



FY 2021-2022 Compliance Report LBMA Responsible Gold and Silver Guidance

Foreword

Asahi Refining North America “Asahi”, a wholly owned subsidiary of Asahi Holdings Inc., is a leading precious metal refiner, trader, and bullion product manufacturer. The company maintains LBMA-certified London good delivery refineries in Salt Lake City, Utah, USA and Brampton, Ontario, Canada. Additionally, the company operates a full-service precious metals minting and carbon treatment facility in Florida, USA. The businesses serve a global client base from the mining, recycling, banking and bullion trading industries. Although not covered by our LBMA certification it is worth noting that “Niagara Investment Castings” was sold by the company during the period covered by this compliance report.

As a leader in the precious metals industry, Asahi Refining recognizes the unique opportunity that it must play in the development, implementation and continuous improvement of systems designed to detect and prevent commercial activities that contribute to the financing of armed groups, human rights abuses, money laundering, terrorist financing, other illegal activities and increasingly address wider ESG risks.

Throughout 2021/22 Asahi Refining engaged and invested in projects designed to scope, analyze, and provide solutions for increased transparency and responsibility within the global gold and silver supply chain.

Asahi participates in the Responsible Mineral Initiative’s Risk Readiness Assessment program. This program provides further transparency in supply chain mapping. Asahi Refining was contacted by several international manufacturers to share RRA details to create a complete supply chain map.

Asahi Refining made a major investment in its compliance program in this audit period. Firstly Simon Houghton-Dodd was recruited to the new role of Senior Manager Precious Metal Supply Chain Assurance in May 2021 and managing Asahi’s compliance program is one of his main duties. He initially working from the UK but relocated to Toronto in November 2021.. Simon worked for Johnson Matthey’s Precious Metals Division from 2012-2016 and helped to create the original compliance program at Salt Lake City & Brampton. After leaving Johnson Matthey he joined LBMA as their Compliance Officer overseeing the LBMA’s Responsible Sourcing Program for 18 months. Arturo Espinosa who joined the compliance team in March 2021 reports into Simon. Therefore in this latest audit period Asahi has clearly demonstrated that its commitment to fully supporting its organizational responsibilities and outlined requirements for due diligence, transaction monitoring, training, records and reporting, as detailed in our Precious Metals Procurement Policy and Compliance Procedures.

As an LBMA Good Delivery Refiner, Asahi Refining, monitors the source of all precious metals accepted into our Salt Lake City and Brampton refineries to ensure that we comply with LBMA’s Responsible Gold



Guidance (RGG) and Responsible Silver guidance which are based on the OECD Due Diligence Guidance as well as Swiss and US KYC, Anti-Money Laundering and Combatting Terrorist Financing regulations and the recent EU Conflict Minerals Legislation.

As last year Covid-19 had a major impact on our ability to conduct face to face meetings and audits and had a significant impact on our business. However as borders started to open up in last 2021 and travel became easier we were able to restart our site audits and have caught up on the backlog generated in the hiatus of the last two years. It is the hope of all Asahi staff that throughout 2022 we will further strengthen relationships with counterparties via site meetings and attendance at industry events.

The following compliance report illustrates Asahi Refining's continuous improvement activities within the time period of April 1, 2021 to March 31, 2022.

Table 1: Refiner's details

Refiner:	Asahi Refining Canada Limited
Location:	Brampton, Canada
Reporting Year-end:	31 March 2022
Date of Report:	12 May 2022
Audit Date	31 May & 1 June 2022
Senior Manager Responsible:	Shohei Yasuda, President, North America Shohei.yasuda@asahirefining.com

Asahi Refining's Evaluation

The following table lists the minimum requirements that must be satisfied by Refiners in accordance with the LBMA Responsible Gold and Silver Guidance to demonstrate compliance.

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Asahi Refining has complied with Step 1.

Adopt a company policy regarding due diligence for supply chains of gold and silver

Asahi Refining drafted new Supply Chain Procurement Policies in July 2021. This was approved by Asahi Refining's President, Shohei Yasuda and uploaded to the company website (www.asahirefining.com) in July 2021. The new policy is formatted in three sections:

Scope

- The businesses the policy covers
- The aims and objectives of the policy
- A high-level description of the Asahi's commitments
- A summary of the fundamentals of our management systems.

