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PX Précinox SA
La Chaux-de-Fonds (Switzerland)

Independent Reasonable Assurance Report

for the year ended 31 December 2017

Independent Reasonable Assurance Report to the Board of Directors of PX Précinox SA, La Chaux-de-Fonds, Switzerland

We were engaged by PX Précinox SA to provide reasonable assurance on its Refiner's Compliance Report for the year ended 31 December 2017.

The assurance scope consists of the Refiner's Compliance Report and the Country of Origin Annex.

Responsibilities

The Board of Directors of PX Précinox SA is responsible for the preparation and presentation of the Refiner's Compliance Report and the Country of Origin Annex in accordance with the *LBMA Responsible Gold Guidance* (the *Guidance*). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the directors as relevant for demonstrating compliance with the *Guidance* are the activities described within the Refiner's Compliance Report. Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance *ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board and the guidance set out in the *LBMA Responsible Gold Programme – Third Party Audit Guidance for ISAE 3000 Auditors* (the *Audit Guidance*).

This report and its annex have been prepared for PX Précinox SA for the purpose of assisting the Board of Directors in determining whether PX Précinox SA has complied with the *Guidance* and for no other purpose. Our assurance report is made solely to PX Précinox SA in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than PX Précinox SA for our work, or for the conclusions we have reached in the assurance report.

Inherent limitations

Non-financial information, such as that included in the Refiner's Compliance Report and the Country of Origin Annex, is subject to more inherent limitations than financial information, given to more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the *Guidance* may differ. It is important to read the PX Précinox SA's gold supply chain policy available on PX Précinox SA's website www.pxgroup.com.

Independence and competency statement

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the *Audit Guidance* to carry out the assurance engagement.

Emphasis of matter paragraph

We draw attention to the fact that the Country of Origin Annex is not publically available.

Conclusion

In our opinion, the PX Précinox SA's Compliance Report and the Country of Origin Annex for the year ended 31 December 2017, in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is in accordance with the requirements of the *LBMA Responsible Gold Guidance*.

MAZARS LTD



Franck Paucod
Licensed audit expert
(Auditor in Charge)



Sébastien Gianelli
Licensed audit expert

Geneva, March 28, 2018

Enclosures:

- PX Précinox SA's Compliance Report 2017 and Country of Origin Annex

Copy to London Bullion Market Association

LBMA Responsible Gold Program Report for 2017 period

Table 1 – Refiner’s details	
Refiner’s name	PX Précinox SA
Location	Boulevard des Eplatures 43, CH 2304 La Chaux de Fonds
Reporting Period	From 01.01.2017 to 31.12.2017
Date of report	28.03.2018
Senior management responsible for this report	T.Lipe, info@pxgroup.com

Table 2 : Summary of activities undertaken to demonstrate compliance	
Step 1: Establish Strong company management systems	
<p><i>Compliance Statement with Requirement:</i> PX Précinox SA has fully complied with Step 1: Established a strong integrated management system in the company.</p>	
<p>1. Px Précinox SA has adopted a policy regarding due diligence for supply chain of gold</p>	
<p>Px Précinox SA has adopted a gold policy consistent with the Model Policy set forth in Annex II of the OECD Due Diligence Guidance For Responsible Chains of Minerals from Conflict-Affected and High Risk Areas. Our policy has been reviewed in December 2017 and is re-conducted for 2018. Our policy is available on our website www.pxprecinox.com</p>	
<p>2. Px Précinox SA has established an internal management structure to support supply chain due diligence</p>	
<p>Senior management has allocated internal resources to collect, maintain and assess documentation regarding the source of material. The internal structure is allowed to perform any needed investigation in order to ensure that material is not linked to conflict or terrorism financing, money laundering or human right abuse.</p> <p>Internal management structure is under the senior management responsibility.</p> <p>A specific chart describes the organization. Tasks like Administration, Internal audit, Training, Traceability and Monitoring are assigned by job description.</p> <p>Standards and instruction are described in documents controlled by our management system.</p> <p>Internal training is dispensed to all relevant employees in contact with counterparty.</p> <p>The effectiveness and performance of the supply chain due diligence process is assessed by internal and external audits.</p> <p>By an annual review, Senior management controls the availability of resources necessary to support the completion of the mission and monitoring.</p>	
<p>3. Px Précinox SA has established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors</p>	
<p>Supply Chain traceability system</p> <p>All counterparties (customers, suppliers, beneficial owner...) are registered in our ERP system. For each of them we maintain due diligence records. Every material incoming PX Précinox SA is identified by a unique batch number from the reception area to the assaying. All the relevant information is recorded in our ERP like origin, beneficial owner, nature, date, amount...</p>	

