



## *The New Caledonian Metallurgical Plant in South Korea*



As a Caledonian citizen, it is with great honor and pride that I invites you to discover through this brochure, the first world class industrial component detained by New Caledonia and located abroad.

This industrial device embodies the determination of two partners, SMSP, the New Caledonia's Mining Company, and the Korean POSCO, one of the world's leading stainless steels producers, to create a world-class industrial facility, registered to generate wealth, out of a dumped small ore, unqualified to be processed by existing tools in New Caledonia. Their most great ambition: to contribute jointly to Economic empowerment of both countries, New Caledonia and South Korea.

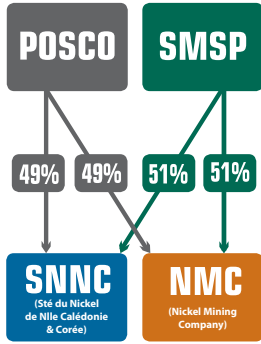
This resource improvement unit not only saved SMSP from bankruptcy, protecting along the 600 existing jobs, but also generated more than 700 new mining employments, and above all, allowed New Caledonia to own 51% of metallurgical plant's capital in South Korea.

SNNC, Société de Nickel de Nouvelle-Calédonie et Corée, is a modern metallurgical plant, recorded with high performance and friendly environmental. Thanks to nowadays proven manufacturing technology, it has an annual production capacity of 54,000 tonnes of metal nickel per year, which entire production volume is absorbed by POSCO.

Thanks to the dedication of the our plant's staff in Korea, not to mention the mining sector's employees who work in New Caledonia ensuring the constancy of its supply, allowed this industrial device to demonstrate its performance, despite a gloomy economic environment. With this plant, SMSP is now recognized internationally in the field of the processing of ore and the manufacture of ferronickel.

**André Dang Van Nha**  
Chairman and CEO





**3**

Third major french industrial investment ever built in South Korea.

**3 years**

The plant's depreciation period (2009-2012).

**1.95%**

The average exported ore grade, with a 1.6% cut-off.

**2.1**

Billion US\$ assessment of the plant's first production line by Korean banks.

## What is the SMSP/POSCO partnership?

### Two shareholders

**SMSP (Société Minière du Sud Pacifique):** holds 51% of the joint-venture's capital equity.  
**POSCO (Pohang Iron & Steel Corporation):** holds 49% of the joint-venture's capital equity.

### Two companies, with the same shareholding

#### NMC (Nickel Mining Company SAS):

Supplies the plant in Korea with produced ore extracted from the mines in New Caledonia at a rate of 3.6 million tonnes saprolites per year.

#### SNNC (Société du Nickel de Nouvelle-Calédonie et Corée Co. Ltd):

Processes this ore in its Gwangyang plant in South Korea with an annual capacity production of 54,000 tons of metal contained in ferronickel.

### One consumer of this ferronickel

POSCO, one of the world leading stainless steels producers buys all the plant's production in Korea to produce its own steel.

## Genesis of partnership

The construction of the plant was carried out by POSCO, assisted by Kawasaki and Hatch companies.

The project was modest, compared to those of the Northern and Southern Caledonian plants, as the main infrastructures (port, energy, etc.) already existed and are made available by POSCO to SNNC joint venture's use. At the cost of hard working, the construction of the first line would have been completed within the budget 3 months ahead of schedule on the calendar, the first smelting in October 2008. The plant's construction works were achieved completed within eleven months.

- First shipment of ore from New Caledonia: June 30, 2008.
- First processed ferronickel: early October 2008.
- Achievement of full capacity: end of October 2009.

Thanks to its exceptional performance, the plant's first production line has been fully paid in three years. SMSP and POSCO have then decided to carry on the construction of the second production line. The second line was constructed in 11 months. It is expected to be completed in 2018.



## Exclusive partnership

This unique and innovative partnership between a major steelmaker and a miner was made possible thanks to the elimination of intermediation costs, subsequently reducing costs and generated higher profitability under a process of low-grade ore. SMSP and POSCO are engaged in the upgrading process of mineral resources, under a decrease of the ore average grade, compensated by the increase of volumes and quantities.

