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Press Release

Sumitomo Metal Mining Co., Ltd.

### **Additional Implementation of Gold Hedging at Pogo Mine**

Sumitomo Metal Mining Co., Ltd. (SMM) has continually implemented long-term hedging operations to secure the selling price of its ownership share of the gold produced at the Pogo Mine in Alaska since 2009. The company has now undertaken additional hedging as described below.

#### **New Hedge Transaction**

A minimax\* hedge transaction has been carried out against one-half of the company's 85% interest in the planned gold production volume at the Pogo Mine between January 2017 and December 2017. The lower price is \$1,100/toz and the upper price is \$1,410/toz.

In the newest hedge operation, one-half of SMM's 85% stake in the gold planned for production at the Pogo Mine between January 2017 and December 2017 will have a guaranteed selling price of \$1,100/toz even if the spot price were to drop below that value. If the spot price is within the range of \$1,100/toz to \$1,410/toz, the selling price will be set accordingly. If the spot price exceeds \$1,410/toz, the selling price will remain at \$1,410/toz. In this way SMM will secure earnings from the gold produced at the Pogo Mine within the set range.

By implementing this latest hedge transaction, SMM runs the risk that, with respect to one-half of its 85% stake, the company would be unable to benefit fully if the price of gold produced at the Pogo Mine between January 2017 and December 2017 were to appreciate sharply and exceed \$1,410/toz. By the same token, however, if the price were to drop below \$1,100/toz in that period, the company would still secure a selling price of \$1,100/toz on this one-half of its total stake – a level which SMM believes will contribute to the company's earnings stability.

*\* Note: Minimax is a transaction whereby SMM purchases the right to sell a specific amount of gold to a trader for a set price (in this case, \$1,100/toz), called a "put option," and sells the trader the right to buy a certain amount of gold from SMM at a set price (here, \$1,410/toz), a "call option." A transaction of this type secures an effective selling price (here, ranging from \$1,100/toz to \$1,410/toz) for a set volume of gold, without incurring any cost.*

## **Reference**

Record of Gold Hedging Position at Pogo Mine

Period	Volume (toz)	Range
Feb 2009 – Dec 2014	244,880	US\$750 – 1,850/toz
Sep 2009 – Dec 2014	233,390	US\$750 – 1,700/toz
Sep 2009 – Dec 2014	364,740	US\$750 – 1,700/toz
Jan 2015 – Dec 2015	169,200	US\$1,000 – 1,870/toz
Jan 2016 – Dec 2016	140,640	US\$1,000 – 1,366/toz
Jan 2017 – Dec 2017	119,195	US\$1,100 – 1,410/toz

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