

METHODOLOGY AND SPECIFICATIONS GUIDE

Iron Ore

(Latest Update: March 2012)

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PLATTS METHODOLOGY GUIDES

Platts publishes a methodology guide for each of the markets in which it produces price assessments. The guides are intended to provide market participants with general and specific criteria that underpin a Platts assessments.

Methodology guides are updated periodically to reflect changes in the market and in trading practice. Platts engages with market participants and values feedback on any aspect of its assessment methodology.

Platts recognizes that markets are constantly evolving and it seeks to ensure that its assessments keep in step with evolving market requirements. Changes to the methodology and/or specifications are typically advised in Subscriber Notes published on the Platts website www.platts.com and in its electronic and print publications. Such changes are subsequently incorporated in periodic updates to the methodology guides. Each guide is dated and bears an issue number for reference purposes.

Platts is completely impartial and independent in its role as a market observer, and welcomes dialogue with all sides of the market including sellers, buyers and any intermediaries.

For any questions or comments relating to Platts steel, ferrous scrap and iron ore assessment methodology please contact the Director of Market Reporting, Metals – Email: francis_browne@platts.com. Tel: +44 (0) 20 7176 6239.

ASSESSMENT PRINCIPLES

CONVERGENCE WITH MARKET VALUE

Platts assessments reflect the transactable value of products and commodities traded in the open market. Platts objective is to publish assessment values that converge with market values for the product or commodity types reflected.

As a publisher owned by McGraw-Hill, independence and impartiality are at the heart of what Platts does. Platts has no financial interest in the price of the products or commodities on which it reports. Platts aim is to reflect where the actual market level is.

To ensure the assessments are as robust as possible, Platts editorial systems are backed by a strong corporate structure that includes managerial and compliance oversight.

TRANSACTION-BASED

Platts assessments are based on actual transactions, and/or on specific firm bids and offers in the market.

Platts aim is to determine the full circumstances surrounding each deal, including details of quality specifications, order sizes, dimensions, lead times, and any locational and loading/delivery information, and to use that objective information to determine a typical and repeatable market level for iron ore of the published grade.

Platts bases its assessments on transparent deals, bids and offers in the market, and reflects the traded or tradeable value at the market close.

Platts monitors activity throughout the day and uses the information gathered in its assessments. It should be noted, however, that Platts assessments do not reflect an average of the deals reported over the day.

In general, volume-weighted averages can be distorted by the pattern of trading over the day, the parameters of individual deals submitted for assessment, and by statistical aberrations relating to sample size, for instance if there is a lack of disclosure of all deals done over a particular day.

NORMALIZATION / EFFECTIVE PRICING

Markets can be heterogenous in nature, and transactable values are determined by many factors including the quality and chemical specification of materials, the size of the order, timing and delivery terms, and options held by the seller or buyer relating to the deal parameters. The iron ore industry also defines a base price around the Fe content of the ore and differentiates value accordingly.

Platts where possible seeks to align its assessment processes with industry practice. Platts takes bid, offer and deal information and relates these to the base standard reflected in its assessments. These base standards are defined under each individual assessment (see below).

Platts actively seeks to align the disparate information provided on individual transactions to determine the true and accurate market value of a product and/or commodity type reflected, and will strip out any aberrations caused by unusual optionalities or restrictions.

For further details of how Platts normalizes prices for quality and dimensions, trade size, location and delivery terms, timing and other parameters, see the section in this guide on normalization.

TIME SENSITIVE ASSESSMENT

Platts recognizes that price is a function of time, and that prices change constantly. All Platts assessments are time-stamped, to provide a consistent price basis even at times of volatility in the market. Platts time-stamps its assessments to reflect market value at the close of business in each trading zone.

Platts considers in its assessments all the information provided to it over the day regarding deals, bids and offers in the market, but the value reflected in its assessment is the traded or tradeable value prevailing at the market close.

Platts does not reflect in its assessments one-off deals at off-market levels.

TRANSPARENCY

Platts applies the principles of market-on-close (MOC) price discovery in all its assessments in all market sectors, appropriate to the level of transparency.

Whilst Platts recognizes the reality that some markets are opaque while other markets are more transparent, Platts bases its assessments on the information that is the most transparent and therefore most fully verifiable, in any given marketplace.

Typically, markets go through a three-stage evolution before full transparency is achieved.

