

28th February 2009

RESULTS AND PERSPECTIVES OF THE ILMENITE PROJECT IN FORT DAUPHIN

I- ASSESSMENT OF THE CONSTRUCTION PERIOD (2006- 2008)

1. Completion of the construction of the majority of the facilities linked to the mining operations:

Mining facilities, spillway crest, thermal station, Mine Port road, water treatment plant.

2. Starting of the Production

Training of all the employees

Implementation of the operation equipment.

3. Impacts of the Project:

a) Direct employment:

4,400 jobs have been created since 2006. **61%** of the staff has been recruited **locally** and 10% are expatriates.

b) Local investment of QMM and contractors in salaries and purchase / service to 200 local providers: **\$US 100 millions**

c) Payment of various fees and taxes: **\$US 11 millions**

d) Economical outcomes:

Increase of the private investments and company creation (172 in 2006 as opposed to 339 in 2008, source EDBM): the additional investments between 2006-2008 from a few companies settled in Fort Dauphin, reached **\$US 32 millions** and have created **1,500 direct and indirect jobs**.

e) Implementation of measures to maximise the positive impact for the community on a socio-environmental level: **\$US 14 millions invested** by QMM in several partnership projects. Mostly mid-term and long-term impact. Details are as follows:

<u>Project Category</u>	<u>Details</u>	<u>Partners</u>	<u>Local Beneficiaries</u>
HIMO (high intensity of workforce) Activities with short-term impact for the population)	Operations: street-cleaning, earth removal, reforestation, channel cleaning, gardening, market and nursery rehabilitation, Mandena development planning	Region, Municipality, PIC, ACT, CARE, Fokontany...	Ilafitsinana, Ambinanibe, Evatraha, Sainte Luce, Andrakaraka, Ambovo, Tsihary, Esokaka, Mandena...
Health and Sanitation Facilities	Drinking water, standpipe and washery	Municipality, CARE, Jirama	Esokaka, county town, rural municipalities
Education	Implementation of the Professional training Institute of Anosy; Creation of the Private French High School (Clairefontaine); higher education scholarship; Educational facilities rehabilitation High school, CEG, EPP	Ministry of Education, Region, CARE, PNUD, CISCO, BCS, PIC, Clairefontaine, Employment Service FTD	Regional population, holders of the Baccaureate and QMM employees Clairefontaine
Health	Cinemobile, Top Network Centre, STI/AIDS prevention	CNLS, PSI, USAID, CISCO, Ministry of Education, Ministry of Health	Urban and suburbs Population, Young pupils, project employees
Safety	Building of a police station, telecommunication equipment and Moto, support to public and road safety, signalling panels	Urban municipality, Police, ALF	FTD urban municipalities
Migration monitoring	Implementation of a migration monitoring system Health facilities	Urban municipality , Principal areas	FTD urban municipalities
Inflation	Inflation monitoring; Storage silo rehabilitation business in rice marketing; Support to market and apiculture culture development	Ministry of Trade, Ministry of Economy and Finance, INSTAT, Municipalities, Region, DRDR, CARE, ASOS, USAID, AGRISUD, PACT, Operators, Village Association	Region, FTD urban municipality and surrounding (Mandromondromotra and Ampasy Nahampoana)

Sports and leisure	Katrehaky, Football school; Cultural centre; stadium rehabilitation; Equipment allocation to the National Volleyball Team Equipment allocation to the students of the EPP Amparihy for a national examination	Tourism, Ministry for youth and sports, Ministry of Mining, Volley Ball Federation, Colas, Star, celtel, SRSBO, AIR MAD, Operators	FTD urban municipalities , FTD youth, National Volleyball Team
Sustainable Management of Natural Resources and promotion of alternative activities	Vetiver production; Development of the craft industry; Support to fishermen through the allocation of fishery ground; Fishermen training; Compensation to the fishermen; Development of agricultural businesses	Ministry of fisheries, Region, Municipality, Aquaculture Service Conseil, Villages Andrakaraka and Evatraha, Mandena management committee, Fivoy...	People from villages surrounding Mandena Populations surrounding lagoons: Lanirano, AKK, Ambavarano. Evatraha... Population of Ambinanibe, Lohalovoka and Ilafitsinana
Environmental Protection and Conservation	Monitoring of the ecotourism zone of Mandena; Materialisation of the limits of the Ambatoantsinana conservation zone; Implementation of conservation zones; Reforestation on 1,000 ha	Ministry of Environment, Birdlife, WCS, CI, USAID, Jariala, Mandena and Ste Luce management committee, village association...	Coastal population and users of Mandena and Ste Luce
Support to the populations affected by the resettlement scheme (PAP's)	Monetary compensation and restitution in kind; Houses rehabilitation; PAP's Support measures	Ministry of Mining, Ministry of Finances, Ministry of Public Works, Municipality, Region, World Bank, PIC, ACT, FAFAFI, Hai tsinjo	Resettled population Ilafitsinana PAP's, villagers from Lohalovoka and Ambinanibe
Water and Electricity	Water and electricity supply for the town of FTD: construction of a new water treatment and pumping plant; Energy supply of 3,8 MGW for the town of Fort Dauphin	Ministry of Energy, Jirama, World Bank, PIC	FTD urban municipality

II- PERSPECTIVES 2009

1) A difficult Economic Climate

2009 is going to be difficult. It is inevitable that the **current global economic situation** will have a negative impact on our business. Therefore, QMM, following the example of the other Rio Tinto companies, prepares itself to reduce spending to the absolute necessary. We will have to implement budget reductions in 2009. It is essential that we ensure the viability of our mining operations in 2009 and that we manage the costs with great discipline and rigour. We do not however envisage reducing the number of our employees at the moment.

To ensure its viability, QMM hopes the stakeholders will be understanding and supporting so as to maintain a context favourable to the Project development.

2) Main achievements

- End of February 2009: **521** on the 600 positions to fulfil (58% recruited in Fort Dauphin)
- May 2009: first ilmenite expedition;
- Implementation of 3,8 MGW to the town of Fort Dauphin;
- Implementation of new equipments for the distribution of the new drinking water of Fort Dauphin;
- July 2009: Opening of the Port of Ehoala.
- other socio-environmental projects