

March 2017

**LBMA RESPONSIBLE GOLD GUIDANCE –
SUMMARY ASSESSMENT REPORT**
For third-party audits based on ISO 19011:2011

Company name	JSC “Kyrgyzaltyn 720 040, Bishkek, Abdymomunova str., 195
Reference Standard LBMA RGG	On the base of ISO 19011

Audit Team	
Team Leader	Team Members
Bidibekova Gulzhan (BGA)	-

Type of Audit	Date of Opening Audit	Date of Closing Audit	Total no. of Mandatory Days
Full assessment audit	n/a	n/a	n/a
Re - Assessment review	23 rd March 2017	24 th March 2017	2
Follow-up assessment	n/a	n/a	n/a

Site address(es)	195 Abdumomunov Str. Bishkek c., Kyrgyz Republic, 720040 16, Kozhomberdieva Str., Kara-Balta c. , Chui region
Refiner Contact	Azat Jeenbekov, Jeenbekov@kyrgyzaltyn.kg , +996 312 666 670, ext. 20-27

	Non-Compliance – risk level				
	Compliant	Low	Medium	High	Zero-tolerance
Based on the assessment conclusions, the overall rating of the Refiner’s performance is determined to represent:	✓				

Is a follow-up visit required (in the case of high-risk non-compliance)?	Yes	No
Date of follow up visit	Assigned auditor	

<u>AUDIT SUMMARY</u>
Basic Inputs
This assessment review is related to the period 01.01.2016 – 31.12.2016.
This is the first full re - assessment Audit.

The Compliance Manager/ Senior (LBMA) Specialist of FEA Department), head of the LBMA compliance team as well as another member of the compliance committee, attended the opening meeting and also were interviewed to verify the level of compliance to the LBMA programme together with the other process officers involved in LBMA RGG management system. Key activities such as re-cycle gold receiving for refinery process, re-cycle gold in-coming inspection and laboratory testing process, supply chain risk assessment, refinery, storage, packaging, inventory, and products delivery were verified and audited.

The number of gold supplying counterparties is mainly confirmed having the same characteristics, with the following percentages:

☑ Industrial mining operations (large or small scale): % 95 large

☑ Artisanal mining operations: % 1

☑ Traders / brokers: % 0.5

☑ Recycled material/collectors: % 0

☑ Industrial scrap providers: % 0

Others: 4 % (Bank, transportation)

No any high risk gold supplying counterparty is found during this audit.

94% of the suppliers are classified as low risk suppliers and 6% of them are classified as medium risk suppliers.

Time allocated for the audit was found adequate to complete the audit process in time.

All recommendations identified during the previous audit have been addressed.

Description of the company activities (mandatory for all audits)

The Company activities are confirmed to be related to: The scope of activities of the company were verified and confirmed as “Processing of raw materials containing precious metals with subsequent refining of gold and silver”. DORE.

The process consists of the following operations: 1. Acceptance of raw materials; 2. Procedure of high-temperature chlorination – Miller’s Process; 3. Gold electrolysis to obtain refined gold with 99,9% purity; 4. Silver recovery from cp-slag; 5. Silver electrolysis to obtain silver with 99,9% purity; 6. Producing of bank gold bars (~400oz), bank silver bars (~800oz), small gold bars (1000,0 gr., 100,0 gr.). The Company does not refine Grandfathered materials.

Manual adequacy

There is a Manual 05.24.16 and “Risk assessment for processes of gold and silver supply chain” for 2016 (rev.12/2016) provided for audit and all LBMA Responsible Gold Guidance clauses processes are covered and clearly described (Improvement strategy, risk assessment and re-assessment approach and evaluation – some of them are mentioned in different documents, refs. included).

Verification of all applicable statutory requirements was done on the base of checking all provided by Company documented information. All applicable statutory requirements are complied with company documentation provided for audit. It was confirmed that key clauses in LBMA Responsible Gold Guidance are addressed.

Assessment of level of compliance for refiner’s systems, processes, procedures and practices according to the LBMA Responsible Gold Guidance

Step 1: Establish strong refiner management systems

The refiner has developed the LBMA compliance policy regarding due diligence for supply chain of Gold in compliance with LBMA Responsible Gold Guidance. This policy is published in the company website available at <http://www.kyrgyzaltyn.kg>

The policy provides an executive summary of the management systems and procedures governing the due diligence policy for gold supply chains. The Policy underwent an official review process in May, 24, 2016.

The refiner has implemented an internal management structure to support supply chain of gold in compliance with LBMA Responsible Gold Guidance. Regular training sessions are held for all staff

involved with or holding responsibilities related to the supply chain, as well as the management team (February, September 2016). Training program published on Company's website. The Company Policy is communicated to all employees related to the gold-refining process. The refiner has appointed a compliance officer (Aliya Sultanova Senior Specialist of FEA) responsible for enforcing the implementation of the due diligence procedures and who reports to the management as Compliance Officer. The Senior Management (Azat Zheenbekov – Management Representative) is responsible for overseeing the supply chain and ensures that the compliance department and related departments are provided with adequate resources in order to fulfil their responsibilities.

The refiner upholds the implementation of their internal due diligence procedures, controls and processes. Transactions are consistently recorded and records are kept for a period of at least 5 years.

