

FACING ONGOING CRISIS

Ambatovy Strengthens the Business

The year 2015 was very challenging for Ambatovy and all nickel operations in the world. Nickel prices have witnessed their lowest levels in two decades and nickel inventory in global warehouses is the highest ever seen.



The Plant site in Toamasina

2015 was a year of opposing extremes for Ambatovy. In fact, Ambatovy achieved “financial completion,” its main objective for the year and a crucial achievement for Ambatovy’s shareholders who no longer have recourse to the lender banks as a result of the milestone. Moreover, Ambatovy’s nickel products were registered on the London Metal Exchange (LME) reflecting the great strides taken in production volumes and quality control. But, despite these achievements, Ambatovy was hit by a significant financial crisis when the nickel price dropped by 45%.

“Ambatovy has managed to survive the worsening market conditions thanks to continued financial support from our shareholders and strict cost-reduction measures put in place across the company’s activities. In 2015, we managed to reduce our operating costs to be in the lowest one third of global producers by the end of the year,” explains Tim Dobson, Ambatovy’s President.

With a target of producing 48,000 to 50,000 tonnes of nickel this year, Ambatovy will continue to strengthen the business by driving costs down further while maintaining high production levels of very high quality nickel and cobalt products.

The best chance

“We are giving ourselves the best chance of surviving the current commodity price crisis, and are moving closer to our vision of being recognised as the most successful nickel laterite operation in the world; to achieve that we need to be consistently amongst the lowest 25% of global producers in terms of operating costs,” says Tim Dobson.

In 2015, Ambatovy produced 80% of its name-plate capacity of 60,000 tonnes of nickel, meaning there is still 20% of capacity left to utilise.

Production results in 2015 also proved that Ambatovy is able to produce its metal products within the most stringent of quality specifications. This is a result of the expertise applied by Sherritt International, 40% owner of Ambatovy and operator of the business, not only in providing the process design, but also in strong management and technical support that has brought the complex industrial plant into consistent control.

“Ambatovy is a ‘beacon’ project and role model for further international investment in Madagascar,” says Ambatovy’s President. “We appreciate and rely on the support of both the government and the international community, which is essential in ensuring that Ambatovy is able to operate within the law and without malicious interference from external sources.”

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COMPENSATION PROGRAM

A New School for Ambohitranivo

“Fanazava” or “Source of right.” That is what Ernest Rakotoarisoa, one of the beneficiaries of the compensation program for ricefields impacted by the creation of the protection, the buffer and the ecosystem and biodiversity control zones around Ambatovy’s Mine site, called the new school that he constructed in Ambohitranivo, Fokontany of Ampitambe, in the Rural Municipality of Ambohibary, Moramanga, with the money he earned from the sale of his share of paddy.

“Having this new school in the village really suits us. Even if my children are still very young, they can go to school unattended. That’s already an important thing for us,” said Josoa Ratiaharilala, one of the residents of the Ambohitranivo village who benefits from the construction of the new school in the village.



Ernest Rakotoarisoa would like...



... to leave a legacy for future generations with the construction of a school in Ambohitranivo

To cut a long story short, the construction of this private school, Fanazava, is somewhat uncustomary to the extent that it took place after Ernest Rakotoarisoa chose to invest the money he received from the compensation program, for agricultural production losses in the ricefields impacted by Ambatovy’s activities, in education.

In fact, the pipeline construction and the creation of the protection and buffer zones around the Mine site impacted the region’s ricefields. Therefore, along with ricefield rehabilitation, Ambatovy also implemented a compensation program for farmers during

the period when they weren’t able to use their ricefields. Farmers were compensated with cash and paddy following the assessment of the agricultural production loss each one of them had experienced. Ernest Rakotoarisoa sold the share of paddy he received as part of said program in order to fund the school project, which, according to his ambition, will be a legacy for future generations and a footprint left by Ambatovy’s support to populations affected by its activities in Ampitambe’s history. Ambatovy also contributed to refinishing the construction work of the building made up of two classrooms and in furnishing the school.

For his part, Fidèle Razafimanjaka, one of the village dignitaries, recognized the advantage the new school brings to surrounding communities, particularly with regards to literacy, which he thinks is one of the region’s priorities. “The school Ernest Rakotoarisoa constructed, thanks to Ambatovy’s support, has a role to play in Madagascar’s development. No country can aspire for economic development without overcoming illiteracy,” declared the administrator of the school Fanazava, Fidélise Manantsafidy Randriambahiny.

