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16 April 2020

To the management of Kazzinc Ltd.

Independent limited assurance report on the compliance report for the London Bullion Market Association's responsible gold guidance for the year ended 31 December 2019

We were engaged by Kazzinc Ltd. ("Kazzinc" or "Refiner") to provide limited assurance on its Compliance Report for the London Bullion Market Association's Responsible Gold Guidance (the "LBMA RGG") for the year ended 31 December 2019 (the "Report").

Subject matter and criteria

Kazzinc has assessed and reported its level of compliance with the LBMA RGG in the Report. The subject matter of our engagement is the assertions made by Kazzinc in its Report. The LBMA RGG specifies the criteria to be used for the purposes of evaluating Kazzinc's assertions in its Report.

Our engagement was performed with the objective of providing a limited assurance conclusion on whether the assertions made by Kazzinc in its Report, with respect to the activities undertaken to demonstrate compliance with the LBMA RGG, are fairly described.

Inherent limitations

Non-financial information, such as that included in the 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 policies and procedures implemented by Kazzinc to comply with the LBMA RGG may differ from other companies and accordingly, users of this report should read Kazzinc's relevant policies on the official corporate web-site: www.kazzinc.com; or by the request from Kazzinc on e-mail: uk_office@kazzinc.kz.

Responsibilities of management

The management of Kazzinc is responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the LBMA RGG. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived and the establishing such internal control as management determined 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.

Assurance providers' responsibilities

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 Standard on Assurance Engagements 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* ("ISAE 3000") issued by the International Auditing and Assurance Standards Board and the guidance set out in the *LBMA Responsible Sourcing Programme - Third Party Audit Guidance for ISAE 3000 Auditors* ("the Audit Guidance").

That standard requires us to perform our limited assurance engagement to obtain sufficient appropriate evidence on which to base our limited assurance conclusion.

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 is provided.

Limited assurance procedures performed

Our evaluation included performing such procedures as we considered necessary which included:

- Enquiries of management to gain an understanding of Kazzinc's processes and risk management protocols in place;
- Enquiries of relevant staff responsible for the preparation of the Report;
- Site visits to the Refiner;
- Assessing the suitability of the policies, procedures and internal controls that Kazzinc has in place to conform to the LBMA RGG;
- Review of a selection of the supporting documentation, including gold supplier counterparty due diligence and transaction documentation;
- Testing a selection of the underlying processes and controls that support the information in the Report;
- Reviewing the presentation of the Report to ensure consistency with our conclusion.

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

Independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Furthermore, we confirm that we satisfy the criteria for assurance providers as set out in the LBMA Third Party Audit Guidance pertaining to ethical conduct, fair presentation, due professional care, independence, integrity, and subject matter expertise to carry out the assurance engagement.

In accordance with International Standard on Quality Control 1, Deloitte LLP 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.

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

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Report for the year ended 31 December 2019, did not describe fairly, in all material respects, the activities undertaken during the year to demonstrate compliance with LBMA RGG, and management's overall conclusion contained therein is in accordance with the requirements of the LBMA RGG.

Restriction on distribution and use

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

Deloitte, LLP

Deloitte LLP

Almaty, Republic of Kazakhstan

KAZZINC LTD.

Refiner's Compliance Report
For the year ended 31 December 2019

REFINER'S COMPLIANCE REPORT

Table 1 - Refiner's details

Refiner's name	Kazzinc Ltd.
Location	1 Promyshlennaya str., Ust-Kamenogorsk, 070002, Kazakhstan
Reporting year	2019
Date of Report	16 April 2020
Senior management responsible for this report	A. L. Khmelev, Chief Executive Officer

Table 2 - Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

In 2019, we have fully complied with Step1: Established strong corporate management systems.

Kazzinc developed and adopted internal document "Policy on Responsible Practice in Gold and Silver Supply Chains", which is prepared in accordance with Annex II of the Organization For Economic Cooperation and Development (the "OECD") due diligence guidance, as required by the London Bullion Market Association Responsible Gold and Responsible Silver Guidelines.

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

Kazzinc Ltd. (Kazzinc or Refiner) is governed by its General Policy where the company is positioned as an integrated zinc producer with considerable copper, gold, lead and silver credits and Anti-corruption Policy. Due diligence for supply chains of gold is performed in compliance with the requirements of the London Bullion Market Association Responsible Gold Guidance (hereinafter, the LBMA Responsible Gold Guidance).

Kazzinc Ltd is a company exposed to minimum risk associated with the gold supply chain, as 76.60% of the gold supplies to the refinery are from 100% owned mines in the Kazzinc group. The remaining 23.40% of supplies are from third parties: the National Bank of the Republic of Kazakhstan and 2 other operators based in Kazakhstan. Therefore, all origin of gold is from within Kazakhstan.

The legislation of the Republic of Kazakhstan is very strict on import/export of gold and gold containing materials. All companies operating with precious metals are to be included in special register of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan, and all import/export transactions shall include information on origin of precious metal.

