



FAIRMINED SUMMARY AUDIT REPORT

CRUZ PATA CHAQUIMINAS MINING PROJECT

FM ID: PE10020

Public Summary

Public Summary Date: 20/12/2021
Submission date of the audit report: 05/11/2021
Audit period: 05/07/2021 to 09/07/2021
Audit firm: NaturaCert

Name(s) of the auditor(s): William Andrés Hernaández Pedroza and Oscar Edwin Zarate Jimenez, specialist

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1. INTRODUCTION

The audit was conducted following the protocols defined by the Alliance for Responsible Mining (ARM), developer of the Fairmined Certification:

i. Regulatory documents and procedures used

[Fairmined Standard for Gold and Associated Precious Metals](#). April 2014.
[Fairmined audit procedure](#). January 2018.
[Fairmined audit checklist](#).

ii. Conclusion of the audit team

The auditing firm concluded that the Cruz Pata Chaquiminas Mining Project complies with the requirements of Year 2 of the Fairmined Standard. The certification decision is the responsibility of the recognized certification body.

Auditing firm: NaturaCert

Years of certification: 2 (Applies evaluation of criteria of year 0 and 1)

Certified period: 05/07/2021 - 05/01/2023

Next audit: 05/07/2022

Type of certification: Fairmined

iii. Scope

This audit corresponds to the review of the criteria for the corresponding year in accordance with the Fairmined standard where organizational, labor, traceability, social and environmental requirements are evaluated.

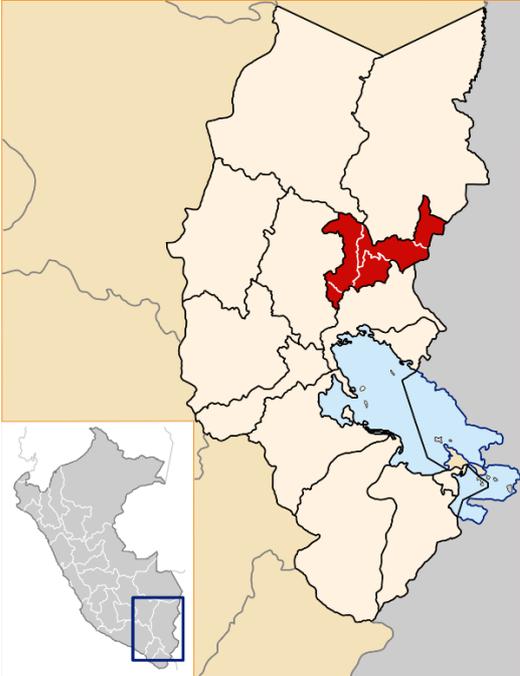
Sources of information

1. Interviews: Conducted with 17 workers (15 men and 2 women).
2. Visits and inspections: Processing plant, mining fronts and sites, accommodations, tailings, pumps, restaurant, warehouses, water storage pools.
3. Verification of documents: legal documents, personnel file, product flow, premium investment supports.

iv. Confidentiality agreement

The auditing firm is committed to the confidentiality of the information collected in the mining organization with respect to the management and information captured. The contracted certification body maintains copies of the confidentiality statements signed by the auditors and staff. This report is issued with the written authorization of the Cruz Pata Chaquiminas Mining Project.

2. GENERAL DATA OF THE MINING ORGANIZATION

Location:	<p>Region Puno, Province San Antonio de Putina, District of Ananea, Peru</p> 
Type of mining	<p>Small scale. Alluvial mining.</p>
Number of employees:	<p>27 (23 men and 4 women)</p>
First Fairmined certification:	<p>March 18, 2020</p>
Year of foundation of the mining organization	<p>2016</p>
Mining figure	<p>Concession contract</p>
Minerals mined	<p>Gold</p>
Mining and environmental technical instruments	<p>Current</p>
RUC/DNI	<p>10804174627</p>
Mining activities carried out by the organization	<p>Ore extraction, gravity concentration, amalgamation and smelting.</p>

More details are available in the public profile of the [Cruz Pata Chaquiminas Mining Project](#).

