



ABC Refinery - Responsible Gold Guidance (RGG) Compliance Report

This report summarises how ABC Refinery (**ABC**) has complied with the requirements of the *LBMA Responsible Gold Guidance*.

Refiner's Details

Refiner's Name	ABC Refinery
Location	12 Meeks Road Marrickville NSW Australia 2204
Reporting year-end	30 June 2017
Senior management responsible for this report	Matthew Page

ABC Refinery's Evaluation

This report lists the minimum requirements that must be satisfied by Refiners in accordance with the *LBMA Responsible Gold Guidance* to demonstrate compliance. ABC Refinery fully complies with the LBMA RGG, as demonstrated by the processes outlined in this report.

Step 1 - Establish strong company management systems

Compliance Statement with Requirement:

We have fully complied with Step 1 - Establish strong company management systems.

1.1. Adopt a company policy regarding due diligence for supply chains of gold

We have a Due Diligence Policy which is consistent with the model set out in the Annex II of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk areas (OECD Due Diligence Guidance)*.

A copy of our Due Diligence Policy appears as Annexure 1. This Policy sets out our responsibility for conducting risk-based due diligence, screening and monitoring of transactions and governance structures in place. The Policy attaches copies of the OECD Due Diligence Guidance and the LBMA RGG Version 6.1 dated 14 August 2015 and Version 6.2 dated 1 September 2017 (see Annexure 2 and 3).

The Policy states that all gold-supplying counterparties requesting services from ABC are required to complete the refining application contained in [Annexure 4](#) (recycled gold) and [Annexure 5](#) (mining companies). The refining applications are comprehensive documents that enable ABC to conduct a robust KYC due diligence process to identity theft, prevent terrorist financing, money laundering and financial fraud including, but not limited to, taxation and revenue compliance. Our KYC process also includes a 100 point identification check and a third-party Veda checks, Australian Securities and Investments Commission (**ASIC**) searches, Australian Taxation Office (**ATO**) Australian Business Number (**ABN**) and GST registration confirmation.

The Policy states that once a refining application has been received and the Compliance Officer determines a due diligence file contains sufficient information for a decision to be made, the Compliance Officer must assess the application and assign a risk profile rating (low, medium, high or extreme) to the file using the risk matrix in [Annexure 6](#) as a guide. For all customers deemed to be “high risk” and “extreme risk”, enhanced due diligence shall be performed as outlined in the Annexure. In the reporting period no clients of ABC were assessed as being “medium risk”, “high risk” or “extreme risk”. Enhanced due diligence includes the completion of a physical site visit by an ABC representative and the completion of a report in the form contained in [Annexure 7](#).

The Due Diligence Policy requires that once a risk profile rating has been allocated, the Supply Chain Assessment Form in [Annexure 8](#) is completed and the file submitted to the appropriate person for consideration. The Compliance Officer must also follow the Responsible Precious Metals Supply Chain Due Diligence Policy, in [Annexure 9](#), when making an assessment. Each Due Diligence File shall either be “approved” or “rejected” for business on the basis of ABC’s risk-based approach to due diligence. No new customer may be approved for business until they have been subjected to ABC’s Due Diligence Process.

The Policy states that the Compliance Officer is responsible for overseeing the due diligence process with the support of the Compliance Committee, as appears in [Annexure 10](#). Senior Management, including the Legal and Compliance Counsel, retains the ultimate control and responsibility for the supply chain. Senior Management will carefully select and supervise the Compliance Officer and give him/her the necessary means to perform his/her duty. Senior Management should approve each new supply chain assessed as “high” or “extreme risk” and should revisit each year the decision whether to continue with these business relationships or not.

All due diligence records are electronically stored and backed up on company servers. The Policy states that files must be maintained in a safe and secure manner and for a minimum of five (5) years following the end of the fiscal year (30 June).

To ensure sufficient traceability, when approved for business, each Customer is assigned with a unique customer identification number. Each lot received from the Customer is assigned with a sub-identification number before the gold-bearing material is processed for refining. Real time date stamps, photos, weight and indicative assays are also electronically reported at the time of receipt of each several job lot on the Enterprise Resource Planning (**ERP**) system.

ABC has a Communication and Training Policy (see [Annexure 11](#)) that states that employees are to receive ongoing training with respect to the responsible supply chain, to prepare and update the gold supply chain policy, and to give proper information to the Senior Management in order for them to perform their duties. Employee training materials are also disseminated to employees via ABC’s monthly internal compliance committee meeting. This enables employees to be updated with responsible sourcing, AML/CTF updates and other compliance developments.

