

Investment in The Robe River J/V Mine Development in Western Australia

Conference Call Q&A Session

1. Date/time: October 10, 2018 (Wed), 13:30-14:30

2. Mitsui & Co. presenters:

GM of Iron Ore Div.	Makoto Sato
GM of Australia Business Dept.	Takayuki Tsuchida
GM of IR Div.	Yuji Mano

3. Questions & Answers:

Question 1

- While this project aims to sustain iron ore production capacity, the presentation is showing an increase of equity base production until FY2020/3. What will be the production trend after FY2020/3?
- The Robe River J/V's iron ore is of lower grade. Given the situation that the price differential between high and low grade iron ore is widening, are any countermeasures being taken for that?

Answer 1

- Our partners have not made any announcement to change their production level substantially in the near future. Thus, we do not expect any substantial changes in our production volume after FY2020/3.
- The Robe River J/V currently operates two mines, the Robe Valley Mine and the West Angelas Mine. The Fe grade of the former's ore is around 57%. The latter's ore has been blended with other iron ores from Rio Tinto's various mines, and been sold as "Pilbara Blend" whose Fe grade is around 62%. Although Fe grade of Robe Valley's ore is not so high, its phosphorus, which induces brittleness in steel products, is considerably low, and therefore steel mills in Japan and other countries highly appreciate this ore because it can reduce costs for dephosphorization treatment process. Furthermore, most of the Robe Valley's ore is sold on a long term basis to those steel mills, and therefore, the discount rate for low grade ore in the spot market is usually not applicable.

Question 2

- Is there any difference in the iron ore grade between the existing and new deposits, especially regarding Phosphorus in the Robe Valley Mine's ore and Fe in the West Angelas Mine's ore?
- Does increasing the number of automated trains and switching away from the current deposits with deep operation pits lead to a cash cost reduction?

Answer 2

- There is no change in the iron ore grade because the new deposits are located adjacent to the existing operating deposits and have been generated generally under the same conditions and circumstances. It is also standard practice for iron ore suppliers to stably supply iron ore with suitable quality.
- Generally, mining costs tend to increase towards the end of a mine's life. However, the Robe River J/V is working on cost reduction through various ways, including truck and train automation as countermeasures.

- Question 3
- How about the schedule of the cash out for US\$510million as CAPEX?
 - Where is the automation target area? In addition, has the automation technology been established in terms of safety?
- Answer 3
- Unfortunately, we cannot disclose the cash out schedule.
 - The automation has been installed in many mines in Australia. The Robe River J/V has made steady progress in automation starting with drilling and trucking, and has now achieved automation for the railway stage. Giving the top priority to safety, we have not had any accidents so far. We believe that automation can prevent human errors in operation, achieving safer operations.
- Question 4
- How is the current performance of Cape Lambert Port after the completion of its expansion several years ago?
 - How about the schedule for the ramp up and closure of the mine? May I understand that the development of new deposits this time does not increase the production capacity, while the expansion of West Angelas mine several years ago increased it?
- Answer 4
- The capacity of Cape Lambert Port already increased to over 200 million tons per year, and 177 million tons of iron ore was exported from this port in CY2017, according to the customs statistics.
 - The Production from new deposits is expected to start in both mines in 2021. We are planning the gradual replacement of the existing deposits with new deposits, maintaining the current production volume. The expansion in the West Angelas Mine several years ago was aimed to increase the production volume, but it is not same scope this time.
- Question 5
- It is noted that this project will utilize the existing port and railway. Given that, what is the breakdown of investment of US\$510million?
 - Are there any other iron ore mines of Mitsui nearing the end of their mine life?
- Answer 5
- Most of the CAPEX will be allocated to mine development (opening pits), procurement (trucks and drilling equipment, etc) and ore treatment facility (processing plant).
 - The Development of the South Flank Iron Ore Mine in Australia with BHP and Itochu (which was announced on 15th June) has also the same scope, replacing the existing deposits with new deposits to maintain the production capacity of Yandi Mine(80 million tons production per year).
- Question 6
- Noting that the equity base production is expected to be stable after FY2020/3, may I understand that Mitsui's partners also have the same view?
 - Are Vale, BHP and Rio Tinto planning to expand their production capacity?

Answer 6

- Global sea borne trade volume amounting to approximately 1.5 billion ton per year now will vary with steel production volume in future and it is generally said to increase for a while. It is also a common view that iron ore demand would be reduced gradually in mid-long term partly due to an increase of Electrical Arc Furnace usage. Even if there is some change in supply and demand, we do not expect any concerns about the sustainability of our iron ore business because of its world-class cost competitiveness.
- Vale and BHP made the public announcement that they would ramp up their existing capacity gradually and would work on the cost reduction by increasing the efficiency under the strategy of “Value over Volume” to develop only expansion projects with enough return on investment. Therefore, our equity base production is also expected to increase gradually until FY2020/3.