## How much did the plant cost?

The construction of the first line of SMSP Plant in Korea has costed US\$352 million and

the mining asset funded by this plant has been re-evaluated to the construction cost for a total of US\$704 million.

The plant's second production line costed US\$450 million. In addition, a supplement US\$178 million was invested in New Caledonia, to ensure NMC's increase of production and to supply the SMSP's plant which has an annual production capacity of 54,000 tons.

### Double the production capacity

At the end of August 2011, both shareholders, SMSP and POSCO had announced their intention to extend and double the production capacity of the Korean plant. This second production line was inaugurated in March 2015, and therefore increased its initial nominal production capacity from 30,000 tons to 54,000 tons of nickel metal contained in ferronickel. At the same time, NMC lowered its operating grade and consequently improved its production capacity.



Mine sampling



Smelting

### What are the benefits for the partners and for the country?

#### For SMSP

- To hold 51% of a pyrometallurgical plant
- To process a low grade nickel ore that cannot be done locally.
- To smooth long-term exports in a sustainable supply.
- To secure local economic activities, generating direct and indirect employments.
- To ensure the control of the production chain from mine to plant.
- To generate incomes which enable the company to participate in the country's sustainable development. Thus, in 7 years, although the mining crisis, SMSP earned 9.7 billion XPF of dividends.

#### For POSCO

- To secure itself the control of part of its required ferronickel "from mining to the plant".

#### For New Caledonia

- Employment: approximately 1,300 workers directly or indirectly are employed in New Caledonia, and 275 are employed in the Korean plant. For one job created in Korea means five job are created in New Caledonia.
- Country's economic returns: service deliveries, subcontracting activities, wages, taxes and duties paid to public institutions and dividends paid to local authorities. 51% of the metal processing which generates the greater part of the added value.

**10%**

The volume of production consisting of ore dusts which are reconditioned into pellets and reintroduced into the ferronickel production line.

**23%**

The Gwangyang plant surroundings surface dedicated to green.

**1,300**

The number of direct and indirect jobs created in the mining operations in New Caledonia.

**700**

The number of jobs created with the expansion of mining production.



Visit of SNNC - Paul Néaoutyine and André Dang on March 30, 2017

## The “win-win” partnership key milestones

### February 2005

André Dang propose the partnership project to POSCO.

### April 2005

First visit of POSCO in New Caledonia.

### May 2005

Paul Néaoutyine the Northern Province Assembly's President and André Dang the SMSP's President and CEO visited Korea as POSCO guests. Signing of a MOU (Memorandum of Understanding).

### June 2005

Setting up of SMSP/POSCO working groups to define the project and draft a MOA (Memorandum of Agreement) which will be signed later in February 2006.

### April 2006

SMSP and POSCO signing of a Joint Venture Agreement.

### May-June 2006

Establishment of the two companies NMC and SNNC.

### June 2006

Beginning of the Gwangyang Plant's construction works.

### September 2006

POSCO CEO visited New Caledonia as the President of the Northern Province Assembly's official guest.

### December 2006

Meeting with the President of New Caledonian Congress and the New Caledonian Government by joint delegation of POSCO and SMSP high officials.

### October 2007

The Northern Province Assembly approved and

authorized the transfer of SMSP's mining titles to NMC. Closing of the agreements between SMSP, POSCO, SNNC and NMC.

### June 2008

First loading of ore intended to gauge the furnace.

### August 2008

Lighting of the electric furnace of 94MW.

### October 2008

Launching of SNNC operations.

### October 2009

Reaching the full production capacity of SNNC.

### August 2011

Decision to proceed to the expansion of SNNC and NMC production capacity.

### September 2011

Kick-off ceremony for the expansion of the Gwangyang Plant.

### May 2013

Signing of the expansion agreement of SNNC and NMC production capacities.

### May 2014

Inauguration of Wharf 7 on Gwangyang port for unloading the nickel ore from New Caledonia.

### October 2014

Launching of SNNC second electric furnace.

### March 2015

Inauguration of SNNC second production line.



SMSP  
SAM3 - 9, rue d'Austerlitz  
P.O. Box 66 - 98845 Nouméa - New Caledonia  
Phone: (687) 28 13 53 - Fax: (687) 28 15 67  
www.smsp.nc - www.blogsmmsp.nc