1.2 Set up an internal management structure to support supply chain due diligence

An internal management system has been set up to define the governance, roles and responsibilities, internal audit, communication and Senior Management review as per the Due Diligence Policy. The Compliance Officers have been assigned to manage the process, and have a direct line of reporting to the Legal and Compliance Counsel and other Senior Management. In addition, ABC has a Compliance Committee to fully support the due diligence process.

Our Senior Management has considerable knowledge and experience to oversee the supply chain due diligence process. ABC is Australia's pre-eminent independent refinery and we are an active member of the Australian Gold Industry Group and the Precious Metals Investment Symposium. This has provided ABC the opportunity to work with participants in the Australian precious metals industry to foster supply chain best practice. Our Legal and Compliance Counsel also has a background in compliance, having previously been employed by the ASIC for a number of years. ABC's Legal and Compliance Counsel has also completed a number of training modules with the *Association of Certified Anti-Money Laundering Specialists (ACAMS)*. ACAMS is the largest international membership organisation dedicated to enhancing the knowledge, skills and expertise of AML/CTF and financial crime detection and prevention professionals, from a wide range of industries, in both the public and private sectors. The ABC Compliance Counsel is in the process of applying for ACAMS accreditation.

As noted in 1.1 above, ABC conducts a monthly internal compliance committee meeting. This provides a forum for the supply chain due diligence procedure to be discussed and for company policy to be shared with relevant employees and other counterparties, as necessary. The minutes of the monthly internal compliance committee meetings are shared with ABC's Board.

The reporting to Senior Management provides an opportunity for management to review the effectiveness and performance of the supply chain due diligence procedures.

1.3 Establish a strong internal system of due diligence, controls and transparency over gold supply chains, including traceability and identification of other supply chain actors

Supply chain traceability system

ABC has a comprehensive supply chain traceability system that records and maintains supply chain information for every lot refined, including assigning a unique reference number to each input and output. Information included in the traceability system includes, but is not limited to, the following:

- i. Client name and unique reference number;
- ii. Type of gold received (Mined Gold/Recycled Gold);
- iii. Photograph of gold received;
- iv. Weight and assay (declared and processed);
- v. Reference to the Gold-Supplying Counterparty due diligence file; and
- vi. Date of arrival at the Refinery and date of finalisation of the refining process.

A representative sample example of an incoming material sheet appears at Annexure 12. This document records the unique reference number on the top right-hand corner of the sheet. The sheet also records the client name, the metal content of the refining material, the exact time and date the material was received as well as the melt and assay information. Additional documents that reside with the incoming material sheet are a refining input declaration and photograph of the incoming material (see representative samples at Annexure 13 and Annexure 14). The refining input declaration records the

date, client name and the unique reference number. The photograph of the incoming material also records the unique reference number.

Once the initial pyrometallurgical refining processes have occurred, and while refined metal is in a molten state, a small representative sample of the refining material mass is extracted as a whole using a vacuum pipette and retained by ABC for three months as a dip sample. The dip sample is kept in an envelope which records the unique reference number, the date the refining material was received, the date the laboratory received the dip sample and the date the assay was completed. Appearing at [Annexure 15](#), is a representative example, is a copy of the envelope used for the dip sample that was taken from the refining material referred to in Annexure 12.

Following the final assay, ABC will make final payment to the client for the refining material. The representative example document at [Annexure 16](#) is an example of a Recipient Created Tax Invoice (**RCTI**) that is issued at out-turn. The unique reference number for the refining material is stated on the top right hand corner of the RCTI. The final document to be received by the customer is the tax invoice in respect of refining services performance by ABC in respect of a unique reference number, see for example [Annexure 17](#). This document records, inter alia, the unique reference number for the refining material on the top right hand corner of the tax invoice.

Following the 30 June 2017 reporting period, ABC implemented a new ERP system that has given ABC reporting and tracking of metal batches from receipt to finished goods. This is an upgrade from our previous control system which was excel-based. Importantly this has improved the frequency and completeness of our internal audit reviews on batch tracking compliance obligations. Our ERP has a more comprehensive and coherent digital repository of assay and lab findings on given metal samples. This improves our internal reporting controls by enabling easy data retrieval and the performance of more comprehensive self-audits on the accuracy and completeness of our records compared to our previous system.

