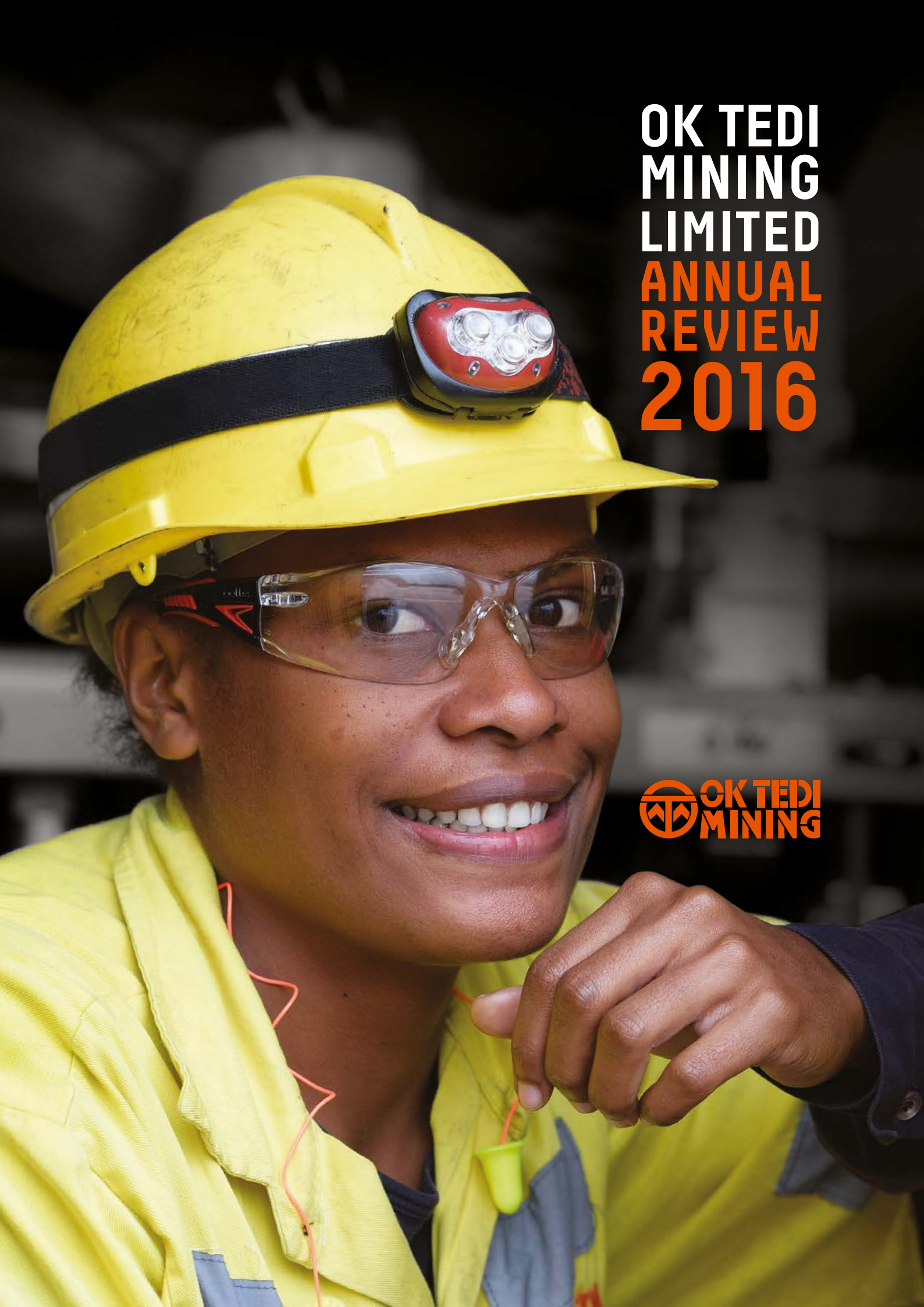

OK TEDI MINING LIMITED ANNUAL REVIEW 2016

OK TEDI MINING

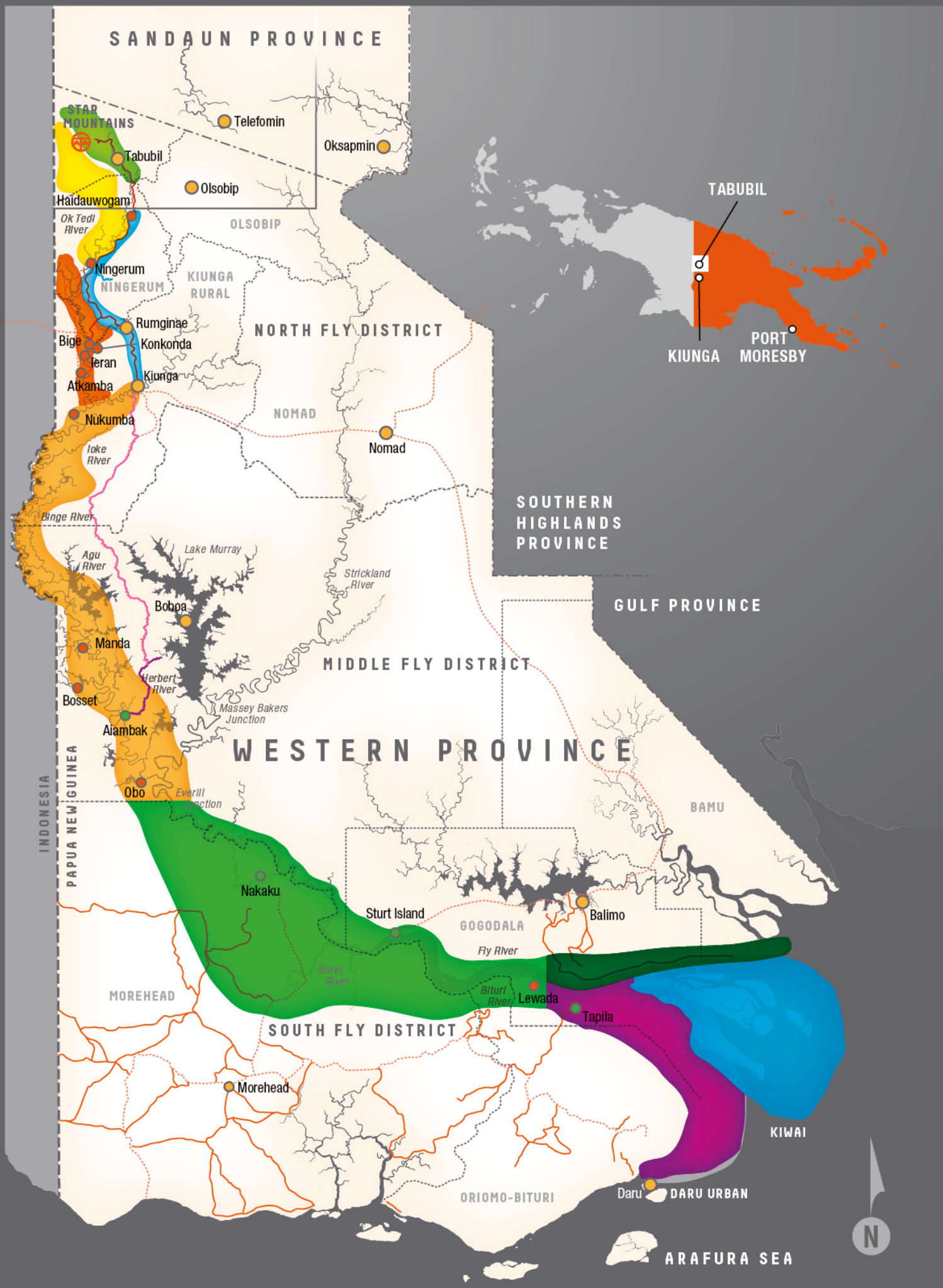
SANDAUN PROVINCE
STAR MOUNTAINS
Telefomin
Oksapmin
Tabubil
Olsobip
Haidauwogam
Ok Tedi River
OLSOBIP
Ningerum
NINGERUM
KIUNGA RURAL
Rumginae
Bige
Konkonda
Ieran
Kiunga
Atkamba
NORTH FLY DISTRICT
Nukumba
NOMAD
Nomad
Ioke River
Binge River
Agu River
Lake Murray
Strickland River
Bobpa
Manda
Herbert River
Bosset
Massey Bakers Junction
Aiambak
WESTERN PROVINCE
Obo
Everill Junction
INDONESIA
PAPUA NEW GUINEA
Nakaku
Sturt Island
GOGODALA
Balimo
Fly River
Burei River
Bituri River
Lewada
Tapila
MOREHEAD
SOUTH FLY DISTRICT
Morehead
ORIOMO-BITURI
Daru
DARU URBAN
KIWAI
ARAFURA SEA
BAMU
GULF PROVINCE
MIDDLE FLY DISTRICT
SOUTHERN HIGHLANDS PROVINCE
TABUBIL
KIUNGA
PORT MORESBY
N

FIGURE 1.

REGION MAP

- Mine Area
- Nupmo
- Tutuwe
- Wai-Tri & Alice River
- Middle Fly
- Suki Fly Gogo
- Dudi - South Bank
- Manawete - North Bank
- Kiwaba
- International Border
- Provincial Border
- District Boundary
- Local Level Government Boundary
- Main Highway (Tabubil – Mill)
- Provicial Road
- Proposed Road
- Major OTML Environmental Monitoring Stations
- Sub District
- Community Relations/OTDF Field Base
- Mine Project Site

OK TEDI MINING LIMITED

ANNUAL REVIEW 2016

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HIGHLIGHTS 2016

The successful resumption of operations following a seven-month suspension (August 2015 to February 2016) caused by a dry weather event.

ECONOMIC

CONTRIBUTED 3.3% of PNG's GDP

PGK 384 M (USD 121 M)
profit after tax

PGK 338 M (USD 106 M) net cash generated from operating activities

PGK 150 M (USD 47 M)
dividend declared

Re-established a
HEALTHY FINANCIAL POSITION
– debt free with PGK 179 M in cash reserves

REDUCED CASH COSTS
to move into first quartile of global copper producers

PROVIDED VALUABLE SOURCE
of foreign currency into PNG market

SAFETY AND OCCUPATIONAL HEALTH

RE-INDUCTED ALL EMPLOYEES
and contractors on operations re-start

DELIVERED 73,294 HOURS
of safety training

REFRESHED TRAINING
to all supervisors on safety basics

INTRODUCED electronic vehicle monitoring

INTRODUCED illicit drug testing

ENVIRONMENTAL

Continued economic commitment to environmental outcomes with
PGK 184 M (USD 58 M)
spent on environmental programs

Quantity of material dredged exceeded tailings discharge

SOCIAL

CONTRIBUTED PGK 5 M
to famine relief, co-ordinated distribution of
1,125 T OF RICE

PROVIDED PGK 25.6 M
(USD 8.1 M) for community development through the OTDF

Total contribution of
PGK 1,006 M (USD 318 M)
to the Province and PNG economy

CONTRIBUTED PGK 12.4 M
to Tax Credit Scheme projects

PROCURED 52% of the total value of goods from PNG businesses

RESOLVED 100% of community complaints and grievances

TO LEARN MORE ABOUT OTML AND THIS ANNUAL REVIEW, VISIT: WWW.OKTEDI.COM OR CONTACT: CORPORATESOCIALRESPONSIBILITY@OKTEDI.COM

SINCE THE START OF MINING OPERATIONS IN 1984 OTML HAS PRODUCED

COPPER
4.65 MILLION TONNES

SILVER
30.2 MILLION OUNCES

GOLD
14.3 MILLION OUNCES

PEOPLE

99% EMPLOYEES accepted job offer on re-start

97% OF THE WORKFORCE is of Papua New Guinean origin

TRANSITIONED FROM predominantly residential to Fly-in Fly-out

INVESTED PGK 16.0 M (USD 5.1 M) on education and training of apprentices, trade trainees and school and university scholarships

Trained PNG
APPRENTICE OF THE YEAR 2016

1,633 WORKFORCE at 31 December 2016 including 187 trainees

100% PNG OWNED BY THE STATE AND LANDOWNERS

LONGEST RUNNING open-pit copper, gold and silver mine in PNG

LARGEST ELECTRIC POWER user in the Western Province

ONLY LARGE COPPER MINE to separate sulphides from the tailings prior to tailings discharge

SINGLE LARGEST EMPLOYER in the Western Province

COMPANY PROFILE

Ok Tedi Mining Limited (OTML, or the Company) is owned by the State of Papua New Guinea (PNG) and has been operating an open-pit copper, gold and silver mine located in the Star Mountains of the Western Province, PNG for over 35 years.

OTML's registered office and senior management team are located in Tabubil. Support operations are based in Tabubil, Kiunga and Bige, the sites for pyrite concentrate storage and the sediment recovery facility. OTML also has a representative office in Port Moresby, PNG and a marketing and logistics office in Brisbane, Australia. The Company holds a tenement portfolio of several Exploration Leases (ELs), other Leases for Mining Purposes (LMPs) and leases under the PNG Land Act.

OTML has made a significant contribution to development in the Western Province through direct and indirect employment, royalties, compensation payments, business opportunities and training. Benefits from the mine are directed as dividend streams to Western Province communities, specifically the Mine Villages, Community Mine Continuation Agreement (CMCA) communities, the Fly River Provincial Government (FRPG) and the Independent State of PNG.

The Company has continued to be responsible for environmental and social impacts including sediment aggradation in the Ok Tedi and Fly River systems, through monitoring and reporting to the communities and the State. OTML's future is dependent upon consent from the CMCA communities as well as the Provincial and National Governments. Success is measured by safety performance, financial performance, social development programs and the management and mitigation of environmental impacts.

This 2016 Annual Review presents the integrated financial and non-financial results of the OTML operations at Mt Fubilan and supporting operations. The financial statements have been prepared in accordance with the Papua New Guinea Companies Act of 1997 and these comply with the International Financial Reporting Standards (IFRS) and other generally accepted PNG accounting practices. External Auditor PriceWaterhouseCoopers (PWC) has verified the financial statements and the verification statements are included in this report.

The Global Reporting Initiative's (GRI) G4 reporting guidelines have been used in this Annual Review to guide the disclosure of non-financial material information. This report is the fourth report prepared according to the GRI Core General Standard Disclosures of reporting and the Mining and Metals Sector Supplement, based on the material aspects for the Company. The non-financial GRI reporting has been partially verified externally by Materiality Counts Pty Ltd and the verification statement is included in this report.

REPORT BOUNDARY

This Annual Review relates to the material activities of the Ok Tedi mining operations comprising the mining and processing of ore from the Mt Fubilan deposit, the transportation of slurry concentrate to Kiunga and the shipping thereof to the silo and/or transfer vessel in Port Moresby. Included in this report are the transportation of waste sulphide concentrate slurry from the tailing pyrite processing plant to Bige for placement in engineered containment cells and the dredging of sands and sediment at Bige from the Ok Tedi River. This report does not cover the copper product concentrate after transfer from the Company's silo vessel onto export vessels.

OTML HAS MADE A SIGNIFICANT CONTRIBUTION TO DEVELOPMENT IN THE WESTERN PROVINCE THROUGH DIRECT AND INDIRECT EMPLOYMENT, ROYALTIES, COMPENSATION PAYMENTS, BUSINESS OPPORTUNITIES AND TRAINING.

ABOVE: Ok Tedi Mt Fubilan open pit operations.

This Annual Review is for the 2016 calendar year. Production for the year did not commence until March 2016, due to the temporary suspension of operations in August 2015 caused by a dry weather event. Where available, comparable three year data, covering the periods 2014 to 2016 is provided. The 2015 data includes all expenditure for the year, however production data only covers the eight month period from January to August when the mine was operational.

Historical data can be found on the Ok Tedi website in previous Annual Reviews. This Annual Review also includes where applicable, forward looking information for 2017.

OTML remits an annual Environmental Report to the PNG Conservation and Environment Protection Authority (CEPA) and the Mineral Resources Authority (MRA) presenting the results of compliance monitoring and research. In 2015 the reporting period was from 1 July 2014 to 30 December 2015 (18 month period) in order to realign the reporting period to a calendar year. The 2016 environmental information in this report is for the full calendar year.

OTML's performance data is presented in the metric system. Unless otherwise stated, all monetary amounts are quoted in PGK (Papua New Guinea Kina) and USD (United States Dollars).

CHANGES AND/OR RESTATEMENTS FOR THE 2014 ANNUAL REVIEW

If erroneous data or information was published in a previous version of the Annual Review (2014), then acknowledgement of the error/s is announced and rectified in the current Annual Review.

Revised 2014 Annual Review C1 unit cost from the Finance Section, pp 84.

	2014 PUBLISHED	REVISED 2014
	(USD)	(USD)
Copper Cash Cost	3.88	3.59
Metal Credits	(1.75)	(1.95)
Cash Cost	**2.13**	**1.64**

MISSION, VISION & VALUES

OTML HAS BEEN OPERATING SUCCESSFULLY IN PNG FOR OVER 35 YEARS EXTRACTING COPPER, GOLD AND SILVER FROM THE MOUNT FUBILAN OPEN PIT.

OUR VISION IS NOBODY GETS HURT – NO HARM, WITH OK TEDI BEING PNG'S EMPLOYER OF CHOICE, OPERATING AS ONE INTEGRATED TEAM, WITH A HIGH PERFORMANCE CULTURE REFLECTED IN EVERYTHING THAT WE DO.

OUR MISSION IS TO SAFELY, RELIABLY AND PROFITABLY DEVELOP MINERAL RESOURCES, PROVIDING A SUPERIOR RETURN TO OUR SHAREHOLDERS, CHALLENGING WORK FOR OUR EMPLOYEES, MINIMISING ENVIRONMENTAL IMPACTS, AND RESPECTING COMMUNITIES WITHIN WHICH WE OPERATE.

OUR VALUES GUIDE THE EXPECTED BEHAVIOURS OF ALL PEOPLE IN OUR COMPANY. THEY INCLUDE;

- **SAFETY –** WE CARE ABOUT OUR EMPLOYEES' WELL-BEING
- **INTEGRITY –** TRUST, FAIRNESS AND RESPECT; QUALITY IN EVERYTHING WE DO
- **ACCOUNTABILITY –** WE OWN OUR JOBS, WE MEET OUR COMMITMENTS
- **TEAMWORK –** OUR GOALS ARE COMMON, OUR SUCCESSES SHARED
- **PERFORMANCE –** WE RECOGNISE GOOD PERFORMERS, WE GIVE OUR BEST EVERYDAY
- **SUSTAINABILITY –** WE USE WHAT WE NEED AND CONSERVE WHAT WE CAN
- **DEVELOPMENT –** WE SEEK TO CONTINUOUSLY IMPROVE

CHAIRMAN'S REPORT

I am pleased to present our 2016 Annual Review detailing the significant progress made to consolidate the Company's financial position, and grow the value of Ok Tedi. The last two years have been a challenging period for the Company, with operations suspended between August 2015 and March 2016 due to a dry weather event, but we have emerged from this period as a stronger Ok Tedi.

The Board continues to place a high priority on the implementation of safety, health and environment standards. Unfortunately the recent safety performance has been disappointing. In March 2016, an employee was fatally injured after a section of the open pit west wall failed. The Board was deeply saddened by this tragic incident and extends it condolences to all those impacted, especially the immediate family. The Company is committed to strengthening its safety performance.

Since September 2013, Ok Tedi has operated as a State Owned Enterprise. The Board has been clear in its direction that the Company must operate as a commercial enterprise thereby sustaining a successful business, providing a reasonable return to shareholders and enabling the Company to meet commitments to mine impacted communities.

It is pleasing to report that despite a continued fall in copper price in 2015 and 2016, and the dry weather outage experienced, the operation generated sufficient cash to fund necessary investment in mine continuation (PGK 499 million), declare a dividend (PGK 150 million), and increase cash holdings (by PGK 26 million). As a result, the Company concluded 2016 in a strong financial position being debt free and holding PGK 179 million in cash reserves. The Company also met royalty and community compensation payments totalling more than PGK 94 million in 2016.

The Company generated a profit in 2016 of PGK 384 million despite incurring losses in the first two months of the year before operations resumed. This result exceeded internal expectations and illustrates the significant progress the Company has made in resetting the business through a combination of cost reduction and productivity improvement initiatives. By year-end 2016, Ok Tedi had completed the net investment phase associated with mine life continuation and provided a strong financial base for the Company moving forward.

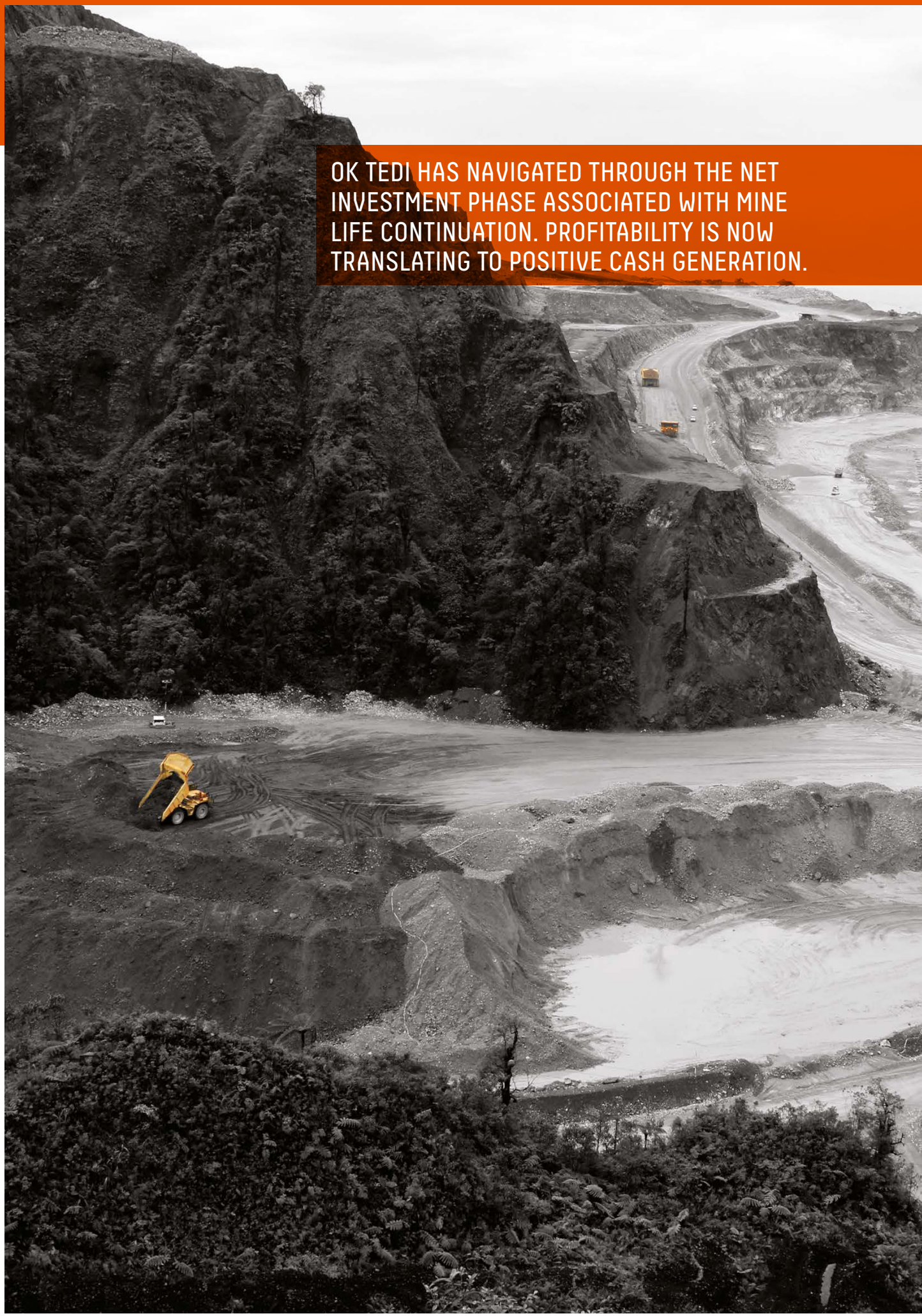
Over the last two years the Company has also focused on refreshing the long term business strategy to maximise the value of the mineral resource. This has resulted in a substantial value uplift that will ultimately be to the benefit of all stakeholders. There is a body of work in progress to add further value, and we look forward to reporting progress at the appropriate time.

During 2016 the State, the Fly River Provincial Government and the CMCA's reached agreement whereby the FRPG and special purpose community entities will collectively hold a 33% equity interest in Ok Tedi with the State retaining the balance. While not formalised during 2016 this is expected to occur in 2017 and we look forward to welcoming a director representing the community entities.

The Company continues to make significant contributions to services and infrastructure development in areas affected by the Mine through its community development programs. The Ok Tedi Development Foundation Limited (OTDF), a subsidiary of OTML, serves as the vehicle for delivering projects and services funded by contributions made to the CMCA Trusts by OTML, and through the Tax Credit Scheme (TCS). Projects in transport, infrastructure, income-generating village activities, housing, agriculture and community services, including health and education programs were successfully delivered in 2016.

In 2015, OTDF was also heavily involved in organising drought relief, including delivery and distribution of 1,125 tonnes of rice to affected communities throughout the Western Province. PGK 5 million was released from the Heduru Trust to assist with the drought relief and OTML matched those funds with another PGK 5 million. This relief was another demonstration of OTML's continued commitment to the people of Western Province.

OPPOSITE: New run of mine stockpile and Eastern pit cutback.



OK TEDI HAS NAVIGATED THROUGH THE NET INVESTMENT PHASE ASSOCIATED WITH MINE LIFE CONTINUATION. PROFITABILITY IS NOW TRANSLATING TO POSITIVE CASH GENERATION.

ABOVE: Ok Tedi Chairman, Sir Moi Avei.

CHAIRMAN'S REPORT

Ok Tedi's environmental programs continue to focus on managing the mine waste and tailings that report to nearby creeks, eventually flowing into the Ok Tedi and then the Fly River. Over the past 20 years, a range of initiatives have been implemented to mitigate these effects and the results continue to be positive.

Dredging at Bige represents more than 10% to the Company's annual operating cost and involves the removal of a large portion of the sediment flowing down the Ok Tedi River. The dredged material is stored in engineered stockpiles adjacent to the river. The potential for acid rock drainage is mitigated by the addition of acid-neutralising limestone to the materials going into the river from the mine and processing plant, and the operation of a secondary flotation plant which was constructed in 2008 at a cost of PGK 1.2 billion. This plant removes acid-forming pyrite materials from the tailings, with the pyrite material being transported by pipeline to Bige, where it is stored in engineered structures under water with a non-acid forming cover system.

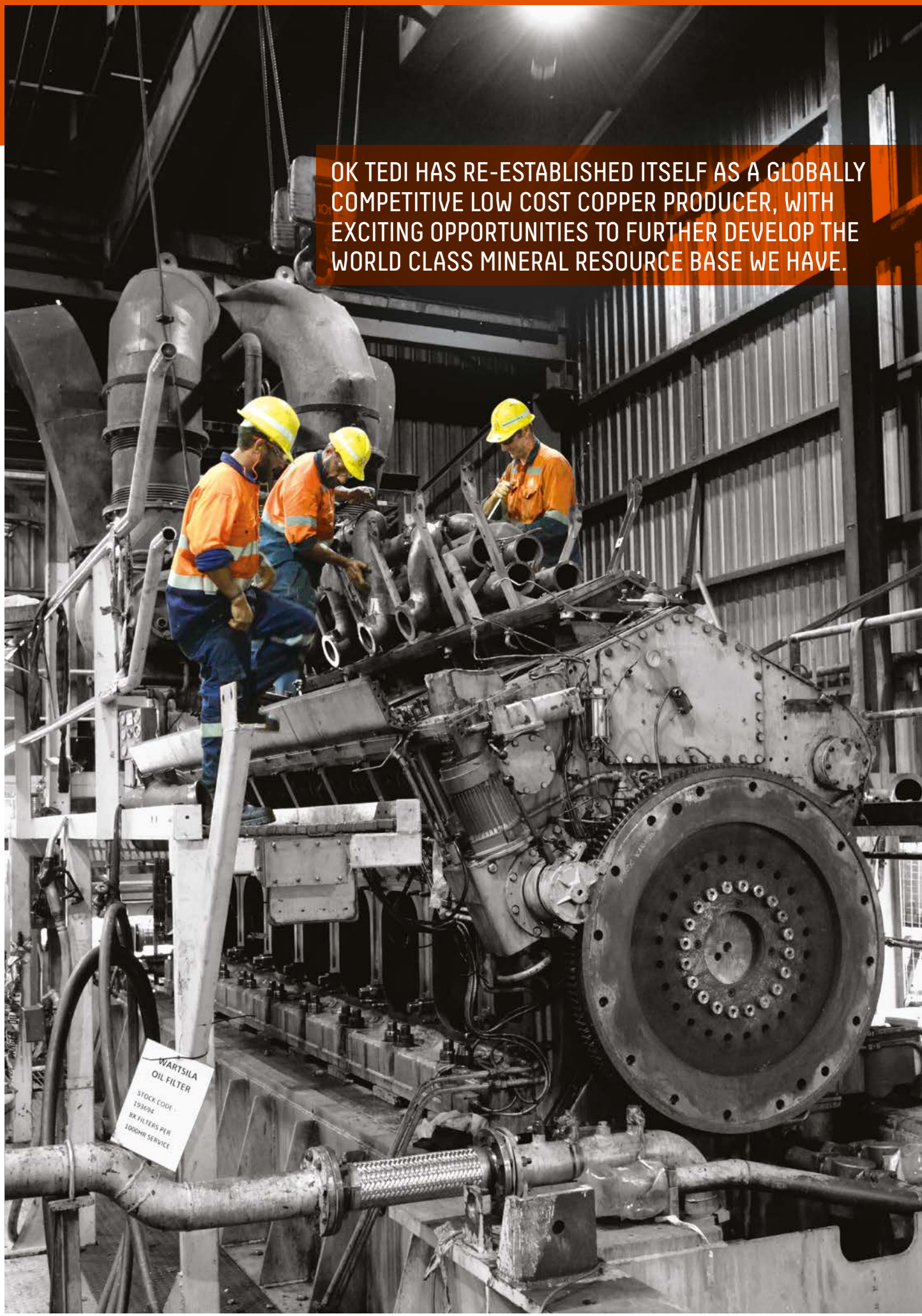
The environmental management and monitoring programs aim to minimise impacts whilst continuing mining and processing operations. During 2017, OTML and the State will finalise a new Environmental Permit that will require increased monitoring and reporting on environmental impacts and success of mitigation strategies.

As the Company moves forward into 2017, I would like to take this opportunity on behalf of the Board to acknowledge the support of our Trustee Shareholder the Prime Minister of Papua New Guinea, the Hon Peter O'Neill CMG without whose support many of the difficult decisions could not have been made. The last two years have been a particularly testing period and to have emerged as a stronger more resilient Company is testament to the commitment and support of management, employees, our CMCA communities, customers and business partners.

Ok Tedi has re-established itself as a globally competitive low cost copper producer, with exciting opportunities to further develop the world class mineral resource base we have. The Board is confident about the outlook and thanks our shareholders for their ongoing support.

SIR MOI AVEI
Chairman

OPPOSITE: Power station maintenance crew servicing a Wartsilia generator.



OK TEDI HAS RE-ESTABLISHED ITSELF AS A GLOBALLY COMPETITIVE LOW COST COPPER PRODUCER, WITH EXCITING OPPORTUNITIES TO FURTHER DEVELOP THE WORLD CLASS MINERAL RESOURCE BASE WE HAVE.

MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER'S REPORT

Ok Tedi Mining Limited has an ongoing commitment to report transparently on safety, environmental, social, production and commercial outcomes. This report covers the 2015-2016 reporting period, recognising that in 2015 the Company's operations were suspended for an extended period with minimal staff working primarily on care and maintenance. The substantial challenge of restarting operations in 2016 was given priority and as a result the reporting of 2015 results, beyond statutory requirements, was deferred until now.

Our safety performance in 2016 was disappointing. OTML's safety vision is 'Nobody Gets Hurt – No Harm'. Sadly, however an incident occurred in March 2016 involving a failure of a section of the west wall of Centre Pit that resulted in the loss of life for one of our employees. The incident was thoroughly investigated by both the Company and the PNG Mines Inspectorate with Management making a strong commitment to address improvement opportunities identified. Our heartfelt condolences go out to the immediate family and all those affected by this tragedy.

The Total Recordable Injury Frequency Rate (TRIFR) recorded in 2016 of 2.43 was significantly higher than both 2015 (1.44), and 2014 (1.07). Similarly the Lost Time Injury Frequency Rate (LTIFR) of 0.58 was higher than 2015 (0.34) and 2014 (0.13). While recognising the impact of a prolonged absence from work on workforce safety culture, the current safety performance is unacceptable compared to OTML's past performance and addressing this is our highest priority.

From a business perspective Ok Tedi has been through a challenging period during recent years. The downward trend in copper price experienced during 2013 and 2014 continued in 2015 and 2016. The average price during 2016 was 21% lower than 2014. In addition a Dry Weather Event (DWE) required the suspension of operations in August 2015 with production not recommencing until March 2016.

The suspension of operations was a result of an extreme El Nino event which caused drought across the PNG Highlands and the Western Province. This resulted in low river levels in the Fly River, which in turn impacted hydro power generation and reliable shipping. The Ok Tedi operation is heavily dependent on shipping supplies in and saleable product out. A Management decision was taken to temporarily suspend operations during August 2015 to avoid an unnecessary erosion of cash reserves. I wish to acknowledge and thank the Board and Trustee Shareholder (the Prime Minister of Papua New Guinea, the Hon. Peter O'Neill CMG) for their support in making this difficult decision.

The Company has responded positively to these challenges. In particular there has been a strong focus on safely driving productivity to reduce operating cost. As a result the average monthly gross operating cost, which decreased by 12% in 2014, fell by a further 20% in 2015. This focus was maintained upon the resumption of operations in 2016 and as a result a further reduction in cost of 18% was achieved. These cost reductions have been a necessary response by the Company to remain competitive and profitable in a low metal price environment. As a result, OTML has restored its position as a low cost global copper producer.

The downtime during the suspension of operations was effectively utilised by the Company with a focus on projects to improve reliability. The replacement of the outer shell of the Semi Autogenous Grinding (SAG) Mill No. 2, after more than 35 years of continuous service, was brought forward and undertaken during the suspension. This was a complex brownfields project that included the removal of the old SAG mill shell and the construction and commissioning of the new SAG mill. The project commenced in January 2016 and was successfully completed in March.

In addition, a major upgrade and refurbishment of the Ok Menga hydro power station was successfully completed during the dry weather period. This project included the installation of new control systems, transformers and main inlet valves, and will improve ongoing reliability and efficiency of the existing station.

These projects and others were bought forward to avoid major planned downtime in 2017, and in so doing partially mitigated the unfavourable impact of the dry weather event by avoiding revenue loss that would have otherwise occurred. The OTML teams that achieved these outcomes are to be commended.

OPPOSITE: OK Tedi SAG Mill used for grinding the ore.

WE HAVE A WORLD CLASS MINERAL RESOURCE BASE WITH SIGNIFICANT POTENTIAL TO EXPAND FURTHER THROUGH FOCUSSED EXPLORATION.

ABOVE: Ok Tedi Managing Director/ CEO, Mr Peter Graham

MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER'S REPORT

Another important initiative undertaken during the dry weather outage was a thorough review of the Company's strategic plan. The review focused heavily on mining and processing strategies and has subsequently identified significant business value uplift in the plan update approved by the OTML Board in November 2016. Again the efforts of the OTML teams in achieving this positive outcome are commended.

It would have not been possible to address these challenges without the support the Company received. In this regard, I wish to acknowledge and thank our employees for their patience, resilience and commitment to the Company. The suspension of operations for an indefinite period was a very difficult time for employees and their families and the move from a predominantly residential basis to Fly-in Fly-out was another significant change. To have resumed operations with virtually all employees accepting offers to continue was particularly pleasing.

In addition, there has been a reduction in our workforce of approximately 30% in the last two years. The resultant productivity improvement has been critical to securing a stronger OTML, and re-establishing the Company's position as a globally competitive copper producer. I thank employees for their contribution and look forward to their continued support.

I also wish to acknowledge our CMCA communities, customers, suppliers, contract partners and service providers for their support during this period. OTML enjoys many long term relationships and the value of this was evident as we dealt with the dry weather event. Their loyalty and assistance is appreciated by Management and the Board.

As a result of these collective efforts the Company was able to resume operations in the first quarter of 2016. Operations commenced with one processing train returning to service on 1 March 2016, and the second processing train operative on 31 March 2016. Subsequent production performance was pleasing.

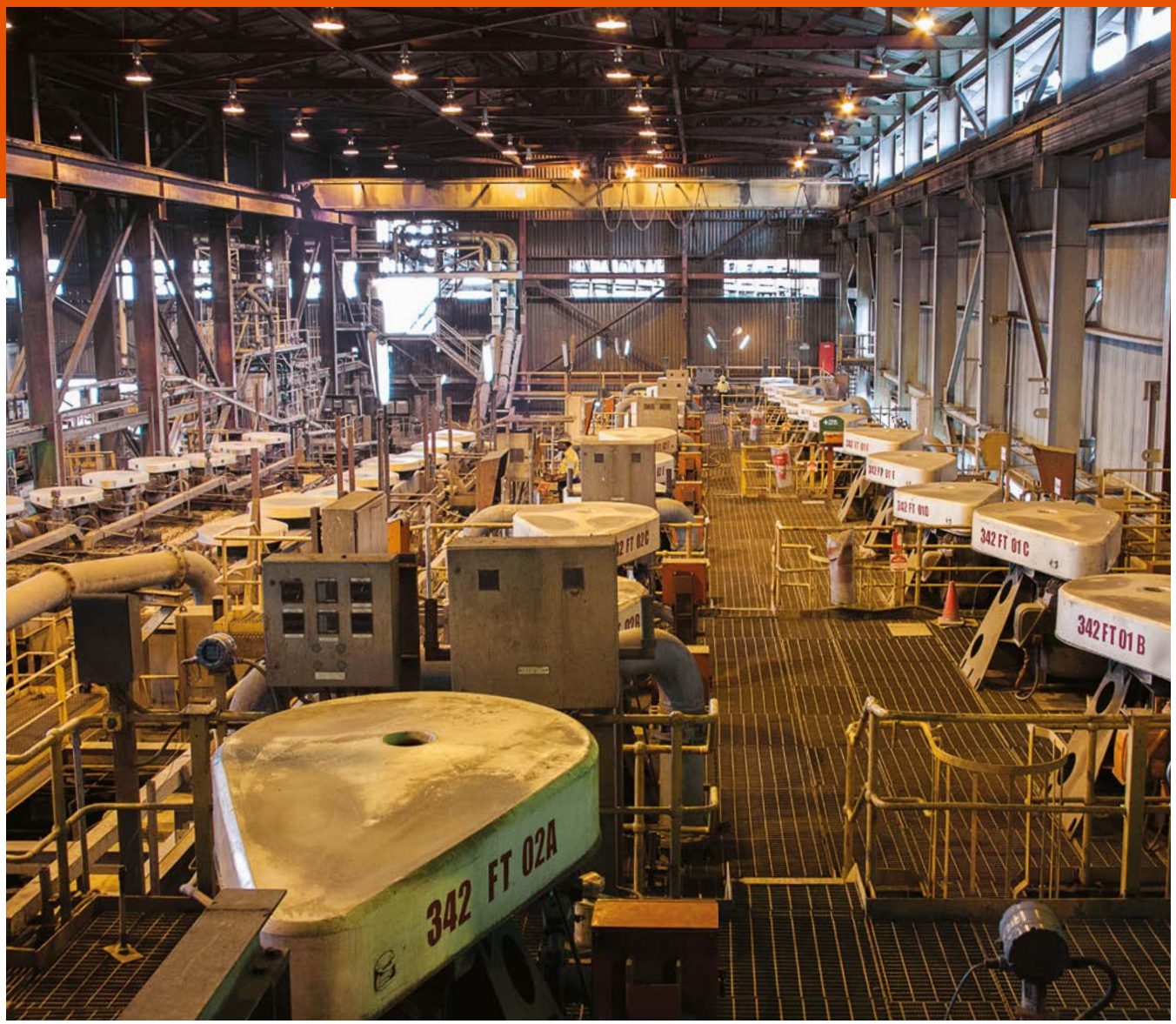
Total material mined (ore and waste) in 2016 was 58.1 Mt which equated to a monthly rate of 5.8 Mt per month (Mtpm) for the 10 months of operation. This compared favourably with 2015 rate of 5.3 Mtpm, and the 2014 rate of 5.6 Mt. Ore processed in 2016 was 16.1 Mt (or 1.6 Mtpm), which was higher than both the 2015 average monthly rate of 1.5 Mtpm and the 2014 average monthly rate of 1.4 Mtpm.

