

Shanghai Metals Market Price Assessment Methodology

T/C for Zinc Concentrate-Shan Xi Methodology

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1. Guidelines to SMM price assessment methodology

Shanghai Metals Market ("SMM") is an independent service provider that does not participate in trades. SMM is a market observer that engages buyers and sellers in the commodities market. By consulting with industry independent participants, SMM drafts the methodology, examines and revises it regularly based on the specifications and terms of trade that are generally used in the market, with equal weighting given to transactions that meet the standards. SMM reserves the right to exclude any unreliable or unrepresentative price data from its price assessment, in line with this methodology and other related Benchmark governance policies and procedures. SMM believes the processes and procedures documented in their Methodologies represent the most accurate way of representing the underlying economic reality of the markets

each Benchmark seeks to measure.

SMM price assessments refer to metals spot prices or price indices of both the Chinese and overseas markets reported by SMM on a daily basis. All SMM prices are published according to a set of defined methodologies, indicating how the prices are accessed and reported. These methodologies are published on our website www.metal.com (English) or www.smm.cn (Chinese) or for all market participants to understand and refer to.

To reflect the actual trades in the spot market, SMM will update the methodology for SMM price assessments and publish all the revisions on our website www.metal.com (English) or www.smm.cn (Chinese) 28 days ahead of the changes. For queries or suggestions on the methodology, please contact SMM customer services (please find contact information on the SMM official websites). **Please read this paragraph in conjunction with the SMM methodology review and changes policy, and the SMM Complaint Policy available at www.metal.com (English) or www.smm.cn (Chinese).**

This document specifies the standards and management methods for the SMM zinc concentrate (Zn 50%) treatment charge (TC) in Shanxi assessment. These standards are formulated to establish a transparent and verifiable SMM price setting mechanism and provide market participants with an important pricing indicator.

To ensure that SMM Benchmarks and indices are constructed, maintained and operated to the highest standards, the administrator of the SMM Benchmarks – Shanghai Metal Markets (“SMM” or “the Administrator”, herein known as “SMM”) employs a robust governance framework to manage and approve new Benchmarks and also approve changes to the methodologies of existing Benchmarks.

The SMM Benchmark Management Committee (“the Committee”) is responsible for all aspects of the design, management governance and calculation of the SMM Benchmarks, and is responsible for approving all policies and procedures relating to the provision of the Benchmarks. The Committee will regularly - and no less frequently than annually - review the methodology and its evaluation and publication process. Additionally, the Committee will review the methodology and all other relevant policy and procedure documents in response to changes to market conditions or any aspect of the dynamics of the underlying market the Benchmarks seek to measure.

The Committee maintains oversight of the SMM Benchmark methodology and its compilation process, ensuring that SMM prices and indices reflect as closely

as possible the objective conditions of physical markets of relevant commodities. The Committee will immediately point out any problem it finds, and propose external consultations and modifications to the existing methodologies or processes, in order to improve the quality of prices or indices published by SMM. The Committee can only propose changes to the methodologies and processes used in future Benchmark assessments, rather than modifying the already published prices or indices.

2. Guidelines to SMM zinc concentrate (Zn 50%) treatment charge (TC) in Shanxi

2.1 Definition

The SMM zinc concentrate (50%, hereinafter referred to as zinc concentrate) TC in Shanxi is assessed and reported based on the methodology defined in this document. As a benchmark, it can be referred to by both parties of zinc concentrate spot transaction as their settlement price. The price reflects the most tradable levels of spot zinc concentrate in Shanxi at the time of publication each week. The price is assessed based on domestic zinc concentrate supply and demand for the spot week and local traded TCs on a delivery to factory basis.

2.2 Introduction of price assessment

SMM collects data information used to evaluate zinc concentrate TC in Shanxi by means of standard acquisition (that is, the collection of raw data information that complies with the SMM Data Standards Policy), from including the bid and offer of the buyer and seller that fail to close a deal that week, and the actually traded price of spot transaction provided by the price submitters. The amount of each transaction that can be deemed as the standard zinc concentrate TC in Shanxi or trades in the price collection will be not less than 100 mt (Zn content). Data collection, assessment (calculation) and daily management of SMM zinc concentrate TC in Shanxi are conducted by SMM Operational teams (consists of 2 price analysts and a price manager).

The price published by SMM is intended to reflect the real transactable value of a commodity in a time point or period during the day. TCs vary for zinc concentrates of different grades. Even if the zinc concentrate actually traded by the submitters is not the standard zinc concentrate (Zn 50%), we will include it in the reference. During the assessment process, we may consider other information. However, actual transactions, bids and offers will always take precedence.

Please read this paragraph with the SMM Benchmark Guidelines on Hierarchy of Data Inputs available at www.metal.com (English) or www.smm.cn (Chinese).

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**For full version of the Shanghai Metals Market DRAFT
Price Assessment Methodology – SMM Zinc
concentrate (Zn 50%) treatment charge (TC) in
Shanxi, please contact liling@smm.cn**