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Via Email

Amanda Romero
Senior Researcher and Representative for South America
Business & Human Rights Resource Centre
romero@business-humanrights.org

Re: Inquiry Regarding Republic Metals Corporation

Dear Ms. Romero:

I am counsel for Republic Metals Corporation (“RMC”).

I understand that your organization plans to publish an article regarding illegal gold mining operations in Latin America. RMC asked whether you could identify the “source” you were going to rely upon for the upcoming article. In response, you directed our attention to a publication titled “Organized Crime and Illegally Mined Gold in Latin America” by The Global Initiative Against Transnational Organized Crime. I will refer to that publication as the “Report.” Thank you for allowing us the opportunity to respond to the accusations in the Report regarding RMC.

The accusations and implications in the Report about RMC are factually inaccurate. The Report relies on a small number of secondhand sources to make broad accusations and implications about RMC, disparaging a company that has done as much as any refinery operation in the world to eliminate the influence of illegal gold in the industry. Neither the author of the report nor anyone from the Global Initiative contacted RMC before publishing the Report. RMC could have corrected the inaccurate information in the Report had anyone contacted RMC to learn the truth. We appreciate you allowing us to correct the defamatory accusations made in the Report about RMC. Those accusations should not have been published in the first place and should never be published again.

Background on RMC

As you may know, RMC has been recognized as a LBMA Good Delivery Refinery, COMEX Good Delivery Refinery, and a Certified Member of the Responsible Jewelry Council. RMC obtained these recognitions, in part, as a result of its efforts to combat money-laundering

by ensuring that all sources of precious metals at RMC come from legitimate, conflict free, and ethical sources. RMC has an exemplary record in this respect. ***No U.S. or foreign agency has ever accused RMC of improperly sourcing precious metals.***

The fact that RMC has never been accused of improperly sourcing precious metals is confirmation that RMC's compliance program works. RMC ensures that it receives gold only from proper sources through a variety of protocols, including, but not limited to, the following: (1) completing internal documentation to ensure up to date information regarding exporters, (2) reviewing internal databases prior to receipt of gold from exporters to verify source compliance, (3) conducting site visits, (4) conducting client/exporter interviews, (5) adhering to the requirements of RMC's supply chain policy and Patriot Act policy, (6) complying with the Responsible Jewelry Council's protocols and audit procedures, and (7) conducting independent supply chain audits. We believe that RMC's compliance program is the best in the industry; and, RMC is always looking for ways to make the program even better.

Similarly, RMC's track record for terminating business with any mining operation that we learn might be involved in improper activity is beyond reproach. ***RMC terminated its business with each of the mining operations discussed in the Report; and, RMC did so before any of the operations were charged by local law enforcement officials with wrongdoing.*** RMC ceased doing business with these suppliers after our compliance monitoring determined that the mining operations might be involved in activity inconsistent with our supply chain policy. RMC was preemptive.

These critical facts are omitted from the Report. This is a telling example of bias. The authors of the Report could have easily verified that RMC has never been accused of improperly sourcing precious metals by a U.S. or foreign agency. The authors likewise easily could have confirmed, by picking up the phone among other things, that RMC terminated business with each of the mining operations at issue in the Reports before any formal notice of illegal activity. The authors of the Report, however, did not let these undisputable facts get in the way of the story they wanted to tell. That is not responsible reporting.

Response to Specific Accusations

Below we address some of the specific accusations in the Report about RMC. Again, the authors of the Report did not bother to contact RMC to get the facts right. As a result, the Report includes factually inaccurate statements and implications about RMC. None of those statements or implications should have appeared in the Report and none should be repeated again. RMC has worked hard to "get it right" in terms of its supply chain and for its customers. RMC and its customers should not be dragged through the mud with these types of baseless accusations. Illegal gold mining is a serious problem and addressing it requires consideration of facts not accusations.

Manhattan District Attorney: Perhaps the clearest example of the Report's inaccurate accusations against RMC, and the bias of the authors, is the discussion of the Manhattan District Attorney's ("DA") action. The Report repeatedly alleges that the DA seized bank accounts of

RMC and others that were connected to a Peruvian drug trafficking organization (“DTO”) and that significant sums of money were laundered through RMC’s bank account. The clear implication in the Report is that RMC was involved in money laundering for the Peruvian DTO.