Commitments

- Regarding serious abuses associated with the extraction, transport or trade of minerals
- Regarding direct or indirect support to non-state armed groups
- Regarding public or private security forces
- Regarding bribery and fraudulent misrepresentation of the origin of minerals
- Regarding Money Laundering
- Regarding the payment of taxes, fees and royalties due to government
- Regarding environment
- Regarding environment

Governance

- Confirmation that all Asahi employees, contractors, suppliers and other third parties comply with this policy
- Where issues are detected will take appropriate measures to protect our integrity and reputation

Copies of this policy are included in our KYC pack, which organizations must sign to acknowledge their compliance with our requirements.

As previously described Asahi has ensured it maintains an internal management structure to support the supply chain due diligence, and during this audit period added a new role of Senior Manager Precious Metal Supply Chain Assurance (compliance manager) in May 2021. Managing Asahi's compliance program is a key function of this position. The Compliance Manager, has been based in Brampton since November 2021 once work permits had been issued. Prior to this the compliance manager was based in the UK. As reported last year Asahi hired a compliance risk analyst from our customer services team to provide dedicated support to the compliance manager. This allowed Asahi to fully split site audits from sales visits, and the two activities are fully independent of each other. The Analyst was based in Utah until late 2021 when he relocated to Mexico, as a native Spanish speaker he is well positioned to be Asahi's mine and client site audit expert. In mid 2021 the Compliance Analyst was given training in site auditing and report writing by the compliance manager. The Compliance Manager continues to have a direct reporting line to the President, and decisions on supply chain and due diligence are discussed via quarterly Compliance Committee meetings as well as on an ad-hoc basis if issues arise. Four meetings occurred during the 2021 audit period. The Compliance Committee consists of the following positions;

Compliance Manager, North America
President, North America (Executive, Board Member)
Global Head of Sales (Executive, Board Member)
Director of Finance (Executive, Board Member)
Chief Operations Officer (Executive, Board Member)
Global Business Development Manager
Environmental Health and Safety Officer, North America
Security Manager, North America



Following independent legal advice, the scope of the agenda broadened significantly and the March 2022 meeting covered:

- Responsible Sourcing
- Security and Asahi's "Duty of Care"
- Environment, Health & Safety

The Asahi Compliance team has the necessary resources to support and monitor the due diligence process. Asahi holds a paid annual subscription to an independent risk database provided by a third party. This tool is utilized during client on boarding, client reviews and daily monitoring. It allows the Asahi Compliance team to verify client names and company names against hundreds of global watch lists. It will also provide basic company information, verify officers and directors, ownership structure and scans for adverse media. Asahi pays an additional screening cost to have all clients run via the provided software once every 24 hours for the purpose of on-going monitoring. A second software is utilized on an as needed bases for USA based clients. In October 2021 we advised the software provider that we would not be renewing our subscription. We have conducted an extensive review of tools available and have identified our preferred supplier who can tailor their package to align with the requirements of RGG V9 and therefore allow us to integrate our KYC on-boarding process and routine daily due diligence checks.

Establish a strong internal system of due diligence, controls and transparency over gold supply chains, including traceability and identification of other supply chain actors.

The Senior Manager Precious Metal Supply Chain Assurance oversees the administration of Asahi's responsible gold and silver programs. Asahi Refining has a strong, well-established material traceability system for each client and lot received. Our system can pull client lot details dating back to the inception of the system. Date received, size and type of lot, weights, assay results, settlement data and description of lot are all included and stored indefinitely on the system. Documentation is reviewed for each incoming lot to ensure compliance with both our internal handling procedures and our external supply chain procedures. All relevant staff received refresher training of the requirements of our traceability systems, transaction monitoring and whistleblowing policies and procedures in the period covered by this report.

Asahi maintains a detailed compliance file for each of its clients. These files contain the KYC documentation completed by the client, corporate documents, such articles or business licenses, permits or concessions, information regarding beneficial ownership and copy of ID's. Company policies, procedures, statements, financial records, media reports and a separate file dedicated to the due diligence information found during the on boarding process. In some case these files may also include media reports and copies of emails between Asahi and the client.

