



National Prosperity Gold Production Group Limited

Communication on Progress and CSR
Report (2017)



**“To Bring Myanmar
to the World and
The World to
Myanmar”**

Content

01
STATEMENT OF CONTINUED
SUPPORT FOR THE UN
GLOBAL COMPACT

02
LOCATION

03
EXPLORATION GEOLOGY

04
NATURE OF GOLD

05
THE CONCESSION RIGHT

05
OUR HUMAN RESOURCES

06
CORPORATE STRUCTURE

07
TOP MANAGEMENT TEAM

09
MINING ACTIVITIES

12
PROCESSING ACTIVITIES


17
LABOUR , HUMAN RIGHTS,
ANTI-CORRUPTION,
ENVIRONMENT, CORPORATE
SOCIAL RESPONSIBILITY

“Statement of continued support for the UN Global Compact”

To our stakeholders,

We recognize that a key requirement for participation in the UN Global Compact is the annual preparation and posting of a Communication on Progress (COP) that comprises of one of our directors’ statement of continued support for the UN Global Compact , a description of practical actions with regard to the main issue areas of the UN Global Compact , and a measurement of outcomes or expected outcomes. National Prosperity Gold Production Group is proud to have participated in the Global Compact since 28th October 2015.

I am pleased to confirm that NPGPG reaffirms its support of the ten principles of the Global Compact in the areas of human rights, labour, environment and anticorruption. In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. This information will be shared with ourstakeholders on the Global Compact website ([www. unglobalcompact.org](http://www.unglobalcompact.org)) as well as our website (www.npgpg.com).



