

# banjina

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2015

## Towards a Stable and Long Term Production Phase



The Plant Site in Toamasina.

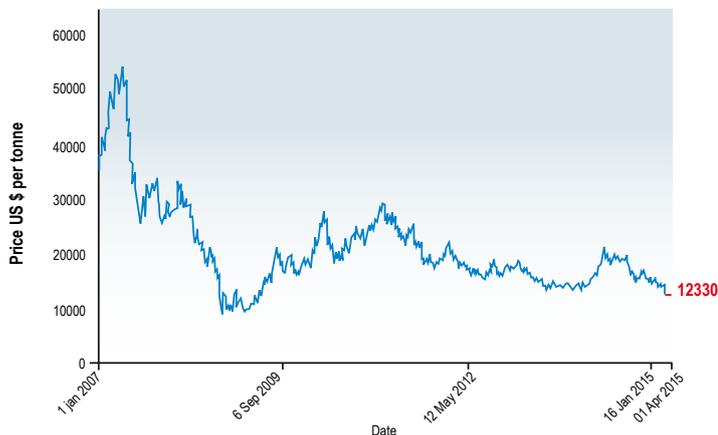
Ambatovy has achieved a new milestone in its ramp-up phase towards full capacity production. A major production test was successfully achieved in March 2015. This test consisted of producing 90% of the Plant's nameplate capacity for 90 days. This milestone, which is also part of the ten certificates required by Ambatovy's lenders under its financing agreements that Ambatovy should obtain before September 30, 2015, also marks the transition of the company to a stable industrial production unit for the long term.

### Unfavorable Market

The nickel market is unfavorable at the moment and Ambatovy must take that into account in order to stay in the race with the global nickel and cobalt producers. According to analysts, the nickel price

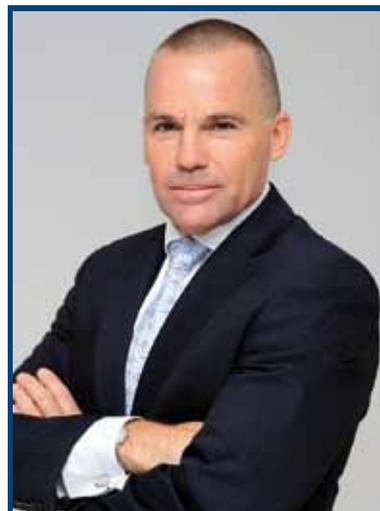
remains under pressure due to the increase in world stocks, fueled by a strong supply that exceeds demand and large destocking from China. "The markets are not currently favorable and we do not have any control over it. The very low nickel price affects our revenues, and the price of sulfur, our most expensive commodity, is also very high. This increases our production cost," said Ambatovy's President, Tim Dobson.

During the life of a mine like Ambatovy's, it is common to go through several price cycles, passing in the course of a few years from favorable price levels to the lowest levels. Producers who have the lowest production costs will survive throughout different cycles. By contrast, those who cannot sell at a loss are often doomed to shut down when sale prices are at very low levels.



The nickel price is still at the lowest and came down below 12 500 USD in April, 2015.

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**Tim Dobson: "My vision is that Ambatovy will be recognized as the world leader in nickel laterite operations and that all stakeholders have a positive experience of the project"**

Tim Dobson just took over Ambatovy's management on March 1, 2015. With thirty years of experience in the mining industry, he has shown his ability in Australia, Papua New Guinea, Chile and Canada in gold and nickel operations. Before being appointed as Ambatovy's President, he worked as Vice President of Operations.

"Ambatovy would like to not be one of those who have to shut down because of low market prices. We absolutely must be one of those nickel producers who have the lowest production costs in order to survive difficult times," adds Tim Dobson.

The profit margins recovered in good times will help pay off debts and amortize the investments made by shareholders.

2014

## A Year of Distinction for Ambatovy

Ambatovy makes significant efforts to support sustainable development in its host regions. The environmental, social, educational, and health aspects as well as local business development constitute, among others, Ambatovy's focus areas. In 2014, the company's efforts were recognized not only nationally but also internationally. The year 2014 was a year of distinction.