As a consequence the Company produced 321 Kt of copper concentrate containing 80 Kt of copper (8 Ktpm). This was an improvement compared to both 2015 (45 Kt or 5.6 Ktpm), and 2014 (76 Kt or 6.3 Ktpm). Gold production showed similar improvement with 218 Koz (22 Kozpm) produced in 2016, which compared favourably with both 2015 (142 Koz or 18 Kozpm) and 2014 (241 Koz or 20 Kozpm). While pleasing to have improved on a year on year basis, these production outcomes were lower than internal expectation and the intent is to build on this performance during 2017.

The focus on reducing operating cost continued in 2015 and 2016. In PGK terms the average monthly gross operating cost fell by 6% and 13% respectively. This was a positive result achieved despite a weakening of the Kina during the period (cost fell by 18% in each year in USD terms), and increases in the monthly average of material mined and ore processed. While this result exceeded internal expectations the intent is to now lock in the lower unit cost base by maintaining operating discipline.

Improved production performance coupled with continued cost reduction translated to favourable commercial outcomes in 2016. The 2016 profit after tax was PGK 384 million, which was a strong result given the losses incurred in January and February 2016 (prior to the resumption of operations), and only 10 months of production. The 2016 profit offset the loss of PGK 347 million sustained in 2015, as a result of the dry weather outage and exceeded the PGK 360 million profit generated in 2014.

OPPOSITE: Processing flotation circuit used to separate the copper and gold from the ore.



Cash generation was also positive. In 2016, the operation generated PGK 338 million of cash (net of investing activities) which enabled the Company to repay PGK 195 million of debt held at the end of 2015. This enabled the Company to declare a PGK 150 million dividend and increase cash held from PGK 116 million at the end of 2015 to PGK 179 million at the end of 2016. This exceeded internal expectation and compared favourably to 2015, where there was a reduction in net cash held of PGK 232 million (PGK 37 million reduction in cash and PGK 195 million of debt drawn down), necessary to fund PGK 226 million of investing activities (capital and mine development expenditure).

The cash positive result in 2016 signals the end of the net investment phase required to fund mine life continuation, and is in contrast to the net decrease in cash of PGK 314 million reported for 2014 despite that being a profitable year. This provides the Company with a strong financial base.

Looking ahead there is good reason for Ok Tedi to be optimistic. We have a world class mineral resource base with significant potential to expand further through focussed exploration. Transitioning to our latest strategic business plan update represents a step forward in ensuring the value of this resource is fully captured. Our Company is now much stronger as a result of efforts to reset the business and re-establish Ok Tedi as a low cost global copper producer.

Management recognises that there is work to be done to improve safety performance and this is our highest priority. We will also drive a culture of continuous improvement to increase operational reliability, capture additional productivity gains and lower unit costs.

Finally I wish to reiterate my thanks to all at Ok Tedi who have contributed to building a stronger Company. We value the continued support of our workforce and communities. We also value our relationships with customers, contract partners, suppliers and service providers. Ok Tedi has a strong future and we look forward to continuing to work together to realise this potential.

PETER GRAHAM

Managing Director and Chief Executive Officer

GOVERNANCE

OTML is a State Owned Enterprise (SOE) operating in accordance with the Papua New Guinea Companies Act (1997). The Company is committed to maintaining robust corporate governance practices.

This includes monitoring and adopting as appropriate, contemporary international practices such as the guidance principles of the Australian Stock Exchange Corporate Governance Council as follows:

- Majority of the Directors are independent;
- Chairman is independent;
- The Board has three standing committees; and
- Non-executive Directors do not receive any short or long-term incentives, equity based remuneration or retirement/termination benefits.

OK TEDI BOARD OF DIRECTORS

The Board of Directors (Board) hold primary responsibility for the governance of OTML and operate in accordance with the Company's constitution and applicable legislation. The profile of each Board member can be found on the OTML website, www.oktedi.com/about-us/board-of-directors.

Supporting the Board are three standing committees - Appointment & Remuneration, Audit and Risk and Safety, Health and Environment (SHE).

The Ok Tedi Board as at 31 December 2016, are shown in the table below:

YEAR 2016				
BOARD MEMBER	POSITION	STATUS	DATE APPOINTED	COMMITTEE FUNCTION
Sir Moi Avei	Chairman	Independent	04-Nov-14	Chairman – Appointment and Remuneration
Mr Peter Graham	CEO and MD	Ex-Officio	10-May-15	Appointment and Remuneration, Safety, Health and Environment
Dr Roger Higgins	Director	Independent	04-Nov-14	Chairman - Safety, Health and Environment
Mr Glen Kuri	Director	Independent	04-Nov-14	Safety, Health and Environment
Mr Dairi Vele	Director	Ex-Officio	19-Aug-13	Audit and Risk
Dr Jacob Weiss	Director	Independent	24-Sep-13	Chairman - Audit and Risk, Appointment and Remuneration

Currently the Director ex-officio representing the FRPG is vacant after the cessation of appointment of Dr Modowa Gumoi as a director on 18 November 2016.

THE APPOINTMENT AND REMUNERATION COMMITTEE

The Appointment and Remuneration Committee comprises two Non-Executive Directors and one ex-officio Director. The Committee provides advice and recommendations to the Board regarding remuneration policies and practices for directors, executives and other employees to ensure fair reward having regard to Company performance, individual performance, and current industry practice. The Committee also provides advice and recommendations to the Board on senior executive succession and processes to identify and develop key talent. In addition, the Committee oversees and monitors strategies to promote diversity. The Appointments and Remuneration Committee members are Sir Moi Avei (chairman), Dr Jacob Weiss (member) and Mr Peter Graham (member).

THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee comprises two Non-Executive Directors and an OTML management representative. The role of the Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to financial reporting, accounting policies, internal control systems, internal and external audit and compliance functions. This Committee also reviews policies, processes, practices and reporting systems relevant to the Company's exposure to business and financial risk, to ensure that all identified material risks have clearly defined ownership/oversight within the Board and Committee structure. The Audit and Risk Committee members are Dr Jacob Weiss (chairman), Mr Dairi Vele (member) and Mr Cameron Clark (member).

THE SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

The SHE Committee comprise two Non-Executive Directors, Managing Director and an OTML management representative. The Committee is responsible for reviewing SHE policies, risk register and the effectiveness of SHE systems, SHE indicator performance and significant incidents. The Committee reports to the Board following each Committee meeting. The SHE Committee members are Dr Roger Higgins (chairman), Mr Glen Kuri (member), Mr Peter Graham (member) and Mr Mark Thompson (member).

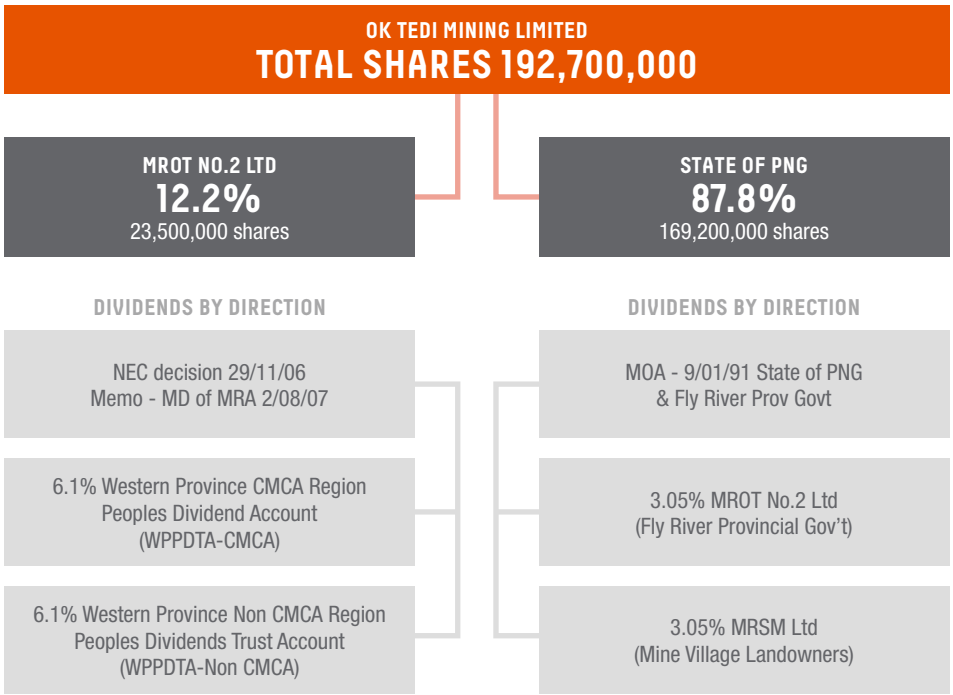
BOARD MAIN ISSUES

During 2016, the Board and Standing Committees met on nine occasions. Issues considered included:

- Approval of key economic assumptions used for planning and evaluation purposes;
- Approval of plans including; 2016 Strategic Business Plan, Three Year Plan (2017 to 2019), and 2017 Annual Budget;
- Recommendation to the shareholders to adopt a revised OTML Constitution to reflect changes in the Company's ownership structure and legislative environment;
- Approval of Delegation of Authorities, Policies, Code of Conduct and Business Ethics; and
- Consideration and approval of operational matters exceeding the delegated authority of Management.

SHAREHOLDER STRUCTURE

The shareholder structure for OTML as at 31 December 2016 is shown below:



Decision 183/2016 of the National Executive Council "*Allocation of Direct Equity in OTML to Fly River Provincial Government, CMCA and Mt Fubilan Landowners (33% Direct Equity in OTML)*" confirmed the intent of the State to transfer 33% of equity in OTML. This decision is expected to be formalised by way of execution of relevant share transfers in 2017.

INTERNAL POLICY AND STANDARDS

In 2016, the following Policies were updated:

- The Ok Tedi Limited Corporate Governance Committees;
- The Ok Tedi Charter (the Ok Tedi Way); and
- The Ok Tedi Code of Conduct and Business Ethics.

In 2016 there were revisions to the Ok Tedi Golden Rules, Safety and Occupational Health Policy, Fatigue Management Policy and Environmental Policy.

* On 19 Sept 2013, PNGSDP shares were cancelled and new 122,200,000 shares were issued to The State

GOVERNANCE

CODE OF CONDUCT AND BUSINESS ETHICS

In 2016, OTML revised the Code of Conduct and Business Ethics (The Code) with training undertaken by all employees in early 2017. The Code provides guidance to Directors, employees and stakeholders on adhering to the highest standards of business conduct and compliance with the law and best practise. It recognises that as a leading PNG company, OTML must apply the highest ethical standards to its operations, the business community at large, its employees and their families. The Code provides information on personal accountabilities and outlines the process for dealing with employee concerns. The Code covers the use of Company's resources and information, fraud, confidential and proprietary information, conflict of interest, gifts and entertainment, outside directorships, financial inducements and political contributions.

LEGAL REGISTER AND OBLIGATIONS COMPLIANCE SYSTEM

In 2016, OTML completed a comprehensive review and upgrade of the Legal Compliance Register. The Legal Compliance Register is used to ensure accountability and proper management and compliance with legal obligations and to identify, document and periodically review changes. The system has included all permits, licences and reports and has been used to capture other obligations which are relevant to OTML operations. The system will be loaded onto a new intranet version of SharePoint in early 2017 enabling easy access for end users.

EXTERNAL STANDARDS, INITIATIVES AND GUIDELINES

OTML measures its performance against PNG and International Standards, initiatives and guidelines. OTML uses the following standards and guidelines in continual improvement of its operating systems:

- ISO 14001:2004, the International Standard for Environmental Management Systems (EMS);
- OHSAS 18001:2007, the International Safety Management Standard;
- AS/NZS ISO 31000:2009, Risk Management, Principles and Guidelines;
- The International Finance Corporation Performance Standards on Social and Environmental Sustainability for operating projects;
- The GRI sustainability reporting framework and guidelines;
- Papua New Guinea Companies Act, 1997; and
- International Financial Reporting Standards.

THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

In late 2013, OTML withdrew its annual membership from the Extractive Industries Transparency Initiative (EITI) due to changes in the Company's structure with 87.8% of its shares being State owned. In 2016, the government published its first EITI report disclosing expenditure in 2013 from the extractive industries sector. OTML information was included as a SOE and was mainly sourced from the 2013 Annual Review. In December 2016, OTML participated in a survey from the government EITI working group requesting 2014 data. OTML will continue to publish its payments to all stakeholders in line with the EITI and GRI reporting requirements, through the Annual Review process.

RISK MANAGEMENT AND THE PRECAUTIONARY APPROACH

OTML uses a risk-based approach to guide the Company through the identification of major hazards and risks in the workplace and from external sources that could impact on the business. OTML's risk management system is based on AS/NZS 31000:2009. Enterprise Risk Management is used when evaluating economic, environmental or social aspects of mining projects and major changes to the business. The Board reviews significant risks with the assistance of established standing committees. The precautionary principle is applied where there may be a lack of evidence to assist in the development of appropriate management plans.

ABOVE: Gabriel Lako, tyre fitter servicing tyres on Caterpillar dump truck.

REPORTING

This Annual Review provides a comprehensive overview of the Company's activities and financial outcomes. The financial statutory accounts of the report are audited by PWC PNG against the IFRS and other generally accepted accounting practices in PNG.

The non-financial reporting aspects of the Annual Review have been developed using the GRI Standards Core reporting guidance. The specific Disclosure on Management Approach and indicator summary is located in the back of this Annual Review. The Annual Review has been partially verified against the GRI requirements by Materiality Counts Pty Ltd, an Australian assurance consulting firm.

AUDITING

INSURANCE AUDIT

The annual OTML operational risk external audit was completed by the International Mining Industry Underwriters (IMIU) in March 2016. The audit identified that OTML continues to be regarded as a leader in terms of commitment to risk mitigation. IMIU has determined a Risk Exposure Number of 23.9 for OTML which is better than the IMIU global average of 45.9, as determined by the IMIU when compared to other mining operations around the world that the IMIU report on. Ok Tedi has better than average commercial attractiveness to insurers.

FINANCIAL AUDIT

The financial statements of the Company for the year ending 31 December 2016 have been audited by PWC PNG and their Independent Auditor's Report is included in this Annual Review.

BUSINESS REVIEW

OTML operates the longest running open-pit copper, gold and silver mine in PNG and is 100% PNG owned. Since the start of operations, Ok Tedi mine has produced 4.65 Mt of copper, 14.3 Moz of gold and 30.2 Moz of silver. Total sales of copper, gold and silver concentrate in 2016 were PGK 2.06 billion and the company paid PGK 1.01 billion to the PNG economy. In 2016, OTML contributed 3.3% of PNG's gross domestic product. As at 31 December 2016, the Mineral Resource estimate was 761 Mt at 0.46% copper and 0.55 g/t gold.

OTML's business operations are centred on the Mt Fubilan deposit located in the Star Mountains (Figure 1). The deposit is mined as a large open pit with a flotation processing plant capable of treating up to 24 million tonnes per annum (Mtpa), and currently recovering copper and gold into a saleable concentrate using conventional technology. The concentrate product contains approximately 25% copper with gold content in the range of 15 to 25 g/t. Copper concentrate is piped 156 kilometres (km) south to the Kiunga port facilities located on the Fly River. The concentrate is dried, stored, blended and then shipped by barge down the Fly River to Port Moresby where it is transferred to a silo and storage vessel before being exported overseas. The mine is serviced by the township of Tabubil, located 20 km to the southeast and it is here that the Company maintains its registered office. OTML also maintains a corporate office in Port Moresby and a logistics facility in Brisbane, Australia.

In August 2015, the Company affected a temporary suspension of operations as a result of a prolonged dry weather event. The dry weather imposed limitations on river traffic on the Fly River preventing the Company from being able to ship concentrate and therefore generate revenue. In addition, the Company was unable to reliably bring in food, fuel and other essential supplies to sustain normal operations. The Company took advantage of the suspension of operations and successfully executed major engineering projects, including the replacement of the SAG 2 Mill shell and the Ok Menga hydro power station inlet valves.

Following the resumption of operations in March 2016, OTML has strengthened its financial position generating PGK 338 million of cash (net of investing activities). This enabled debt accumulated during the outage to be repaid by October 2016 (two months ahead of plan) and a cash balance of PGK 179 million (USD 56 million) to be held at 31 December 2016. The Company declared PGK 150 million in dividends to shareholders in December 2016.

The Company has demonstrated the ability to operate profitably despite a continued fall in copper price and operational challenges encountered. This reflects significant reductions in the cost base over the past several years as shown in the following table.

COST BASE – AVERAGE GROSS OPERATING COST (EXCLUDES MONTHS WHEN NOT OPERATING)

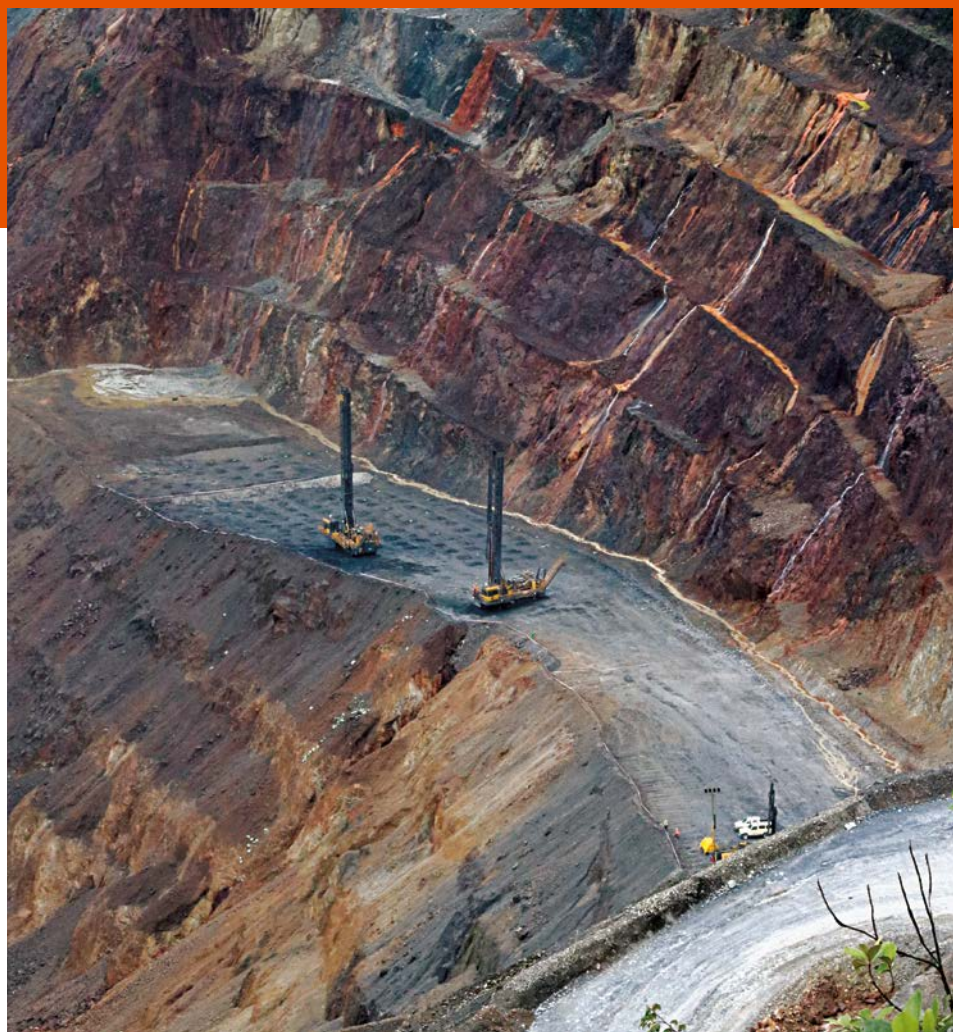
YEAR	PGK / MONTH (M)	USD / MONTH (M)
2014	143	55
2015	135	45
2016	117	37

A profit (after tax) in 2016 of PGK 384 million (USD 121 million) was generated net of costs being incurred in January and February 2016, prior to resumption of operations. The 2016 profit offset the loss of PGK 347 million sustained in 2015 as a result of the dry weather outage, and compares favourably to the net profit of PGK 360 million recorded in 2014.

MINING

Mining of the Mt Fubilan Ore Reserves is carried out as a large open pit operation. In March 2016, a pit wall failure located in the West Wall interrupted access to lower levels in the pit. The collapsed material caused a blockage in the pit floor underdrainage system resulting in the lower levels of the pit becoming submerged. Increased pit water pumping systems were installed to lower the pit water and allow remediation works to commence to reopen the pit drainage system. A revised mine plan was implemented to source material from the staged cutbacks of the upper pit shell wall levels.

Ore is mined and transported to a primary crusher as first stage processing or to a Run of Mine (ROM) stockpile, where blending of various ore types can take place. Waste rock is characterised according to its Acid Rock Drainage (ARD) potential and disposed of in the Taranaki, Harvey Creek, Paris, Moscow or Vancouver waste dumps. Limestone waste rock is selectively dumped together with potential ARD waste rock to neutralise any acid generation.



LEFT: Drilling production blast holes on Western Wall cut back.

Mining is conducted using conventional drill and blast techniques, with shovel and excavator loading equipment. OTML has completed an upgrade of its mining equipment, standardising on Caterpillar equipment including 33 trucks (793F), eight trucks (789C), four loading shovels (6050) and four excavators (6030) and ancillary equipment. A fifth shovel (6050) was commissioned in January 2017. The mine uses the Modular PTX Dispatch fleet management system to optimise movements.

The 2016 total material mined (ore and waste) was 58.1 Mt (5.81 Mtpm for the 10 months), including 16.8 Mt of ore. This mining rate compared favourably to the 2015 production of 42.6 Mt (5.3 Mtpm for the 8 months) and 2014 production of 68.0 Mt (5.58 Mtpm for the 12 months). An average waste to ore strip ratio for the year of 2.46 to 1 was similar to 2015 and lower than 2014 (3.27:1 strip ratio).

The 2016 metal feed grades were in line with the operating plan despite rescheduling alternate ore sources following the loss of access to the Centre Pit. The 2016 copper grade of 0.58% Cu was above the 2015 and 2014 copper grade of 0.46% Cu and 0.54% Cu respectively. The 2016 gold grade of 0.73 g/t Au was also higher than 2015 (0.64 g/t Au) and 2014 (0.68 g/t Au).

PROCESSING

The ore is crushed in a primary crusher at a nominal 8,000 tonnes per hour (tph) and conveyed to a primary ore stockpile. The primary ore is then ground (two trains each comprising a SAG mill and two ball mills) to a final grain size of approximately 180 microns. This material is treated in a twin parallel standard mineral flotation circuit to produce a copper, gold and silver concentrate of approximately 25% copper and between 15 and 25 g/t gold. A portion of gold is also separately captured utilising a gravity gold circuit. The concentrate is thickened and piped as slurry to handling facilities at Kiunga where it is filtered, dried and prepared for shipping.

A strategic review which concluded in 2016 has resulted in increasing the cut-off grade. This is reflected in the 2016 Mineral Resource and Ore Reserve update separately discussed in this document. As a result, the revised mine plan calls for an annual processing rate of approximately 21 Mt per annum (1.75 Mtpm). In 2016 ore milled was 16.1 Mt or 1.6 Mtpm which was higher than the 2015 average monthly rate of 1.47 Mtpm and 2014 average monthly rate of 1.41 Mtpm. While marginally lower than internal expectation it provides a solid base to meet processing throughput requirements in 2017 and beyond.

The copper recovery (85.8%) in 2016 was consistent with previous years (2015: 85.4% and 2014: 83.8%) while 2016 gold recovery of 58.2% was lower (2015: 65.7% and 2014: 65.4%). This was primarily due to the change in lithology mix in the ore feed. However, downtime of equipment in the gold circuit also affected plant operational stability and recoveries.

2016 copper production was 80,022 t (8,000 t / month). This was a marked improvement from 2015 copper production of 45,185 t (5,600 t / month) and 2014 production of 75,901 t (6,300 t / month), and reflected the increase in ore milled and recoveries. Gold production in 2016 was 218,295 oz compared to 2015: (141,693 oz) and 2014 (241,349 oz).

Concentrate production in 2016 was 320,502 t (32,050 t / month). This was a significant improvement from 2015 production of 186,309 t (23,289 t / month) and 2014 production of 308,387 t (25,699 t / month). Concentrate copper grade in 2016 was 25%, similar to previous years.

Sales of concentrate for 2016 totalled 307,074 dry metric tonnes (dmt) with a pay-metal content of 76,398 t of copper; 205,896 oz of gold and 871,377 oz of silver. This resulted in a closing concentrate inventory of 13,536 dmt at the end of 2016.

PRODUCTION RATES YEAR-ON-YEAR COMPARISON

Comparisons between 2016, 2015 and 2014 should consider the operational suspension that affected both 2015 and 2016 calendar years. The production comparisons are shown in the table below. It should be noted that 2014 is the only year where operations ran for the entire calendar year.

	CALENDAR YEAR		
OPERATIONS PARAMETER	2014	2015	2016
Ore milled (Mt)	16.8	11.8	16.1
Copper grade (%)	0.54	0.46	0.58
Gold grade (g/t)	0.68	0.64	0.73
Concentrate produced (Kt)	308	186	320
Copper produced (Kt)	76	45	80
Gold produced (Koz)	241	142	218
Silver in concentrate (Koz)	594	460	902
Period of operation	12 months January - December	8 months January - August	10 months March - December

POWER

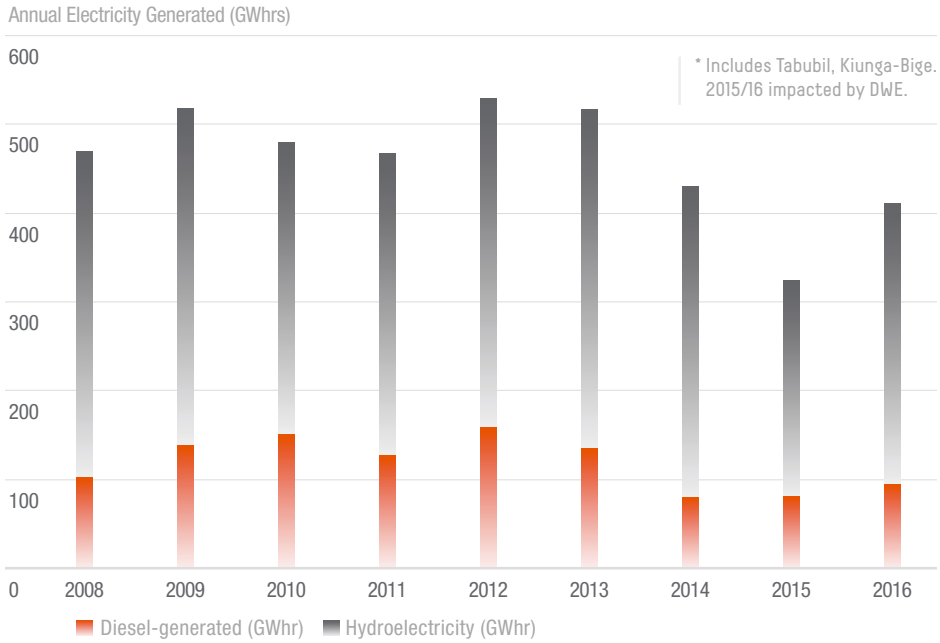
OTML is the largest electric power user in the Western Province and generates its own power from a combination of hydroelectric and diesel thermal generation power stations to meet the average and peak demand of approximately 63 Megawatts (MW) and 70 MW respectively.

Total power generated in 2016 was 414,355 Megawatt hour (MWh) of which hydroelectric generation provided 77%. The total power generated in 2015 and 2016 is lower than in previous years, due to the temporary suspension of operations during the dry weather event.

The hydroelectric generation comprises the main 56 MW power station at Ok Menga and the 2.4 MW station at Yuk Creek. The Tabubil diesel thermal power station includes a combination of diesel powered reciprocating engines and turbines, with a total combined installed capacity of 63 MW to supplement the hydroelectric generation and meet the balance of the power demand. Smaller thermal generation units are also located at Bige, Kiunga and outstations.

Due to the relatively low cost of power generated from the hydroelectric stations compared to the diesel thermal units, the operating philosophy is to maximise the use of hydro generation subject to the available run of river flows. A major capital upgrade and refurbishment of the Ok Menga hydro power station was successfully completed in late 2015, during the DWE to ensure the reliability and efficiency of the existing station. The project included the installation of new control systems, transformers and main inlet valves. In addition, a plan was developed in 2016 to increase the hydro power generation by approximately 5%. This improvement program will be progressively implemented during 2017 and 2018.

OTML ANNUAL POWER GENERATION 2008 TO 2016*



PROCESSING WASTE TREATMENT

OTML is the only large copper mine to separate sulphides from the tailings prior to tailings discharge. Due to elevated amounts of pyrite ore, the thickened tailings from the flotation circuit scavenger cells are pumped to the Tailings Pyrite Plant (TPP) where they pass through another set of flotation cells. The TPP flotation cells extract the remaining sulphides, primarily pyrite, from the tailings stream to reduce the amount of sulphides released into the river (target is less than 1% sulphur) and thereby reducing ARD risk.

The pyrite concentrate (PCon) produced by the TPP is transported through a 125 km long pipeline to designated PCon storage pits on the West Bank at Bige where it is permanently stored sub-aqueously to prevent the oxidation of the sulphides and formation of acid. Once full, the pits are capped with Non Acid Forming (NAF) sands dredged from the river as part of the normal sand deposition process.

After PCon recovery from the tailings, the remaining barren sands are disposed of by pumping the material from the processing plant through a pipeline located within the Moscow Tunnel (about 1.5 km long) for discharge into tributaries of the Ok Tedi River and eventually into the Fly River. The tailings are mobilised by the fast flowing streams and held in suspension until the river profile starts to flatten out at Bige, upstream of the junction with the Fly River. As the stream velocity slows over a dredged slot in the riverbed, most of the tailings, particularly the coarser particles, settle out into the slot. A dredge then pumps the sediments ashore for hydraulic placement into long-term engineered storage stockpiles located on the East and West Banks of the Ok Tedi River at Bige.

Since 1997/1998, approximately 10 million cubic metres (Mm^3) per annum of sand has been dredged from the riverbed. Geochemical sampling has identified that NAF material tends to deposit at the southern end of the dredge slot, whilst heavier pyrite material deposits at the northern end, enabling selective dredging and placement of the sand on the stockpiles.

The stockpile embankments range from about 12 metres (m) to 22 m high with outer overall slopes including swales to reduce surface water runoff velocity. Revegetation trials on the slopes and top have demonstrated that a good primary and secondary vegetation cover can be established.

SUPPLY AND LOGISTICS

OTML operations are located in the geographically remote area of Western Province surrounded by challenging terrain. Freight and concentrate is transported between Port Moresby, Brisbane and Kiunga by three OTML owned vessels (Fly Prosperity, Fly Challenger, Fly Resilience) each with a capacity of 4,200t. A fourth OTML owned vessel (Fly Alliance) is able to carry approximately 3,000t of concentrate and over 200 containers up the Fly River to Kiunga (850 river km). Goods are then trucked on the OTML constructed and maintained public gravel road between Kiunga and Tabubil (136 km) and then on to the mine (20 km) utilising a fleet of prime movers, tankers and trailers. Supply and logistics mobilise approximately 4,000 twenty foot equivalent containers and 100 Megalitres (ML) of diesel annually. Break bulk volumes (such as mobile equipment and project materials) are transported in addition to standard freight movements.

OTML also charters a number of aircraft to support operations. In 2016 the aviation fleet was rationalised reflecting lower workforce numbers. Work on revised arrangements targeting improved asset utilisation will be finalised in 2017.

In 2016, OTML purchased goods and services worth PGK 524 million (USD 171 million). Of the expenditure, 78% (PGK 423 million) was sourced from within the Western Province or from PNG companies. Due to the long lead time for many supplies, establishing and maintaining a reliable supply and logistics chain is critical to maintain effective operations. OTML has a pre-qualification process that includes checks on safety performance and systems, company registration, financial solvency, insurances, and reliability of supply.

The company produced 320 Kt of copper concentrate in 2016, which was piped 156 km from the processing facility to the Kiunga drying/filtration plant before 307 Kt was shipped to the silo vessel (MV Kumul Arrow) located in Port Moresby before export to customers in Japan, South Korea, The Philippines, Germany and India, as well as a spot shipments to other customers. The balance of concentrate (13 Kt) was held in stock at the end of 2016.

FINANCIAL PERFORMANCE

The temporary suspension of operations in August 2015 resulted in no production from September 2015 to February 2016. During this outage the Company continued to incur costs for care and maintenance and operational readiness activities. The Company also retained personnel to ensure assets were secure and available for use upon resumption of operations.

Employees were temporarily stood down and were paid an allowance as a means of retaining OTML's trained workforce. Those who worked were paid their normal salary for days worked. All benefits were however suspended.

Arrangements with all contract service and equipment providers were re-negotiated during the period when the temporary suspension was declared. This necessarily required the Company to continue incurring costs, despite no production, in order to retain scaled down essential services such as shipping, aviation, road transport, and catering.

The Company generated a profit (after tax) of PGK 384 million (USD 121 million) in 2016. This offset the loss of PGK 347 million sustained in 2015 as a result of the dry weather outage, and compares favourably to the net profit of PGK 360 million (USD 135 million) recorded in 2014.

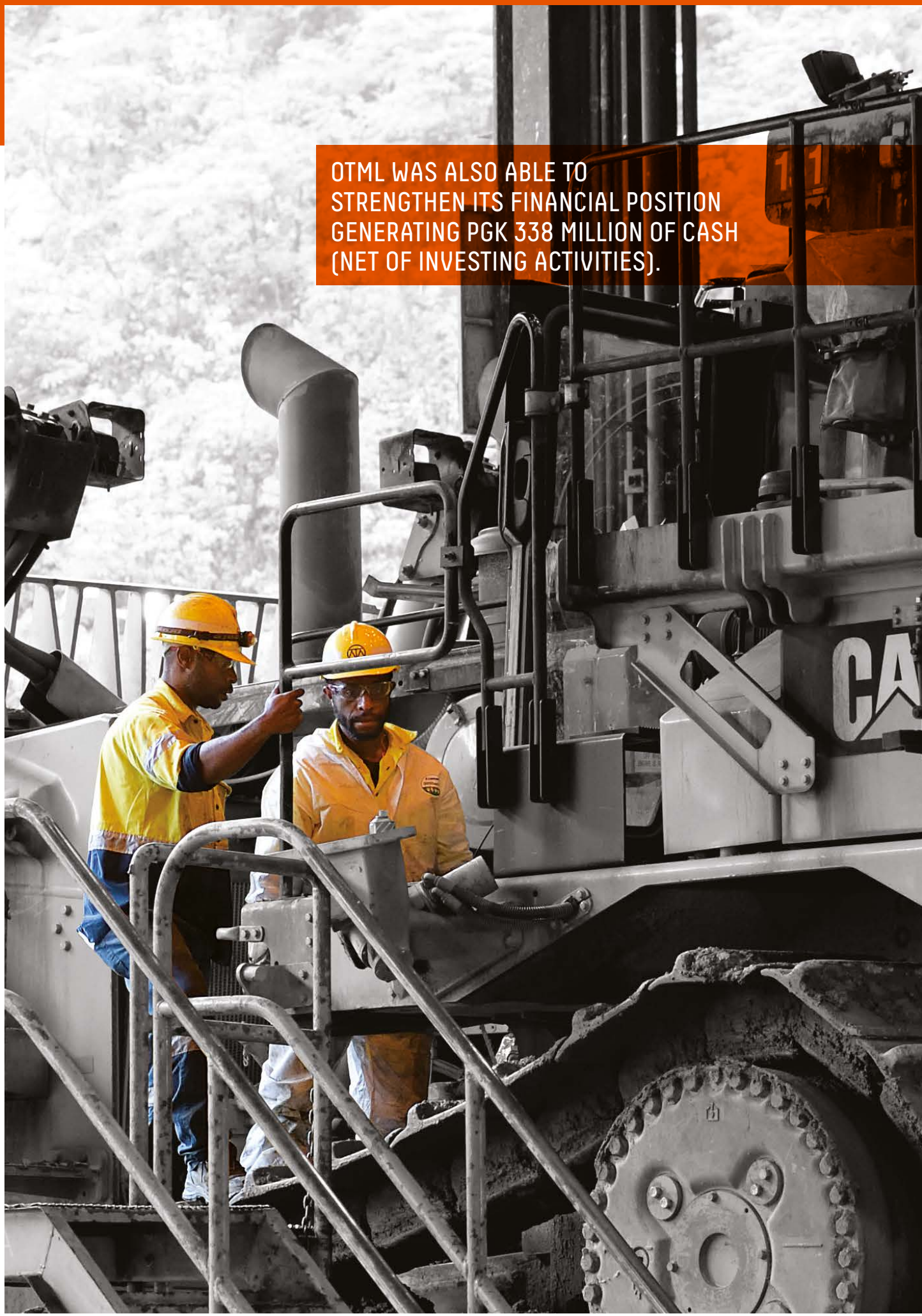
The gross operating cost in 2016 was PGK 1,250 million (USD 395 million), which represented an average of PGK 117 million (USD 37 million) per month of operation, excluding the PGK 66 million (USD 21 million) of dry weather costs incurred in January and February 2016. This was 18% lower than 2014 in PGK terms, despite the strengthening of the USD. In USD terms, the gross operating cost in 2016 was 33% lower than 2014.

OTML was also able to strengthen its financial position generating PGK 338 million of cash (net of investing activities). This enabled debt accumulated during the outage to be repaid by October 2016 (two months ahead of plan) and a cash balance of PGK 179 million (USD 56 million) to be held at 31 December 2016.

These outcomes were the result of sustained cost reduction efforts and largely attributable to increased workforce productivity, rationalisation of employee benefits, reduced contractor usage and rates and lower oil prices.

The year 2016 also signalled the end of the high investment phase associated with mine continuation. Capital expenditure in 2016 was PGK 273 million, including mine development expenditure of PGK 141 million. The 2016 capital expenditure was substantially lower than in 2014 when capital investment totalled PGK 765 million and included PGK 417 million spent on mine development. This lower expenditure provides Ok Tedi with a strong financial base and the ability to translate profitability into strong cash generation.

OPPOSITE: Maintenance repairing a Caterpillar D11 bulldozer in the heavy equipment workshop.



OTML WAS ALSO ABLE TO STRENGTHEN ITS FINANCIAL POSITION GENERATING PGK 338 MILLION OF CASH (NET OF INVESTING ACTIVITIES).

BUSINESS OUTLOOK

An important initiative undertaken during the dry weather outage was a thorough review of the Company's Strategic Business Plan. The review focused heavily on mining and processing strategies and identified significant business value uplift in the Strategic Business Plan update approved by the OTML Board in November 2016.

The review included the latest updated Mineral Resource model and included recalibration of the haulage model, a rebuild of the metallurgical model, an updated cash flow script used for determining cut-off grade, and an updated financial model used for modelling strategic options. In addition, detailed pit shell optimisation work was completed along with a fundamental redesign of pit stages. This was bought together with a significant amount of scenario modelling using a mine planning tool specially designed for that purpose.

As a result, the revised Base Case strategy has several key elements. The first is a fundamental change in pit stage designs and sequencing that will result in high grade ore being brought forward in the mine plan. This ore will effectively displace lower grade material that is no longer considered economic and therefore has been removed from Ore Reserves in the 2016 Mineral Resource and Reserve update.

The Company has also identified a Target Case option that represents a further step change in value. This option includes resources that are not currently included in the Ore Reserve estimate by virtue of practical operational issues that require resolution. A program of work is in process to resolve these issues and this will be the subject of future reports.

The approved Base Case forms the basis of the Three Year Plan (3YP) and Budget approved by the Board in respect of the 2017 to 2019 period.

MINING OUTLOOK

The mining strategy was fundamentally revised in 2016. As a result the immediate focus is to make the necessary practical changes to adopt this new strategy. In particular, acceleration of mining rate and completing the practical work to implement revised stage designs are the priorities.

In 2016, the average mining rate was 5.8 Mtpm. In order to deliver the 3YP ex-pit material movement requirement of 264 Mt, the average monthly rate needs to increase by 26% to 7.3 Mtpm. This rate of material movement will enable the mine to both feed the mill the 64 Mt of ore required and meet or exceed the average copper and gold grade of 0.6% Cu and 0.7 g/t Au respectively (each of which are approximately 10% higher than the ore reserve grades).

This change will be assisted by the commissioning of a new loading unit in January 2017. There is also a heavy focus on improving mine productivities. Management is confident of being able to meet or exceed the 3YP targets. It is also notable that the Target Case contemplates an acceleration of mining rate beyond 120 Mtpa.

PROCESSING OUTLOOK

The revised operating strategy has an initial requirement in the 3YP to process 64 Mt of ore with a relatively smooth profile approximating 21 Mt per annum. This will require an improvement in the order of 10% compared to 2016 and the key to achieving this is equipment reliability. As a result, there is an asset management project in progress aimed at securing consistent stable performance to ensure these targets are met.

