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REFINING NICKEL IN MADAGASCAR

Ambatovy's value added recovers local economy

The debate on the royalty rate payable by Ambatovy has occupied the minds of observers these past months. However, royalties are only a component of the direct financial benefits of a mining operation, and Ambatovy's direct payments to the Malagasy State do not only concern royalties. There are also taxes, fees, and other financial obligations required by law. Additionally, beyond these direct payments, Ambatovy generates priceless added economic value from refining nickel and cobalt in-country. That is not a comprehensive list.

Ambatovy has chosen to refine its products in-country, in other words, in Madagascar. This creates substantial economic benefits. The company has invested financially to build its refinery in Toamasina. Unlike what usually happens in Sub-Saharan Africa, Ambatovy does not export ore, which needs to be refined in another country, usually in Northern America, Europe, and Asia. The explanations of Ambatovy's Chairman, Mr. Mark Plamondon, on job creation are clear: "The 9,000 jobs that have been created are the direct results of this choice to refine metals in Madagascar. This job creation has exposed our employees to advanced metallurgical technology and has enhanced the industrial culture in our area of influence." Ambatovy's President added that, "The World Bank considers that one direct job generates five other indirect and induced jobs. Therefore, Ambatovy can be considered to have created about 45,000 indirect jobs on top of the 9,000 direct jobs."

Local Resources

Thanks to Ambatovy, thousands of other indirect and induced jobs will be created over time in other sectors, such as transport, food production, maintenance, renovation, and waste management. This is not all. Ambatovy is now one of the largest customers of local businesses in Madagascar. In 2012, Ambatovy signed local supply contracts of 852 billion Ariary (about 426 million dollars) for local purchases. Ambatovy uses local resources as much as possible to keep the funds in Madagascar. For this purpose, the Company is committed to contributing to the development of the local and national economic basis with partners able to properly respond to the needs and criteria of competitiveness. As of now, the Company has a list of 500 local businesses with which the company does business.

ALBI

Ambatovy's added value for farmers. As unlikely as it may seem, the Company generates benefits for farmers. Ambatovy has contributed to the creation of three bulk purchasing centres, including two in Toamasina and one Moramanga. In 2010, over 5,000 local farmers supplied about 1,267,000 kg of products, mainly fruits and vegetables, to these centres. Currently, there are about 8,000 farmers. Additionally,



The Mole B at the Port of Toamasina, built by Ambatovy

through the Ambatovy Local Business Initiative (ALBI), the company has already supported job-creating companies, particularly manufacturing of uniforms, pallets, and drums, as well as egg production and marketing of agricultural products.

Economic Growth

In a word, Ambatovy is an example of the large mining investments that Madagascar aims to promote and attract through the Large Mining Investments Act (LGIM). Economically, the added value generated by Ambatovy from refining the ore in-country includes the fact that nickel will become the top export product of the country and will bring in a substantial amount of foreign currency. "We expect that all the economic benefits generated by the company, beyond direct financial benefits including taxes, fees, and charges, will contribute significantly to the economic growth of Madagascar," said the President of Ambatovy, Mark Plamondon.

A few figures to be noted

Direct payments to the Government (taxes, fees, royalties, and others): 100 billion Ariary (50 million dollars) per year for the first ten years of production. 9,000 billion Ariary (4.5 billion dollars) in total over the 30 years of operation (January 2013 estimate). It is difficult to determine in advance the exact amount of payments to the Government, given that the calculations are based on the fluctuating nickel and cobalt prices on the international market and the costs of the raw materials imported by Ambatovy.

Job Creation: 18,500 to 20,000 jobs during the construction phase; 9,000 jobs during the production phase, of which, 3,000 are within Ambatovy and 6,000 are among Ambatovy subcontractors.

Infrastructures (roads, railroads, bridges, and port extension): 480 billion Ariary (240 million dollars).

AMBATOVY AND COMMUNITY DEVELOPMENT

Donations in various fields

Since its establishment in 2007, Ambatovy has been committed to assisting local communities in their development. Conscious of its corporate social responsibility, the company aims to position itself as a development actor in society and to create strong relationships at all levels.

