



Compliance Report

5 September 2013

The aim of this report is to summarize the steps taken by Emirates Gold DMCC (the "Company" or "we") to achieve compliance with the due-diligence guidance issued by the Dubai Multi Commodities Center Authority (the "DMCC") for a responsible supply chain of precious metals.

Details of the Reporting Entity

Name : Emirates Gold DMCC
 Location : Jumeirah Lakes Towers, Dubai, United Arab Emirates
 Reporting Period : 1 June 2012 – 31 December 2012
 Senior Manager responsible for this report : Mohamed Shakarchi, CEO, Founder

Summarized Conclusion

Emirates Gold DMCC has fully complied with each of the steps in the DMCC *Practical Guidance for Market Participants in the Gold and Precious Metals Industry* during the Reporting Period and the Company is therefore in compliance with the DMCC guidance for such period.

Our Evaluation

The structure of our evaluation is to address separately each step in the "5-Step" framework for risk-based due diligence of the precious metal supply chain.

Step 1	Objective: Establishing robust company supply chain management systems
	Compliance Statement: We have fully complied with Step 1
	Demonstration of Compliance: <p>1. Develop a policy and processes for responsible supply chains</p> <p>In 2011 the Company expanded its compliance team by hiring a qualified full-time Chief Compliance Officer with the objective of developing a robust due diligence system that complies with the emerging international guidance on responsible gold. The Chief Compliance Officer was given adequate resources and mandated to establish and maintain a robust compliance framework which includes the Company's supply chain management system and policy. As an immediate first step (and consistent with the Company's operating practice in previous years), the compliance and management teams established very prudent and conservative guidelines to not engage with suppliers deemed high risk as the Company developed and documented the best system to include all the steps of responsible gold sourcing. With a clear goal in mind, the compliance team worked together with senior management to formalize and implement the <i>Emirates Gold Compliance, Anti-Money Laundering and Supply Chain Management Policy</i> (the "Policy"), which is consistent with the DMCC guidance.</p> <p>The Company is fully committed to the adoption and implementation of the Policy. The Policy appears</p>



on our website www.emiratesgold.ae (under About Us/Responsible Gold), and is displayed on our internal "announcement board" to remind all employees of our responsibilities. In addition, the Policy has been widely disseminated to all our clients and suppliers, and the acknowledgement of its standards and values is now an integral part of our on-boarding process.

The implementation of the Policy is documented by a procedures handbook (the "Procedures") which covers in depth all aspects of the policy, such as (but not limited to):

- Responsibilities, authorities and reporting lines of relevant officers
- Monitoring, reporting/escalation and internal audit framework
- Training and education
- Client on-boarding requirements with detailed KYC form
- Anti-Money Laundering procedures
- Risk classification of suppliers and transactional assessment
- Risk mitigation steps

The Procedures describe in details the responsibilities and assign authority for the effective implementation of all aspects of the Policy. The implementation of the Policy and its widespread communication is achieved by a clear delegation of duties and authority, frequent communications with the Company's employees (through in-class training, employee feedback and periodic exams), internal auditing and a clear reporting (whistleblowing) mechanism. The Chief Compliance Officer has an unambiguous direct line of reporting into Senior Management and is responsible for maintaining and implementing the Policy and Procedures.

The Policy together with its implementation through a robust risk management system provides the Company with the solid platform necessary to conduct business respecting strict due-diligence and risk mitigation measures.

2. Assign a dedicated compliance or risk officer

Senior Management is fully supportive of the Chief Compliance Officer (the "CCO") who is properly qualified for his responsibilities. Our CCO is the point person for communications with our regulator's head of compliance, and he has also been to numerous conferences (such as the bi-annual OECD conference in Paris) and interacted with many individuals highly qualified on the topic of responsible gold (OECD, LBMA, DMCC, UN, etc). Our CCO is also fully immersed in the daily activities of the Company and is accessible by all of our employees.

A clear internal reporting mechanism is established to guarantee employee concerns are reported anonymously, quickly and effectively. The mechanism also ensures that the compliance team and senior management are made aware of such concerns promptly and able to take immediate action if necessary.