The other area of focus is metal recoveries and in particular gold recovery. In 2016, performance was below expectation with a combination of a revised ore mix (containing a higher proportion of pyrite skarn material that doesn't recover metal as well as other ore types) and equipment failures that impacted stability of the gold circuit. The Company has devoted financial and technical resources to this area and expects to see positive progress in 2017.

LEFT: Assembly of the Caterpillar 6050 shovel.

During the next three years of operation there is a relatively high sulphur content in the ore feed. This is significant by virtue of the requirement to keep the sulphur content of tailings below 1%. Management have strategies in place to deal with potential variations including options for an interim pyrite concentrate storage facility at the processing plant to remove sulphur from the system during peak periods. In addition, a mine to mill optimisation program aims to improve the overall consistency of the ore feed, through the ROM blending program using the new ROM pad established in 2016.

As a result, metal production over the three-year period is expected to be relatively consistent, with copper production averaging 105,000 t per annum and gold production averaging 325,000 oz. Compared to 2016 (on a monthly basis), copper production is forecast to increase by 12.5%. This is primarily due to a planned 14% increase in copper grade. Similarly, gold production (on a monthly basis) should be down by 2.3% from 2016 with a 5.1% decrease in grade being the main driver. Processing improvement plans are in place to improve future gold recovery.

POWER OUTLOOK

Low cost reliable power supply is essential to achieve stable profitable operation. Presently the Tabubil thermal power station includes a combination of 11 diesel-powered reciprocating engines (3 Wartsila, 6 Mirrlees and 2 Caterpillar) and four turbines (3 Turbo Mach and 1 MARS), with a total combined installed capacity of 63 MW.

The Mirrlees 3.5 MW generation units are at the end of their service life. The OTML Board approved capital expenditure to replace these aging units with 3 x 8.9 MW MAN generation units in 2017. The first unit is scheduled to be commissioned in the fourth quarter 2017. Once in service, these modern higher efficiency generation units are expected to reduce overall diesel fuel consumption by approximately 10%.

Once complete, the combination of increasing the hydro generation and the installation of higher efficiency diesel thermal generation units, should result in a significant reduction in diesel consumption and associated transportation requirements, carbon dioxide (CO_2) emissions and cost.

Further studies are planned during 2017 to assess the potential to reduce the overall demand and hence diesel thermal generation across the business and improve hydrothermal generation.

FINANCIAL OUTLOOK

The OTML 2017 budget and 3YP builds on the solid 2016 financial performance having eliminated net debt during October 2016 and with a cash balance of PGK 179 million (USD 56 million) as at 31 December 2016.

The Company's financial outlook includes driving continuous improvement with focus on safety, reliability, productivity and cost control. This is targeted to deliver ongoing cost improvements in unit cost terms, whilst retaining capital expenditure at USD 50 million per annum or less. The outlook includes the plans to deliver ongoing growth in profitability above PGK 413 million (USD 130 million) and cash generation of greater than PGK 540 million (USD 170 million) per annum, subject to metal price variability. The forecast is for copper price to strengthen and gold to be sustained. These commercial outcomes are dependent upon the operation producing more than 107 Kt of copper, and 310 Koz of gold per annum safely.

The outlook includes the execution of mining and processing plans to complete the transition to the new strategy (Base Case) and progress scoping and execution of initiatives to realise immediate high value target options (Target Case). This includes progressing the drilling of near mine opportunities to estimate the Mineral Resources from Sulphide Creek and Townsville prospects.

MATERIALITY

OTML has prepared the 2016 Annual Review in accordance with the GRI Sustainability Reporting Standards and the Mining and Metals Supplement. The Standards are designed to be used by companies to report about their impacts on the economy, the environment and society. The Standards address Stakeholder Inclusiveness, Sustainability Context, Materiality, Completeness, Accuracy, Clarity, Comparability, Reliability and Timeliness.

OTML has applied a broad approach to the identification and assessment of material topics and issues through the collation of information from internal management systems and from external sources.

OTML has a comprehensive engagement program in place, with a wide range of stakeholders who have the potential, directly and/or indirectly, to be impacted by the operational activities. The Company holds formal engagement meetings with its key stakeholders including the 157 CMCA communities, National and Provincial Governments, suppliers, customers, contractors and employees. Informal stakeholder engagement is an ongoing process, especially through regular contact with the community across the Western Province by the Community Relations team.

OTML undertakes a broad review of potential topics to determine if they are material. Topics of significance are identified through various management systems and processes including review of the enterprise risk register, strategic planning and management meetings. Important issues are also collated following discussions with key external stakeholders, especially the CMCA communities during Community Relations patrols, Government meetings and from the Complaints and Grievance Management System (CGMS).

Collation and assessment of material topics includes determining the extent of the opportunity or impact on various stakeholders within OTML's immediate boundary of influence (e.g. mining or other leases) or if the impact extends beyond OTML's immediate boundary. Due to OTML's significant footprint in the Western Province, the potential for topics to have an impact outside of OTML's operational boundary is considered high.

To identify material topics that could impact on OTML's ability to meet its goals, an internal ranking system was adopted to screen each topic. Impacts that require active management by OTML can be considered to be significant. The ranking process includes the assessment of a topic ranked as high importance to both OTML and external stakeholders.

This Annual Review focuses on the material topics and the impact effect on OTML by its stakeholders is presented in the following table. Topic management and program implementation is discussed in the following sections of this review.

OK TEDI STAKEHOLDERS

RESPONSIBILITY: Those linked to OTML through legal, financial, operational regulations, contracts and/or policies.

INFLUENCE: Those who have the ability to influence whether or not OTML can reach its goals. This can include those with informal influence or those with formal decision making powers, internally or externally.

PROXIMITY: those who OTML depends upon for daily operations and those living close to OTML operations.

DEPENDENCY: those who are mostly dependent on OTML, customers/clients reliant on products and services or suppliers.

REPRESENTATION: those who represent key institutions OTML interacts with (trade unions, community leaders, local politicians, industry bodies etc.)

High Ranking.

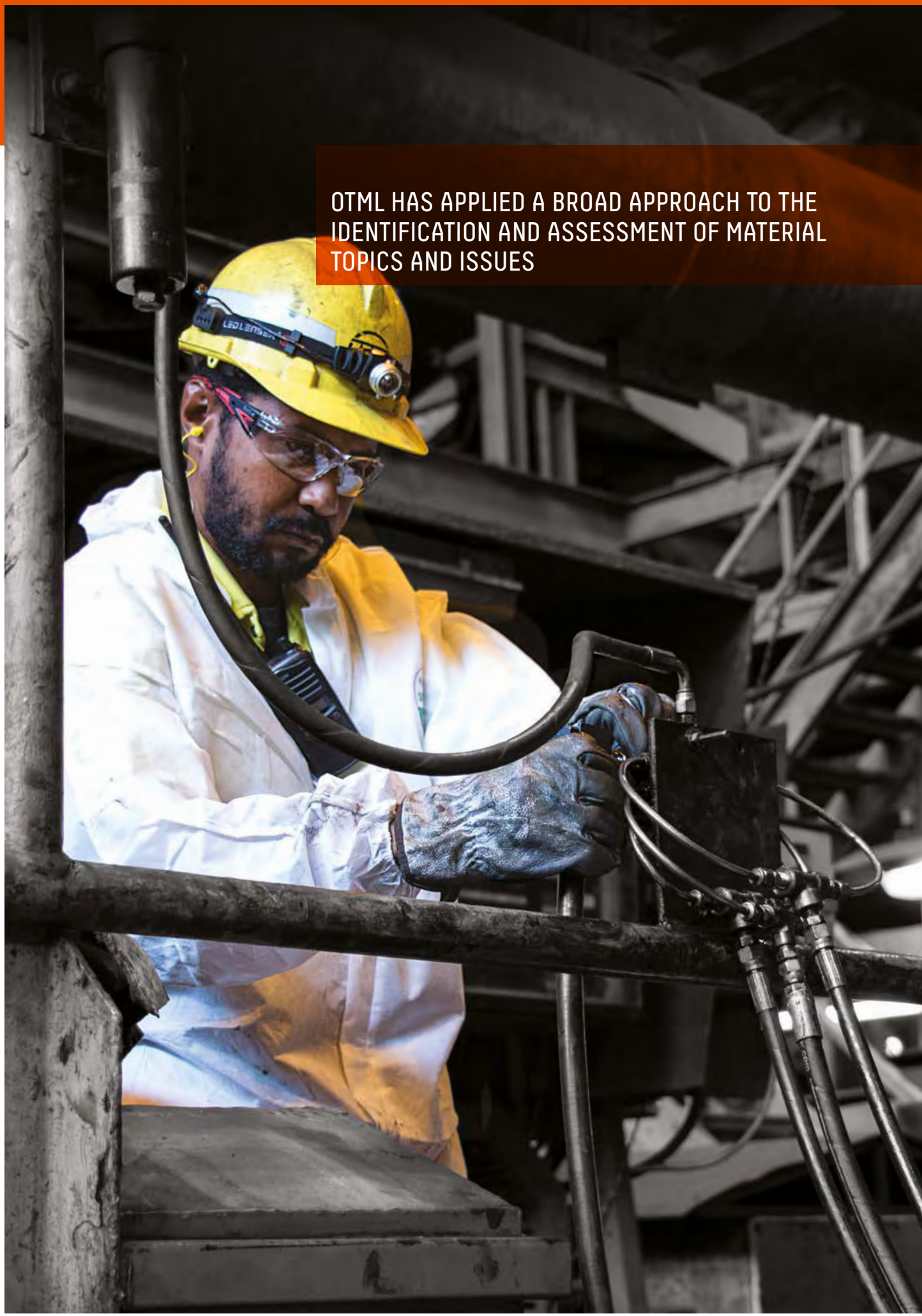
Low Ranking.

MATERIALITY

MATERIAL TOPICS (ISSUES)

MATERIAL ISSUE	DESCRIPTION OF ISSUE	KEY STAKEHOLDERS IMPACTED	REPORT SECTION	GRI TOPIC
Financial Performance of Company	The long-term profitability of OTML is critical to shareholders. As a State-Owned Entity, dividends flow to National, Provincial Governments and to the 157 CMCA communities.	OTML, Government, CMCA communities, Suppliers	Business, Financial	Economic
Delivery of 2016 Strategic Plan Base Case	OTML's aim is to consistently meet planned mining and processing production rates and profitability and cash generation targets. This is balanced with managing technical, environmental, social and operational challenges.	OTML, Government, CMCA communities, Suppliers	Business, Financial	Economic
Waste rock and tailings management in riverine environment	Waste rock and tailings are managed to minimise future long term impacts to the riverine system. This includes the ongoing dredging of approximately 10 Mm^3 of sediment from the river annually. These programs are mitigating the impact that discharge of waste rock and tailings has caused downstream including river bed aggradation, elevated sediment loads, decreased water quality, overbank flooding in the Middle Fly River region and reduced aquatic biomass.	Communities, Government, OTML	Environment	Environment
Removal of Pyrite from tailings to reduce ARD risk and safe containment of Pcon at Bige	OTML extracts pyrite from its tailings producing a PCon and barren tailings. The PCon is piped to engineered subaqueous storage cells at Bige. Once the cells are full, sand is dredged from the river and placed over the pyrite. The encapsulation of the pyrite minimises the long term risk of ARD.	Communities, Government, OTML	Environment	Environment
"Nobody Gets Hurt" - employees and contractors	Achieving zero injuries to employees and contractors is a core value. With the resumption of operations in 2016, the frequency of injuries and property damage has been higher than historic best performance.	OTML, Employees	S&OH	Occupational Health & Safety
Vehicle and mobile equipment	OTML operates more than 400 vehicles, haul trucks and mobile equipment. Vehicle incidents have been serious. Implementation of an electronic driver monitoring system to all company and contractor vehicles has significantly reduced vehicle incidents.	OTML, Employees, Government, CMCA communities	S&OH	Occupational Health & Safety
Community development project delivery & funding	The community have benefited from OTML, OTDF and TCS social program development and infrastructure project delivery. Project funding, planning, governance and timely project delivery address the major material issues raised by the CMCA communities.	OTML, Government, CMCA communities	Social Responsibility	Social, Economic
Community consultation and information sharing	Open community consultation is highly valued by the CMCA communities. OTML undertakes an annual patrol to all 157 CMCA villages in Western Province. This enables the communities to provide feedback to OTML on concerns and issues for the community. Grievances are brought to the attention of the OTML Community Relation team and are resolved directly or through formal court processes. Unresolved issues can result in community unrest. Timely communication and information sharing is critical to maintain the OTML social license to operate.	OTML, Government, CMCA communities	Social Responsibility	Social
Skills training to meet job requirements	The Company invests in improving the skills of the workforce to ensure safe work practices and enable higher productivity, and provides personal development opportunities. Following resumption of operations in March, all employees were re-inducted to reinforce safety expectations.	OTML, Employees and Families	People	People
People's ability to execute operations strategy and plans	Skilled, competent people are required to deliver the business plans. The capability of the workforce impacts on all aspects of business performance (operation, productivity, economic outcomes and payments to shareholders).	OTML, Government, CMCA communities	People	People

OPPOSITE: Joseph Vagilama, Instrumentation Fitter – Processing Upstream Maintenance, adjusting hydraulic lines.



OTML HAS APPLIED A BROAD APPROACH TO THE IDENTIFICATION AND ASSESSMENT OF MATERIAL TOPICS AND ISSUES

GEOLOGY

The future of OTML is integrally connected with the continued collection and analysis of geological information as part of our Mineral Resource development processes.

The temporary suspension of operations in 2015 and early 2016 had an adverse impact on work plans presented in OTML's 2014 Annual Review, with cash allocation limited to near term, high priority projects.

The priority in 2016 was the identification of additional Mineral Resources within the Special Mining Lease (SML), and in particular those situated in close proximity to the processing plant. Mineral Resource development drilling continued at Mount Fubilan and at the Sulphide Creek prospect.

OTML's exploration activities within the Exploration Licences (ELs) were aimed at ensuring the Mineral Resources Authority's (MRA) work and expenditure commitments were met in order to keep the ELs in good standing (Figure 2).

Looking forward, the focus of the Company is clear. Work programs are in place to enable conversion of existing Mineral Resources into Ore Reserves. The immediate priority is the East Wall which is a high value opportunity. From an exploration perspective, the priority is to expand near mine Mineral Resources with the most advanced prospect within the SML being at Sulphide Creek located approximately two Kilometres (km) north-east of the mine. Exploration outside the SML will continue to focus on the Townsville Prospect, located approximately four km north of the processing plant.

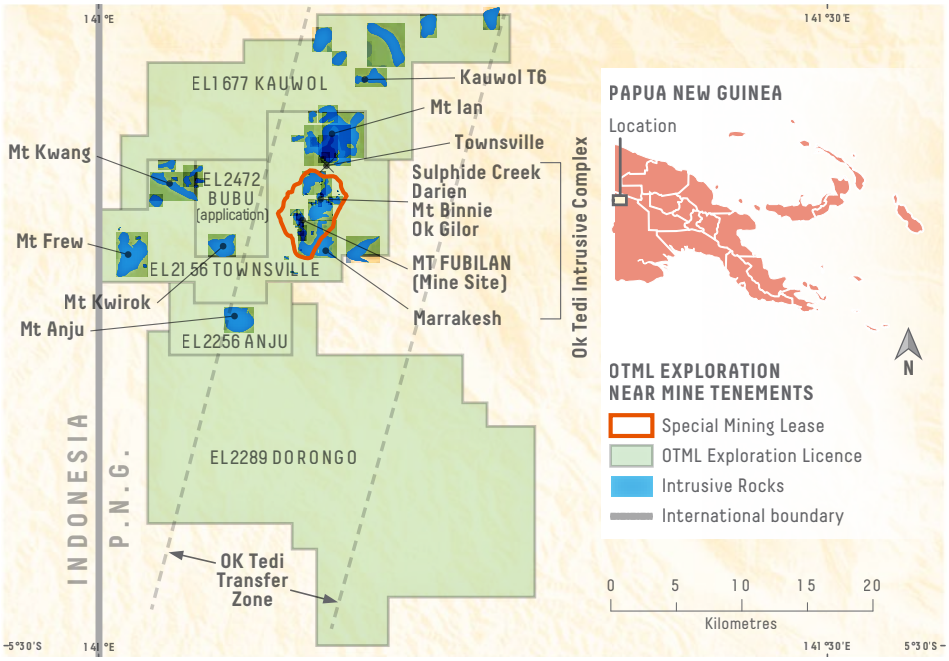


Figure 2. OTML Exploration Near Mine Tenements

MINERAL RESOURCE AND ORE RESERVE STATEMENT

In March 2017, a revised Mineral Resource and Ore Reserve Statement as at 31 December 2016 was presented to the OTML Board. Recent drilling at Mount Fubilan contributed to this upgraded estimate.

Comparing the previous December 2015 estimate to the latest December 2016 estimate, it is notable that recoverable copper in reserves increased by 7% (from 1.22 Mt Cu to 1.30 Mt Cu) and recoverable gold increased by 17% (from 3.43 Moz Au to 4.00 Moz Au).

These increases have been achieved despite a 15% decrease in the total Mineral Resource tonnes (from 898 Mt to 761 Mt) and a 19% reduction in Probable Ore Reserves over the same period (from 264 Mt to 215 Mt).

These statements reflect the outcome of strategic planning work undertaken during 2015 and 2016 and in particular pit shell optimisation, revised stage designs, and amended cash-flow scripts, culminating in higher average metal grades in both Mineral Resources and Ore Reserves. The result from a business perspective is significant value uplift in the base case with prospect of a further value uplift when resource conversion work is completed.

The changes reflected in the Mineral Resource Statements of 2015 and 2016 are shown in the tables below;

MINERAL RESOURCE AND ORE RESERVE STATEMENT AS AT 31ST DECEMBER 2016								
MINERAL RESOURCE				ORE RESERVE				CONVERSION
CATEGORY	TONNAGE (Mt)	Cu (%)	Au (g/t)	CATEGORY	TONNAGE (Mt)	Cu (%)	Au (g/t)	RESERVE / RESOURCE RATIO
Measured	276	0.55	0.61	Proven	142	0.69	0.79	52%
Indicated	392	0.41	0.51	Probable	72	0.67	0.86	18%
Inferred	92	0.41	0.55					
Total	**761**	**0.46**	**0.55**	**Total**	**215**	**0.68**	**0.82**	**28%**

MINERAL RESOURCE AND ORE RESERVE STATEMENT AS AT 31ST DECEMBER 2015								
MINERAL RESOURCE				ORE RESERVE				CONVERSION
CATEGORY	TONNAGE (Mt)	Cu (%)	Au (g/t)	CATEGORY	TONNAGE (Mt)	Cu (%)	Au (g/t)	RESERVE / RESOURCE RATIO
Measured	321	0.52	0.58	Proven	171	0.56	0.65	53%
Indicated	484	0.37	0.47	Probable	92	0.53	0.67	19%
Inferred	93	0.40	0.54					
Total	**898**	**0.43**	**0.51**	**Total**	**264**	**0.55**	**0.66**	**29%**

The information in the tables above relates to Mineral Resources and Ore Reserves based on information compiled by Chris De-Vitry (Mineral Resources) and Daniel Hastings (Ore Reserves) who are members of the Australasian Institute of Mining and Metallurgy.

Mr De-Vitry and Mr Hastings are Geological Consultants and have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr De-Vitry and Mr Hastings consent to the inclusion of the above tables, which have been based on their information, in the OTML Mineral Resource and Ore Reserve Statement, in the form and context in which it appears. Signed on this the 28 day of February, 2017.

DANIEL HASTINGS
MAusIMM 301925
Principal Consultant - Hastings Bell Pty Ltd

CHRIS DE-VITRY
MAusIMM 210853
Principal Consultant – ARANZ

NEAR MINE - MT FUBILAN

Mt Fubilan is a rich copper-gold-silver deposit with several phases of mineralisation centred on two intrusions, known as the Fubilan monzonite porphyry, located in the northern half or Centre Pit area and the Sydney monzodiorite stockworks with subsequent alteration in the south. The Ok Tedi geology map (Figure 3) shows the near mine stratigraphic units and deposit areas. Majority of the ore is found in the sulphide skarns, located adjacent to the intrusions along the contacts with the limestone and siltstone units.

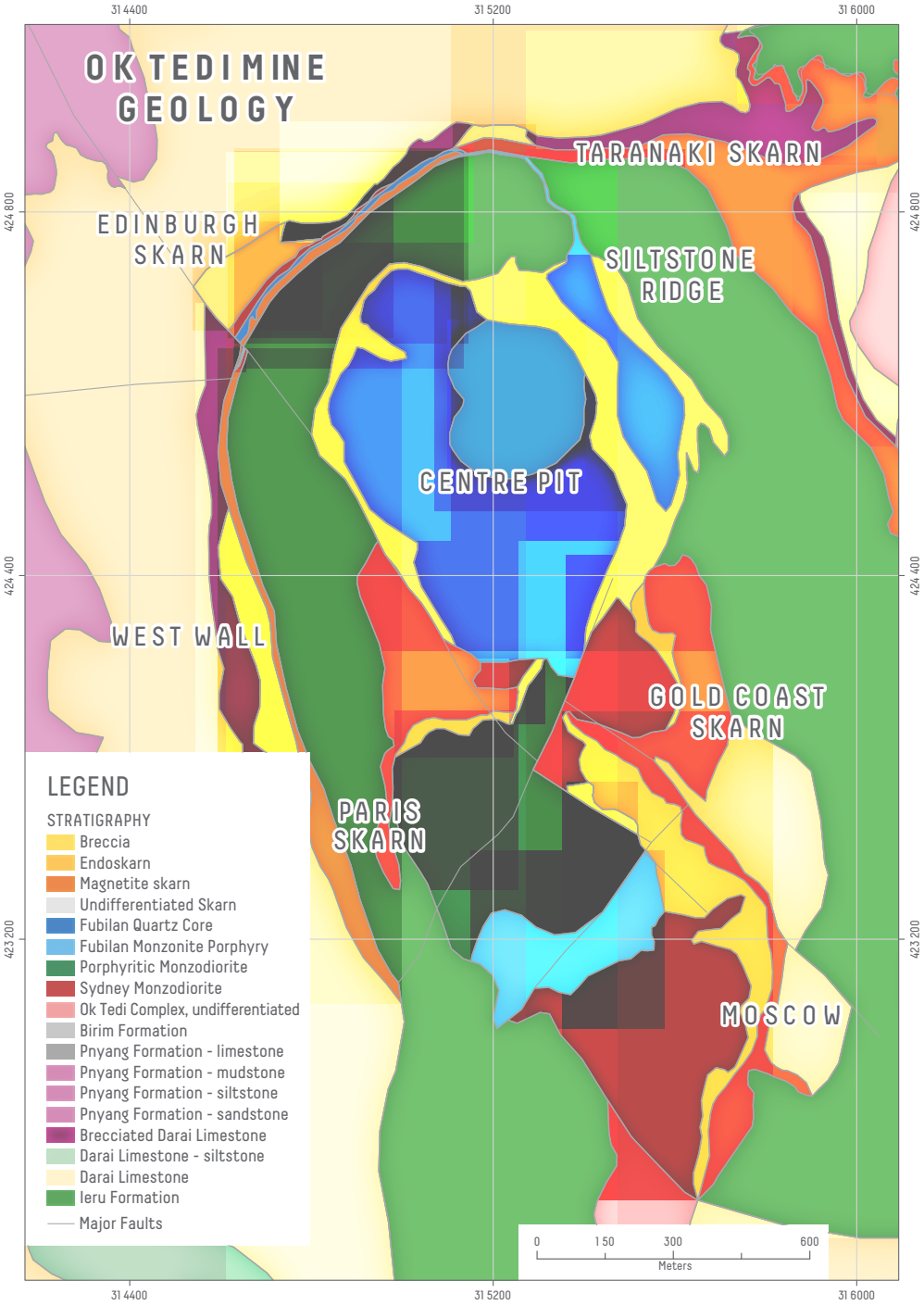


Figure 3. Ok Tedi Geology.

OK TEDI ORE RESERVES, RESOURCES AND EXPLORATION TARGETS

The Ok Tedi portfolio of deposits, classified according to current Ore Reserves, Mineral Resources and Exploration Target estimates is shown below.

The potential conversion from Mineral Resources to Ore Reserves is reflected by the black deposit circles. An immediate priority for resource conversion is the East Wall deposit where high value material has been identified. Work programs to access this material include relocation of offices and infrastructure (crusher and mine workshop) located in that area, along with a range of technical mining considerations. Mine waste management is another key factor.

Potential additions to the Resources are represented by the orange circles. Notable is the indicative scale of the Sulphide Creek and Townsville deposits. The focus is on additional drilling information to progress consideration of these opportunities.

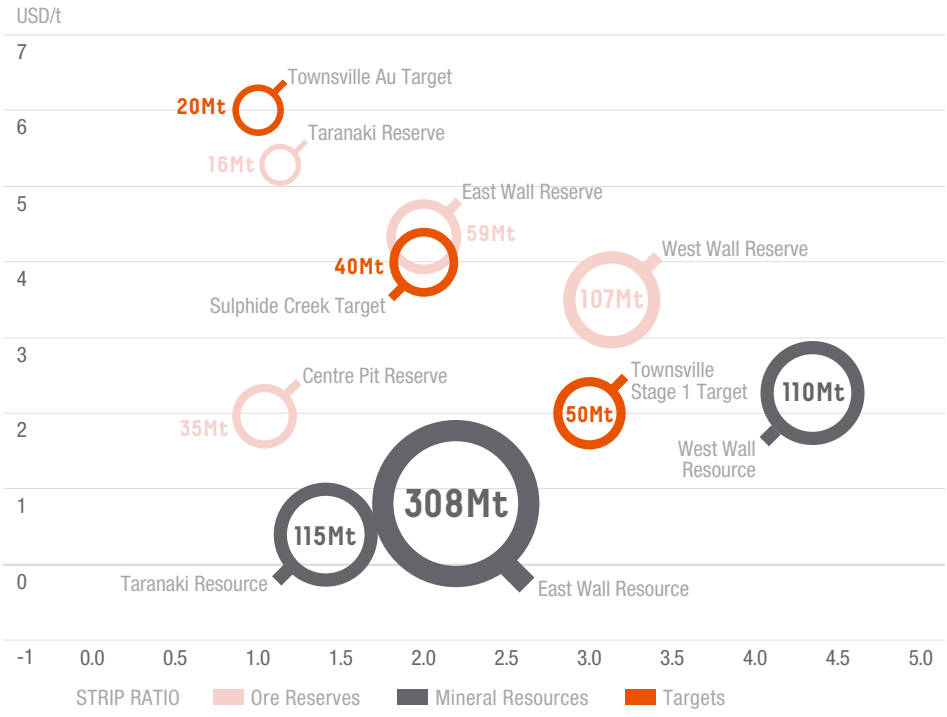


Figure 4. Ok Tedi Portfolio of Deposits - Cost, Strip Ratio Relationship.

SIGNIFICANT RESOURCE PROJECTS

Beyond the SML, OTML holds five ELs in the Western and Sandaun Provinces. These are referred to as the Townsville, Mianmin, Kauwol, Anju and Dorongo licences. The Townsville Prospect is the most advanced exploration project.

In addition OTML has significant prospects to add to the Mineral Resources within the SML. These include areas referred to as Sulphide Creek and Marrakesh (Figure 2).

TOWNSVILLE PROSPECT

The known mineralisation at Townsville occurs as the Upper Gold Zone and Lower Copper Zone that has a footprint exceeding one square kilometer (km^2). Drilling programs have discovered deeper primary copper, gold and silver skarn mineralisation and this information has helped refine the geological model. The Townsville deposit is an intrusive-related breccia-hosted skarn thought to have formed proximal to an intrusive centre similar to, but distinct from the Mt Fubilan porphyry. The Townsville development program is currently advancing towards a Mineral Resource estimate for the Upper Gold Zone and Lower Copper Zone by late 2017.

TOWNSVILLE PROSPECT

In the early part of 2015, drilling activities continued to define the Lower Copper Zone until the program was deferred because of the dry weather event. Assay results for the final 13 drill holes from that program are tabled below and these substantiate the exceptional tenor of the copper and gold grades in the Lower Copper Zone.

The tables show the significant drill hole copper and gold results from Townsville drill holes completed during 2015.

HOLE ID	AGD66 EAST	AGD66 NORTH	FROM (M)	TO (M)	INTERVAL (M)	Cu (%)	Au (G/T)
TVL090	516475	9428666	40.7	108.8	68.1	0.23	0.54
including			62.8	84.0	21.2	0.57	1.0
TVL091	516928	9428490	21.2	71.0	49.8	0.35	0.37
including			50	56	6	0.78	0.65
and			147	167	20	0.20	0.81
TVL092	516738	9428394	336	340.1	4.1	0.5	0.11
TVL093	516647	9428285	3.2	13	9.8	0.12	1.35
TVL094	516659	9428511	19.3	23.3	4	0.01	3.26
			136.3	140.3	4	0.26	0.88
			491.5	495.5	4	0.92	0.26
			505.9	529.4	23.5	3.63	1.47
including			519.6	525.6	6	8.98	3.91
TVL095			hole	abandoned			
TVL096			hole	abandoned			
TVL097	516659	9428511	68.6	74	5.4	0.01	8.23
			364	372	8	0.71	0.39
			377	386	9	1.04	0.67
			389	399	10	0.82	0.61
			414	422	8	0.73	0.53
			742.4	747.4	5	0.52	0.24
TVL098	516738	9428394	204	223.9	19.9	0.57	0.57
			238.8	282.2	43.4	1.66	1.0
including			270.5	282.2	11.7	2.33	1.21
TVL099	516825	9428383	176.7	186.5	9.8	<0.01	0.48
TVL100	515370	9427224	no	significant	assays		
TVL101	516900	9427974	no	significant	assays		
TVL102	516701	9428740	no	significant	assays		

Note: TVL095 and TVL096 abandoned at 32.3m and 43m respectively due to difficult ground conditions. TVL100 was drilled at Gilor 800m south west of Townsville. TVL101 and TVL102 were abandoned prior to target depth due to dry weather stand down.

Drilling density at Townsville is considered adequate to reassess the Mineral Resources within both the Upper Gold Zone and Lower Copper Zone and this program is scheduled for completion in 2017. Geological models (Figure 5) are being updated and further drilling is scheduled initially on the Upper Gold Zone to confirm historical drilling and increase the confidence and therefore upgrade the Mineral Resource statement.

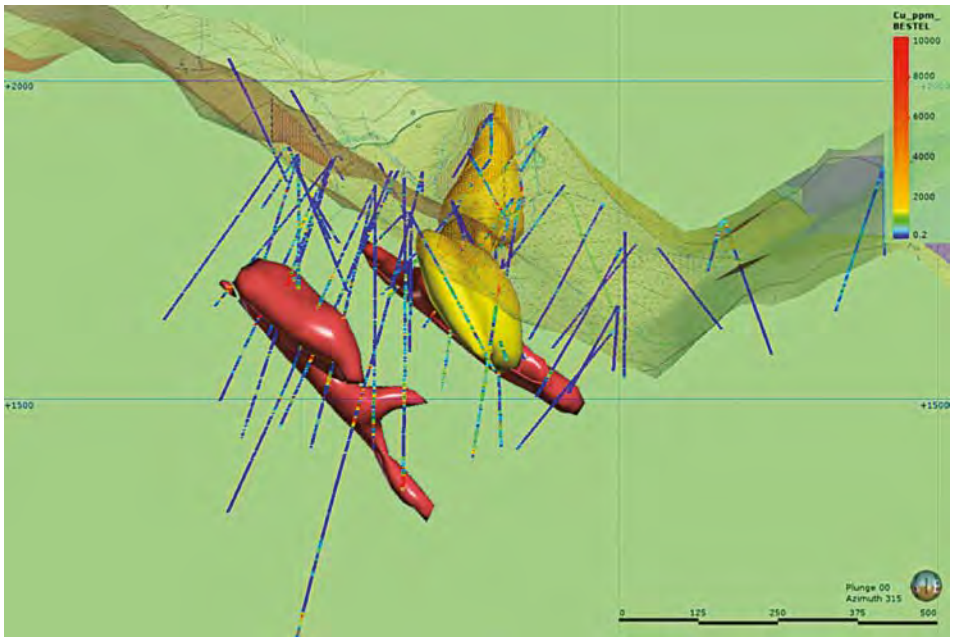


FIGURE 5: Drill section illustrating the Upper Gold Zone (yellow) and Lower Copper Zone (red) at the Townsville Prospect. Drill hole traces are shown in blue.

A 2,400 m drilling program is planned for Townsville in 2017 focusing on the Upper Gold Zone.

SULPHIDE CREEK PROSPECT, WELLINGTON

The Sulphide Creek prospect is located approximately two km north-east of the mine within the SML. Recent developments have shown that the Taranaki Thrust and its associated skarn mineralisation extends for at least two km from the Taranaki Skarn at the northern end of the open-cut, to the Sulphide Creek Prospect, located in the area known as Wellington.

In 2014, detailed geological mapping and sampling programs identified an outcropping copper and gold bearing skarn and skarn breccia on the north side of Sulphide Creek. Scout drilling in 2015 intersected high grade copper and gold mineralisation near-surface. In 2016, systematic drilling commenced and is planned to continue into 2017.

Geological and geophysical data suggests that there is a nearby intrusive located at depth, providing the source of the mineralisation in the area, including the currently mined Taranaki Skarn. Studies have shown that the Fubilan porphyry is not the source of the Taranaki Skarn and mineralisation but rather a yet to be identified intrusive in the upper Sulphide Creek area. This intrusive is potentially mineralised and as such, represents a priority conceptual target for exploration in the area.

GEOLOGY

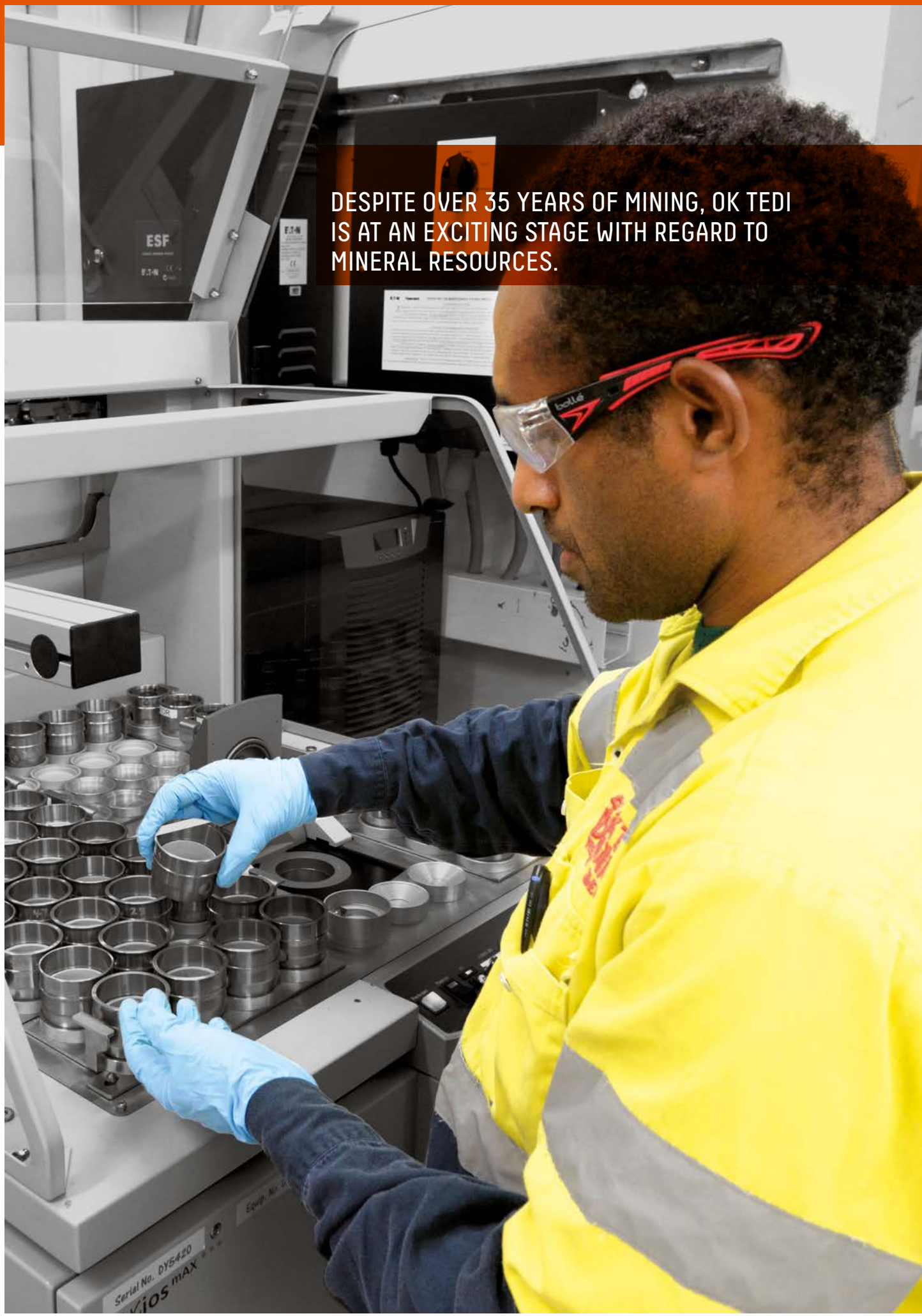
The table alongside lists the recent significant results from the drilling at Sulphide Creek skarn, Wellington are outlined below.

In addition, mapping and sampling in Ok Gilor, situated 800m northeast of the Wellington area, also identified skarn and skarn related breccia similar to that at Wellington. Grid-based geochemical sampling and detailed mapping is scheduled for completion in mid-2017 ahead of consideration of several scout drill holes.

HOLE ID	AGD66 EAST	AGD66 NORTH	FROM (M)	TO (M)	INTERVAL (M)	Cu (%)	Au (G/T)
SCK001	516876	9426356	10.4	16.9	6.5	1.57	0.59
			29.3	40.4	11.1	1.45	0.69
			106.7	135.7	29	0.91	0.98
SCK002	516876	9426356	16.2	36.5	20.3	0.30	0.90
			60.1	85.6	25.5	0.92	0.85
		including	72.65	85.6	12.95	1.37	1.46
			108.8	121.6	12.8	1.62	1.19
SCK003	516876	9426356	12.1	18.1	6	0.52	0.11
			31.2	36.3	5.1	0.30	0.95
			52.3	80.7	28.4	0.71	0.67
			87.1	93.6	6.5	1.02	0.44
			102.1	124.6	22.5	1.65	1.24
SCK005	518142	9425439	66.9	72.8	5.9	0.03	0.88
			79.8	88.4	8.6	0.03	2.65
SCK006	516876	9426356	4.55	23.5	18.95	1.16	0.48
			44.9	54.0	9.1	0.35	0.27
			65	111	46	0.73	1.02
			122	132	10	1.76	2.74
			145	157	10	0.45	0.23
SCK008	516876	9426356	4.1	114.1	100.6	0.52	0.50
		including	31.6	57.7	26.1	1.48	1.65
		and	348.4	493.6	145.2	0.37	0.31
SCK009	516876	9426356	2.2	112	100.5	0.47	0.36
		including	2.2	66.2	64.0	0.63	0.38
SCK010	517091	9426089	32.0	124.5	92.5	0.77	0.58
		including	74.1	124.5	50.4	1.22	1.04
		and	237	299.9	62.9	0.31	0.30
SCK011[1]	517091	9426089	68	109	41	0.82	0.74

Note: 1 partial results only.

OPPOSITE: Wesley Simeon, Chemist preparing samples for XRF analysis in the Mill chemistry laboratory.



DESPITE OVER 35 YEARS OF MINING, OK TEDI IS AT AN EXCITING STAGE WITH REGARD TO MINERAL RESOURCES.

MARRAKESH

The Marakesh prospect lies at the south-eastern end of the Gold Coast Skarn fault system and a feature of the area is a copper and gold mineralised porphyry/skarn breccia intersected in the historic hole, DDH848.

Surface mapping and sampling in 2015 returned rock chips with up to 11.1 g/t gold and many other samples over 1 g/t gold with highly anomalous copper in structures and skarn proximal to a Fubilan-type porphyry. The upper part of the Fubilan porphyry was gold rich and the geological interpretation is that Marakesh represents the un-eroded, upper parts of a concealed porphyry system. Three drill holes are scheduled for drilling in 2017.