Phase 1: First-tier counterparties (producers, traders, consumers) are active as market-makers and price assessment is achieved via phone survey of all active and credible market participants. Platts publishes daily assessments, time-stamped to the close of day, but initially it is likely that some intra-day or contractual verification information may be lacking in details.

Phase 2: Market making and price taking activity is more visible from first and second-tier counterparties, including new market entrants such as banks and independent trading houses, with trade facilitated by brokerages. Market activity is published in real time, and this encourages greater transparency of trade details. Platts confirms transactions, confirms the details of deals and examines the context in which a deal took place, including the time of day, and the market relationships that prevailed at that time.

Phase 3: Price assessment 'windows' are introduced. Market participants are named, and only firm bids and offers are published on the Platts electronic screens in real time, which are open to the market at large. Transactions are confirmed with full post-trade performance expectations. Price formation is achieved in real time, and a defined audit trail emerges allowing full verification of deals, as well as access to relevant deal documentation if required.

MARKET ON CLOSE

Platts has defined rigorous procedures for bidding and offering in a transparent manner in its Market on Close process (see supporting documents).

These procedures define strict time cutoffs for entry of bids, offers and deals information. These are designed to ensure that bids and offers which are used in the assessments are executable, and that an orderly process is followed to establish that each market level is tested by the market at large, and that deals resulting from these bids and offers are repeatable.

As stated above, Platts preference is to assess value based on a Market on Close process with full transparency. A brief guide to the concepts behind MOC is carried in Appendix I of this guide, and a detailed explanation of the procedures for bidding and offering in Platts MOC windows is contained in Appendix II.

VERIFICATION OF DATA

Platts seeks to confirm all information on deals, bids and offers provided to it. Platts will check deal information with the seller, the buyer, any intermediary, and the market at large. Platts transparency standards require that all information submitted to Platts for assessment purposes be fully verifiable. Platts will also seek to verify as needed the performance of transactions used in the assessment process.

Platts bases its assessments on information from sources deemed reliable. Where Platts has doubts about the reliability of information provided by a market source, it may exclude that information from its assessment processes.

SPREADS

When Platts considers deal information, it seeks not only to confirm the details of a deal, but also examines the context in which a deal took place. Platts monitors spreads between the different specifications/grades of product reported and uses these in the alignment of its assessments.

DATA CODES

Each Platts assessment is identified using a unique 7-alphanumeric data code. Platts assessments are identified in this methodology guide using these data codes. These codes can be matched up with Platts published symbols directories to identify price history for specific assessments in Platts price databases.

GENERAL TERMS AND CONDITIONS

GT&CS

Platts assessments reflect trades in the iron ore market concluded under normal contractual terms including widely accepted GT&cs and INCOTERMS. Where companies express bids or offers, these are understood to be on INCOTERMS unless otherwise stated. Platts use of terms such as FOB, CFR, CIF, EX-WORKS and so on are based around definitions provided by the International Chamber of Commerce which publishes the INCOTERMS.

Definitions of such terminology are available through the following web link:

<http://www.iccwbo.org/incoterms/>

Please note that the text of INCOTERMS in whole or in part is subject to ICC's copyright. Other related ICC publications, in printed or electronic form, are also subject to copyright.

TIME OF ASSESSMENT

Platts iron ore assessments aim to reflect the latest range in which a standard repeatable transaction takes place or could take place at arms length. Platts monitors market activity through the day and deal, bid and offer information submitted to it through the day may be used in its assessments. Where there is evidence of intraday volatility, this is incorporated in the assessment which reflects the normalized value at the market close.

Platts IODEX iron ore assessments reflects the transactable value prevailing at 18.30:00 Singapore time. The assessment methodology reflects values on a market-on-close basis* (see Appendix). Trading activity, including bids/offers and transactions, is covered during the typical operating day with data cut off for inclusion in the assessment precisely at 18.30.00 Singapore time.

All market activity is viewed in light of its market relevance, repeatability and transparency. Transactions between related parties or transactions that do not meet Platts high standards for transparency, verifiability and repeatability may not be taken into account.

QUALITY

Platts aim is to reflect market values for the commodity types covered in its assessments. Standard quality parameters reflected are defined under the individual assessments, and are listed below.

No distinction in principle is made in terms of the origin of the material. Platts does however recognize that market practice distinguishes between different materials of similar specifications from different sources, and includes this in the normalization process.

