

**State Company
“Navoi Mining and
Metallurgical Combinat”**

**Compliance Report for the London
Bullion Market Association’s
Responsible Gold Guidance
for the year ended 31 December 2018**

Independent reasonable assurance statement by "Deloitte & Touche" Audit organisation LLC to State Company "Navoi Mining and Metallurgical Combinat" on its Compliance Report for the London Bullion Market Association's Responsible Gold Guidance for the year ended 31 December 2018.

We were engaged by State Company "Navoi Mining and Metallurgical Combinat" (the "Refiner") to provide reasonable assurance on their Compliance Report for the London Bullion Market Association's Responsible Gold Guidance (the "Responsible Gold Guidance") for the year ended 31 December 2018 (the "Compliance Report").

Scope and Subject Matter Information

Our engagement was performed with the objective of providing a conclusion on whether the assertions made by management, in their Compliance Report for the year ended 31 December 2018 with respect to the activities undertaken to demonstrate compliance with the Responsible Gold Guidance, are fairly presented.

The Responsible Gold Guidance comprises the criteria by which NMMC has measured and reported their level of compliance to the Responsible Gold Guidance and this was used for the purposes of evaluating management's assertions.

Management's Responsibilities for the Subject Matter

The management of NMMC is responsible for the preparation and presentation of the Compliance Report for the year ended 31 December 2018 in accordance with the Responsible Gold Guidance. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived, and for such internal control as the directors determine is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Refiner's Compliance Report

Auditor's Responsibility

Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed on the assertions made by management in the Compliance Report for the year ended 31 December 2018 with respect to the activities undertaken to demonstrate the level of compliance with the Responsible Gold Guidance.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historic 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). That standard requires us to comply with ethical requirements and to plan and perform our reasonable assurance engagement to obtain sufficient appropriate evidence on which to base our reasonable assurance conclusion.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion.

Inherent limitations

Non-financial information, such as that included in the Refiner's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques that can result in materially different measurements and can impact comparability. The methods used by refiners to comply with the Guidance may differ. It is important to read NMMC's Gold supply chain policy available on NMMC's website www.ngmk.uz/en/.

Independence and competency statement

The firm applies International Standard on Quality Control (ISQC) 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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.

Conclusion

In our opinion, NMMC's Refiner's Compliance Report for the year ended 31 December 2018, in all material respects, describes 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.

Restriction on Use

This report has been prepared for NMMC for the purpose of assisting the management in determining whether NMMC has complied with the Responsible Gold Guidance and for no other purpose. Our assurance report is made solely to NMMC in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than NMMC for our work, or for the conclusions we have reached in the assurance report.

AD "Deloitte & Touche" LLC

28 August 2020
Tashkent, Uzbekistan

Refiner's details:

Refiner's name: State Company Navoi Mining and Metallurgical Combinat ("NMMC")

Location: 27, Navoi Street, Navoi, Uzbekistan, 210100

Reporting year-end: for the year ended 31 December 2018

Date of report: 28 August 2020

Senior management: Director General – Mr. K. S. Sanakulov

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

During the reporting year, we have fully complied with Step 1: Establish strong management systems, as we have in place an appropriate gold supply chain policy, which is consistent with the model, set out in the Annex II of the Organization for Economic Cooperation and Development ("OECD") Due Diligence Guidance and is recommended by the London Bullion Market Association ("LBMA").

Has the Refiner adopted a company policy regarding due diligence for supply chains of gold?

NMMC is a 100% government owned company and is governed by its Charter – The Charter of the State Company "Navoi Mining and Metallurgical Combinat" #62, approved by the Cabinet of Ministers of the Republic of Uzbekistan on 4 April 2008. Our industrial and economic activity is directed on maintenance of steady growth of economic potential and social stability of the Republic of Uzbekistan by means of further increase of raw mineral resources efficiency, increase of highly liquid production and intensive development of new methods of manufacture.

The strategy and key performance of NMMC are defined and set by the government of the Republic of Uzbekistan on the annual basis. We comply with the legislation of the Republic of Uzbekistan on anti-money laundering, anti-bribery and corruption, terrorism financing, and instructions provided by the government on storage, accounting and delivery of precious metals within territory and outside of NMMC. During the reporting period, NMMC operated under the direct monitoring of the Agency for Precious Metals under the Central Bank of Uzbekistan (the "Agency") and the State Security Service of Uzbekistan (the "SSS"). Both of these organisations are government structures, whereas the SSS reports directly to the government and the President of Uzbekistan. Therefore, we are regulated strictly by the government decision and legislation.

Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Terrorist Financing, one of the Financial Action Task Force ("FATF") Style Regional Bodies and is rated medium to low risk on the Basel Anti Money Laundering ("AML") index. Furthermore, Uzbekistan has law about "Counteraction to legalisation of proceeds derived from criminal activity, and financing of terrorism". Given that the Refiner is under strong control of the government, it is therefore required to be strictly in compliance with the above mentioned law.

The legislation of the Republic of Uzbekistan is strict on export of gold and gold containing materials – for example, all companies operating with precious metals shall be included in a special register of the Ministry of Foreign Economic Relations, Investments and Trade and all export transactions shall include information on the origin of the precious metal. The legislation of the Republic of Uzbekistan is very strict on import of gold and gold containing materials and we performed no such operations during the reporting period. In order to import precious metals in any form, proper license of Ministry of Foreign Economic Relations, Investments and Trade must be obtained as well.

During the reporting period NMMC was exposed to no risk associated with the gold supply chain, as in 2018, 100% of gold bearing material supplies to the refinery were from 100% owned NMMC mines.

We established a separate gold supply chain due diligence policy and also relied upon the number of internally set policies and instructions, as well as legislation of the Republic of Uzbekistan to ensure that our internal operations were in compliance with the requirements of the Guidance pertaining to Anti-Money Laundering, Terrorist Financing and Human Rights violations.

Legislation of the Republic of Uzbekistan	Internally Set policies and instructions
<ul style="list-style-type: none"> • Law on Anti-money laundering and terrorism financing; • Law on health and safety; • Policy on protection of child rights against all forms of exploitation, sale of children, child prostitution and child pornography (<i>National Human Rights Centre of the Republic of Uzbekistan</i>); • Order on employment and social care of employees of the State Company "Navoi Mining and Metallurgical Combinat (<i>Order of the Cabinet of Ministers of the Republic of Uzbekistan</i>); • Law on foreign economic activity; • Law on appeals of individuals and legal entities to the state/government bodies; • Regulation on development of instructions on labour safety and protection 	<ul style="list-style-type: none"> • Regulation of Human Resources Department; • Internal guidance rules on employment; • Regulation of Complaints Department; • Collective Agreement between Employer and Trade Union; • Trade Union Policy; • Regulation on technical and labour safety; • Regulation on effective usage of financial means (<i>in accordance with law on anti-money laundering and terrorism financing, and considered as policy on compliance with anti-money laundering legislation</i>)

Note that the above list is not comprehensive. For instance there are around 100 policies and regulations only related to the technical controls.

Has the Refiner set up an internal management structure to support supply chain due diligence?

We have existing governance processes, reporting lines, organisational structure that are being used to support the Guidance. For the year ended 31 December 2018, we appointed a qualified employee for the role of Compliance Officer. Our existing governance processes, reporting lines, internal audit communication and management procedures are being used to support the Guidance. In addition, the appointment of the Compliance Officer is in process.

In addition, the existing governance structure is used to comply with the Guidance. For instance, in accordance with the established procurement procedures, our Legal Department oversees compliance with anti-money laundering laws, by reviewing the contracts for compliance with the legislation of the Republic of Uzbekistan. Unless compliant, no contract is approved.

Has the Refiner established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors?

We established a strong internal system, controls and transparency over the precious metal supply chain, including traceability and identification of other supply chain actors. The stock controls are set as part of the internal transportation process within the gold supply chain. The overall transportation process is internal and is solely performed by NMMC. Stock controls exist at each of the 3 steps of transportation process: ore delivery, semi-finished products delivery and finished products delivery. Each of these steps involves controls such as weighting, reports and reconciliations at each and in between the delivery points. Furthermore, all transportation process is performed under direct supervision of the representatives of the SSS.

We mine and process gold bearing ore from our 100% owned mines. The produced gold bars are sold and transported directly to the Agency. Every lot to be delivered to the Agency must be supported by the required documentation in accordance with the terms and conditions of the contract signed between the Refiner and the Agency.

Has the Refiner strengthened company engagement with gold supplying counterparties, and where possible, assisted gold supplying counterparties in building due diligence capabilities?

We mine and processes gold bearing ore from our 100% owned mines. The produced gold bars are sold and transported directly to the Agency.

Has the Refiner established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management?

We have established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management via different sources. We have Department of Complaints, thus allowing employees to report on any breaches of policies, including, but not limited to, human rights, unfair dismissal, potential bribery etc., directly to the General Director.

Also, we have twenty-four hour hot-line service, where employees can report about any risks and incidents, which happened in the Company. The reported risks and incidents, depending on the risk level, are assigned to the relevant managers or even senior management to be resolved.