Donations granted by Ambatovy in the years 2010 and 2011 are valued at 120 million Ariary (US\$ 60,000) and 250 million Ariary (\$ 125,000) in 2012. Ambatovy's commitments to social progress raise enthusiasm and ambition to ensure its actions have real positive impacts in the communities, particularly in its intervention areas. *"It is indeed in view of sustainable development that the company is increasing its contributions, which are primarily aimed at strengthening its policy to answer the community's real needs,"* says Ben Chapman, Ambatovy's CSR Director. Therefore, helpful and responsive donations are regularly made to benefit thousands of communities in which Ambatovy operates.

Set Criteria

Faithful to its corporate citizenship values, Ambatovy strives to fulfill its responsibilities by effectively responding to the community's basic and immediate needs. The company must soundly manage its donations in accordance with ethical standards to really contribute to the actual development of the community.



Principal of the Technical and Vocational High School of Toamasina

Donations from Ambatovy are based on criteria set by internal policy. Donations range from building materials, IT equipment, office furniture, and school and sports equipment to medical equipment and agricultural inputs, etc... The donations to communities are much diversified and have occurred consistently for years. Beneficiary entities include the decentralized communities, public institutions, health centers, public schools, police, and various private associations and NGOs. *"With one computer for 1,400 students, we had to find a quick solution. Following our request, Ambatovy provided us with 7 computers and a set of mixed books worth 15.8 million Ariary in February 2013. Although we are still far from meeting the capacity of our computer room, which is 40 computers, this was truly a breath of fresh air for the High School which lived for several years in an almost totally impoverished state of IT equipment,"* says Raveloson Nolasque, Principal of the "Lycée Technique et Professionnel", Toamasina.

Comfort

In terms of humanitarian activities, Ambatovy is also supporting some entities operating in protection for the disabled.



RAHOILIARINAIVO, Director of SEJATO

Rahoiliarinaivo, Director of SEJATO, a school for the partially sighted in Toamasina, says: *"Ambatovy has donated 6 bunk beds and 12 mattresses for our boarding school. They were more than necessary to ensure the comfort of our partially sighted boarders. The parents and I are very pleased with this gesture. The school could ask for more but the capacity of our dormitory is very limited."*

Ambatovy's most significant civic activities include, among others, the delivery of topographic equipment worth 85 million Ariary to the Directorate General of Land Services in Antananarivo in November 2012 in order to improve the efficiency of their services; the donation of building materials valued at 10,440,600 Ariary to restore the Municipality offices in Morarano, District of Moramanga, in November 2012; the donation, in November 2012, of 90 million Ariary worth of school kits for 3,800 children from eight primary schools in Toamasina I and II; and also the donation of ophthalmic materials valued at 46 million Ariary to the Ophthalmology Service of the Hospital of Toamasina in July 2011 to support the Ministry of Health in the fight against eye diseases in the Atsinanana Region.

The list is long... and these are only examples. Even the Chamber of Commerce and Industry of Toamasina has benefited from these donations, as its CEO, Joseph Ravelojaona Romeo says: *"Our limited budget did not allow us to acquire IT equipment. To work in the best conditions, we have called upon Ambatovy which gave us five computers. The positive impact of these materials is felt at our various sites and greatly facilitates our work. We look forward to a long term partnership with Ambatovy."*

In 2012, Ambatovy committed to creating a fund of US\$25 million for social projects and infrastructure.

Approximately 5,000 visitors at Ambatovy's mine site

Located at about 12 km from the city of Moramanga, the Ambatovy Mine attracts more and more visitors. Around 5,000 people have visited the site since its opening to the public in February 2012. When arriving at the mine site, visitors, composed of students, ordinary citizens, associations and non-governmental organizations of all kinds, administrators, doctors, and others discover, in situ, the mining facilities and the activities related to the extraction of the ore that is sent to the refining plant in Toamasina to create the nickel and cobalt briquettes. For Ambatovy, it aims to consolidate, above all else, its approach to transparency. Tours are preceded by briefings on the company's activities and its social and environmental engagements. This is also an opportunity for Ambatovy to provide answers to questions from the public, to shed light on the rumors, to dispel fears, and particularly to reassure environmentally sensitive minds.

AMBATOVY'S ENVIRONMENTAL IMPACT ASSESSMENT

In great breadth and to the smallest detail

Thousands of pages! The document comprising the results of Ambatovy's Environmental Impact Assessment (EIA) is among the most interesting items for visitors at the Company's Information Center in Toamasina. The environmental assessment has been given special attention from visitors who are eager to know more about environmental protection in an operational mining company like Ambatovy. High school students, academics, researchers, government officials, ordinary visitors, and even those who are less inclined to the development of the mining industry may find some subjects of interest in it. The following is an overview.

As a reminder, the nickel deposits of Ambatovy and Analamay were discovered by the Malagasy Geological Office in 1960. The first actual environmental impact assessment in the context of an operation was performed from 1994 to 1997 when Phelps Dodge Madagascar SARL (PDM) acquired the rights to the deposits in order to obtain an exploration permit. A thorough study was conducted from 2004 to 2006, during the period in which Dynatec Madagascar obtained an interest in the Ambatovy Project. The legislation and regulations in force are clear: Ambatovy must complete an assessment and obtain the approval of its EIA before starting the mining operation, as outlined in the Madagascar's Environment Charter in 1990. The EIA complies with the Terms of Reference (ToR), required by the National Office for Environment (ONE) in 2004, which appointed a technical committee to evaluate the EIA.

150 sessions

"Ambatovy's Environmental Impact Assessment is one of the largest, if not the largest, environmental and social impact study ever conducted in Madagascar. For us, it represents a comprehensive document completed by a team of environmental specialists. It is a work that guides the implementation of the environmental protection programs as well as the social projects related to the lives of the neighbouring population" stated Ambatovy's Environment Senior Manager, David Brand. Indeed, several issues were raised during the consultations which consisted of more than 150 sessions and included the participation of the public as well as non-governmental organizations, interest groups, governmental representatives, and regional administration. The consultations provided a solid foundation which, in addition to the professional knowledge of the EIA's team, enables Ambatovy to target the design of mitigation measures that address the impact of issues identified through consultation.

Quality and quantity

The key issues identified include, concerns about possible effects on people's health, concerns regarding the possible changes in the quality and quantity of water downstream of the mine and the Tailings Management Facility (TMF) that could damage the environment and affect populations and agriculture, concerns about the level of impact of the Mine on biodiversity, and concerns that the Pipeline may cause disruption to the primary forest in the Ankeniheny-Zahamena forest corridor. With the impact assessment, Ambatovy's sites are the most studied and best documented in terms of biodiversity. Within the impact assessment and associated management plans, the air emissions and ocean outfalls from Ambatovy's Plant in Toamasina are measured and recorded with very high precision and compared to international standards issued by the International Finance Corporation (IFC), the World Health Organization (WHO), the United States Environmental Protection Agency (USEPA) and the Malagasy regulators.

Equator Principles and IFC Performance Standards

Ambatovy's Environment Senior Manager stated: *"Ambatovy is committed to using the*

results of the EIA to develop Environmental and Social Management Plans (PGES) which define Ambatovy's operating criteria. It covers the construction, the operation, and the closure of Ambatovy. A participatory approach has been adopted to minimize negative impacts and maximize positive impacts. The approach is based on stakeholders' input." It is expected that, once both the compensation and mitigation measures have been implemented, Ambatovy will result in a net positive environmental outcome for biodiversity in Madagascar. Substantially, specific policies in Ambatovy have been developed to



The Mantella Aurantiaca

mitigate potential environment, health and safety, resettlement and biodiversity impacts. Ambatovy also adheres to the Equator Principles adopted by international banking and financial institutions. The Equator Principles match the International Finance Corporation's Performance Standards (IFC) which are considered to be the most comprehensive standards for investments like Ambatovy.

