Investment in Mine Life Extension Development at the Northparkes Mine in Australia

Sumitomo Metal Mining (“SMM”) and Sumitomo Corporation (“SC”) have reached an agreement with Chinese resource development company China Molybdenum Co., Ltd. (headquarters: Luoyang, Henan Province, People's Republic of China, “CMOC”) to develop the area adjacent to the existing orebody (E26L1) of the Northparkes Mine (New South Wales, Australia) that the companies jointly operate in order to extend the life of the mine.

1. Overview Northparkes Mine

   Location: Located 27 km northwest of Parkes in mid-western New South Wales, Australia.
   Start of production: 1994
   Annual production: Copper concentrate 130,000 t approx., copper 40,000 t approx. (FY2018 planned, 100% base)
   Accumulated production volume: Copper 1,100,000 t approx., gold 40 t approx. (as of end of December 2017)
   Mining method: Underground mining using block caving
   Investment relationship: CMOC (80%), SMM Oceania (13.3%), SC Mineral Resources (6.7%)
   Note: SMM Oceania is a 100% subsidiary of the Sumitomo Metal Mining Group. SC Mineral Resources is a 100% subsidiary of Sumitomo Corporation Group.

2. Reason for development

   Copper forms a cornerstone of industry, and stable, long-term growth in demand is expected as the global economy grows. In addition to this, it is also anticipated that demand for a stable supply of copper will grow even further due to recent new demand resulting from the electrification of automobiles and the development of the IoT. However, over recent years it has become increasingly difficult to participate in cost-competitive projects with good prospects due to the increasing remoteness and elevation of mines, deteriorating ore grade, and difficulty in processing ore.

   The Northparkes mine employs an efficient block caving (see appendix) mining method and automated underground operation through the introduction of auto-loader technology and other such technologies, which have enabled the mine to be operated at a low cost. Given the reserves of the mine’s main orebody E48,
operation until 2025 had been forecast, but with this development the mine life can be extended to 2032 and it is anticipated that this will ensure further reserves.

Given this background, SMM and SC believe this extension plan is a meaningful initiative that enables the companies to fulfill their responsibility to provide a stable supply of resources whilst taking advantage of good existing interest.

3. Development plan and investment details

Development cost: AUD $200 million approx. (100% base)

Cost burden: SMM and SC shall bear a proportion of the costs equivalent to their interest share through Australian subsidiaries

Main plan: Underground tunnel excavation work (11km approx.), underground primary crusher and underground conveyer facilities installation

Planned start of work: January 2019

Planned completion: Mid-2022

Planned total production volume: Copper 240,000 t approx.

Mine life after development: 2025 → 2032

4. Date of decision-making

CMOC: December 12, 2018
SMM: December 19, 2018
SC: December 20, 2018

5. Impact on results

The impact of this investment on results for both SMM and SC will be slight.

6. Relation with business strategy

As well as working on life extensions for existing mines such as this, SMM shall continue to work towards its long-term vision of an annual copper production volume of 300,000 t for its interest share.

SC shall continue to strive, as a partner, not only to ensure a stable supply of resources but also to contribute to the development of the regional economy.
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Appendix:
1. Location of the Northparkes Mine
   Located 27 km northwest of Parkes and approximately 300 km west of Sydney, New South Wales, Australia.
2. Northparkes Mine   Surface Photograph (source: CMOC)

3. CMOC Overview
   Established: December 1999
   Capital: RMB 4.3 billion approx.
   Stock exchanges listed on: Shanghai, Hong Kong
   Main products: Copper, molybdenum, tungsten, cobalt, etc.

4. Overview of Block caving
   Block caving is the most cost-effective underground mining method that allows for efficient extraction of massive ore bodies located at depth. In block caving, collapse of ore body is intentionally caused by undercutting which is moderately huge hole to initiate the collapse, and the fallen ore is retrieved from the drawpoint located under the bottom of the ore body. As ore grades are declining and accesses to ores are getting deeper globally, block caving is expected as a major mining method to replace open pit. SMM has acquired the know-how of block caving by participating in Northparkes Mine since 1993.
1. Drifting in the undercut level and the extraction level

2. Drilling for undercutting

3. Undercutting

4. Drilling for drawbell

5. Opening drawbell

6. Ore extraction