Asahi ensures traceability via the initial on boarding process, during the relationship management between sales, compliance and client as well as the assay lot identification and tracking. When Asahi on boards a new client the traceability of the material to the mine is determined, recorded and verified. The verification process may include general knowledge of a known historical mine or a site visit for a lesser known mine located in a high-risk location or CAHRA. The Asahi traceability system maintains and analysis a wealth of detailed information from all historical shipments. This allows Asahi to compare and



review historical data to ensure it aligns with shipping volumes, assay results and allows for red flag identification should historical mine site data change.

Asahi's internal procedures for undertaking compliance checks on clients varies based on the client risk rating and location, we improved the risk rating process in 2021 to reflect the EU's CAHRA regional approach rather than assigning a blanket risk by country. This allowed us to target our site audit program and focus on counterparties who were correctly identified as being in a high risk region. This will determine the frequency of checks. This process can be completed via email and phone communications or as an in-person site visit. At the start of this reporting period site visits were largely complicated by the travel restrictions in place due to Covid-19. Canadian borders remained closed for the majority of the audit period further complicating the process. However, as we moved from 2021 into 2022 we have resumed in person audits and have caught up with the backlog.

Historically Asahi has completed in person training with staff, however due to Covid-19 restrictions that discouraged traveling and large group meetings once again refresher training at Brampton was comprised five on-line sessions. This allowed staff to take the training at a convenient time and complete the test when convenient and receive a pass or fail grade. The "Teams System" recorded who was on each call and the length of time each attendee spent on the call so it was very easy to track who has completed the training. Brampton had 39 of 40 staff participate in the compliance training in 2021/22. This training is provided to staff who have care and control of product and/or the ability to identify a red flag before the metal is comingled with other product. As an example: employees in sales, customer service, metal control, finance, shipping, production supervisors and management all receive the specific compliance training. However, employees working in Maintenance and Engineering do not. Finally it should be noted that this year's training focussed on the significant changes and expansion in scope resulting from the transition from RGG V8 to RGG V9 to ensure all relevant employees were aware of the new requirements as early as possible.

Strengthen company engagement with Gold/silver-Supplying Counterparties and, where possible, assist gold/silver supply counterparties in building due diligence capacities

During the audit period Asahi maintained its history of strong communication and relationship engagement with all of its existing and prospective clients and the wider industry as a whole. A couple of examples are as follows:

A small enterprise looking to start supplying ASM gold contacted Asahi asking for advice across a range of compliance issues including how to access the GDL system, although this project was a long way from producing any gold advice was freely given and contact remains ongoing.

Asahi took part in a number of consultations with LBMA firstly on the transition from version 8 to version 9 secondly, we are participating in the working group updating LBMA's precious metals code and are an active member of the working groups looking to increase the amount of ASM gold entering the GDL system.

During the audit period Asahi changed its on-boarding process and has added the updated Precious Metal Procurement policy to the pack sent to all potential new customers requesting they sign and acknowledge the policy, or alternatively provide Asahi their own procurement policy.



Establish a confidential grievance mechanism

Asahi Refining maintains two separate grievance reporting tools, both of which are available to staff with one being solely for external parties. The first is provided via a 3rd party provider and allows Asahi employees to raise grievances or concerns directly to the 3rd party provider who then reports the grievance to the executive level management to investigate. During the audit year Asahi updated its whistleblowing policy. The Precious Metals Supply Chain Inquiry page is accessible via the Asahi Refining website (<https://www.asahirefining.com/corporate-responsibility/>) and can be used as a communication vehicle for basic questions around policy or as a confidential tool for reporting. Clear instructions are provided to ensure those who wish to remain anonymous can do so. Emails sent via the web site reporting tool are directed the Asahi Compliance Manager to investigate and respond.

Throughout the 2020/21 audit period no grievances were reported via the two noted tools.

In addition to the grievance mechanism, the previously noted introduction of the red flag reporting portal available to Asahi staff has also assisted to encourage employee participation and risk identification.

Step 2: Identify and assess risks in the supply chain

Asahi Refining has mostly complied with Step 2.

Identify risks in the gold and silver supply chain.