In 2014, Ambatovy received three prestigious awards. The programs for the fight against HIV/AIDS in the workplace, support for local businesses, and biodiversity management at Ambatovy were recognized by international bodies and renowned professional associations.

### Excellence Award in Corporate Responsibility

In November, at their annual summit in Toronto, the Canadian Companies for Corporate Responsibility attributed the 2014 Excellence in Corporate Responsibility Award in the Social Enterprise Creation category to the Ambatovy Local Business Initiative (ALBI). Created to support local businesses in order to improve the quality and competitiveness of their products, ALBI acts upon the "buy locally, hire locally" policy to maximize economic returns in the zones where Ambatovy operates. The program has already helped some 500 individuals and small businesses benefit from vocational training as well as assisting 18,000 people in agricultural technique training.

### Nedbank Capital Sustainability Business Award

On the environmental side, the Company's efforts to comply with the most stringent and recognized national and international standards in terms of biodiversity protection, such as the World Bank Group's International Finance Corporation (IFC)'s Performance Standards, and the Equator Principles have not been in vain. Another Ambatovy program, which concerns biodiversity management, also won another prize last year: the "2014 Nedbank Capital Sustainability Business Award" in the "Non-renewable Resources and Energy" category.



Paul Andrianavomahaefa, Environment Superintendent at the Mine and Ben Chapman, Director Sustainability, receiving the Nedbank Capital Sustainability Business Award in Johannesburg, South Africa.

The award, which was presented October 30, 2014, in Johannesburg, is recognition for Ambatovy's efforts in the field of sustainable development, including the conservation and protection of biodiversity in Madagascar, which remain a priority for the company.

### Best Practice Award

International recognition for Ambatovy's efforts towards sustainability is not limited to the Company's activities towards its partners

and the environment, but it also rewards the actions taken by the company to protect its staff from HIV / AIDS. The Executive Director of UNAIDS, who is also the United Nations Deputy Secretary General, Michel Sidibé, in person, presented the "Best Practice Award" to the President of Ambatovy, Mark Plamondon, on April 17, 2014, in Ankorondrano. This prize was awarded to Ambatovy in recognition of its commitment to the implementation of a national policy in the fight against HIV/AIDS in the world of work by enhancing actions against stigma and discrimination.

### Sustainable Development as seen by Louis Roland- Gosselin, Vice-President, Sustainability:

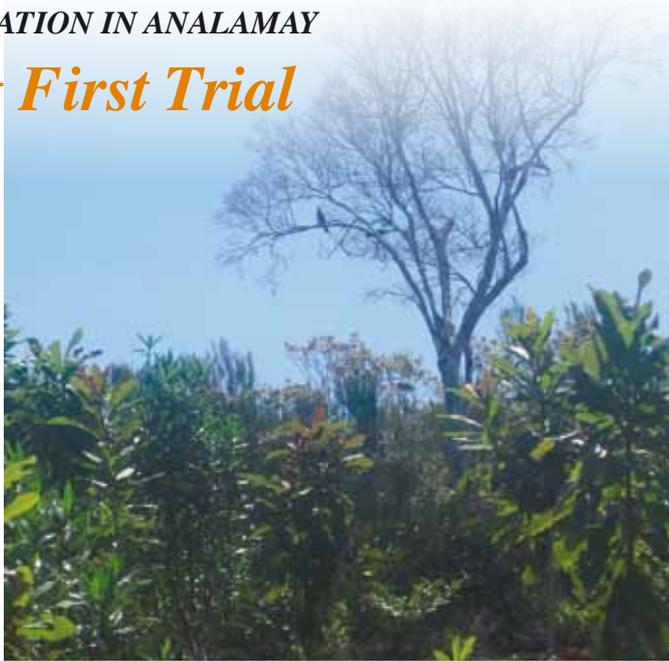


*"Ambatovy is determined to contribute to sustainable development in Madagascar. For this purpose, we have, for many years, initiated many social projects. We will now direct such action towards more sustainable lines whereby Ambatovy will act as a catalyst, a facilitator, in order to empower our host communities to drive their own destiny."*

**MINE REHABILITATION IN ANALAMAY**

**Promising First Trial**

The rehabilitation of Ambatovy's Mine will start this year following a successful trial at Analamay, next to the Mine Site. The rehabilitation of the Mine is one of the most important commitments under Ambatovy's specifications. It is an integral part of Ambatovy's mitigation hierarchy and the restoration of ecosystem services of the mine area. 2015 will see the restoration of a minimum of 24ha.