3. AUDIT RESULTS

The following table contains the summary of the audit assessment

Chapters of the Fairmined Standard	# total criteria evaluated	# Criteria met	# Minor non-conformity criteria	# Major non-conformance criteria	# Criteria that do not apply by type of operation	# Progressive criteria To be evaluated in future years
1. General Requirements	20	19	1	0	3	4
2. Environmental Protection	18	16	2	0	2	11
3. Working Conditions	30	28	2	0	6	22
4. Fairmined Premium Governance and Development Plan	7	6	1	0	1	0
5. Business Relationships	6	6	0	0	3	1
Total	81	75	6	0	34	38

Definition of the possible ratings given to each requirement of the Fairmined standard by the auditor:

- ✓ **Criteria met:** The artisanal and small-scale mining organization (ASMO) has policies, procedures and processes that fully ensure compliance with the requirements of the Fairmined Standard.
- **Minor non-conformity:** The ASMO has policies, procedures and processes that do not fully conform to the requirements of the Fairmined Standard due to a temporary or isolated performance or control circumstance. This is a non-systemic or structural error and the impact does not lead to a major non-conformity and is limited. The ASMO may propose a realistic time-bound measure/plan to meet the requirement.
- ☒ **Major Non-conformance:** The ASMO has policies, procedures and processes that do not comply with the requirements of the Fairmined Standard due to: the total absence of implementation of the requirement; a systemic or structural failure that affects a broad area; or a minor non-conformity that is repetitive and persistent that has not been corrected or adequately implemented once identified in the previous year's audit, or that continues over a long period of time.
- **Not applicable:** The ASMO cannot implement the Fairmined requirement due to its type of extraction, processing, organizational nature, legislation or other factor. Either the ASMO or the auditor can define a requirement as "Not applicable". The ASMO and the auditor must provide credible reasons for all requirements rated as "Not applicable".

Audit findings and actions taken

i. General Requirements

Formalization

- ✓ Cruz Pata has a valid subscription with the Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT) and is certified as a small mining producer by the Ministerio de Energía y Minas del Gobierno del Perú (Peruvian Ministry of Energy and Mines).
- ✓ The company complies with the requirements stipulated in the mining registry granted by the Peruvian government and the municipality of Ananea.
- ✓ The company complies with the requirements defined in the Fairmined Production System, specifying that mining operations are defined as occurring in the project, there is a flowchart describing all stages of production and marketing, the infrastructure and gold production areas are located on maps, and the flowchart includes the steps following fine granulated gold, since smelting and transport processes are generated after this step. It also has the required map and sketch of the mining area.
- ✓ Interviews with operational and administrative workers and a documentary review showed that the company has internal work regulations, which are posted in the offices and in the canteen in the operating area; the operational workers have been trained on these regulations and records of the socializations carried out were found.
- ✓ Cruz Pata has financial control as part of the Fairmined Production System. This was evidenced by interviews with administrative personnel, representatives of the legal organizations of the work fronts and the company, and documentary review of the accounting records of the organizations in compliance with current and applicable national legislation, including the annual income tax form and the financial statements for 2020 and 2021.
- ✓ Cruz Pata complies with the application of procedures and the filling out of traceability and provenance forms for gold doré up to export, being sustained as part of the Internal Control System covering the entire volume and sales to the Fairmined supply chain.
- ✓ The mining organization demonstrates its community-based nature as the majority of workers are from the community, including the mine owners.
- ✓ Interviews with personnel, legal representatives, and document review showed that the company has internal work regulations dated October 31, 2020, which set out the conditions for belonging to the mining organization and remaining in it, and prohibits discrimination and labor persecution.
- ✓ It was evidenced through interviews with the subcontractor, workers and documentary review that Cruz Pata sells only gold from the mine, it does not mix with gold from other mines, this was corroborated with production and sales records. Production records for the entire year 2020 and January to June 2021 were reviewed.