IMPACTED RICE FIELDS

Improved Yield

In line with its Environmental and Social Management Plan, Ambatovy is committed to restoring the rice fields that were impacted by the construction of the pipeline, which carries the slurry ore from the Mine in Moramanga to the Plant in Toamasina. Nearly 684 hectares of rice fields have been rehabilitated in recent years, enabling farmers to resume their rice farming activities. “My rice fields were affected by the construction of Ambatovy’s pipeline and were covered in mud. But Ambatovy paid compensation for the loss I suffered and also rehabilitated my land,” said Leriva Jean, a farmer in the village of Ranomafana, in Brickaville. “Currently, our yield has improved a lot. If before I could collect about 20 bags, in 2014, we could harvest 80 bags of paddy,” he added. Indeed, in addition to rice field restoration work, Ambatovy committed to providing farmers with compensation over the periods they cannot use their rice fields. A compensation program for farmers was set

up based on a study of agricultural production losses suffered by the individual farmers. The study was carried out by independent firms. Compensation has been paid in cash and in kind (paddy) since 2010. All restoration work was completed in December 2014 to enable farmers to resume their rice cultivation. “I could produce 5t/ha last year, whereas before that, this rice field only produced 3t/ha,” noted Richard Raymond, a farmer in Brickaville. “With the modern techniques that I learned from Ambatovy’s Agricultural Training Center, I hope to produce even more.”

The outcomes seem to be satisfactory as well for farmers in Fanovana, in Moramanga; they were able to produce two crops in a year. In addition, Ambatovy supported farmers after the rehabilitation work by introducing improved cultivation techniques to develop the plots until achieving a yield that is higher or equal to the initial yield.

MAZAVA PROJECT

Promoting Mutual Understanding Between Ambatovy and its Stakeholders

The “Mazava” Project, which means “light” in English, is the result of a partnership between Ambatovy and the NGO. Search for Common Ground (SFCG). Initiated in February 2015, the project aims at continually strengthening the relationship of trust between Ambatovy and the communities around its main operating sites, namely Moramanga and Toamasina. It also intends to highlight the importance of good governance in local sustainable development. The official launch of the project on May 21, 2015, marks the official commitment of the project’s three main entities, which are the local authorities, Civil Society and Ambatovy, so as to make it a successful project, in terms of good governance, and a driving force for future activities.



A souvenir picture of some participants during the activities planned as part of the Mazava Project

The MAZAVA Project’s main goals consist of promoting the flow of information and enhancing dialogue and mutual understanding between Ambatovy and its stakeholders. It comprises four strands: training, community discussions, public forums and a high quality radio drama. About fifty participants, including local leaders, Civil Society groups, as well as Ambatovy employees, were provided training on conflict sensitive communication, rumor management, negotiation principles and good governance.

“The training organized by SFCG allowed us to gain more knowledge on the real roles and responsibilities of our entity. We also benefited from management and conflict transformation techniques, one of Search’s specific areas of expertise,” said Manaja Randriamanarintsoa, President of the Civil Society Platform of Moramanga. “This helped us understand the importance of dialogue with Ambatovy as well as collaboration in regards to conflict resolution.” The community discussion and public forum sessions allowed the project’s different actors and beneficiaries to freely share their experiences and advance recommendations aimed at establishing a list of realistic commitments to

be held against the three entities, still in the framework of good governance.

Moreover, the radio drama, called “*Miandrindra Maraina*,” in which six Ambatovy employees act with drama professionals, is already being aired on local radio stations in Moramanga and Toamasina. As such, the drama is sometimes drafted based on ostentatiously negative situations in the life of a given community and people’s possible reactions faced with various fictional situations with the objective of arousing the audience’s interest. Elections, struggling households, and the presence of a mining company are, amongst others, situations that can highlight the fears and concerns, substantiated or not, as well as the aspirations of the different community members in the face of changes, management and governance issues. In short, this is a fresco of the Malagasy collective imagination that, on one hand, allows the audience to identify themselves and, on the other hand, enables them to voice their concerns as citizens in an era of globalization so as to support the flow of information and enhance dialogue and mutual understanding.

