

LBMA STATEMENT

Nadir – 2018 Special Audit Report re Venezuela

A Special Audit has a very specific focus and helps to provide a second opinion to confirm the refiner's compliance with the Responsible Gold Guidance (RGG) during the reporting period. LBMA selects the auditor, who is independent of the original auditor.

In line with LBMA's RGG, Nadir Metal Rafineri San. Ve Tic. A.Ş. reported confidentially the Country of Origin Annex for gold (both mined and recycled), including amount received from each country. Venezuela was not listed as a Country of Origin in the 2018 Annex. As a result of allegations linking the Bolivarian Republic of Venezuela to Turkish refiners on the LBMA Good Delivery List (GDL), the report was escalated to LBMA's Responsible Sourcing Compliance Panel and was also brought to the attention of LBMA's Physical Committee.

LBMA required a follow-up audit or "Special Audit". The assessment scope required confirmation that there had not been any trade or business of gold between Nadir and the Bolivarian Republic of Venezuela. The Special Audit sought to provide further assurances about the completeness and accuracy of the company's public statements and the country of origin data provided by the refiner as part of the 2018 audit.

Based on the limited assurance procedures performed, nothing came to the attention of the auditors that caused them to believe that Nadir had purchased or sold or had any type of relationship with the Bolivarian Republic of Venezuela, or that caused concern about the completeness and accuracy of the company's public statements and country of origin data for the year ended 31 December 2018.

LBMA issued the 2018 RGG certificate to Nadir on 11 December 2019.

**NADİR METAL RAFİNERİ SANAYİ VE
TİCARET A.Ş.
INDEPENDENT LIMITED ASSURANCE
REPORT PREPARED
AS OF 31 DECEMBER 2018 IN
ACCORDANCE WITH INTERNATIONAL
STANDARD ON ASSURANCE
ENGAGEMENTS ISAE 3000 ISSUED BY
THE INTERNATIONAL AUDITING AND
ASSURANCE STANDARDS BOARD**

ISAE 3000 INDEPENDENT LIMITED ASSURANCE REPORT ON THE ABSENCE OF BUSINESS AND TRADE OF GOLD AND PRECIOUS METALS BETWEEN NADİR METAL RAFİNERİ SANAYİ VE TİCARET A.Ş. AND BOLIVARIAN REPUBLIC OF VENEZUELA

To the Board of Directors

Nadir Metal Rafineri Sanayi ve Ticaret A.Ş.

We have engaged by the Board of Directors of Nadir Metal Rafineri Sanayi ve Ticaret A.Ş. (Nadir Metal / the Company) to perform a limited assurance engagement on the "Subject Matter Selected for Limited Assurance", within the context of Gold Supply Chain Policy of the Company. Independent limited assurance work was conducted in accordance with International Standards on Assurance Engagements ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and with the guidance set out in the LBMA Responsible Sourcing Programme - Third Party Audit Guidance for ISAE 3000 Auditors (the Audit Guidance) issued by the LBMA and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance). An independent limited assurance report ("the Report") was prepared for the year ended 31 December 2018.

The Management Responsibilities

The management of Nadir Metal is responsible for the preparation and presentation of the Subject Matter Selected for Limited Assurance within the context of Gold Supply Chain Policy of the Company in accordance with Nadir Metal's internally defined procedures for the development of the Reporting Criteria. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the information in a way that is free of material misstatements.

The Auditor's Responsibility

Our responsibility is to carry out a limited assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standards on Assurance Engagements ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial information, issued by the International Auditing and Assurance Standards Board and with the guidance set out in the LBMA Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors (the Audit Guidance) issued by the LBMA and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance).

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance provided.

This report has been prepared for Nadir Metal Rafineri Sanayi ve Ticaret A.Ş. for the purpose of assisting the management in determining whether there has been any trade or business of gold and precious metals between Nadir Metal and Bolivarian Republic of Venezuela and private companies and real persons, completeness and accuracy of the public statements (compliance report). Country of origin data provided by Nadir Metal as part of 2018 audit, assessment of management systems and controls to comply with the requirements of LBMA's Responsible Sourcing Program for no other purpose. Our assurance report is prepared solely to Nadir Metal and LBMA in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Nadir Metal for our work, or for the conclusions, we have reached in the assurance report.

Limited assurance procedures performed

The following identified information in the Report selected for an expression of limited assurance:

- a) The Company has not purchased gold or related precious metals from any of the Bolivarian Republic of Venezuela's public and private companies or real persons.
- b) The Company has not sold gold or related precious metals to any of the Bolivarian Republic of Venezuela's public and private companies or real persons.
- c) The Company does not have any other kind of business relationship with any of the Bolivarian Republic of Venezuela's public and private companies or real persons.