As a leader in the precious metals industry, Asahi Refining recognizes the unique opportunity that we have to play in the development, implementation and continuous improvement of systems designed to detect and prevent commercial activities that contribute to the financing of armed groups, human rights abuses, money laundering, terrorist financing, illegal activities as well as wider ESG concerns. Asahi Refining works with our suppliers of precious metals to ensure they are aware of our Precious Metals Procurement Policy and that the materials they deliver to Asahi Refining do not contribute to such illegal activities.

Asahi utilizes a seven-step process to on board clients, assess risk and continuous monitoring. Those steps are as follows:

Initial contact screening – in this step the sales team will have open dialog with a prospective client, asking leading questions to determine the legitimacy of the business. During this step a client may be sent a Prospective Client Declaration (PCD) form to allow Asahi to capture basic details about the company and the proposed business. The PCD is returned to Executive Management within the sales team who review the documentation and decide as to whether or not the business is a potential fit for Asahi. If the business is deemed a possible fit for Asahi, the sales team will pass the file to Compliance to proceed further with the compliance process. During the audit period Asahi Refining Sales team determined a number of prospective clients were not an acceptable fit and DID NOT forward the clients on to compliance for step

2.

Disclosure & KYC screening – In this 2nd step potential clients are asked to fill out, sign and return the Asahi know your customer (KYC) document. This document was updated at the start of 2022 to reflect the changes made in the transition to RGG V9. Until the start of 2022 when RGG V9 came into force Asahi had stricter requirements around beneficial owners than required by LBMA as our threshold already stood at 10%. At this point potential clients are also asked to sign off on the Asahi Refining Precious Metals Procurement Policy. Potential clients are asked to provide copies of ID's for beneficial owners identified on the KYC, as well as operational documents such as mining permits, articles of incorporation and concessions. Permits for other items such as sanitation and water use are also requested along with policies pertaining to environmental, human rights, health and safety as well as AML. This should not be considered a complete list and can vary based on type of business and location.

Due Diligence screening – The 3rd step is largely a research step. Using the provided client information as a starting point, Asahi will verify the information while continuing to gather more using the potential client's website and basic internet searches. Once the compliance team has gathered all the appropriate information and is satisfied with a good understanding of the potential business, a third-party screening software is then utilized. The annual subscription software provides Asahi with a tool to screen beneficial owners and top management against hundreds of global watch lists. The software also allows for Asahi to gather basic information on the company that can also be used to verify the information provided by the client. Typically, the software returns detailed reports of the company's financials, officers and executives, ownership shares, company structure and affiliated companies as well as any adverse media regarding the company or individual that were searched.

Risk Assessment – Asahi has developed a risk matrix's by which all potential clients are scored. It contains fifteen categories that are each scored from 0 to 3. Certain categories such as "country risk" carry a heavier weight on the scoring. Potential clients will receive a score and based on the score they are deemed to be "HIGH RISK" or NON-HIGH RISK".

Enhanced Due Diligence – All potential clients who are deemed High risk at the completion of the Risk Assessment step will require enhanced due diligence. At this point a decision is made in discussion with the Compliance Manager, President and Global Head of Sales as to whether or not to proceed with the EDD. This is an important step as Asahi will typically spend between \$7k and \$12K to perform EDD on a potential client.

Enhanced Due diligence can vary depending on the client and location but will always include a site visit. As an example during the Audit year, Asahi used a third party to audit a new LSM client as well as regular site audits by our Compliance Risk Analyst. These audits are very detailed and include a detailed site tour, a review of health and safety, review of environmental impacts, interviews with management and front line staff, review of permits, signage, security, workers sleeping areas and when possible Asahi will try to engage with locals in the community to hear their feedback on the mining operation. Again, these can vary dramatically based on many different factors. During the audit period the compliance analyst



received additional training on audit protocols and guidance on what reports should include to provide a comprehensive summary of the audit.

Final Approval Final approval is again based on the risk assessment. Potential clients who are deemed non high risk can be approved by the compliance team. Potential clients who are deemed High Risk must be approved by both compliance and the President of Asahi Refining, North America. This will include a detailed discussion of the potential client and any associated risks. If the Compliance team and the President are not in complete agreement on the approval/or denial the file will be discussed with the Compliance committee and if needed a vote can occur, however the president has the right to deny a potential client even if the committee votes to add them as a client.