BIODIVERSITY CONSERVATION Communities Involved

Ecological monitoring activities, managed by local communities, are conducted every two years in conservation areas surrounding Ambatovy’s Mine Site in order to measure the evolution of the richness of biodiversity (fauna and flora) in these areas. In 2015, Ambatovy worked with two grassroots communities, Taratra and Telomira, for the conduct of these ecological monitoring activities, while providing financial and technical support.

“The objectives that we set as part of biodiversity conservation in the forests, the management of which was entrusted to us, were achieved,” said Michael Fredonance Razafy, a member of the COBA Taratra, during the ecological monitoring of the Behontsa forest.

According to members of this local community, over the last two years, no major damage has been recorded on the level of flora as well as fauna in the conservation areas they are managing, as determined by the ecological monitoring they conducted with Ambatovy’s support in September and October 2015. Similarly, two other sites, namely Mandaniresaka and Mangarivotra, were also selected for similar activities on behalf of Taratra. Founded in 2005, the Taratra Association currently has about 117 members who are working closely with Ambatovy in the protection and conservation of biodiversity in the region, especially at the Torotorofotsy Ramsar site in the fokontany of Menalamba, in the Rural Municipality of Andasibe.

Moreover, the Telomira grassroots community, which was founded in 2002, is also managing more than 2,900 hectares of forest. Its members conducted these community activities with the assistance of Ambatovy’s technicians during a week in September 2015. Such activities are an effective tool for better natural resource management.



COBA Taratra members in the process of ecological monitoring with Ambatovy’s technicians

VOHITRAMBATO

Improving Nutritional Status for Sustainable Development

Ambatovy launched a new social project to improve the nutritional status in Vohitrambato (one of Ambatovy's resettlement villages) with the support of the NGO Mitia, in October 2015. Focusing on two areas, first, on the establishment of a school canteen, and second, on community nutrition, the project was immediately endorsed by the beneficiaries.

Being a member of the Students' Parents Association (FRAM) and a teacher at the Primary School (EPP) of Vohitrambato, Claudia Anjarasoa is well placed to talk about the positive impacts of the establishment of the school canteen in her school. "This new project helps us a lot since not only does it improve the students' nutritional status through the school canteen, but it has also encouraged parents to send their children to school," she said.



Improving the students' nutritional status constitutes the objective of the establishment of a school canteen at the EPP in Vohitrambato

Indeed, nearly 330 students have benefited from a well-balanced meal on Tuesdays and Thursdays, under the supervision of nutrition community agents, since October 2015.

The implementation of this project component, which is supported by Ambatovy, also provides for the creation of school gardens through contributions from the parents and the local community. According to Ambatovy's policy, which promotes local purchasing, the school canteen of the EPP in Vohitrambato buys, whenever possible, (fruit, dried beans, vegetables ...) from local farmers, thus contributing to the sustainable development of Vohitrambato and its surroundings. Alongside the establishment of the school canteen at the EPP in Vohitrambato, this project also

initiates, through another aspect, a community nutrition program for the benefit of about 1,200 people from 200 households in the Fokontany of Ampihaonana, where the Vohitrambato village is located. Under this program, Ambatovy funded the solid construction of a new building for the community site in Ampihaonana that will be responsible, among others, for the nutritional education of villagers for good practices in terms of healthy eating and monitoring growth among children under 5 years of age with monthly weighing sessions.

"I have already worked as a community agent in charge of nutrition in Vohitrambato over a few years and working with this new project implemented by Ambatovy, both at the level of the school canteen and the community site, works successfully for a sustainable development in our locality," said Charlotte, a community agent in charge of nutrition in Vohitrambato who could not hide her optimism about this social project success.

Ambatovy's Employees Volunteering at the Canteen

Apart from financial, technical and logistic support from the company, volunteer employees from Ambatovy also come to the canteen to lend a hand to instructors and agents for the school canteen's implementation. For one day, the employees fetch water, wash dishes and prepare the children's meals. "I often volunteer to do this kind of activity when my professional obligations allow me to. Participating in social projects for the country's development, on behalf of Ambatovy, is a good thing," said Mireille Randriamanana from Ambatovy's SCM Department.



Volunteer employees from Ambatovy who participated in the preparation of the meals

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