

ANDRE DANG, SMSP PRESIDENT & CEO'S REMARKS DURING THE VENUE OF PRESIDENT SARKOSY AT VAVOUTO

As SMSP's President and CEO and principal initiator of the North Industrial Plant Project, I am particularly honoured to greet the French President of Republic and present him our project. It is also a great honour for New Caledonians in general and the Northern communities in particular, to welcome the French President of the Republic, Nicolas Sarkozy, at the Vavouto site. It is indeed very important to us, all together, to present through this great project, 20 years of industrial and human adventure.

The President of the Republic is coming by himself to witness and appreciate the construction of this significant project which is also project of peace for New Caledonia, because it is a concrete sign of economic rebalancing. This industrial project generates thousands of jobs driving sustainable development in the North. We are not only building here in the Northern Province, the world largest pyrometallurgical nickel's project, but especially the most sustainable development project, since the conjunction of Koniambo massif and the North Plant ensures more than a century's life-span economic industrial activities.

The presence of the President of the Republic on Vavouto site also gives me an opportunity to personally thank the French Government for its determined support throughout the construction of the North Plant's project to date.

Becoming a fully-operated mining company

When I arrived at the SMSP on October 5, 1990, date of its repurchasing and acquisition by the Northern Province, SMSP had no mining title and assets. Though, the French Government allowed SMSP to become a fully recognized mining company, by giving it the opportunity to buy the old abandoned mines operated and owned by SLN. At that time, SMSP was a subcontracting company employing 120 workers, a contractor working for SLN on the latter's mines. Five years later, in 1995, SMSP became a world leading company in the production and exportation of nickel's ore to the United States of America, Ukraine, Japan and Australia.

The North Plant project

This international credibility and reputation allowed me to approach and convince the Canadian industrial Falconbridge, with the intention to build and operate a pyrometallurgical processing unit in the Northern Province. One again, the French Government showed us its crucial support. The signing of the Bercy Agreement in 1998 enabled us to access to the Koniambo massif. We then conducted prospective, industrial and bankable feasibility

studies, in view of acquiring and developing the deposit. This was concluded during the removal of suspensive conditions in 2005.

SMSP has been able to contribute to the development of such a world class project, bringing Koniambo mining asset in exchange of 51% shares of KNS capital - without the possibility of dilution of capital – KNS being the joint venture in charge of the construction and operation of the North Plant. Once again, the French government supported us in granting tax exemption on the plant's power station construction, as specified in Girardin Law.

Involvement of the local communities

The French President of Republic's visit is furthermore crucial for the Northern populations who have dreamed of this plant, since the General De Gaulle's declaration in 1966. Today, it's becoming a reality. The Northern populations have clearly invested themselves and they are proud of this project which is integrated in the country's strategy of economic rebalancing. Currently, 2300 Caledonians work on the construction site. The project economic impacts represent over 800 millions €, including 53% of the companies involved comes from the North. On operation, the plant will employ some 750 workers and generate approximately 3,000 direct and induced jobs. Such economic activity is significant for the province as well as for the country.

The project with POSCO

In parallel, while facing the inevitable decrease of its ore reserves, SMSP entered into another partnership with POSCO, the Korean steelmaker. This partnership has enabled SMSP to extend its mines' life-span by lowering the exploitable nickel's grade, ensuring the sustainability of mining operations while safeguarding existing jobs.

In fact in 1998, SMSP made the observation that the nickel content of its mines declined ensuring not more than 10 years operation. Under these conditions, SMSP could not carry out the project as the Northern Plant that requires fifteen years to develop. SMSP was doomed to disappear before!

So I negotiated this other partnership, but this time directly with a steelmaker, the ultimate consumer of ferronickel. The South Korean SNNC plant born in 2005 from the partnership I signed with POSCO, the then world's leading stainless steel producer, launched its operations in late 2008.

The SNNC plant is presently the third largest French industrial investment ever built in South Korea. The pyrometallurgical plant with an annual production capacity of 30,000 tons of nickel metal, contained in ferronickels and whose capital is 51% owned by SMSP, allows us to develop a low-grade ore that can not be processed by the local industry, nor exported to traditional customers for economic reasons.

A financial lever backing the construction of the Northern Plant

The considerable revenues generated by our plant in Korea enable SMSP to contribute up to 150 millions € in KNS capital increase, which has become a vital condition to the completion of the Northern Plant project's financial package.

Indeed, given the new estimates and the construction's rising costs in 2007, KNS equity had become insufficient, hence the need to increase its capital investment. SMSP had to participate in the increase of costs amount in compliance with its 51% shares. In fact, SMSP was able to contribute to up to 420 millions € besides Xstrata on KNS construction budget.

For this success, SMSP must not forget the implication of the North Province President, Paul Néaoutyine, the Northern communities who mobilized themselves for the project stake and the French State which has continuously supported and followed its evolution. This reiterated and on-going French State's support has been precious in the past. SMSP hopes to continue to benefit from it.