. Waste generated by an emergency would be handled as hazardous waste. This section is not applicable to the facility.

2.4. TRAINING: TRAIN WORKERS AND EMERGENCY RESPONSE PERSONNEL TO MANAGE CYANIDE IN A SAFE AND ENVIRONMENTALLY PROTECTIVE MANNER.

2.4.1. Production Practice 4.1: Train employees to operate the plant in a manner that minimizes the potential for cyanide exposures and releases

The operation is

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

Production Practice 4.1

Summarize the basis for this Finding/Deficiencies Identified:

Quimtia's annual training program indicates that cyanide operators must be trained in procedure (SSMA-PLA-CDPP-001) and the cyanide Contingency Plan (SSMA-PLA-CDPP-01). Forklift operators are trained by a third party company, this training consists of a two-day class of 8 hours each.

Quimtia has an annual training program according to which the use of personal protective equipment training is given to all personnel. This training is given by 3M twice a year and this training lasts one hour.

Quimtia has an annual training program in which the hazard identification and risk analysis training (IPER by its Spanish initials) is given to all cyanide operators. This training is given by the EHS department once a year and lasts one hour. Records of training were reviewed during the audit. The EHS department keeps all training records registered and filed.

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All training sessions included in the Annual training program have been designed as a result of a Hazard Identification and Risk Assessment to address risks associated with the activities of each job at the distribution center.

Quimtia annual training program appoints a responsible person or entity for each training session, all of which are appropriately qualified personnel from Quimtia and outside companies. Quimtia has a procedure to assess potential vendors based on their suitability to work with Quimtia, CORP-CO-P-002; this procedure also applies to external training providers.

According to cyanide management and transport procedure (CD-PE-SSMA-001) section 5.3, cyanide management will only be conducted by appropriately trained personnel. When interviewed an employee indicated that he had been trained prior to the beginning of his activities in the company.

The effectiveness of cyanide training is tested during cyanide exposure or cyanide spill drills according to Quimtia's drill program (Annex 01 of the contingency plan). An independent report is prepared in the wake of each drill and depending on the results the need of training is raised and communicated.

2.4.2. *Production Practice 4.2: Train employees to respond to cyanide exposures and releases.*

The operation is

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

Production Practice 4.2

Summarize the basis for this Finding/Deficiencies Identified:

Quimtia has a cyanide contingency plan (CD-PE-SSMA-01), in which all of the employees are trained in the different scenarios that could result in an emergency such as cyanide release. This training is given by the EHS department once a year.

Quimtia's drill program indicates that a cyanide release drill should be conducted twice a year including worker exposure. Mock drills records were reviewed as described in Practices 5.3 and 5.6.

ERM reviewed training records to confirm the implementation of the training program described above. These records included the names of the employee, trainer, date of training and topics covered. Two employees were interviewed

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and answered correctly to all of the questions asked regarding cyanide management in their work area.

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

2.5.1. Production Practice 5.1: Prepare detailed emergency response plans for potential cyanide releases

The operation is

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

Production Practice 5.1

Summarize the basis for this Finding/Deficiencies Identified:

The site has developed a Contingency Plan (SSMA-PLA-CDPP-01 issued on 20 April 2012), hereinafter called 'the plan'. The Plan is a 57-pages document that covers all the operations in the distribution center. It includes a section describing the sodium cyanide characteristics, emergency organization, communications protocol, emergency assessment and levels. Additionally, Quimtia has an Instructive for Hazardous Materials Emergency Response (SSMA-J-17).

The plan includes the site-specific emergency scenarios identified through the IPER. The following scenarios were identified:

- Solid cyanide spill during unloading, storage, and loading operations.
- Fire within the cyanide storage area
- Spill of non-compatible materials

The scenarios are related to releases from wooden boxes and the plan includes specific response actions for these scenarios.

The plan does not include instructions to evacuate communities as the possible scenarios do not have consequences beyond Quimtia's facility limits. Besides Quimtia only handles sodium cyanide in solid state (briquettes) there are no residential areas adjacent to the facility. Additionally, the Plan includes specific and detailed response instructions for the identified scenarios.

Section 1.8.1.4.3 of Contingency Plan (SSMA-PLA-CDPP-01, "Intoxicación de personas por reacción de cianuro derramado") includes the instructions for the use of cyanide antidotes and first aid procedures. The on-site medical personnel were familiar with these procedures.

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Quimtia has an accident investigation procedure and the IPER and the Plan would be reviewed after an emergency. This would help to prevent future releases.

2.5.2. ***Production Practice 5.2: Involve site personnel and stakeholders in the planning process***

The operation is

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

Production Practice 5.2

Summarize the basis for this Finding/Deficiencies Identified:

The plan was developed by the facility EHS Supervisor. The nearest residential area is located over 1 km away from the facility. According to emergency response procedure in the worst case an area of 400 m should be evacuated; which would not cover the residential area. However, Quimtia has informed the district government about their operations and that Quimtia would require their support to evacuate the area in case of emergency.