Step 2: Identify and assess risks in the supply chain

We have fully complied with Step 2: Identify and assess risks in the supply chain.

Does the Refiner have a process to identify risks in the supply chain?

We have processes to identify risks in the supply chain based on an assessment of country, company and commodity risks, as follows:

Country risk: NMMC is not exposed to any country risk as all of the gold bearing material supplies are from the Republic of Uzbekistan. According to Heidelberg Barometer, Uzbekistan has a low risk rating as the political and economical situations in the Republic are stable. Also, Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Terrorist Financing, one of the FATF Style Regional Bodies and is rated medium to low risk on the Basel AML index.

Company risk: There is a minimum company risk, as all gold bearing materials sources, processing and smelting facilities, transportation chain belong to NMMC.

There are only 2 Refiners which have the priority to obtain gold mining and gold refinery licenses and certificates – Almalyk Mining Metallurgical Complex ("AMMC") and NMMC and therefore only AMMC and NMMC have permission to carry out gold mining and refinery works. Such licenses and certificates can be only provided by the government, specifically the Agency and the Cabinet of Ministers of the Republic of Uzbekistan.

Commodity risk: There is no commodity risk as all gold bearing ore is supplied from the mines that belong to NMMC.

During transportation of ore, semi-finished and finished products a number of controls such as special report forms, which are reconciled at each transportation point, ore and goods weighting are introduced. The whole transportation process is performed at premises of the NMMC. At long distances between loading and unloading point, transportation is convoyed by the security personnel. We have the policy on "Transportation of special goods of NMMC to and from the railways" and policy on "Providing security for special goods".

There is an intermediary destination where ore is unloaded and uploaded back to another truck, due to the technical specifications of tracks, and then delivered to railways for transportation to the Refinery.

At each stage of unloading and uploading there are special certified scales, which are subject to certification every 3 years, using which the transported ore is weighted and Special Act is signed. At each stage of transportation, a separate Special Act is signed and weight of ore is reconciled back to the Special Act signed at the previous stage of transportation. The whole process is also controlled by the mining specialist, who makes sure that no ore is left on this storage area at the end of shift.

The actual gold bars delivery process to the Agency is carried out by armored train. We have only one Refinery (the Hydro-Metallurgical Factory #2) which produces finished goods (gold bars). The loading process of gold bars to the armored train is held at the secured territory of the Refinery. Gold bars are stored in the storage department in specific containers. Each container contains two gold d bars and is sealed with a special stamp of the Head of the storage department.

Furthermore we have a special policy regarding transportation of gold bars between the Refinery and the Agency.

Does the Refiner assess risks in light of the standards of their due diligence system?

Due to the nature of our business in the reporting period, NMMC's supply chain was rated by NMMC as no risk as there were no external suppliers of gold.

Does the Refiner report risk assessment to the designated manager?

During the reporting period the Compliance officer has been assigned. However, in line with the governance structures set up for the Guidance, heads of departments will be made aware of any issues related to the contracting process, supporting documentation or any other processes within the gold chain. Heads of departments report directly to the senior management of NMMC.

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

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

Has the Refiner devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?

Risk identification is based on the internal corporate risk control procedures. Suppliers who do not meet the contractual requirements and/or supporting documentation requirements will not be engaged to the services. In 2018, there were no external suppliers of gold and/or gold bearing materials. As for other suppliers, no suppliers were rated as high risk and therefore no mitigation strategies were required.

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

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

NMMC engaged the services of "Deloitte & Touche" LLC Audit organization, and its independent reasonable assurance report will be made available on the official corporate web-site: www.ngmk.uz.

Step 5: Report on supply chain due diligence

We have fully complied with Step 5: For the year ended 31 December 2018, we established a separate gold supply chain due diligence policy and also relied upon the number of existing policies and instructions. In addition, we appointed Compliance Officer in connection with the requirements of the Guidance.

Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance for the reporting period?

Yes.

In conclusion, NMMC has implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance.

NMMC is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

As at 31 December 2018, NMMC approved a Gold supply chain due diligence policy in accordance with the LBMA Responsible Gold Guidance. Although, the non-compliances existed for the past four years the management of NMMC is committed to take corrective actions subsequent to the reporting date to be in line with the Guidance's requirements.

If users of this report wish to provide any feedback to NMMC with respect to this report, they can send an e-mail to: info@ngmk.uz



Sanakulov
Director General, State Company Navoi Mining and Metallurgical Combinat

My Casparyev Y.H.