



LBMA Refiner Compliance Report

Table 1: Refiner's details

Refiner's name	Metalúrgica Met-Mex Peñoles, SA de CV
Location	Boulevard Laguna Poniente 3200 Torreón, Coahuila México
Reporting year-end	December 31, 2017
Date of Report	March 27, 2018
Senior management responsible for this report	Rafael Rebollar Vice-President Metals & Chemicals Group

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong Company management systems

Compliance Statement with Requirement:

We have fully complied with Step 1: Establish strong management systems

1.1. Has the Refiner adopted a Company policy regarding due diligence for supply chains of gold and silver?

Comments and Demonstration of Compliance:

Industrias Peñoles has adopted an overarching group policy regarding ethical behavior in business. This policy is called 'Declaration of Responsible Industry' and it is publically available in our company website (www.penoles.com.mx). This policy is implemented through a detailed policy regarding due diligence for supply chains (including gold and silver supply chains). This policy is known as 'Administrative Excellence - Know your customer and due diligence procedures'.

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

Comment and Demonstration of Compliance:

Our Internal management structure that supports supply chain due diligence includes:

- Compliance Officer
- Commercial and Raw Materials Committees
- Ethics and Corporate Values Committee
- Ethics and Compliance Manager
- Internal Audit Department
- Compliance Coordinator Metals and Chemicals Group

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

Comments and Demonstration of Compliance:

We complete detailed KYC and due diligence processes on each supplier before we process any precious metal. In addition, we have a robust material reception process, which we apply to each lot (batch) of material we receive. Each lot received is entered into our system even before it is received, which ensures complete traceability within our production streams.

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

Comments and Demonstration of Compliance:

As mentioned in our Group Policy 'Declaration of Responsible Industry', we do not wish to conduct business with third parties associated with high risk countries and conflict areas on mining industry, or those who benefit from, contribute, support or help forced labor and child labor, as well as armed groups, human rights violation, labor discrimination, links to subversive groups, unsafe work practices or conditions, disrespect to religious, political or sexual preferences, among others. Additionally we share with our suppliers our expectation in terms of business conduct through an 'Ethical Declaration' (Verificación Cadena de Suministro Libre de Conflicto) which each supplier has to agree to. Peñoles strives long-term business relationships with reliable business partners.



1.5. Has the Refiner established a Company-wide communication mechanism to promote broad based employees participation and risk identification to management?

Comments and Demonstration of Compliance:

Peñoles has developed and promoted a whistleblower channel for any situation that its employees, suppliers or contractors deem inadequate or suspicious. This channel is known as Peñoles Plays Fair, with different means to report situations.

<https://www.penolesjuegalimpio.com/View/Home/>

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement

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

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

Comments and Demonstration of Compliance:

We identify and assess risks in the supply chain. We have developed a comprehensive list of potential risks in the gold and silver supply chains, every supplier is assessed against these risks and a risk profile/score is assigned. This process is applied to all of our raw material suppliers.

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

Comments and Demonstration of Compliance:

We conduct a due diligence process before entering into a business relationship with any counterparty. One of the steps in the due diligence is to conduct a site-visit to all new gold or silver supplier counterparties (regardless of their risk profile).

2.3. Does the Refiner report risk assessment to the designated manager?

Comments and Demonstration of Compliance:

The result of the due diligence process conducted on any new gold or silver supplying counterparty is presented for approval to Senior Management. In addition, a summary of all active gold and silver supplying counterparties, their risk classification and dates for re-assessments, is presented once a year to Senior Management.

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

Compliance Statement with Requirement

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

3.1. Has the Refiner devised a strategy for risk management for 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?

Comments and Demonstration of Compliance:

Peñoles has devised a risk management strategy contemplating the three scenarios, this document is known 'Guide for risk classification for raw material suppliers' in the 'Procedure of Knowledge and Verification of Third Parties'.