Traceability

- ✓ It was evidenced through interviews with administrative and operational workers that there is a traceability procedure that is carried out permanently which includes the necessary records to trace the gold from the excavation work, to the final product, it has the following formats: Ore Movement Control, Ore Concentrate Extraction, Amalgamation Record, Doré Gold Record and Black Sand Control Record.



- ✓ There is documentary support for all the documents that prove that there is a traceability record taking into account the metallurgical balance of gold and gold ore treatment.
- ✓ The company Mineros Metalúrgicos del Altiplano E.I.R.L. was contracted to carry out the gold laboratory analysis, and records of the gold input and output were presented showing the traceability of the gold.

Relations with the community

- ✓ Cruz Pata has documents on property, extraction and land tenure rights generated by the Instituto Nacional de Concesiones y Catastro Minero (National Institute of Mining Concessions and Cadastre). There is evidence of a Directorial Resolution authorizing the start of mining activities for the Cruz Pata Chaquiminas project located in Ananea.
- ✓ The mine or its miners must own or be given the property and extraction rights over all areas included in the Fairmined Production System.
- ✓ Interviews and document review showed that the company has all required documentation, such as national tax payment receipts, social security payments, environmental license payments, and payments to third parties, and that these documents are up to date.
- ✓ The income of the organization and its miners is not used, directly or indirectly, to finance or support illegal activities or armed conflicts.
- Cruz Pata is in the process of implementing an action plan to strengthen and improve the internal and external complaints and grievances system, including the reporting of unsuccessful complaints at the local level to the Alliance for Responsible Mining.

ii. Environmental Protection

Handling of toxic and hazardous substances

- ✓ Interviews with workers, administrative and operational personnel, and observation revealed that mercury is used only in the amalgamation process, to be applied to the concentrates in the milling drum.
- ✓ Nitric acid is not used to dissolve the amalgam.
- ✓ Cyanide is not used, fuels and mercury are used by people over 18 years of age, trained in these tasks and with documented skills, as well as with a record of induction in the work performed in the first half of the year 2021, additionally this was corroborated during 8 interviews with operational workers.
- ✓ Interviews with administrative and operational workers and observation showed that retorts are used for mercury recovery and a flowchart of the activity was evidenced.
- ✓ It was evidenced through documentary review that there is a record of the amount of mercury used in each of the occasions in which the process has been carried out, it was evidenced that the use of mercury in the shutes was withdrawn, now it is only used in the amalgamation process since December 2019.
- ✓ Interviews with workers, administrative and operational staff, and observation showed that mercury is not used in any of the houses or kitchens; a specific area has been established for mercury amalgamation activities, which is signposted, with access control and sufficient lighting, ventilation and equipment to deal with emergencies.
- ✓ Metal platforms were installed with a container included to collect possible spills, and an additional container or drum with the same fuel capacity as the one used for the water motor pump was adapted.

- ✓ The temporary storage area was divided into two rooms, one for storing drums and tools, and the other as a changing room for the water pump operator.
- Cruz Pata must comply with the action plan for the reduction and elimination of mercury in the mining project. It is currently searching for gravimetric concentration equipment, with technical visits and sample testing in other small-scale mining organizations, an activity promoted by the Ministry of the Environment for the implementation of improved mining practices and the elimination of mercury use in artisanal and small-scale gold mining. A collaboration letter was also signed between the project "Integrated mercury management in artisanal and small-scale gold mining in Peru - Planetgold and the Cruz Pata Chaquiminas mining project" to test pilots of innovative equipment for gold recovery without the use of mercury.