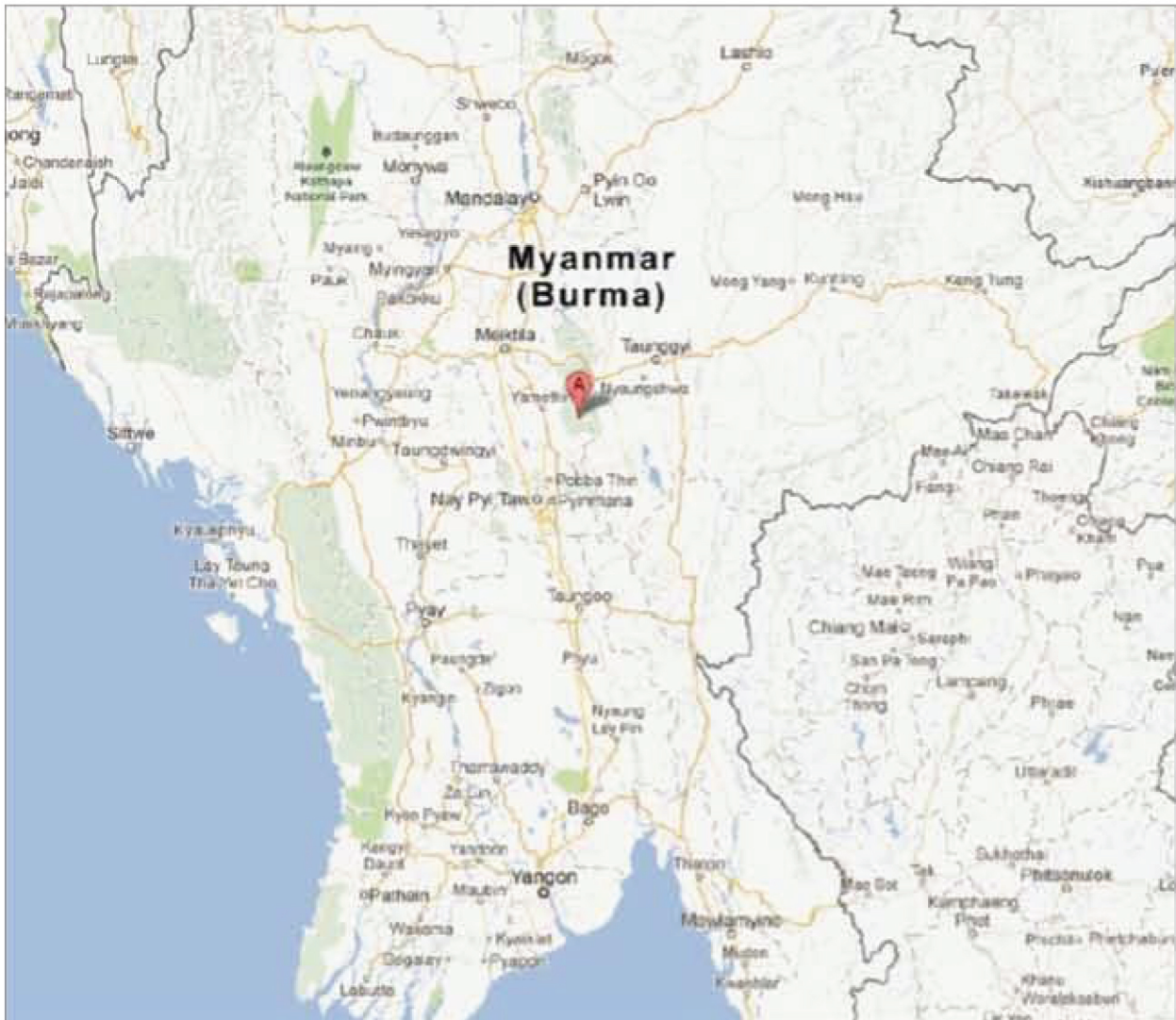
2015/2017

Htun Aung Soe
Managing Director, NPGPG
20 May 2017

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Location

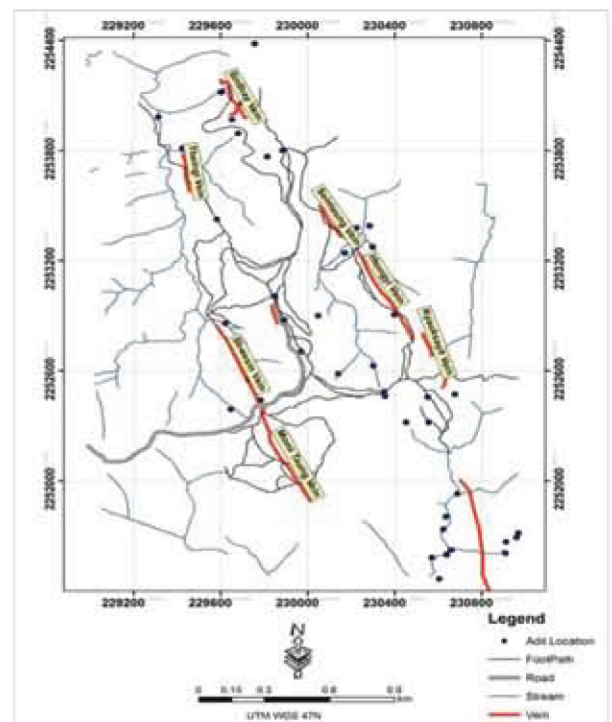
National Prosperity Gold Production Group Company Ltd, The Mohtimoemei Gold Mine is located in Moemi region, Yamethin township, Mandalay division in Central Myanmar with the area of 6105 acres (24.7sq Km). It is also located 150 km from SE of Mandalay and 370 km far from N of Yangon. The maximum elevation of the area is 1200 m elevation on upland escarpment that divides the central plain and Paunlaung River valley. The area coverage of the project area is the approximately between UTM Grid 227,792.5 E 2,248,567 N, and 232,892.5 E 2,256,964 N, or between Long 96° 23' 30" E, Lat 20° 19' 00" N and Long 96° 26' 31" E, Lat 20° 23' 30" N in WGS 84 and the access road to it from Taungbo village on Yangon-Mandalay (old) Road.