Quimtia has contacted the municipal police, municipal environmental authorities, civil defense, district government, municipal emergency operations manager, municipal firefighters, and the local hospital, and informed them that they are considered as support facilities in case of an emergency with cyanide.

The Plan, section 2.4 includes a written communications protocol stating communication in case of an emergency must be done with all the stakeholders including; Quimtia employees, the client, regulatory agencies and other institutions.

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2.5.3. ***Production Practice 5.3: Designate appropriate personnel and commit necessary equipment and resources for emergency response***

The operation is

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

Production Practice 5.3.

Summarize the basis for this Finding/Deficiencies Identified:

The Plan includes the name of the different members of the emergency committee and details their roles and responsibilities. In general the senior-most manager present at the site is granted the authority to provide all necessary resources. Additionally section 2.1.1 shows contact number of alternate emergency response coordinators. The Plan includes list of the members of the emergency brigades including HazMat, evacuation, and first aid.

Chapter VI of the Plan lists the training that must be provided to the internal emergency responders, the distribution center operators and the supervisors. This training is included in the annual training program.

The Plan, section 2.1.1 shows contact information of all the coordinators and response team members (Comité de crisis). This plan states that these members have been given telephones they must answer at all times (24 hours).

Section 2.1.2 of the Plan lists the roles and responsibilities of the emergency committee for each stage of the emergency (before, during, and after).

Annex C of the Plan includes a list of the emergency response Kit that includes:

- 2 Level A Suites
- 2 SCUBA equipment
- 2 Spare air tanks
- 2 Boots (pairs)
- 8 Safety cones
- 2 Dustpans
- 2 Sweepers
- 6 Tyvek disposable suites
- Neoprene and nitrile gloves
- Full face masks
- Plastic containers,
- Among others

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The site has implemented a monthly inspection checklist; the availability of the equipment was confirmed during the audit.

Section 2.1.2 also includes the role of external responders (firefighters, ambulance, and police), which would be limited to the support of the internal teams, to control access to the emergency zone, and provide medical assistance.

The Plan - annex B, shows contact information of all the outside entities involved. Furthermore Art. 2.4.4, states that these entities are informed on an annual basis about the contingency plan and operational associated risks.

2.5.4. *Production Practice 5.4: Develop procedures for internal and external emergency notification and reporting*

The operation is

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

Production Practice 5.4

Summarize the basis for this Finding/Deficiencies Identified:

The Plan - section 2.4 includes a communication protocol including internal communication roles as well as notification to the authorities and external responders. The Plan includes a directory of internal and external contacts. Annex B shows contact Information regarding regulatory agencies such as Ministry of transport. Additionally Section 2.1.1 shows contact information of all the emergency response team; the members of such team have been provided with company telephones and are reachable 24 hours a day.

The Plan does not consider necessary the evacuation of communities. Instructions for communication with the authorities and external responders are included in the plan as detailed above.

Quimtia complies with the two elements of Production Practice 5.4. Quimtia has developed procedures for internal and external emergency notification and reporting.

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2.5.5. ***Production Practice 5.5: Incorporate into response plans and remediation measures monitoring levels that account for the additional hazards of using cyanide treatment chemicals***

The operation is

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

Production Practice 5.5

Summarize the basis for this Finding/Deficiencies Identified:

The plan - section 1.8.1.4.5 describes the methodology to decontaminate, remediate soils or other contaminated materials as well as to dispose of all spill clean-up debris and test water bodies to rule out the presence of cyanide. Based on the IPER there is no potential to affect drinking water sources. This section also indicates the recommended amount of ferrous sulfate heptahydrate to destroy cyanide in case of a release. Sodium hypochlorite and hydrogen peroxide are not used.

Based on the IPER, there is no potential to affect water bodies. None of the site specific scenarios considers that a release would reach soil (the warehouse and patios are concrete paved) or water bodies. Monitoring would be limited to air and it will be done with a portable cyanide detector.

2.5.6. ***Production Practice 5.6: Periodically evaluate response procedures and capabilities and revise them as needed***

The operation is

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

Production Practice 5.6

Summarize the basis for this Finding/Deficiencies Identified:

The plan - section 6.1.4 establishes that the Distribution Center Manager and the ESH leader must review the contingency plan after each emergency drill and after any emergency. According to the signatures pages, the plan was last reviewed in July 2013.

The site has an annual emergency drills program that includes cyanide spill. The latest drills were performed in April and July 2013 and consisted of cyanide

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spilled after a forklift crashed into a building structure. On 11 October, 2013 there was also a worker exposure drill.

Section 6.1.5 establishes that the Distribution Center Manager and the ESH leader must review the contingency plan after each emergency drill and after any emergency. According to the signatures pages, the plan was last reviewed in July 2013.

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