OTHER REGIONAL EXPLORATION PROSPECTS

OTML has five licences providing regional exploration opportunities. Regional geophysical and geochemical data continues to be analysed and anomalies identified are being investigated. The most prominent target areas that have been identified and warrant detailed mapping, sampling and scout drilling are:

- **Kauwol T6 Anomaly:** Mapping and sampling at the Kauwol T6 magnetic anomaly has discovered alteration and mineralisation consistent with that seen in the upper levels of a porphyry deposit. As scheduled for early 2017, grid based soil sampling, detailed mapping and the first of four scheduled holes of scout drilling is currently underway at Kauwol.
- **Anju:** The Anju porphyry is one of the youngest intrusions in the Ok Tedi Corridor, less than one million years old. Previous prospecting expeditions failed to confirm any associated alteration and mineralisation. However, in 2016, OTML discovered sulphide veins and mineralised breccia over a limited area, but worthy of follow up with more detailed mapping and sampling. These activities are currently underway and a scout drill rig is scheduled to commence drilling in the area in mid-2017, after the drilling at Kauwol is completed.
- **Kumguit Prospect, Dorongo:** Located on the lowlands south of Ok Tedi, within the Dorongo EL. Interest in Kumguit stems from the relatively abundant occurrence of mineralised porphyry float samples that have been found over a wide area. These findings have intrigued explorers for many decades. OTML has identified a potential area which could be the local source and are establishing a grid for future detailed soil sampling and mapping. A ground magnetic survey will be done in collaboration with the MRA to identify any intrusive centre that may host the mineralisation.

MINERAL RESOURCE OUTLOOK

Despite over 35 years of mining, Ok Tedi is at an exciting stage with regard to current and future Mineral Resources.

The latest Ore Reserve underpins a profitable future for another ten years. More metal from less tonnes drives profitability and cash generation and this has generated value uplift.

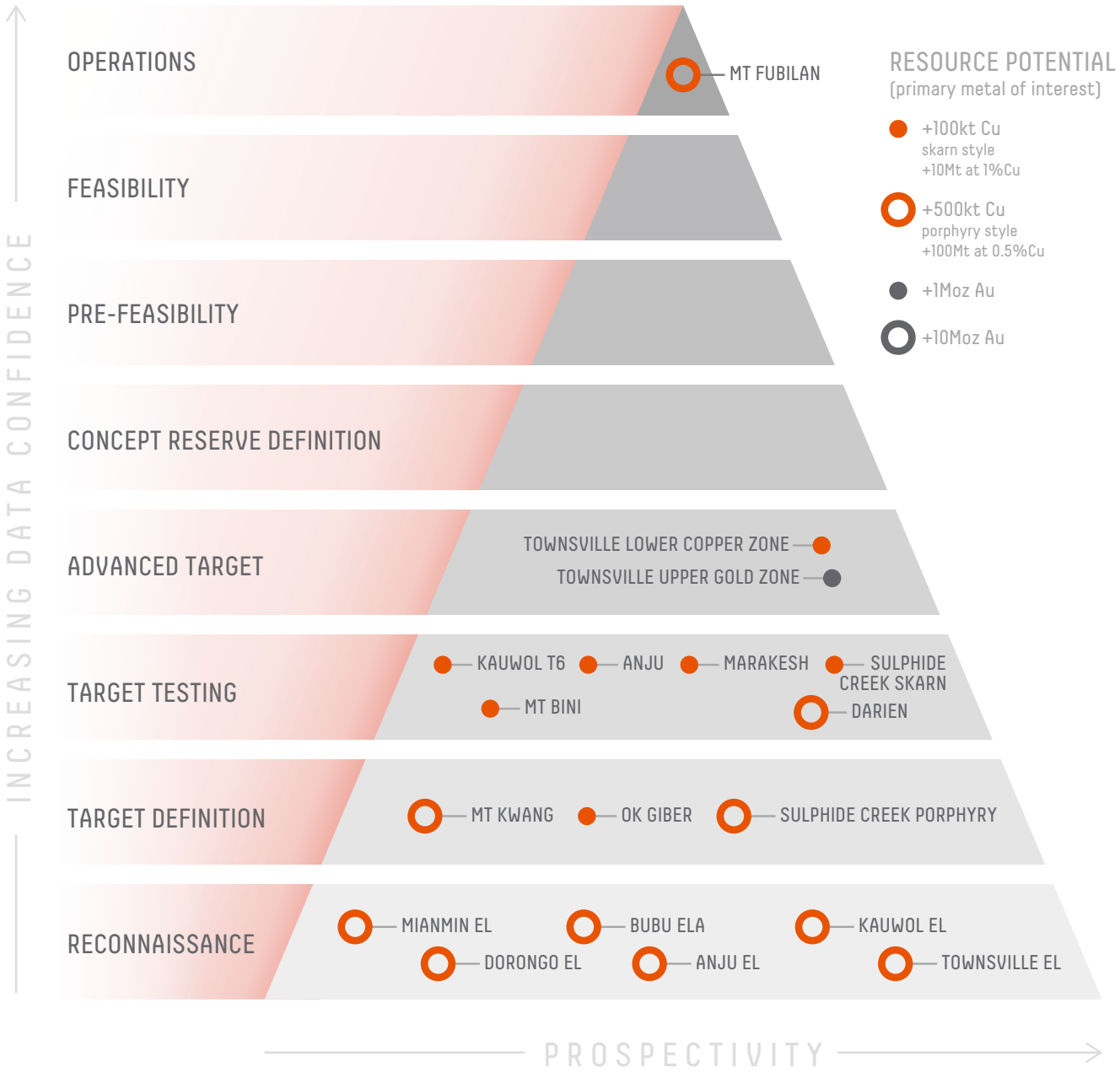
In addition, there are clearly identified opportunities to convert a significant amount of Mineral Resources to Ore Reserves in the short term, adding mine life and value. Effort is focused on the East Wall resource and it is expected that the next Ore Reserve update will reflect this work.

The primary focus of OTML's exploration strategy in 2017 is development of near mine opportunities within the SML and in particular, defining the skarn mineralisation in the Sulphide Creek area.

Exploration opportunities outside the SML also provide cause for optimism. Townsville is considered the most advanced exploration prospect. The Townsville development program is currently advancing towards a Mineral Resource estimate for the Upper Gold Zone and Lower Copper Zone by late 2017.

Collectively, these opportunities provide Ok Tedi with an exciting Mineral Resource pipeline.

REGIONAL EXPLORATION PROJECT PIPELINE FOR 2017 AND BEYOND



PEOPLE

OTML currently employs approximately 1,600 staff to operate the business and is the single largest employer in the Western Province. The Company gives priority to employment from the "preferred area" which encompasses five sub-districts in the Western Province and two sub-districts in Southern Sandaun Province.

Employee numbers have reduced substantially compared to 2014 as a result of rationalisation of rosters, restructuring the organisation and outsourcing or ceasing some non-core activities. The workforce is well informed on Company performance and the need to improve competitive position, particularly in a low commodity price environment. OTML has been able to attract and retain quality national and expatriate staff, even following the 2015 temporary suspension of operations due to dry weather. OTML has built a reputation as a responsible and caring employer in PNG and offers competitive remuneration and benefits.

OTML aims to attract, develop and retain the highest quality employees. This is achieved through effective communications, an emphasis on a "one integrated team" approach, opportunities for personal and professional development, and quality feedback and recognition to reinforce excellence in performance.

Management took the opportunity on return to work after resumption of operations in March 2016, to discuss the company's core values and expectations of behaviour with employees and to strengthen alignment on corporate goals. All employees were re-inducted as part of the return to work process.

Essentially all employees work one of three repeatable Fly-in Fly-out rosters which enables supervisors to improve planning and resource allocation for daily shifts and allow adequate respite. During 2016, the Executive Leadership Team was residential to ensure visible leadership during a period of rapid organisational change.

EMPLOYMENT AND LABOUR RELATIONS

In 2016, OTML employed 1,633 employees including 187 trainees, representing a decrease of 612 persons from 2014. Currently, 94.7% of all staff employees are PNG Nationals and of these, 32% are from the Western Province. Women make up 9.7% of the workforce. These staffing proportions have remained relatively constant through the organisational restructure and there are no seasonal variations in employment numbers.

All OTML employees in all areas of the operation are paid PNG resource industry competitive wages. Female employees are remunerated at the same pay grades as their male colleagues. Senior staff participate in an annual performance review with their supervisor with the outcome linked to salary and career progression. In 2016, all employees received a bonus of 7.5% of their normal wage at year end.

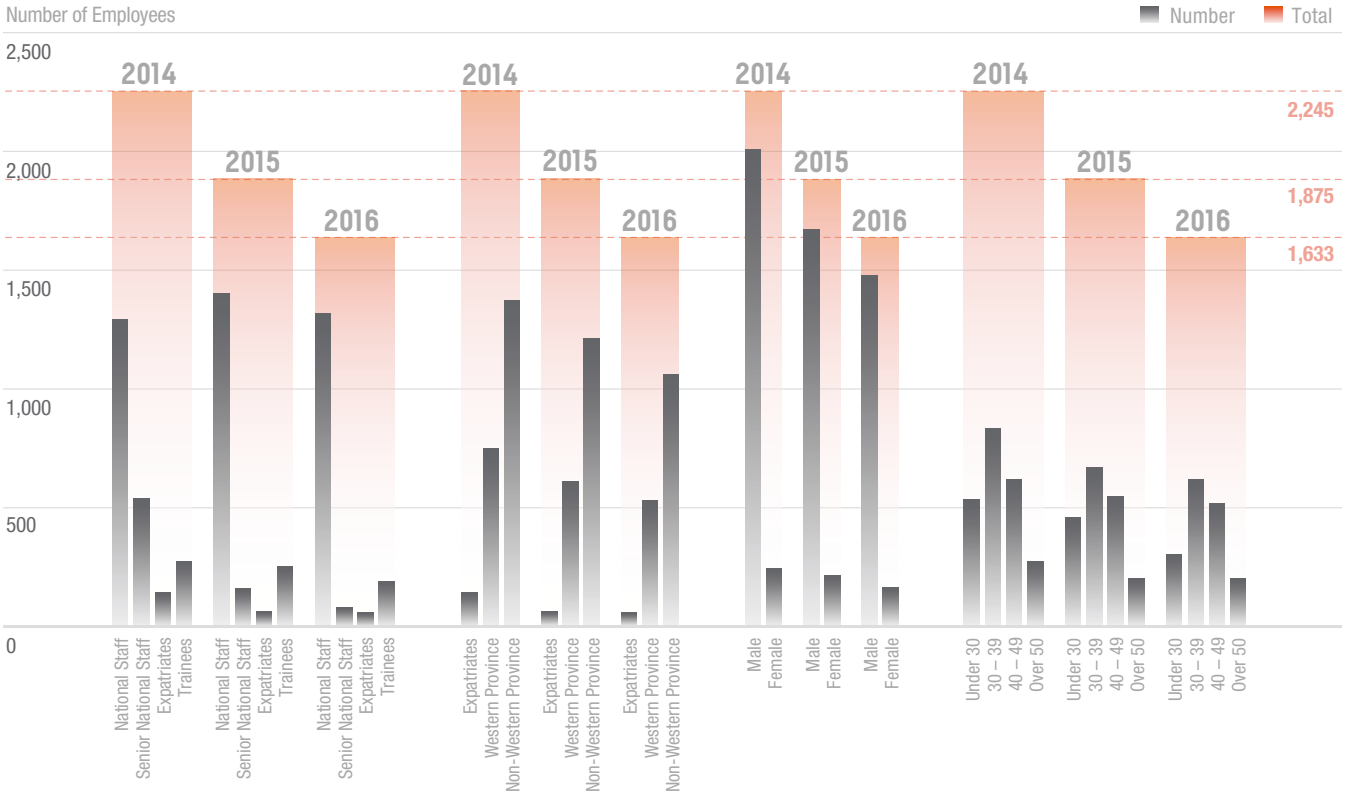
OPPOSITE: Remy Yanz in the Kiunga workshops.


OTML AIMS TO ATTRACT, DEVELOP AND RETAIN
THE HIGHEST QUALITY EMPLOYEES.
OKTEDI
MINING
REMY YANZ

PEOPLE

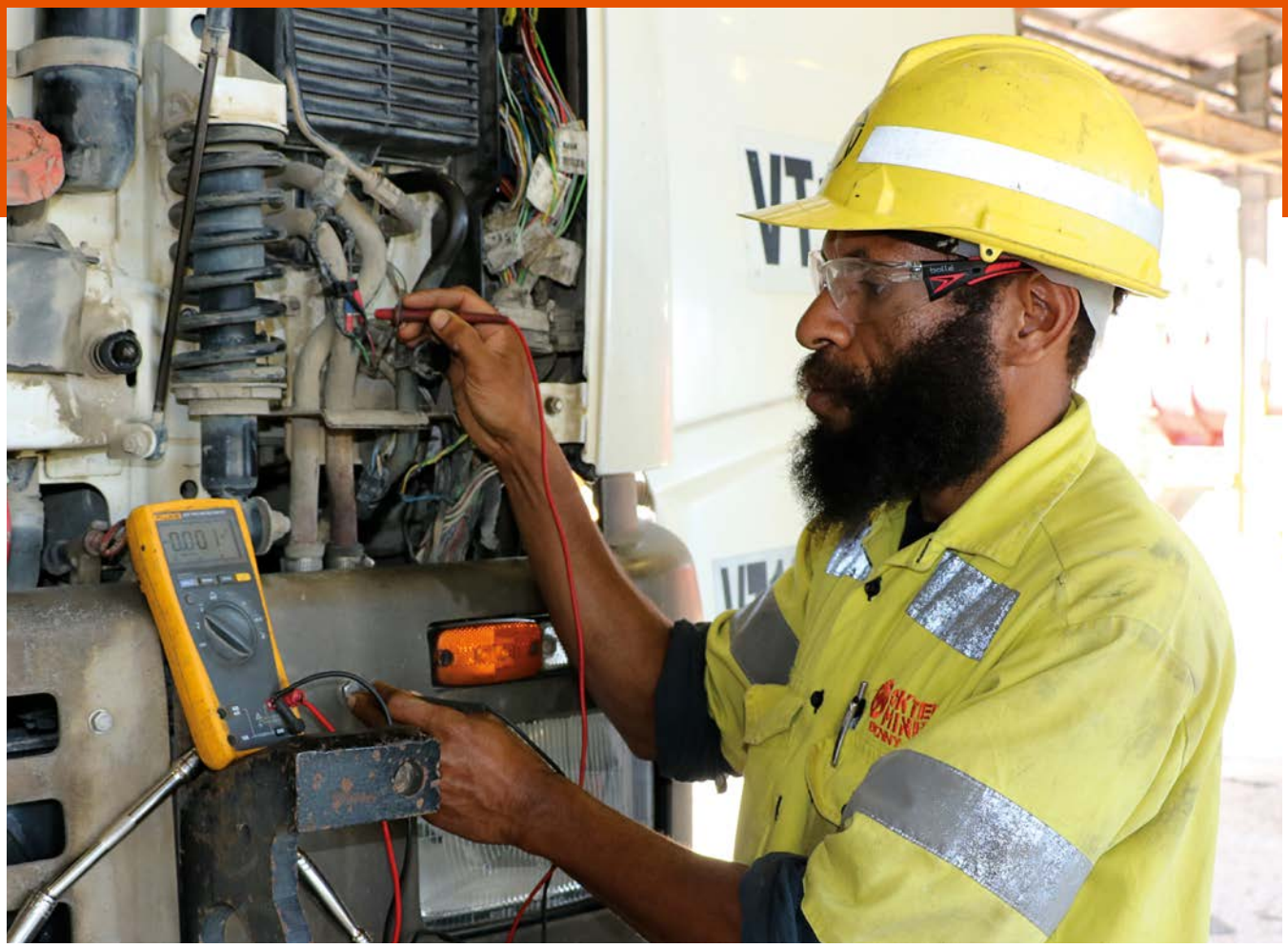
EMPLOYEES

The employee breakdown by category and location as at the end of December 2016 is as follows:



OTML supports the following International Labour Organisation Conventions as ratified in PNG:

- Discrimination (Employment and Occupation, No. 11);
- Freedom of Association (No. 87);
- Abolition of Forced Labour (No. 105);
- Worst Forms of Child Labour (No. 182);
- Maternity Protection (No. 103); and
- Equality of Treatment Accident Compensation (No. 19).



ABOVE: Benny Iruk, third year auto-electrical apprentice testing an electrical circuit on a truck.

During early 2016, employees transitioned onto a new employment agreement that updated benefits, rosters and work conditions. No employees are currently engaged under a collective bargain or industrial award although a union body exists.

The workforce (levels 1-4), but excluding supervisors, have the option of union representation. About 56% of 1,357 eligible employees are members of the union. Management communications with the Union executive facilitates alignment and timely resolution of grievances. In 2016, labour issues raised included employee concerns relating to the fatality of March 2016, rosters, employee travel practices, and a request for restoration of an Industrial Agreement. These were successfully resolved without recourse to other agencies and did not result in any work stoppages. No strikes or lock-outs occurred during the year.

TRAINING AND DEVELOPMENT

Following the resumption of operations in March 2016, training programs were focused on statutory training including re-induction of all employees, verification of competencies, Apprenticeship, Preferred Area and the Graduate Development Programs.

In 2016, refresher training was provided to all Supervisors given their critical role in coaching and assisting employees safely back into their roles.

SCHOLARSHIPS AND GRADUATE PROGRAMS

OTML continues to provide funding for scholarships and school fee assistance. Education is the key pathway for people to improve their self-worth and provide long term benefits for themselves and families.

OTML sponsors a Graduate Development Program to meet its needs for young professionals and to contribute to the graduate pool in PNG. Priority is given to those who have been sponsored through the Western Province education sponsorship program and from the Preferred Area. OTML also operates an Apprentice Trade Program to meet its needs and contribute to the national pool of trades people. OTML encourages its business partners to also develop apprentices. Since 1982 when the Apprentice Trade program commenced, 1,133 apprentices have received their trade certificates.

At the PNG 2016 National Apprentice Trade Testing Board presentation night, OTML final year instrumentation apprentice Vagi Oala won the Apprentice of the Year and Reirei Yari, a final year Business Studies trainee attached to the Human Resource Department received the 2nd place Trade Testing Candidate of the Year award.

PEOPLE

Expenditure of PGK 16.0 million in education and training of apprentices, trade trainees and school and university scholarships was 22% lower in 2016 compared to 2015. The breakdown of the number of trainees over the past three years is shown below. In 2016, due to the March restart of operations, sponsorships for University and school fee assistance was not paid due to enrolments at the institutions commencing in January 2016. No new apprentices commenced in 2016.

TRAINEE NUMBERS	2014	2015	2016
Apprentice intake	39	29	0
Graduate intake	35	20	4
Employees undertaking overseas courses	28	4	9
Preferred area sponsorships	7	28	14
Fly River University and CODE	188	51	0
University sponsorships	131	5	0
Scholarships and school fee assistance	350	345	0
Total training costs including salaries (PGK million)	**33.3**	**20.5**	**16.0**

TRAINING AND DEVELOPMENT COURSES

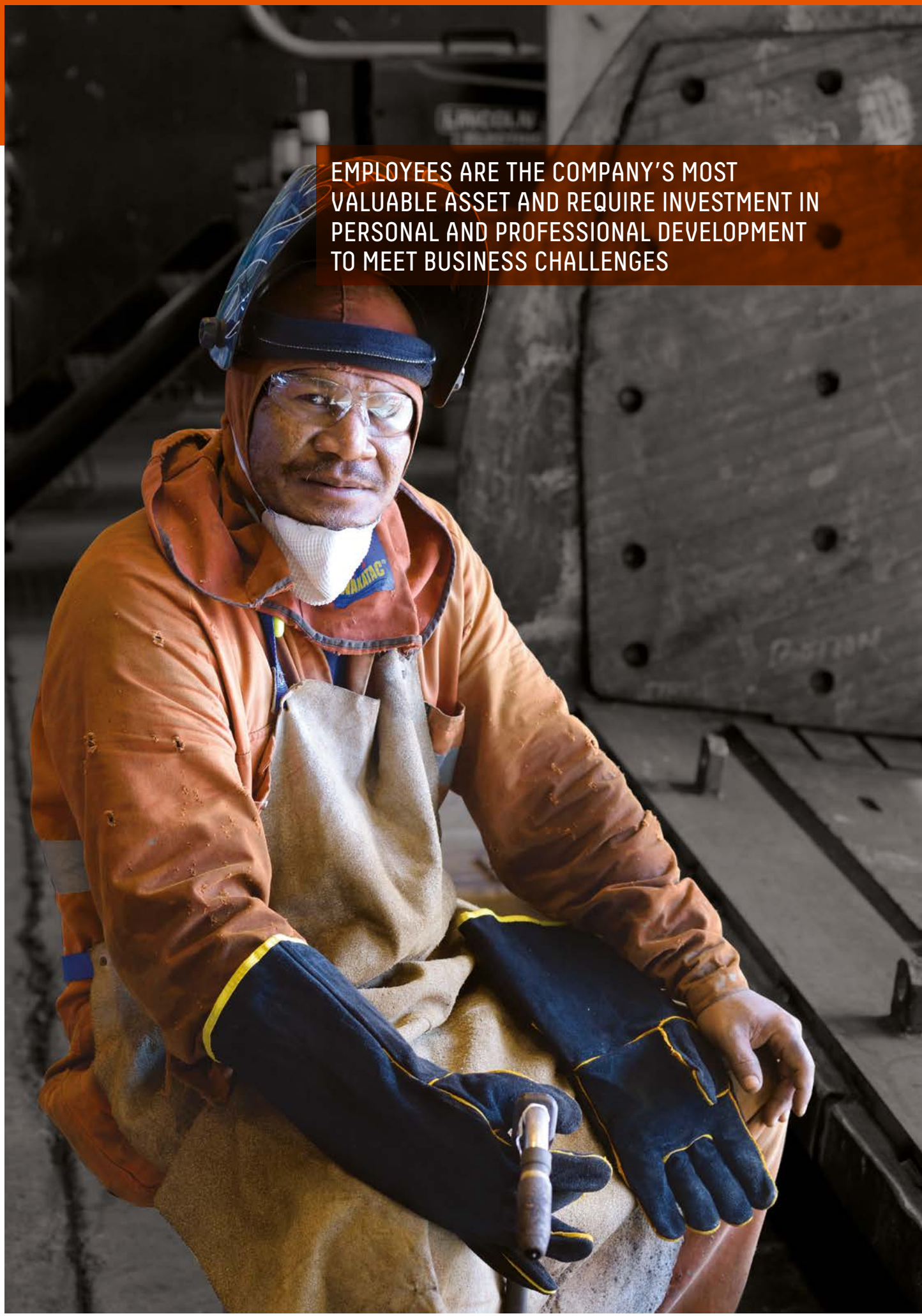
OTML recognises the need for the workforce to be flexible and have the capacity to change and apply new technology and skills to maintain competitiveness. Employees are the company's most valuable asset and require investment in personal and professional development to meet business challenges.

OTML has a suite of training and development programs commencing with site and departmental inductions through to external delivered mining leadership courses. OTML's aim is to ensure that all employees are skilled and competent in the execution of their responsibilities and are offered the opportunity for personal growth consistent with business needs.

During 2016, with the focus on re-establishing base operations the expenditure on training through talent management was PGK 3.0 million. The following tables show the training categories and total training hours completed in 2016.

COURSE NAME	NO. OF EMPLOYEES	MALE (%)	FEMALE (%)	TRAINING HOURS
Cert. III Instrumentations & Control	5	100%	0%	1600
Masters in Engineering Science	1	100%	0%	320
Cert. III Hydrography	3	100%	0%	960
APPRENTICES BLOCK COURSE				
Automotive Electrician	8	87%	13%	2560
Cabinet Maker	4	100%	0%	1280
Carpentry/Constructions	16	100%	0%	4200
Electrical Mechanic	10	80%	20%	3200
Electrical Mechanical	4	75%	25%	160
Electronics Mechanic	10	60%	40%	3200
Heavy Equipment Fitting	20	100%	0%	6400
Maintenance Fitting & Machining	19	100%	0%	6080
Metal Fabrication & Welding	32	69%	31%	10240
Plumbing	9	100%	0%	2880
Refrigeration Mechanic	3	33%	67%	317
TOTAL	**144**			**43,397**

OPPOSITE: Robert Buli, tradesman-boilermaker completing mining equipment bucket repairs in maintenance workshop.



EMPLOYEES ARE THE COMPANY'S MOST VALUABLE ASSET AND REQUIRE INVESTMENT IN PERSONAL AND PROFESSIONAL DEVELOPMENT TO MEET BUSINESS CHALLENGES

SAFETY AND OCCUPATIONAL HEALTH

OTML management strives towards realising the OTML vision for safety and occupational health of an incident and injury free workplace.

OTML is committed to a Safety and Occupational Health vision of "Nobody Gets Hurt – No Harm" with safety as a core value for business operations. The key elements are set-out in the Safety and Occupational Health Policy. All levels of management are expected to promote visible leadership through daily workplace engagement and demonstrate leadership behaviours on safety and health issues.

Strategies and tactical plans are developed by a management Safety, Health, Environment and Community (SHEC) Steering Committee to identify and address priority areas. A five-year SHEC Plan has been developed to mature the workforce culture from compliance to a commitment mode. The OTML Board's Safety, Health and Environment Committee meets at least twice per annum to review the appropriateness and effectiveness of management's strategies and plans.

OTML applies an Integrated Safety Management System, aligned with OHSAS 18001, which includes a suite of standards, systems, processes and procedures covering all aspects of the operations. A systematic risk based approach is applied across the business to identify potentially fatal or life changing hazards and risks. A matrix of Areas of Significant Risk by geographic locations has been developed and appropriate actions applied in each area to mitigate high risk incidents.

System audits are conducted periodically to measure system status (integrity) and system effectiveness. In 2016, audits were conducted on a number of high risk activities including the mine geotechnical program, crane usage, light vehicle operations, aviation, high voltage electricity and industrial gas production. In each of these high risk areas, improved risk mitigation strategies have been implemented.

OTML applies a behavioural based safety program (iLEAD) which supports communication of management's safety expectations, monitoring of behaviour and the use of safety tools/activities including inspections, hazard identification and job safety observations. A number of leading indicators are tracked and reported against on a monthly basis for compliance with expectations.

OTML has a strong culture of incident reporting and promotes a "no blame" philosophy. Significant incidents are investigated using TapRoot® to identify root cause. In 2016, a group of employees drawn from each work area was trained as TapRoot® users available to support independent investigations. Incident notifications and announcements of planned higher risk activities that may impact others (such as the movement of large cranes on the highway) are communicated to employees and the public via Toksave news bulletins.

In 2016, OTML's priorities have focussed on refreshing the Integrated Safety Management System, addressing controls on higher risk activities, and encouraging safe behaviours through increased participation and engagement with the workforce.

SAFETY PERFORMANCE

OTML reports against the industry standard lagging indicators for Lost Time Injury Frequency Rate (LTIFR), Total Recordable Injury Frequency Rate (TRIFR) and Significant Incident Frequency Rate (SIFR). The LTIFR and TRIFR results were disappointing in 2016 with an LTIR of 0.58 and TRIR of 2.45 compared with previous mine best performance of 0.13 and 1.07 respectively.

Sadly, shortly after the resumption of operations in March 2016, OTML experienced a single fatality. A section of the western pit wall in a faulted zone failed and fell into an accumulation of water in the Centre Pit. A mine worker was caught up in the debris flow. The incident was investigated by Ok Tedi management (supported by independent geotechnical experts) and separately by the PNG Mines Inspectorate, and has resulted in the implementation of stronger engineering and procedural controls of geotechnical risks in the mine.

In 2014, a total of 15.9 million hours were worked. In 2015, the total hours worked were 11.8 million due to the temporary suspension of operation from August through year-end when activities were predominantly of a care and maintenance nature. In 2016, employee and contractor exposure hours reduced to 8.6 million due to a smaller workforce and a 10-month operating year following resumption of operations in March.

OPPOSITE: Mining equipment bucket repairs in the maintenance workshops.

OTML IS COMMITTED TO A SAFETY AND OCCUPATIONAL HEALTH VISION OF "NOBODY GETS HURT – NO HARM" WITH SAFETY AS A CORE VALUE FOR BUSINESS OPERATIONS.

SAFETY AND OCCUPATIONAL HEALTH

It was recognised that resumption of operations in March 2016, after an extended break would pose challenges in hazard and risk identification and management and in restoration of a strong safety culture. To mitigate this risk, all employees were re-inducted with a new Ok Tedi General Safety Induction followed by workplace specific inductions focusing on major hazards and controls. A campaign was implemented to ensure employees' Verifications of Competencies were current after the break in operations.

LAGGING INDICATORS

The following table shows the trend in lagging indicators for each rate category over the past three years for both OTML employees and contractors.

	2014	2015	2016
Hours Worked (million/annum)	15.9	11.8	8.6
Lost Time Incidents	2	4	5
LTIFR	0.13	0.34	0.58
Total Recordable Incidents	17	17	21
TRIFR	1.07	1.44	2.43
Significant Incidents	30	22	10
SIFR	1.89	1.87	1.16

Over half of incidents in 2014 and 2015 related to either light vehicles or heavy equipment usage. In 2015, there were 12 significant light vehicle incidents. In 2016, following a one third reduction in the light vehicle fleet size (and hence reduced exposure), driver training and the introduction of an electronic vehicle tracking system to OTML and contractor vehicles, there were two light vehicle incidents. In 2016, hand and finger injuries predominated despite multiple campaigns focused on awareness, safe procedures and use of task specific gloves. Elimination of hand and finger injuries remains an ongoing focus area.

LEADING INDICATORS

OTML tracks leading indicators via a behaviour based system called iLEAD. Management expectations of safe behaviours (numbers of inspections, job safety observations, hazard identifications) are set and monitored for each level of management. 2016 data is understated due to difficulties for users of the SAP SHE module in entering data, an issue being corrected by simplification of the system in 2017. Going forward, greater emphasis will be placed on the quality of the observation and the interaction with the person being observed.

LEADING INDICATORS	2015 ACTUAL	2016 ACTUAL
Inspections	2,567	1,765
Hazard ID	988	1,233
Job Safety Observations	5,675	3,072

KEY PRIORITIES

OTML's SHEC Steering Committee comprising General Managers and functional Managers has been established to determine priorities and set improvement strategies for the business.

Prior to recommencement of operations in March 2016, the SHEC Steering Committee identified priority areas. Each priority area was assigned to a member of the executive with a mandate to ensure that activities were adequately resourced and progressing according to plan. The strategy was to reinforce systems and processes focused on Life Saving Actions, with a priority to eliminate or mitigate hazards and risks that could result in fatal or life changing accidents.

Strengthening personal accountability for workers' own safety and that of workmates through an improved understanding of risk tolerance and a culture of caring was key. With this purpose, a five-year Safety Plan was developed in 2016 to support the maturing of safety culture from a compliance mode to a commitment mode. The main stages of the five-year Safety Plan are summarised as follows;

- **Year One (2016):** Restoring sound foundations, refreshing systems, processes and procedures and increasing hazard awareness;
- **Years Two - Four (2017-2019):** Encouraging the workforce to take responsibility for safety, using personal safety plans and introducing Safety Champions/ natural leaders in the workforce to influence worker behaviours; and
- **Year Five (2020):** Consolidating a committed safety culture by applying continuous improvement principles.

ABOVE: David Laulau, Mining Operations Manager with Ilok Barok, Open Pit Remote Bulldozer Operator.

2016 safety priorities are summarised below;

- Re-establish iLEAD behaviour based safety program
- Conduct refresher Supervisor safety training
- Refresh risk register and risk management system
- Monitor and control fatigue
- Strengthen geotechnical monitoring and controls in the Mine
- Strengthen incident reporting, analysis & feedback
- Refresh regulatory compliance system
- Conduct medical assessments for high risk roles and people
- Strengthen vector control programs
- Introduce a Management of Change system
- Update the Emergency and Incident Management Plan and conduct drills
- Monitor light vehicles/driver behaviour and improve road conditions
- Upgrade control of cranes and lifting equipment

For 2017 the focus will continue on high risk activities which could potentially result in fatal or life changing injuries. In 2017, there will be an increased emphasis on behavioural programs, clarifying expectations of managers, superintendents and supervisors, refreshing the use of basic safety tools, and engaging the workforce in the use of those tools.

SAFETY AND OCCUPATIONAL HEALTH

SAFETY AND OCCUPATIONAL HEALTH TRAINING

OTML requires all employees, contractors and visitors to complete an appropriate induction prior to entering any OTML controlled work area. The inductions are specific to the work area and role and focus on the local hazards, personal protective equipment, emergency response requirements and muster points. All visitors are required to sign in and out of respective work areas.

A comprehensive program is also in place to train required competencies, verify skills and issue documentation of skills with defined validity periods.

The table below shows the course, number of employees and work hours of training completed in 2015 and 2016. In 2016, safety related training totalled 29,472 hours compared with 16,147 in 2015, due to the temporary suspension of operations. Importantly, the General Site Induction recorded 2,743 persons (employees and contractors) being inducted as part of the return to work after the dry weather event.

	2015 (JANUARY-JUNE)		2016 FEBRUARY – DECEMBER	
SAFETY TRAINING COURSE	NUMBER OF EMPLOYEES	WORK HOURS	NUMBER OF EMPLOYEES	WORK HOURS
General Site Induction	863	7,045	2,743	11,581
Electrical Lock-out-Tag-out	525	2,499	1,543	4,482
Confined Space	132	620	533	2,092
Working at Heights	584	4,392	710	5,706
Cranes & Lifting	7	350	485	3,537
Mobile Equipment	53	1,060	151	1,253
Heavy Vehicle	74	181	168	442
Light Vehicle Equipment	N/A	N/A	473	379
TOTAL	**2,238**	**16,147**	**6,806**	**29,472**

In addition to the above, area specific training was provided to all workers to address particular hazards and risks in those areas.

SAFETY AND OCCUPATIONAL HEALTH COMMUNICATIONS

Safety and Occupational Health communications with employees and contractors is important to maintain the focus on “Nobody Gets Hurt – No Harm” vision. OTML has developed a comprehensive communication plan that includes both formal and informal communication. Daily pre-shift meetings, toolbox talks, Toksaves, safety stand downs and safety alerts are all used to emphasise the importance of safety.

OCCUPATIONAL HEALTH & WELLNESS

OTML’s Occupational Health and Wellness program focuses on Fitness for Work. High risk cases (typically with lifestyle diseases) are screened and a personal health improvement plan is established and monitored by medical staff. In 2016, there were 948 medical assessments completed for employees. Of these, 51 were identified as high risk and placed on a personal health improvement plan.

An illicit drug and alcohol testing program is in place with employees and contractors being subject to random tests and “for cause” testing where justified. In 2016, applying zero tolerance, a total of 30 employees and contractors were dismissed as a result of blood alcohol testing and one person was terminated for use of illicit drugs.

ABOVE: Davidson Malot, checking bearing fitment in a rebuilt engine.

With the recent transition to continuous shift rosters and 12 hour shifts, special attention has been given to the shared responsibility (employer and employee) for identification and management of fatigue. In 2016, a survey was conducted on impacts of the Fly-in Fly-out rosters introduced on restart of operations. Adjustment was made to one of two rosters to provide two additional respite days per cycle to reduce the potential for fatigue. Flight schedules were also adjusted to ensure all workers had reasonable time at home during breaks. In 2016, no incidents were recorded with fatigue as a primary cause.

Vector borne tropical diseases including malaria and dengue fever are present in Bige, Kiunga and to a lesser extent in Tabubil. Fogging is conducted in camps/housing and office areas. Medical staff review cases reported to local hospitals and clinics in an effort to identify the most likely location where infection occurred, so that targeted control programs can be conducted when infection is suspected at work locations.

CASES REPORTED BY TABUBIL HOSPITAL	2015	2016
Tuberculosis (TB)	126	140
Dengue	Not Available	98
Malaria	83	82

SAFETY AND OCCUPATIONAL HEALTH

In 2017, a response is being developed by Tabubil Hospital to address the increase in number of tuberculosis cases now reporting to the hospital.

An Employee Assistance Program is in place to provide confidential counselling and support to employees and their families. A full-time counsellor was recruited in 2016 to strengthen the service previously provided by an as needed consultant counsellor. In 2016, the three most common issues raised with the counsellor were stress (mainly financial), substance dependence and domestic abuse or violence.

A Public Health Officer, attached to the Tabubil Hospital, conducts regular inspections of camp kitchens and food storage areas and tests potable water supplies. An Infectious Diseases Outbreak Management Plan was developed in 2016, to prepare for control of outbreaks of highly contagious illnesses in the camps such as norovirus, measles, chicken pox etc.

INDUSTRIAL HYGIENE

An Industrial Hygiene Program periodically monitors common hazards including noise, dust, lighting, radiation and vibration. Ongoing monitoring of hazards in high risk workplace areas will continue and monitoring results compared to standard exposure rates. Where unacceptable levels are measured, suitable controls will be implemented to reduce worker exposure.

In 2016, a survey was completed by an Australian asbestos consultant, Simtars to evaluate on-site asbestos concentrations including in older buildings likely to be demolished and to plan for the safe removal of such material when required. Of the 201 samples taken, three tested positive for asbestos, indicating that the risk at Ok Tedi is low.

In 2016, an audit of chemicals on site was also completed. Material Safety Data Sheets for chemicals are available at point of issue for all chemicals and periodic training in hazardous materials is given to employees and contractors.

Transformer oils have been tested for the presence of polychlorinated biphenyl compounds and found to be within permissible limits. Appropriate personal protective equipment is provided to control exposure along with access/exposure controls.

SECURITY

Security is managed by OTML's Asset Protection Department (APD), supported by contracted (unarmed) security guards, and the Royal PNG Constabulary (RPNGC), a mix of Provincial Police and Mobile Squad personnel is shared between Tabubil and Kiunga. Interactions with the RPNGC are guided through the APD under a draft Memorandum of Understanding capturing OTML's requirement for compliance with the United Nations Voluntary Principles of Human Rights (UNVPHR). In return, OTML provides support to Mobile Squad personnel with accommodation and messing, vehicles, fuel, air transportation, and renumerates Mobile Squad officers a per diem. OTML also maintains a small cadre of Reservists.

A comprehensive and confidential security intelligence database is maintained to aid investigations and track closure of incidents.

During the temporary suspension of operations in 2015, assets were placed on a care and maintenance basis. An increase in minor theft of diesel was the only significant change from normal experience. Tabubil town continues to be a model town for social behaviour.

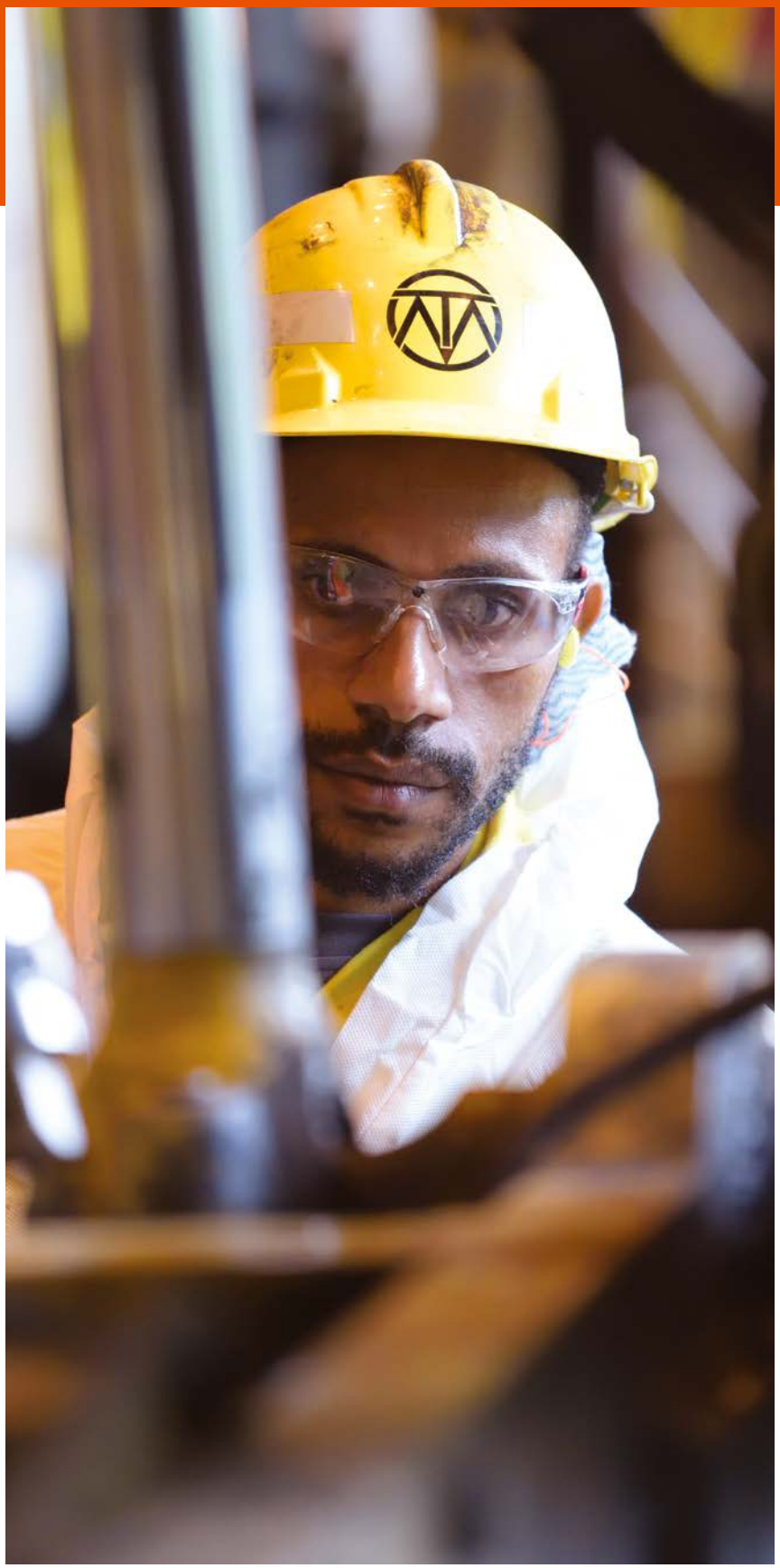
In September 2016, a four day Human Rights course was completed for Tabubil law enforcement officers including the OTML Asset Protection Officers, Contracted Asset Protection Officers and members of the RPNGC. The training was based on the UNVPHR requirements (course content endorsed by United Nations and Australian Aid) and provided content on human rights, skills, knowledge and attitudes to uphold human rights. The training was repeated in Kiunga where a further 19 participants successfully completed the training.