Facts and the truth are omitted from the Report. The DA dismissed RMC from the action. The DA issued a press release captioned: “Manhattan U.S. Attorney Dismisses Civil Forfeiture Complaint Against Funds Held by Refining Company.” The press release unequivocally exonerated RMC from any wrongdoing. The DA acknowledged that RMC “provided evidence to meet its burden of establishing that it was an *innocent owner*, and a bona fide purchaser or seller for value, and that it did not know, and *reasonably was without cause* to believe, that the property was subject to forfeiture.” The suggestion that RMC participated in laundering money for the Peruvian DTO is 100% false. The Report’s failure to acknowledge that the DA admitted RMC did nothing wrong is clear evidence that the authors were not trying to get the facts right about RMC.

RMC could have provided the authors of the Report additional information had they bothered to contact RMC before publishing their accusations. RMC actively communicates with and supports the efforts of all of the government regulatory agencies. In this spirit, RMC contacted the U.S. DEA in Miami about Comarsa (Sanchez Paredes) within a few weeks of commencing business with the mining operation. RMC had become suspicious of the operation so notified the authorities. *The DEA asked RMC* to continue to do business with the Paredes entities and provide information to the government, which RMC did. The asset forfeiture division of the Southern District of New York, as well as New York branch of the DEA, did not know that RMC and the Miami DEA had been working together on this very case. The Manhattan DA dismissed the action against RMC after RMC’s cooperation had been explained. This was done *within three weeks* of the commencement of the suit. The case was ultimately dropped as it pertained to the Sanchez Paredes entities and their companies as well. Of course, none of the facts made it into the Report.

Peruvian Authorities: The Report’s accusations regarding RMC being investigated by judicial authorities in Peru is likewise false. The Report states that “judicial authorities of Peru” have accused a group of companies, including RMC, “of twenty five criminal acts.” The Report also suggests that RMC is the subject of Peruvian authorities “investigating illicit advance payments to acquire gold.” The Report has no firsthand basis for these accusations. The Report relies on some secondhand articles that, themselves, lack any firsthand basis for making the accusation. The authors of the Report did little to no investigation to determine whether the accusation against RMC was correct before printing it.

The facts about RMC’s business in Peru, as opposed to unsupported accusations, undermine the Report’s efforts to vilify RMC. First, RMC employs experienced local independent contractors on the ground to conduct site visits and assist RMC in vetting Peruvian clients. Second, RMC has an active relationship with one of the largest and well respected law firms in Peru who advises RMC. The law firm helps RMC with background checks and analysis of Peruvian business. Third, RMC’s Compliance Director and International Sales Director have performed on the ground site visits in this area. RMC does not believe any refinery does more to

vet mining operations in Peru than RMC. And, the Report is, of course, silent regarding any suggestions on how RMC could do it better.

The Report's suggest that RMC has been targeted or is the subject of an investigation by unnamed Peruvian government officials is unfounded and factually inaccurate. The implication that RMC does nothing to verify the sources of the Peruvian precious metals is likewise unfounded and factually inaccurate. ***RMC is not under investigation by any foreign agency, including Peruvian.*** RMC has not been contacted by agency regarding any such investigation. The authors of the Report do not know more about investigations into RMC than RMC and its attorneys in Peru.

Goldex C.I.: The Report's discussion of RMC's past dealings with Goldex is another example of an abandonment of fact checking. The Report indicates that RMC continued to do business with Goldex after it was under investigation by the Colombian authorities. That is unequivocally false. ***RMC was the first entity to stop doing business with Goldex.*** RMC did so in September 2013 before there was a single report regarding an investigation by the Colombian authorities into Goldex. RMC terminated its business with Goldex before any taxing authority or government agency indicated that Goldex was involved in illegal activities or was under investigation for illegal activities. RMC has not done business with Goldex since September 2013. It is our understanding that other refineries continued to import gold production from Goldex, but not RMC.

Moreover, the Colombia Attorney General has confirmed that RMC is not, and has not been, the subject of any investigation with respect to Goldex or any other Colombia supplier. RMC initiated, through its Colombian attorneys, a formal request to the Colombian Fiscalia (Attorney General) to confirm whether or not RMC and/or its officers and/or its beneficial shareholders are, or ever were, under any investigation. Much to our expectation, the Fiscalia responded that RMC, its officers, and its beneficial shareholders were not and are not under any investigation, including, but not limited to, any investigation regarding Goldex. The Fiscalia's response confirms that RMC was an innocent purchaser of metals from Goldex, without any participation or knowledge of any illegal activity by Goldex or any other entity in Colombia.