Maintaining records

As noted in 1.1 above, ABC's Due Diligence Policy (see [Annexure 1](#)) requires that all due diligence records are electronically stored and backed up on company servers. The Policy states that files must be maintained in a safe and secure manner and for a minimum of five (5) years following the end of the fiscal year (30 June). All physical records are maintained offsite in a secure storage facility.

Training

As noted in 1.1 above, ABC has a Communication and Training Policy (see [Annexure 11](#)) that states that employees are trained with respect to the responsible supply chain, to prepare and update the gold supply chain policy, and to give proper information to the Senior Management in order for them to perform their duties. Ongoing employee training activity is recorded in a log that is maintained by the Compliance Officer. This training pertains to the LBMA RGG, OECD Due Diligence Guidance as well as Australia specific transaction reporting protocols, including but not limited to Australian Transaction Reports and Analysis Centre (**AUSTRAC**) Suspicious Matter Transaction reporting requirements.

Compliance Officer

ABC has a Compliance Officer as well as a Legal and Compliance Counsel who report to Senior Management on all matter regarding the gold supply chain. They are also responsible for the continuous training of employees with respect to the responsible supply chain. Reporting to Senior Management occurs at least once per month, but is often more frequent.

Payment through official banking channel

ABC makes and receives payments for gold only and strictly through official electronic funds transfer banking channels with Australian banking institutions. ABC does not make or receive third party payments, nor does it deal in cash. The payment method applied depends on the supplier's preference and can be any of the following, or a mix thereof, namely: settlement by bank transfer, exchanging of Loco London bullion or an allocation to client metal holdings (on account). An example of a remittance record appears at [Annexure 18](#).

Our most significant and material trades are with gold miners, who value ABC's quick turnaround terms typically settling within three days from dorè delivery. The transaction is recognised initially based at an agreed percentage of the expected value and is finalised upon the final assay becoming available.

ABC only maintains client metal accounts for established suppliers, with a proven track record of delivering within the expected quality and yield parameters. Client metal positions arising from locked-in agreements are typically settled by both parties within a fortnightly period.

Loco London bullion swaps are also offered to Australian miners, if this is a preferred form of settlement. Typically, Loco London bullion swaps account for approximately 50-70% of the value of a single delivery, with the remainder being settled by electronic funds transfer.

Cooperation with government authorities

We note that ABC's cooperation with government authorities has been exemplary. One example from the last financial year has been ABC's co-operation with the Australian government to introduce and develop a GST "reverse charge" in the precious metals industry to help combat tax avoidance behaviour. This new regime was first a voluntary system, effective from 1 January 2017, to which ABC was the first to publically state its support (see letter to ABC Customers dated 23 December 2017 at [Annexure 19](#)). A legislative change mandating the reverse charge was later effective from 1 April 2017 (see [Annexure 20](#)). This reverse charge applies to all business-to-business transactions of valuable metals. Under the regime the purchaser is responsible for remitting GST to the government, rather than the supplier.

Moreover, as part of ABC's commitment to tax compliance (both of itself and in respect of its clients) and the integrity and legality of its supply chain, ABC required recycled input refining customers to sign a Refining Input Declaration in respect of every several secondary refining material supply to it (see [Annexures 4, 5, 13 and 21](#)). The Refining Input Declaration requires clients to declare that as far as they are reasonably aware:

- i. The refining material included in the above ABC Refinery Job Number was not directly sourced wholly or partly from Precious Metal as that term is defined in A New Tax System (Goods & Services Tax) Act 1999 (Cth); and
- ii. The Client is fully compliant with its GST obligations as are its suppliers.

The Recipient Created Tax Invoice Agreement that clients must sign in order for ABC to issue a RCTI (see [Annexure 22](#)) also requires suppliers to acknowledge that they are tax registered in Australia for GST and will notify ABC Refinery if they cease to satisfy any of the requirements of the Tax Office Ruling GSTR 2000/10.

1.4 Strengthen company engagement with Gold-Supplying Counterparties and, where possible, assist Gold-Supplying Counterparties in building due diligence capacities

As stated in 1.1 above, as part of ABC's KYC and onboarding process all gold-supplying counterparties are required to complete a refining application contained in [Annexure 4](#) (recycled gold) and [Annexure 5](#) (mining companies).