In 2016, there were no human rights grievances filed through the grievance system.

OTML Port Facility Security Officers (PFSO) and Marine Security Guards training was held in Kiunga in November. Training was attended by 21 PSFO participants comprising officers from the Kiunga Police Station, PNG Defence Force Forward Operating Base – Kiunga and OTML Supervisors from Wharf Operations, Logistics – Marine and Fuel, Processing, Kiunga Operations Manager and APD – Fire and Security. Practical exercises relating to assessment, survey and development of a port plan, including table top presentations of scenarios, drills and exercises were completed.

OTML has developed capable Emergency Response Teams (ERT) in each of its key business areas including the Mine, Tabubil, Kiunga and Bige. APD is responsible for first-response including fire-fighting and first aid. Training of ERT members is an ongoing commitment to maintain skills so teams can rapidly deploy in the event of an emergency. Regular reviews were conducted of personnel competency. A paramedic capability is maintained in support of all worksites and during 2016, training was provided to 320 employees on first aid and 373 employees in the use of fire extinguishers.

A review of the Incident Management and Emergency Response System was completed in 2016 by a Crisis and Emergency Response specialist. The review included confirmation of major hazards, and an assessment of current capability and controls in place. The OTML Crisis and Incident Management Plan was updated and standardized across the business and training was provided for personnel with designated roles. Desktop drills were conducted at each location confirming readiness to deal with any emergency.



ABOVE: Renos William, a 2nd year apprentice, inspecting a hydraulic ram on a loader.

ENVIRONMENT

OTML undertakes a comprehensive environmental monitoring program. In 2016, the environmental monitoring was in compliance with the Environmental Regime conditions and there were no fines or imposed penalties. In 2016 the Company spent PGK 184 million (USD 58 million) on environmental programs.

The Ok Tedi mining operations are centred on the Mt Fubilan deposit in the upper Fly River catchment in the remote Star Mountains, Western Province, just to the east of the Indonesian border (Figure 1). The mine is located at an altitude of approximately 2,000 m, in a densely vegetated, mountainous area where the annual average rainfall is approximately 9,000 millimetres per annum. The easily erodible siltstone and limestone outcrops coupled with the high rainfall and steep terrain contribute to a highly unstable geotechnical setting. Localised landslips are common resulting in eroded sediment entering the surrounding riverine system.

In response to the structural instability of the region, OTML was granted permission from the State to discharge treated tailings and waste rock into the local environment. These materials are hydraulically mobilised down the river systems into the middle and lower reaches of the Fly River. At Bige, located 100 km downstream of the mine, approximately 10 Mm^3 of sediment has been dredged annually from the river since 1997/1998 to reduce riverbed aggradation. The sediment is placed in engineered stockpiles that are progressively rehabilitated.

The OTML Environmental team is responsible for monitoring impacts along the 1,000 km downstream riverine system from the mine to the Gulf of Papua and at the port transfer facility in Port Moresby harbour. This includes regular field sampling of water, sediments and aquatic biota, maintaining an extensive hydrological network of monitoring stations along the river system, river bathymetry survey, data analysis and reporting. The Environmental team work with the Community Relations team to provide environmental information for stakeholder consultation.

The comprehensive environmental monitoring program undertaken by OTML is governed by the Ok Tedi Agreement. In 2016, PGK 184 million was spent on environmental programs. These programs include the treatment of the tailings prior to discharge to remove the pyrite component, the addition of limestone to mill feed and waste dumps and the Bige dredging project.

Key responsibilities of the OTML Environmental team include:

- Continued monitoring and assessment of the effects of tailings and waste rock disposal on the downstream riverine receiving environment and the communities who depend upon natural resources throughout the Fly River system;
- Mine based mitigation programs which target a reduction in the amount and effects of sediment disposal to the riverine system;
- Monitoring of the rehabilitation trial performance on the riverine dredged stockpiles at Bige;
- Integrated waste management initiatives; and
- EMS development and implementation.

OPPOSITE: Reuben Lapin, Manager Bige Operations and Kenneth Foster, Bige Rehabilitation officer inspecting Bige revegetation.

OTML IS COMMITTED TO IMPROVING ENVIRONMENTAL PERFORMANCE ACROSS ALL ASPECTS OF THE COMPANY'S OPERATIONS

COMPLIANCE MONITORING

The Ok Tedi Mine, through the Ok Tedi Agreement, is governed by the Ok Tedi Mining Act, 1976, (as amended and supplemented). The schedule to this Act is the Principle Agreement between OTML and the State. The Ninth Supplement Agreement, which was passed through the PNG Parliament in 2001, has adopted the Environmental Regime which contains OTML's environmental management and reporting obligations set against six environmental values. These environmental values relate to:

- water quality downstream of the operation assessed in terms of potability;
- the availability of normal aquatic resources such as fish and edible aquatic flora to meet normal community requirements;
- the safe edibility of these aquatic resources;
- the availability of normal terrestrial resources such as dry land on which to establish gardens, hunt and gather firewood, to meet normal community requirements;
- the safe edibility of these terrestrial resources such as crops and natural forest resources included in the normal dietary intake of the local community; and
- water levels in the main Ok Tedi and Fly River channels to navigation by commercial and village craft.

OTML prepared the Annual Environmental Report (covering the eighteen-month period commencing 1 July 2014 and concluding 31 December 2015) and submitted a copy to the State in June 2016. The change in reporting was requested by OTML from the State in order to realign the reporting period to cover a calendar year, which is expected to be a requirement of the new Ok Tedi Environmental Management Act (OTEMA) Environmental Permit. The Annual Environmental Report for 2016 covering the calendar year is due for submission to the State in June 2017. The findings were that the mine was in compliance with all the Environmental Regime conditions with no fines or non-monetary sanctions imposed. This criteria assessment is summarised on the following page.

OK TEDI ENVIRONMENTAL MANAGEMENT ACT

Following the approval of the Mine Continuation Project in 2013, the Company was advised by the State that a new OTEMA would replace the current Environmental Regime in 2016. The finalisation and implementation of OTEMA is currently pending as it requires National Parliament approval. Under OTEMA, the following environmental changed conditions are proposed:

- Annual reports are to be supplemented with quarterly reports;
- An expanded compliance monitoring program that combines the existing compliance program with a number of other long standing monitors of the effectiveness of OTML's mitigation measures;
- The adoption of existing mitigation measures into compliance requirements to be reported regularly. Key compliance requirements include:
  - Maintaining the quarterly average tailings sulphur discharge content below 1.0% sulphur;
  - Maintaining the quarterly average Net Acid Production Potential (NAPP) in tailings below 30 kg H_2SO_4 / t;
  - Maintaining the annual average NAPP in the waste dumps below 150 kg H_2SO_4 / t;
  - Matching dredging rates to sand delivery at Bige to control bed aggradation downstream of Bige; and
  - Placing non-acid forming covers over the Bige stockpiles and reporting cover quality to the State annually.
- Continued development by OTML of its EMS so as to be consistent with international ISO 14001 standard.

It is expected that the OTEMA will be approved by Parliament in 2017. The OTML Environment Department and Bige Operations have reviewed their operating plans and updated the management systems to align with the new requirements.

MINE COMPLIANCE WITH ENVIRONMENTAL REGIME CONDITIONS

FLY RIVER NAVIGABILITY.

River levels in 2016 were higher than average due to sustained rainfall in parts of the Fly River catchment. The number of open shipping days at Kiunga was 308 in 2016 compared to only 163 in 2015. The river is open for copper concentrate ships when the river height is greater than 6.8 m at Kiunga and closed if the level drops below 5.8 m. Restricted shipping occurs between 6.8 m to 5.8 m.

DISSOLVED AND BIOAVAILABLE COPPER CONCENTRATIONS IN THE RIVER WATER.

A decrease in dissolved copper (dCu) and bioavailable copper concentrations has been observed over the last decade. These decreasing trends are caused by a combination of factors including; implementation of the mine waste tailings project and a decrease in copper cut-off grades. Current life of mine plans predict an increase in the total load of copper discharged to the river due to a projected increase in copper contained in waste rock. This risk will be monitored, and the risk of and quantum of any increase in dCu will be a consideration in the development of medium and long term mine plans into the future.

FISH FLESH METAL CONCENTRATIONS AND TERRESTRIAL FOOD SOURCES ARE WITHIN THE LEVELS OF REGIONAL AND NATIONAL MARKET BASKET STUDIES' AND BELOW THE WORLD HEALTH ORGANISATION (WHO) ESTABLISHED PROVISIONAL WEEKLY INTAKE VALUES.

Levels of the contaminant metals (Cd, Cu, Pb and Zn) in Fly River fish and in terrestrial food were comparable to International and regional (Porgera, Strickland and Fly) market basket and dietary studies. Intake of these metals by both adults and young children are low compared to the WHO thresholds.

FISH BIOMASS REMAINS SUFFICIENT TO PROVIDE FOOD FOR HOUSEHOLDS ALONG THE RIVER.

Analysis of the long term (1983-2016) catch data shows a biomass decrease at all sites monitored with the highest decreases observed closest to the mine. The total biomass reported during 2016 (247.6 kg) was higher than in 2015 (229 kg) implying sufficient fish to meet the community's food needs.

EXTENT OF VEGETATION DIEBACK IN OFF RIVER AREAS AFFECTED BY FLOODING.

Vegetation dieback mapping in 2016 revealed that the total area affected by dieback was 1,954 km^2, a 1.5% increase compared to 2014. In 2016, there was approximately 11 km^2 of new impact (fringe forest). However, this was offset by the transfer of 11 km^2 to Indonesian forestry and oil palm operations.

MONITORING OF POTENTIAL FOR ARD FORMATION WITHIN MINE AND RIVER.

Results of the surveys of sediments in the river system conducted during 2016 indicate that the acid-base chemistry of the riverine sediments continues to improve following the implementation of various mitigation measures, especially the mine waste tailings project. The critical Acid Neutralising Capacity/Maximum Potential Acidity (ANC/MPA) ratio in dredged sediments at Bige increased to an annual average of 2.68 in 2015 and 1.98 in 2016, the sixth consecutive year that the ratio has exceeded the target of 1.5.

UNDERTAKING ECO-TOXICOLOGICAL MONITORING PROGRAMS.

Algal growth inhibition (%AGI) at all compliance sites, except Ningerum and Obo, is below the 5% threshold for significance, as has been the case over the last five years. Bacterial Growth Inhibition (%BGI) at all sites except Nukumba exceeds the 25% threshold value for significance. Between 2015 and 2016 %BGI at all sites except Nukumba have increased including Obo which has generally decreased over the last five years. The improvement in %AGI and to a lesser extent %BGI observed over the last decade is associated with the observed decrease in the concentrations of dissolved copper and bioavailable copper.

WATER IN MAIN CHANNEL SATISFIES DRINKING WATER STANDARDS.

The water in the main channel and the floodplain satisfies drinking water standards if allowed to settle.

TAILINGS AND WASTE ROCK MANAGEMENT

The riverine discharge of tailings and waste rock management continues to be the most significant environmental long term risk for OTML. In the past this has caused sediment aggradation in the river, causing overbank flooding in the middle and lower Fly River as well as decreased aquatic biomass. OTML has implemented a comprehensive series of mitigation projects to reduce the long term impact on the river system including; removal of pyrite from the tailings, addition of limestone to waste rock and tailings to maintain alkalinity in the river system and dredging of sands from the river bed approximately 100 km downstream of the mine at Bige. In 2016, 13.6 Mt of treated tailings was discharged to the upper reaches of the Ok Tedi River, and 34.9 Mt of waste rock was discharged to failing dumps to the north and south of the mine.

Some of the waste rock placed in the erodible dumps is Potentially Acid Forming due to the potential for high sulphur to oxidise causing ARD. To neutralise the potential ARD, limestone is added to the dumps to ensure there is sufficient neutralising capacity within the dumps.

To further assist in neutralising potential acid production from the mining and processing operations, up to 4,000 tonnes per day (tpd) of limestone is added to the mill feed at the primary crusher. The finely ground limestone reacts more readily to neutralise acidity and is transported with the tailings down the river system.

OTML is the only large copper mine to separate sulphides from the tailings prior to tailings discharge as part of the Mine Waste Tailings Project (MWTP). Since 2008 when increased amounts of pyrite ore from Taranaki pit began coming into the mine plan, the thickened tailings from the flotation circuit scavenger cells are pumped to the TPP where they pass through another set of flotation cells to extract the remaining sulphides minerals such as pyrite. The removal of sulphides is to target less than 1% Sulphur in the final tailings which is predominately sand sized particles.

The pyrite concentrate (PCon) produced by the TPP is transported through a 273 mm outside diameter, 125 km long pipeline to designated PCon storage pits on the West Bank at Bige where it is permanently stored sub-aqueously. Scheduled maintenance activities and inspections of the replacement pipeline are conducted on a regular basis.

The PCon storage pits at Bige are within the lease boundary of the West Bank area. The ponds have been excavated deep enough for the PCon to be deposited below the natural water table so that currently and after closure, the PCon is fully submerged to reduce oxygen ingress, preventing the oxidation of the sulphides and formation of acid.

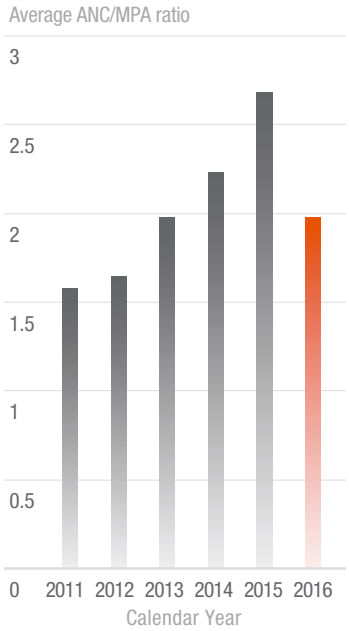
The residual tailings comprising barren sands are discharged into tributaries that flow into the Ok Tedi River and eventually into the Fly River. Tailings are mobilised by the fast flowing streams and held in suspension until the river profile starts to flatten out a short distance upstream of the junction with the Fly River.

To maintain the bulk of the river flow within the confines of the river bed the sediments (comprising natural, tailings and waste rock fines) that accumulate at this short section of river are being dredged at a nominal 10 Mm^3 per annum. The sediments are pumped ashore and hydraulically placed into long-term engineered storage stockpiles located on the banks of the Ok Tedi River at Bige covering approximately 980 hectares (ha).

LEFT: Regina Komboi and Jessica Bablis downloading data from the Edinburgh meterological station.

The graph below shows that the average annual ANC/MPA ratio in dredged material at Bige has consistently exceeded the 1.5 target during the past six years.

AVERAGE ANNUAL ANC/MPA IN DREDGED SEDIMENTS



The stockpile embankments range up to 22 m high with a gradual overall outer slope with swales to reduce surface water runoff velocity. The final placement of non-acid forming sediments on the side slopes and top of the East Bank is underway with completion scheduled in 2018. Annual geotechnical assessments of the stockpiles are completed by independent consultants to verify the construction methods and structure stability follow the design criteria. Revegetation trials on the slopes and top have demonstrated that a good primary and secondary vegetation cover can be established. Progressive revegetation during operations using native trees and plants will continue as final landforms are constructed with final works completed at mine closure.

A key performance indicator on the mining waste management is the ratio of ANC/MPA. The OTML target is to have this ratio exceed 1.5 at Bige. This target ratio results in there being 1.5 times more neutralising material, like limestone, than acid producing material (pyrite).

Internal risk assessments identified a number of primary environmental and human health risks associated with riverine waste disposal. The following table outlines these risks together with the current OTML mitigation strategies and outcomes.

ENVIRONMENTAL AND HUMAN RISKS (IMPACTS)	MITIGATION STRATEGIES	MITIGATION OUTCOMES
Sediment build up in the river system results in overbank flooding in the middle Fly River causing vegetation inundation and dieback.	Removal of riverine sediments by dredge at Bige.	Dredging occurs at Bige to remove the additional sediment being deposited to the river bed as a result of waste disposal practices. The dredge removes 85% of sand passing the Bige site located in the lower Ok Tedi. In 2016, approximately 14 Mt of sand and silt were removed from the river. Monitoring of the river's cross-section at locations downstream of the dredge show that the riverbed is becoming lower downstream of the dredge. The vegetation dieback area of 1,954 km^2 is lower than the original maximum predicted impact area of 2,395 km^2.
Oxidation of exposed pyrite in waste rock dumps and exposed river sandbars adversely impacts river water quality.	MWTP removes pyrite from tailings in the processing plant. Limestone is added to waste rock and tailings (up to 4,000 tpd) prior to discharge.	The MWTP removes 80% of the pyrite from the tailings in order to reduce the risk of ARD formation due to sulphur oxidisation. The removed pyrite is stored in subaqueous containment structures which ensure the material remains unreactive. The sulphur concentration of the sediments in the river system is routinely monitored and evidence has shown a gradual decrease in concentration. The material being dredged at Bige in 2016 was not acid forming and is of sufficiently high quality that it can be used as a final cover layer for the stockpiles at Bige.
Increased copper in the river system can adversely impact river ecology.	Lower grade ore is now processed resulting in less copper in waste rock discharges.	The average dissolved copper concentrations in the river system have fallen year on year to six micrograms per litre (µg/L) in 2016, 40% lower than measured concentrations in 2009. Reducing the dissolved copper concentrations decreased the risk of associated adverse ecological impacts.
Decrease in fish biomass in main river channels.	The removal of excess sediment through dredging operations. MWTP removal of pyrite from tailings in conjunction with the addition of limestone. Decreased levels copper discharge.	Fish biomass levels in the main river channel have decreased on average by 52% due to river sediment increase and decreased water quality. While none of the mitigation strategies directly reverse the fish biomass decrease, they all decrease the overall physical and chemical stresses on the river and hence decrease the risk of further adverse effects on fish biomass.

BIODIVERSITY IMPACTS

The discharge of mine waste to the local river system results in increased sediment deposition on the bed of the river. The resultant heightening of the riverbed over many years has caused an increase in the duration of overbank floodplain inundation. This flooding resulted in the conversion of parts of the forested floodplain to grassed floodplain in the lower Ok Tedi and the middle Fly reaches of the river system. The extent of forest dieback and changes to grassland is monitored annually and reported to the State in the annual environmental report. Due to the dry weather event, no annual monitoring was completed in 2015.

From the 2016 monitoring, the total area impacted by vegetation dieback since the commencement of OTML's operation is 1,954 km^2, an increase of 0.1% compared to the last report in mid-2014. Vegetation recovery extent has increased by 1.8% over the same period and now covers 313 km^2 of the impacted floodplain. The 8.5 km^2 of additional vegetation dieback and stressed vegetation since mid-2014 has occurred along the Middle Fly and has been classified as 'Fringe Dieback'. It was observed on the 2016 satellite imagery around the edges of blocked valley lakes. It is believed to be an impact associated with the initial inundation of the Fly River floodplain following the 2015 El Nino. There has been no change to the area of dieback impact in the Lower Ok Tedi compared to mid-2014. The area of dieback is approaching its maximum likely extent, which is less than the predicted maximum extent of 2,395 km^2.

LEFT: Paulus Pank, environmental officer collecting water samples at Bige.

OTML has monitored fish biomass and species diversity using standardised methods since 1983 and is therefore able to assess the effect of riverine waste disposal on diversity against historical data. The documented decrease in species diversity has been assumed to be solely due to the mine's riverine waste disposal practices. However, there are also other effects potentially impacting fish diversity: increased levels of fishing in the rivers due to increasing population, the implementation of modern fishing equipment, a commercial fishery in the middle Fly River, introduced fish species causing invasion of habitat and EL Nino adversely affecting fish breeding and spawning grounds.

Fish species diversity is monitored annually at three sites in the middle Fly River and reported to the State in the Annual Environmental Report. Decreases in species richness were reported over the monitoring period. OTML will continue to monitor the riverine biodiversity as part of the annual monitoring program and maintain the environmental mitigation projects to reduce the overall impacts.

ENVIRONMENTAL PERFORMANCE

OTML is committed to improving environmental performance across all aspects of the Company's operations and have prepared the 2016 data tables and previous two years of data for comparison. The average % Sulphur in final tailings discharge was 1.12% which was 12% higher than the target value of 1%, and higher than 2015 value. During 2016 with loss of Centre Pit, a higher proportion of high sulphur ore was processed from Taranaki. Spikes in sulphur in ore delivered to the Processing Plant resulted in instability in plant operations and periodically exceeded the capacity of the TPP resulting in higher than target percentage sulphur in tailings.

WATER USAGE

In 2016, total water use was 30% higher than in 2015. This is expected given the reduced operations in 2015 and a 20% lower water usage than in 2014. Recycled water comprised 72% of the water utilised by the processing plant with the remainder derived from freshwater. Overall, freshwater use reduced by 2% from 2015, yet increased by 8% compared to 2014.

ENERGY CONSUMPTION

Open cut mining and the processing of copper ores is an energy intensive industry. OTML's energy intensity index (MWh/t contained copper) decreased from 7.2 in 2015 to 5.2 in 2016.

Fuel costs are a major component of the overall costs of OTML operations and contribute significantly to company greenhouse gas emissions. As a result, high cost thermal energy generation is minimised where possible and hydroelectric base load power is preferred. Hydroelectric power provided 77% of OTML's power requirement through the two hydroelectric generation stations. This represents an increase of 2% compared to 2015 and a reduction of 4% from 2014.

ENVIRONMENT

Diesel is used for all major transportation including the following:

- powering of cargo ships and concentrate barges;
- road transportation of materials and goods from the Kiunga wharf facility to Tabubil town;
- the mining fleet consisting of trucks and shovels and ancillary equipment; and
- supplementary power generation at Tabubil, Bige, Kiunga and outstations.

In 2016, total diesel consumption was 92.3 ML and 29% of this consumption was used for power generation. This was similar to 2014 use.

The total amount of electricity used during 2016 was 414 Gigawatt hours (GWh) of electricity, with 319 GWh being produced from hydroelectricity. Less than one GWh (0.4 GWh) was sold to Ok Tedi Power, a new entity created to manage power distribution and development through Western Province. This was higher than in 2015.

Greenhouse gas emissions were 268,000 t carbon dioxide equivalents (CO_2-e) in 2016. This level of emissions was greater than in 2015.

ENERGY TYPE (CONSUMPTION)	2014	2015	2016
Total energy used (fossil + renewables) (Petajoule (PJ))	5.02	3.046	4.783
Total energy (fossil) (PJ)	3.73	2.163	3.63
Total renewable energy (PJ)	1.27	0.88	1.15
Energy used for transportation (ships, planes, vehicles) (PJ)	2.8	1.58	2.351

ENVIRONMENTAL MANAGEMENT PERFORMANCE	2014	2015	2016
Environmental induction (No. of OTML and contract employees)	2,378	1,037	0
Environmental action plan (% completed)	87	49 (as of Q2)	na
Incidents Level 3+ (Medium, major or catastrophic)	1	1	1

WATER MANAGEMENT	2014	2015	2016
Total water used ('000 m^3)	64,193	39,350	52,083
Freshwater ('000 m^3/% of total)	13,031 / 20	11,771 / 30	14,725 / 28
Recycled water ('000 m^3/% of total)	51,162 / 80	27,579 / 70	37,358 / 72
Freshwater intensity index (m^3/t contained copper)	172	261	184

WASTE MANAGEMENT	2014	2015	2016
Total riverine disposal ('000 t)	66,836	40,699	48,589
Waste rock ('000 t/% of total)	51,905 / 78	30,683 / 75	34,927 / 72
Tailings ('000 t/% of total)	14,931 / 22	10,016 / 25	13,622 / 28
Pcon slurry piped to Bige ('000 t)	1,621	1,154	2,147
Riverine disposal intensity index (t/t contained copper)	881	901	634
Annual dredge slot production rates (Mt)	18.8	10.8	14.1
Average annual % sulphur in waste rock	0.99	1.18	1.29
Average annual % sulphur in tailings	1.13	0.98	1.12
Average annual ANC/MPA in dredged sediments	2.23	2.68	1.98
Average dissolved copper (µg/L) at Nukumba	7	6	6
Scrap metal (t shipped for recycling)	5,014	1,817	2,627

ENERGY AND GREENHOUSE GAS PRODUCTION	2014	2015	2016
Total diesel consumption (ML)	93.9	54.8	92.3
Diesel consumption for power generation (ML / % of total)	25.3 / 27	12.4 / 23	27.1 / 29
Diesel used for machinery / other (ML / % of total)	68.6 / 73	42.4 /77	65.2 / 71
Electricity use (MWh)	432,994	326,335	414,355
Diesel generated electricity (MWh / % of total)	80,146 / 19	81,057 / 25	95,061 / 23
Hydroelectricity (MWh / % of total)	352,848 / 81	245,277 / 75	319,153 /77
Power sold (MWh)	311	343	412
Energy intensity index (MWh/t contained copper)	5.7	7.2	5.2
GHG emissions ('000 t CO_2e)	234	165	268
GHG emissions index (t CO_2e/t contained copper)	3.1	3.7	3.3
New land disturbed this year (ha)	1	6	6
Total land disturbed to date (ha)	2,709	2,715	2,721
Land rehabilitated this year (ha)	1	2	14

na = not applicable

LAND DISTURBANCE

In 2016, six ha of new land was disturbed as part of the Townsville road expansion. This brings the total cumulative disturbance at all operational sites to 2,721 ha. During 2016, 14 ha of Bige stockpiles were rehabilitated using a mixture of grasses and tree species. No land rehabilitated currently meets the end land use criteria.

MINE CLOSURE PLANNING

OTML is required to prepare an updated Mine Closure Plan, Mine Area Rehabilitation Plan and Social Impact Assessment every three years. During 2016, a suite of updated Mine Closure Plan documents were prepared using the latest information based on disturbances, proposed mine plan and learnings from the Bige rehabilitation trials. The closure cost model was also updated using July and August 2016 actual costs for equipment and administrative costs. Revised quotes for third party equipment and consumables were adopted as inputs to the cost model. These documents were submitted to the State agencies in November 2016 for review.

In preparation for closure in 2024, OTML has USD 229 million (PGK 594 million) in an offshore trust fund for closure works. Financial modelling has demonstrated that the principal amount will more than meet the financial needs for future closure based on normal financial investment returns.

Progressive rehabilitation at Bige includes the outer slopes and crown areas of the Eastern stockpile. A combination of mechanical and hand planting techniques using local community labour has demonstrated a viable revegetation strategy exists. It is expected that the approach will continuously evolve and the long term sustainability assessed through a monitoring program.

At the Mt Fubilan mining area, with planned expansion of the pit due to cutbacks, there has been no progressive rehabilitation. However, self-seeding and revegetation of areas of the older pit wall and benches has occurred.

ENVIRONMENTAL COMPENSATION

OTML reports on the amount of environmental compensation paid to communities and landowners as direct payment for damage to crops, gardens, waterways in the event of a process or chemical spill or other mine related incident. No significant spills occurred off site in 2016. These are reported as non-CMCA related payments. In addition, annual compensation payments were made to the nine CMCA regions as direct reparation due to legislated continued use of riverine tailings discharge. In 2016, payments totalled PGK 71.67 million or USD 22.64 million.

ENVIRONMENTAL COMPENSATION	2014 (PGK) (M)	2015 (PGK) (M)	2016 (PGK) (M)
Non-CMCA related	0.02	0.04	0.07
CMCA related	58.07	41.00	71.60
Total	**58.09**	**41.04**	**71.67**

ENVIRONMENTAL COMPENSATION	(USD) (M)	(USD) (M)	(USD) (M)
Non-CMCA related	0.01	0.02	0.02
CMCA related	22.87	14.92	22.62
Total	**22.88**	**14.94**	**22.64**

NON-MINE WASTE MANAGEMENT

OTML has an Industrial Sites Management Program which details the environmental management of the various OTML operations. The program involves the identification, quantification and management of contaminants and waste streams from all operational areas, to reduce the potential for contaminated sites to develop with management focus prioritised on perceived environmental risk.

The Company has developed an integrated waste management program that is actively collecting and sorting materials that can be recycled to reduce landfill. Key programs include:

- Revised waste management procedures and introduction of these across the site;
- Use of recycled water in the processing plant; and
- The collection and transportation of 2,627 t of scrap metal to Port Moresby by PNG Recycling.

SOCIAL RESPONSIBILITY

OTML conducts its operations in a socially responsible manner, respecting the rights and cultural heritage of impacted communities. OTML has demonstrated it can provide long term social benefits when communities, other stakeholders and governments collaborate to balance the environmental impacts of mining with the economic benefits of development.

The Company maintains regular and open dialogue with the CMCA communities and National and Provincial governments. This dialogue is based on Free and Prior Informed Consent principles to which OTML subscribes. OTML has developed and applies a comprehensive Community Relations system that provides processes and tools to address impacts and grievances, and respects human rights and local cultures. The system is described in the OTML Community Relations Manual which is available on the OTML website: **www.oktedi.com**.

Ok Tedi's Community Relations programs focuses on developing partnerships with local communities, government and businesses in order to improve long term social and economic development in Western Province and the Telefomin District. The program has been developed through consultation with the CMCA communities and complement initiatives of government, aid agencies and Non-Government Organisations (NGOs) working in the region.

Delivery and management of major programs is primarily through the Ok Tedi Development Foundation (OTDF), a not-for-profit entity, funded directly from OTML. OTDF aims to build capacity and self-sufficiency within the local communities in order to develop long term sustainable outcomes. OTML supports OTDF by providing resources and staff to participate on various Boards and Trusts, strategic planning support, technical services, networking assistance, and financial and in-kind resources.

The commitment to social responsibility covers all phases of the mining project life cycle from exploration, construction, operations and mine closure activities.

PNG, Western Province and the communities obtain enduring benefits from OTML through employment, dividends, taxes and royalties, goods and services, TCS projects, training, capacity building and economic and social development programs.

COMMUNITY MINE CONTINUATION AGREEMENT

This agreement defines the cash compensation, investment and development payments that OTML will make to the 157 CMCA communities affected by the operations. The communities are grouped into nine CMCA regions (Figure 1) and represent over 123,000 people. The nine CMCA regions extend from the mine in the north to the Fly River delta in the south. Each region is represented by four representatives, including at least one woman. A total of 36 elected community members comprise the CMCA Working Group and attend the delegates meetings along with government representatives, OTML, churches, women and youth organisations and NGO's.

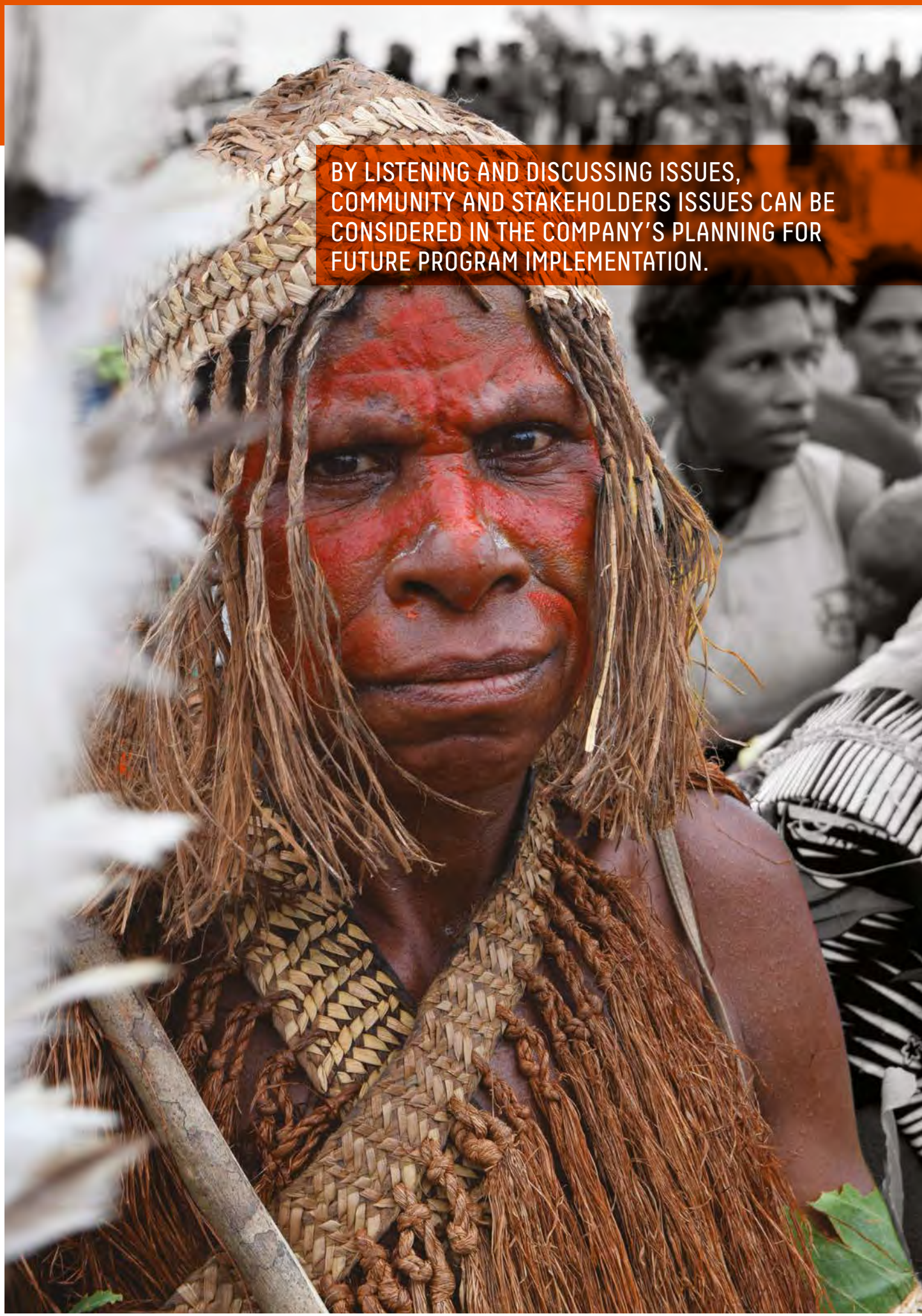
COMMUNITY CONSULTATION

OTML seeks to build transparent and collaborative relationships with its stakeholders based on trust and respect. By listening and discussing issues, community and stakeholders issues can be considered in the Company's planning for future program implementation.

The Community Relations department is responsible for formal and informal community consultation and managing the dissemination of information to the communities. In previous years the CR department has completed bi-annual patrols to all 157 CMCA communities. In 2016, a single annual patrol was completed in May and June.

OTML uses the meetings to provide feedback on issues previously raised, provide information updates on mining operations, environmental impacts and social responsibility programs managed through OTDF. The community is able to raise concerns and these are recorded as requests or grievances for follow-up and resolution.

OPPOSITE: Aiambak-Lake Murray Road opening celebrations, March 2016.



BY LISTENING AND DISCUSSING ISSUES, COMMUNITY AND STAKEHOLDERS ISSUES CAN BE CONSIDERED IN THE COMPANY'S PLANNING FOR FUTURE PROGRAM IMPLEMENTATION.

In May 2016, four patrol teams comprising representatives from OTML Community Relations, government, CMCA regional leaders and OTDF scheduled the visits to 73 villages across 12 days. Mine villages and others located in North Ok Tedi, Highway and Lower Ok Tedi were visited. A total of 58 meetings were conducted as some neighbouring villages combined meetings and eight were postponed due either to logistic or community member bereavements. Approximately 5,500 community members attended the meetings.

In June 2016, three patrol teams scheduled visits to 84 Middle and South Fly villages. Four villages could not be visited due to poor weather conditions. Over 9,000 community members attended the meetings.

The aim of the meetings was to disseminate and update the communities on current developments at Ok Tedi following the resumption of operations after the dry weather temporary suspension. Key information disseminated included:

- Ok Tedi – New Vision;
- OTML cash payment schedule for 2016;
- CMCA population census planned for 2017;
- The 33% shareholding distribution between the three Western Province entities;
- CMCA company registration update;
- Proposed split of CMCA package and outcomes of this negotiation;
- Tailings Storage Facility study update; and
- Bige dredge and pyrite storage facility updates.

The communities raised a number of issues that were addressed at the meetings or taken on notice for follow-up by management and further discussion. These include:

- The 33% shareholding and split between the three shareholders and perception that Fly River Provincial Government allocation was too high;
- The CMCA cash payment confusion around the split between cash and projects;
- The Tailings Storage Facility study and support for its development to provide direct and indirect benefits for North Fly communities;
- Cash payment accounts and census;
- Change to Fly-in Fly-out has reduced the local market economy with less customers in town to buy produce;
- The impact on South Fly communities on the court case freezing funds; and
- The creation of CMCA Holdings Limited and its role in managing the CMCA communities 12% OTML shareholding.

In the last twelve years, there has been no major community disruption to OTML operations and the Company generally enjoys a healthy working relationship with the communities and this has generally been attributed to continuous consultation and prompt resolution of issues.

OTML COMPLAINTS AND GRIEVANCES

OTML developed a Complaints and Grievance Management System (CGMS) which was deployed in 2014. The integrated on-line system enables rapid capture of a complaint or grievance from the community or other persons and has a formal seven stage escalating resolution process. Information on CGMS can be found on the OTML website: **www.oktedi.com**.

The process meets the guidance from the United Nations and International Finance Corporation for the Resource Sector development of a grievance mechanism tool as a means of empowering human rights and resolving grievances.

Complaints are usually raised by the community with CR officers during patrols, or lodged at the Tabubil or Kiunga offices. The system supports considered responses and enables managers to analyse trends by complaint type, region or complainant. Complaints can be resolved and closed out at any stage if a complainant is satisfied with the outcome.

In 2016, a total of 361 complaints or queries were lodged in the system and were successfully closed out by the Community Relations team. Of the complaints, 74% were regarding compensation and payments and this comprised family CMCA cash (PGK 338,442) and specific claims for compensation (PGK 7.8 million). Following investigations the majority of the claims were found to be not genuine and dismissed. The Highway, Middle Fly and Mine villages had the most complaints registered.

COMPLAINT BREAKDOWN 2016	NUMBER OF COMPLAINTS
Compensation and payments	267
Safety and security incidents	5
Local employment and business opportunities	9
Land and local culture	12
Infrastructure, health and education	17
Internal issues/Leadership	3
Information, procedure, protocol breaches	28
Environment and emergencies	10
Stakeholder relationship	3
Other	7

SIGNIFICANT DISPUTES RELATING TO LAND USE OR CUSTOMARY RIGHTS

During 2016, three major disputes were still before the courts. These could potentially impact OTML operations if not resolved.

CASE	DESCRIPTION
South Fly Leaders vs. State and OTML	Stopping those with legal authority to use the Western Province Dividend Trust Funds and the four South Fly Regions Development Trust Funds for development purposes from accessing it. Instituted by South Fly Leaders including a number of Local Level Government Presidents.
Mohomal Kweiptan Clan vs. recognised landowners	Case against the current recognised landowners claiming that they are the true landowners.
	Submitted an application for Integrated Land Group covering 72,200 ha which was objected to in 2012. The area is inclusive of Tabubil Township, SML, Ok Menga Hydroelectric station and the six mine villages.
Wanangsegeun vs. Awonkalin and Ningalin	Dispute over ownership of Tabubil Township land between the three clans (Wanengsegun, Awonkalin and Ningalin) of Wangbin village.

