



NICKEL

A Revolution in Exports

Surely, and despite difficulties of all kinds, Ambatovy is continuing along its path. The company is gradually moving towards the achievement of its full production capacity. During that stage, it will produce 60,000 tonnes of refined nickel and 5,600 tonnes of refined cobalt, pure at 99,8%, annually, that will be exported to the international market.



The Môle B at the Port of Toamasina.

The challenge is great for the company and its shareholders in the long march towards the amortization of an unprecedented investment in Madagascar's history: over USD 7 billion. It is nonetheless hopeful for the Malagasy economy because nickel has become, and will undoubtedly remain, the top export product of the country for a long time, far exceeding textiles, which previously held this position through free-zone enterprises established on the island, as well as cloves, vanilla and shrimp. This fact in itself is a revolution for the history of exports in Madagascar.

Closer to Equilibrium

But what are the implications of such a change? Exports play a leading role in

economic growth. They are also the best way for a country - particularly a developing country - to gain the greatest amount of foreign currencies as possible. Export revenue from nickel alone will exceed an average of USD 1 billion per year against 650 million for textiles, cloves, shrimp and vanilla combined (INSTAT 2012). The Malagasy trade balance, which is known to be in deficit, will be the first to take advantage of this foreign exchange influx, imports currently being far higher than exports. It is thus easy to forecast a trade balance closer to equilibrium in the coming years as the levels of imports and exports will be much closer. At the same time, this will ensure stability for the Ariary, thus helping it withstand inflation and benefiting all the people of Madagascar. It is quite conceivable that the trade balance will later

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be positive when nickel prices reach their highest level on international markets.

Added Value

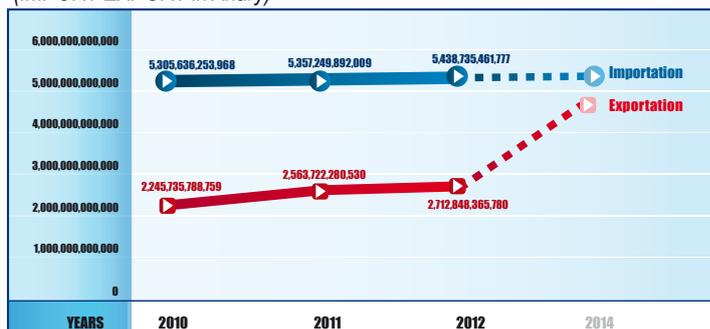
When Ambatovy achieves full production capacity, Madagascar will be positioned among the top ten refined nickel producing countries in the world, after China – the main producer, Russia, Canada and Australia. At that time, Madagascar will provide 3% of the world production of nickel and 12% of the global production of cobalt.

All this shows some aspects of the economic benefits of refining nickel within Madagascar itself. There are also other greater beneficial impacts that should not be obscured. In the case of Ambatovy, in addition to tax revenues amounting to more than Ar 9,000 billion (USD 4.5 billion) over 30 years, all added value remains in the country, namely the creation of thousands of jobs, contracts for local businesses and the creation of infrastructure.

In short, the presence of a large mining company is an economic growth opportunity for a country, all the more so when metal refining is carried out in-country.

MADAGASCAR TRADE BALANCE

(IMPORT-EXPORT in Ariary)



source: INSTAT 2012

-  Importation
-  Exportation

Benefits for the trade balance:

Nickel will definitely change the structure of exportation in Madagascar and will enable the trade balance to be closer to equilibrium and even become positive when the nickel price experiences a rising cycle.

VOHITRAMBATO

An Environment Conducive to Community Development

Prior to the construction of its infrastructure, Ambatovy had to relocate households located within the current Plant site and Tailings area. The resettlement was consensually agreed upon with the population and undertaken according to the International Finance Corporation's Performance Standards and the Equator Principles on resettlement. Under its Social Development Plan, Ambatovy created two new villages, Vohitrambato and Marovato, for the populations and provided them with new houses, lands for farming, training, etc, without forgetting other essential aspects of community life such as health and education. The idea was to ensure that the resettlement does no harm to the population. For most of them, a new life has just begun.