Ecosystem protection

- ✓ A documentary review showed that the company has an Environmental Impact Statement that includes all areas of the mine and the processing plant.
- ✓ The mining title is not located in an area protected by national legislation.
- ✓ Interviews with administrative and operational personnel, a documentary review of the control system, and field observation revealed that the mine is an open-pit operation; there was no evidence of landslides in the mining area; operations are carried out safely, ensuring that the bench is maintained to prevent landslides; there was evidence of pit heights of 5m with a 55° inclination in bank 1; bank 2 is not in operation; and the operating face was inspected.
- ✓ There is an area to safely dispose of hydrocarbon waste; there was no evidence of reuse of hazardous containers; no stains or overflows of these elements were observed.
- There is an action plan in order to comply with the search for new technology equipment for the non-use of mercury, and thus be able to update the EIS Environmental Impact Statement, once everything is completed, it will be submitted to the Regional Directorate of Energy and Mines - Puno, for which the work plan for the Cruz Pata Chaquiminas Mining Project was attached as Annex-09.

iii. Working Conditions

Health and safety conditions in the workplace

- ✓ It was evidenced through documentary review and interviews with administrative and operational workers that having more than 20 workers in the mine, there is a safety and health committee, which has 5 members, which was elected on January 12, 2021 with a term of one year and has monthly meetings.
- ✓ Monthly accident reports for 2020 and 2021 were evidenced by a documentary review, in which no accidents were evidenced during this period.
- ✓ Cruz Pata has minutes and attendance lists for training on health risks, mining safety, and emergencies, corroborated by interviews with workers.
- ✓ The mining organization has a first aid area with a permanent nurse on the mine premises, and several health and safety training sessions have been held. In addition, first aid kits have been acquired.
- ✓ A documentary review showed that all the mine's workers undergo regular annual medical checkups and weekly checkups, which are under the custody of the mine's administrative personnel; 6 permanent and 4 temporary workers underwent checkups,

which were performed in the first half of 2021, according to each worker's date of entry.

- ✓ Rules and protocols for awareness, healing and prevention were evidenced. There is a committee against sexual harassment, which is made up of four people, 50% representatives of the mine and 50% representatives of the workers; the topics of sexual harassment and sexual harassment in the workplace and sexual and labor harassment were also socialized with the workers, as well as the policy for preventing sexual harassment and sexual harassment in the workplace.
- ✓ It was evidenced through documentary review that there is a methodology for risk identification and evaluation, which is socialized with workers, it has six-month reviews, workers demonstrate in interviews to know the risks to which they are exposed, in Cruz Pata between 2020 and 2021 there have been no accidents at work, which was evidenced by documentary review of monthly reports to the professional risk insurer.
- There are mercury handling filters, which are 3M reference 6009 for mercury. There was evidence of good storage of these personal protection items; however, there is no record of the hours of use of the filters in order to keep track of them and not exceed the hours of use recommended by the manufacturer.

Social Protection

- ✓ Interviews with administrative and operational personnel and a review of documents showed that all workers are affiliated with and pay monthly social security contributions to the social security system, which cover workers in the event of occupational accidents and occupational illnesses, In addition, in the case of occupational accidents occurring to workers not affiliated to social security, the legal representative of the company is responsible for providing access to medical treatment and paying the disability, in the mine there have been no occupational accidents or occupational diseases in 2020 and so far in 2021.

Conditions of employment

- ✓ According to the contracts of Cruz Pata's employees, it was verified that the employment conditions and wages of the workers are equivalent to and/or exceed the national average wage and the official minimum wage for similar occupations, whichever is higher as stipulated by the Peruvian Government.
- ✓ The mining organization makes payments on time and in full. In addition, according to a documentary review of the control system and field observation, the administrative and operating personnel make salary deductions in accordance with legal regulations (social security).
- ✓ It was evidenced through interviews with personnel and documentary review of the internal work regulations:
- ✓ Article 11 and 12. There is an atypical system with 48 hours per week, with one day off per week, normally on Saturday, and after 24 days, 6 days off according to labor law, which is accepted by Peruvian law. Working hours are from 6:00 a.m. to 3:00 p.m. or from 7:00 a.m. to 4:00 p.m., with 1 hour of rest per day for food, no overtime is worked in the mine.
- The social security registration of new personnel must be improved after 3 months of joining the company. For this reason, the support of the contracts and personal documents of new personnel in the mining organization must be kept.