OK TEDI DEVELOPMENT FOUNDATION

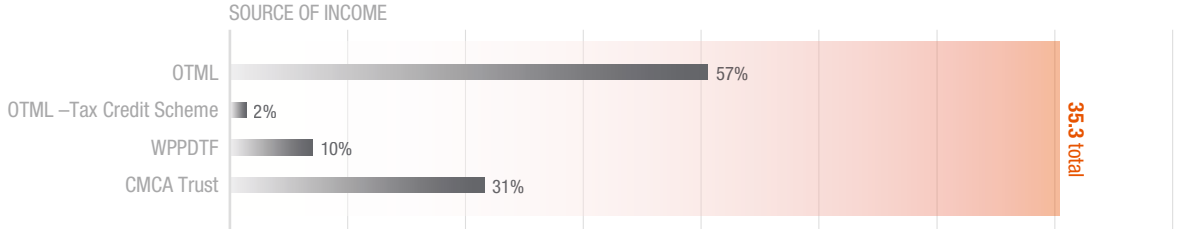
The OTDF was established in 2001 under the Ok Tedi Mine Continuation (Ninth Supplemental) Agreement Act as a tax-free entity. The OTDF's vision is to ensure the self-sustainability and to improve the quality of life of all Western Province communities with consideration for the peoples of the Telefomin District of the Sandaun Province. The four key principles underpinning the OTDF's day to day operations are:

- Effective management and implementation of regional development programs;
- Strengthening partnerships and involvement with all stakeholders;
- Prudent financial and operational systems management and accountability; and
- Open and transparent communications.

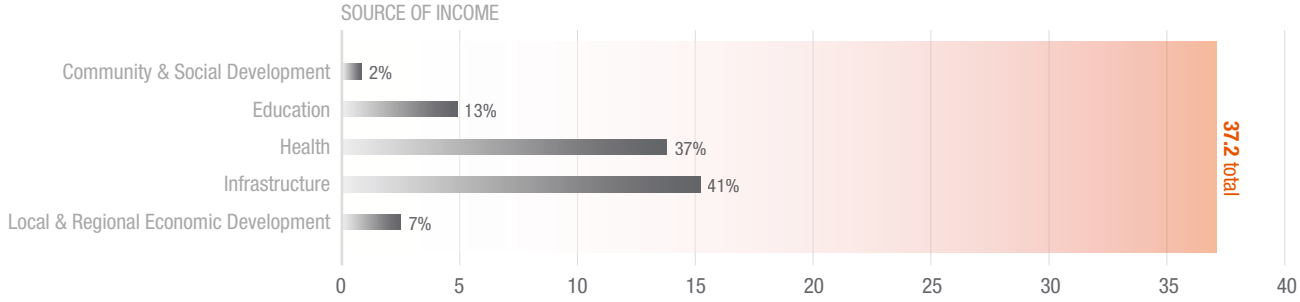
The OTDF is managed by a Board and in 2016 rolled out a new five year strategic direction in anticipation of becoming less reliant on direct funding from OTML. OTDF assumes greater responsibility as the development vehicle for Western Province. Focus is on the five key sectors, namely; Health, Education, Community and Social Development, Infrastructure and Local and Regional Development. Project and program funding for OTDF is primarily from CMCA Trusts and Western Province Peoples Dividend Trust Fund (WPPDTF), and indirectly from OTML.

SOCIAL RESPONSIBILITY

OK TEDI DEVELOPMENT FOUNDATION - SOURCE INCOME, 2016



PROGRAM EXPENDITURE BY SECTOR 2016



Detailed information on the program delivery for 2015 and 2016 can be found in the OTDF Annual Reports and on the OTDF website: www.otdfpng.org. A short summary of key community achievements is shown in the following pages.

COMMUNITY DEVELOPMENT

COMMUNITY HEALTH

OTML has provided significant resources so the community can access quality health services in Western Province. The Company works closely in partnership with health service providers including the Western Province Provincial Health Department, various church based providers, NGOs and private health providers.

The Tabubil hospital is an accredited five-star facility and is managed by Diwai Pharmaceutical Limited a commercial subsidiary of Divine Word University (DWU). The hospital provides services to the North Fly District and Telefomin communities. The hospital is also used by DWU has a rural health teaching hospital for medical undergraduates. In 2016, OTML funded the operation of the hospital at a cost of PGK 12 million with the FRPG contributing PGK 2.6 million. In 2016, only 25% of the patients treated at the Tabubil hospital were OTML employees.

The North Fly Health Services Program (NFHSDP) funded by OTML since 2009 supports the development and operations of the Tabubil Urban Clinic and Kiunga hospital. These facilities are managed by Abt Associates; a private medical organisation in partnership with the FRPG health department and church health providers. The Tabubil Urban Clinic provides primary health care services and reduces the demand on tertiary health care services at Tabubil hospital. The clinic undertakes regular health patrols, radio health consultations and completed 25 outreach clinics to remote communities in 2016. A community health education program delivered resources on tuberculosis, malaria, sexual health and personal hygiene.

The NFHSDP program supports the Kiunga hospital, through management and administrative input. The hospital has been recently upgraded through a works program and considerable donations from volunteers and companies. The hospital is a four-star facility servicing communities across North Fly but increasingly from other districts and provinces.

ABOVE: Eye testing patients at Kiunga hospital.

Abt Associates have worked with the health partners to develop a two year transition plan to hand over the Program to the Government and Health Service Providers. The Plan focuses on the transition from direct clinical inputs towards working with partners to identify impediments in achieving sustainable health services and maintaining the significant health improvements in the Western Province during the past eight years.

The CMCA communities identified that provision of rural health services was a high priority across the province and approached OTML in 2009 about assisting in improving health services in the rural areas. OTML provided funding for five years, creating the NFHSDP, which is managed through OTDF. The program was extended in 2014 for another five years and the total value over the 10-year period is PGK 58 million. In 2016, OTML provided PGK 7 million to the NFHSDP.

In 2013, a similar program, the Community Mine Continuation Agreement Middle and South Fly Health Program (CMSFHP) commenced with PGK 43 million funding from the CMCA portion of the WPPDTF. In 2016, both the NHFSDP and CMSFHP were integrated into a single program in order to create greater efficiency, maximise service delivery and reduce overhead costs. The program is implemented by Abt Associates. The programs are aligned with the PNG National Health Plan 2011-2020.

Since the implementation of the program, there have been significant improvements in all 16 health indicators across the Western Province. The PNG National Department of Health completes an annual Sector Performance Annual Review and the current report (2015) shows that Western Province is ranked 4th out of the 22 PNG Provinces and well above the national average.

WESTERN PROVINCE HEALTH SECTOR PERFORMANCE 2007 AND 2015				
	NFHSDP		CMSFHP	
HEALTH INDICATORS	2007	2015	2007	2015
Antenatal 1st Visit Coverage (%)	57	123	29	43
Malaria Incidence per 1,000 Population	479	230	126	36
Outreach Clinics per 1,000 Children < 5 years	17	66	4	27
Pentavalent Vaccination Coverage (%)	55	90	7	30
Measles Vaccination Coverage (%)	45	73	-	-
Facility Births with Low Birth Weight (%)	10	4	-	-
Outpatient Visits per Person per Year	-	-	1.3	1.5
Couple Years Protection for Contraception	-	-	726	916

EDUCATION

In 2015, the Community Education Service (CES) was transferred from OTML to OTDF management as part of consolidating community development initiatives for all mine affected communities under OTDF. Using a similar model as used in the health sector, OTDF has improved co-ordination of educational services with various partners including the Fly River Education Department and other development partners. The investment in human capital is recognised by the community as a way of improving the long term economic and social conditions in Western Province. The program has focused on three key areas:

- **Institutional Development:** building capacity for delivery of education through Flexible Open Distance Education (FODE) services for out of school youth and adults;
- **Scholarships:** improving access to secondary and post-secondary education opportunities for children and youth; and
- **Facilities infrastructure:** providing accessible, well managed and maintained FODE facilities.

In 2016, the CES program established six new FODE centres bringing the total number to eight in Western Province. There were 592 enrolments in FODE (Grade 9-10) and adult matriculation courses. During 2016, community patrols and enrolment visits resulted in 383 new enrolments for the 2017 year from the Middle and South Fly district.

The scholarship program is funded by the CMCA Trust, Mine Villages and the OTML Preferred Area. In 2016, PGK 3.46 million was committed to ongoing scholarships studying at secondary to tertiary level. In 2016, 106 post-secondary students graduated with various Diplomas or Bachelors in technical trades, agriculture, teaching, nursing and other disciplines.

In 2017, there were 203 students scheduled to continue their studies and a further 287 new scholarship places on offer, bringing the total number of scholarships up to 490 students.

WOMEN, CHILDREN AND YOUTH PROGRAMS

Women's Associations have been established in eight CMCA regions and manage 10% of the total CMCA compensation funds. The Women's Association has developed a 10 year Women and Children Action Plan and in 2016 has worked on implementing real estate investment portfolios, small development projects and capacity building. The Women's Association has lead the way in securing longer term income flows that can benefit their communities past mine closure, by investing in real estate in Western Province and Port Moresby. Five Women's Associations have invested in real estate totalling PGK 13.5 million with expected annual returns of 8%. In 2017, the priority will be on leadership training and small village project delivery. The Women's Association has also engaged with the region's more vulnerable and disabled women to better understand how the Association can be more inclusive of them and their children, in new projects and programs.

One of the issues for Western Province is the high levels of youth unemployment and their formal engagement in the planning and decision making in community development. OTDF have worked with the CMCA youth to form a Youth Development Program. In 2016, OTDF and the National Youth Development Authority facilitated an Action Planning Workshop and prepared a five year Action Plan with nominated representatives from each CMCA. The action plan identified nine priority areas for implementation in 2017, using their Trust Funds including; improving quality of young people's lives, nurturing sustainable livelihoods, strengthening institutional capacity and youth and identity.

CMCA TRUST PROJECTS

The expenditure allocation for the projects under the care of CMCA's Trust Development Projects by category and region are shown in the tables below.

PROJECT CATEGORIES	EXPENDITURE PGK (M)	PROPORTION (%)
Health	0.98	9
Education	3.4	32
Local & Regional Economic Development	2.1	19
Community & Social Development	2.4	23
Infrastructure	1.8	17
Total	**10.7**	**100**

TRUST REGION	EXPENDITURE	PROPORTION (%)
Middle Fly	1.0	10
Nupmo	0.42	4
Tutuwe	1.6	15
Wai Tri	3.0	28
South Fly (Dudi, Kiwaba, Manawete, Suki Fly, Gogo)	0.11	1
Mine Villages	4.5	42
Total	**10.7**	**100**

Further information on OTDF activities can be found on the website: www.otdfpng.org and in the OTDF 2016 Annual Report.

CMCA REGIONAL DEVELOPMENT PROJECTS

OTDF has worked with the CMCA communities and trustees over the past years to determine the appropriate mix of projects that can move the communities towards a self-sustaining future. The project mix has included major infrastructure including roads, bridges and jetties which will reduce the travel time and costs for remote communities and encourage trade through access to markets. New buildings for community health, education and meeting places have been progressively constructed across the Province as well as solar power, water and septic systems. Considerable gains have been made by working with communities to improve food security benefits by increasing production of subsistence crops (rice, root crops, chickens, ducks and fish) and scaling up production to enable cash sales for excess produce. Further agricultural projects that can provide long term income have been established including rubber and eaglewood plantations.

Through the OTDF extension officers, external experts and NGO's, agricultural programs have made positive changes to families and communities, as they are able to move from a subsidence lifestyle into a broader economic market as suppliers of agricultural products.

Further information on OTDF activities can be found on the website: www.otdfpng.org and in the OTDF 2016 Annual Report.

ECONOMIC CONTRIBUTION

OTML provides significant funds towards socio-economic development both directly through provided services and infrastructure, specifically for the benefit of the community and indirectly through the facilitation of community access to services and infrastructure. OTML has developed a number of partnerships and service delivery is through the OTDF. OTML's economic contribution to PNG and the Western Province is through the following payments:

- royalties from sales of copper, gold and silver product;
- salaries paid directly to employees;
- capital and operating expenditure to suppliers of goods and services in PNG;
- payments under the various land and community agreements;
- various business taxes including, company, payroll, goods and services and the TCS;
- donations and investments in community development programs; and
- investment in local and regional infrastructure including roads, bridges, jetties, hospitals, schools.

Payments to the PNG economy in 2016 were approximately PGK 951 million, which was significantly higher than PGK 565 million in 2015, but less than 2014. Taxes and levees paid to the PNG Government was approximately PGK 101 million, higher than in 2015 but about one third of the 2014 payment of PGK 356 million. A dividend payment of PGK 150 million was declared for shareholders. A royalty payment of PGK 30.7 million was made to the FRPG and landowners.

The TCS expenditure was lower at PGK 12.4 million compared to 2015 and 2014 expenditure, due to the losses incurred in 2015 during the dry weather event. Goods purchased in PNG increased to PGK 285 million compared to PGK 136 million in 2015. Payments to contractors were higher than in 2015, however salary and wages were about the same due to the reduction in workforce numbers.

CONTRIBUTION TO LOCAL COMMUNITIES AND THE PNG ECONOMY						
	PGK (M)			USD (M)		
	2014	2015	2016	2014	2015	2016
Taxes & levees paid to PNG Government	356.8	72.3	101.2	140.5	26.3	32
Dividend paid	-	-	-		-	-
– PNGSDP	-	-	-	-	-	-
– Government	101.4	-	100.5	40.9	-	31.7
– Fly River Provincial Gov't, MRA, mine villages	15.0	-	-	6.1	-	-
Total Dividend paid	116.4	-	100.5	47.0	-	31.7
ROYALTY PAYMENT						
– Western Provincial Government	22.6	9.3	15.8	8.9	3.4	5.0
– Land owners	22.6	9.3	15.7	8.9	3.4	5.0
– Less: Royalty tax – Land owners	(1.1)	(0.5)	(0.8)	(0.4)	(0.2)	(0.3)
subtotal	**44.1**	**18.1**	**30.7**	**17.4**	**6.6**	**9.7**
TAX CREDIT SCHEME						
– Health	1.2	5.0	2.0	0.5	1.8	0.6
– Education	5.6	4.0	2.6	2.2	1.5	0.8
– Roads, bridges, airport	4.4	13.5	3.2	1.7	4.9	1.0
– Utilities	6.4	1.8	4.6	2.5	0.7	1.4
subtotal	**17.6**	**24.4**	**12.4**	**6.9**	**8.9**	**3.9**
Goods purchased in PNG	368.1	135.9	285.4	145.0	49.5	90.2
PNG contractors	217.1	147.8	258.9	85.5	53.8	81.8
Local training costs	8.2	5.7	3.0	3.2	2.1	0.9
Salaries and wages	241.7	161.2	159.5	95.2	58.7	50.4
TOTAL	**1,370.0**	**565.5**	**951.5**	**540.6**	**205.8**	**300.5**

LEFT: ABT, JTA Nurse vaccinating a child as part of annual health patrols.

DONATIONS

OTML received various requests for donations by recipients. The applications were reviewed and in 2016, PGK 27,000 was paid to various recipients.

CMCA PAYMENTS

The CMCA provides specific funding on an annual basis to mine affected villages in the eight Trust Regions and the six mine villages. The funding includes reparation for the mining induced impacts on the environment. Certain agreements require that OTML seek consent prior to making material changes to its operations and hence make investment and development payments to the eight Trust Regions and six mine villages. To mobilise the Trusts, the Village Planning Committees (VPC) are empowered to identify and prioritise sustainable development projects. The Board of each Trust meet every quarter to approve new projects submitted by the VPC's and review the progress of the projects under construction.

ROYALTY PAYMENTS

In 2016, OTML paid PGK 30.7 million in royalties based on the copper and gold production. The royalties were split to the following recipients:

ROYALTY RECIPIENTS	2014 (PGK M)	2015 (PGK M)	2016 (PGK M)
Fly River Provincial Government	22.6	9.3	15.8
Landowners	21.5	8.9	14.9
National Government (IRC withholding tax)	1.1	0.5	0.8

COMPENSATION PAYMENTS

OTML makes annual compensation payments. These payments typically cover payments for the various leases, general compensation payments to CMCA communities, including mine landowner projects, environmental and other general compensation.

In 2016, compensation payments totalled PGK 79.7 million which was higher than that paid in 2015. The payment of PGK 30.1 million under the 8th Supplementary Agreement covered a payment withheld in 2015.

	2014 (PGK M)	2015 (PGK M)	2016 (PGK M)
Land Lease to Villages	5.5	5.5	4.9
8th Supplemental Agreement	14	0	30.1[1]
CMCA	44.1	41	41.5
Mine Villages Benefits	3.4	1.4	3.1
Compensation/other	0.1	0	0.1
TOTAL	**68.2**	**48.0**	**79.7**

Note: 1 payment covered both 2015 and 2016.

In 2014 to 2016, the following funds were deposited to the various groups and trusts:

GROUPS AND TRUSTS	2014 (PGK M)	2015 (PGK M)	2016 (PGK M)
Mine Landowners	3.42	3.42	3.07
Development Fund	15.96	4.74	2.55
Women & Children Fund	5.12	5.15	3.54
Investment Fund	7.56	2.50	1.68
Special Compensation	22.73	31.37	33.76
Logi, Kawok, Komokpin Villages	1.83	0.0	1.83
Total	**56.6**	**47.2**	**46.4**

TAX CREDIT SCHEME

The Tax Credit Scheme (TCS) was established by the PNG National Government in 1996 to deliver infrastructure and development projects to the Province in which the resource company operates. This funding stream is poorly understood and is often seen to be the CMCA development funds, where in fact it is the National Government's direct funding for projects from the taxes collected in the Province where they were generated. The TCS guidelines issued by the Internal Revenue Commission and Department of National Planning and Monitoring, define the types of projects that qualify for TCS funding. The funding is based on the lesser of the income tax payable for the year or 0.75% of assessable income.

OTML's TCS was established in 1997 and has provided significant development and impact project funding to the Western and Sandaun Provinces, worth up to PGK 328.8 million. During 2015 and 2016, a number of infrastructure projects were completed.

In 2016, the OTML TCS contribution was PGK 12.4 million. The TCS projects included:

YEAR 2016	CONTRIBUTION PGK (M)
HEALTH	
Balimo Hospital project	1.71
Tabubil Hospital Staff Housing projects	0.25
EDUCATION	
Montfort Primary School Infrastructure	2.48
Oksapmin High School Development project	0.11
ROADS, BRIDGES, AIRPORTS & BUILDINGS	
Kiunga Sub-Division project	0.15
Fly River Jetty Projects – 5 locations	3.09
UTILITIES	
Kiunga Town Water & Sewerage Supply	4.56
TOTAL	**12.4**

ABOVE: During the drought, OTML and OTDF funded emergency rice donations to remote communities.

LOCAL BUSINESS SUPPLY CHAIN

OTML is the largest business in Western Province and relies on PNG and International supply chains for goods and services. The PNG supply chain includes large multinational companies that have offices in PNG, including Hastings Deering (PNG), the Caterpillar mining equipment suppliers and service agents. The Company policy is to source locally manufactured or supplied goods or services where they are competitively priced and meet the required quality. Many of the suppliers are Small to Medium Enterprises that are headquartered in the Western Province.

The OTML Supply and Logistics department engages over 200 suppliers and 150 service providers. Local businesses that have been proven suppliers usually have well developed management and governance frameworks, which provide them with the capacity to be awarded larger and more complex contracts with OTML.

In 2016, there were 130 contracts raised with various suppliers of which 49 contracts or service orders were awarded to PNG or PNG/Joint Venture companies. The total value of goods and service contracts sourced from PNG suppliers was PGK 285 million or 52% of all goods. Of this, PGK 51.5 million was sourced from within the Western Province, with over PGK 50 million from Tabubil suppliers.

BREAKDOWN OF PURCHASES OF GOODS BY LOCATION (MILLION)

	2014		2015		2016	
ORIGIN	PGK	USD	PGK	USD	PGK	USD
Western Province	72.6	28.6	85.1	30.9	51.5	16.3
National Papua New Guinea	295	116	50.8	18	234	73.9
Overseas	312	123	216	78.6	261	82.3
TOTAL	**680**	**268**	**352**	**128**	**546**	**172**

BREAKDOWN OF PURCHASES OF GOODS IN WESTERN PROVINCE (MILLION)

	2014		2015		2016	
LOCAL PURCHASES IN WESTERN PROVINCE	PGK	USD	PGK	USD	PGK	USD
Daru	84.2	33.1	-	-	-	-
Kiunga	10.8	4.2	0.16	0.06	1.1	0.35
Tabubil	61.8	24.3	84.9	30.9	50.4	15.9
TOTAL	**72.6**	**28.6**	**85.1**	**31.0**	**51.5**	**16.3**

FINANCE

Following the resumption of full operations in March 2016, OTML strengthened its financial position, generating PGK 338 million of cash (net of investing activities). This enabled debt accumulated during the outage to be repaid by October 2016 (two months ahead of plan) and a cash balance of PGK 179 million (USD 56 million) to be held as at 31 December 2016.

DISCUSSION OF DRY WEATHER EVENT

Mining and processing operations were temporarily suspended in August 2015 due to the DWE. There was no production from September 2015 to February 2016. This impacts on the comparability of annual results with the financial performance reported including 12 months for 2014, 8 months for 2015 and 10 months for 2016.

During the DWE, the Company continued to incur costs for care and maintenance and operational readiness activities. The Company also retained personnel to ensure assets were secure and available for use upon resumption of operations.

All employees were temporarily stood down and were paid an allowance as a means of retaining OTML's trained workforce. Financial assistance was provided to employees during this period of uncertainty. Those who worked during the DWE were paid their normal salary for days worked. However, all benefits were suspended.

Arrangements with all contract service and equipment providers were re-negotiated during the period when the temporary suspension was declared.

Gross operating costs incurred in January and February 2016 totalled PGK 66 million (USD 21 million). As a result the Company incurred losses for these months given the absence of any production.

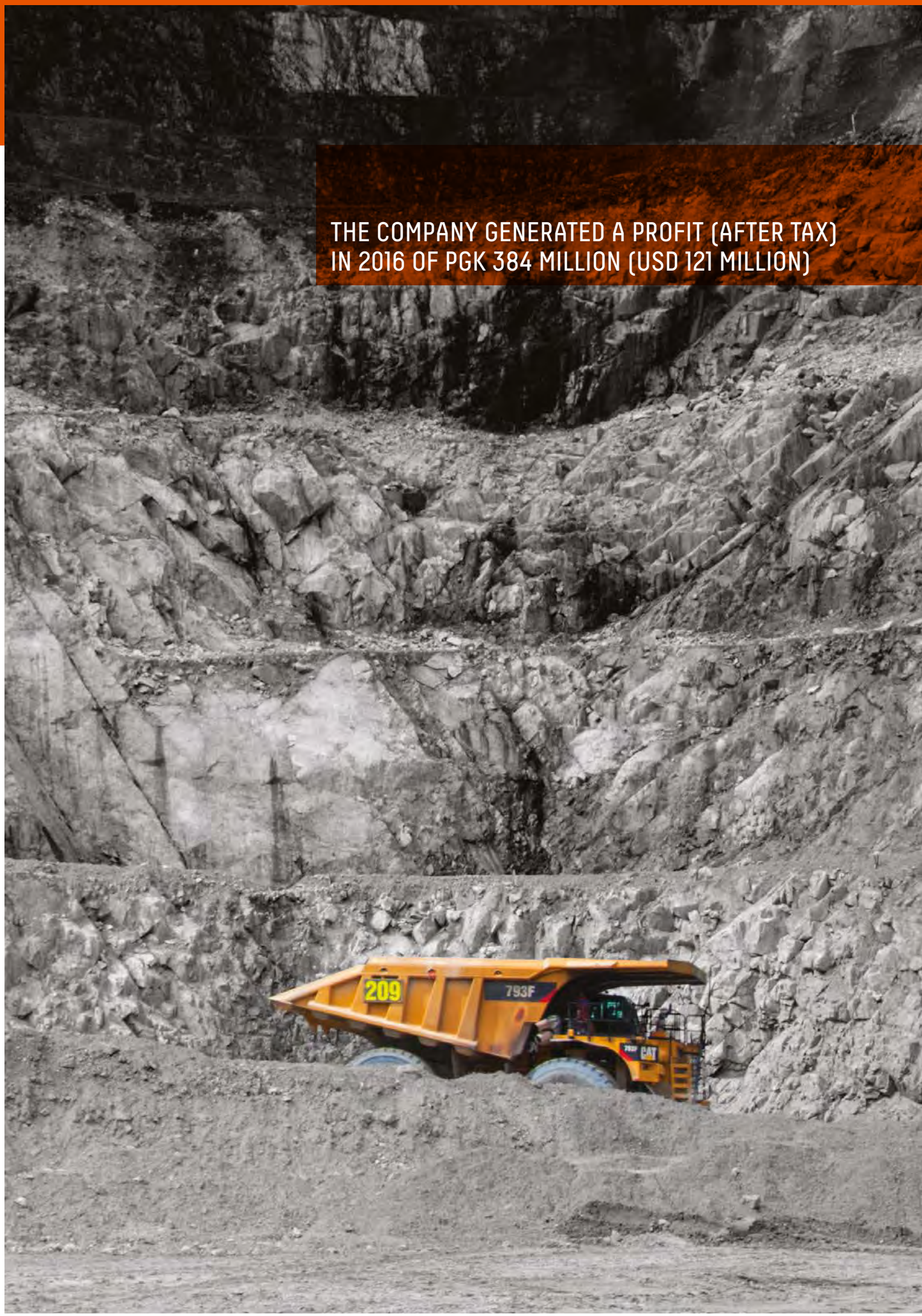
The Company commenced the 2016 year without any concentrate inventories on hand, due to concentrate produced up to August 2016 being opportunistically shipped in the period August to December 2016 when the river became temporarily available. Normally the Company would carry in the order of 10 days of production, with a revenue value approximating PGK 75 million, as inventory to enable blending and ensure the cycle times of the feeder vessels are not impacted by delays while waiting for product. Revenue is recognised upon shipment of product and as a result gross revenue that would normally have been generated in 2016 as a result of selling opening stocks of inventory was not generated.

ECONOMIC CONTRIBUTION

OTML's economic performance for the 2016 year is summarised and presented below. The financial statements have been externally audited by PWC PNG. During the 2016 year, there was no direct financial assistance in the form of tax subsidies, royalty relief, grants or financial incentives received by the Company from the PNG Government. The 2014 and 2015 economic data are presented as comparatives below.

BREAKDOWN OF CONTRIBUTIONS TO THE PNG ECONOMY	2014 %	2015 %	2016 %
National Government, Tax Credit Scheme, Product levy	26	16	**11**
Dividend (National Government and PNGSDP)	8	0	**10**
PNG goods and services	26	22	**28**
OTML contractors	15	24	**25**
Employment	17	27	**16**
Royalty	3	3	**3**
Community compensation	4	8	**7**

OPPOSITE: Caterpillar haul truck in Mt Fubilan pit.



THE COMPANY GENERATED A PROFIT (AFTER TAX) IN 2016 OF PGK 384 MILLION (USD 121 MILLION)

FINANCE

SALES AND MARKETING

OTML currently produces a copper-gold-silver concentrate product which is sold to smelters or refineries in Asia and Europe. Formal trade and off-take agreements are in place with customers in Japan, The Philippines, Germany, South Korea, and India, with these arrangements representing at least 85% of expected annual production. The balance of product is sold as spot shipment as and when circumstances dictate.

OTML enjoys long term relationships with its customers and the value of this was evident during the dry weather event. Following the resumption of operations in March 2016, arrangements with all customers returned to normal.

OTML's commitment to meeting customer requirements occurs across the value chain, with resource development, mining, processing, and logistics teams working together to reliably deliver a marketable product. A final concentrate product is blended to meet specific customer specifications at OTML's Kiunga facility, before being transported on purpose built vessels (suitable for navigating the Fly River) to a silo vessel capable of holding more than one month's normal production. This vessel, the Kumul Arrow, is generally located in Port Moresby harbour. Product is then exported to customers by commercial export shipping partners.

Sales and export data is presented in the following tables.

SALES REVENUE BY COMMODITY (MILLION)

	2014 PGK	2015 PGK	2016 PGK	2014 USD	2015 USD	2016 USD
Copper	1,564	708	1,164	612	258	368
Gold	909	464	794	355	169	251
Silver	29	19	44	12	7	14
Finalisation/revaluation	-32	-93	53	-14	-34	17
Total sales revenue	**2,470**	**1,098**	**2,055**	**965**	**400**	**649**

EXPORTS IN 2014 TO 2016

	2014	2015	2016
Concentrate (t)	381,075	195,627	307,074
Contained copper (t)	93,760	46,592	76,398
Contained gold (oz)	291,873	176,002	205,896
Contained silver (oz)	700,189	454,931	871,377

EXPORTS BY RECIPIENT COUNTRIES

	2014 %	2015 %	2016 %
Japan	54.3	40.6	62.0
South Korea	9.1	23.1	12.8
Philippines	15.8	11.3	18.4
Germany	13.6	10.1	0.0
India	5.2	10.1	3.5
Spot Sales	2.0	4.7	3.3

METAL PRICES

A comparison of the average 2014 to 2016 metal prices realised by OTML is shown below. The 2016 copper price was 21% lower than in 2014 and gold prices were comparable.

YEAR	COPPER (USD/LB)	GOLD (USD/OZ)
2016	2.36	1,278
2015	2.31	1,147
2014	2.99	1,269

FINANCIAL PERFORMANCE SUMMARY

Following the resumption of full operations in March 2016, OTML strengthened its financial position, generating PGK 338 million of cash (net of investing activities). This enabled debt accumulated during the outage to be repaid by October 2016 (two months ahead of plan). A cash balance of PGK 179 million (USD 56 million) was held as at 31 December 2016.

In 2016, the Company generated a profit (after tax) of PGK 384 million (USD 121 million), despite losses being incurred in January and February 2016 before resumption of full production. This offset the loss of PGK 347 million sustained in 2015 as a result of the dry weather outage, which compares favourably to the net profit of PGK 360 million (USD 135 million) recorded in 2014.

INCOME STATEMENT AND BALANCE SHEET

RESULTS: INCOME STATEMENT	2014 PGK (M)	2015 PGK (M)	2016 PGK (M)	2014 USD (M)	2015 USD (M)	2016 USD (M)
Sales revenue	**2,470**	**1,098**	**2,055**	**965**	**400**	**649**
Other operating income	1	0	-1	0	0	0
Marketing costs	-244	-166	-247	-95	-60	-78
Cash operating costs	-1,283	-1,182	-1,127	-508	-431	-356
Change in product inventories	-107	-31	60	-42	-11	19
Depreciation and amortisation	-325	-240	-201	-128	-87	-64
Profit from operations	**512**	**-521**	**539**	**192**	**-189**	**170**
Net finance costs	-3	40	-12	-1	14	-4
Profit from ordinary activities before tax	**509**	**-481**	**527**	**191**	**-175**	**166**
Income tax expense	-149	134	-143	-56	49	-45
Net profit for the year	**360**	**-347**	**384**	**135**	**-126**	**121**

RESULTS: BALANCE SHEET	2014 PGK (M)	2015 PGK (M)	2016 PGK (M)	2014 USD (M)	2015 USD (M)	2016 USD (M)
ASSETS						
Cash and cash equivalents	153	116	179	59	39	56
Trade and other receivables	228	123	327	78	41	103
Inventories	385	300	372	148	100	117
Income tax refundable	6	22	0	3	7	0
Other	53	0	0	20	0	0
Total current assets	**825**	**561**	**878**	**308**	**187**	**276**
Financial assurance fund	594	690	734	229	229	231
Property, plant and equipment	2,268	2,259	2,337	874	751	736
Restoration and rehabilitation	49	55	45	19	19	14
Deferred Income Tax Asset	42	160	18	16	53	6
Other	50	48	37	19	16	12
Total non-current assets	**3,003**	**3,212**	**3,171**	**1,157**	**1,068**	**999**
LIABILITIES						
Trade and other payables	161	143	325	49	48	102
Borrowings	0	195	0	0	65	0
Provisions	49	51	66	21	17	21
Total current liabilities	**210**	**389**	**391**	**70**	**130**	**123**
Restoration and rehabilitation	577	686	733	222	228	231
Provisions	4	8	0	2	3	0
Total non-current liabilities	**581**	**694**	**733**	**224**	**231**	**231**
NET ASSETS	**3,037**	**2,690**	**2,925**	**1,171**	**894**	**921**
Share capital	195	195	195	234	234	234
Reserves	0	0	0	-83	-536	-583
Retained earning	2,842	2495	2730	1,020	1,196	1,270
Total equity	**3,037**	**2,690**	**2,925**	**1,171**	**894**	**921**

DISCUSSION OF INCOME STATEMENT

REVENUE

Gross revenue in 2016 was PGK 2,055 million which was 17% below 2014. With sales revenues denominated in USD, the strengthening of the USD relative to the Kina (averaging 0.3158 in 2016 compared to 0.3907 on 2014) had a favourable impact on Kina revenues. This revenue was offset by a lower copper price (21%) and a reduced operating period due to the DWE (operating for 83% of the year rather than 100% in 2014).

Export sales in 2016 were 20% lower than in 2014, reflecting reduced operating time (17%) and the nil stock of concentrate on hand upon resumption of operations in March 2016. By contrast, the value of opening concentrate inventories in 2014 was PGK 128 million.

YEAR	PGK (MILLION)
2016	2,055
2015	1,098
2014	2,470

EXPORT SALES	2014	2015	2016
Concentrate (dmt)	381,075	195,627	307,074
Contained copper (t)	93,760	46,592	76,398
Contained gold (oz)	291,873	176,002	205,896
Contained silver (oz)	700,189	454,931	871,377

OPERATING COSTS

The gross operating cost in 2016 was PGK 1,250 million (USD 395 million), which represented an average of PGK 117 million (USD 37 million) per month of operation. This excludes the PGK 66 million (USD 21 million) of dry weather costs incurred in January and February 2016.

The operating cost was 18% lower than 2014 in PGK terms despite the strengthening of the USD. In USD terms (being the currency in which revenues are denominated), the gross operating cost in 2016 was 33% lower than in 2014. This outcome reflects ongoing efforts to reduce costs in the last several years as shown on the following table.

COST BASE – AVERAGE GROSS OPERATING COST (EXCLUDES MONTHS WHEN NOT OPERATING)		
YEAR	PGK / MONTH (M)	USD / MONTH (M)
2014	143	55
2015	135	45
2016	117	37

Cost reduction was largely attributable to increased workforce productivity, rationalisation of employee benefits, reduced contractor usage and rates, and lower oil prices.

Marketing, freight and royalties represented 12% of revenue in 2016, which was higher than 8.6% in 2015 and 10% in 2014. This reflected a softening market for copper concentrate in terms of copper price and higher treatment and refining costs deducted from revenues by smelter customers.

OPERATING MARGINS

	2014	2015	2016
EBIT (PGK million)	509	-520	539
EBIT Margin	21%	-44%	26%

THREE-YEAR SUMMARY OF C1 CASH COST			
USD	2014	2015	2016
Copper Cash Cost	3.59	4.81	2.50
Metal Credits	-1.95	-1.55	-1.59
Cash Cost	**1.64**	**3.26**	**0.91**

OPPOSITE: Brendon Imapnok and Davidson Malot, repairing the concentrate plant at Kiunga storage facility.

SHAREHOLDER EQUITY BENEFITED FROM A NET PROFIT AFTER TAX OF PGK 384 MILLION DURING 2016.

DISCUSSION OF BALANCE SHEET

CASH AND BORROWINGS

Cash on hand at the end of 2014 was PGK 153 million (USD 59 million), with no borrowings. At the end of 2015, cash had reduced to PGK 116 million, with PGK 195 million of borrowings, representing a net erosion of liquidity of PGK 232 million.

At the end of 2016, borrowings were eliminated and cash holdings increased to PGK 179 million. This represented a net increase in liquidity of PGK 258 million. This increase in net cash was also after a dividend payment of PGK 100 million in December 2016.

RECEIVABLES

Trade and other receivables were PGK 327 million (USD 103 million) as at 31 December 2016. This was 43% higher than in 2014 PGK 228 million (USD 78 million) reflecting strong concentrate production and therefore export shipments in the final quarter of 2016, relative to the final quarter in 2014.

INVENTORY

Ore and concentrate inventories returned to normal levels by the end of 2016, following the depletion at the end of 2015 due to the DWE. As at 31 December 2016, the concentrate inventories were 13,800 dmt (8,000 dmt in 2014), which equates to approximately 12 days of production.

NON-CURRENT ASSETS

The Financial Assurance Fund was retained in order to fund estimated mine closure obligations. The value of the fund increased from PGK 594 million at the end of 2014 to PGK 734 million by 31 December 2016, primarily due to the strengthening of the USD against PGK. There was no significant change in the USD value of the portfolio which reflects modest earnings on USD denominated investments held in cash and high investment grade securities.

Capital expenditure in 2016 was PGK 273 million, including mine development expenditure of PGK 141 million. This was substantially lower than 2014 PGK where capital investment totalled PGK 765 million (including PGK 417 million spend on mine development). This signals the end of the high investment phase associated with mine continuation.

TRADE AND OTHER PAYABLES

Trade and other payables at the end of 2016 were PGK 325 million. This is higher than both 2015 and 2014, reflecting careful management of working capital and the treatment of the dividend of PGK 150 million declared in December 2016. PGK 100 million was paid in that month and the balance of PGK 50 million is held as a payable awaiting finalisation of equity transfer arrangements between the State and the Landowners.

NON-CURRENT LIABILITIES

The Restoration and Rehabilitation provision is carried to recognise the mine closure cost obligation. The estimate is denominated in USD and as a result of the strengthening USD the PGK liability has increased commensurately. This offsets the impact on net equity of the increase in the Financial Assurance Fund asset discussed above.

EQUITY

Shareholder equity benefited from a net profit after tax of PGK 384 million during 2016. A dividend distribution from profits of PGK 150 million (USD 47 million) was declared in 2016. As a result total equity increased by PGK 234 million in 2016 to PGK 2.9 billion.

OK TEDI MINING LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (PRESENTED IN PNG KINA)

CONTENTS	PAGE

ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2016

THE DIRECTORS ARE PLEASED TO PRESENT THEIR REPORT ON THE AFFAIRS OF THE COMPANY AND THE GROUP, INCLUDING THE FINANCIAL STATEMENTS, FOR THE YEAR ENDED 31 DECEMBER 2016.

ACTIVITIES

During the year, the Group has continued its principal activity of mining and processing copper ore. Shipments for the year totalled 307,074 (2015: 195,627) dry metric tonnes of copper concentrate.

On 11 August 2015, the Company commenced the temporary suspension of operations as a result of dry weather events. Almost all employees were temporarily stood down and received a stand down allowance to help meet basic needs.

The limitation imposed on river traffic resulting from the lack of rainfall in key catchment areas prevented the Company from being able to ship concentrate production and therefore generate revenue. The Company was also unable to reliably bring in food, fuel and other essential supplies.

On 1 March 2016, the Company successfully recommenced operations ending the seven-month long suspension of operations.

FINANCIAL RESULTS

The Group made a profit after tax of K385,157,000 for the year (2015 loss of K346,875,000), net of the impact of the stand down of operations from August 2015 to February 2016 due to the Dry Weather Event.

DIRECTORS

The Directors as at balance date were:

Sir M. Avei (Chairman)
Mr P. Graham (Managing Director/CEO)
Dr J. Weiss
Mr D. Vele
Mr G. Kuri
Dr R. Higgins
Dr M. Gumoi (ceased 18 November 2016)

The Company Secretary as at balance date was:

Mr C. Clark

DIVIDENDS

K150,000,000 dividends were declared during the year (2015: nil).

AUDITORS

Details of amounts paid to the auditors PricewaterhouseCoopers for audit and other services are shown in note 5 to the financial statements.

DONATIONS

The total amount of donations made by the Company is stated in note 5 to the financial statements.

ACCOUNTING POLICIES

Any changes in accounting policies are stated in note 1 to the financial statements.

INTEREST REGISTER

No entries were made in the interest register in 2016.

Signed for, and on behalf of, the Board on 2 March 2017.