*Rehabilitation trial in Analamay.*

In 2010, Ambatovy initiated a rehabilitation trial in Analamay, close to the Mine Site. Over an area of 3,000m<sup>2</sup>, 1,500 plants from 18 native tree species were planted using the optimal techniques combining plants and soil in order to achieve the highest success rate of adaptation. The soil was striped 60cm to better resemble the soil quality of the mine area. In 2013, the test was evaluated and deemed successful with a 75% survival rate of the planted species, despite the visit of cyclone Giovana in 2012.

*"The test results were very encouraging,"* stated Angelo Razafimamonjy, Supervisor of Ecological Restoration in the Environment Department. *"It allowed us to learn lessons in different areas, such as soil content and flora distribution, that will certainly increase the success rate of the rehabilitation process."*

Not only did the plants survive, but local fauna returned. Only one year after the planting, six species of birds were observed in the branches of the transplanted trees, with the number increasing to 32 species by the end of the third year. *"We also observed that the birds built their nests on the plants, signifying that the replantation was viable to support local fauna as well as sub-terrain micro flora and fauna,"* explained Angelo Razafimamonjy. The most important aspect of the trial was to determine the best practices and necessary improvements of the process in order to increase the success of the true rehabilitation process.

**SUPPORT TO GRASS ROOTS COMMUNITIES**

**For a Better Management of Forests**

Reducing the communities' dependence on the forest by providing alternative income generating activities: this is how the guideline of the strategies implemented by Ambatovy to better conserve the forests in the buffer zone and conservation areas around the Mine may be summarized in a few words. In fact, in order to prevent infringement on the conservation area and to improve forest management, in general, Ambatovy works with neighbouring communities through six Basic Communities (COBA) by providing the latter with training and infrastructure so that they can reduce the use of forest resources. Ambatovy also funds their activities and provides guidance and management tools. These activities, chosen by the COBAs, mainly include fish and chicken farming, foie gras production, vegetable crops and plant nurseries.

*"Forest management must come from the community level. By strengthening other income generating activities, we are assisting the community in securing livelihoods and thus the sustainability of our conservation efforts,"* stated Baholy Ramahavalisoa, Environment Department's Forest Management Supervisor. The COBAs also participate in ecological monitoring, reforestation and forest preservation.

Since the start of this project, the results have been positive, with a noticeable trend in forest enhancement near the communities which are responsible for delineated zones within the buffer area located between Ambatovy's conservation zones and economic areas. Even better, 65% of the COBAs have undertaken reforestation activities on their own initiative, which is very promising for communities that are overwhelmingly dependent on their local natural resources. *"Conservation actions and activities are only as viable as their sustainability,"* concluded Dr. Sylvie St. Jean, Manager of Sustainability Development at Ambatovy.



**SIXTH WORLD PARKS CONGRESS**

**Ambatovy in Sydney**

From November 12 to 19, 2014, Ambatovy participated in the 6th World Parks Congress, organized by the IUCN (International Union for the Conservation of Nature) in Sydney, Australia. Held once a decade since 1962, the Congress is an international forum that serves as an opportunity to discuss progress and challenges, define goals, and raise the status of protected areas to the global level. This year, the topic was **"Parks, People, and the Planet: Inspiring solutions."** As a stakeholder involved in the management of protected areas, Ambatovy presented the mitigation hierarchy implemented by the company, as well as the financing of protected areas. From the event emerged the **"Promise of Sydney,"** a set of

common goals and a vision for the next decade. Ambatovy will take the Promise of Sydney into account in the development of its biodiversity offset sites management policy and strategy.



