

**NEW CALEDONIA NICKEL**  
**1<sup>st</sup> – 5 July 2013 – Le Méridien, Nouméa**  
**André Dang Van Nha's keynote, SMSP Chairman and CEO**

According to estimates, New Caledonia would dispose of about 25% of global nickel resource which positions the country as one of the main potential supply sources in the world. However, the territory represents approximately 9% of the world nickel market.

Why such a discrepancy? So what would be the way to maximize this resource's upgrading?

Answering this question requires that we must first agree on the notion of "best value upgrading" which must integrate an essential vector for any development process: that of sustainable development for the benefits of future generations.

Upgrading the ore value through sharp operating process, that is to say, by squandering or dilapidating the resources without clear identified overall strategy, will generate profits for the stakeholders of this such savage exploitation, but this process could not be pursued any longer, in this case of exhaustible resource. It is therefore necessary to rationalize mining operations through a doctrine line. And for this, it is necessary to develop industrial tools that can process minerals.

This willingness to establish a clean operating process responding to both, a friendly environment, integrating the overall public interest, including that of our children and grandchildren, has directed SMSP's whole development strategy for more than 20 years.

Based on this conviction and mindful of the present conducted operating process's impacts on the country's future economic and social configuration, SMSP has sealed partnerships with international groups and companies, requiring a majority shareholdings for the mines holder (or owner), in accordance with the country's requirement, the most profitable industrial processing tools for the country's benefits. This explains how SMSP holds 51% major shareholdings in the capital investments of the North Plant and the Gwangyang Plant in Korea, besides such giants as GlencoreXstrata and POSCO.

Possessing investments amounting to 51% in such projects was meant to ensure having control over the mines as well as in the industrial production process.

Detaining 51% shares means receiving 51% of dividends generated by the processed metal and therefore being able to take advantage on levers that generate value added and job creation for the benefits of New Caledonia's economic development.

For it is indeed the metal manufacturing which generates more profits ensuring the operating of mining activities. However, even if the mine operations yield little, it enables jobs creation in large numbers, especially on scattered sites where full mechanization is not possible.

For this reason SMSP has intended to acquire 51% shares of the entire production chain, whether in its South Korea's Plant as well as in the Northern Plant, and in its future Chinese Plant.

Of course, in the establishment of industrial partnerships it has developed, SMSP has privileged the territory's local investment in the territory when the mineral resource has permitted.

This is the case for Koniambo Deposit and the Northern Plant, the most pyro-metallurgical plant, ever built at once in the world, with an annual rated production capacity of 60,000 tons of nickel metal.

But what happens then to the low grade ore sold in raw state, without returned values and benefits, or put in tailing piles for more than a century?

SMSP has sought a sustainable solution to go on develop this low grade ore that could not be processed locally, and would no longer depend on the global economy's fluctuations.

By removing intermediation costs, these low grade minerals were able to be upgraded through a new fully integrated partnership model, ensuring business opportunities for the related processed ferronickel, but also for the sustainability of our mines that would have been already closed otherwise.

Thanks to this partnership, SMSP has rescued or created 1,200 mining jobs, distributed along the country's East and West Coasts. Our mines may well be ephemeral and dispersed, but they keep continue to generate jobs. For every job created in the offshore metallurgical plants, three are created in New Caledonian mines.

The example of our Korea's Plant, with a rated annual production capacity of 30,000 tons of nickel metal, has also the particularity of being one of the most competitive pyro-metallurgical production units in the world, which is a definite advantage when nickel prices have reached present levels.

This plant has been built in the heart of POSCO Group industrial center, within a period of 17 months only, representing a total investment of 32 billion CFP. At the end of the first three years operation, that is to say from 2009 to 2011, beginning with its entering into production and its ramp up period, the plant generated an EBITDA 36 billion CFP, as well as net profits of 24.7 billion CFP of incomes for all the shareholders. Within four years operation, the processing plant of the "low grade ore" was able to be depreciated.

This plant is such a technological and financial success that we have already started the construction of a second production line, with a rated annual production capacity of 54,000 tons of nickel metal. It will enter into production in late 2014.

In fact, the two value upgrading models that we have developed, based on the quantity and quality of the ore, are part of a single economic strategy, that of the Northern Province development policy.

I want to insist on this detail! These models are not opposed, but they are complementary to the target of ensuring sustainable and controlled economic development, enabling the creation of jobs and returned value added in - or more exactly – for the benefits of New Caledonia.

Having said that, our mission does not stop there! We must strive and work together to think about the country's future economic development. For this, we, industrialists should all be united and careful on the management of this mineral resource, which should be upgraded in priority for New Caledonia's economic development.

As from the end of 2014, the North plant will reach its nominal capacity and the expansion works of the Korea's Plant will therefore be completed. SMSP's industrial tools will then be operational.

SMSP will be able to buy and thus process all saprolite ore that is presently exported without economic return values. I remember that the value added created during the procession of the metal is at least, ten times higher than that created in the sale of crude ore.

Also, given the profitability of these two production units, substantial profits are to be realized at 51% for the benefit of New Caledonia.

From 2020 onwards, we should also be able to process limonite ores through our future integrated plant model in China.

Once again, the added value generated by the sale of the metal and not merely that of the crude ore, will then be multiplied, always in favor of the territory at 51%.

The New Caledonia will be from North to South an industrialized country, through the marketing of its metal, processed by its offshore plants present at the world market, in partnership with industrials. The territory will secure sustainable jobs, or even create new jobs, since it is necessary to provide human resources and equipment tools, to ensure the supply of its offshore plants.

The offshore plants required needs, designated to process the low grade ore, will be such that the entire ore production would be absorbed with a considerable returned value added.

Thanks to the establishment of industrial tools initiated by the Northern Province, the country would be protected from damaged effects of mining crises, since the market's cyclical nature will disappear in favor of a smoothing exportation of ore to supply our plants, owned by SMSP at 51%.

The Northern Province strategic vision has always been to develop win-win partnerships in order to optimize the available resources as the country has not only the opportunity to hold 25% of the global resources, but it is also located in the vicinity of the world's most dynamic economic zone. There was a double opportunity there!

Moreover, Jean-Claude Trichet, the former president of the European Central Bank, Christian Noyer, a former vice-president of the European Central Bank and now Governor of the Bank of France, shared this desire to register into the globalization of trade exchanges with Asia and China, the development of joint ventures under win-win partnerships.

Win-win model in the capital structure, and thus in the distribution of dividends! Win-win model in the governance of joint ventures and therefore in the protection of the environment and competitiveness of production tools! Win-win model in the creation of jobs, primarily in New Caledonia!

The industrial future of this country, I am convinced, is based on a combination of the development, exploitation and exportation of mineral resources. So maximizing the mineral wealth will create a sovereign fund, at the same basis as Qatar, and make this "nickel's doctrine" an economic foundation for the development of other economic sectors in New Caledonia.

This resource of nickel is not inexhaustible, whereas our commitment to this country is visceral. So, considering this dedication, we must prepare together the nickel's future development and the "after nickel".