Location Map of Mohti Moemi Gold Mine

Exploration Geology

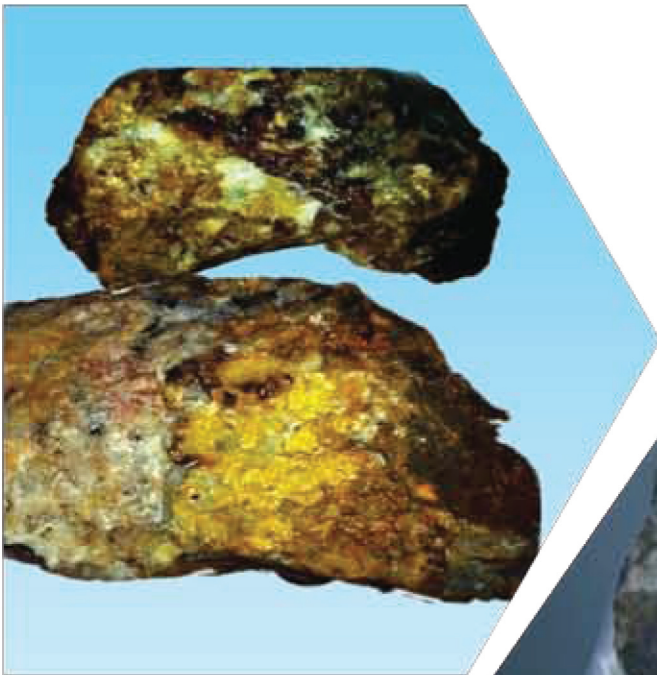
Ivanhoe Myanmar Holdings limited (IMHL), a subsidiary of Canadian mining company, Ivanhoe Mine Limited, officially conducted exploration on the Moe Hti Moemi regions as (Block 10 area) from August 1996 to August 2005 with our project area being the main area of exploration conducted. Extensive exploratory work was carried out by (IMHL) including 38 soil lines in adit areas, 400 hand-dug trenches (total approximate 5km in length), 44 surface diamond drill holes (total of 7.5 km), 11.3km underground exploration adits and 49 underground diamond drill holes (of 40-50m/hole) with a total expenditure of US\$11.44 Million. As stated in IMHL's findings, results from the exploration portrayed an extreme example of gold quartz veins of significant overall strike length and vertical extent in discontinuous vein segments and narrow vein widths but with the presence of high grade zones. The area is classified as a primary and mesothermal slate belt quartz-gold vein deposit, where 6 vein areas have been identified, namely Shwe zin Moemi Taung, Htongyi Taung, Kyauksayit, Sakangyi and Theingi, including a small open pit mining opportunity on near surface high grade supergene-enriched veins north of Moe Mi mountain above the southern end of the Shwe Sin Vein. Vein widths are present up to 3 meters in some areas with a possibility of larger vein structures implying continuation of veins to far below current deepest adits level (at least 1km). An average of 26 ppm has also been assumed in IMHL's calculations. Due to this, the project area is regarded as a great potential gold reserve deposit and widely popular among international gold mining companies. IMHL had long term plan to proceed on the project with the preparations for mine operations, development and listing on international stock exchanges. Unfortunately, the Myanmar Government and IMHL did not reach an agreement on the production permit and the area has been restricted since.



Map of Three Main Vein Systems

Nature of Gold

- Coarse visible gold commonly present in veins assaying over 3000g/t Au.
- Gold not encapsulated in pyrite.
- Gold is frequently observed in hand specimens in both the oxide and sulphide zones.



Gold Ore Samples

The Concession Right

In late 2011, the project area was officially tendered by the New government. 18 large sized local companies competed in the auction and in 16th September 2011, National Prosperity Company won the tender with the highest bid. Following on, in 27th September 2011, official permission was granted by the Government to operate in the Moehti Moemi Mine area. The official Contract (Documentation No.387/318-Gold Mining 46/Ahpaya 2011) was then signed in 29th January 2012 with Mining (2) Enterprise. Furthermore, the Ministry of Mines Executive Committee held a meeting (No.23rd /2011) and permission for a Large Mining Concession (Permit No.0051/2011) was subsequently granted. In 15th March 2012, specialized gold Production Company, National Prosperity Gold Production Group Limited was formed to enhance the development of mining project.

In 26th November 2013, advice was given by the President of the Union of Myanmar to amend the current Product Sharing Contract was in accordance with current mining law and regulations. Subsequently, the amended contract was signed on the 26th November 2013 with the Mining (2) Enterprise, stating the confirmation of the mining concession for 25 years, the extension of the initial fixed obligation period by an addition of 3 years and the remaining 17 years as per product sharing ratio.