The refining applications are extensive due diligence documents that require suppliers to provide information, including but not limited to the following:

- i. **Client Business Activity** – type of business, description of core business activity, country where precious metals are refined, markets the client operate and/or trades;
- ii. **Origin/Source of Precious Metals** -
 - (a) For mined gold - the name, number and location of the mining site and processing plant, mining site licence information, daily production of the mining site, employee number on the mining site and processing plant, gold extraction method, whether there are comprehensive procedures and systems to guarantee the safety of the working environment in the mining site and processing plant, environmental protections in place, the procedures in place to ensure prevention of child labour in the mining site and processing plant, gold processing method and the capacity of the processing plant; and
 - (b) For recycled gold - the types, forms and percentage of precious metals sourced by the Client (including whether the metal is jewellery, broken jewellery, rudimentary bars, coins, collected waste or other), where the gold-supplying counterparty sourced the refining material, the origin of the refining material, the average precious metal content of incoming refining material and the procedures the client follows to export precious metals to Australia (if applicable);
- iii. **Responsible Precious Metals Supply Chain** – whether the Client has established and implemented policies and procedures that conform to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas (Supplement on Gold), whether the Client complies, or plans to comply, with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and whether the client currently complies with industry initiatives including the LBMA RGG, RJC Chain of Custody Standard, WGC Conflict Free Gold Standard or the Conflict Free Smelter (CFS) Program;
- iv. **AML/CTF Declaration** – whether the Client has established and implemented AML/CTF policies and procedures designed to combat money laundering and financing of terrorism and whether the client has implemented systems for the identification of its customers and record keeping of customer data, including customer information in the case of recorded transactions, account opening and other information; and
- v. **Bribery Policy** – whether the Client has established a bribery policy and whether the client or senior management ever been charged anywhere in the world for the violation of applicable anti-bribery laws or regulations.

ABC does not, as a general policy, accept customers who are unable to wholly satisfy our due diligence process. Accordingly, ABC's primary gold supply is entirely received from Australia and/or New Zealand. Australia and New Zealand's exploration and mining industry is highly regulated and subjected to very strict labour force restrictions, regulations and is also highly unionised. ABC's recycled gold supply is almost entirely provided by established Australian jewellers, dentists and scrap dealers and each shipment is subjected to a detailed risk assessment.

1.5 Establish a confidential grievance mechanism

ABC is committed to high standards of conduct and ethical behaviour. Accordingly, we have a whistleblowing policy that ensures that employees and directors can raise concerns without fear of reprisal. This policy aims to encourage people to report an issue if they genuinely believe someone has contravened the any policy, procedure or the law. A copy of ABC's Whistleblowing Policy appears at Annexure 23.

Our Policy states that a whistleblower will not be discriminated against or disadvantaged for making a report in accordance with this policy. This applies if the matter is proven or not, regardless of whether it is reported to an external authority

Step 2 - Identify and assess risk in the supply chain

Compliance Statement with Requirement:

We have fully complied with Step 2 - Identify and assess risk in the supply chain.

2.1 Identify risks in the gold supply chain

ABC has a variety of mechanisms to identify risks in the gold supply chain and to ensure strict adherence to the OECD Due Diligence Guidance from the point of origin to ABC. ABC's Responsible Precious Metals Supply Chain Due Diligence Policy (see Annexure 9) sets out ABC's considerations in ensuring that all precious metal, whether received from mined or recycled suppliers, comes from legitimate and ethical sources and does not contribute to conflict, human rights abuses, terrorist financing practices and money laundering.

As noted at 1.4 above, ABC's refining applications (see Annexure 4 [recycled gold] and Annexure 5 [mining companies]) are comprehensive documents that assist ABC to assess a wide-variety of risks in the supply chain. The information provided by suppliers of both mined gold and recycled gold must be corroborated by documentary evidence provided by the customer and should also be verified by ABC. Moreover, as stated at 1.1 above, ABC's Compliance Officer must assign a risk rating to each potential client using the risk matrix in Annexure 6. The risk matrix ranks suppliers as low, medium or high risk based on a number of considerations, including the country of origin, corporate ownership, material sources, age of company and ABC's relationship with the supplier. To date, ABC has only ever accepted clients who fall in the "low risk" category.

ABC has been aware of and actively engaged with Australian governmental institutions including the ATO and AUSTRAC with regard to attempting to eradicate an alleged tax fraud in the supply of secondary refining material in Australia. The alleged fraud has occurred at levels remote to ABC in the secondary supply chain. ABC's parent company Pallion Group Pty Limited has engaged leading Australian taxation counsel at Clayton Utz assisted by several of New South Wales' most eminent barristers to ensure that ABC takes all precautions necessary to mitigate the effect of this fraud. Indeed, ABC conducts due diligence measures comprising the following:

- i. Independent identity verification of all gold-supplying counterparties;
- ii. Seeking declarations regarding the beneficial owners of all gold-supplying counterparties;
- iii. Review of accessible lists to confirm that all gold-supplying counterparties are not listed on any government lists for wanted money launderers, known fraudsters or terrorists; and
- iv. Collation of business and financial details for gold-supplying counterparties including but not limited to searches of government registries.