Platts will monitor differentials in prices for similar grade material and may exclude from its assessments deals or offers from participants that are regarded by the market as offering non-prime material or service levels. But Platts aim is to reflect commodity value based on the fitness of a commodity in terms of the quality and delivery standards.

PRICE UNITS

All units for assessments are stated below for each individual data code, with a minimum fluctuation price of one unit. Iron Ore assessments are expressed in dollars and cents per dry metric ton, unless otherwise stated.

CREDIT/PAYMENT TERMS

Payment terms are as per standard commercial practice.

All credit variations are normalized to this standard. Wherever greater credit is given, this will be factored out of the price assessment process. Where a seller is prepared to discount the price for prompter payment, this will also be factored into the assessment.

Where transactions are reported with non-standard credit terms, Platts normalizes these based on prevailing commercial interest rates and typical credit payment terms in the industry at the time of the transaction.

QUANTITY / ORDER SIZE

Platts assessments reflect bids/offers and transactions typical in the marketplace. Platts defines a typical order size or shippable quantity for each of its assessments. Deals reported that differ from the standard may be normalized if market structures indicate there is a price differential with the standard or they may be excluded if they are unusual transactions.

Offers or bids on non-standard terms that Platts determines to be restrictive, in the sense of making a deal logistically difficult to execute, may be disregarded in the assessment process. Bids or offers that contain too wide optionalities for either the buyer or seller may likewise be disregarded.

TIMING

Assessments reflect typical loading and delivery schedules for each market/grade assessed. The standard loading and delivery windows are specified under the individual data codes.

Please note that Platts will not reflect in its assessments any loadings or deliveries that are deemed distressed in nature, that is, when a seller has left it too late to sell or a buyer has left it too late to buy within lead times that can typically be met in the normal course of business.

Platts assessments fully take into account any backwardation or contango in the marketplace. The assessments thus reflect the value after taking into consideration the difference in prices prevailing along the time curve assessed by Platts.

Typically, Platts assesses to the middle of the loading/delivery window specified for each market. Backwardation and contango is factored into all assessments. Where deals are done for loading or delivery outside the date ranges specified by Platts, the deal may be disregarded in the assessment process.

EMBEDDED OPTIONS

Platts overall objective is to reflect the transactable value of the commodity assessed. In cases where the apparent value of the commodity includes extra optionalities, the intrinsic value of the commodity may be masked.

In such cases, Platts may use its editorial judgement to factor out such extraneous elements from the value of the commodity, or it may decide not to use the bid, offer or transaction in its assessment process.

Optionalities that typically mask the value of the commodity include loading or delivery options held by the buyer or seller, volume option tolerances exercisable by the buyer or seller or quality specifications among others.

As an example, typical volume tolerance in an iron ore transaction is plus or minus 5% of the stated order size. If a buyer or seller requests a wider optionality of say 10% or 20% of the stated order size, that would need to be factored into the assessment, depending on which party held the option.

In the above example, the price may be normalized down if the buyer held the larger-than-usual volume tolerance option and vice-versa if the seller held that option.

LOADING / DELIVERY LOCATION

Platts defines base locations in its price assessments but these act as a pricing basis point, and differentials may be assessed off these when deals or bids/offers are reported on a different delivery port basis.

FREIGHT DIFFERENTIALS

Platts may take into account prevailing sea freight and/or logistics rate levels in establishing CFR values. Where a market has become illiquid, Platts may determine the CFR value from FOB values.

NORMALIZATION PROCEDURES

QUALITY

Platts defines a base specification and normalizes these when deals or bids/offers are reported on terms that differ from the Platts base standard. Platts uses the same broad standards as the iron ore industry in making adjustments for quality, based on penalties for impurities under value-in-use.

QUANTITY / ORDER SIZE

Assessments are based on typical shippable quantities or order sizes.

Platts assessments reflect the quantity specified under each data code and where discounts are available for larger volumes, these are stripped out of the price reflected in the assessment.

Similarly, where a buyer is ready to pay a higher price to secure a smaller volume, this will be factored into the assessment.

TIMING

Platts reflects typical transactions conducted in the open market between willing counterparties that is conducted at arms length. Platts will not reflect one-off or distressed trades where either the buyer or seller has left it too late to transact within lead times that can be typically met by suppliers in the normal course of business. Loading or delivery timings are specified for each commodity under their respective assessment code. But in general assessments tend to reflect deliveries done between 2 to 8 weeks from the date of publication.