OUR HUMAN RESOURCES

1629 Employees with

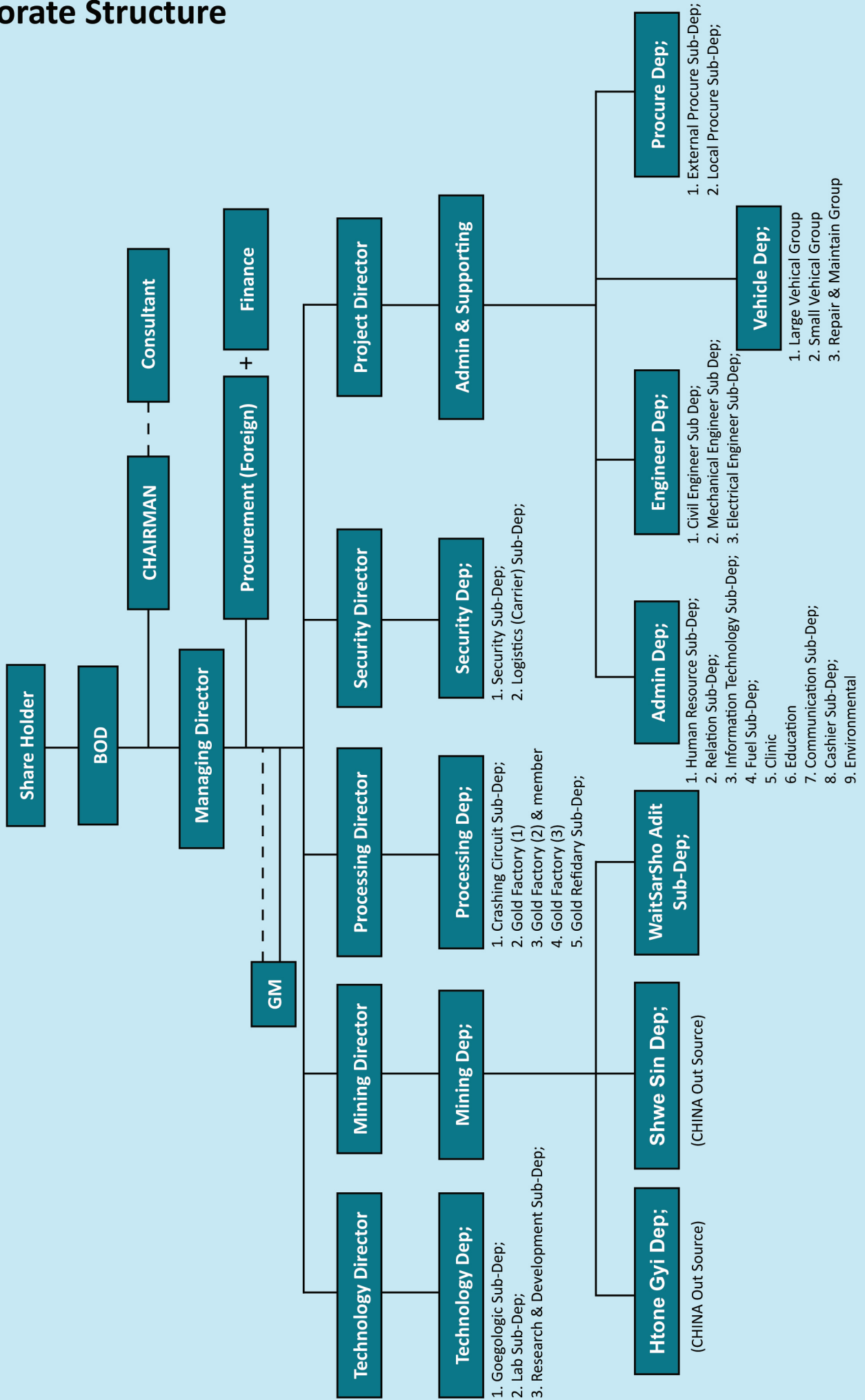
1352 of Group
Employees are Men

276 of Group
Employees are Women and

3240 are other
Member Companies

Corporate Structure

Organization Structure of NPGC Gold Mining Project



Top Management Team



Mr. Soe Htun Shein
(Chairman)

- Founder of NPC companies and NPGPG
- Executive member of Myanmar Federation of Mining Association
- CEC of Myanmar Gems Entrepreneurs' Association
- CEC of Myanmar Rice Federation



Mr. Htun Aung Soe
(Managing Director)



Mr. Wai Lynn Aung
(Deputy Managing Director)



Mr. Cho Lwin Oo
(Executive Director/Mining)



Mr. Naing Lin
(Executive Director/Processing)



Mr. Sunny
(Executive Director/ Security)



Mr. Myo Kyaw
(Production Director/ Mining)