SIR MOI AVEI
Chairman

PETER GRAHAM
Managing Director and Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF OK TEDI MINING LIMITED

OUR OPINION

We have audited the financial statements of OK Tedi Mining Limited (the Company), which comprise the statements of financial position as at 31 December 2016, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2016 or from time to time during the financial year.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2016, and their financial performance and cash flows for the year then ended.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of taxation advice. The provision of these other services has not impaired our independence as auditor of the Company and the Group.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible, on behalf of the Company, for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or any of its subsidiaries, or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF OK TEDI MINING LIMITED (continued)

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2016:

- We have obtained all the information and explanations that we have required;
- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

WHO WE REPORT TO

This report is made solely to the Company's shareholders, as a body, in accordance with the Company's Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Christopher Hansor
Partner
Registered under the Accountants Act 1996

Port Moresby
7 March 2017

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	CONSOLIDATED 2016 K'000	CONSOLIDATED 2015 K'000	COMPANY 2016 K'000	COMPANY 2015 K'000
CONTINUING OPERATIONS					
Operating revenue:					
Sales revenue	4(a)	2,055,062	1,097,799	2,055,062	1,097,799
Other operating (expense)/income, net	4(b)	3,237	6,282	(615)	194
Total operating revenue		**2,058,299**	**1,104,081**	**2,054,447**	**1,097,993**
Mining costs		(261,396)	(216,048)	(261,396)	(216,048)
Processing costs		(308,207)	(362,739)	(308,207)	(360,982)
Increase/(decrease) in inventories of product on hand and in process		60,337	(31,564)	60,337	(31,564)
General and administrative costs	5	(549,716)	(584,497)	(547,499)	(580,624)
Depreciation and amortisation		(202,028)	(240,443)	(201,465)	(240,126)
Exploration costs		(10,216)	(23,222)	(10,216)	(23,222)
Marketing costs		(246,947)	(165,711)	(246,947)	(165,711)
Total operating costs		**(1,518,173)**	**(1,624,224)**	**(1,515,393)**	**(1,618,277)**
Profit/(loss) from operating activities		**540,126**	**(520,143)**	**539,054**	**(520,284)**
Finance income	6(a)	16,109	57,158	16,096	57,139
Finance cost	6(b)	(28,156)	(17,431)	(28,156)	(17,431)
Profit/(loss) before income tax		**528,079**	**(480,416)**	**526,994**	**(480,576)**
Income tax (expense)/benefit	7	(142,922)	133,541	(142,625)	133,627
Net profit/(loss) for the year		**385,157**	**(346,875)**	**384,369**	**(346,949)**
Total other comprehensive income for the year		-	-	-	-
Total comprehensive income/(loss) for the year		**385,157**	**(346,875)**	**384,369**	**(346,949)**

This statement is to be read in conjunction with the Notes on pages Notes on pages 93 to 114.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

			CONSOLIDATED		COMPANY	
	NOTE	ORDINARY SHARES K'000	RETAINED EARNINGS K'000	TOTAL K'000	RETAINED EARNINGS K'000	TOTAL K'000
Balance at 1 January 2015		**195,102**	**2,842,728**	**3,037,830**	**2,842,046**	**3,037,148**
Comprehensive income						
Net loss for the year		-	(346,875)	(346,875)	(346,949)	(346,949)
Other comprehensive income		-	-	-	-	-
Balance at 31 December 2015		**195,102**	**2,495,853**	**2,690,955**	**2,495,097**	**2,690,199**
Comprehensive income						
Net profit for the year		-	385,157	385,157	384,369	384,369
Other comprehensive income		-	-	-	-	-
Dividends declared (note 24)		-	(150,000)	(150,000)	(150,000)	(150,000)
Balance at 31 December 2016		**195,102**	**2,731,010**	**2,926,112**	**2,729,466**	**2,924,568**

This statement is to be read in conjunction with the Notes on pages 93 to 114.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	NOTE	CONSOLIDATED 2016 K'000	CONSOLIDATED 2015 K'000	COMPANY 2016 K'000	COMPANY 2015 K'000
NON-CURRENT ASSETS:					
Property, plant and equipment	8	1,130,628	1,163,269	1,129,261	1,161,714
Mine development costs	9	1,150,745	1,045,376	1,150,745	1,045,376
Intangible assets	10	56,827	51,851	56,827	51,851
Restoration and rehabilitation asset	11	45,126	55,327	45,126	55,327
Deferred income tax asset, net	19	17,873	160,458	17,687	160,312
Investment in subsidiaries	28(c)	-	-	20	22
Financial assurance fund	29	734,070	689,750	734,070	689,750
Other receivables	12	37,238	48,162	37,238	48,162
Total non-current assets		**3,172,507**	**3,214,193**	**3,170,974**	**3,212,514**
CURRENT ASSETS:					
Cash and cash equivalents	13	214,443	165,199	179,472	116,048
Trade and other receivables	14	333,345	138,860	326,647	122,788
Inventories	15	371,623	300,593	371,623	300,593
Income tax refundable	18	-	21,639	-	21,747
Total current assets		**919,411**	**626,291**	**877,742**	**561,176**
TOTAL ASSETS		**4,091,918**	**3,840,484**	**4,048,716**	**3,773,690**
CURRENT LIABILITIES:					
Trade and other payables	16	356,636	159,982	324,701	143,289
Borrowings	17	-	195,000	-	195,000
Provisions and other liabilities	20	75,517	100,217	65,863	50,930
Total current liabilities		**432,153**	**455,199**	**390,564**	**389,219**
NON-CURRENT LIABILITIES:					
Provision for restoration and rehabilitation	22	733,584	686,349	733,584	686,349
Other provisions	21	69	7,981	-	7,923
Total non-current liabilities		**733,653**	**694,330**	**733,584**	**694,272**
TOTAL LIABILITIES		**1,165,806**	**1,149,529**	**1,124,148**	**1,083,491**
NET ASSETS		**2,926,112**	**2,690,955**	**2,924,568**	**2,690,199**
SHAREHOLDERS' EQUITY:					
Ordinary shares	23	195,102	195,102	195,102	195,102
Retained earnings		2,731,010	2,495,853	2,729,466	2,495,097
TOTAL SHAREHOLDERS' EQUITY		**2,926,112**	**2,690,955**	**2,924,568**	**2,690,199**

These financial statements were authorised for issue by the Board on 2 March 2017.

For, and on behalf of, the Board.

SIR MOI AVEI
Chairman

PETER GRAHAM
Managing Director and Chief Executive Officer

This statement is to be read in conjunction with the Notes on pages 93 to 114.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	1,849,407	1,272,547	1,851,242	1,265,513
Payments to suppliers and others	(1,271,884)	(1,344,271)	(1,255,784)	(1,314,333)
Cash Generated From Operations	**577,523**	**(71,724)**	**595,458**	**(48,820)**
Interest received (note 6(a))	5,679	643	5,666	624
Interest paid (note 6(b))	(11,862)	(3,846)	(11,862)	(3,846)
Income tax (paid)/received (note 18)	21,302	(424)	21,747	(174)
Net Cash (Used) / Generated From Operating Activities	**592,642**	**(75,351)**	**611,009**	**(52,216)**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment (note 8)	(122,422)	(75,588)	(122,047)	(75,124)
Mine development expenditures (note 9)	(140,689)	(97,152)	(140,689)	(97,152)
Purchase of intangible assets (note 10)	(10,959)	(54,876)	(10,959)	(54,876)
Proceeds from sale of property, plant and equipment	749	930	497	930
Net Cash Used In Investing Activities	**(273,321)**	**(226,686)**	**(273,198)**	**(226,222)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Bank loan/overdraft facility proceeds	-	295,000	-	295,000
Repayment of overdraft facility	(195,000)	(100,000)	(195,000)	(100,000)
Dividends paid (note 16 (a))	(100,500)	-	(100,500)	-
Net Cash Provided (Used) In Financing Activities	**(295,500)**	**195,000**	**(295,500)**	**195,000**
Net increase/(decrease) in cash and cash equivalents	23,821	(107,037)	42,311	(83,438)
Cash and cash equivalents at beginning of the year	165,199	226,007	116,048	153,276
Foreign exchange effect on foreign currency balances	25,423	46,229	21,113	46,210
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (note 13)	**214,443**	**165,199**	**179,472**	**116,048**

This statement is to be read in conjunction with the Notes on pages 93 to 114.

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(A) BASIS OF PREPARATION

These consolidated financial statements of Ok Tedi Mining Limited have been prepared in accordance with the Papua New Guinea Companies Act 1997 and comply with International Financial Reporting Standards (IFRS) and other generally accepted accounting practice in Papua New Guinea. All amounts are stated in Papua New Guinea Kina, the functional currency of the Company, rounded to the nearest thousand Kina.

The accounts have been prepared on the basis of historical costs and do not take into account changing money values or current valuations of non-current assets, other than for certain financial instruments which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for the assets.

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Directors have the power to amend these financial statements after its issue.

Changes in Accounting Policies and Disclosures

a) Standards, amendment and interpretations effective in the year ended 31 December 2016

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2016

- Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation. These amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets', on depreciation and amortisation. These amendments clarify that the use of revenue-based methods to calculated depreciation and amortisation is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- Amendments to IAS 27 'Separate financial statements' on the equity method. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements
- Annual improvements 2014 makes minor changes to IFRS 5, IFRS 7, IAS 19 and IAS 34
- Amendments to IAS 1 'Presentation of Financial Statements' form a part of the IASB's Disclosure Initiative and clarify guidance in IAS 1 on a number of issues including:
  - Materiality – disclosures specified in IFRS only need to be included in financial statements if they are material to the entity
  - Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. However, entities should not aggregate or disaggregate information in a manner that obscures useful information. There is also new guidance on the use of subtotals.
  - Notes – confirmation that the notes do not need to be presented in a particular order
  - Other comprehensive income (OCI) arising from investments accounted for under the equity method: the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of OCI.
- Amendments to IFRS 10 and IAS 28 on investment entities applying the consolidation exemption. The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The amendments to IAS 28 allow an entity which is not an investment entity, but has an interest in an associate or joint venture which is an investment entity, a policy choice when applying the equity method of accounting.

b) Standards, amendments and interpretations issued but not effective for the year ended 31 December 2016 or adopted early

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2017 or later periods, but the entity has not early adopted them:

- Amendments to IAS 7 'Statement of Cash Flows' on disclosure initiative (effective 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS 12 'Income Taxes' on recognition of deferred tax assets for unrealised losses (effective 1 January 2017). These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- Amendments to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(A) BASIS OF PREPARATION (CONTINUED)

b) Standards, amendments and interpretations issued but not effective for the year ended 31 December 2016 or adopted early (continued)

- IFRS 9, 'Financial Instruments' (effective 1 January 2018) replaces the guidance in IAS 39 with a standard that is less complex and principles based. The new standard simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented within OCI; this change can be adopted early without adopting IFRS 9. IFRS 9's new impairment model is a move away from IAS 39's incurred credit loss approach to an expected credit loss model. Earlier recognition of impairment losses is likely to result and for entities with significant lending activities, an overhaul of related systems and processes will be needed.
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2018) is a converged standard from the IASB and FASB on revenue recognition and replaces IAS 11 and IAS 18. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The entity will have to adopt a new 5-step process for the recognition of revenue:
  - identify contracts with customers
  - identify the separate performance obligations
  - determine the transaction price of the contract
  - allocate the transaction price to each of the separate performance obligations, and
  - Recognise the revenue as each performance obligation is satisfied.
- Amendments to IFRS 15 (effective 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).
- IFRS 16, 'Leases' (effective 1 January 2019) replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed. IFRS 16 now requires a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Amendments to IAS 40, 'Investment property' (effective 1 January 2018) relating to transfers of investment property. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence
- Annual improvements 2014 – 2016 makes minor changes to IFRS 1, IFRS 12 and IAS 28.
- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018) addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made.

The company has not assessed the impact arising from the release of these new pronouncements.

(B) CONSOLIDATION

The subsidiary undertakings and special-purpose entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operation are consolidated. They are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases. All inter-entity transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

In the Company's financial statements, investments in subsidiaries are stated at the lower of cost or recoverable amount.

(C) REVENUE RECOGNITION

Revenue from the sale of copper concentrate, which also contains quantities of gold and silver, is brought to account at the time of shipment to the buyer; when the significant risks and rewards of ownership have been transferred to the buyer; the Group no longer has control over the goods; and the amount of revenue can be reliably estimated. The revenue is based on one hundred percent of provisional weights, assays and prices and is adjusted when actual values are determined and invoiced in accordance with the terms and conditions of the relevant sales contract. The final settlement adjustments on the copper portion of the sales contracts is generally based on the average London Metal Exchange (LME) price for a specified future period generally three to five months after arrival at the customers' facility. The copper concentrate sales invoicing is done net of treatment and refining charges. However, for revenue disclosure purposes, the sales are grossed up and the treatment and refining charges from the smelters and refineries are included in marketing costs in the face of the statement of comprehensive income.

Unfinalised shipments at balance date are valued using metal prices, weights and assays known at that date. Where, in accordance with the terms of the sales contract, prices have not been finalised, sales values have been determined using three months forward price for copper and spot prices at year end for gold and silver.

The average forward prices used at 31 December 2016 were US$2.50 per pound for copper (31 December 2015: US$2.13), US$1,153 per ounce for gold (31 December 2015: US$1,061) and US$16 per ounce for silver (31 December 2015: US$14).

Interest income is recognised on a time-proportion basis using the effective interest method.

(D) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount, or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured.

Certain properties owned by the company and rented externally to third parties would be classified as Investment property under IAS 40. These properties are classified under Property and accounted for under IAS 16 at depreciated costs as the carrying amount is considered immaterial for re-classification.

Property, plant and equipment are depreciated either on a units of production basis or a straight-line basis over their estimated economic lives or the expected life of the mine, whichever is shorter. A change in method from straight line to units of production is accounted for prospectively as a change in estimate. Capital spare parts are depreciated over the life of the equipment for which they are purchased.

The depreciation basis and range of estimated economic lives of the major asset categories are:

Mine production facilities	Units of production
Buildings and improvements	5 years to life of mine
Automotives and other equipment	4 - 10 years to life of mine
Mobile mining equipment	4 years to life of mine
Support facilities	5 years to life of mine
Processing equipment	Units of production

Gains and losses on disposal of property, plant and equipment are brought to account in the determination of operating profit. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 8).

Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

(E) PRE-PRODUCTION EXPENDITURE AND EXPLORATION EXPENDITURE

Pre-production expenditure represents the net mine development cost incurred by the Company prior to the commencement of commercial production on 31 January 1985. Such expenditure is classified as a mine development asset and was previously being amortised on a straight line basis over the mine life. From 1 January 2015 the depreciation method changed to units of production based on total ore accessed from the open pit mine (note 9).

All post-production exploration expenditure is expensed as incurred.

(F) DEFERRED STRIPPING COST

Deferred stripping costs represent the costs incurred in removing overburden and other mine waste materials during the operating phase where those stripping costs are incurred as part of a stripping campaign to access additional ore. This activity is referred to as development stripping. The directly attributable costs inclusive of an allocation of relevant overhead expenditure are initially capitalised as a mine development asset, based on the ratio obtained by dividing the amount of waste tonnes mined by the quantity of ore tonnes contained for the specific ore body accessed through the stripping campaign ("the stripping ratio"). Stripping costs incurred in the period are deferred to the extent that the actual current period stripping ratio exceeds the estimated average stripping ratio for the additional ore body accessed.

The stripping asset is then amortised over the life of the additional ore body accessed on a unit of production basis.

(G) RESTORATION AND REHABILITATION

A provision is raised for anticipated expenditure to be made on restoration and rehabilitation to be undertaken after the open pit mine closure (note 22) based on the present value of the future cash flows.

These costs may include the costs of dismantling and demolishing of infrastructure or decommissioning, the removal of residual material, the remediation of disturbed areas and the relocation and retrenchment of employees under an agreed mine closure plan.

Where future economic benefits are probable a corresponding asset is raised and subsequently amortised using the straight line method (note 11).

The Group's restoration, rehabilitation and environmental expenditure policy identifies the environmental, social and engineering issues to be considered and the procedures to be followed when providing for costs associated with the site closure. Site rehabilitation and closure involves the dismantling and demolition of infrastructure not intended for subsequent community use, the removal of residual materials and the remediation of disturbed areas. Community requirements and long term land use objectives are also taken into account.

The increase in the provision due to passage of time is recognised as interest expense.

Changes in the provision related to changes in the discount rate or changes in the estimate amount and timing of future cash flows are adjusted against the carrying amount of the related asset.

(H) COMPENSATION

The Group has signed various compensation agreements with landowners and other surrounding communities affected by the mine. Compensation packages are denominated in the local currency and, in the majority of instances, are payable over the life of the open pit mine.

Where payments are contingent upon mine continuation, the anticipated amounts payable annually are accrued on a pro-rata basis. Where payments have to be made regardless of mine continuation, a full provision is created against future expected payments using the same principles as in note 1(g).

(I) INVENTORIES

Copper concentrate and product in process are physically measured or estimated and valued at the lower of cost or net realisable value. Cost is derived on an absorption costing basis which includes fixed and variable overheads and depreciation. Net realisable value is the amount estimated to be obtained from the sale of inventories in the normal course of business, less any costs anticipated to be incurred prior to sale.

Spare parts and consumables are valued at weighted average cost into store. An appropriate provision for stock obsolescence is raised in respect of slow moving inventory.

(J) FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Kina, which is the Company's functional and presentation currency.

Transactions denominated in foreign currency are translated at a rate of exchange which approximates the rate of exchange at the date of the transaction. Amounts owing to and by the Company denominated in foreign currencies at balance date are translated at exchange rates current at that date.

Realised and unrealised foreign exchange variations on revenue accounts are recognised in the income statement.

(K) INCOME TAX

The Group provides for all taxes estimated to be payable on net profit for the year. It prepares and lodges its tax return using PNG Kina as the functional and presentation currency.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(K) INCOME TAX (CONTINED)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the near future.

Income tax expense in the income statement comprises the estimated tax payable and the movement in deferred tax balances. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(L) EMPLOYEE BENEFITS

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, annual leave and sick leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date, including on-costs.

(ii) Long Service Leave

Liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(iii) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due after more than twelve months from the balance sheet date are discounted to present value.

(iv) Retirement Benefits

The Group contributes to NASFUND, an independent defined contribution fund, on behalf of its citizen employees and contributions are charged direct to the income statement when payable. Once the contributions have been paid, the Group has no further payment obligations.

(M) CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents include cash at bank and on hand, net of overdraft, and deposits held at call with banks, with maturity of three months or less.

(N) FINANCIAL INSTRUMENTS

a) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: (a) loans and receivables; (b) available-for-sale securities; (c) held-to-maturity securities; and (d) at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group does not hold any financial assets under category (c) at the end of each reporting period.

Where possible, financial assets are supported by collateral or other security. These arrangements are described in the individual accounting policies associated with each item.

Loans and receivables are non-derivative financial assets with fixed or determinable payments: (i) that are not quoted in an active market, (ii) with no intention of being traded, and (iii) that are not designated as available-for-sale. They are included in current assets, except for those with maturities greater than twelve (12) months after the reporting period, which are then classified as non-current assets.

The Group's loans and receivables consist of cash and cash equivalents and trade and other receivables.

The Company's investment in the Financial Assurance Fund is classified as fair value through profit or loss.

(ii) Recognition and measurement

Initial measurement

Regular-way purchases and sales of financial assets are recognized on trade date (the date on which the Group commits to purchase or sell the asset). Loans and receivables are initially recognized at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are carried at amortized cost using the effective interest method.

The Financial Assurance Fund investments are measured at fair value.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows have expired or the Group has transferred substantially all risks and rewards of ownership to the financial assets.

(iv) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether there is objective evidence of impairment that exists individually for receivables which are individually significant, and collectively for receivables which are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

i) Adverse changes in the payments status of borrowers in the portfolio; and

ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of receivables. The carrying amount of receivables is reduced through the use of an allowance account and the amount of loss is charged to profit or loss.

When receivables are determined to be uncollectible, they are written off against the related provision for impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of previously recognized impairment loss is recognized in Provision for impairment in the statement of income under expenses. Reversals of previously recorded impairment provision are based on the result of management's updated assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with a client or other third party as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited to Other income in the statement of income.

b) Financial liabilities

(i) Classification

The Group classifies its financial liabilities in the following categories: (a) financial liabilities at amortized cost; and (b) financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss comprises of two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition. The classification depends on the purpose for which the financial liabilities were acquired or incurred. Management determines the classification of its financial liabilities at initial recognition.

The Group does not hold any financial liabilities at fair value through profit or loss during and at the end of each reporting period.

Financial liabilities at amortized cost are contractual obligations which are either to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. They are included in current liabilities, except for those with maturities greater than twelve (12) months after the reporting period, which are then classified as non-current liabilities.

The Group's financial liabilities at amortized cost only consist of trade, other payables and borrowings

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(N) FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial liabilities

(il) Recognition and measurement

Financial liabilities at amortised cost are recognized when the Group becomes a party to the contractual provision of the instrument. Financial liabilities at amortized cost are initially measured at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method.

(iii) Derecognition

Financial liabilities are derecognized when and only when the obligation is extinguished, i.e., when the obligation is discharged or cancelled or has expired.

(O) IMPAIRMENT OF ASSETS

Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment of assets is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is measured as the higher of net selling price and value in use. Value in use for individual assets is calculated by discounting future cash flows using a risk adjusted pre-tax discount rate. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(P) BORROWING COSTS

Prior to the commencement of commercial production in 1985, the amount of interest costs eligible for capitalisation was based on the actual interest costs incurred because the borrowings were incurred to fund development of the mine property. Capitalisation of borrowing costs ceased following the commissioning of the assets upon commercial production. These pre-production borrowing costs are amortised using the straight line basis over the life of the mine. Borrowing costs incurred subsequent to the commencement of commercial production are expensed when incurred over the period of the borrowing unless the borrowing relates to the construction of a qualifying asset, in which case the borrowing costs are capitalised. Interest is expensed using the effective interest method. Facility fees are amortised over the period of the facility.

(Q) LEASES

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership are assumed by the Group, are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised over their useful lives. Lease payments are allocated between the reduction of the lease liability and the interest expense for the period.

Operating lease payments, where substantially all the risks and benefits remain with the lessor, are expensed as incurred over the period of the lease. Commitments for such leases are disclosed in note 26(d).

(R) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently, where required, reduced by provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount. The amount of the provision is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited against expenses in the income statement.

(S) INTANGIBLE ASSETS

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the acquisition, design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use it
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The Company amortises intangible assets with a limited useful life using the straight-line method over the shorter of the life of the asset or the life of the mine.

(T) DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's Directors.

(U) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(V) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related party balances are shown net where there is a right of set-off.

(W) COMPARATIVE FIGURES

Comparative figures have been amended where appropriate to comply with changes in presentation adopted in the current year.

2. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Factors

The Group's activities expose it to a variety of financial risks including market risk (consists of currency, price and interest rate risk), credit risk, liquidity risk and fair value risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's treasury section under policies approved by the Board of Directors.

The Company and the Group hold the following financial instruments:

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
Financial Assets:				
Cash and cash equivalents	214,443	165,199	179,472	116,048
Trade and other receivables	333,345	138,860	326,647	122,788
Financial assurance fund	734,070	689,750	734,070	689,750
Other Receivables	37,328	48,162	37,238	48,162
	1,319,186	**1,041,971**	**1,277,427**	**976,748**
Financial Liabilities:				
Trade and other payables	356,636	159,982	324,701	143,289
Borrowings	-	195,000	-	195,000
Other liabilities	75,517	100,217	65,863	50,930
	432,153	**455,199**	**390,564**	**389,219**

(b) Market Risks Factors

(i) Foreign Exchange Risks

The Company operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the US Dollar and the Australian Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company's revenues are in US dollars and a significant proportion of costs are in US dollars and Australian dollars. Therefore the Company's operations are exposed to substantial foreign exchange risk. It is not the Company's policy to hedge foreign exchange risk.

The rates used at 31 December 2016 for United States dollars and Australian dollars were 0.3150 and 0.4354 equal to one Kina respectively (31 December 2015 - 0.3325 and 0.4552 respectively).

At 31 December 2016, if the Kina had moved by 5% against the US dollar with all other variables held constant, the net profit after tax (NPAT) for the year would have an effect of K10.8 million (31 December 2015: K0.3 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated provision for restoration & rehabilitation, trade receivables and cash at bank.

Monetary assets and liabilities denominated in foreign currencies, at balance date, are as follows:

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
Assets:				
Cash – US Dollars	125,385	33,188	125,385	33,188
– Australian Dollars	2,492	562	1,668	282
Receivables – US Dollars	223,655	23,617	223,655	22,823
Financial Assurance Fund receivable – US Dollars	734,070	689,750	734,070	689,750
Liabilities:				
Payables – US Dollars	30,103	21,368	30,103	21,368
– Australian Dollars	29,309	28,015	28,872	27,633
Provision – Restoration & rehabilitation-US Dollars	733,584	686,349	733,584	686,349

(ii) Price Risks

The final settlement price received by the Company for the sale of its copper/gold concentrate is usually specified in sales contracts as being based on the average London Metal Exchange (LME) price for a defined future period generally three to five months after arrival of shipments at the customers' facilities (refer note 1(c)).

At 31 December 2016, a fluctuation of US$110 per tonne (US$0.05/pound) in the price of copper would have an effect of K18.7 million (US$5.9 million) on the NPAT. A fluctuation of US$10/ounce in the price of gold would have an effect of K4.6 million (US$1.4 million) on NPAT. These sensitivities assume all other variables remain constant.

The Company does not hedge its copper and gold production.

The Company is exposed to debt securities price risk. These arises from the investments held by the Company through offshore fund managers and are classified as financial assurance fund at fair value in the statement of financial position. The investment manager does not use derivative financial instruments to reduce risk in the currency market and to increase or decrease the Company's exposure to particular markets.

(iii) Interest Rate Risks Exposures

For the year ended 31 December 2016, the Company had an average debt of US$48 million and cash of US$30 million (2015: US$30 million) at any given time.

At 31 December 2016, if interest rates had changed by 100 basis points from the year-end rates with all other variables held constant, NPAT for the year would have been US$0.01 million lower/higher, mainly as a result of higher/lower interest incomes from cash and cash equivalents.

2. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit Risks Exposures

The credit risk on financial assets of the Company which have been recognised on the balance sheet is generally the carrying amount, net of any provisions for doubtful debts.

For derivatives, credit risk arises from the potential failure of counter parties to meet their obligations under the respective contracts. With respect to commodity contracts outlined above, the Company has an exposure to loss in the event counter parties fail to settle on contracts which are favourable to the Company.

For trade receivables and financial commitments, the Company only deals with counter parties with a credit rating of BBB - or better. Since trade sales are spread over a number of customers the Company believes that no significant concentration of credit risks exists and it is not the Company's policy to hedge credit risk.

The Company has policies in place to ensure that sales are made to customers with an appropriate credit history and requires letters of credit from the majority of its buyers. Management does not expect any losses from non-performance by counterparties.

(d) Liquidity Risks Exposures

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity risk by maintaining sufficient bank balances to fund its operations and the availability of funding through a committed credit facility.

Management monitors rolling forecasts of the liquidity reserve on the basis of expected cash flows.

The table to the right analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	1 YEAR	MORE THAN 1 YEAR TO 2 YEARS	MORE THAN 2 YEARS TO 5 YEARS	MORE THAN 5 YEARS
	K'000	K'000	K'000	K'000
GROUP				
At 31 December 2016				
Trade and other payables	356,636	-	-	-
Borrowings	-	-	-	-
Other liabilities	75,517	-	-	-
At 31 December 2015				
Trade and other payables	159,982	-	-	-
Borrowings	195,000	-	-	-
Other liabilities	100,217	-	-	-
COMPANY				
At 31 December 2016				
Trade and other payables	324,701	-	-	-
Borrowings	-	-	-	-
Other liabilities	65,863	-	-	-
At 31 December 2015				
Trade and other payables	143,289	-	-	-
Borrowings	195,000	-	-	-
Other liabilities	50,930	-	-	-

The Company entered into a bank overdraft facility amounting to K100 million and a term facility amounting to K195 million. These facilities were drawn in 2015, however all facilities were repaid during the year.

(e) Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). The Company has no assets or liabilities classified under Level 3 as at December 31, 2016 and 2015.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The Company's Financial Assurance Fund is carried at fair value as at December 31, 2016. The Company holds no other financial instruments that are carried at fair value in 2016 and 2015.

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e., market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions. The Company has no non-financial assets or liabilities carried at fair value as at December 31, 2016 and 2015.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfil an obligation.

f) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group and the Company monitor capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total financial liabilities (including trade and other payables and derivative financial instruments as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus debt.

The gearing ratios at 31 December 2016 and 31 December 2015 were as follows:

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
Trade and other payables (note 16)	356,636	159,982	324,701	143,289
Borrowings (note 17)	-	195,000	-	195,000
Other liabilities	75,517	100,217	65,863	50,930
Less: Cash and cash equivalents (note 13)	(214,443)	(165,199)	(179,472)	(116,048)
Net debt	217,710	290,000	211,092	273,171
Equity	2,926,112	2,690,955	2,924,568	2,690,199
Total capital	3,143,822	2,980,955	3,135,660	2,963,370
Gearing Ratio	**0.069**	**0.097**	**0.067**	**0.092**

The decrease in the gearing ratio during 2016 resulted primarily from the term facility repaid during the year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The most significant estimates and judgements relate to the long term copper and gold price, mineral reserves and remaining open pit mine life, provision for restoration and rehabilitation obligations, recoverability of long-lived assets (including mine development costs) and depreciation. Actual results could differ from those estimates and may affect amounts reported in future years. Management believes that the estimates and assumptions are reasonable.

a) Critical accounting estimates

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) Uncertainty of mineral reserve and mineral resource estimates

Mineral reserve and mineral resource estimates are imprecise and depend partly on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Future production could differ dramatically from mineral reserve estimates for the following reasons:

- Mineralisation or formations could be different from that predicted by drilling, sampling and similar examinations;
- Declines in the market price of copper, gold and silver may render the mining of some or all of OTML's mineral reserves uneconomic;
- Increases in mining costs and processing costs could adversely affect the economics of mineral reserves; and
- The grade of mineral reserves may vary significantly from time to time and there can be no assurance that any particular level of copper, gold and silver may be recovered from the mineral reserves.

Any of these factors may require the Company to reduce mineral reserve and mineral resource estimates or increase its costs.

(ii) Life of Mine

In 2013, Management changed the estimated life of mine through which the mining and processing of copper ore are forecast to continue from 2015 to 2025. The new mine life of 2025 is based on the mine life extension (MLE) feasibility study that was approved by the Board in February 2013.

Agreements for the extension of the mine life were completed and agreed with the nine (9) CMCA impacted regions in December 2012. All other regulatory and legislative approvals necessary to give legal attest to the mine continuation beyond 2015 were completed during 2014.

The current mine plan and resource and reserve statement supports mining of the ore reserve up to 2026. Although Special Mine Lease 1 (SML 1) expires in 2022, management are confident that renewal of the lease beyond 2022 is highly probable.

The impact of a change in life of mine estimate is applied prospectively from the beginning of the financial year during which the change has been determined. The financial effect of increasing the estimated mine life by one year would be to decrease the life of mine asset's depreciation and amortisation by K1 million per annum starting 2014.

(iii) Provision for Restoration and Rehabilitation

The Provision for Restoration and Rehabilitation is based largely on an obligation to contribute to the Ok Tedi Financial Assurance Fund (refer note 1(g) and note 22). Pursuant to the Mine Closure Code, contained in the Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001, the Company is required to update its Mine Closure Plan and submit it to the Office of the Environment and the Department of Mining every three years. The updated Mine Closure Plan must notify, amongst other things, what the Company's latest estimate is of the open pit mine closure costs. The most recent Mine Closure Plan estimated a cost at mine closure in 2013 of US$227 million. With the life of mine extension to 2025, the Company will be preparing another Detailed Mine Closure Plan 4 years before the end of mine life. The amount of provision recognised at balance sheet date is the latest estimated cost of 2013 of US$227 million escalated to 2025 at an inflation rate of 2.18 percent (2015: 2.21 percent) and is discounted using a discount rate of 2.38 percent (2015: 2.27 percent).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

a) Critical accounting estimates (continued)

(iv) Provision for Obsolescence

Materials and supplies are valued at lower of cost and net realisable value. An allowance for obsolescence is determined by reference to the age of the store items identified.

Allowance for obsolescence are based on the percentage and age of the store items identified: 10% for 2-3 years; 20% for 3-4 years; 30% for 4-5years; 40% for 5-6 years; 50% for 6-7 years; 60% for 7-8years and 100% above 8 years.

(v) Depreciation and Amortisation of Long Term Assets

In estimating the remaining life of the open pit mine, for the purpose of depreciation and amortisation calculations, due regard is given to the volume of remaining economically recoverable reserves but not to limitations that could arise from the potential for changes in technology, demand and other issues, such as early mine closure. These are inherently difficult to estimate and this uncertainty can lead to a financial limitation on the basis of depreciation and amortisation adopted and is reviewed annually under prevailing circumstances.

Major costs being depreciated or amortised over the extended mine life to 2025 that would have a significant financial impact should early mine closure eventuate are:

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
Property, plant and equipment	1,130,628	1,163,269	1,129,261	1,161,714
Mine development cost	1,150,745	1,045,376	1,150,745	1,045,376
Intangible assets	56,827	51,851	56,827	51,851
Restoration and rehabilitation	45,126	55,327	45,126	55,327
Total Costs At Risk	**2,383,326**	**2,315,823**	**2,381,959**	**2,314,268**

b) Critical accounting judgements

(i) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

(ii) Impairment Assessment of Long Term Assets

In accordance with the Group policy (note 1(o)), the Company has undertaken an assessment of impairment indicators and determined that the lower metal price environment through 2016 and into the near future was an indicator of potential impairment of long term assets. Accordingly, an assessment of the recoverable amount of the long term assets was performed on a value-in-use basis. These calculations used post-tax cash flow projections based on the most recently approved life of mine plan, discounted at a post-tax discount rate. The use of after-tax cash flows and discount rate was considered appropriate as the cash generating unit was the company as a whole and use of post-tax cash flows and discount rates should provide a consistent result to using pre-tax cash flows and discount rate.

The calculation of recoverable amount requires the use of estimates. In performing the assessment the key assumptions included:

- Long term metal prices of US$3.00/lb for copper and US$1,100 for gold. These are consistent with external sources of information.
- Remaining mine life of 9 years and recoverable ore of 271MT
- Discount rate of 12%, with sensitivities ranging from 7.5% to 15%

Should the discount rate increase (decrease) by +/-1%, total net present value of property plant and equipment and other noncurrent assets would increase (decrease) by approximately US$64 million. The assessment indicated that the recoverable amount was greater than carrying amount and no impairment was required to be recognised as at 31 December 2016.

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
4(a). SALES REVENUE				
Copper	1,164,295	707,945	1,164,295	707,945
Gold	793,544	464,453	793,544	464,453
Silver	44,070	19,260	44,070	19,260
Finalisation/revaluation adjustments (note 1(c))	53,153	(93,859)	53,153	(93,859)
Total Sales Revenue	**2,055,062**	**1,097,799**	**2,055,062**	**1,097,799**
4(b). OTHER OPERATING (EXPENSE)/INCOME, NET				
(Loss)/gain on disposal of property, plant and equipment	(615)	194	(615)	194
Recoveries from Trust	-	2,108	-	-
Other revenue	3,852	3,980	-	-
Total Other Operating Income	**3,237**	**6,282**	**(615)**	**194**
5. GENERAL AND ADMINISTRATIVE COSTS				
Commercial and managing director cost	404,781	354,031	404,781	326,658
Employee and external relations	123,660	130,594	121,962	130,594
Business strategy	16,642	19,901	16,642	19,901
Other expenses	4,633	79,971	4,114	103,471
Total Operating Costs	**549,716**	**584,497**	**547,499**	**580,624**
Included in the operating profit before tax are the following items:				
Auditor's remuneration:				
- Auditing services	884	959	710	815
- Other services	212	27	188	27
Donations	273	128	27	128
6(a). FINANCE INCOME				
Foreign exchange gain, net	10,430	56,515	10,430	56,515
Interest income	5,679	643	5,666	624
Total Finance Income	**16,109**	**57,158**	**16,096**	**57,139**
6(b). FINANCE COST				
Unwinding of discount on long term provisions:				
- Restoration and rehabilitation (note 22)	(16,294)	(13,585)	(16,294)	(13,585)
Interest expense	(11,862)	(3,846)	(11,862)	(3,846)
Total Finance Cost	**(28,156)**	**(17,431)**	**(28,156)**	**(17,431)**

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
7. INCOME TAX BENEFIT / (EXPENSE)				
The prima facie tax charge on the profit for the year is reconciled to the income tax expense as follows:				
Profit/(loss) for the year before tax	528,079	(480,416)	526,994	(480,576)
Prima facie tax on the profit for the year at 30%	(158,424)	144,125	(158,098)	144,173
Tax effect of permanent differences:				
Non-deductible items	(4)	(67)	(4)	(29)
Non-taxable income	1,726	-	1,697	-
Double deduction – staff training and Pacific Games	815	1,954	815	1,954
Unrealised exchange (gain)/loss	869	(12,523)	869	(12,523)
Over provision in prior years	12,096	52	12,096	52
Income Tax (Expense)/Benefit	**(142,922)**	**133,541**	**(142,625)**	**133,627**
Tax expense comprises:				
Income tax - current year (note 18)	(337)	(89)	-	-
Deferred tax - current year (note 19 (a))	(142,585)	133,630	(142,625)	133,627
Income Tax (Expense)/Benefit	**(142,922)**	**133,541**	**(142,625)**	**133,627**

	BUILDINGS AND IMPROVEMENTS K'000	PLANT, MACHINERY EQUIPMENT & OTHER ASSETS K'000	CAPITAL WORKS IN PROGRESS K'000	TOTAL K'000
8. PROPERTY, PLANT AND EQUIPMENT				
Company				
Opening cost 1 January 2016	399,827	3,563,360	104,695	4,067,882
Opening accumulated depreciation	(320,876)	(2,585,292)	-	(2,906,168)
Opening net book value	**78,951**	**978,068**	**104,695**	**1,161,714**
Additions	-	-	273,695	273,695
Transfer from capital works in progress	28,911	62,278	(91,189)	-
Transfer to mine development costs (note 9)	-	-	(140,689)	(140,689)
Transfer to intangible assets (note 10)	-	-	(10,959)	(10,959)
Disposals and adjustments	-	(118)	-	(118)
Depreciation charge (note 3(a)(v))	(8,206)	(146,176)	-	(154,382)
Closing Net Book Value 31 December 2016	**99,656**	**894,052**	**135,553**	**1,129,261**
Closing Cost 31 December 2016	428,738	3,622,237	135,553	4,186,528
Accumulated depreciation	(329,082)	(2,728,185)	-	(3,057,267)
Closing Net Book Value 31 December 2016	**99,656**	**894,052**	**135,553**	**1,129,261**

	BUILDINGS K'000	PLANT, MACHINERY, EQUIPMENT K'000	CAPITAL WORKS IN PROGRESS K'000	TOTAL K'000
8. PROPERTY, PLANT AND EQUIPMENT (continued)				
Company				
Opening cost 1 January 2015	412,238	3,756,903	212,524	4,381,665
Opening accumulated depreciation	(326,151)	(2,790,897)	-	(3,117,048)
Opening net book value	86,087	966,006	212,524	1,264,617
Additions	-	-	75,124	75,124
Transfer from capital works in progress	1,613	181,340	(182,953)	-
Disposals and adjustments	(736)	-	-	(736)
Depreciation charge	(8,013)	(169,278)	-	(177,291)
Closing Net Book Value 31 December 2015	**78,951**	**978,068**	**104,695**	**1,161,714**
Closing Cost 31 December 2015	399,827	3,563,360	104,695	4,067,882
Accumulated depreciation	(320,876)	(2,585,292)	-	(2,906,168)
Closing Net Book Value 31 December 2015	**78,951**	**978,068**	**104,695**	**1,161,714**

In accordance with the Mining (Ok Tedi Agreement) Act, the Independent State of Papua New Guinea (the State) has the right, after the closure of the mine, to acquire certain infrastructure fixed assets. The accounting net book value of these fixed assets is K99,656,000 (2015: K78,951,000). At the time that these accounts were prepared the Company has not received, and does not expect to receive, notice that the State intends to acquire any of the assets concerned.

The current life of the open pit mine estimate is that mining and processing of ore will continue until the end of 2025 (note 3 (a)(ii)).

The schedule above does not include the OTDF property, plant and equipment which has a closing net book value of K1,367,000 (2015: K1,555,000).

