CONTENTS

A. BASIC RULES FOR SALE/ PURCHASE OF REFINED GOLD

1. General Considerations

1.1. Bankable and Non-bankable Gold

It is to be distinguished between "bankable gold" and "non-bankable" gold. Under bankable gold we understand gold of Good London Delivery (GLD Gold), which is in the custody of a bank assuming full responsibility for the quantity and fineness of each and every bar, corresponding to that listed on the assaying certificate.

With this prerequisite not fulfilled, the gold, regardless of its quality and irrespectively of the Owner's confirmation, is not bankable and needs re-assaying before becoming bankable gold.

1.2. Forged Gold Bars and Testing of Genuineness

The specific density of gold, which is 19.3, is identical to that of Tungsten. This has led to the fabrication of false gold bars, containing a core of Tungsten covered by a thin layer of gold, which often bears hallmarks of internationally known refineries. With gold, which is not in the custody of a reliable bank, the risk of the bars not being genuine must always be taken into account. The integrity of the Seller of such bars is no warranty for the genuineness of the bars.

The testing of bars can be done by three methods:

- Mechanical: Weighing and drilling through the bar. The hardness of Tungsten is much higher than that of gold.
- Electrically: Measuring electrical conductivity by means of a Wheatstone Bridge with a genuine gold bar forming the comparative resistance in the circuit.
- Re-Smelting and renewed Hallmarking by a Refinery acknowledged by the LBMA

Re- Smelting is by far the fastest and cheapest way for testing non-bankable gold and converting it into bankable GLD Gold.

2. Definition of Terms

A clear understanding of the terminology is prerequisite for the success of a sale/ purchase of gold just as of any other merchandise. The following definitions have been accepted or are justified by their compliance with good English:

Bankable Gold	=	GLD Gold in the custody of a bullion bank
GLD Gold	=	Gold of Good London Delivery. Condition: Minimum Fineness 995/ 1000 min with Hallmarks of a Refinery acknowledged by the London Bullion Market Association (LBMA).
Mandate	=	Authorization issued by the “Mandator”, i.e. by the owner of the gold.
Mandator	=	Party issuing the mandate, identical with the owner.
Mandatary	=	Person or entity holding a mandate, also called “Agent”
Broker	=	Person or entity playing an active part in the transaction not confined to the passing on of names and addresses of Seller or Buyer.
Introducer	=	Person or entity who established connection between Seller and Buyer or their mandatory without playing an active part in the transaction.

3. Documents to be furnished by the Seller

I. Bank confirmed SKR
II. Assaying Certificates
III. List of Assaying Certificates with Numbers
IV. Confirmation of bank that Gold is at the free disposal of the Seller

4. <u>Proposed Procedure</u>

4.1 General Remarks

It is important to note that gold, apart from its technical application in electronics and thin film technology, is not an item necessary for life. The gold market is and has been primarily a “Buyer’s Market” with the supply exceeding the demand. A Seller must realize that, while he is holding a commodity bearing no interest and the deposit of which is incurring only negligible cost, a Buyer entering into a sales/ purchase contract must allocate funds, which must be at his disposal at the time of payment. This means he must bind capital which he is temporarily withdrawing from another utilisation. This incurs cost, which is the reason for the generally accepted sequence: First Proof of Product (PoP) then Proof of Funds (PoF), or, at least, both proofs simultaneously.

As far as the remuneration of the parties standing between Seller and Buyer are concerned, the most logical way would be that both, Seller and Buyer are remunerating those, on whose services they are drawing. There is no logical reason why a Buyer should be obliged to make payment to the agents of the Seller. It is rather up to the Seller to advise the Buyer to deduct their fee from the gross sales price he is to receive and to confirm its payment directly to Seller’s agents and introducers referred to as “Seller’s side”.

4.2 Procedure

To ascertain that both Seller and Buyer are exposed to minimum risk when entering into a Sale/ Purchase transaction and that the agents and introducers are being covered, the following procedure is proposed. It applies to the sale/ purchase of bankable gold with physical delivery from Seller to Buyer.

Contact is established between Seller’s and Buyer’s Mandatory by a Broker, or Attorney, or Attorney–in-Fact (henceforth “Broker”) who is committed to complete secrecy with respect to disclosing the mutual identities before the fee protection agreements for the agents and introducers have been signed by the Buyer:

1) Seller’s Mandatory sends signed and sealed (and notarized) FCO and copy of mandate to Broker.
2) Broker has Buyer issue fee commitment to Seller’s agents and, if applicable, to Introducers. At the same time Buyer issues fee commitment to his own agents, to Broker, and if applicable, to Introducers.
3) Broker passes FCO to Buyer’s mandatory, who signs it and returns it via Broker to Seller‘s mandatory or confirms his intention by an LoI. <u>Thereby direct contact between Seller and Buyer is established</u>.
4) Seller or his mandatory sends detailed information on Au including serial numbers of hallmarked bars to Buyer or his mandatory.