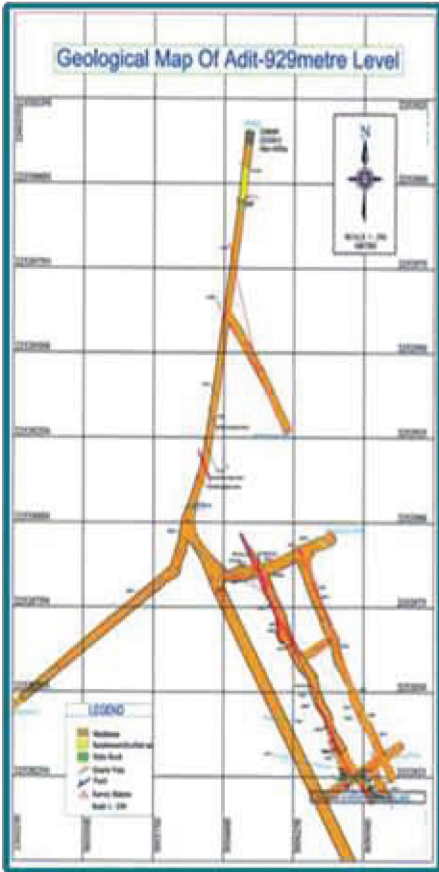
Dr. New Ni Wai
(Chief Financial Officer)

Mining Activities

- **Company owned Production**
- Shwesin, Htongyi , Nwetan & Sein Taung
- Total 10 Adits
- **Product Sharing Basis production by**
- Members Companies – 71 Adits
- **Technical Assistance Basis**
- Future Engineering – 3 Adits
- Chinese Group- 2 Adits

HTONGYI MAIN PORTAL

- Implementing Australian mining methods and regulations
- As advised by Garry Foord (Au, General Manager on site), Htongyi Portal is designated as the main portal for mining ore production which will eventually connect to the other 2 main vein and their adits.
- Currently another main portal is being chosen and designed to act as backup, air ventilation and various other purposes.



Htongyi Main Portal



Working in Underground Minesite



Hauling Ores by Trucks



Hton Gyi Vertical Shaft



Adits in Shwe Zin Mine Sites

Processing Plants

- Processing Plant 1 (30 tpd + 50 tpd + 10 tpd)
- Processing Plant 2 (15 + 15 + 30 tpd + 150 tpd)
- Processing Plant 3 (50 tpd + 50 tpd)
- Processing Plant 4 (20 tpd + 20 tpd)
- Processing Plant 5 (20 tpd + 20 tpd)
- Processing Plant 6 (20 tpd + 20 tpd)
- Processing Plant 7 (50 tpd)
- Processing Plant 8 (1000 tpd)

TOTAL 1570 MT PER DAY CAPACITY INSTALLED



Processing Plant 1 (30 tpd + 50 tpd + 10 tpd)



Processing Plant 2 (15 + 15 + 30 tpd + 150 tpd)



