

[Translation of a news release in Japanese on March 22, 2016]

March 23, 2016

Press Release

Sumitomo Metal Mining Co., Ltd.

Court of appeal decision regarding  
international tender case in Solomon Islands

SMM Solomon Limited (“SMM Solomon”), a subsidiary of Sumitomo Metal Mining Co.,Ltd in Solomon Islands had appealed to the Court of Appeal of Solomon Islands from the decision of the High Court (First Instance) which rejected SMM Solomon’s claims as announced in the press release of 24<sup>th</sup> October, 2014.

The Court of Appeal handed down the decision of the international tender case on 21<sup>st</sup> March,2016 in which SMMS’ appeal was substantially accepted and the prospecting license granted to the respondent Axiom KB cancelled. However SMM Solomon’s claim for revocation of the cancellation of the right it was granted under international tender was not accepted.

SMM Solomon is closely reviewing at the decision.

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Attachment

History of the litigation relating to the cancellation of an International Tender Award  
for a Nickel Exploration Project in Solomon Islands

1. SMM participated in the international tender with respect to Isabel Nickel Deposit announced by Solomon Islands Government on 23 July 2010 through SMM Solomon Limited, the local exploration subsidiary of SMM. On 4 December 2010, SMM Solomon was granted an Award for rights over San Jorge, Takata and Jejevo Areas (collectively “Tender Areas”) and a Letter of Intent (LOI) under which the Minister of Mines agreed to grant a prospecting licence subject to the acquisition of surface access agreements from landowners in the Tender Areas.
2. In January 2011 the Minister of Mines wrote a letter cancelling the Award and LOI only one month after it was awarded without providing reasons or an opportunity for SMM Solomon to comment. A copy of that letter was only received by SMM Solomon in March 2011. On 12 April 2011, the Minister issued an LOI to Axiom KB Limited (“Axiom KB”) a subsidiary of Axiom Mining Limited (an Australia exploration company), for Takata and San Jorge, and 3 days later granted Axiom KB a prospecting licence over the Takata area. Axiom KB has never participated in the international tender.
3. SMM Solomon requested the Government to investigate and reverse its decisions but as no action was taken, SMM Solomon commenced proceedings on 15 July 2011, which is the last day of period for filing action, against the Government and Axiom KB in Solomon Islands’ High Court.
4. These proceedings have included a successful application for an injunction over the Tender Areas which was upheld by Solomon Islands’ Court of Appeal.
5. A preliminary hearing was held in the High Court based on a set of five legal issues and the relevant agreed facts. The High Court handed down a judgment in support of SMM Solomon on all five issues on 18 June 2012. Axiom KB appealed this case to the Court of Appeal which decided on 2 November 2012 to set aside the High Court’s decision and remit the matter to the High Court for a full trial without deciding any of the legal issues.
6. The High Court decision was made which supported most of Axiom KB’s claims on 24th September, 2014.

7. SMM Solomon appealed to the Court of Appeal on 24<sup>th</sup> October, 2014
8. The court of appeal decision was handed down on 21 March,2016 and the appeal was substantially accepted and we believe that SMM Solomon conducted itself fairly. However, although SMM Solomon's claims with respect to the cancellation of their LOI by the Minister were largely accepted by the court. It decided not to grant SMM Solomon the relief it was seeking due to the interpretation of mining law(3PL restriction rule\*).

\*3 PL restriction

Mines and Minerals Act in Solomon Islands has restriction rules under which the Director may not accept a prospecting licence application where the applicant has more than three prospecting licences. The issue was whether the 3PL restriction would apply to an application for a prospecting license based on an international tender. While SMM Solomon participated in the international tender confirming the opinion from the government that it would not apply to the international tender and got the award, the court of appeal disagreed that legal interpretation.

(References)

Project Location:

