

**KPMG Samjong Accounting Crop.**

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**Independent Limited Assurance Report to LS-NIKKO Copper Inc.**

We were engaged by LS-NIKKO Copper Inc. to provide limited assurance on its Refiner's Compliance Report for the year ended 31 December, 2017.

The assurance scope consists of the Refiner's Compliance Report.

**Responsibilities**

The directors of LS-NIKKO Copper Inc. are responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the *LBMA Responsible Gold Guidance* ("the *Guidance*"). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the directors as relevant for demonstrating compliance with the *Guidance* are the activities described within the Refiner's Compliance Report.

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 *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 *LBMA Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors* ("the *Audit 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 is provided.*

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

**Limited assurance procedures performed**

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

- Enquiries of management to gain an understanding of LS-NIKKO Copper Inc.'s processes and risk management protocols in place
- Enquiries of relevant staff responsible for the preparation of the Report
- Assessing the suitability of the policies, procedures and internal controls that the LS-NIKKO Copper Inc. has in place to conform to the *Guidance*
- Review of a selection of the supporting documentation, including gold supplier counterparty due diligence file and transaction's documentation
- Test a selection of the underlying processes and controls that support the information in the Report
- Review of the presentation of the Report to ensure consistency with our findings

### **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 the LS-NIKKO Copper Inc.'s gold supply chain policy available on LS-NIKKO Copper Inc. website [www.lsnikko.com](http://www.lsnikko.com).

### **Independence and competency statement**

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

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 limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that LS-NIKKO Copper Inc.'s Refiner's Compliance Report for the year ended 31 December 2017, did not in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is not in accordance with the requirements of the *LBMA Responsible Gold Guidance*.

*KPMG Samjong Accounting Corp.*

KPMG Samjong Accounting Corp.  
May 8, 2018  
Seoul, Korea

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**Management Report**

a. Name of the Refiner

LS-Nikko Copper Inc.

b. Reporting period subject to assurance

From 1<sup>st</sup> Jan. 2017 to 31<sup>th</sup> Dec. 2017

c. Assurance team's professional qualifications

1. Auditors' experiences relating to money laundering;

- AML review of UBS Securities Limited, Seoul Branch
  - RBA AML System Inspection Research of Financial Supervisory Service
  - AML Test of Grand Korea Leisure Corp.
  - AML Control Framework Review of Societe Generale Seoul Branch
  - PMO for AML System Implementation of KB Data System Co., Ltd.
  - AML/CFT Consulting of KyoBo Life Insurance Co., Ltd.
  - AML Operation Status Diagnosis of J.P.Morgan Securities (Far East) Limited.
- (\*AML: Anti Money Laundering)

2. Auditor's experience relating to gold;  
KOREA ZINC INC's Audit experience

3. Each of the auditing team's experiences and skills;

- Engagement Partner: Roh, Sang Ho
- LG ELECTRONICS INC's Conflict Minerals Management System (2014)
  - LG Display Co., Ltd's Conflict Minerals Compliance Advisory Service (2013)
  - LS-Nikko Copper Inc's Conflict Minerals Training Service (2013)
  - Experience external seminars with the Korea International Trade Association (2014, 2015)
  - LS-Nikko Copper Inc's Conflict Minerals Audit (2014-2016) etc.

- Engagement Manager: Kim, Jeong Eun
- LS-Nikko Copper Inc's Conflict Minerals Training Service (2013)
  - LS-Nikko Copper Inc's Conflict Minerals Audit (2015-2016) etc.

d. Confirmation of the auditor's independence

We have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

We confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

e. Assurance scope and level of assurance

1. Assurance scope

To provide a reasonable or limited assurance conclusion on whether the Refiner's Compliance Report describes fairly the activities undertaken to demonstrate compliance, and that management's overall conclusion is in accordance with the requirements of the LBMA Responsible Gold Guidance.

2. Level of assurance

Limited assurance

f. Summary of assurance procedures

- Enquiries of management to gain an understanding of LS-NIKKO Copper Inc.'s processes and risk management protocols in place
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- Review of the presentation of the Report to ensure consistency with our findings

g. Any significant or inherent limitations or areas not covered

N/A

h. Assurance observations, findings and recommendations for improvement

N/A

i. Description of any low-risk deviations from conformance identified by the auditor (refer to Appendix 4 for definitions of compliance and non-compliance)

N/A

j. Specific observations with respect to the Refiner's Corrective Action Plan and implementation progress

N/A

k. Assurance conclusion (or reference to the conclusion within the independent assurance report)

Refer to Independent Limited Assurance Report' Conclusion.

Based on the limited assurance procedures performed, as described Independent Limited Assurance Report, nothing has come to our attention that would lead us to believe that LS-NIKKO Copper Inc.'s Refiner's Compliance Report for the year ended 31 December 2017, did not in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is not in accordance with the requirements of the *LBMA Responsible Gold Guidance*.

I. Other relevant information.

N/A

*KPMG Samjong Accounting Corp.*

KPMG Samjong Accounting Corp.

May 8, 2018

Seoul, Korea