2.2 Assess risks in light of the standards of their supply chain due diligence system

2.2.1 Supply chain due diligence

As part of ABC's supply chain due diligence ABC conducts several enquiries, including the following:

- i. Identifying the gold-supplying counterparty and verifying its identity using reliable, independent documents, data or information including, but not limited to, third-party Veda checks, ASIC searches, ABN and GST registration confirmation as well as web searches;
- ii. Identifying the beneficial owner/s of the gold-supplying counterparty. This is required as part of section 9 of the recycled gold application and section 11 of the mined gold application;
- iii. Checking that the gold-supplying counterparty and their beneficial owners are not named on any government lists, including individuals to which the *Charter of the United Nations Act 1945* and the *Autonomous Sanctions Act 2011* currently applies, for wanted money launderers, known fraudsters or terrorists as well as a Politically Exposed Persons (**PEP**) check; and
- iv. Obtaining business and financial details with regard to the gold-supplying counterparty and information on the purpose and intended nature of the business relationship.

2.2.1.1 Recycled Gold

Part B of ABC's mining application for recycled gold (see Annexure 4) requires information related to beneficial ownership, responsible sourcing and an AML/CTF declaration. If, for example, the client has established and implemented policies and procedures that conform to the OECD Due Diligence Guidance the client is asked to produce a copy of those policies and procures. Clients are also asked to describe their procedures in place to ensure that the precious metals purchased by the client has not financed conflict.

As an anti-money laundering and anti-tax avoidance measure, also ABC has a strict policy of carefully assessing all melted gold bars, above a two kilogram threshold, regardless of purity, that are sent to ABC for refining.

In addition, we note that from 1 September 2015 ABC ceased to accept recycled refining material with a metallic purity of 99.99% or greater.

2.2.1.2 Mined Gold from Artisanal and Small-Scale Mining (ASM) and Medium and Large-Scale Mining (LSM)

ABC requires suppliers of mined gold to provide a variety of information to enable ABC to understand the factual circumstances of gold extraction, trade, handling and export. Information ABC seeks from suppliers of mined gold from both ASM and LSM includes, but is not limited to, the following:

- i. The names and number of the mining site/s from which the gold is extracted and the processing plant is located;
- ii. The location of the mining site and the processing plant (country, state, closest city, GPS coordinate);
- iii. Where the perimeter (km) around the centre of the operation/processing plant or the mining site/s located;

- iv. Whether the mining site is required to hold a mining license, and if so to provide a copy of the mining license;
- v. The daily production of the mining site;
- vi. The gold extraction method used;
- vii. Whether the mining site supports the local community, and if so, how;
- viii. Whether comprehensive procedure in the mining site exist to ensure prevention of child labour;
- ix. Whether the regulatory body responsible for mining operation conducted an on-site visit, or if such a visit it planned;
- x. Whether the gold processing plant is held by the customer or is it outsourced to an external party;
- xi. A description of the gold processing method, including whether chemical products are used during processing, and what chemicals are used; and
- xii. The capacity of the gold processing plant.

2.2.2 High Risk Supply Chains

ABC has a variety of criteria it uses when evaluating gold-supplying counterparties. In addition to the enquiries made by ABC, referred to at 2.2.1.2 above, as stated at 1.1 above, ABC's Compliance Officer must assign a risk rating to each potential client using the risk matrix in Annexure 6. Whether a client is considered "high risk" depends on a range of considerations, including the application of ABC's due diligence policies, the LBMA RGG and the OECD Due Diligence Guidance. The ABC risk matrix states uses the criteria below when assessing whether a supply chain could be "high risk":

Criteria	High Risk
ABC Relationship	0 – 2 years
Sector	Gold scrap
Country	Mexico, Colombia, Peru, Africa
City	Miami, LA, NYC
Corporate Structure	LLC, individuals
Ownership	Individuals
Material Sources	Mexico, Colombia, Peru, Africa, Rest of World
Age of Company	0 – 3 years
Other Relationships	None
Settlement Procedure	Payments