As noted above Kazzinc adopted "Policy on Responsible Practice in Gold and Silver Supply Chains" in accordance with the LBMA Responsible Gold and Responsible Silver Guidelines.

In 2019, Kazzinc has also relied on existing policies such as:

- General Policy of Kazzinc Ltd, which determines strategy of the Company, as well as targets for each year

- Policy on compliance with anti-money laundering legislation
- Instructions on storage, accounting and delivery of precious metals.
- Policy on compliance with the requirements of legislation on corruption control in the group of companies.

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

Kazzinc has implemented an internal management system that promotes higher quality based precious metals supply chains due diligence. An internal management system has been set up to define the governance, roles and responsibilities, internal audit, communication and senior management review as per the adopted policy. The compliance officer has been assigned to manage the process, and has a direct line of reporting to the senior management. The existing governance structure is used to comply with the LBMA Responsible Gold Guidance. For instance, the legal department is to comply with anti-money laundering laws, while approving the contracts in accordance with the established procedures.

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?

Kazzinc 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.

Kazzinc has established a reliable procedure of precious metals production. Before any gold-bearing material can be processed, specific documents such as: subsoil use contract for supplied gold containing materials; charter documents; and Value Added Tax residency certificates, must be obtained and all the transaction details, such as: supplier details; information on type of gold bearing material; weight, must be documented. Every lot to be delivered must be supported by the required documents in accordance with the contract terms and conditions. Prior to the material processing, special control measures prescribed by internal instructions, such as review of integrity of packaging, weighing of received lots with attraction of independent parties are taken.

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

Kazzinc has strengthened company engagement with gold supplying counterparties and informed them of the necessity to conform with the LBMA Responsible Gold Guidance. As per typical contractual terms, the Supplier is obliged to support in performance of due diligence for supply chains of gold, as well as provision of supporting documents on origin of supplied gold and delivery route.

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

Kazzinc has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management via employee newsletters. Also, Kazzinc's Code of Conduct and Global Anti-Bribery policy of Glencore provide employees with the means of reporting of potential infractions of Kazzinc's policies.

Kazzinc has an existing wide communication mechanism – "Hot Line" to report incidents, which may be used by the employees to report failures to comply with LBMA Responsible Gold and Silver Guidance requirements.

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?

Kazzinc Ltd. has processes to identify risks in the supply chain based on an assessment of country, company and commodity risks, as follows:

Country risk: Country risk is minimal as all of the gold bearing material supplies to Refinery are from Kazakhstan.

Company risk: Contracts with suppliers are concluded annually. Kazzinc includes the LBMA requirements into the new contracts. Furthermore, per contractual terms, each supplier is required to provide the following documentation to confirm LBMA compliant production of gold bearing materials:

- State gold mining license;*
- State Registration Certificate;*
- Charter.*

For a company to obtain a mining license in Kazakhstan, background checks are carried out on the company and its directors. Therefore, Kazzinc relies on the fact that these checks have been conducted if the non- Kazzinc ore bearing material suppliers have valid mining licenses.

Commodity risk: The supply is inspected according to the Company standards on quality and quantity, against acceptance certificates. The Company discusses the reliable transportation and packaging with the supplier. Additional requirements were incorporated into the contracts, obliging the counterparties to choose a safe route and to provide the routing details prior to the shipment or upon request.

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

Kazzinc Ltd. assesses risks based on the existing corporate standards and based on Responsible Gold and Silver Supply Chain Due Diligence Policy.

Supply chain due diligence comprising all measures required by the LBMA Responsible Gold Guidance is performed before entering into a business relationship with any counterpart. On an on-going basis counterparts are monitored.

In the reporting year, Kazzinc's supply chain was rated at low risk as there were only 3 suppliers, including the National Bank of the Republic of Kazakhstan, all from Republic of Kazakhstan.

Does the Refiner report risk assessment to the designated manager?

Kazzinc has enabled the compliance responsible person and each employee to inform the designated manager of the risk assessment results.

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. Mitigation procedures for identified risks are set up in the Company's regulatory documents.

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.

The relevant procedures are in place and where and when necessary appropriately applied. Risks are managed based on the existing control system over raw materials supply chain.

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

Kazzinc Ltd. engaged Deloitte LLP for these purposes and its independent limited assurance report will be published on the official corporate web-site: www.kazzinc.com

Step 5: Report on supply chain due diligence

We have fully complied with Step 5: Report on supply chain due diligence.

Further information and specific details of the systems, procedures, processes and controls being implemented by Kazzinc Ltd. to align to the specific requirements in the LBMA Responsible Gold Guidance set out in our gold and silver supply chain policy are available upon request.

Table 3 – Management conclusion

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

Yes.

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

Kazzinc is committed to continuous improvement, and constant internal monitoring of any activities performed in order to eliminate identified shortcomings is carried out.

Table 4 – Other report comments

If users of this report wish to provide any feedback to Kazzinc Ltd. with respect to this report, they can send an e-mail to: uk_office@kazzinc.kz

A.L. Khmelev
Chief Executive Officer
Kazzinc Ltd.