Joseph has much to be happy for. For the past five years that he has lived in Vohitrambato, his crops have improved every year. He is totally convinced that agriculture can make ends meet, though it requires willingness. His friend and neighbor, Jean-Pierre Be, shares this view. Although they believe that the soil still needs to be tilled for some time before giving its full potential, the two men remain fully optimistic about the future. *"It is true that the quantity of harvest we have obtained so far is still low, but that's normal. Land quality will gradually improve,"* they stated. However, they unanimously agreed: the land, agricultural inputs, and training provided by Ambatovy were providential. Many people have, moreover, used these lands to grow a large variety of cash crops: lychee, coffee, cloves, coconut,



Handing over land titles in Vohitrambato.

citrus and many others. It is easy to predict that in the next five years, all of these will constitute an abundant source of income. Joseph and Jean-Pierre are among the villagers who formerly lived within the current Plant site and Tailings area. They were relocated by Ambatovy prior to the construction phase of the infrastructure required for the exploitation of nickel and cobalt.

Scholarship Grants

It is in this context that the Public Primary School of Vohitrambato is developing and flourishing. Its Director, Sangor Albert, did not hide his satisfaction: *"Education is going very smoothly here. The number of students is continuously on the rise. Last year, we had 225 students and now we have 340."*

He also added that Ambatovy fully kept its commitment by providing the necessary equipment and school kits for the students.

Anjarasoa Claudia, a school teacher, also confirmed the success of education in Vohitrambato. Without hesitation, she pointed out: *"Our students are gifted."*

As for Todisoa Martine, two of her daughters are now in their 3rd year at a higher education institute in Toamasina thanks to a scholarship. This is an overwhelming success for her. *"Given our situation, this would have never been possible. But Ambatovy's support has enabled my children to pursue their studies,"* she said joyfully.

"The Best Health Centre"

In terms of health, the CSB (Health Care Centre) established and equipped by Ambatovy also works admirably and continues to meet the villagers' needs. According to its officials, the centre not only benefits the population of Vohitrambato but also those from the surrounding villages. Since its construction, the CSB has mainly been known for its quality both in terms of services and equipment. Subsequently, in 2010 and 2011, the CSB was awarded "Best Health Centre" by the Official Health Authorities in the district of Toamasina II. In 2013, the centre was rewarded for its HIV/AIDS program, recognized to be the best in the field.

Self-Sufficiency

By establishing the villages, Ambatovy also created an environment conducive to community development that greatly benefits the local population. However, real development relies on the latter's willingness to continue and to ensure the efforts undertaken are sustainable. Ben Chapman, CSR Director, Ambatovy, also recalls that the purpose of this support is to provide the community with necessary means and impetus to move from picking activities to sustainable farming and to become self-sufficient in the future, just like Ambatovy's contribution to the development of Madagascar. In any case, determination seems to be there, as showed by Joseph: *"Less motivated people will remain poor. I am not a lazy person and I want to work hard to improve my condition. I hope that Ambatovy will support me in this task,"* he said enthusiastically.



Village of Vohitrambato.

ANKERANA FOREST

For a Better Conservation of Biodiversity



At the heart of the forest of Ankerana.

The Ankerana forest, located in Maroseranana, District of Brickaville, is part of the Ankeniheny Zahamena Corridor (CAZ), one of the largest, continuous tracts of protected forest in Madagascar. Due to its expected similarity to the mine footprint area, Ankerana was formally identified in Ambatovy’s biodiversity offset design as part of the company’s commitment to achieving no net loss, and preferably a net gain, in biodiversity as a result of its mining investment.

“Ankerana is a biodiversity offset that contributes to measurable conservation outcomes as part of its program to compensate for residual adverse biodiversity impacts arising from project development,” explains an environmental official from Ambatovy. Ambatovy’s engagement in the Ankerana offset is one way for the company to materialize its commitment to preserving and strengthening Madagascar’s natural heritage and to maximize positive impacts and contribute to the sustainable development of the country.

Scientific Knowledge

The Ankerana forest is home to an abundance of rare and endangered flora and fauna. More than 650 species of flora and more than 400 species of fauna have been identified in this area, of which almost 90% have been classified as endemic. 40 species of the flora and fauna found at Ankerana have been classified by the IUCN (Internal Union for Conservation of Nature) as vulnerable, endangered, or critically endangered, confirming the importance of conservation and research efforts in the area. To support these efforts, Ambatovy has carried out two scientific expeditions, in March 2011 and January 2012, to study the flora, fauna, and geology of the offset, greatly contributing to scientific knowledge of the area’s biodiversity and the relationship between biodiversity and underlying geology. In 2014, a mini-expedition was carried out to gather additional information on the

delimitation of the different forest types on the massif. Ambatovy has also paired up with local NGO Madagascar Voakajy to conduct baseline studies on the local consumption of bush meat.

Sustainable Development

Since 2013, Ambatovy has conducted training sessions for public school children at the EPP and CEG levels in Brickaville in an effort to spread environmental education among the local population. These sessions were focused on ecology, habitat conservation and biodiversity, sustainable development and climate change. Forty-five awareness campaign sessions have also been carried out in the villages surrounding the offset. Ambatovy is currently formalizing a partnership for environmental education with the District Schools Authority in Brickaville.

Supporting Livelihoods

In addition to biodiversity conservation efforts, Ambatovy also promotes the

wellbeing and development of the population living around the Ankerana Forest, which will guarantee the preservation of this forest. In this sense, in an effort to fight malnutrition as well as provide the local population with alternate livelihoods, Ambatovy supports the cultivation of vegetables as well as cash crops in Ankerana’s peripheral villages.

In 2013, more than 1,000 families were involved in vegetable cultivation activities and, to date, nearly 60,000 cocoa, coffee, and fruit tree saplings have been given to beneficiary families. Tarot, corn and rice seeds have also been distributed to assist in subsistence crop cultivation and, in support of irrigated rice farming, four mini dams were constructed in 2013 in the peripheral zone of the Ankerana forest.

More recently, in line with the celebration of World Environment Day, Ambatovy has launched a specific program to re-boost cash crop cultivation in Maroseranana, during which, training and technical support were provided to the population.

At the recent No Net Loss Summit in London, held June 3-4, a meeting of the BBOP Advisory Group recognized Ambatovy as the leading global example of best practice in applying the biodiversity mitigation hierarchy and offsetting in a developing country. As a reminder, the BBOP, or Business and Biodiversity Offsets Program, is an international collaboration between the public, private and governmental sectors developing best practices on no net loss and a net gain of biodiversity worldwide, and for which, Ambatovy is a pilot project in Madagascar.

WATERCRESS FARMERS

Towards other Income-Generating Activities

The members of the MIRAY Association, an association that gathers farmers who once grew watercress in the Sahaevo area, within the current Mine Site, do not regret having left this Ambatovy conservation area.

"We are pleased with the cooperation we have with Ambatovy. The agreement that we signed with Ambatovy suits us very well. In addition, after we expressed the wish to have a trailer for the Kubota machine, Ambatovy plans to provide us with it soon," said Auguste Randriamizana, president of the association.

Constructive Discussions

Sahaevo is one of the conservation areas established by Ambatovy in favour of rare fish species according to its obligation to preserve biodiversity in its lease area. Recognizing the importance of this commitment to the environment, and after many constructive discussions, the farmers who cultivated watercress in this area agreed to abandon this activity and formed an association called MIRAY.

For its part, Ambatovy is committed to supporting these farmers to

convert to alternative income-generating activities to improve their living conditions. To this end, Ambatovy provided them with training in vegetable crop farming at the Agricultural Training Centre of Betainomby, Toamasina. They were the first to be trained after the inauguration of this centre.

For this purpose, Ambatovy provided them with agricultural equipment. In addition, the company also provided them with vegetable seeds and fertilizer for rice cultivation on "tanety" (hillside), which they already practice. In addition, each member of the association received 100 cockerels and 100 royal carp alevins from Ambatovy. A Kubota machine was also granted to the association to complement other donations.

For this year, 2014, the company has already provided the association with hoes, watering cans, and chickpea and vegetable seeds.

SOCIAL INVESTMENT FUND

Sixteen Projects Identified and Approved

Ambatovy's Social Investment Fund, worth USD 25 million, will help achieve 16 projects, in total, in regions where the company operates:

- Rehabilitation of Bazary Be in Toamasina
- The "Harenasoa" poultry project
- Destruction of ZEREN ammonia stock
- Rehabilitation of the market in Moramanga
- Rehabilitation of a portion of road in Ambatondrazaka
- The "Moramadio" waste management project in Moramanga
- The "Tamadio" waste management project in Toamasina
- Creation of a civil protection unit in Toamasina
- Support for JIRAMA in Toamasina
- Equipment for the fire brigade in Toamasina
- Rehabilitation of the Technical High School in Toamasina
- Establishment of a fund for the good governance of mining royalties
- Rehabilitation of the market in Brickaville
- Rehabilitation/construction of infrastructure in Toamasina
- Construction of a laboratory for the National Environmental Office (ONE) in Toamasina
- Rehabilitation of the trial court in Moramanga

These projects have all been identified and chosen in close consultation with regional authorities and in accordance with the Malagasy Government. This fund was established by Ambatovy in 2012 to finance social and infrastructure projects in the company's intervention regions as part of its social commitment.



Auguste Randriamizana, President of the MIRAY Association, taking care of his cockerels.

Banjina

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