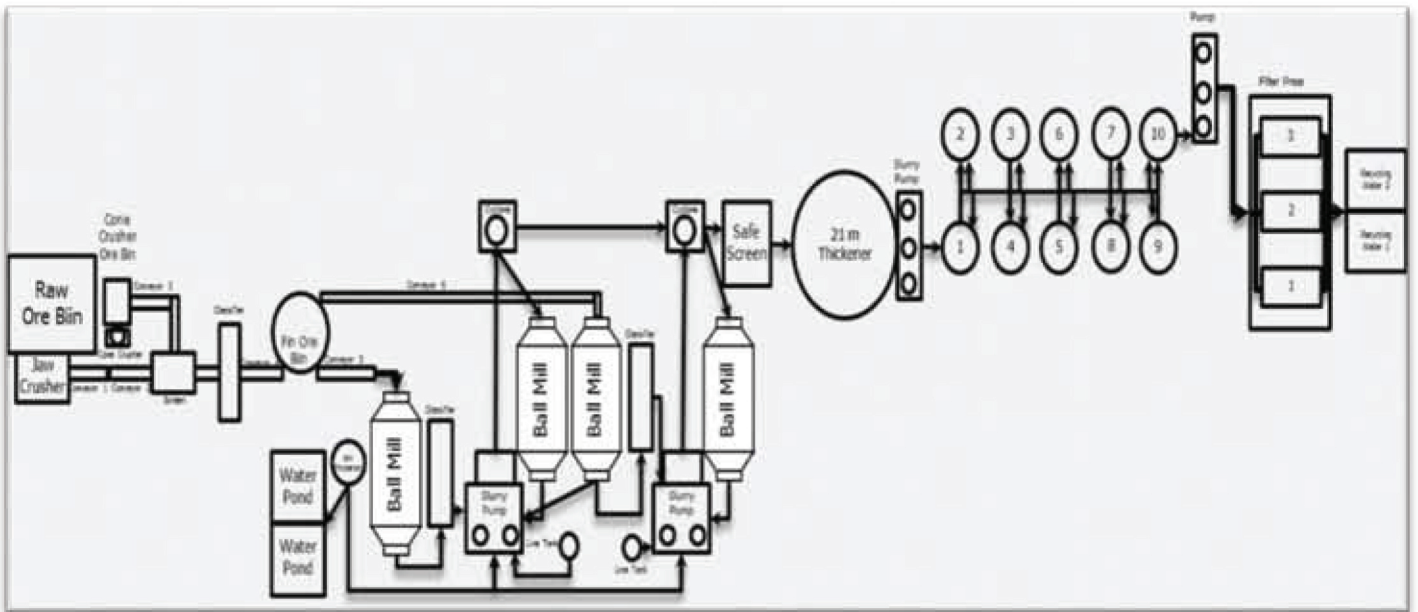
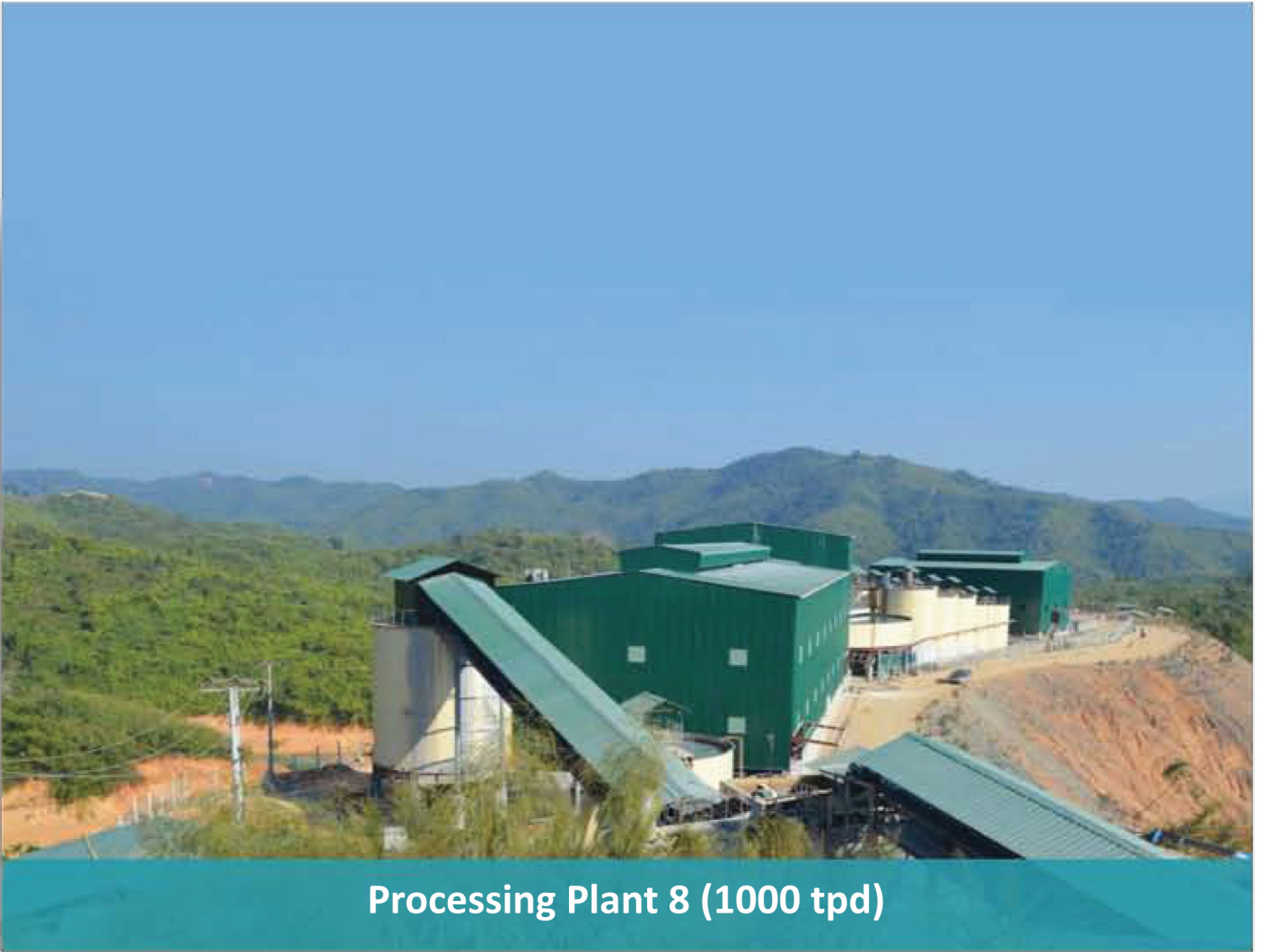
Processing Plant 3 (50 tpd + 50 tpd)