Platts assessments seek to be inclusive of the various types and time frames of trade within markets. Any transactions that are negotiated within the framework of longer-term contractual arrangements (term deals) will be excluded from the assessments.

Platts assessments fully take into account any backwardation or contango in the marketplace. The assessments thus reflect the value after taking into consideration the difference in prices prevailing along the time curve assessed by Platts.

Platts assesses to the middle of the delivery window specified. Backwardation and contango is factored into all assessments.

IRON ORE ASSESSMENTS

IODBZ00 IODEX 62% FE CFR CHINA

Quality: Platts IODEX 62% Fe iron ore price assessments reflect fines with the typical specifications described below. This standard allows Platts to ensure consistency in its price normalization process.

Iron Content (Fe): 62%.

Fe normalization: Cargoes of iron ore fines of Mid Range grades 60.0 to 63.5% Fe content may be normalized to the 62% standard, using an assessed market value for each 1% of Fe content. This per Fe value is assessed daily at Asian market close, and expressed in USD\$ per dry metric ton. By example, a confirmed transaction at \$78/dmt for 61% Fe iron ore will be normalized using the per 1% Fe differential of \$4.00/dmt to imply a transaction at \$82/dmt for 62% Fe iron ore. Iron ore fines of grades below 60.0% Fe and above 63.5% Fe may not be normalized for 62 Fe assessments, due to a lack of homogeneity in the price escalation on a per Fe basis outside of this quality range.

Moisture: 8.00%

Silicon Dioxide: 4.50%

Aluminum Dioxide: 2.00%

Phosphorus: 0.075%

Sulphur: 0.02%

Impurities normalization: Cargoes of iron ore fines with greater levels of impurity than these standards will be normalized to the 62% standard, using prevailing market values for each impurity under value-in-use economics.

Size of fines: Granular size of up to 10 mm for up to 90% of the cargo.

Quantity: Minimum parcel size of 35,000 metric tons.

Location: CFR Main Chinese ports, normalized to Qingdao in North China. Freight differentials and FOB netbacks are assessed daily using prevailing shipping market rates.

Timing: Delivery within 2-8 weeks from date of publication.

Payment: 100% payment at sight. All credit variations are normalized to this standard.

Unit of assessment: US Dollars per dry metric ton (\$/dmt).

IODSC00 IO FINES 63.5/63% FE CFR CHINA

Quality: Platts 63.5/63% Fe iron ore assessments reflect fines with typical specifications outlined below to ensure consistency in its normalization process.

Iron Content (Fe): 63.5/63%.

Moisture: 8.00%

Silicon Dioxide: 3.5%

Aluminum Dioxide: 3.5%

Phosphorus: 0.075%

Size of fines: Granular size of up to 10 mm for up to 90% of the cargo.

Quantity: Minimum parcel size is 35,000 metric tons.

Location: CFR Main Chinese ports, normalized to Qingdao in North China. Freight differentials and FOB netbacks will be market determined using prevailing market rates.

Timing: Delivery within 2-8 weeks from date of publication

Payment: 100% payment at sight- all variation normalized to this standard

Unit of assessment: US Dollars per dry metric ton.

IOPRM00 IO FINES 65% FE CFR CHINA

Quality: Platts 65% Fe iron ore assessments reflect fines with typical specifications outlined below to ensure consistency in its normalization process

Iron Content (Fe): 65%.

Moisture: 4.00%

Silicon Dioxide: 3.50%

Aluminum Dioxide: 1.00%

Phosphorus: 0.075%

Size of fines: Granular size of up to 10 mm for up to 90% of the cargo.

Quantity: Minimum parcel size is 35,000 metric tons.

Location: CFR Main Chinese ports, normalized to Qingdao in North China. Freight differentials and FOB netbacks will be market determined using prevailing market rates.

Timing: Delivery within 2-8 weeks from date of publication

Payment: 100% payment at sight- all variation normalized to this standard

Unit of assessment: US Dollars per dry metric ton.

IODFE00 IO FINES FE 58% CFR CHINA

Quality: Platts 58% Fe iron ore assessments reflect fines with typical specifications outlined below to ensure consistency in its normalization process.

Iron Content (Fe): 58%.

Moisture: 10% max

Silicon Dioxide: 5.00% max

Aluminum Dioxide: 4.00% max

Phosphorus: 0.05% max

Size of fines: Granular size of up to 10 mm for up to 90% of the cargo.

