

A microscopic view of numerous red, spherical particles of varying sizes, some appearing to be fused or clustered together, creating a dense, textured background.

**“ Protect your core values with Kemcore. Purity and quality guaranteed. ”**

# CASE STUDY

Example 3: Commodity chemicals



## Overview

Over the past year, the prospects for mining companies have been adversely affected by the slump in commodity prices. With waning demand, slump in commodity prices and pressure to ensure profitability at mining operations and maximising shareholder return cutting costs is the theme. A recent research by Kemcore found many mining companies are sourcing or planning to source for mining chemicals from low cost base production countries such as China.

This paper highlights leading risks with traditional mining chemicals reagents procurement from China—risks you can avoid when you work with us.

## Introduction

Mining chemicals form a crucial part of the supply chain in the mining industry, and are absolutely fundamental to maximising recovery.





## Fraudulent Practices in Mining chemicals Supply Chain

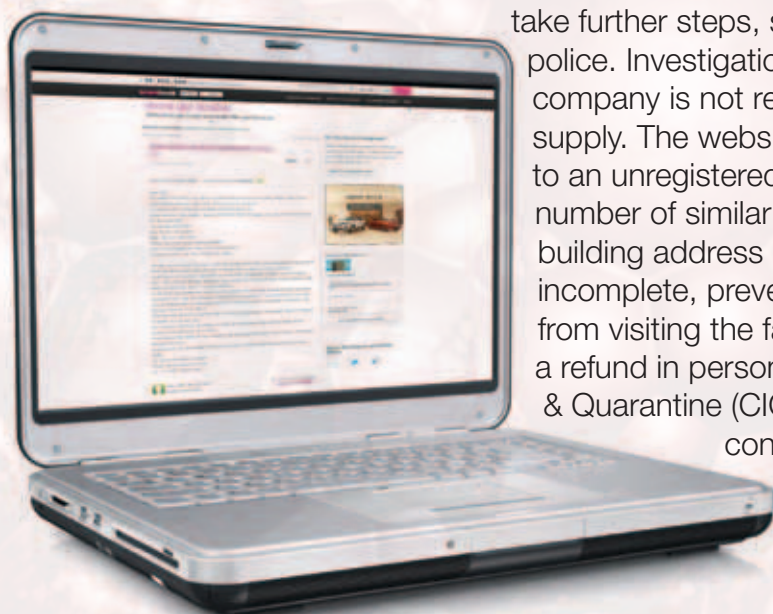
The commodity chemicals sector is the target of a number of well-documented frauds involving reduced purity chemicals. A typical scenario involves a supplier promoting a specific chemical specification to a prospective customer—for example, caustic soda (99%). When asked to supply a sample, the supplier sends the purity advertised, promoting the product as a



chemical manufactured by the facility itself. On the basis of the sample and in-house quality control guarantee, the customer places an order.

The product received by the customer is not representative of the sample. The caustic soda (99%) has been replaced by salt or soda ash, which has a 50% cost reduction. In the worst cases, customers receive drums or consignments filled with unknown compounds or even water. Upon discovering the inferiority of the compounds, the customer looks at the shipping documents and finds there is no record that the consignment has been properly marked, labelled, inspected, or passed through customs. At this point the customer naturally contacts the supplier to ask for a refund. In most cases, the supplier declines to respond. Failure to make contact and recover costs forces the customer to

take further steps, such as contacting local police. Investigation often reveals that the company is not registered for chemical supply. The website can be traced back to an unregistered person who has a number of similar websites, and the building address provided may also be incomplete, preventing the customer from visiting the facility and demanding a refund in person. The China Inspection & Quarantine (CIQ) also confirms that consignment samples were never submitted for inspection and that the test report is fraudulent.





## The impact of commodity chemical fraud on a mining firm

- Process downtime due to inferior or incorrect goods
- Lost order costs that cannot be reclaimed
- Many hours of lost administration time, with phone calls and potential visits to the supplier or local police in an attempt to recover costs



## Maximise your returns with Kemcore

We've helped many companies in different commodity sectors (including gold, diamond, base metals, platinum, coal and iron ore mining) transform their global supply chains, make substantial savings, and maximise business profitability.

When you use our platform, you avoid the adverse impacts associated with:

- Declining feed grades
- Escalating costs
- Decreasing metal prices
- Severe environmental infringement penalties

All of these have a detrimental effect on your business. By leveraging our extensive experience with external supply chain environments, you can reduce your overall costs, maximising your yield efficiency and asset returns. Decreasing your consumable costs by as little as 10% annually can result in millions of dollars of additional profits every year.



