

Audit Summary Report

Auditee Name	<i>Metallic Resources, Inc.</i>
Smelter ID	<i>CID001142</i>
Audit Period	<i>08/01/2017 - 07/31/2018</i>
Audit Date(s)	<i>12/11/2018 –12/12/2018</i>
Audit Type	<i>Annual Audit</i>
Conformance Validity	<i>This audit is valid for 1 year</i>
Relevant Material	<i>Tin</i>
Audit Company	<i>Arche Advisors</i>

Assessment Objectives

The objective of the assessment is to assess the auditee's level of conformance with the Conflict Free Smelter Program Supply Chain Transparency Smelter Audit Protocol for Tin and Tantalum, Revision of 21 November 2013.

Assessment Methodology

The assessment was consisted of collecting and reviewing objective evidence including documentation, management and employee interviews, facility walk-through, and other observations demonstrating that the smelter/refiner's due diligence management system conform to the requirements of the relevant Protocol.

Auditor Statements:

- | | |
|---|--|
| X | The information provided by the auditee is true and accurate to the best knowledge of the Auditor(s) preparing the report. |
| X | The findings are based on verified objective evidence relevant to the time period for the assessment. |
| X | The Auditor(s) have acted in a manner deemed ethical, truthful, accurate, professional, independent and objective. |
| X | The Auditor(s) are properly qualified to carry out the assessment. |
| X | There were no limitations to this audit. |

Please specify in case of any limitations

Audit Conclusion:

X	<p>The auditor found that the auditee's operations are in conformance with the requirements of the Conflict Free Smelter Program Supply Chain Transparency Smelter Audit Protocol for Tin and Tantalum, Revision of 21 November 2013.</p>
<input type="checkbox"/>	<p>The auditor identified non-conformance(s) between the auditee's operations and the requirements of the Conflict Free Smelter Program Supply Chain Transparency Smelter Audit Protocol for Tin and Tantalum, Revision of 21 November 2013.</p> <p>Non-conformance(s) relate to:</p> <ul style="list-style-type: none"><input type="checkbox"/> Conflict Minerals Policy Compliance Requirements<input type="checkbox"/> Mass Balance Compliance Requirements<input type="checkbox"/> Material Type and Origin Verification <p><input type="checkbox"/> The Auditee has agreed to address the non-conformance(s), to define a Corrective Action Plan (if necessary) and undergo a verification of the implementation of corrective actions.</p> <p><input type="checkbox"/> The auditee has not agreed to address the non-conformance(s), to define a Corrective Action Plan (if necessary) and to undergo a verification of the implementation of corrective actions.</p>



SUMMARY OF NON-CONFORMANCES				
Number:	Non-Conformance related to*:	Description of non-conformance:	Recommended Corrective Action:	Auditee response (if any):
1				
2				

* Policy, Mass Balance, Material Origin, Other

SUMMARY OF OBSERVATIONS (if any)			
Number:	Description of the observation:	Recommended improvement:	Auditee response (if any):
1			
2			

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I. Introduction

Metallic Resources, Inc. was formed in 1979 in Willoughby, Ohio. It moved to the current location in Twinsburg, Ohio in 1984. The current facility is approximately 60,000 square feet and employees between 40 and 50 employees operating (generally) on a single shift Monday – Friday. The Primary feed material in their process is various forms of electronics scrap (Solder Dross and paste, Tin solder wire, spent anodes, etc.). Their primary sales products are high grade tin used to manufacture solder materials.

II. Audit Objectives

The objective of the audit is to assess the auditee’s level of compliance with the requirements of the Conflict Free Smelter Program Supply Chain Transparency Smelter Audit Protocol for Tin and Tantalum, Revision of 21 November 2013.

III. Audit Scope

The audit is carried out against the Conflict Free Smelter Program Supply Chain Transparency Smelter Audit Protocol for Tin and Tantalum, Revision of 21 November 2013.