3. Develop internal documentation and records of supply chain due diligence

The Company maintains adequate documentation and records as described in this report. In addition, the Company keeps all necessary records of:

- Client on-boarding documents (KYC procedures).
- Transaction documents are filed and saved. We keep records of all information provided by our clients on the form of gold supplied such as its weight and purity, and we also keep and compare with our own information.
- The Company's production.



	<p>We are also capable of tracing any of our own gold kilo bars to its original lot, and records are maintained for at least five years.</p> <p>4. Strengthen relationships with suppliers</p> <p>Accepting the standards expressed in our Policy is a sine qua non for doing business with us, and our KYC forms reflect this point. The Policy has also been disseminated widely to our supplier base by electronic mail and on-site visits.</p> <p>The Company is also sponsoring due-diligence workshops aimed at our suppliers (such as the one organized by our regulator in 2013) as well as translations of the DMCC guidance to facilitate the dissemination to suppliers of the ideas underlying a responsible supply chain.</p> <p>5. Develop accurate security requirements</p> <p>Melted bars from suppliers are segregated and separated overnight to avoid tampering or removal.</p> <p>The Procedures describe a mechanism for employees to report (anonymously through Reporting Forms delivered into a sealed box in our premises) any suspicions or concerns they may have related to suppliers, transactions or the Company's processes including our risk management system. Also, the Company has a direct line of communication with its regulator.</p> <p>The Company also closely monitors the engagement with higher risk suppliers, and seeks to disengage or suspend trading if issues with the same supplier persist.</p> <p>6. Conduct necessary training</p> <p>Employee training is fundamental to the successful implementation of the Policy. Periodic formal training typically consists of in-class presentation followed by a Q&A session. More informal training may be scheduled in the event of an important change in the Procedures which must be implemented quickly. Attendance to training presentations is mandatory and documented.</p>
--	---

Step 2	<p>Objective: Identifying and assessing the risks in the supply chain</p>
	<p>Compliance Statement: We have fully complied with Step 2</p>
	<p>Demonstration of Compliance:</p> <p>The Company's risk assessment methodology evolved over the past few years from a simple but drastic system (which consisted in disengaging from the vast majority of suppliers with high risk supply chains) to a more refined approach which fits the DMCC guidance. The original methodology resulted in a limited amount of high-risk transactions. This approach was communicated as early as 2009 with a clear message that the Company would not consider gold coming directly or indirectly from conflict areas. As international and local responsible gold guidance developed, the Company aired on the side of caution adopting this very conservative but prudent risk control policy. However, in light of the refined guidance provided by the DMCC, and the time spent analyzing this guidance and designing a more refined and robust framework, we have now developed a measured approach to risk which allows us to classify suppliers' risk levels consistently and respond adequately.</p> <p>1. Include appropriate risk factors in the risk assessment</p> <p>From first point of contact with a new supplier, and on a continuously monitored basis, we assess and</p>



identify risks for both the supplier and the material delivered by this supplier. Therefore, our two main assessments are:

- **Supplier Risk Classification:** This low/medium/high/reject risk classification is determined mainly by the content and quality of the supplier’s on-boarding documentation as well as the form and origin of the gold. Following a thorough gathering of on-boarding documentation of the supplier, and analysis of their business model, the origin of their supply (including level of conflict, human rights abuse, existence of sanctions, and stability of the financial system in the country of origin) and background checks against databases (World-check©) a final risk level is assigned to each supplier.
- **Transactional Risk Assessment:** For each transaction related to processing of gold-bearing material, a risk assessment is made taking into account the suppliers business intentions declared in the KYC form and the supplier’s historical activity, the form of the metal and its origin. If any of these categories are flagged, a risk evaluation form is completed and relevant risk mitigations steps are taken, similar in nature to the risk mitigation steps taken for higher risk classifications of suppliers, but with a focus on the precise details of the shipment in question.

Our Policy and Procedures are built on our own high ethical standards as well as the guidance for sourcing gold responsibly. All risk assessment processes are documented in the Procedures and therefore consistent with our Policy, so our risk identification and assessment framework complies with a robust supply chain management system.

