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## COMPREHENSIVE MATERIAL TRADE STANDARD OPERATING PROCEDURE

### 1. Non-Circumvention, Non-Disclosure Agreement (NCNDA) Execution

- Before exchanging sensitive details, parties (including intermediaries) execute an NCNDA to protect confidentiality and prevent circumvention.
- This ensures that all parties respect the chain of the transaction and prevents unauthorized direct dealings.

### 2. Buyer Issues Letter of Intent (LOI) to the Seller

- The LOI is formally addressed to the Seller and must include:
  - Type, quantity, and grade of minerals required.
  - Expected price range per metric ton (MT).
  - Preferred delivery terms (Incoterms: FOB, CIF, EXW, etc.).
  - Proposed payment method (Letter of Credit, Escrow, TT, etc.).
  - Any specific testing requirements.
  - Buyer's banking details for verification.
  - Validity period of the LOI.
- LOI should be on company letterhead, signed & stamped by an authorized representative.

### 3. Seller Issues Full Corporate Offer (FCO)

- The FCO is a formal offer issued by the Seller and includes:
  - Commodity specifications (purity, moisture, contaminants, etc.).
  - Available quantity & minimum order size.
  - Pricing structure (fixed vs. market-indexed).
  - Delivery terms & location (FOB, CIF, DDP, etc.).
  - Payment terms (deposit percentage, LC/Escrow terms, balance payment timeline).
  - Procedures for quality testing & final assay.
  - Validity period (typically 5–10 working days).
- FCO must be on company letterhead, signed & sealed.

### 4. Buyer Signs FCO & Submits Corporate Identity & KYC Documents

- Buyer reviews, signs, and returns the FCO as a formal acceptance.
- Buyer provides CIS (Customer Information Sheet) and KYC documents, including:
  - Company registration/incorporation certificate.
  - Tax identification number (TIN).
  - Director/shareholder passport copies.
  - Buyer's bank details (official letter from the bank confirming account status).
  - End Buyer Confirmation Letter (if an intermediary is involved).
  - Proof of Funds (POF) – see next step.

## 5. Seller Requests Proof of Funds (POF) from Buyer

- To verify buyer's financial capability, Seller requests POF, which can be:
  - Bank Comfort Letter (BCL) issued by a top-tier bank confirming available funds.
  - Bank Statement (last 3-6 months) proving liquidity for the purchase.
  - SWIFT MT199 or MT799 (Pre-advice from bank confirming readiness to transact).
  - Escrow Deposit Confirmation (if funds are placed with a trusted escrow agent).
  - Letter of Credit (LC) Pre-Approval (LC draft from the buyer's bank confirming issuance upon contract execution).

### Important:

- POF must come directly from the buyer's bank to ensure authenticity.
- If no POF is provided, the process halts until financial capacity is verified.

## 6. Seller Issues Draft Sales & Purchase Agreement (SPA) for Buyer Review

- Seller sends a draft SPA, detailing:
  - Commodity specifications & tolerance limits.
  - Payment structure & conditions.
  - Incoterms & logistics responsibilities.
  - Inspection & quality control measures.
  - Default clauses & dispute resolution mechanism.
- Buyer reviews the SPA, suggests amendments, and returns to the Seller.

## 7. Seller Finalizes SPA & Sends Signed, Sealed Version to Buyer

- The Seller incorporates agreed changes and issues the final SPA:
  - Officially signed & sealed by Seller's authorized representative.
  - Stamped & notarized (if required by jurisdiction).

## 8. Buyer Signs, Seals, and Returns SPA to Seller

- Buyer countersigns the finalized SPA and reverts to the Seller.
- The contract is now legally binding.

## 9. Buyer Conducts Material Testing to Establish Grade & Pricing

- The Buyer or appointed independent assay agent tests a sample batch to confirm:
  - Purity level (e.g., % of copper, lithium, gold, or other minerals).
  - Presence of contaminants or impurities.
  - Weight & moisture content adjustments.
- Testing may occur:
  - At mine site before transport.
  - At a certified warehouse/storage facility.
  - At the exit port (final pre-shipment assay).

**If test results deviate from the SPA terms, renegotiation occurs.**

## **10. Seller Issues Pro-Forma Invoice (PFI)**

- Based on assay results, Seller generates a PFI, stating:
  - Total contract value.
  - Agreed unit price per metric ton.
  - Payment structure & breakdown.

## **11. Buyer Confirms PFI & Arranges Payment Security**

- Buyer confirms acceptance of the invoice.
- Payment security options:
  - Bank Guarantee (BG) or Standby Letter of Credit (SBLC).
  - Irrevocable LC (MT700) confirmed by an investment-grade bank.
  - Escrow arrangement with agreed payout schedule.

## **12. Buyer Makes Initial Payment to Seller (80% or per SPA terms)**

- Buyer makes the initial payment (via LC, escrow, or TT wire transfer).
- The amount is typically 80% but can be lower if a financial instrument secures the transaction.

## **13. Seller Completes Export Documentation & Prepares Shipment**

- The Seller processes all necessary export approvals and permits, including:
  - Mining permit clearance (where applicable).
  - Government royalties & tax compliance certificates.
  - Customs declaration forms & export license.
  - Certificate of Origin (to verify the mineral's source).
  - Shipping documents (Bill of Lading, Cargo Manifest, etc.).
  - Insurance certificate (if CIF is used).

## **14. Final Testing at Exit Port & Balance Payment (20%) Before Loading**

- Before loading, Buyer (or assigned agent) conducts a final quality check at the port.
- If results match contract specs:
  - Buyer pays remaining balance (20%) before the vessel is loaded.
  - If CIF, Seller ensures proper marine insurance coverage.

## **15. Seller Releases Shipping Documents & Buyer Takes Ownership**

- Once full payment is confirmed:
  - Seller releases Bill of Lading (BL) and title transfer documents.
  - Buyer arranges final transportation to the destination port.

## **Final Notes & Risk Mitigation**

**Strong Contract Terms:** Ensure SPA includes penalties for non-performance, refund policies, and force majeure clauses.

**Independent Testing:** Always use a third-party lab (SGS, Bureau Veritas, ALS, etc.) for assay verification.

**Verified Payment Channels:** Avoid direct TT unless through an escrow or bank-guaranteed instrument.

**Clear Title Transfer:** Ensure ownership transfers only after full payment and all legal requirements are met.