Processing Plant 4,5,6 (20 tpd + 20 tpd)



Processing Plant 7 (50 tpd)



Process Flow Sheet of 1000 TPD Processing Plant



Crude Gold



Refined Gold Blocks

Labour Assessment, policy and goals

NPGPG appoints about 1600 employees .Our employees are entitled to all applicable rights under Myanmar law and international standards. In particular, we commit to safeguard the following rights:

- We recognise the dignity of all persons and respect their freedom and privacy
 - All employees shall be entitled to just and favourable remuneration
 - Employees shall be entitled to fair working hours and holiday entitlement
 - We allow our employees freedom of association and the right to engage in collective bargaining
 - We will not discriminate on the grounds of gender, marital status, age, religion, physical ability, sexual orientation, political beliefs or social class in the workplace or when considering promotions
 - All employees should be allowed to perform their role without being bullied, harassed or threatened
 - We will not force anyone to work for NPGPG and will refuse to deal with business partners that engage in forced or compulsory labour practices
- We consider these rights to be the minimum standards that we offer our employees.

Implementation

We will update our Code of Conduct to include better community engagement mechanisms.

Measurement of outcomes

We will measure our human rights compliance by monitoring:

- Employee grievances which have been communicated through the channels we have established
- Employee satisfaction and staff turnover
- We review our staff benefits on a regular basis to ensure that we continue to offer a fair deal to our employees.

Human Rights NPGPG's policy framework Human Rights

NPGPG believe that Human Rights are important for business because ;

- we can avoid infringing :on the human rights of others,
- Avoiding Costs:such as those related to legal risk and business disruption,
- Protecting our brand: from things such as public pressure,being linked with serious abuses such as slavery,
- Acting beyond legal obligation,
- Gaining commercial benefits (eg;increase profitability ,attracting investment ,procurement,top-quality recruits and securing the social license to operate) and
- To live up the company's commitment to the United Nations Global Compact.

We commit to develop Human Rights policy by identifying policy gaps and initiate a process that alerts the company to new areas of human rights risk,building trust with external stakeholders and address their concerns,triggering a range of other internal actions that are necessary to meet the commitment in practice and developing in-house learning ,management capacity and leadership on human right issues.

Implementation

We will implement Human right policy with five components in 2016-2017 Fiscal Year;

- (a) Defining the content of a policy Commitment
- (b) Developing the policy Commitment
- (c) Communicating the policy Commitment
- (d) Aligning Internally with the policy Commitment
- (e) Applying the Commitment to business Relationships

We will take the following actions to improve our systems and procedures as regards human rights:

- We will set up a practicable system to screen primary suppliers for potential child and forced labour practices and address issues if found, to the extent that the company has commercial leverage over those primary suppliers.
- We will refine and improve our life and fire safety systems.

Measurement of outcomes

We will measure our human rights compliance by monitoring:

- Employee grievances which have been communicated through the channels

we have established

- Feedback from communities that may be affected by our developments

Environment

NPGPG's policy framework on environment

In January 2014 the NPGPG adopted its new Environmental Policy. It is applied to all partners incorporated in the Group. The Environmental Policy determines baseline conditions which should be maintained during the construction works and operating of the Project.

Within the framework of its Environmental Policy NPGPG recognizes that its operational activities have an impact on the natural and social environment. NPGPG attempts to eliminate, where possible, the negative impacts on the environment. In other cases – to minimize, control and compensate the impacts.

For these purposes, the following management tools are applied: long-term planning, accurate implementation of the Project design solutions and strategies, and analysis of results of the current activity.