2. In-depth review of all red flags

The Chief Compliance Officer presents all potential new high-risk suppliers to Senior Management before any engagement begins. The supplier’s information and internal risk assessment is reviewed and discussed thoroughly. The close proximity of the Chief Compliance Officer and Senior Management means frequent daily interactions. However, the Chief Compliance Officer and Senior Management also meet formally no less than once a month to discuss all aspects related to the Company’s risks and compliance framework.

The Chief Compliance Officer is responsible for informing relevant employees, including Senior Management of the classification of each supplier. The Chief Compliance Officer is also responsible for monitoring and updating the risk classification of all of the Company’s precious metal suppliers.

All red flags due to location or suppliers are reviewed very carefully by compliance and management before the Company engages in any dealings.

3. Conduct enhanced due-diligence on red-flagged suppliers

The Company conducts enhanced due-diligence and risk mitigation as described in Step 3 below.

Step 3

Objective:

Developing and implementing a risk mitigation/control plan

Compliance Statement:

We have fully complied with Step 3

Demonstration of Compliance:

- 1. Develop a policy and processes for conducting risk mitigation**



The process described in Step 2 identifies higher risk suppliers through the Company's risk classification framework and also assesses transactional risk. For higher risk suppliers, the matrix identifies the source of risks which can fall into three possible categories. Risk mitigation steps can then be initiated according to the source of the risk:

- Risk identified from the supplier's operating principles, intended business, the nature of their beneficial owners, and the completeness of KYC forms.
- Risk identified from the type of precious metal the supplier intends to bring for refining.
- Risk identified from conflict areas or high-risk regions from which the precious metal originates.

Internal procedures describe risk mitigation steps to undertake for each category above.

For higher risk suppliers, the Chief Compliance Officer will establish a clear plan with set deadlines and tasks for risk mitigation, and this plan will be communicated to Senior Management. During the process of risk mitigation, the Company may choose to suspend trading with the supplier until further information can be obtained that reduce the risk born from processing their gold-bearing material. Ultimately, the Company disengages completely from suppliers who do not want to comply with our policy and procedures.

The Chief Compliance Officer is responsible for monitoring the progress of the risk mitigation plans which have been initiated for high risk suppliers.

For the Reporting Period, the Company interacted with very limited amounts of high risk suppliers and risk mitigation consisted in many of the steps above, including a robust gathering and analysis of the relevant transactional and supplier documentation.

The Company also operates simple risk-mitigating policies which combat money laundering and conflict minerals directly at their source:

- Very strict control on purchases of gold in cash from suppliers, so that the proceeds of a sale remain traceable through the banking system. In fact, the Company did not buy any measurable amount of gold in cash from suppliers during the Reporting Period.
- The Company has established a list of "Banned Countries", and the Company rejects or disengages with suppliers which originate material from these countries.

Step 4

Objective:

Carrying out independent third-party audits of gold and precious metals company's due diligence practices

Compliance Statement:

We have fully complied with Step 4

Demonstration of Compliance:

Ernst and Young ("E&Y") have conducted a reasonable assurance audit of the Company's due-diligence practices in accordance with the International Standard in Assurance Engagements ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). The audit was conducted in line with guidance and protocols provided by the DMCC. E&Y interviewed our staff and audited a large proportion of the Company's transactions, suppliers' on-boarding files, and also checked our procedures document as well as the implementation of our risk assessment



framework and risk mitigation steps. They conducted the audit on-site in the premises of our refinery.

Step 5

Objective:

Reporting annually on responsible supply chain due diligence

Compliance Statement:

We have fully complied with Step 5

Demonstration of Compliance:

Our compliance Policy is available on our website, and the present Compliance Report and associated independent reasonable assurance report will be available on our website when issued.

Management Conclusion

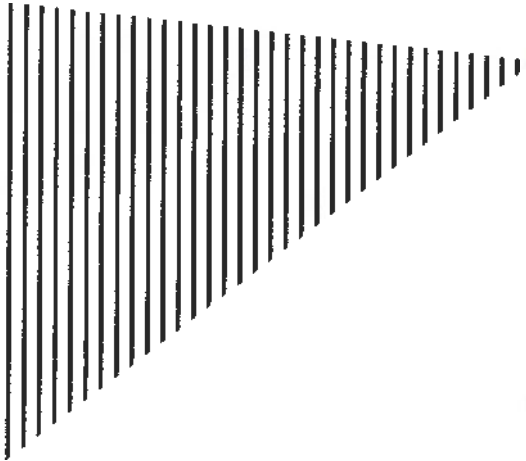
Through its policies and procedures, Emirates Gold DMCC has implemented a robust due-diligence and risk management system which follows our own ethical and moral standards which includes addressing the points of the DMCC guidance for a responsible supply chain.