The Goldex situation is an poignant example and reminder of the difficulty of determining with 100% accuracy the sourcing stream of precious metals notwithstanding that a company such as RMC pursues stringent enforcement of its AML and KYC programs and has a large and proactive Compliance department. RMC objects to the snide comment by the authors of the Report to the effect that RMC's involvement with Goldex was anything but "clean" notwithstanding our compliance program. A footnote to that comment references RMC's Gold Supply Chain Policy Statement. In essence, the author's remark castigates a company such as RMC for putting in place an exhaustive policy to combat the very conduct and course of business the Report complains about. The Report is quick to mock a company like RMC for trying to do the right thing but fails to offer any suggestions on how to do it better, and the Report ignores the practical challenges that ethical companies like RMC face on a daily basis in enforcing its supply chain policies.

Pedro Pérez Miranda: The Report's discussion of RMC's past dealings with Pedro Pérez Miranda is also factually inaccurate. RMC was never told by any governmental agency that Pedro Pérez Miranda was involved in illegal activities. Nonetheless, RMC closed its account with his business, Business Investment SAC, in 2012, nearly four years ago. RMC had dealt with the entity for only six months. RMC unilaterally, before any negative reports surfaced about this entity, closed the account because shipment sizes began to increase at an abnormally high rate. It was RMC's compliance program that alerted it to further investigate the client and ultimately close the account. RMC was the first refinery to close that account.

Moreover, the Report's discussion of the amount of business RMC did with the entity is wrong. The Report suggests that RMC was a larger buyer of the 13 tons of gold sold by Ferrari's related company. That is not true. RMC received only 2.5 tons of gold from that entity before terminating the account. RMC received less than 1/5 (20%) of the gold sold by the entity. And, again, RMC received that gold more than four years ago. The Report exaggerates a transaction that is four years old and fails to explain that RMC proactively terminated the account. That is not fair and accurate reporting.

RMC is concerned about the consequences upon society of the unlawful and illicit sale and purchase of precious metals worldwide as should be any responsible company. The point of RMC's response to the Report is not to diminish the negative effects upon sections of the populace of countries impacted by that type of business. However, responsible journalism also requires that it acknowledge the difficulty of legitimate companies negotiating the landscape in the precious metals industry. It serves no benefit to expressly or by implication condemn or suggest that a company such as RMC is complicit with such illegal activities nor to draw such a conclusion with incomplete or inaccurate facts. As often happens, one internet new media company publishes an article suffering from such deficiencies and/or exaggerated conclusions and that becomes the basis or authority for subsequent articles from different publishers/reporters which, of course, then also suffer the same shortcoming. This effect has been pointed out above in this response.

Republic has invested a significant amount of funds and manpower to put in place what it considers to be superior standards and polices related to a myriad of compliance issues. Of course, even that cannot guarantee that occasionally a bad apple will not get past the fire wall. But given our dedication to identifying such a situation, it will be discovered in short order and such an account closed. As a result of our standards and dedication to enforcing those standards:

- RMC is a member of the LBMA, RJC and JVC;
- RMC is certified for good delivery by the LBMA, Chicago Mercantile Exchange (COMEX), and the Shanghai Commodities Exchange;

- RMC has been found to be compliant with the Conflict Free Smelter Program assessment protocols and are listed by the CFSI; and
- Republic has been verified by Ethical Alliance to be an ethical business partner with no known history of corruption, human trafficking or conflict mineral involvement.

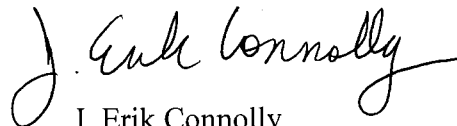
RMC has spent the last 30 years tirelessly working to earn these recognitions and its stellar reputation in the refinery business as a trusted partner that imports only from legitimate, conflict free and ethical sources.

RMC also undergoes a thorough outside auditing process. RMC is independently audited annually by Underwriters Laboratory (UL Responsible Sourcing Division) and our last audit resulted in the continuance of RMC's RJC Chain Of Custody Certification. RMC also undergoes annual audits from independent third party auditors to maintain our various accreditations. We have received excellent grades and complete and unreserved approval in all instances. And, as noted above, RMC immediately ceases doing business with any customer who is found to violate our standards or who is even suspected of doing so whether that discovery is the result of our own compliance program or an independent audit.

We respect that you may be pursuing a story regarding illegal gold mining operations in Latin America. However, RMC should not be part of that story. RMC has worked tirelessly to ensure that it does not source gold from any illegal mining operations and terminated business with any operation that might be involved in illegal activities.

Please direct future inquiries, in any, to my attention as well as Alan Silverstein.

Sincerely,



J. Erik Connolly