5) Buyer sends (notarized) RWA declaration to Seller.
6) Seller produces PoP by either safekeeping receipt or bank confirmation.
7) Buyer produces PoF by bank confirmation.
8) Parties sign contract.
9) Contract is executed.

B. USA PATRIOT ACT [Gold /AU transaction since 1.8.2006]

Under the new guidelines recently set forth by the ***Federal Reserve for GLD metal*** it is required by the bank officers to do standard FED compliance on the metal and the seller / beneficial owners of the metal on a *bank to bank basis before any contracts can be signed.*

Anything outside of a strict Swiss procedure of POP with Sellers client info sheet and passport is now ILLEGAL to even attempt to transact. The seller, if they are legitimate, must be ready willing and able to submit this information directly by SWIFT to the Buyers Bank Officer for standard banking compliance under the new regulations.

Upon completion of this compliance the buyer's bank officer will then respond with POF including the Buyers client info sheet and passport information for the seller's bank officer to do their compliance as well. If the seller is not willing to comply with the new guidelines, we are sure there is no transaction worth going to jail over.

1. Seller sends Full Corporate Offer (FCO) to Buyer through designated intermediary. Said Corporate Offer will give the following information:

    a. The quantity of Gold for sale
    b. The form: 12.5 Kilo Bars (GLD) 5 years or less
    c. Fineness : 999.5% or better
    d. Hallmark : Johnson Matthey or some other known names
    e. Discount : Usually 6% Gross, 4% Net as a minimum
    f. Fees: Divided equally between Seller's and Buyer's Reps
    g. The availability of the following documents will also be listed in the FCO:

        I. Safe Keeping Receipt
        II. Original Certificate of Deposit
        III. Certificate of Origin
        IV. Certificate of Legal Ownership
        V. Seller's Certificate stating that the GLD are free and clear of all liens and encumbrances and freely tradable and exportable and of non-criminal origin.
        VI. Certified Weight List and Assay describing each Bar as follows:
            i. Serial Number as stamped on each Bar
            ii. Raw Weight as stamped on each Bar

iii. Total weight as stamped on each Bar
iv. Receipt of paid custom duties and taxes
v. Export Permit(s)

2. Buyer answers FCO with a Full Corporate Positive Answer (RWA) and sends Fee Protection Agreement with an unsigned Purchased Contract to Seller.

3. Seller completes and signs contract and returns it to Buyer via buyers Rep.

4. Buyer signs contract and returns it to Seller. All above done electronically on the same day, if permitted by time zones.

5. Seller sends a copy to buyer of the Safe Keeping Receipt and a Letter to his banker or warehouse manager giving him instructions to allow buyer to verify the existence of the gold and the pertinent information on said gold. The reason behind this request is that any person buying any gold wants to see it and verify it before paying for it. Having verified existence of the gold, buyer gives seller a Bank Issued Proof of Funds.

6. Seller instructs his Bullion Officer to set a window time with Buyer's Bullion Officer and meet in the Bullion Depository to close the transaction. The gold must be in GLD system and the documentation must conform to LBMA standards. Timing for the total transaction from start to finish should be 48 to 72 hours.

C. London Good Delivery

London Good Delivery represents the standard measure of quality in gold and silver bullion used in physical transactions within the London market and is the accepted standard for a gold or silver bar. The London Good Delivery List is maintained by the Physical Committee of the London Bullion Market Association (LBMA).

PAMP good delivery bars *(Credit: courtesy **PAMP** S.A.)*

The LBMA regulations for gold require that a good delivery bar "must be at least 995 parts per 1000 pure gold, with 999.9 being the highest possible quality. Minimum weight is 350 fine ounces, maximum 430 fine ounces. It must bear a serial number and the stamp, or chop, of an approved refiner as designated in the London Good Delivery List of acceptable smelters and assayers, as well as the fineness and the year of manufacture. The bars must be of good appearance, free from surface cavities and other irregularities, layering and excessive shrinkage. They must be easy to handle and easy to stack".

The list has its origin in assayers and refiners approved by the Bank of England's own bullion office in the 18th century, and grew more rapidly in the 19th century after the Californian, Australian, and South African gold discoveries. By 2000 the full gold list includes 60 refineries in 28 countries, together with the names of 42 former smelters and assayers who no longer melt or assay or have changed their mark or location, but whose bars are still accepted as good delivery.

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