The refiner has requested that all gold-supplying counterparties have committed to and acknowledged in writing compliance with the refiner's own Company Policy. The policy is communicated to all counterparties on a yearly basis along with expectations and moral and ethical principles governing the company's activities.

The refiner has implemented an effective, anonymised communication mechanism that allows employees to express concerns or provide feedback over issues related to the gold supply chain (priemnaya@kyrgyzaltyn.kg). All staff members were aware of the mechanism and that the general training sessions were provided according the Training program. The company is incorporating training using the mechanism as part of new joiners' induction sessions.

Step 2: Identify and assess risk in the supply chain

The refiner regularly reviews and revises their assessment procedure. The refiner has clearly defined risk categories and has procedures prescribing enhanced monitoring for any high-risk categories identified during the due diligence procedures and Risk Assessment Table (rev 12.19.2016). No any high-risk transactions were identified during the assessment period. All transactions were satisfactorily managed with all steps in the procedure being followed and involvement of Senior Management.

The refiner collects information on clients from reliable and independent sources and conducts their activities with LBMA Good Delivery Refiners.

For contractors, the refiner planned an audit to be carried out on a yearly basis.

The Compliance Officer regularly reports risk assessment and results to the Senior Management. The Senior Management is responsible for approving each new supply chain assessed as high, mediumrisk, and re-assesses these on an annual basis to determine whether the business relationship should continue. The last Senior Management review was conducted in 2 February 2016 and 6 March 2017. All findings from previous audits are effectively closed.

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

Risk mitigation strategy has been established formally in the refiner's Manual. Senior Management actively provides support for this strategy. The changes to the Document will be verificated by Boad of Kyrgrzaltyn as separate document in the second quarter. Assessment results did not present any high-risk counterparties at this time.

The Compliance Officer and the compliance team is aware of the enhanced due diligence measures and these are documented ready to be implemented if necessary.

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

This is the fourth year that the refiner completes an LBMA Gold Guidance, with audits completed once a year. The refiner has ensured that these audits are diligently completed in accordance with the LBMA Guidance and the OECD Guidance.

Step 5: Report on supply chain due diligence

The refiner publishes the LBMA Summary report in June 2016 and revised Company Policy in May, 24, 2016 on their website (link provided above).

Assessment Conclusions						
Category	Subcategory	Compliant	Non-compliance risk level			
			Low	Medium	High	Zero tolerance
General information		✓				
Step 1	1.1	✓				
	1.2	✓				
	1.3	✓				
	1.4	✓				
	1.5	✓				
Step 2	2.1	✓				
	2.2	✓				
	2.3	✓				
Step 3	3.1	✓				
	3.2	✓				
Step 4	4.1	✓				
Step 5	5.1	✓				
Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent:		✓				

Assessment scope	
<i>Refiner location(s) included in the assessment scope</i>	Karabalty city, 720441, Kozhombardieya, 1B Kyrgyzstan
<i>Assessment period</i>	From 01 st January 2016 – 31 th December 2016
Assessment methodology	
<p>Each area of the LBMA Responsible Gold Guidance was verified by documented information review and management/employee interviews, as well as observation during the facility tour.</p> <ul style="list-style-type: none"> The evidence of compliance that was reviewed included: Documented policy, procedures, records, traceability system The following areas of the facility were visited during the tour: Head Office in Bishkek Factory Refinery and laboratory in Karabalty, The following interviews were conducted with management: Melnikov Vladimir – Refinery Director, Responsible for risk assessment monitoring Azat Jeenbekov- Chief of Foreign Economic activities Department of Kyrgyzaltyn/ Management Representative for LBMA Sultanova Aliya – Senior Specialist of Economic activities Department of 	

<p>Kyrgyzaltyn/Compliance officer for LBMA Zazulin Valeriy – Chief Accountant; Golubtsov Vyacheslav – Head of Workshop, Sagynov Bektur – Deputy Chairman of Board; Kazakov Talant Deputy Chairman of Board JSC ‘Kyrgyzaltyn’ The following interviews with employees were conducted: Melnikov Vladimir - Refinery Director, ZazulinValeriy - Chief Accountant Golubtsov Vyacheslav - Head of Production, Sultanova Aliya - Senior Specialist of foreign economic activities department/Compliance Officer, Jeyenbekov Azat - Chief of foreign economic activities department/Management Rep for LBMA, Tolokonnikova Tatiana – Director’ Assistant</p>
<p>Any significant or inherent limitations or areas not covered that were within the assessment scope:</p>
<p><i>None</i></p>
<p>Assessment criteria</p>
<ul style="list-style-type: none"> • The auditor took into account all relevant objective evidence provided by the refiner. Relevant evidence was both qualitative or quantitative where relevant as far as it is appropriate and sufficient to support the auditor’s conclusions

The Auditor confirm that:

- ✓ The information provided by the refiner is true and accurate to the best knowledge of the Auditor(s) preparing this report
- ✓ The findings are based on verified Objective Evidence relevant to the time period for the assessment, traceable and unambiguous
- ✓ The Auditor(s) have acted in a manner deemed ethical, truthful, accurate professional, independent and objective
- ✓ The Auditor(s) are properly qualified to carry out the assessment at this refiner’s facility.

Lead Auditor:

Bidibekova, Gulzhan (Kulzhan)

Signature: 

Date: 26th March 2017

LBMA Responsible Gold Guidance – Corrective Action Plan

All activities accordance the corrective plan were fully implemented, all findings were effectively closed.