Quantity: Minimum parcel size is 35,000 metric tons.

Location: CFR Main Chinese ports, normalized to Qingdao in North China. Freight differentials and FOB netbacks will be market determined using prevailing market rates.

Timing: Delivery within 2-8 weeks from date of publication

Payment: 100% payment at sight- all variation normalized to this standard

Unit of assessment: US Dollars per dry metric ton.

IONC520 IO FINES FE 52% CFR CHINA

Quality: Platts 52% Fe iron ore assessments reflect fines with typical specifications outlined below to ensure consistency in its normalization process.

Iron Content (Fe): 52%.

Moisture: 14%

Silicon Dioxide: 8.00%

Aluminum Dioxide: 8.00%

Phosphorus: 0.06%

Size of fines: Granular size of up to 10 mm for up to 90% of the cargo.

Quantity: Minimum parcel size is 35,000 metric tons.

Location: CFR Main Chinese ports, normalized to Qingdao in North China. Freight differentials and FOB netbacks will be market determined using prevailing market rates.

Timing: Delivery within 2-8 weeks from date of publication

Payment: 100% payment at sight- all variation normalized to this standard

Unit of assessment: US Dollars per dry metric ton.

FREIGHT ASSESSMENTS & FOB NETBACKS

Platts assesses freight in \$/wet metric ton for standard shipments of iron ore between the key production centres of Australia, India (east and west coasts), Brazil and South Africa, to the delivery hub of Qingdao port in North China. Standard vessel types apply (capesize vessels for Australia, Brazil and South Africa; Handymax/Panamax vessels for India). Freight assessments from East India account for typical two-port co-loadings from Haldia and Paradeep. FOB Netback assessments for each country or origin are derived by freight costs subtracted from

Platts IODEX 62 Fe iron ore assessments CFR Qingdao. All freight assessments and FOB netbacks are published in Platts Steel Markets Daily and on Platts Metals Alert PMA page MW1106.

FREIGHT DIFFERENTIALS FOR PORTS IN CHINA

Platts assesses freight differentials to major import ports from basis Qingdao in North China on a Free Out (\$/wmt) to other ports in North China (Caofeidian, Tianjin & Xingang), to East China (Beilun) and to South China (Zhanjiang & Fangcheng). These differentials are used to normalize cargo trades basis CFR Chinese ports to the specific port of Qingdao, for assessment on a comparative basis. Freight differentials are published in Platts Steel Markets Daily and on Platts Metals Alert PMA page MW1106.

IRON ORE PAPER SWAPS

Platts publishes daily assessments for monthly, quarterly and next calendar year CFR North China iron ore swaps. These financial instruments are traded fixed price (e.g. \$80/mt) or in intermonth spreads. Swaps are derivatives which settle off the average value of the underlying physical benchmark price, Platts IODEX 62% Fe iron ore fines CFR China, as published on each day during the month of trade (e.g. November). Platts publishes swaps assessments for two months ahead, called month one (M1), second month (M2). Platts also publishes assessments for the next three calendar quarterly swap. Monthly assessments will be rolled on the first day of the month. For example, during October 2009 the M1 iron ore swap will be November 2009, M2 will be December 2009, and the published quarterly swap will be Q1 2010. On November 1 the M1 iron ore swaps will roll to December, M2 will roll to January, and the quarterly swap will still be Q1 2010.

As of March 1, 2012 Platts also publishes a corresponding spread differential for each swap, referred to in the market as a 'switch' which prices the spread differential between swaps settled on Platts IODEX and those settled on The Steel Index iron ore assessment.

Platts will extend assessments down the forward curve to include further monthly, quarterly and annual swaps contracts, as and when market liquidity in these instruments develops.

Timing: Swaps assessments reflect a market-on-close value at 18:30hrs Singapore time (10:30 GMT). The assessments reflect the tradable level at this time. Swaps bids/offers and trades will be reported in real-time throughout the day on Platts' electronic information service, Platts Metals Alert (PMA) and a summary of trades published after market close in Platts Steel Markets Daily. Full calendar month swaps for the month-ahead and the subsequent month are quoted throughout the calendar month prior to rollover. Rollovers occur on the first working day of the month.