We have planned and performed our work to obtain all evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Enquiries of management to gain an understanding of Nadir Metal's Responsible Gold Sourcing and Supply Chain Policy, internal processes and control systems to understand the risk management procedures and required clarifications, disclosures were obtained,
 - Within the scope of preparation of this report, necessary explanations were obtained from the responsible staff concerned,
 - Nadir Metal's refinery has been visited. The complete Gold Supply Chain process observed, the required disclosures obtained and necessary audits and controls performed regarding the functionality of the system. We reviewed the procedures for goods receiving, laboratory testing and refining gold and observed how these procedures support Nadir Metal Refinery's compliance program and systems of Customer Relationship Management (CRM), Archive and Traceability. Client transactions are covered through the traceability system starting from goods acceptance, assay results and details of customs declaration or consignment bill to invoice.
-
- Procedures, documents and information related to gold suppliers, buyers and other related parties, risk assessments, management systems, internal controls of the supply chain selected in order to assess if Nadir Metal has an effective compliance system. As a result of the assessments, it was seen that Nadir Metal has established an effective compliance system that is in accordance with LBMA Responsible Gold Sourcing Program and OECD Guidance.
 - Within the context of the Know Your Customer (KYC), where Nadir Metal has established a management system that Responsible Gold Sourcing and Supply Chain Policy has put into place, established an appropriate internal control and communication system. Identified the risks in the supply chain and took the necessary precautions. Nadir Metal has formed a set of procedures and applications in order to identify risks in the supply chain. It has been found that the entire system is kept in operation by establishing a risk management procedure.

Limited assurance procedures performed (continued)

We have carried out the following audit procedures in order to test the "Subject Matter Selected for Limited Assurance":

- We have checked sales accounts of the Company between 01 January – 31 December 2018. We listed all the clients according to the transaction values. We checked client files according to Company's gold supply chain policy, customer acceptance policy, risk assessment policy and the other related documents.
- We have checked cost of goods sold and suppliers' accounts between 01 January – 31 December 2018. We checked suppliers' files according to the company's gold supply chain policy, supplier acceptance policy - KYC policy, risk assessment policy and the other related documents. We randomly selected suppliers' files and tested them accordingly.
- The assessment of risk in a supply chain begins with the origin of gold supply. The Company has put forth the reasonable and good faith efforts, as well as additional first-hand evidence (collected through engagement with suppliers and desk research) and credible sources in order to make reasonable determinations of gold origin. Identification and "know your customer" information of all actors in the gold supply chain, including, but not limited to, the gold producers, intermediaries of Nadir Metal, gold traders and exporters and re-exporters, as well as third party service providers handling the gold (e.g. logistics, processors and transportation companies).
- We tried to identify the ownership (including beneficial ownership) of the companies, corporate structure (including the names of corporate officers and directors) and the related businesses such related parties, affiliates and subsidiaries of the companies. The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Gold Supply Chain Policy, whether due to fraud or error. In assessing the risk, we consider the internal controls relevant to the Company's preparation of the Gold Supply Chain Policy in order to design procedures that are appropriate in the circumstances.
- Nadir Metal has a Risk Assessment Manuel where all the KYC procedure, required documentation and information for due diligence or enhanced due diligence, responsible persons and their tasks & duties, risk assessment procedures and internal workflow is defined in detail. Along with its effective KYC documentation and tools (CRM, Archive systems) Nadir Metal has executed its KYC procedures. According to the origin of country and metal type of the transactions, the compliance officer is preparing country reports where information are obtained by Heidelberg Barometer, Office of Foreign Assets Control (OFAC) and United Nations (UN) Security Council & United States (US) Department of Treasury Sanction Lists, Extractive Industries Transparency Initiative (EITI), The World Factbook, Transparency Index, Financial Action Task Force (FATF) Reports, etc.). Furthermore during customer profiling, type of customer (bank, manufacturing jeweller, retailer jeweller, trader, mines, etc.) and an independent internet search through recognized web address like OFAC, Turkish Capital Markets Board's Blacklist are taken into consideration

We have not carried out any work on data reported for prior reporting periods except for data that was included in the prior year's assurance scope, nor have we performed work in respect to future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict of our opinion to the "Subject Matter Selected for Limited Assurance", within the context of Gold Supply Chain Policy of the Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Inherent limitations

Information on non-financial activities is subject to more inherent limitations than financial information due to the characteristics of such subject matter and the obligations arising from the determination, calculation, sampling and forecasting of such information. The absence of an important regulatory body, which may provide for the selection of different but acceptable measurement techniques subject to assurance, may lead to significant measurement differences in this respect. This will lead to significant impact on comparability. The accuracy of different measurement techniques can also vary. In addition, the methods used to determine such information and the nature of the work and the measurement techniques and accuracy used may vary over time. The most important issue is that the Limited Independent Assurance Report can be read within the given criteria.

In particular, where information relies on information obtained from third parties, such as lab test results, our limited independent assurance efforts do not involve testing third party information that may be of interest to such information.

Independence and competency statement

We have compiled this report in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on the fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement conducted by a team of assurance specialists with experience in responsible gold reporting.

Limited assurance

Based on the limited assurance procedures performed nothing has come to our attention that causes us to believe that Nadir Metal Rafineri Sanayi ve Ticaret A.Ş. with regards to the "Subject Matter Selected for Limited Assurance", has purchased or sold or had any other type of business relationship with Bolivarian Republic of Venezuela, completeness and accuracy of the company's public statements and country of origin data for the year ended 31 December 2018. Compliance procedures, management systems and internal controls of Nadir Metal were in all material respects, prepared and presented in accordance with the requirements of the LBMA Responsible Gold Guidance and OECD Guidance.

Arkan Ergin Uluslararası Bağımsız Denetim A.Ş.
Member, JPA International

Eray YANBOL
Engagement Partner

İstanbul
25 October 2019



ARKAN ERGİN
ULUSLARARASI BAĞIMSIZ
DENETİM
ANONİM ŞİRKETİ