Ongoing Monitoring – Asahi subscribes to a 3rd party service provider to manage the daily monitoring of all Asahi clients. The software will check beneficial owners' names against global watchlist once every 24 hours and check the company name for adverse media. An email is sent to the Asahi compliance team each morning with the daily results of the search performed. These reports are reviewed and escalated if necessary. Throughout the audit period new entities were added to the watchlist reflecting new clients or more recently the large waves of sanctions being imposed by multiple jurisdictions to ensure Asahi complies with its responsibilities.

Assess risk in light of the standards of their supply chain due diligence system

Asahi continues to assess risk on an ongoing basis via 24 hour monitoring of adverse media, the confidential grievance tool, review of daily shipments received from clients that can be compared to historical data to compare key analytics and via more traditional methods, such as industry experts, client self-reporting and on site visits by Asahi personal. In the first quarter of the audit period one small supplier shipped primary and secondary material as one lot but from the middle of the year onwards they were instructed to separate the types of material and for the majority of the audit period this was the case

We amended our audit policy part way through the audit period and regrettably even though we managed to perform 12 on-site in person audits due to covid restrictions still being in force in many south American Countries were not able to audit 2 refiners. These audits have now been scheduled and will take place by the end of July. By changing our audit policy we have drawn a line in the sand and going forward we will be in a position to complete audits on time.

Asahi has clients operating in Conflict Affected High Risk Area's (CAHRA). In addition to the Dodd Frank covered countries Asahi has identified seven countries within its supply chain that Asahi has deemed as a CAHRA. Of those seven, six ship to the Brampton facility. These include Colombia, Egypt, Guyana, Mauritania and Trinidad and Tobago.

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

Asahi Refining has complied with Step 3.

Report findings to designated Senior Management

Where appropriate, information gathered, and actual and potential risk identified in the supply chain risk assessment is communicated to Senior Management. While conversations with Senior management around Risk and Risk Mitigation are a common occurrence in the Asahi operation not all examples are documented, however it should be noted that the Compliance Committee maintains three executive board level members. In addition to this the President of Asahi Refining North America must approve all new accounts deemed high risk. During the audit period the compliance committee met four times.

Devise a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade, or (iii) disengagement of the risk.

The Asahi Refining compliance policies and procedures outline the protocol where a risk is identified on a current client. The policy outlines a three-step process. Once risk is identified it is discussed with the Asahi Compliance Committee. The Committee will objectively listen to the known facts and determine whether Asahi should:

- 1) Continue business while investigating claims
- 2) Suspend business and receive no further shipments while investigating claims
- 3) Disengage from the client

During the previous audit year Asahi had one situation requiring review in accordance with the risk mitigation strategy and this case remains on-going. As previously reported the client confirmed that the warrant was issued by the department of agriculture and fisheries and did not relate to precious metals and concerned their clients rather than their own actions.

Asahi Refining has developed a specific risk mitigation procedure for its highest risk secondary material clients. Whilst the appropriate relationship manager visits each client on a regular basis to discuss responsible procurement practices and survey the client on any related business changes, independent audits are now performed by the compliance analyst so that there is no potential for internal Asahi conflicts of interest.

Asahi Refining senior management regularly review actions and issues arising from our due diligence system for the gold and silver supply chains. As part of our continuous improvement plan, and as we roll out compliance with RGG V9, we will continue to strengthen the documentation process of how we have followed these procedures including communication with existing clients.

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

Asahi Refining has complied with Step 4.

Asahi Refining has engaged the services of RCS Global, an LBMA approved assurance provider, to provide a reasonable level of assurance over this Report.

RCS representatives arrive on site in Brampton on 31 May 2022 to audit the refiner activities and transactions that occurred between April 1st, 2021 and March 31st, 2022.

Step 5: Report on supply chain due diligence

Asahi Refining has complied with Step 5.

Asahi Refining has published its LBMA Responsible Gold and Silver Independent Assurance Reports along with its relevant policies in the 'about us' section on its website www.asahirefining.com. These reports are also available in the "group quality" section at www.asahiholdings.com.

Management conclusion

Asahi Refining is in compliance with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance for the year April 1, 2021 to March 31, 2022 and is committed to developing a continuous improvement model to refine management systems, policies and procedures throughout 2022 and beyond.



Shohei Yasuda
President
Asahi Refining, North America