Additionally, as set out in ABC's Responsible Precious Metals Supply Chain Due Diligence Policy (see Annexure 9), ABC is committed to the following:

- i. ABC will not deal with upstream suppliers where we consider a reasonable risk they are sourcing from, or linked to, any party committing any human rights abuse;
- ii. ABC will not engage with, and will immediately discontinue engagement with any business opportunity or business partner where we identify a reasonable risk that

they are sourcing from, or linked to, any party providing direct or indirect support to non-state armed groups;

- iii. ABC will not offer, promise, give or demand bribes or kickbacks in any form to individuals including government officials, customers, contractors and suppliers or any other organisation; and
- iv. ABC will not disguise the origin of precious metals, or misrepresent taxes, fees and royalties paid to governments for the purposes of extraction, trade, handling, transport and export of precious metals.

2.2.3 High-Risk Categories

ABC's Due Diligence Policy requires that for all gold-supplying counterparties that are deemed to be "high risk" enhanced due diligence must be undertaken. Enhanced due diligence includes the completion of a physical site visit by an ABC representative and completion of a report in the form contained in Annexure 7.

The Site Visit Report must include a range of information, including but limited to the following:

- i. Location and photographs of the site;
- ii. Production and operation description;
- iii. AML/CTF procedures/protocols in place;
- iv. Documentation attesting formal/legal sourcing; and
- v. Security description.

2.2.3.1 Recycled Gold from sources located in conflict or human right abuse high-risk areas

ABC does not receive recycled gold from sources located in conflict or human right abuse high-risk areas. However, as part of ABC's recycled gold refining application (see Annexure 4) we conduct a robust supply chain due diligence, including requiring a range of identity documents, on all of our recycled gold suppliers. Suppliers of recycled gold are required to provide primary and secondary identity documents, as well as company and business documents (if applicable). As noted at 2.2.1 above, we conduct third-party Veda checks, ASIC searches, ABN and GST registration confirmation as well as web searches to verify information provided by our recycled gold suppliers.

As stated at 2.2.1 above, we also check government watch lists to ensure that gold-supplying counterparties and their beneficial owners are not named on any government lists for wanted money launderers, known fraudsters or terrorists. The Compliance Officer is also responsible for completing a Politically Exposed Persons (**PEP**) check.

2.2.3.2 Gold mined from ASM and LSM located in conflict affected or human right abuse high-risk areas

To date, ABC has not received gold from ASM or LSM located in conflict affected or human rights abuse high-risk areas. Notwithstanding this, as stated at 1.1 and 2.2.3 above, ABC's Due Diligence Policy (see Annexure 1) requires an enhanced due diligence for all customers deemed to be "high risk" and "extreme risk". As noted, the enhanced due diligence includes the completion of a physical site visit by an ABC representative and the completion of a report in the form contained in Annexure 7. When conducting a site visit the ABC representative should provide a thorough report that among other things, identifies instances of conflict or tensions between ASM and the LSM actors (as

applicable) and assess if gold from other sources is being unknowingly introduced into the supply chain. The Compliance Officer will also need to follow the Responsible Precious Metals Supply Chain Due Diligence Policy, in [Annexure 9](#), when making an assessment.

As noted at 2.2.1.2 above, ABC's gold-supplying counterparties of mined gold are required to provide significant information to assist the Compliance Officer in being able to conduct a proportionate KYC. Among other information, ABC's KYC requirements require ABC to collect information on the following:

- i. Whether there any armed groups stationed on or near the mine site;
- ii. Whether the mine employs professional security forces to control the mine site;
- iii. Whether there are comprehensive procedures in place ensure the prevention of child labour; and
- iv. How the mined material is transported from the mining site to the processing plant, including whether it is transported by a third party.

2.2.4 Monitoring of transactions

ABC conducts ongoing monitoring of transactions with all gold-supplying counterparties to ensure that transactions are consistent with our knowledge of the counterparties supply chain and risk profile. We note that as at 30 June 2017, ABC had 57 suppliers on record, four of which were considered inactive, not having provided material in 12 months or more. ABC processed approximately 38.8 tons of Gold during the year ended 30 June 2017. In the 30 June 2017 reporting period, approximately 81.4% of the refining material received by ABC was received from mined gold-supplying counterparties and approximately 18.6% of the refining material received by ABC was received from recycled gold-supplying counterparties.