Maintaining records

All transactions records are maintained for ten years. Due diligence documents are kept for ten years too.

Training

External training is performed on yearly basis for Due diligence responsible. Employees who take part in due diligence process or in contact with customer are regularly trained by the compliance officer.

Compliance officer

The compliance officer is nominated by senior management. He is in charge of the deployment of the **PX Précinox SA** Due diligence policy. This deployment is made through standards and instructions, training and control. Compliance officer executes risk assessment and ask for clarification if needed. Compliance manager reports to senior management high risk cases and proposes additional measures to mitigate the risk. He facilitates internal and external inspections and ensures the consistency of management system regarding external standards.

Payment through official banking channel

No cash payment is allowed. Payment are only realized by banking channel according internal rules.

Cooperation with government authorities

PX Précinox SA is under the survey of Swiss authority for banking and market regulation. Every year the company is audited and demonstrates its ability to perform efficient due diligence process, monitoring and keeping of records. **PX precinox SA** internal rules set a communication process for any kind of doubt regarding money laundering, financing of terrorism or human right abuse.

4. PX Précinox SA is strongly engaged in promotion of ethical practice and assists counterparties where possible in building their due diligence capacities

Px Précinox SA promotes ethical sourcing by its own program named PX Impact. In contact with our counterparty, we assist them to ensure a reliable control of the supply chain.

5. PX Précinox SA has established a confidential grievance mechanism

For employee who wants to communicate a doubt about money laundering, bribery or any concerns about the respect of responsible supply chain policy can voice is concern by direct contact with compliance officer or operational management or human resources management. All information is treated by senior management.

For external Stakeholder, the Swiss federal government has nominated a federal office called MROS in charge to perform the collection, examination and evaluation of the opportunity to transmit to the prosecution authorities, all doubt raised regarding money laundering, financing of terrorism.

<p>Step 2: Identify and Assess Risks in the Supply Chain</p>
<p>Px Précinox SA has fully complied with Step 2: Identify and Assess risks in the supply Chain</p>
<p>1. Px Précinox SA has a process to identify risks in the supply chain</p>
<p>In accordance with Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, PX Précinox SA set an identification mechanism of risk in the supply chain. Elements assessed are: location, legal status, activity, beneficial owner, compliance with local regulations or international certification. Transactions are categorized according their nature and for each of them a control plan is applied for verification of origin, beneficial owner, nature, volume...</p>
<p>2. Px Précinox SA assesses risks in light of the standards of their due diligence system</p>
<p>2.1 Supply chain Due diligence</p> <p>Before start of commercial relationship, PX Précinox SA identifies the counterparty and its stakeholder using several enquiry documents including LBMA toolkit Questionnaire for non-industrial or foreign customer. This identification is compliant with Swiss AML law and LBMA Responsible Gold Program.</p> <p>2.1.1 Recycled Gold</p> <p>Our sources of recycled Gold are mainly involved in industrial activities. For ones who collect old jewelries, industrial scrap or post-consumer bullion, PX Précinox SA shares its value, its expectation and control the compliance of counterparty's due diligence process.</p> <p>2.1.2 Mined Gold from Artisanal and Small-Scale Mining (ASM)</p> <p>For PX Précinox SA senior management, source from ASM is only possible if the ASM is certified according Fairmined standard. PX Précinox SA is working closely in collaboration with its partner Dynacor in deployment of responsible gold sourcing. This program named PX Impact allows supporting local communities development.</p> <p>2.1.3 For Mined Gold from Medium and Large-Scale Mining</p> <p>For gold from extraction, due diligence process includes the use of LBMA toolkit questionnaire and check list.</p> <p>2.2 High Risk Supply Chains</p> <p>Px Précinox SA has define in accordance with our Responsible Sourcing policy criteria to determinate high risk situation in compliance with LBMA Responsible Gold Program</p> <p>2.3 High Risk Categories</p> <p>For High Risk categories, several additional investigations are performed like on site audit by a graduated auditor or recognized auditing company. In case of individual person, a face to face meeting is organized to evaluate the economic background.</p> <p>2.3.1 Recycled Gold from sources located in conflict or human right abuse high-risk areas</p> <p>Our internal due diligence management process define the monitoring of political, social or environmental situation in case of counterparty located in high risk area. For the moment no commercial relationship is open with this category of risk.</p> <p>2.3.2 Gold mined from ASM located in conflict or human right abuse high risk areas</p> <p>Our standard defines the monitoring to perform but no case for the moment.</p> <p>2.3.3 Gold mined from LSM located in conflict affected or human right abuse high risk areas</p> <p>Our standard defines the monitoring to perform but no case for the moment.</p> <p>All countries listed in Dodd Frank act and under sanctions of Swiss Secretary of Economy are considered as very high risk. No transaction can be done with counterparty from these countries and no material having as origin or transiting by these country can be accepted without the expressed agreement of Senior Management</p>