It covers the following entity and material:

- *Entity audited: Metallic Resources, Inc.*
- *Material audited: Tin*

A. Audit Period

The audit period covered the following dates: 08/01/2017 - 07/31/2018

B. Physical Sites and Description

*Exact company name: Metallic Resources, Inc.
2368 E. Enterprise Parkway, Twinsburg, Ohio USA 44087*

Types of materials received:

- *Scrap tin recycled include: Lead Free and Lead Bearing Scrap Solder Metal and Dross, Scrap Solder Wire, Scrap Solder Paste in Tubes and on Wipes, and Spent Tin and Solder Plating Anodes.*

- *Other Materials received and listed in the LIS: SAC305 0.020" Diameter wire, SN63 0.032" Diameter wire, SN63 0.062" Diameter wire, SN60 0.040" Diameter wire, SAC305 0.040" Diameter wire received from tolling manufacturers where solder bar is sent out and drawn solder wire is returned.*

- *Non-Secondary material received: SN63 Type 3 solder powder, and SAC305 Type 3 Solder powder from Indium, sourced from Minsur, a CFSP certified smelter from Peru.*

Processes performed:

Scrap solder material is processed in both low temperature melting furnaces and a high temperature rotary smelting furnace. The scrap solder is refined in electrolytic refining tanks.

Process:

Secondary material receipt (Primarily Solder Dross) ⇒ Materials are assigned an identification number ⇒ material is sampled and analyzed/ classified / data entry ⇒ Processing i.e., materials are processed in low temperature melting furnaces or comingled into larger lots and processed in rotary furnace ⇒ with low temperature melting oxide is separated from sweated metal; with high temperature smelting oxide is reduced to metal ⇒ metal weighed ⇒ impure metal cast into anodes for electrolytic refining ⇒ Pure cathode metal from electrolytic refining weighed, melted, analyzed and formed into finished solder products ⇒ Finished solder products sold and customers invoiced ⇒ entry of all data tracks weights and material identification throughout the entire process.

IV. Audit Team

Turner, Mike (Lead Auditor).

V. Audit Methodology

During the month of November a Pre-audit review of LIS (First received on November 27, 2018) and Metallic Resources, Inc. Conflict Minerals Policy.

On December 11, 2018 Opening Meeting conducted consisting of introduction of auditor to audit attendees, attendance log sign in, brief auditor presentation of audit procedure, presentation by the facility providing overview of Metallic Resources, Inc. including conflict free policy and training of employees on policy records, product line, identification individual functions and responsibilities of top management and brief corporate history, CFSP history relating to facility, corporate commitment to sustainable conflict-free sourcing.

Management interview consist of confirming information provided in management systems portion of the Line Item Summary. Information regarding the most recent version on conflict free

policy and those employees receiving training provided during Metallic Resources, Inc. presentation.

Facility walk through consisting of observing raw material storage area, types of secondary material stored, manufacturing process, material processing, and material ready to ship storage. Sample selection from each area of manufacturing to review inventory controls and traceability. Document completion and review including Management Systems Sheet completion on the Line Item Summary, mass balance review and consistency of maintained documents to Line Item Summary of all receipts requiring validation which included all shipments received during the period audited.

Closing Meeting held on December 12 in which audit findings were reviewed.

The audit team completed the following steps:

- 1) Gathered objective evidence (documentation review, interviews, visual observation).*
- 2) Assessed the effectiveness of the implementation of the Conflict Minerals Policy and the processes and systems used for sourcing (Refer to Audit Protocol Sections IV and V for guidance).*
- 3) Determined the material to be included in the origin determination (Refer to Audit Protocol Figure 2, Applicability and Origin Determination Process Flow).*
- 4) Selected the samples of non-secondary materials and secondary material.*
- 5) Determined the plausibility of materials sources purchased or received by the smelter.*

VI. Summary of Audit Observations

A. Conflict Minerals Policy

- *The Conflict Minerals Policy is established on April 28, 2015 and is publicly available at: <https://metallicresources.com/about-us/conflict-minerals-policy>*
- *MRI's Conflict mineral policy covers Cassiterite, Wolframite, Columbite-Tantalite, Gold, Tin, Tungsten, Tantalum, and metals derived from them. The policy states "Metallic Resources will only obtain Tin ingots (Sn) from suppliers that are Conflict Free Smelter Program (CFSP) Compliant Tin Smelters".*
- *MRI's policy states: Metallic Resources will avoid minerals that directly or indirectly finance or benefit illegal armed groups from conflict effected areas including the DRC and adjoining countries.*
- *Senior management responsible for the implementation of this program and policy is Eric Ozan, Senior Manager Purchasing*
- *Policy is embedded in their operating procedures, examples are "Receiving Clerk Receiving Procedures", and "Conflict Minerals Sourcing Policy".*