The gold throughput of ABC's five largest primary suppliers for the 12 months ended 30 June 2017 is listed in the table below:

Supplier	Gold Tonnage
Evolution Mining Limited	17.9
Newmarket Gold Victorian Holdings Pty Ltd	6.5
Tomingley Gold Operations Pty Ltd	2.8
Southern Gold Buyers 2015 Limited	1.71
Havilah Resources Limited	1.66

ABC receives a number of documents following the receipt of mined and recycled gold from counterparties. These documents include:

- i. Estimated weights and assay results (see representative example at [Annexure 24](#));
- ii. Shipping/transportation documents (see representative example at [Annexure 25](#));
- iii. Export and import form for all transactions (see representative example at [Annexure 26](#)); and
- iv. Reference to the clients customer file, including the supply chain due diligence file.

ABC employs a risk-based transaction monitoring approach towards our gold-supplying counterparties. ABC employs both qualitative and quantitative assessments when monitoring shipments received from both mined and recycled gold-supplying counterparties. Issues identified as part of our transaction monitoring can be raised by the Compliance Officer in the Compliance Committee (see [Annexure 10](#)) in the context of an Internal Compliance Committee meeting. These concerns are then elevated to the attention of Senior Management to ensure appropriate attention. If the background of a transaction is not consistent, or if ABC believes is suspicious about any matter related to a transaction, ABC will lodge a Suspicious Matter Report with AUSTRAC. A record of all AUSTRAC lodgements, including the basis for the lodgement, is kept in a log held by the Compliance Officer and the Legal and Compliance Counsel.

2.3 Report risk assessment to designated Senior Management

As stated at 1.1 and 1.2 above, Senior Management retains the ultimate control and responsibility of the gold supply chain. Senior Management selects and supervises the Compliance Officer and is responsible for providing the Compliance Officer the necessary means to perform their duty. Senior Management should approve each new supply chain assessed as “high” or “extreme risk” and should revisit each year the decision whether to continue with these business relationships or not. The Compliance Officer reports directly to the Legal and Compliance Counsel and other Senior Management on a monthly basis. This reporting provides Senior Management an opportunity to review the effectiveness and performance of the supply chain due diligence procedures.

Step 3 - Design and implement a management strategy to respond to identified risks

Compliance Statement with Requirement:

We have fully complied with Step 3 - Design and implement a management strategy to respond to identified risks.

3.1 Report findings to designated Senior Management

The supply chain risk of ABC is low because its supply is entirely sourced from Australia and New Zealand and thus physically far removed from high-risk areas and locations of conflict. Notwithstanding this, ABC supply chain and client due diligence policies are very clear that potential risks in the supply chain risk assessment must be communicated to Senior Management. The Due Diligence Policy ([Annexure 1](#)) states that Senior Management retains the ultimate control and responsibility for the supply chain. Senior Management is responsible for each new supply chain assessed as “high” or “extreme risk” and must revisit each year the decision whether to continue with these business relationships or not.

3.2 Devise a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk

Further to the LBMA RGG Version 6.1 dated 14 August 2015 and Version 6.2 dated 1 September 2017 and the OECD Due Diligence Guidance, ABC is regulated by the AUSTRAC and is a reporting entity under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Act)* and *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (AML/CTF Rules)*. Accordingly, ABC has an internal AUSTRAC AML/CTF Program that sets out the identification, management and reduction of the risk of money laundering and terrorism financing as well as our customer identification procedures. Moreover, ABC is subject to onerous reporting obligations under

the Act and the AML/CTF Rules. Among other legal requirements, ABC is required to lodge Suspicious Matter Reports (**SMRs**) with AUSTRAC within 72 hours if ABC forms a suspicion on reasonable grounds that a person or group may be committing an offence related to money laundering or terrorism financing, or any other offence.

Notwithstanding that the supply chain risk of ABC is low, ABC's Monitoring and Risk Management Policy (Annexure 27) sets out a Red Flag Transaction - Risk Management Strategy. The Policy states that in the event the Stock Control Receipt Officer or another employee identifies a potential "red flag" and files a Suspicious Transaction report in accordance with this Policy or ABC's Whistleblowing Policy, the Compliance Officer shall review the report (**Customer Incident Case**) and assign a "low", "medium" or "high" risk category to the case. The category to be assigned shall be determined by adopting a risk-based approach in the Compliance Officer's best judgment.