During the Reporting Period, we have fully complied with each of the steps in the DMCC guidance and we are therefore in compliance with this guidance for such period.

We commit to continue:

- our efforts to improve, update and expand our own internal systems for risk classification and mitigation.
- our efforts to educate ourselves, our clients and suppliers, and propagate as much and often as possible our knowledge regarding the OECD, LBMA and DMCC guidance.

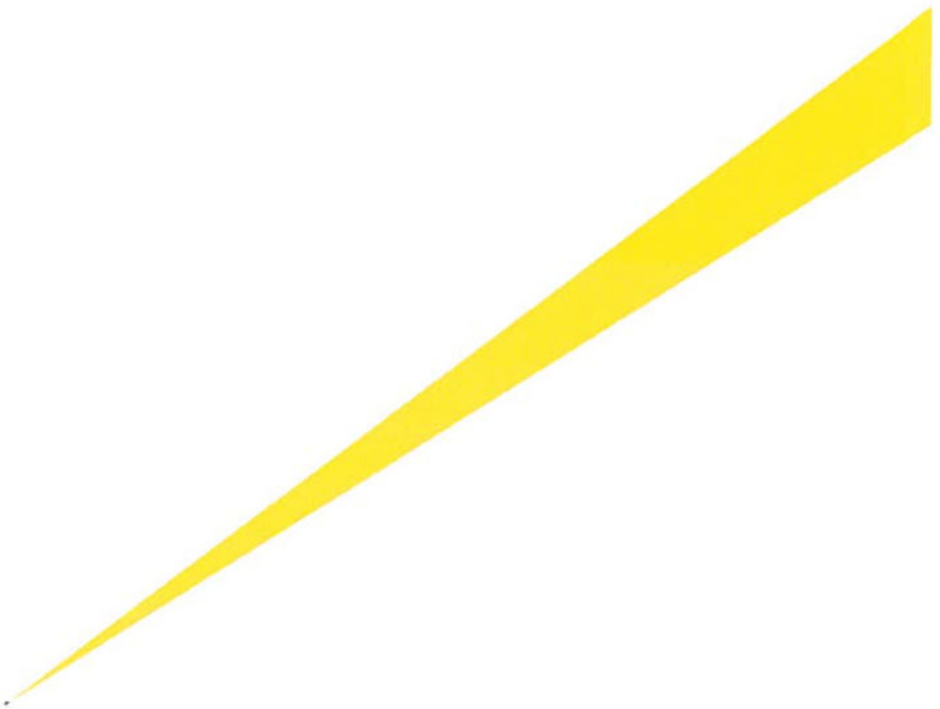
If users of this report wish to provide any feedback to the Company with respect to this report, they can contact our compliance team at compliance@emiratesgold.ae



Independent Reasonable Assurance Report
(ISAE 3000 engagement)

Emirates Gold DMCC

5 September 2013



5 September 2013

Dubai, United Arab Emirates

Independent Reasonable Assurance Report on Emirates Gold DMCC's Refiner's Compliance report

Introduction

We were engaged by Emirates Gold DMCC to perform a reasonable assurance engagement on Emirates Gold DMCC's refiner's compliance report dated 5 September 2013 the period from 1 June 2012 to 31 December 2012 (the "Refiner's Compliance Report")

Scope

The objective of this engagement is to provide an opinion on whether the Refiner's Compliance Report describes fairly the activities undertaken to demonstrate compliance and whether management's overall conclusion has been drawn in accordance with the requirements of the DMCC's Practical Guidance for Market Participants in the Gold and Precious Metals Industry Version 1 - April 2012 (the "DMCC's Practical Guidance") and with the DMCC Review Protocol on Responsible Sourcing of Precious Metals Version 3.1, June 2013 (the "DMCC Review Protocol").