General reporting principles applicable to all derivatives markets:

Platts only publishes and evaluates information from sources considered credible and creditworthy. Bids/offers of paper swaps received by Platts after published timing cut-off guidelines will be disregarded and not published. Firm, executable bids or offers posted onto Platts Metals Alert page 700 will be taken into consideration for assessments. Assessments are a reflection of deals and bid/offers and are subject to careful review. Information will be cross-checked to ensure data integrity. Assessments reflect the value of market on close. Illiquid markets may be

assessed relative to more active benchmarks with more accurate price discovery. Transactions done after market close will be disregarded.

Brief explanation of derivatives terminology:

Swap: A financially-settled contract traded in the over-the-counter (OTC) market. Swaps or ‘paper’ are risk management tools which allow users to lock in values by transforming floating price risk to fixed or fixed to floating. Swaps are also used as a speculative tool. Swaps trade freely in an over the counter market and can trade at any time. Paper markets are very reactive and provide players with an instant feedback of market conditions. Platts reflects the immediate changes in swaps market values as market hears on Platts Metals Alert page 700.

Financial settlement: Unlike physically-settled forward cargo trades, paper swaps are financially-settled derivative contracts. For example, the difference between buying an “April iron ore cargo” and an “April iron ore swap” is this: in the first case the buyer would take delivery of a cargo of the product, while in the second case the buyer would pay (or be paid) the difference between the swap price and the average of Platts’ iron ore cargo assessments in April.

Month: A calendar monthly swap is quoted for the full month calendar month, i.e. from the first to the last business working day in the month. Then the monthly swap assessment is rolled over.

Quarter: Quarters are defined as calendar quarters, for example Q3 refers to July, August and September. Quarterly swap assessments roll four times a year on the first business days of January, April, July and October.

Time spreads: Each market has its own timing structure, defined by the steepness of price backwardation or contango. This timing structure changes constantly, and a swaps market can develop around the correlations between prompt and forward timings. Swaps are frequently traded on a month against month basis, as well as quarter against quarter and year against year.

METALLURGICAL COAL ASSESSMENTS

On March 15, 2010, Platts launched daily spot metallurgical coal assessments, specifically, hard coking coal FOB Australia and CFR China. For additional information, please visit the following link:

<http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/metcoal.pdf>

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APPENDIX I: OVERVIEW OF MARKET ON CLOSE ASSESSMENT

MARKET ON CLOSE: PLATTS ASSESSMENT PROCESS

Platts’ Market on Close assessment process is a structured system of information-gathering that allows transparent and fully verifiable market information to form the basis of daily price assessments reflecting market values at the close of the business day. The objective is to publish a price evaluation that is in full convergence with the actual market price of a material. This enables buyers and sellers to have a price reference that reflects demonstrably real market values.

The basics of MOC are fairly simple. Price is established at a specific point in time in an open and transparent process where companies communicate the prices at which they are prepared to buy and sell commodities. Bids and offers are firm and companies stand firm behind a specific volume they are ready to trade.

Rather than taking price information on trust, companies bid and offer in real time with full transparency. The bids are open to any counterparty with the proper financial wherewithal. Because price is a function of time, market assessments reflect values at a defined point in time, allowing both outright and spread values to be accurately reflected. Because the system is based on performance rather than opinion, assessments and market levels converge.

This system works well across markets, whether these are liquid or illiquid, whether they are commoditized or non-commoditized. In complex physical markets such as the steel market, Platts aligns the divergent and segmented market dimensions to those defined in the Platts assessment. This process is called normalization. Normalization enables Platts to consider in the assessment process a cross section of transactions and determine the value of the ‘normalized’ commodity.

Specification parameters are defined in Platts specification guides, editorial guideline documents and subscriber notes, which are published on www.platts.com and in the individual Platts publications.

Platts has used the MOC assessment process for more than 10 years in the oil markets and in recent years has applied it in tailored form across a range of other commodities including petrochemicals and metals. These daily price assessments are used directly or indirectly in pricing billions of dollars of energy and commodities each day.

The MOC has strict parameters that allow bids and offers to be tested by the market at large. Bids and offers carry the name of the company issuing them and must be as complete as possible; time cut-offs are applied after which a new bid or offer will not be put on the screen, to ensure it is logistically executable; price changes must be incremental to ensure that markets are not “gapped” higher or lower; and once trade occurs, they are tested to establish repeatability and a set of verification procedures is carried through.

Full transparency is required. Secondary checks are carried out periodically in which Platts will request documentation for deals done, which may include contract copies and other supporting documents such as loading and inspection documents; if this is not forthcoming, it may raise questions about that company’s reliability as a data source. Platts bases its assessments on fully verifiable market information.