- o An improvement plan was drawn up for the laundry area, restrooms and showers for personnel. In addition, a meeting was held with the members of the Fairmined Premium committee where the construction of a canteen in the mine operations area was approved, with the investment of the premium, and a commitment was made to build a restaurant for the workers.

Freedom to work

- ✓ In the mining organization, workers are free to resign from their jobs as required, there is no forced, compulsory or involuntary prison labor.
- ✓ Based on the mine's regulations, freedom of movement is not restricted due to indebtedness and/or confiscation of identity documents or other valuable personal effects.

Child protection and eradication of child labor

- ✓ It was evidenced through interviews and documentary review that minors are not hired in the mine, the contracts and personnel lists of the mine were reviewed, the prohibition of hiring minors is found in Article 48 of the internal work regulations, additionally there is a policy for the protection of children, which was generated on June 10, 2021.

Freedom from discrimination

- ✓ It was evidenced through documentary review that there is an internal work regulation which describes the prohibition of corporal abuse and discrimination in articles 55 and 65, there is a policy of inclusion, diversity and non-discrimination generated on June 10, 2021, additionally through interviews with workers these practices were not evidenced.

Freedom of association and collective bargaining

- ✓ A documentary review showed that there is an internal work regulation that describes that union association is allowed; however, there was no evidence of the need to create a union at the mine, nor was there evidence that union organizations have shown interest in meeting with workers, the mine does not prohibit these meetings, which has been defined in the internal work regulation in article 36 and was corroborated during 9 interviews with operational workers.

iv. Fairmined Premium Governance and Development Plan

- ✓ It was evidenced through documentary review that training was conducted in the month of November 2019 to all workers on the composition of the premium and the rules of the premium committee, the rules are not discriminatory and include a democratic decision-making process, with the participation of all workers.
- ✓ The initial needs assessment conducted in December 2019, are the same exactly as the updated document in 2021, it was evidenced by documentary review that a needs priority plan was made on April 12, 2021, where the needs of the community, workers and the continuity of the mine were established and evaluated.
- ✓ Cruz Pata Chaquiminas has documents to support the management of the Fairmined Premium: Minutes of constitution of the Premium Committee, Identification of Needs, Priority Plan and Investment Plan.



- ✓ Cruz Pata has a bank account of the mine where the Fairmined Premium money also arrives. Given that the first Fairmined gold sales were made in the first half of 2021, to date the resources have not yet been executed.
- Cruz Pata Chaquiminas must hold meetings of the Fairmined Premium Committee every two months.

The latest public report of the premium is available at the following link: [Fairmined Premium Report 2020](#)

v. Commercial Relations

- ✓ It was evidenced through interviews with administrative and operational personnel and documentary review of the control system that all Fairmined gold is produced in the mining organization, no mixtures with non-certified gold were evidenced, the mine has a defined production system from exploration to export of gold, with the respective records of each process, which was evidenced in the production records of the mine and the traceability of the material in each of the processes of the mine.
- ✓ There is a commitment agreement with the company in charge of transporting the gold from Talma, Peru to Switzerland, as well as support for the execution of the customs procedures and air transport of the gold to Europe, which are the Fairmined certified gold consignment note and the emission guide.

4. SUMMARY OF PAST AUDITS AND COMPARATIVE

The following graph shows the number of criteria met, minor non-conformities, major non-conformities and non-applicable in the audits of years 0 and 1 divided by chapters of the standard. The Fairmined standard is progressive, implying greater responsibilities for each year, Cruz Pata Chaquiminas has demonstrated the ability to improve the development of its activities as the number of criteria to be evaluated each year increases.

Its biggest challenge is to eliminate the use of mercury in mining operations and to improve the working conditions of its employees.