## Conclusion.

A full chemical analysis and random pre-shipment inspection at the port of loading ,can play an intergral role in ensuring quality chemicals are supplied. This should also be complemented with a good quality control program to ensure a consistency in the supply chain. Kemcore assist mining executives in cutting costs without cutting corners!

## About the author.



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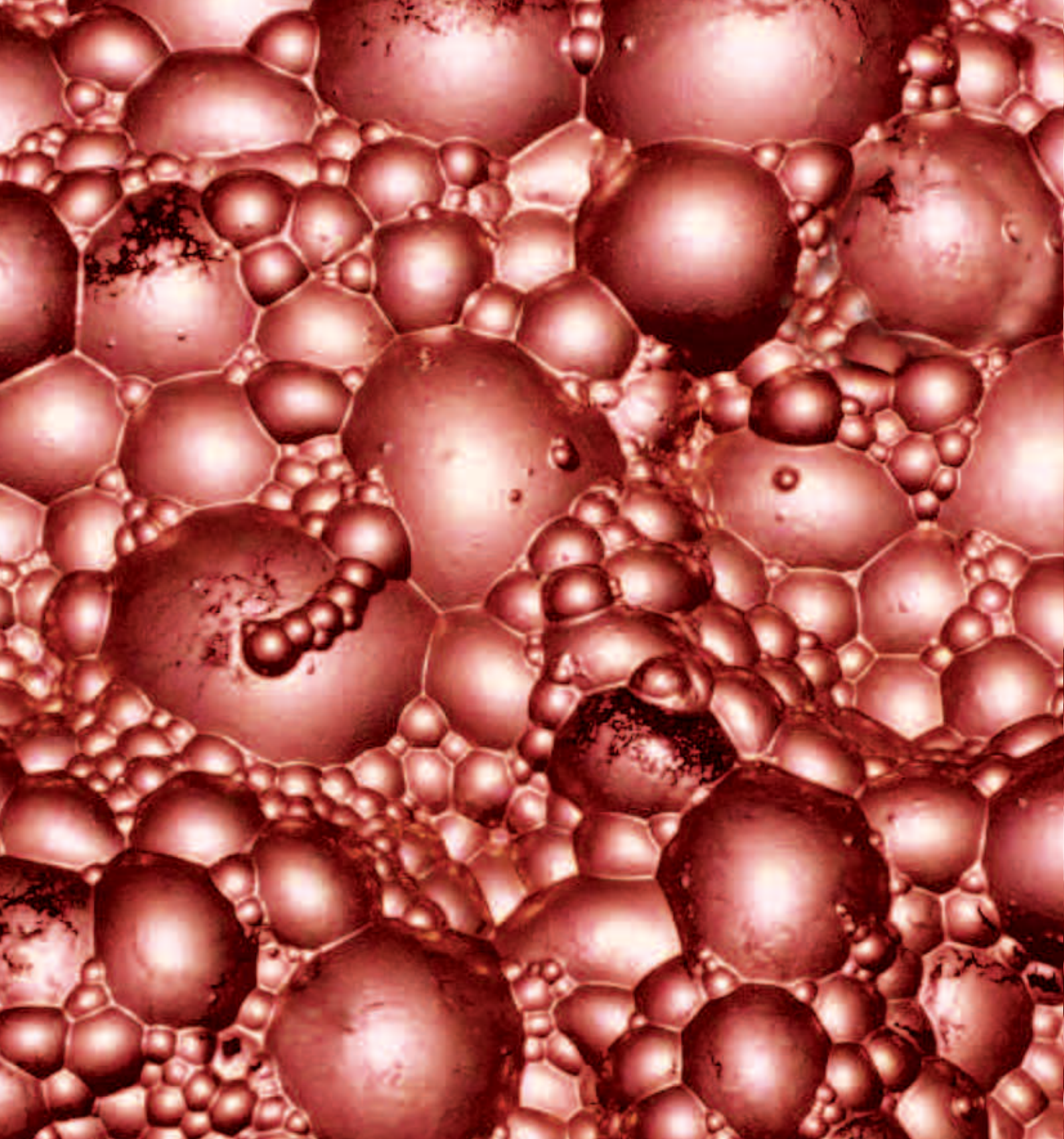
Calisto has over 10 years' experience in mining-chemical sourcing, procurement, and supplier auditing. He has personally inspected over 50 chemical factories in China, South Korea, Taiwan, India, Philippines and the Czech Republic. Calisto has worked with diverse clients providing procurement strategies to facilitate cost-effective, high-quality chemical procurement. As Managing Director, Calisto drives Kemcore strategy and oversees the company's global sourcing and supply chain management platform. Calisto holds a Bachelor's Degree in Commerce with a major in Finance from Bond University, Australia.

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