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Review of Construction Cost for the Taganito Nickel Project

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Nov. 20, 2012

Mitsui & Co., Ltd.
Sumitomo Metal Mining Co., Ltd.

Mitsui & Co., Ltd. ("Mitsui", Headquarters: Chiyoda-ku, Tokyo, President and CEO: Masami Iijima) and Sumitomo Metal Mining Co., Ltd. ("SMM", Headquarters: Minato-ku, Tokyo, President and Representative Director: Nobumasa Kemori) have undertaken a review of the Taganito Nickel Project ("this project", see attached material for an overview) that is being implemented in the Republic of the Philippines by Taganito HPAL Nickel Corporation ("THPAL", Headquarters: Makati City, Republic of the Philippines, President: Takanori Fujimura), an affiliated company of SMM and Mitsui. The result of the review is a forecast increase in construction costs from the initially planned USD1.3 billion to approximately USD1.59 billion.

This project suffered a setback in October 2011 when the plant construction site came under attack from an armed group, which resulted in the facilities under construction sustaining damage. As such, as well as repairing the damaged facilities, a number of measures have been taken to ensure the safety of employees, construction workers, and other involved persons. In addition to the extra costs incurred by these measures, an increase in material prices and alterations to the construction specifications among other factors have led to a USD150 million increase in construction costs. Furthermore, with the rapid devaluation of the US dollar that occurred after the start of this project in September 2009, the difference in exchange rate for construction fee settlements not made in US dollars has increased with an effect of approximately USD140 million, leading to a forecast construction cost of USD1.59 billion.

Although a temporary pause in construction in order to confirm safety after the attack has resulted in the project period being slightly affected, subsequent construction work after is progressing smoothly and the project is on schedule to finish in the fourth quarter of 2013.

1. Location

Taganito, northern Mindanao, Republic of the Philippines

2. Products and output

Annual production of approximately 50,000t (30,000t of nickel and 2,600t of cobalt) of nickel/cobalt mixed sulfide ("MS"), an intermediate product of nickel processing, from low-grade oxide ore using high pressure acid leaching over 30 years.

3. Raw material

Low-grade nickel oxide ore (limonite) available at and around the Taganito Mine

4. Product usage

SMM will purchase all MS produced for use at SMM's nickel refinery (Niihama City, Ehime Prefecture), where it will be used as the raw material in the production of electrolytic nickel and cobalt.

5. Project schedule

September 2009	SMM decides to implement the project. Basic agreement for joint implementation with Nickel Asia Corporation ("NAC")
March 2010	Start of construction
September 2010	Conclusion of project shareholder agreement between SMM, NAC and Mitsui.
4th quarter of 2013	Start of commercial production (planned)

6. Overview of Taganito HPAL Nickel Corporation (THPAL)

Location	Makati City, Republic of the Philippines
Representative	Takanori Fujimura (President)
Established	2008
Paid-in capital	4 billion and 95 million Philippine pesos
Investment ratio	SMM: 62.5%, NAC: 22.5%, Mitsui: 15.0%
Operations	Implementation of Taganito Nickel Project

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