*Rivolala Andriamparany, presenting Ambatovy's biodiversity management programme.*

## SUPPORT TO LOCAL BUSINESSES

### JR Tours : A Success Story

At the origin of a new economic dynamic, marked by the boom of many small and medium national enterprises, especially in areas where it operates, Ambatovy has implemented a program aimed at supporting these businesses called the "Ambatovy Local Business Initiative (ALBI)." In addition to the contracts for goods and services signed with local businesses since 2007, ALBI has also provided them with the opportunity to build their capacities and improve the quality of their services through training sessions and mentorships.

The case of JR Tours, which has worked with Ambatovy since the beginning of the Plant's construction phase, illustrates very well the economic impact of the implementation of this kind of company in Madagascar in terms of development for small and medium Malagasy enterprises.

*"At the beginning, it was difficult for us and for most Malagasy SMEs to meet the safety and quality standards, and we have already been*

*audited twice,"* stated Johnny Randrianaly, JR Tours' manager.



*Johnny Randrianaly Manager of JR tours.*

*"Working with Ambatovy is beneficial for us in all aspects. First, it has enabled us to gain a lot of experience, and especially professionalism, in the performance of our business given the requirements stipulated in the contract."*

The culture of excellence and professionalism that JR Tours has acquired through working with Ambatovy has enabled the company to get other contracts with international organizations and government projects while it currently continues to ensure, with other providers, the transportation of the company's staff in Toamasina and the meet-and-greet services at the airport. *"With these new commitments, we have had to expand our vehicle fleet which is now made up of 35 cars, fifteen times more than before the contract with Ambatovy,"* added Johnny Randrianaly.

In sum, apart from the financial benefits brought by Ambatovy's activities for local businesses, involving about forty sectors of activity with which it has signed contracts, its implementation in Madagascar has also brought the transfer of know-how for the benefit of Malagasy operators through its ALBI support program.

## INCOME GENERATING ACTIVITIES

### Families Improve Their Income Thanks to Ambatovy

**Income generating activities (IGA) initiated by Ambatovy in 2014 are starting to pay off in the village of Vohitrambato, one of the two resettlement villages Company's. These IGA mark Ambatovy's commitment to supporting the farmers in their new lives so that they can have stable and lasting sources of funding. These activities mainly concern agriculture and animal husbandry.**

Fety Paul, President of the Fokontany Fihaonana in Vohitrambato, is one of the pilot farmers to have benefited from the IGA project initiated by Ambatovy. Apart from rice farming, the cultivation of cloves, apple-cinnamon and litchis are also part of his main activities in the village where he lives after he was displaced from the Plant Site of Tanandava. In June 2014, following his wish to begin pig farming, Ambatovy gave him eight piglets to fatten. *"I only had to build the pigsty since Ambatovy provided me with all necessary implements required for farming and construction materials,"* he attested. A few



*François Razakandrany, chicken farmer in Vohitrambato, Enthusiast to show his chickens.*

months after, Fety Paul was already able to sell four of the pigs and save the rest to grow his stock. This sale enabled him to establish and grow funds. *"Pig farming is very profitable. I don't have much to complain about. To be honest, I must admit my life is much better than before, even if I think that the piece of land that Ambatovy gave is not sufficient,"* he said.

To start this programme, a few pilot-farmers were selected to grow Malagasy chickens and/or broiler chickens, ducks and pigs. Various agricultural inputs, such as seeds and fertilizers, as well as various small agricultural tools, such as weeders, were also supplied by Ambatovy.

Jeanne Rasoanirina and her husband, Francois Razakandrany, chose to farm broiler chickens. They are currently in their third rearing cycle with 80 broilers. After receiving 50 broiler chickens from Ambatovy to begin the first rearing cycle, and after 40 days of fattening, this family was already able to make their first sale. *"We are very*

*delighted in this collaboration with Ambatovy. For the year 2015, our objective is to reach 200 to 300 chickens,"* Jeanne Rasoanirina said, happily. *"The only problem is the continuous increase in the cost of feed and we would like to solicit Ambatovy's support on this issue,"* she added.

This year, since the program is on a good track, Ambatovy plans to give laying hens and vegetable seeds to approximately 190 households in the village of Vohitrambato for those who have not yet benefited from the previous activities.

## Banjina

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