

March 9th 2012

Press release

Sumitomo Metal Mining Co., Ltd.
Sumitomo Corporation

Sierra Gorda SCM Signs Loan Agreement for Sierra Gorda Copper Mine Project in Chile

On March 8th 2012, Sierra Gorda SCM (hereinafter “**SGS**”), a company held by Sumitomo Metal Mining Co., Ltd. (hereinafter “**SMM**”; Head office: Minato-ku, Tokyo; President: Nobumasa Kemori), Sumitomo Corporation (hereinafter “**SC**”; Head office: Chuo-ku, Tokyo; President and CEO: Susumu Kato) (collectively “**Sumitomo**”) and Quadra FNX Mining Ltd. (hereinafter “**QUX**”; Head office: Vancouver, Canada; President and CEO: Paul Blythe) *1, signed loan agreements with certain financial institutions for a total of 1.0 billion US dollars to finance the Sierra Gorda Project (hereinafter “**SG Project**”; estimated capital expenditure is approximately US\$ 3 billion). SMM, SC and QUX have 31.5%, 13.5% and 55% interests in the SG Project respectively.

The signed loan agreements comprise a total of 1 billion US dollars in project finance from the Japan Bank for International Cooperation (hereinafter “**JBIC**”)*2 and four private banks (Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and The Sumitomo Trust & Banking Co., Ltd.). Nippon Export and Investment Insurance (hereinafter “**NEXI**”) will provide insurance*3 to the four private banks. Financial Advisor is Sumitomo Mitsui Banking Corporation.

In addition to the above loans, Sumitomo is planning a separate long term loan of approximately 300 million US dollars, to be provided by certain private banks and is consulting with the Japan Oil, Gas and Metals National Corporation (hereinafter “**JOGMEC**”) to provide a guarantee*4 on this loan.

As the SG Project is a large copper and molybdenum mine project in which Japanese companies hold a 45% interest and from which 50% of the copper concentrate produced will be imported into Japan, the SG Project has much importance in line with the Japanese government’s strategy of securing mineral resources from overseas and will utilize the full range of functions provided by Japan’s major governmental institutions related to the natural resources sector, JBIC, NEXI and JOGMEC.

An outline of SG Project is described in the attachment. The SG Project on-site is progressing satisfactorily and its commercial operation will commence in 2014 as scheduled.

*1: QUX is going to change its name to “KGHM International Ltd.” soon.

*2: JBIC applies its emergency facility in response to the Yen’s appreciation.

*3: NEXI applies “Investment and Loan Insurance for Natural Resources and Energy”.

*4: JOGMEC applies “Liability Guarantee for Overseas Development”.

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1. Outline of the SG Project:

- 1) Location: Located in Region 2 of the Republic of Chile; 140Km northeast from Antofagasta.
- 2) Minable Reserves: About 1.3 billion tons of sulfide ore.
- 3) Contained Metal in Ore: 5 million tons of copper, 300 thousand tons of molybdenum and 80 tons of gold.
- 4) Mining & Milling Method: Open pit mining and conventional flotation method.
- 5) Mine Life: 20 years.
- 6) Commercial Operation: Scheduled to commence in 2014 at a mill processing rate of 110 thousand tons per day, expanding to a mill processing rate of 190 thousand tons per day from 2017.
- 7) Average Annual Production: (metal content) 220 thousand tons of copper, 11 thousand tons of molybdenum and 2 tons of gold.
- 8) Product: Copper concentrate (average annual production: 730 thousand tons) and molybdenum concentrate (average annual production: 22 thousand tons).

2. Total Invested Amount:

(Billion US Dollar)

Purpose		Financing	
CAPEX	2.9	Equity	0.8
Working capital, other	0.2	Parent Loan	1.3
		(Guaranteed by JOGMEC	0.3)
		Project Finance	1.0
Total	3.1	Total	3.1

3. Outline of Project Finance:

- 1) Total loan by project finance: 1 billion US dollars.
- 2) Financed as follows:
 - The Japan Bank for International Cooperation (JBIC) : 700 Million US dollars
 - Mizuho Corporate Bank, Ltd. : 85 Million US dollars
 - Sumitomo Mitsui Banking Corporation : 85 Million US dollars
 - The Bank of Tokyo-Mitsubishi UFJ, Ltd. : 85 Million US dollars
 - The Sumitomo Trust & Banking Co., Ltd. : 45 Million US dollars

NEXI will provide the latter four private banks with investment and loan insurance for natural resources and energy.

- 3) Purpose: Developing the Sierra Gorda Copper Mine Project.
- 4) Maturity: 9.5 years.

4. Significance of Sierra Gorda Copper Mine Project:

Pursuant to an off take agreement, SMM will take 50 percent of copper concentrate (110 thousand

tons of contained copper per year) produced by the Sierra Gorda Copper Mine. This volume is equivalent to 9 % of the total copper concentrate currently imported into Japan each year. Thus, Sumitomo believe that the SG Project will greatly increase access to copper resources by Japan.

SMM positioned its mineral resource business as one of its core businesses in its 2009 3-year business plan and strived to increase its interests in mineral resources. In the plan, SMM set a long term goal of producing 300 thousand tons of copper from its share in joint venture mines. When the SG Project reaches target capacity, SMM will be making great progress towards achieving its that goal.

SC ranks investment in good mining assets of non-ferrous metals and involvement in the management of them, as one of its core businesses. Through driving this project, SC will actively increase mining assets of copper metal, which is one of the important strategic commodities, and take steady progress to achieve the Medium-Term Management Plan, “ $\text{E}(x)$ ”.

5. Photograph of the current status of the SG Project



6. Location