The Compliance Officer shall submit the Customer Incident Case to the Compliance Committee for the Committee to determine a protocol and strategy for the risk management of the identified risk to be taken. The risk strategy to be adopted shall be determined after conducting an investigation to determine the appropriate course of action that shall be one of the below and must take in to consideration any applicable legal requirements not to "tip off" and report to the authorities, in the event of suspected money laundering. The Compliance Committee shall promptly provide a report sent to Senior Management that contains notification of the risk strategy to be adopted. The three risk strategy options are (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk.

3.3 Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management

ABC's risk-based approach necessitates regular monitoring of all medium and high risk Customer Incident Cases. ABC's Monitoring and Risk Management Policy (Annexure 27) sets out several mechanisms to monitor the steps taken by ABC. When adopting the *mitigation of the risk while continuing trade* approach the policy states that this strategy must include qualitative and or quantitative indicators in order to measure improvement together with a reasonable deadline for achievement that has been communicated to the Customer. The advancement of the plan should be reviewed regularly and the results communicated to Senior Management. If ABC adopts the *mitigation of the risk while suspending trade* approach ABC shall suspend refining gold from the customer until it can obtain additional information confirming or refuting the preliminary assessment. Finally, when ABC adopts the *disengagement from the risk* approach ABC will immediately stop refining gold from the customer.

If ABC adopts measures i or ii and is unable to demonstrate progress within six months from the adoption of the risk management plan ABC will disengage from the risk and cease dealing with the customer.

3.4 Undertake additional fact and risk assessments for risk requiring mitigation, or after a change of circumstances

Following the implementation of a risk mitigation strategy, the Compliance Committee will consider whether ABC should repeat due diligence steps, or consider other measures as appropriate, to ensure effective management of risk. This is a decision that must be made after deliberations with Senior Management.

Step 4 - Arrange for an independent third-party audit of the supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 4 - Arrange for an independent third-party audit of the supply chain due diligence.

Audit Standards – IASE 3000

In accordance with the LBMA RGG, we engage the services of the assurance provider William Buck Chartered Accountants (**William Buck**) to conduct an annual audit of our compliance with the LBMA RGG. William Buck is on the LBMA Approved Service Providers List. William Buck use ASAE 3000 which is the Australian aligned standard to *ISAE 3000 Assurance Engagement* to assess ABC's compliance with the LBMA RGG.

By way of background, the William Buck Network is an Australian owned and managed mid-tier professional services firm, with offices in all major Australian cities and in Auckland New Zealand, with approximately 650 directors and professional staff.

As required by the LBMA RGG, the audit report includes:

- i. Confirmation of the auditor's professional qualification;
- ii. Confirmation of the auditor's independence;
- iii. The audit standards applied;
- iv. The auditor's assessment on the Refiner's Compliance Report; and
- v. An Annex listing the countries of origin of gold (both Mined and Recycled), and amount received from each country, for the assessment period.

Submission of Audit Report to LBMA

ABC's audit reports are sent to the LBMA Chief Executive via email within three months of our 30 June financial year end.

Step 5 – Report on supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 5 - Report on supply chain due diligence.

We publically report on our gold supply chain due diligence policies and practices, with appropriate regard for security, proprietary information and the legal rights of the other supply chain actors, as evidenced by the compliance material available on our company website www.abcrefinery.com

ISAE 3000 - Refiner Compliance Report

Each year we prepare a Refiner Compliance Report which includes the following information:

- i. Name of Refinery;
- ii. Time period of compliance;
- iii. Summary of activities undertaken during the period to demonstrate compliance;

- iv. Refiner's level of compliance with each Step of this Guidance;
- v. Management conclusion statement on compliance with this Guidance;
- vi. An Annex listing the countries of origin of gold and amount received from each origin for the reporting period.

Corrective Action Plan

When there is a Medium / High-Risk / Zero Tolerance non-compliance, or ABC fails to satisfy at least one of the LBMA RGG requirements ABC is committed to preparing a Corrective Action Plan to remedy an area of concern. We will submit the Corrective Action Plan to the LBMA. The Corrective Action Plan will include the following information:

- i. A description of the issue;
- ii. Reference to the relevant section in this Guidance;
- iii. Assigned risk rating of the non-compliance;
- iv. Corrective actions to be taken for each non-compliance identified;
- v. The timeframe for completion of corrective actions for each non-compliance identified; and
- vi. The person responsible for the implementation of each corrective action.

ABC will report to the LBMA on the status of the area of concern in its next Refiner Compliance Report.

Other report comments

If users of this report wish to provide any feedback to ABC Refinery with respect to this report, they can contact ABC's Legal and Compliance Counsel on compliance@abcrefinery.com

Yours sincerely



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