	PRE-PRODUCTION EXPENDITURE K'000	DEFERRED STRIPPING COST K'000	TOTAL K'000
9. MINE DEVELOPMENT COSTS (CONSOLIDATED AND COMPANY)			
Opening cost 1 January 2016	392,710	1,092,372	1,485,082
Accumulated amortisation	(384,908)	(54,798)	(439,706)
Opening net book value	**7,802**	**1,037,574**	**1,045,376**
Transfer from capital works in progress (note 8)	6,657	134,032	140,689
Amortisation	(575)	(34,745)	(35,320)
Closing Net Book Value 31 December 2016	**13,884**	**1,136,861**	**1,150,745**
Closing cost 31 December 2016	399,367	1,226,404	1,625,771
Accumulated amortisation	(385,483)	(89,543)	(475,026)
Closing Net Book Value 31 December 2016	**13,884**	**1,136,861**	**1,150,745**

	PRE-PRODUCTION EXPENDITURE K'000	DEFERRED STRIPPING COST K'000	TOTAL K'000
9. MINE DEVELOPMENT COSTS (CONSOLIDATED AND COMPANY) continued			
Opening cost 1 January 2015	392,710	995,220	1,387,930
Accumulated amortisation	(384,704)	-	(384,704)
Opening net book value	**8,006**	**995,220**	**1,003,226**
Additions	-	97,152	97,152
Amortisation	(204)	(54,798)	(55,002)
Closing Net Book Value 31 December 2015	**7,802**	**1,037,574**	**1,045,376**
Closing cost 31 December 2015	392,710	1,092,372	1,485,082
Accumulated amortisation	(384,908)	(54,798)	(439,706)
Closing Net Book Value 31 December 2015	**7,802**	**1,037,574**	**1,045,376**

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
10. INTANGIBLE ASSET				
Opening net book value	51,851	-	51,851	-
Transfer from capital works in progress (note 8)	10,959	54,876	10,959	54,876
Amortisation	(5,983)	(3,025)	(5,983)	(3,025)
Closing Net Book Value	**56,827**	**51,851**	**56,827**	**51,851**
Cost	65,834	54,876	65,834	54,876
Accumulated amortisation	(9,007)	(3,025)	(9,007)	(3,025)
Net Book Value	**56,827**	**51,851**	**56,827**	**51,851**

The intangible asset relates to the capitalised development cost of the operations and accounting software of the Company that was implemented in 2015.

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
11. RESTORATION & REHABILITATION ASSET				
Opening net book value	55,327	48,725	55,327	48,725
Adjustment to provision (note 22)	(7,434)	2,482	(7,434)	2,482
Impact of change in exchange rate on provision	2,988	8,928	2,988	8,928
Amortisation	(5,755)	(4,808)	(5,755)	(4,808)
Closing Net Book Value (note 1(g))	**45,126**	**55,327**	**45,126**	**55,327**
Cost	503,740	508,186	503,740	508,186
Accumulated amortisation	(458,614)	(452,859)	(458,614)	(452,859)
Net Book Value	**45,126**	**55,327**	**45,126**	**55,327**
12. OTHER RECEIVABLES (NON-CURRENT)				
Advances to suppliers	37,238	48,162	37,238	48,162
Total Non-Current Other Assets	**37,238**	**48,162**	**37,238**	**48,162**
13. CASH AND CASH EQUIVALENTS				
Cash on hand	39	92	35	59
Cash at bank	194,404	130,107	179,437	115,989
Short term deposits	20,000	35,000	-	-
Total Cash and Cash Equivalents	**214,443**	**165,199**	**179,472**	**116,048**
14. TRADE AND OTHER RECEIVABLES				
Accounts receivable – trade	226,442	20,787	223,655	19,835
Accounts receivable – sundry (a), (b)	13,083	33,303	9,741	18,379
Prepayments and other receivables	93,972	85,496	93,389	85,216
	333,497	139,586	326,785	123,430
Less: Provision for doubtful debts (c)	(152)	(726)	(138)	(642)
Total Current Receivables	**333,345**	**138,860**	**326,647**	**122,788**

The Company's and the Group's exposure to credit risk is discussed in note 2 (c).

14. TRADE AND OTHER RECEIVABLES (continued)

(a) Impaired receivables

As at 31 December 2016, other receivables of the Group with a nominal value of K0.7 million which are over six months overdue (2015: K0.7 million) are considered to be impaired. There was K138 thousand provision for the year (2015: K84 thousand). The individually impaired receivables mainly relate to employee, local, overseas and PNG sundry receivables. It was assessed that a portion of the receivables was expected to be recovered. There were no impaired trade receivables in 2016.

(b) Past due but not impaired

As at 31 December 2016, sundry receivables of K 4,238,000 (2015: K 4,328,000) were past due but not impaired. These relate to employee, local, overseas and PNG sundry receivables for which there is no recent history of default and/or regular partial payments are being received. The ageing analysis of these sundry receivables are as follows (2015: all >120 days due to the stand down of operation):

	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL
2016 K'000	3,190	129	138	78	703	4,238
2015 K'000		-	-	-	4,328	4,328

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
(c) Provision for doubtful debts				
Opening balance	726	1,796	642	1,796
Increase in provision	14	84	-	-
Write-offs applied against provision	(588)	(1,154)	(504)	(1,154)
Closing Balance	**152**	**726**	**138**	**642**

(d) Foreign exchange risk

Information about the Group's and the Company's exposure to foreign currency risk in relation to Trade and Other Receivables is provided in note 2(b)(i).

(e) Fair value

Due to the short-term nature of the receivables, their carrying amount is assumed to approximate their fair value.

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
15. INVENTORIES				
Materials and supplies:				
Spare parts and consumables	344,373	343,093	344,373	343,093
Less: Provision for obsolete stock (a)	(33,087)	(42,500)	(33,087)	(42,500)
Total Consumables	311,286	300,593	311,286	300,593
Concentrate:				
Product in process	23,429	-	23,429	-
Product on hand	36,908	-	36,908	-
Total Concentrate	60,337	-	60,337	-
Total Inventories	**371,623**	**300,593**	**371,623**	**300,593**
(a) Provision for stock				
Opening balance	42,500	116,488	42,500	116,488
Write-off	-	(73,988)	-	(73,988)
Reversal of Provision	(9,413)	-	(9,413)	-
Closing Balance	**33,087**	**42,500**	**33,087**	**42,500**

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
16. TRADE AND OTHER PAYABLES				
Accounts payable – trade	260,937	135,813	263,516	132,493
Dividends payable (a)	59,179	9,679	59,179	9,679
Other payables	36,520	14,490	2,006	1,117
Total Trade and Other Payables	**356,636**	**159,982**	**324,701**	**143,289**
(a) Provision for Dividends Payable				
Opening Balance	9,679	9,679	9,679	9,679
Declared	150,000	-	150,000	-
Paid	(100,500)	-	(100,500)	-
Closing Balance	**59,179**	**9,679**	**59,179**	**9,679**
17. BORROWINGS				
Opening balance	195,000	-	195,000	-
Loan facility draw down		295,000		295,000
Loan repayment	(195,000)	(100,000)	(195,000)	(100,000)
Total Borrowings	**-**	**195,000**	**-**	**195,000**

Negative pledges over the Company's Assets are provided to the Company's Bankers as security for the loan facility (PGK 195 million) and overdraft facility (PGK 100 million).

The effective interest rate is 6.75% for the loan facilities with interest paid monthly and a maturity date of October 2019. This loan facility was repaid by the Company by November 2016. The fair value of borrowings approximates their carrying value.

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
18. INCOME TAX REFUNDABLE				
Opening balance refundable	21,639	6,224	21,747	6,493
Prior year adjustment	-	15,080	-	15,080
Tax expense (note 7)	(337)	(89)	-	-
Payments/(refunds)	(21,302)	424	(21,747)	174
Closing Balance Refundable	**-**	**21,639**	**-**	**21,747**

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
19. DEFERRED INCOME TAX, NET				
Deferred Income Tax comprises:				
Deferred Tax Asset:				
Employee benefits	7,031	2,517	6,844	2,371
Tax loss carry over	61,747	161,160	61,747	161,160
Rehabilitation and restoration liability	206,537	185,882	206,537	185,882
Provision for stock obsolescence	9,926	12,750	9,926	12,750
Property, plant and equipment	31,682	19,059	31,682	19,059
Others	4,636	33,701	4,637	33,701
Total Deferred Tax Assets	**321,559**	**415,069**	**321,373**	**414,923**
Deferred Tax Liability:				
Prepayments / consumables inventory	(76,951)	(74,185)	(76,951)	(74,185)
Financial Assurance Fund	(186,143)	(174,544)	(186,143)	(174,544)
Others	(40,592)	(5,882)	(40,592)	(5,882)
Total Deferred Tax Liabilities	**(303,686)**	**(254,611)**	**(303,686)**	**(254,611)**
Deferred Tax Assets, Net	**17,873**	**160,458**	**17,687**	**160,312**
(a) Movement in deferred income tax asset/(liability)				
Opening balance	160,458	41,908	160,312	41,765
Charged to income statement (note 7)	(142,585)	118,550	(142,625)	118,547
Closing Balance	**17,873**	**160,458**	**17,687**	**160,312**
20. OTHER LIABILITIES				
Employee entitlements	30,436	677	22,813	-
Community Mine Continuation Agreements	24,438	66,123	22,407	17,513
Compensation liability	16,170	30,066	16,170	30,066
Production levy	4,473	3,351	4,473	3,351
Total Other Current Liabilities	**75,517**	**100,217**	**65,863**	**50,930**
21. OTHER PROVISIONS				
Employee entitlements	69	7,981	-	7,923
Total Non-Current Provisions	**69**	**7,981**	**-**	**7,923**
(a) Employee entitlements (Current and Non-current)				
Opening balance	8,658	22,410	7,923	21,491
Provision created	43,008	39,067	35,598	37,383
Less: Payments made against the provision	(21,161)	(52,819)	(20,708)	(50,951)
Closing Balance	**30,505**	**8,658**	**22,813**	**7,923**
Current (note 19)	30,436	677	22,813	-
Non-current	69	7,981	-	7,923
Closing Balance	**30,505**	**8,658**	**22,813**	**7,923**

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000

22. PROVISION FOR RESTORATION AND REHABILITATION

Opening balance	686,349	577,081	686,349	577,081
Adjustment to provision (note 11)	(7,434)	2,482	(7,434)	2,482
Impact of change in exchange rate on provision	38,375	93,201	38,375	93,201
Interest charged (note 6(b))	16,294	13,585	16,294	13,585
Closing Balance (note 1(g))	**733,584**	**686,349**	**733,584**	**686,349**

The adjustment to the provision relates to change in the estimated timing of future cash flows to 2025 with the escalated inflation and discount rates in the period.

23. ORDINARY SHARES

Issued and paid up capital				
192,700,000 shares (2015: 192,700,000 shares)	**195,102**	**195,102**	**195,102**	**195,102**

24. DIVIDENDS

The Constitution provides that the Board may vote to:

- pay dividends as in the judgment of the Directors that the position of the Company justifies; and
- reduce or increase the amount or delay the payment of an ordinary dividend.

Furthermore, as defined in the Fifth Restated Shareholders Agreement, the declaration and amount of any dividend will be in accordance with the Constitution and otherwise at the sole discretion of the Board.

Final dividend	150,000	-	150,000	-
Total Dividends Declared	**150,000**	**-**	**150,000**	**-**

Dividend distributions to the Company's shareholders are recognised as liability in the Company's financial statements in the year in which the dividends are approved by the Company's Directors.

25. CONTINGENCIES

(a) Guarantees

Collector of Customs	120	60	120	60
Total Guarantees	**120**	**60**	**120**	**60**

The guarantees held as at 31 December 2016 matured on 6 January 2017 (PGK 100,000) and on 18 march 2017 (PGK 20,000).

(b) Litigation

The Company is subject to various claims and litigation. The Directors however consider that the probability of significant loss from these claims is remote.

(c) Mine Continuation

The agreement that led to the dismissal of proceedings in relation to environmental damage included an undertaking by the Company to use best endeavours to include the villages that supported the actions in the Community Mine Continuation Agreement (CMCA) process. There is no obligation for the inclusion of these villages to add to the total amount paid under the existing CMCAs.

26. COMMITMENTS

(a) Compensation Payments

The Mining (Ok Tedi Restated Eighth Supplemental Agreement) Act 1995 (No. 48) of Papua New Guinea was enacted in August 1995 and required the Company to make annual payments to compensation trusts over the remaining life of the mine. Required payments have been made by the Company and current liabilities are recognised in the accounts.

The Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001 (No. 7) was enacted in 2001 and required the Company to make annual payments initially aggregating to K161.5 million over the life of mine.

A requirement of the agreement was to have a mid-term review which addressed many factors including an assessment of whether predicted environmental impacts are being exceeded. This occurred during 2006 and agreements were successfully concluded during the second quarter of 2007 with the formal signing of the CMCA Review Memorandum of Agreement between the delegates of the CMCA regions and shareholders of the Company. The communities downstream of the mine benefited from the agreed increased compensation deal over the period 2007 to 2013.

With the agreement signed in December 2012 by the nine CMCA impacted regions for mine life extension, the total benefits agreed was PGK 515.0 million (USD 162.2 million) over ten years from 2016 to 2025.

26. COMMITMENTS (continued)

(b) Environmental Monitoring Costs

In OTML's 2009 Detailed Mine Closure Plan (MCP), which was submitted to the PNG Office of Environment and Conservation and the Mineral Resources Authority the Company has undertaken to monitor key environmental aspects for a 30 year period following closure of the open pit mine. The Detailed MCP included a detailed estimate of the cost of this PCEMP (Post Closure Environmental Monitoring Program) which totalled USD 34.1 million. This comprises: Monitoring Activities which are aimed at the performance of the cover on the Bige stockpiles and, throughout the riverine system, ARD, water quality, fish biology and hydrography; Support Programs which cater for labour, equipment, travel and access logistics, and operating, management and reporting costs; and Contingency and Escalation Costs which allow for both pre closure and post closure cost movements.

(c) Capital Expenditure

As at 31 December 2016, the Company had budgeted for capital commitments totalling K41,128,000 which are not provided for in the accounts (31 December 2015: K41,763,000).

(d) Operating Leases

Payments due under operating leases for property and equipment not provided for in the accounts are:

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
Due within 1 year	100,925	59,320	100,925	59,320
Due within 1-2 years	100,925	53,851	100,925	53,851
Due within 2-5 years	86,325	25,011	86,325	25,011
Total Operating Leases	**288,175**	**138,182**	**288,175**	**138,182**

27. INSURANCE

The Company places insurance cover with insurers of high credit rating. The insurance policies cover the usual risks that are able to be transferred to insurers under property, liability and transit insurance policies.

The basis of indemnification for Business Interruption (BI) insurance is reimbursement of fixed costs with a cover of US$600,000,000 (2015: US$400,000,000) inclusive of self-insured retentions.

Self-insured retentions (ISR) include: Property Damage – US$12,500,000; Business Interruption – first 30 days after insurable event plus US$2,500,000 at various layers of the cover.

28. INVESTMENT IN SUBSIDIARIES

The holding company's investment in subsidiaries comprises shares at cost.

	ORDINARY SHARES	% SHAREHOLDING
Ok Tedi Development Foundation Limited (a)	3	75%
Ok Tedi Australia Pty Limited (b)	10,000	100%
Ok Tedi Power Limited (c)	1	100%

(a) Ok Tedi Development Foundation Limited (OTDF)

OTDF was established pursuant to the Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001. Before mine closure, the Company is under an obligation to transfer its shares in OTDF to four reputable organisations engaged in development activities in Papua New Guinea consistent with the objects of OTDF. If the Company does not transfer its shares prior to mine closure, OTDF must be wound up. During 2011, one share was transferred to PNG Sustainable Development Program Limited.

The objects of OTDF are to pursue the promotion of sustainable social improvement and economic activity in the Western Province and Telefomin district of the Sandaun Province for the well-being of persons resident in these provinces. OTDF must act solely in pursuit of these objects.

OTDF have a break-even operating result for the year (31 December 2015: break-even). OTDF is exempt from PNG income tax and supplies to OTDF do not attract GST. Further, moneys paid or the cost of assets contributed to OTDF is an allowable deduction to the person making the payment or contribution in the year of payment or contribution.

(b) Ok Tedi Australia Pty Limited (OTAPL)

OTAPL was incorporated on 19 June 2008 as a wholly owned subsidiary of OTML. The objectives of OTAPL are to provide marketing and logistics services to OTML.

The Company's investment in OTAPL at cost is as follows:

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
Opening balance	-	-	22	26
Revaluation	-	-	(2)	(4)
Total Investment	-	-	20	22

28. INVESTMENT IN SUBSIDIARIES (continued)

(c) Ok Tedi Power Limited (OTPL)

OTPL was incorporated on 12 June 2014 as a wholly owned subsidiary of OTML. The sole purpose of OTPL is to manage the provision of electricity in the Western Province, Papua New Guinea.

As at 31 December 2016, the Company's investment in OTPL at cost is K nil.

29. OK TEDI FINANCIAL ASSURANCE FUND

The Mine Closure Code contained in the Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001 requires the Company to contribute to a Mine Closure Fund (referred to as the Ok Tedi Financial Assurance Fund). The Ok Tedi Financial Assurance Fund has been established with Standard Bank Offshore Trust Company (Jersey) Ltd acting as independent Trustee. The Fund covers costs of (a) deconstruction and clean up, (b) revegetation, (c) environmental monitoring and maintenance, (d) employee retrenchment, (e) dredging after closure and (f) post closure monitoring which are valued on USD based on current cost with contingency and escalation considered up to mine closure.

The Ok Tedi Financial Assurance Fund is established to provide sufficient cash at the open pit mine closure for settlement of mine rehabilitation and restoration liabilities (refer note 1(g)). The Company's most recent Detailed Mine Closure Plan which was approved by the Minister for Mining on 7th May 2012 was that the Fund should contain US$227 million by 2013. As at 31 December 2013, the Company had already met the funds required and ceased the semi-annual payments. The Funds are held by the Trustee to be applied in assisting both the Company and the State to comply with their respective Mine Closure Plan obligations under the Mine Closure Code. A detailed review of the mine closure plan and cost estimate to reflect the continuation of the mine to 2025 was performed in 2016 and submitted to the regulators. Management expect that the existing Fund with accrued income through to 2025 will be sufficient to meet any increase in the mine closure liability.

The assets of the Ok Tedi Financial Assurance Fund are legally separate from the Company and are not available to meet the claims of creditors in any winding up of the Company. They are irrevocably dedicated to funding open pit mine closure costs and cannot be used for any other purpose. Contributions to the Fund are initially recorded at cost and the Company recognises its receivable from the Fund at fair value.

In accordance with accounting practice, the Ok Tedi Financial Assurance Fund is considered to be a special purpose entity controlled by the Company and it is consolidated in the Group financial statements. The assets of the Fund at 31 December 2016 comprised a portfolio of investments, valued at balance date at K734 million or US$231 million (2015: K690 million or US$229 million). These investments are accounted for as a financial asset at fair value through profit or loss.

Total contributions by the Company to the Fund and the consolidated Fund equity are summarised as follows:

	CONSOLIDATED (CASH, CASH EQUIVALENTS AND AVAILABLE FOR SALE INVESTMENTS AT FAIR VALUE)		COMPANY (RECEIVABLE FROM THE FAF)	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
Opening balance	689,750	594,604	689,750	594,604
Payment	(55)	(280)	(55)	(280)
Portfolio return - current year	1,945	624	1,945	624
Exchange variance	42,430	94,802	42,430	94,802
Closing balance	**734,070**	**689,750**	**734,070**	**689,750**

Without considering the Ok Tedi Financial Assurance Fund and the Restoration and rehabilitation liability, the Company Financial Position would be:

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
Total Assets	3,357,848	3,150,734	3,314,646	3,083,940
Total Liabilities	432,222	463,180	390,564	397,142

30. RELATED PARTY TRANSACTIONS

(a) Ownership

Shareholders and their respective shareholdings are as follows:

	ORDINARY SHARES	% HOLDING
Independent State of Papua New Guinea	169,200,000	87.8
Minerals Resources Ok Tedi No. 2 Limited	23,500,000	12.2
	192,700,000	**100**

(b) Transactions during the year

Transactions with the Independent State of Papua New Guinea predominantly comprise the payment of taxes and other statutory payments.

(c) Key management compensation

	2016 K'000	2015 K'000
Salaries and short-term employment benefits	21,265	8,231
Post-employment benefits	4,109	116
Total Compensation	**25,374**	**8,347**

Key management comprise the Managing Director, General Managers and Managers.

31. EMPLOYEE BENEFITS

The number of people employed by the Company at the end of the year was 1,633 (2015: 1,875).

Staff costs comprise of the following:

	CONSOLIDATED		COMPANY	
	2016 K'000	2015 K'000	2016 K'000	2015 K'000
Salaries and wages	166,386	164,528	159,270	156,197
Contribution to retirement benefit funds	12,071	12,836	11,359	11,977
Other employee on-costs	35,518	38,412	34,712	35,496
Total Staff Costs	**213,975**	**215,776**	**205,341**	**203,670**

The Company temporarily suspended operations from August 2015 to 1 March 2016 due to the Dry Weather Event standing down most of the employees, leaving a small number of employees for care and maintenance. However, those employees that were stood down received a monthly allowance. During this period, the company reorganised the staffing and some were made redundant. Resumption of operations was effected on 1 March 2016, with a reduced workforce.

32. INCORPORATION AND REGISTERED OFFICE

The Company is incorporated in Papua New Guinea. The Registered Office and Address for Service of Notices is 1 Dakon Road, Tabubil, Western Province, Papua New Guinea.

33. POST BALANCE DATE EVENTS

No significant events occurred post balance date.

G.R.I. TABLES

GENERAL STANDARD DISCLOSURES - 2016

GENERAL STANDARD DISCLOSURES	GRI DESCRIPTION	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS			
G4-1	Statement from the CEO.	MD/ CEO report - pp 12-15 Chairmans reports, pp 8-10	
G4-2	Key Impacts, risks and opportunities.	Governance - pp 16-19 Materiality - pp 28-31	
ORGANIZATIONAL PROFILE			
G4-3	Name of Organisation.	Company profile - pp 4-5	
G4-4	Primary brands, products, and services.	Company profile - pp 4-5	
G4-5	Location of organisation's headquarters.	Company profile - pp 4-5	
G4-6	Number of countries where the organisation operates.	Company profile - pp 4-5	
G4-7	Nature of ownership and legal form.	Governance - pp 16-19	
G4-8	Markets served.	Business Review - pp 20-25 Finance - pp 78-84	
G4-9	Scale of the organisation.	Highlights - pp 2-3 Company Profile - pp 4-5 Business Review - pp 20-25	
G4-10	Total number of employees.	People - pp 42-47	
G4-11	Percentage of total employees covered by collective bargaining agreements.	People - pp 42-47	
G4-12	Organisation's supply chain. Describe the organization's supply chain.	Business Review - pp 20-25	
G4-13	Significant changes during the reporting period.	MD/CEO - pp 12-15 Business Review - pp 20-25	
G4-14	How the precautionary approach or principle is addressed by the organisation.	Governance - pp 16-19	
G4-15	Externally developed principles or initiatives to which the organisation subscribes.	Governance - pp 16-19	
G4-16	Memberships of associations & national or international advocacy organisations.	Governance - pp 16-19	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities included in the organisations consolidated financial statements.	Audited Financial Statements - pp 85-114	
G4-18	Process for defining the report content and the aspect boundaries.	Company profile - pp 4-5 Materiality - pp 28-31	YES
G4-19	List all material aspects identified in the process for defining report content.	Materiality - pp 28-31	YES
G4-20	For each material aspect, report the aspect boundary within the organisation.	Materiality - pp 28-31	YES
G4-21	For each material aspect, report the aspect boundary outside the organisation.	Materiality - pp 28-31	YES
G4-22	Report the effect of any restatements of information provided in previous reports.	Company profile - pp 4-5	
G4-23	Report significant changes from previous reporting periods in the Scope & Aspect Boundaries.	Company profile - pp 4-5	
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups.	Materiality - pp 28-31	
G4-25	Basis for identification and selection of stakeholders.	Materiality - pp 28-31	
G4-26	Approaches to stakeholder engagement.	Materiality - pp 28-31 Social Responsibility - pp 66-69	
G4-27	Key stakeholder topics and concerns.	Social Responsibility - pp 66-69	
REPORT PROFILE			
G4-28	Reporting period.	Company profile - pp 4-5	
G4-29	Date of most recent previous report.	Company profile - pp 4-5	
G4-30	Reporting cycle.	Company profile - pp 4-5	
G4-31	Contact point for the report.	pp 120	
G4-32	Report the 'In accordance' option.	Company profile - pp 4-5	

GENERAL STANDARD DISCLOSURES - 2016

GENERAL STANDARD DISCLOSURES	GRI DESCRIPTION	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
G4-33	Organisations policy and current practice with regard to seeking external assurance.	Company profile - pp 4-5	
GOVERNANCE			
G4-34	Governance structure.	Governance - pp 16-19	
G4-37	Processes for consultation between stakeholders and the highest governance body.	Governance - pp 16-19	
G4-45	Highest governance body's role.	Governance - pp 16-19	
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organisation's risk.	Governance - pp 16-19	
G4-47	Report the frequency of the highest governance body's review of economic environmental and social impacts risks and opportunities.	Governance - pp 16-19	
G4-48	Highest committee or position that formally reviews and approves the organisation's sustainability report.	Governance - pp 16-19	
G4-49	Process for communicating critical concerns to the highest governance body.	Governance - pp 16-19	
G4-50	Nature and total number of critical concerns that were communicated to the highest government body.	Governance - pp 16-19	
ETHICS AND INTEGRITY			
G4-56	Mission and values statement, codes of conduct and principles.	Governance - pp 16-19 Mission and Vision - pp 6-7	

SPECIFIC STANDARD DISCLOSURES INCLUDING MINING AND METALS SUPPLEMENT

DMA AND INDICATORS	GRI DESCRIPTION	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
CATEGORY: ECONOMIC			
MATERIAL ASPECT: ECONOMIC PERFORMANCE			
G4-DMA	Generic Disclosures on Management Approach.	Materiality - pp 28-31 Business Review - pp 20-25 Finance - pp 78-84	
G4-EC1	Direct economic value generated and distributed.	Business Review - pp 20-25 Social Responsibility - pp 70-77 Finance - pp 78-84	
G4-EC4	Financial assistance received from government.	Finance - pp 78-84 Governance - pp 16-19	
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-DMA	Generic Disclosures on Management Approach.	Social Responsibility - pp 66-77	YES
G4-EC7	Development and impact of infrastructure investments and services supported.	Social Responsibility - pp 66-77	
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Social Responsibility - pp 66-77	YES
CATEGORY: ENVIRONMENTAL			
MATERIAL ASPECT: WATER			
G4-DMA	Generic Disclosures on Management Approach.	Environment - pp 56-65	
G4-EN8	Total water withdrawal by source.	Environment - pp 56-65	
G4-EN10	Percentage and total volume of water recycled and reused.	Environment - pp 56-65	
MATERIAL ASPECT: EFFLUENTS AND WASTE			
G4-DMA	Generic Disclosures on Management Approach.	Environment - pp 56-65	YES
G4-EN23	Total weight of waste by type and disposal method.	Environment - pp 56-65	
G4-EN24	Total number and volume of significant spills.	Environment - pp 56-65	
G4-MM3	Total amounts of overburden, rock, tailing, and sludges and their associated risks.	Environment - pp 56-65	YES
MATERIAL ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach.	Environment - pp 56-65	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Environment - pp 56-65	

SPECIFIC STANDARD DISCLOSURES INCLUDING MINING AND METALS SUPPLEMENT

DMA AND INDICATORS	GRI DESCRIPTION	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
MATERIAL ASPECT: OVERALL			
G4-DMA	Generic Disclosures on Management Approach.	Environment - pp 56-65	
G4-EN31	Total environmental protection expenditures and investments by type.	Environment - pp 56	
MATERIAL ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS			
G4-DMA	Generic Disclosures on Management Approach.	Environment - pp 56-65	
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	Environment - pp 56-65	
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK			
MATERIAL ASPECT: EMPLOYMENT			
G4-DMA	Generic Disclosures on Management Approach.	People - pp 42-47	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	People - pp 42-47	
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	Generic Disclosures on Management Approach.	S&OH - pp 48-55	YES
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	S&OH - pp 48-55	YES
MATERIAL ASPECT: TRAINING AND EDUCATION			
G4-DMA	Generic Disclosures on Management Approach.	People - pp 42-47	
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	People - pp 42-47	
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	Generic Disclosures on Management Approach.	People - pp 42-47	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	People - pp 42-47	
SUB-CATEGORY: SOCIETY			
MATERIAL ASPECT: LOCAL COMMUNITIES			
G4-DMA	Generic Disclosures on Management Approach.	Social Responsibility - pp 66-77	YES
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Social Responsibility - pp 66-77	
G4-SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms.	Social Responsibility - pp 68-69	YES
G4-MM6	Number & description of significant disputes relating to land use, customary rights.	Social Responsibility - pp 69	YES
G4-MM7	Extent to which grievance mechanisms were used to resolve disputes relating to land use.	Social Responsibility - pp 68-69	YES
MATERIAL ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach.	Governance - pp 16-19	
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Environment - pp 56-65	

Materiality Counts

MATERIALITY COUNTS INDEPENDENT ASSURANCE REPORT TO OK TEDI MINING LIMITED

SCOPE OF WORK

Materiality Counts was engaged by Ok Tedi Mining Limited (OTML) to provide independent limited assurance of its 2016 Annual Review (the Report) to the scope of work outlined below. The Report covers OTML's operations for the 12 months to 31 December 2016, unless stated otherwise in the text. The work was performed using Materiality Counts' assurance methodology to *ISAE 3000, the International Standard on Assurance Engagements Other than Audits or Review of Historical Financial Information*. Material issues formed the basis of the scope. Materiality Counts interviewed OTML personnel/contractors, reviewed data collation processes, sighted original records, interrogated spreadsheets and re-performed calculations. Challenges presented by the OTML operational shut down throughout 2015 are acknowledged.

The subject matter for the assurance consisted of the following four material issues and related information/datasets: ***indirect economic impacts*** (taxes and levies, dividends, royalties, Tax Credit Scheme (TCS), goods purchased in PNG, payments to PNG contractors, local training costs and salaries and wages); ***effluents and waste*** (riverine disposal, waste rock, tailings, % sulphur in waste rock and sand and silt removed from the river); ***occupational health and safety*** (fatalities, hours worked, LTI, LTIFR, TRI, TRIFR, SI and SIFR); ***local communities*** (number and type of complaints, including compensation payments).

The criteria for the assurance consisted of the following three elements:

- Provision of a balanced representation of material issues in the Report.
- Accuracy of the performance data and statements in the Report.
- Validity of the self-declared Global Reporting Initiative (GRI) G4 Core reporting.

MATERIALITY COUNTS' INDEPENDENCE

OTML was responsible for preparing the Report. Materiality Counts was responsible for expressing assurance conclusions regarding the material issues detailed above in line with the scope of work agreed with OTML. During the reporting period, Materiality Counts did not work with OTML on any other consulting work. Materiality Counts is an independent consultancy specialising in Integrated and Sustainability Report development and assurance, materiality determination, strategy development and stakeholder partnerships.

OUR CONCLUSION

Materiality Counts concludes that, based on the scope of work and related limitations, for the specified subject matter, OTML's 2016 Annual Review provides a balanced representation of the material issues concerning OTML, reports accurate performance information and satisfies the requirements of GRI G4 Core reporting for the 12 months to 31 December 2016. In addition, Materiality Counts provided a management report on the assurance findings to OTML.

KEY OBSERVATIONS

Based on the scope of work, and without affecting our assurance conclusion, Materiality Counts identified the following good practice:

- **Data owner understanding:** Extensive data owner understanding of data sources and operations.
- **Health and safety reporting:** Comprehensive public reporting of health and safety data.
- **Community grievance process:** Well defined community grievance process with effective training.

Materiality Counts identified the following areas for improvement:

- Data management framework: Develop an integrated reporting data capture system, including a consolidated reporting database and an electronic file naming protocol.
- Mineral waste management plan: Develop and regularly review a mineral waste management plan for best practice governance in tailings, acid mine drainage (AMD) and waste rock management.
- Data discrepancies: The data management framework will help to minimise data discrepancies as a result of incorrect rounding and human transcription error.

Materiality Counts congratulates OTML on its commitment to reporting.

Materiality Counts, 30 March 2017, Melbourne, Australia

Materiality Counts has prepared this statement for OTML in accordance with the standard practiced by members of the consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by Materiality Counts as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and Materiality Counts will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without Materiality Counts' express written permission.

ABBREVIATIONS

3YP	Three Year Plan
%	Percent
AMD	Acid Mine Drainage
Ag	Silver
AGD	Australian Geodetic Datum
AGI	Algal Growth Inhibition
ANC	Acid Neutralising Capacity
APD	Asset Protection Department
ARD	Acid Rock Drainage
Au	Gold
BGI	Bacterial Growth Inhibition
Cd	Cadmium
CEPA	Conservation and Environment Protection Authority
CES	Community Education Service
CGMS	Community Grievance Management System
CMCA	Community Mine Continuation Agreement
CMSFHP	Community Mine Continuation Agreement Middle and South Fly Health Program
CO_2	Carbon dioxide
CO_2-e	Carbon dioxide equivalent
Cu	Copper
dCu	Dissolved copper
dmt	Dry metric tonnes
DWE	Dry Weather Event
DWU	Divine Word University
EBIT	Earnings Before Interest and Tax
EITI	Extractive Industries Transparency Initiative
EL	Exploration Lease
EMS	Environmental Management System
ERT	Energy Response Teams
FODE	Flexible Open Distance Education
FRPG	Fly River Provincial Government
GDP	Gross Domestic Product
g/t	Grams per tonne
GRI	Global Reporting Initiative
GWh	Gigawatt hour
ha	Hectare
H_2SO_4	Sulphuric Acid
IFRS	International Financial Reporting Standards
IMIU	International Mining Industry Underwriters
IRC	Internal Revenue Commission
LMP	Lease for Mining Purpose
LOM	Life of Mine
JORC	Joint Ore Reserves Committee
K	Thousand
kg	Kilogram
km	Kilometer
km^2	Square kilometres
Koz	Thousand ounces
Kt	Thousand tonnes
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
m	Metre
M	Million
mm	Millimetre
Mm^3	Million cubic metres
m^3	Cubic metres
m^3/t	Cubic metres per tonne
MD	Managing Director
ML	Megalitres
Moz	Million ounces
MPA	Maximum Potential Acidity
MRA	Mineral Resources Authority
Mt	Million tonnes
Mtpa	Million tonnes per annum
Mtpm	Million tonnes per month
MW	Megawatt
MWH	Megawatt hour
MWTP	Mine Waste Tailings Project
NAF	Non Acid Forming
NAPP	Net Acid Production Potential
NDoH	PNG National Department of Health
NEC	National Executive Council
NFHSDP	North Fly Health Services Development Program
NGO	Non-Government Organisation
OTDF	Ok Tedi Development Foundation Limited
OTEMA	Ok Tedi Environmental Management Act
OTML	Ok Tedi Mining Limited
oz	Ounces
PCon	Pyrite concentrate
Pb	Lead
PFSO	Port Facility Security Officer
PGK	Papua New Guinea Kina
PJ	Petajoule
PNG	Papua New Guinea
PNGSDP	Papua New Guinea Sustainable Development Program Limited
PWC	PriceWaterhouseCoopers
ROM	Run of Mine
RPNGC	Royal PNG Constabulary
SAG	Semi Autogenous Grinding
SAP	Systems Applications Products
SHE	Safety, Health and Environmental
SHEC	Safety, Health, Environmental and Community
SIFR	Significant Injury Frequency Rate
SFHP	South Fly Health Program
SOE	State Owned Enterprise
S&OH	Safety and Occupational Health
SML	Special Mining Lease
t	Tonne
TCS	Tax Credit Scheme
tpd	Tonnes per day
tph	Tonnes per hour
tpm	Tonnes per month
TPP	Tailing Pyrite Plant
TRIFR	Total Recordable Injury Frequency Rate
µg/L	Microgram per litre
USD	United States Dollar
UNVPHR	United Nations Voluntary Principles of Human Rights
VPC	Village Planning Committee
WHO	World Health Organisation
WPPDTF	Western Province People's Dividend Trust Fund
Zn	Zinc

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Certain information contained in this Annual Review 2016, including any information as to the Company's strategy, projects, plans, future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "aim", "believe", "expect", "will", "should", "anticipate", "contemplate", "target", "plan", "project", "continue", "budget", "may", "intend", "estimate" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to the impact of global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future cash flows, changes in the worldwide price of gold, copper or certain other commodities (such as silver, fuel and electricity), possible variations of ore grade or recovery rates, failure of plant equipment or processes to operate as anticipated, ability to profitably produce and transport the Company's product, demand for the Company's product, fluctuations in foreign currency markets, risks arising from holding derivative instruments ability to successfully complete announced transactions and integrate acquired assets, legislative, political or economic developments in the jurisdictions in which the Company carries on business including increases in taxes, operating or technical difficulties in connection with mining or development activities, employee relations, availability and costs associated with mining inputs and labour, the speculative nature of exploration and development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves, changes in costs and estimates associated with the Company's projects and the risks involved in the exploration, development and mining business. There can be no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements and information due to inherent uncertainty. All forward looking statements and information made herein are qualified by this cautionary statement and speak only as at the date of issue of this Annual Review 2016. The Company disclaims any intention or obligation to publicly update, revise or review any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable laws or regulations.

This 2016 Annual Review has been printed on environmentally friendly paper stocks.

The cover and text have been printed on HannoArt, which is FSC certified. Containing fibre sourced only from responsible forestry practices, this sheet is ISO 14001 EMS accredited and is totally chlorine-free.

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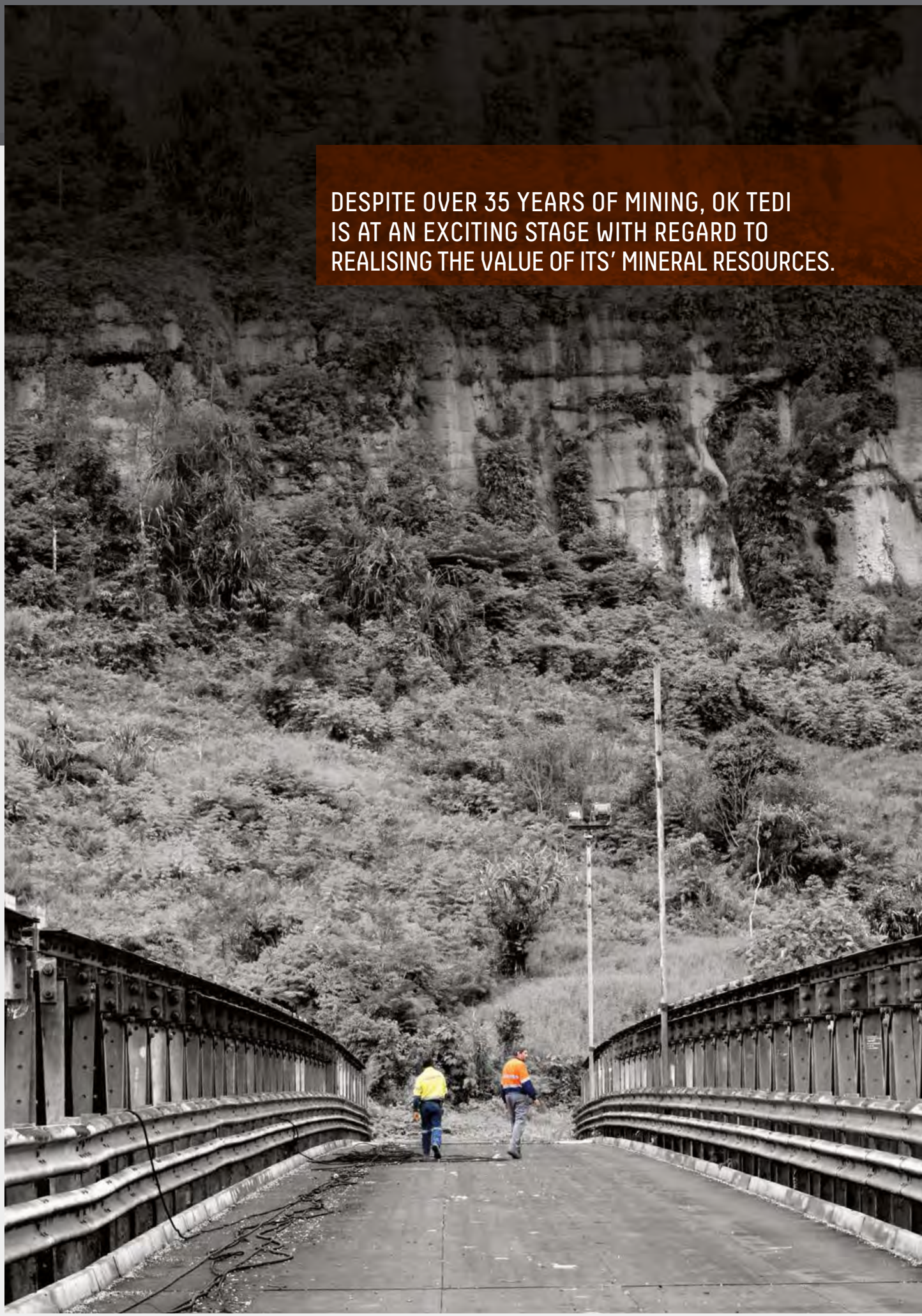

DESPITE OVER 35 YEARS OF MINING, OK TEDI IS AT AN EXCITING STAGE WITH REGARD TO REALISING THE VALUE OF ITS' MINERAL RESOURCES.

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