



## *The Northern Plant our priority*



North factory has now become a reality. It took seven years to carry out feasibility studies up to bankability studies and one year to finalize the financial package and technical design. It will take six years more to build it and process its commissioning.

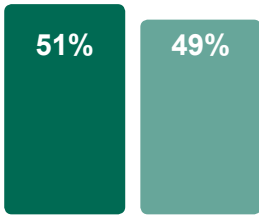
More than an industrial project, the construction of a metallurgical plant in the Northern Province acts in answer to the desire repeatedly expressed by political leaders, to access the mining resources, to see established an economic balance with the Southern Province, and to control the exodus of the rural populations of the North towards Nouméa by the creation of direct or induced jobs. The Koniambo massif has become the symbol of this fight and the factory that for the recovery of precious land to its communities. The Koniambo Deposit has become the symbol of this fight and KNS Plant, that for the upgrading of precious land in front of its communities.

Also I wish to associate sustainable development that this plant impulses to the concept of peaceful development. As a tribute to all those who have mobilized themselves for the construction of this plant, but who are no longer among us, I would like this plant to be a tool for concord and affiliation for all Caledonians, notably through jobs and All the companies that have been created. Finally, I would like this Northern Plant to be a social development instrument for all men and women of this territory.

**André Dang Van Nha**  
Chairman and CEO



## SMSP Glencore



## What is the SMSP/Glencore partnership?

### Two shareholders

#### SMSP (Société Minière du Sud Pacifique):

- holds 51% of capital equity,
- provides the Koniambo deposit and its local location.

#### Glencore:

- holds 49% of capital equity,
- secures the funding and bears the responsibility for the completion of the plant construction's works.

### One company

#### KNS (Koniambo Nickel SAS):

It is the SMSP/Glencore joint venture, in charge of the construction and operation of the pyrometallurgical processing plant, using the Nickel Smelting Technology Type (technology developed by Falconbridge) incorporating drying, heating and smelting modules, located at the Vavouto peninsula in Northern Province.

The Koniambo massif is located few kilometers away from Vavouto site. It is one of the world biggest, richest, accessible and unexploited deposits of nickel ore. The ore will be processed in a feed rate of 3 million tons per annum, with an annual production capacity of 60,000 tons of nickel metal contained in ferronickels.



**April 2013**  
First metal tapping.



Paul Néaoutyine  
President of the Northern Province



Control room

## What is the industrial process?

The ferronickel processing is carried out via a conventional pyrometallurgical process with a new technology developed by Falconbridge Research and Development Units. The Nickel Smelting Technology process uses modern technology equipment that has been proven on a large scale in other heavy industries.

Its design is specifically intended to confine the dust, allowing advanced environmental performance. The process is largely inspired by the cement industry, which has introduced in recent years recycling and re-use of process gas to save energy.



Koniambo massif

The need to process fine particles led to the selection of electric dc furnaces. As in the steel mills, the furnace casing is completely cooled by water. Very versatile, furnaces are simple from the mechanical and metallurgical point of view. The end result is a semi-continuous process characterized by a high level of automation and efficient use of workforce.

**8**

The construction cost in billion US\$.

### How much does the plant cost?

The construction cost is estimated to US\$8 billion.

Glencore brings KNS 100% funding required for the Northern Plant construction, including in case of additional costs. The repayment of these loans is incumbent directly KNS. Although Glencore guarantees full funding, SMSP has the opportunity to participate with no obligation.



Land conveyor



Cropping of mangroves

**1,293**

The number of direct and indirect jobs at the end of 2016.

### What does it bring to the country?

#### For New Caledonia

- To hold 51% of a metallurgical plant
- To enjoy long term and stable mining and metallurgical economic activities.
- To receive upon the plant's start of production, proportional profits to financial shareholdings.
- To receive, without delay or deduction, tax revenues on sale of metal's incomes.
- To benefit from infrastructure development, sub-contracting, job creation, specific training for the plant's construction and operation.

**395**

Community cumulative benefits in billion XPF at the end of 2016.

"The Northern plant construction meets a basic and essential goal of social and economic balance in the territory. This focuses on a strategy of valorization of the mining resource, oriented towards the production of metal. The Northern plant symbolizes a genuine quest for economic emancipation through the adherence of a whole community to an economic project, which enables the association of our cultures to this economic rebalancing process, the cornerstone to the edification of the common destiny for all Caledonians", André Dang Van Nha, Chairman and CEO of SMSP.



Pierced furnace for the metal bath tapping

## Key milestones

### 1996

SMSP and Falconbridge Commitment to the partnership project.

### February 1998

Signing of Bercy Accord (Agreement) between French State, New Caledonia's Territory, Eramet Group, SLN and SMSP companies, in front of the French Development Agency's Representative (Agence Française de Développement).

### August 1998

Launching of Koniambo industrial project. The deposit is put at the disposal of the joint venture to assess the potentials of Koniambo massif's nickel resource, under the framework set by the Bercy Accord.

### 2002

Completion of pre-feasibility studies (PFS).

### December 2004

Completion of bankable feasibility studies (BFS).

### 2005

Completion of the Social and Environmental Impacts Studies.

### December 2005

Irrevocable decision to build the plant and exchange Poum/Koniambo massifs under the terms of Bercy Agreement and set up the Koniambo Nickel SAS (KNS) joint venture.

### March 2006

Kick-off ceremony.

### August 2006

Xstrata Nickel became Koniambo Nickel SAS new project partner after absorbing Falconbridge.

### September 2006

Launching of the renewal phase (Cost review, redefinition of the strategy and implementation schedule). Visit of Mick Davis, Xstrata Plc CEO, and Ian Pearce, Xstrata Nickel CEO.

### March 2007

Launching of preparatory earthworks including access to site-site servicing (water supply, energy, etc.) offices and base-life-Phase 1 construction.

### August 2007

Consideration by KNS joint-venture's Board of Directors, held in Toronto, at Xstrata Nickel's headquarters, of the renewal process (Cost review, redefinition of the strategy and implementation schedule).

### September 2007

Meeting, review and approval by both boards of partners, the

conclusions of the final report on the renewal phase (review of costs, redefinition of the strategy and timetable execution).

### October 2007

Approval by Xstrata Plc of Koniambo Nickel project and announcement of an investment US\$3.8 billion funded by both parties SMSP and Xstrata Nickel.

### December 2007

Signing the project agreement on 27th December 2007.

### February 2008

Decision by French Government to issue a favorable tax ruling in accordance with the Girardin Tax Exemption Law to promote investments in the French Overseas Territories.

### August 2008

Launching of dredging operations of Vavouto channel.

### September 2010

Unloading of the first modules from China at Vavouto port.

### August 2011

Announcement of a cost increase to a total investment amount of US\$5 billion and confirmation of the first tapping end of 2012. Visit of the French President, Nicolas Sarkozy.

### December 2012

Completion of the first production line construction works.

### April 2013

First metal tapping.

### May 2013

Merger between Glencore Plc and Xstrata Plc.

### February 2014

First metal tapping of the second production line.

### August 2014

Announcement of a cost increase to a total investment amount of US\$7 billion.

### November 2014

KNS official inauguration.  
Visit of the French President, François Hollande.

### December 2014

Shutdown of furnace 1 for technical reasons.

### January 2016

Restart of furnace 1.  
The investment cost is increased to US\$7.5 billion.



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