<p>2.4 Monitoring of transactions</p> <p>For all transactions, PX Precinox SA keeps record of all relevant information (customer, beneficial owner, date, delivery document, customs documents...). Nature, origin, assay results, volume... are compared to information communicated at the opening of the commercial relationship. In case of deviation, material is blocked in quarantine until doubt is erased.</p>
<p>3. PX Précinox SA Compliance Officer reports risk assessment to designated Senior Management</p> <p>An annual report is communicated to Senior management by Compliance officer, in addition to the report of internal audit. High risk transactions or commercial relationship are approved by Senior Management. In case of doubt about money laundering, terrorism financing or human right abuse, Senior Management is involved in communication to Swiss Federal Bureau of Communication (MROS).</p>
<p>Step 3: Design and implement a management system to respond to identified risks</p> <p>Px Précinox SA has fully complied with Step 3: Design and implement a management system to respond to identified risks.</p>
<p>1. Report findings to designated Senior Management</p> <p>Commercial relationship with High risk counterparty is approved by Senior Management. Transactions presenting high risk level are approved by senior management too. Information about a risk of non-compliance with our responsible sourcing policy or regulation is reported to Senior Management.</p>
<p>2. PX Précinox SA devise a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing trading, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk</p> <p>Depending on the result of risk assessment, Compliance Officer in cooperation of Senior Management can decide to reject or to suspend the commercial relationship or close it definitely. This occurs for example when a certified ASM loose is certification.</p>
<p>4. PX Precinox SA undertakes additional fact and risk assessments for risk requiring mitigation, or after a change of circumstances</p> <p>PX Precinox SA renews frequently our due diligence files. When a change in counterparty's situation occurs, a new risk assessment is performed.</p>
<p>Step 4: Agreement to have an independent audit on the supply chain by a third party</p> <p>Px Précinox SA has fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence</p> <p>PX Précinox SA engaged the services of the company MAZARS, and their report is attached.</p>
<p>Step 5: Report on supply chain due diligence</p> <p>PX Précinox SA has fully complied with Step 5: Report on supply chain due diligence</p> <p>PX Précinox SA's company policy is available on the PX Précinox SA website, together with the Compliance report and the third party audit report.</p>

Senior Management Overall conclusion

Table 3: Management conclusion

PX Précinox SA is in compliance with the requirements of the LBMA Responsible Gold Guidance for the reporting period of 2017

We have implemented a robust management system, procedures and processes to conform to the requirement of the LBMA responsible Gold Guidance including Due Diligence process, Risks Assessments, Monitoring of transaction and Responsible Practices promotion.