- *Two trainings were held on 11/5/2018, and 11/7/2018. Eric Ozen, Senior Manager procurement provided the training to all applicable employees (17 employees attended the trainings). Training included a review of MRI Conflict Minerals Policy Statement, and MRI's Conflict Minerals Policy Procedure. Reviewed by auditor.*
- *Metallic Resources, Inc. communicates to all of their suppliers through an e-mail campaign. E-mails were sent out to all suppliers in November 2018 which included a copy of their Conflict Minerals Policy. The policy is also publicly available on their website (See above). Reviewed by auditor.*

B. Mass Balance Calculation

- *Quantity variance is (.76%) which is acceptable.*
- *The smelter uses a manual inventory control system. Material flow between unit operations is recorded manually; data is stored in Microsoft Excel. Which is used to facilitate totaling items received, items shipped and calculation of the mass balance.*
- *Mass balance calculation was verified by auditor and reviewed with Metallic Resources, Inc. management.*
- *Material balance sheet is verified by sample of shipment records and raw data in inventory records during June 2018. In June a total of 176 shipments were made totaling 49508.09 Kg of Tin (Sn). Invoices and all systems data were reviewed to confirm.*
- *A full walkthrough of the facility was completed including all processing areas, receiving, and shipping. Raw material observed in the warehouse and used as a sample validated through the auditee's records. Also lots were sampled in consolidation, Rotary Furnace, Anode Processing, and finished goods. Lots 102918, 102906, 250506, RF2489, ES3184, and finished lot 14966 were reviewed for traceability within MRI's system. All documentation was in place and no discrepancies were observed. No discrepancy is found between raw data and declared values shown in the Line Item Summary*

C. Origin Determination

Metallic Resources, Inc. sources primarily secondary material from Electronics Manufacturers (Lead Free and Lead Bearing Scrap Solder Metal and Dross, Scrap Solder Wire, Scrap Solder Paste in Tubes and on Wipes, and Spent Tin and Solder Plating Anodes). Metallic Resources provided supporting documents such as invoice, Receiving documents, Import documents, and shipping documents for all deliveries in sampling. Review was made of supporting documentation to determine compliance of materials as listed in the line item summary.

Other Materials received and listed in the LIS were various types of solder wire returned from customers. Original shipping documents, Invoices, RMA's and return documentation was reviewed.

• *Non-Secondary material received: SN63 Type 3 solder powder from Indium, sourced from Minsur, a CFSP certified smelter from Peru. Shipping documents from Minsur to Indium, and from Indium to Metallic Resources were reviewed, as well as COA, COO, and Invoices.*

1. Origin Determination Level 1

a. LSM Sources

- *No material received from LSM sources*

b. ASM Sources

- *No material received from ASM sources*

2. Origin Determination Level 2

- *No material received from L2 sources*

3. Origin Determination Level 3

- *No material received from L3 sources*

4. Verification of legacy and secondary material

- *No Legacy material received*
- *Metallic Resources, Inc. sources primarily secondary material from Electronics Manufacturers (Lead Free and Lead Bearing Scrap Solder Metal and Dross, Scrap Solder Wire, Scrap Solder Paste in Tubes and on Wipes, and Spent Tin and Solder Plating Anodes). Metallic Resources provided supporting documents such as invoice, Receiving documents, Import documents, and shipping documents for all deliveries in sampling. Review was made of supporting documentation to determine compliance of materials as listed in the line item summary. 125 (Per the protocol) of 1460 receipts were reviewed. Suppliers sourced from the USA, Mexico, and Belgium.*

5. Verification of material received from a supplying smelter

- *Non-Secondary material received: SN63 Type 3 solder powder from Indium, sourced from Minsur, a CFSP certified smelter from Peru. Shipping documents from*

Minsur to Indium, and from Indium to Metallic Resources were reviewed, as well as COA, COO, and Invoices. 3 of 7 receipts from Minsure were reviewed.

VII. Opening and Closing Meeting

Auditee:

*Stanley Rothschild Jr. Sales Manager
Eric Ozan Senior Manager Procurement
Lynne Fetsko Inventory Control Manager*

Auditor:

Mike Turner (Lead Auditor)

Opening meeting – Lead auditor introduced audit objective, methodology and agenda. Auditee made an introduction to company and site operation.

Closing meeting – Lead auditor reports preliminary audit result and make recommendations to auditee for improvements.

VIII. Limitations and General Feedback

No Limitations