EIA's structure

Ambatovy's EIA has been designed as a comprehensive document that is easy to access and that complies with the information requirements specified in the TOR. The content is presented in 11 volumes dealing with specific topics:
Volume A : Introduction

Volume B : Mine
Volume C : Pipeline
Volume D : Processing Plant
Volume E : Tailings
Volume F : Port Extension

Volume G : Cumulative Effects
Volume H : General Appendix
Volume I : Appendix on physical aspects
Volume J : Appendix on biological aspects
Volume K : Appendix on social aspects.

AMBATOVOY TRAINING CENTRE

An opportunity for Malagasy technicians

The Ambatovy Training Centre (CFA) was created in 2010 in Toamasina in line with the Company's operation ramp up. The CFA aims to support the Plant's development by giving the opportunity for national technicians to progressively access leadership positions. As a learning organization, Ambatovy responds through CFA to its performance issues by involving its technicians in continuous learning and development programs.

The Centre provides technical training courses in welding, electricity, mechanics, piping, and instrumentation in addition to training on the mining process and the process used to treat the ore to become nickel and cobalt briquettes, as well as administrative courses. It aims to provide Ambatovy with highly qualified employees with technical expertise and professional skills in order to smooth the plant's operations and ensure quality performance. Depending on the learners' needs,

extra training courses can vary from six to eighteen months. Theoretical classes are combined with computer-aided self-learning.

Large industrial realities

The Ambatovy Training Centre has an extensive, fully equipped workshop dedicated to Operations and Maintenance training courses. Activities range from practical works to full-scale experimentations. The centre provides the learners with a doorway to large industrial realities in the field of mining. All technicians and operators are trained by engineers and experts from various backgrounds. Operations and maintenance training courses are particularly marked with thematic certifications. It should be noted that the Ambatovy Training Centre also trains young graduates from the Atsinanana Region through the Ambatovy Technical Excellence Program (Read Banjina 2, page 4).



The training offers practical courses

TESTIMONIALS:

Andriamora Tsantarivony RAJAONERA, 29 years old, Instrumentation course:

"Full-scale practical classes help us familiarize with the equipment existing at the plant. We get used to operating the equipment here so that once we are at the plant it won't be something new or experimental to us. There is no room for errors there. The course we are following here are quality international training. I wish that all interested Malagasy students could follow them."



Francklin JAOSOA, 29 years old, Instrumentation class:

"Here, practical works serve as a foundation for the theoretical classes we had at the University. We are consolidating the practical courses and theories here. There are no instrumentation classes in the Malagasy University's curriculum; this is why I chose to apply for the Instrumentation Technician position. What I have learnt at the Ambatovy Training Centre will always be useful wherever I go. It made me an expert in this field."



Gildas NICAÏDE, 30 years old, Piping class:

"I received a Piping certificate in September 2012. I am currently in charge of piping maintenance at the Plant and I do preventive inspection. The piping network is like one link in the Plant operating chain. One mistake can cause huge damage that may have impacts on the process."



Employees engaged in the fight against HIV-AIDS

There are 54 employees in total, from Ambatovy's Mine in Moramanga and the Corporate Social Responsibilities Department of Toamasina, that officially engaged in HIV prevention activities both in their workplace and at the community level in 2012. These volunteer employees, who became peer educators at the end of the training conducted in collaboration with the Fianakaviana Sambatra (FISA) and in accordance with the program established by the National Committee for the Fight against AIDS (CNLS), deploy their efforts to promote HIV-AIDS and the prevention of sexually transmitted diseases.

In the pursuit of the same program, a selection of peer educators was carried out in various departments and services at the Plant in March 2013 and a first wave of awareness sessions was conducted with a dozen departments. This has led to the selection of about 50 new volunteer candidates. These 50 employees will receive training in order to acquire basic knowledge about STDs and HIV / AIDS as well as inter-personal communication techniques to allow them to inform and raise their peers' awareness on HIV / AIDS. Since 2009, the company has supported continuous awareness among its employees through regular awareness sessions and specifically during World AIDS Day. Such as they are, Ambatovy's efforts have been recognized by the CNLS, which now sees the company as a model for HIV prevention in the workplace.



They are volunteers and committed

Banjina

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