Management's Responsibilities

The management of Emirates Gold DMCC is responsible for the preparation and public disclosure of the Refiner's Compliance Report in accordance with the DMCC's Practical Guidance. This responsibility includes conformance with Steps 1 to 5 of the DMCC's Practical Guidance, and Implementation of a Corrective Action Plan for all non-compliances identified. The criteria identified by the management as relevant for demonstrating compliance with the DMCC's Practical Guidance are the activities described within the Refiner's Compliance Report.

Our independence

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standard Board for Accountants, which includes independence and other requirements 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 DMCC Review Protocol to carry out the assurance engagement.

Our responsibility

Our responsibility is to report, in accordance with ISAE 3000 standard, whether the Refiner's Compliance Report describes fairly the activities undertaken during the year to demonstrate compliance with the DMCC's Practical Guidance and whether management's overall conclusion has been drawn in accordance with the requirements of the DMCC's Practical Guidance and with the DMCC Review Protocol.

We conducted our reasonable assurance engagement in accordance with International Standard 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 the guidance set out in the DMCC Review Protocol. This standard requires that we plan and perform this engagement to obtain a reasonable level of assurance.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the fairness of the Refiner's Compliance Report and the fact that management's overall conclusion has been drawn in accordance with the requirements of the DMCC's Practical Guidance and with the DMCC Review Protocol. The nature, timing and extent of procedures selected depend on our judgment, including the risk of material misstatements, whether due to fraud or error, in the Refiner's Compliance Report. In making those risk assessments, we considered internal control relevant to Emirates Gold DMCC's preparation of the Refiner's Compliance Report. A reasonable assurance engagement also includes:

- ▶ *Walkthrough Emirates Gold DMCC's due diligence process to gain an understanding of implemented controls and procedures*
- ▶ *Discussions with Emirates Gold DMCC's management, compliance and operations team on the content of the report and various supply chain due diligence processes in place.*
- ▶ *Discussions with selected suppliers on documentation available on the supply chain.*
- ▶ *Site visits to the refinery to evaluate if the management system is in place as described in the compliance report.*
- ▶ *During site visits we have interviewed personnel from the logistics, operations, safe, refining process, laboratory and accounts that are directly linked with either sourcing, processing or storing the gold.*
- ▶ *Testing of account opening procedures and due diligence conducted before engaging with a potential gold supplying counter party*
- ▶ *Testing, on a sample basis, of transactions to evaluate if due diligence processes are being followed*

- ▶ *Review of whether systems used for registering, adapting, aggregating and reporting are satisfactory*
- ▶ *Obtaining and considering evidence to support the assertions and claims made in the Refiner's Compliance Report*
- ▶ *Review the statements made by the management in the Refiner's Compliance Report as compared to the findings arising from the above procedures performed.*

The procedures performed relate to the reporting period from 1 June 2012 to 31 December 2012 and do not extend to any assertions made in the Refiner's Compliance Report regarding events subsequent to that period.

We believe that the evidence we have 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 more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the DMCC's Practical Guidance may differ. It is important to read Emirates Gold DMCC's gold supply chain policy available on its website.

Our testing of the accuracy of selected qualitative statements in the Refiner's Compliance Report relating to the material issues (such as management assertions and performance claims) were done through interviews and sample document reviews. A limited number of gold supplying counterparty interviews were undertaken.

The authenticity of documents produced by gold supplying counterparties was not checked by contacting the respective government organizations.

Opinion

In our opinion, the Refiner's Compliance Report for the period from 1 June 2012 to 31 December 2012 describes fairly the activities undertaken during the period to demonstrate compliance and management's overall conclusion contained therein is in accordance with the requirements of the DMCC's Practical Guidance for Market Participants in the Gold and Precious Metals Industry, version 1 April 2012 and with DMCC Review Protocol on Responsible Sourcing of Precious Metals Version 3.1, June 2013.


Ernst & Young
Dubai, United Arab Emirates
5 September 2013

Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com.

The MENA practice of Ernst & Young has been operating in the region since 1923. For over 85 years, we have evolved to meet the legal and commercial developments of the region. Across MENA, we have over 4,000 people united across 18 offices and 13 Arab countries, sharing the same values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

© 2013 Ernst & Young.
All Rights Reserved.