In particular, the following commitments are undertaken by NPGPG:

- Comply with all legal requirements, and applicable international regulations related to the environmental protection;
- Identify the potential environmental risks and impacts of their activities during all stages of the implementation of the Project;
- Develop and implement an environmental management system;
- Apply best industry practices to mitigate or prevent pollution in the process of their operations.

Implementation

Undertaken supervision from internationally recognized environmental assessment company, Resource and Environmental Myanmar Coltd, to carry out the first step, Initial Environmental Examination-IEE from 26th April 2012 to 2th May 2012. Dr Win Maung lead field study in Moehti Moemi Gold mine was undertaken to collect base line data as a term of reference to specify and record the impacts made by former operators.

As per the process requirement, Environmental and Social Impact Assessment-ESIA was conducted from 19th December 2013 as a second step. Now a days, Occupational health, Safety and Environmental Committee was formed to oversee workplace health, safety and maintain environmental conservation, which is implemented as Environmental Management and Monitoring Plan-EMMP. We also conduct twice per year of Environmental Monitoring Plan.



Initial Environmental Examination-IEE



Environmental and Social Impact Assessment –ESIA



Environmental Monitoring Plan-EMP

Anti-corruption

Anti-corruption policy and goals

NPGPG do not accept any approach to corruption or bribery committed by our directors or employees, regardless of their position in our organisation, or business partners. We do not give, promise or offer to give or discuss giving an undue advantage to any person, whether a public official or a private employee, in order to influence that person to act in an improper manner. We have a comprehensive gifts, hospitality and expenses policy to ensure that our employees are not receiving undue advantages.

Implementation

We are reviewing the due diligence that we perform on our suppliers and business partners to ensure that they also commit to work against corruption.

Measurement of outcomes

Our audit committee regularly reviews company transactions for signs of any irregular payments. Our audit committee also monitors gifts and expenses received by our employees to ensure that they are proper.

Corporate Social Responsibility

NPGPG's policy framework on Corporate Social Responsibility

Standard of the NPGP Group applicable to all its business units. The Social Standard defines additional social guarantees and benefits, compensation and other guarantees not included in employment agreements, the Collective Agreement and the country legislation.

Implementation

CSR Activities have been initiated since the earlier days of the project. NPGPG implements a number of charity programs and regional contests for small grants, participates in the socioeconomic development of the region. Total donation from September 2012 to November 2016 is (9,554,403,622) MMK and CSR activities percentage from investment is (16.87%). The detailed lists as followed:

National Prosperity Gold Production Group Limited Corporate Social Responsibilities (From 11.9.2011 To 30.11.2016)

No	Particular	Amount in MMK
1	roads accessibility Sector	1,342,143,435
2	Water Supply Sector	117,133,300
3	Electrical Development Sector	877,615,796
4	Educational Development Sector	1,778,741,895
5	Health Development Sector	276,081,323
6	Social and Resettlement Sector	2,252,500,000
7	Religious Affairs Sector	2,806,187,873
8	Natural Disaster Sector	104,000,000
	Total in CSR Contributions	9,554,403,622
	Total Investment	56,625,023,368
	Total in CSR Contributions %	16.87



Donation of A viss of Refined Gold to Mandalay General Hospital



Donation of Shwe Taung Gyi Steel-Concrete Bridge at Pyin Madaw Village, Yamethin Township



**Donation For Electrical Installation at Nga Tae Su Village,
Yamethin Township**



**Donation for Mining Vocational Training School at Ale Kone Village,
Yamethin Township**



Donation For Mahaw Thadar Philanthropic High School



Donation For Mahaw Thadar Philanthropic High School



Monthly Donation For Meal (3-days per month) at Mahaw Thadar Philanthropic High School



**Donation of Refined Gold, A Viss to Oat Parada Thandi Pagoda at
Naypyi Taw (1.1.2015)**



**Donation of Refined Gold 90 Ticals to Oat Parada Thandi Pagoda at
Naypyi Taw (7.6.2016)**



Monthly Donation For Sama Taung Philanthropic Orphanage School



Donation of Moehti Aung Chan Thar Pagoda and Dhamma House at Moehti Moemi Shwe Mine Village



Donation of Nagar Yone Pagoda at Moehti Moemi Shwe Mine Village



Donation of Monasteries at Moehti Moemi Shwe Mine Village



Donation of Basic Education Primary School at Mohti Moemi Shwe Mine Village



Donation of 20-Beds Clinic at Mohti Moemi Shwe Mine Village



Wishing Prosperity to you all



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

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