Platts has pioneered transparency standards in commodities market reporting. Over time, Platts has witnessed a move across market segments where market participants welcome increased transparency and verifiability standards.

For a market to work effectively, it needs effective pricing mechanisms that are transparent and open to scrutiny, so often there is a synergy between Platts' goals and the needs of the market. But ultimately delivering transparency and effective market assessment requires independence and leadership rather than consensus.

Markets operate more efficiently with participants able to make well thought out critical decisions in an open and transparent environment where information is widely and rapidly available.

APPENDIX II: MARKET ON CLOSE PROCEDURES

BIDS/OFFERS

Platts considers transactions, bid/offer levels and market indications that are reflective of typical conditions and originating from sources deemed reliable.

Details of bids/offers and deals for steel will be carried on Platts electronic screen service Platts Metals Alert on PMA700. Bids and offers must in principle be open to any reputable and creditworthy counterparty.

Platts will exclude transactions, bids/offers or any market indications when these appear to be unrepresentative of the market, or unrepeatable. Deals done below the level of prevailing bids or above the level of prevailing offers (i.e., selling through the bid or buying through the offer) will not be reflected.

EXECUTABILITY

Platts only takes into account bids and offers where trading participants have demonstrated that those bids and offers are firm and executable.

For the purposes of its assessments, Platts will only consider in its assessment process bids and offers that have been communicated to reporters/price specialists before 18.30 Singapore time. Any new bid/offer submitted later than these cutoffs will not be considered in the assessment process.

Please note that Platts applies the timing deadlines strictly. For the purposes of clock synchronization, market participants may find the following internet link to be helpful: <http://www.time.gov>. This link offers an atomic clock reading for US time zones.

Platts considers in its assessment incremental price changes made to applicable bids or offers up to but no later than 18.30 Singapore time, after which only deals will be considered.

Platts takes into account bids/offers that are executable under normal circumstances. Where provisions in the bid or offer make it difficult or impossible to execute, the bid or offer will not be considered in the assessment. Such provisions may include, for instance, non-standard nomination procedures and charter party or loading options outside the normal range of supply locations considered as standard in each market.

PERFORMANCE

Platts' editorial guidelines governing its assessment process require it must consider only those transactions, bids or offers where market participants perform under typical contractual terms.

Platts accepts that individual companies may have trading limits with counterparties and that national legislation may prevent companies from dealing in materials of certain origins. Such counterparty issues will be dealt with on a case-by-case basis.

Participants intending to sell should not offer when there is a known and distinct possibility that loading/delivery may be delayed. If congestion or delays prevent performance under the contractual terms, the seller should make reasonable and timely efforts to supply from an alternative source, or the seller should engage in other measures to alleviate the buyers' exposure.

Equally, a buyer should not over-commit and then aggregate nominations in a way that makes it logistically impossible for the seller to perform.

Platts will take appropriate steps to ensure the integrity of its assessments if issues of non-performance should arise.

INCREMENTABILITY

Price changes to bids and offers will be considered in the assessment process only if the improvements in the price of bids and offers are incremental in nature.

Typically the increments considered would be of a maximum of \$1/st or 1 Euro/mt but this varies according to market conditions. Price changes made very rapidly, that do not allow a counterparty to execute, may be disregarded.

Where related futures markets exhibit unusual volatility, Platts may increase the level of increment accepted without prior notice. Platts will typically advise such increment changes on PMA700.

Please note that market participants may withdraw bids/offers at any point, provided no counterparty has expressed an intention to execute the bid/offer. Also market participants may back away from the price non-incrementally.

REPEATABILITY

Bids, offers and transactions are viewed against the broader supply/demand generated by those bids/offers and transactions. Hence if a low price offer generates too much demand, Platts may determine in its editorial process that the market value is higher than the level offered. Likewise if a high bid generates too much supply and the buyer is unable to buy all the volume that is offered, Platts in its editorial process may determine that the market value is lower than the level bid.

NOMINATION PROCEDURES

Typical nomination processes gives the seller the right to nominate the delivery laycan in a CFR deal and the buyer the right to nominate the loading laycan in a FOB deal. Platts reflects normal nomination practices and where deals, bids or offers with specific nomination requirements are reported, Platts may normalize or disregard the deals or bids/offers.