

11 October 2013

Press Release

Sumitomo Metal Mining Co., Ltd.

Trial to commence relating to the Solomon Islands international tender dispute

Since 2005, Sumitomo Metal Mining Co., Ltd. (SMM) has been carrying out nickel exploration in Solomon Islands through its local subsidiary SMM Solomon Limited (SMM Solomon) after obtaining several prospecting licences in Choiseul Islands and Santa Isabel Islands. On 4 December 2010, SMM Solomon was granted an award of an international tender called by the Government of Solomon Islands with respect to prospecting licences over nickel ore deposits in three areas on Santa Isabel Island.

In early 2011, the Government of Solomon Islands cancelled SMM Solomon's rights awarded under the international tender without reason. Subsequently, the Government granted similar rights, including prospecting licences, to Axiom KB Limited, a subsidiary of the Australian junior mining company Axiom Mining Limited. Axiom KB did not participate in the 2010 international tender procedure.

In response, SMM Solomon brought an action against the Government of Solomon Islands and Axiom KB and others seeking cancellation of the rights awarded to Axiom KB and seeking restoration of the rights granted to SMM Solomon.

SMM hereby announces that after a number of preliminary court hearings, a full trial is now scheduled to commence in the High Court of Solomon Islands (the court of first instance) on 14 October 2013(See Attachment about the history).

SMM was the first company in the world to achieve commercially viable recovery of nickel from limonite, a low-grade nickel oxide ore. The company succeeded in this feat, long deemed difficult, by using high-pressure acid leaching (HPAL)

technology. Most Nickel ore deposits in Solomon Islands, including those in the tenement areas subject of the international tender, generally consist of limonite ore and SMM believes that its comprehensive technological capabilities in nickel processing can contribute significantly to development in Solomon Islands.

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. Following guidance from the Court of Appeal (which is equivalent to the

Supreme Court of Justice in Japan), 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 full trial in the High Court will start on 14 October 2013 and is scheduled to run for a period of eight weeks. At the trial, SMM Solomon will argue for the reinstatement of its Award and LOI on the basis that they were unlawfully cancelled and that the subsequent grant of a prospecting licence to Axiom KB was also invalid.

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(Reference)

Location Map of Solomon Project