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

Comments and Demonstration of Compliance:

A management strategy for risk mitigation is published in the 'Risk classification for raw material supplier's Guide'. It includes frequencies and activities to be carried out based on the level of risk assigned. All raw material suppliers' risk classification is reviewed once a year by Senior Management.

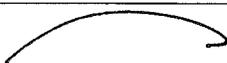
Step 4: Arrange for an independent third-party audit of the supply chain due diligence

Compliance Statement with Requirement

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

Comments and Demonstration of Compliance:

As part of the LMBA certification program, an independent and competent third-party audits and verifies whether Peñoles actually meets all requirements of the gold and silver responsible sourcing guidance.



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

Comments and Demonstration of Compliance:

We publically report our commitment to ethical business conduct and on some aspects of our supply chain due diligence policy. We also make publically available, on an annual basis, our compliance with the LBMA responsible guidance.

Table 3: Management conclusion

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

Yes

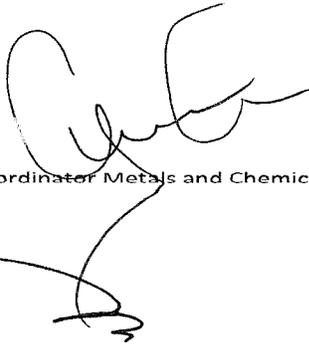
In conclusion, Peñoles implemented effective management systems, procedures, processes and practices to confirm to the requirements of the LBMA Responsible Gold and Responsible Silver Guidance, as explained above in Table 2, for the reporting year ended 31 December 2017.

It is Peñoles' policy to remain committed with high standards of ethics, adhered to our values of Confidence, Responsibility, Integrity and Loyalty (CRIL), internal regulations and applicable law; to promote respect of human rights and ensure a value chain free of ethical and legal conflict.

Table 4 Other report comments

If users of this report wish to provide any feedback to Peñoles with respect to this report, they can contact angeles_garza@penoles.com.mx

Prepared by: Angeles Garza, Compliance Coordinator Metals and Chemicals Group



Approved by: Rafael Rebollar, Vice-President Metals and Chemicals Group



March 27, 2018

Independent Reasonable Assurance Report

To: The Management of Metalúrgica Met-Mex Peñoles S.A de C.V.

We have been engaged by Metalúrgica Met-Mex Peñoles S.A de C.V. (Peñoles) to provide a reasonable assurance engagement on its Refiner's Compliance Report for the period January 1, 2017 to December 31, 2017.

Management's responsibility

Management is responsible for preparation and presentation of the Refiner's Compliance Report in accordance with the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance (the Guidance). The Criteria identified by management as relevant for demonstrating compliance with the Guidance are the activities described within the Refiner's Compliance Report. Management is also responsible for such internal control as management determines necessary to enable the preparation of the Refiner's Compliance Report that is free from material misstatement.

Our responsibility

Our responsibility is to express a reasonable assurance opinion on the Refiner's Compliance Report based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standards on Assurance Engagements (ISAE) 3000, Attestation Engagements Other Than Audits or Reviews of Historical Financial Information and the guidance set out in the LBMA Responsible Gold and Silver Programme – Third Party Audit Guidance for ISAE 3000 Auditors (the Audit Guidance). This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the Refiner's Compliance Report is free from material misstatement.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with this standard will always detect a material misstatement when it exists. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of material misstatements, whether due to fraud or error, and involves examining evidence about management's preparation of the Refiner's Compliance Report in accordance with the Guidance.

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

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 qualitative characteristics of the subject matter and the methods used for determining such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The method used by Refiners to comply with the Guidance may differ. It is important to read our report in the context of the Peñoles supply chain policy available on Peñoles website.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our independence and quality control

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* 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.

Conclusion

In our opinion, the Refiner’s Compliance Report of Peñoles for the period January 1, 2017 to December 31, 2017, 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 and the LBMA Responsible Silver Guidance.

Purpose of statement

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants