

Shanghai Metals Market Price Assessment Methodology for Spot PrNd Alloy Price

Product: SMM Spot PrNd Alloy Price

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1. General Principles of SMM Price 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. SMM continuously develops, reviews and revises its methodology by communicating with industry insiders, using the most common product specifications, terms of trade in the industry. SMM attaches equal importance to normal transactions that meet the specifications and standards. SMM reserves the right to exclude from its price assessment any price information deemed to be less reliable or unrepresentative.

SMM publishes spot metals prices (or indices, etc., including markets in China or outside of China) on a daily basis, commonly referred to as SMM prices. SMM has formulated corresponding methodologies for the published SMM prices, which have been published on SMM's official website www.smm.cn for reference. The methods and procedures for the formation and release of SMM prices are specified in these methodologies, and SMM prices are formed and released in strict accordance with the regulations of these methodologies.

In order to conform to the actual situation of the spot market, SMM will make necessary revisions to the SMM price methodology, and will announce it on the SMM official website www.smm.cn 28 days prior to the official implementation, unless there are special circumstances, especially force majeure (natural disasters, wars, bankruptcy of exchanges, etc.) that lead to shorter notice periods. If you have any questions or suggestions about the SMM price and its methodology, please contact the SMM customer service staff (please check the contact information on the SMM official website www.smm.cn). **Please read this paragraph in conjunction with the SMM Methodology Review and Change Policy, and the SMM Complaint Policy.**

This document specifies the standards and management methods for the SMM Spot PrNd Alloy Price. The purpose of this standard is to establish a transparent and verifiable SMM price setting mechanism and provide market participants with an

important pricing indicator.

2. The formation of SMM Spot PrNd Alloy Price

2.1 Definition

The SMM Spot PrNd Alloy Price is an indicative price formed and published by SMM according to this methodology, which can be used by both parties of the transaction as a reference for settlement of PrNd alloy spot trades. The price reflects the actual transaction prices of each enterprise when the SMM Spot PrNd Alloy Price is released on each full working day, and the assessment range of the spot transaction price that is most likely to be traded. The price is mainly based on the national spot transaction price situation on that day, including related transportation costs, taxes, etc.

2.2 Introduction of price assessment

SMM collects data information used to evaluate PrNd alloy price index by means of standard acquisition (that is, the collection of raw data information that complies with the SMM Data Standards), from including the bid and offer of the buyer and seller that were not traded on the same day, and the actually traded price of spot transaction provided by the price submitters. The amount of each transaction or quotations that can be deemed as the standard SMM Spot PrNd Alloy Price assessment will be no less than 1 mt. Data collection, assessment (calculation) and daily management of SMM Spot PrNd Alloy Price are conducted by the SMM PrNd alloy business team, which consists of 2 price analysts (A and B) and a price manager.

Please read this paragraph with the SMM Benchmark Guidelines on Hierarchy of Data Inputs.

2.3 Source of raw price data

2.3.1 Collecting from price data submitters

Please note that the following standards and procedures need to be read together with **Submitter Exclusion or Inclusion policy**

2.3.1.1 Criteria for price data submitters

SMM will select representative market participants from the industry chain as targeted price submitters for SMM Spot PrNd Alloy Price assessment.

SMM will take reasonable care to determine and verify the authenticity and reliability of price provider. The procedure SMM adopts is designed to minimise the risk of using any abnormal price data and oppose any manipulation of the Benchmark.

The SMM policy includes, but is not limited to, steps to take as follows:

- Collect relevant public domain documents (such as business licenses) for each price submitter and verify the authenticity of the documents.

Ensure that each price submitter participates in the industrial chain of trading, purchasing, selling or producing one or more related PrNd alloy products.

- Ensure that each employee designated as the contact person of the price submitter can have direct access to relevant data in the company, and have the necessary authority and ability to submit the data to the price analyst of SMM in a timely manner and in accordance with the SMM Benchmark Submitter Code of Conduct.

- Invite other reputable market participants to help verify the credibility of price submitters.

2.3.1.1.1 Criteria for smelters

a. • PrNd alloy production capacity of above 1,200 mt on an annualised basis; conduct standardised transactions smoothly across channels with stable sales performance; possess operational integrity, and enjoy good reputation in the market, in the view of SMM.

b. • Smelters should provide objective and honest feedback on their PrNd alloy production and sales, including output, operating rate, quality of the product, sales price, sales volume, buyers and inventory, and be able to engage with SMM price analysts in accordance with the SMM Benchmark Submitter Code of Conduct.

c. Smelters should have a sound understanding of and insight into the macro economy, PrNd alloy industry status quo and PrNd alloy market trades, and be able to engage with SMM price analysts.

2.3.1.1.2 Criteria for downstream users

a. • Downstream users should have an annual PrNd alloy purchasing volume of above 200 mt; conduct standardised transactions smoothly across channels with stable purchasing performance; possess operation integrity, influence and reputation in the market.

b. • Downstream users should provide an objective and honest feedback on their PrNd alloy procurement, including quality of the product, purchase prices and purchase volumes, procurement sources, and inventory, and be able to engage well with SMM price analysts in accordance with the SMM Benchmark Submitter Code of Conduct.

c. • Downstream users should have a sound understanding of and insight into the macro economy, PrNd alloy industry status quo and PrNd alloy market trades, and

be able to engage with SMM price analysts.

2.3.1.2 Formation and adjustment of the price submitter list

SMM selects price contributing companies based on the above criteria to produce a stable list. SMM signs a formal agreement with each price contributing company to ensure the accuracy and timeliness of the data provided as well as protect confidential information of the price submitter. SMM delegates specific price analysts to collect transaction data and data related market information from price submitters. SMM will continue to evaluate every price submitter based on criteria above and make amendments to the lists for price contributing companies based on the results of evaluations. When a company fails to meet the criteria, it would be required to rectify within a limited period. If it refuses to rectify or fails to meet the criteria after within 30 days from the date of issue of the rectification notice, SMM will revoke its qualification for price contributing companies.

Data providers will not receive incentives, rewards or benefits from SMM for providing data.

2.3.1.3 Process of price data collection

SMM price analyst will collect spot PrNd alloy price data from price submitters by means of phone, fax, email, QQ, WeChat and other forms of communication between 10:30 –11:15 China Standard Time (“CST”) on every trading day. (Price data that are submitted after 11:15 CST will not be included in price assessment on the day, while data that does not contain the required minimum information details will not be included either, even if the data are submitted before the deadline) The data will include traded prices within the day, and the most likely traded prices, bids and offers. All communication content on instant messengers, WeChat messaging and emails as well as face-to-face communication will be recorded, while phone communication via phone calls will also be recorded in summary and input into the database. Price data must be a typical, repeatable transaction between unaffiliated market participants (completely financially and legally independent).

SMM price analysts are subject to SMM compliance rules when reporting to their supervisors the content of any coerced or threatened communication from market participants, or any kind of induced offer that seeks to influence the outcome of an assessment.

Price data provided by price submitters to SMM should include at least the following kinds of information. Price analysts should encourage the price submitter to report as much detailed information as possible, not just the minimum requirements

specified:

PrNd alloy specifications

PrNd alloy specifications: meet GB/T 20892–2020 standard, praseodymium metal content is 20–25%, the neodymium metal content is 75–80%, and the total PrNd alloy content is $\geq 98.5\%$

For details, see the attached national standard GB/T 20892–2020 PrNd Alloy Transaction price/counter offer/offer, etc.

It can be a specific price figure, or a price range in which transactions may be made.

Volume

The minimum unit for a single transaction is 1 mt.

Delivery location

Buyer's factory warehouse

Payment terms

Payment terms under the negotiated transaction agreement, such as bank remittance, etc.

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For the full version of SMM PrNd Alloy spot price assessment methodology, please contact legal@smm.cn