



Our Charter

OTML is a partnership of shareholders, workforce and communities, which operates under the Charter: Shared Purpose, Shared Goals, Shared Values and Shared Success.

Our purpose is to generate value for all partners through honesty and ethics, high performance, safe work practices and industry competitiveness.

At Ok Tedi, we value integrity, open and transparent communications, participation and involvement, win-win relationships and operating excellence with continuous improvement.

We are successful when all participants value our partnership, when our customers seek our product, when every employee takes pride in our combined achievements, when we are making positive social and economic contributions to PNG, the Western Province and the North Fly region.



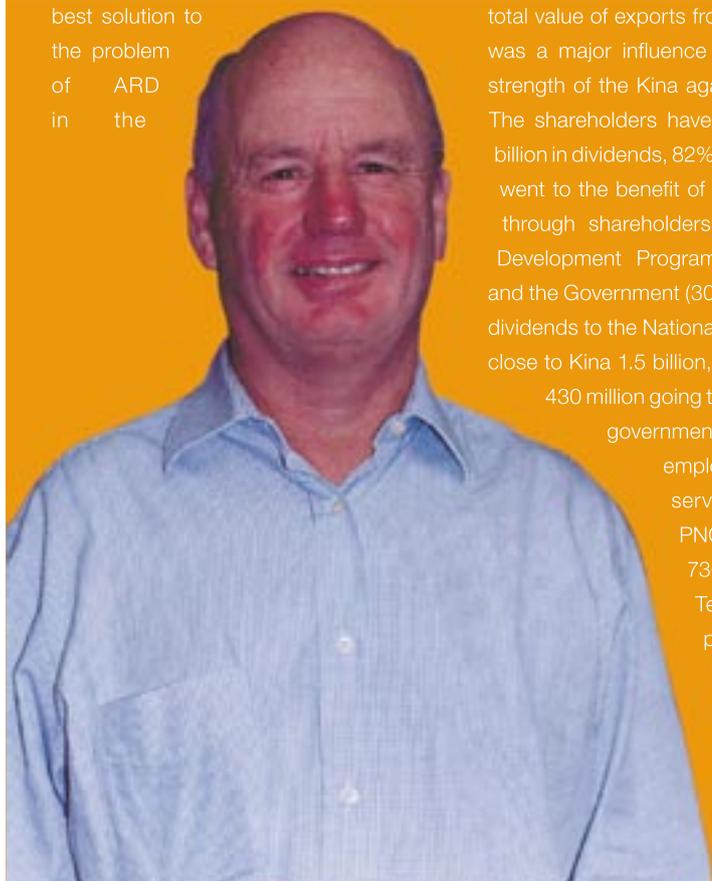
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Statement from the **Chairman**

I am pleased to present this report of the activities of Ok Tedi Mining Limited for 2006 on behalf of the Directors and shareholders of the Company.

The year was one of financial success, driven by both very favourable commodity prices and good operational performance. It was also a year in which a solution to the growing threat of Acid Rock Drainage (ARD) was identified and, after thorough research and consultation, the Board approved a major capital expenditure to deal with that potential environmental hazard. The Mine Waste Tailings Project (MWTP) will remove the majority of the sulphide mineral from the tailings discharged into the Ok Tedi/ Fly River system, and have the sulphide material safely and permanently stored in deep pits below the flood plain at the Bige dredge site. Comprehensive technical studies of the project, independently reviewed, show that the MWTP is the best solution to the problem of ARD in the



river system, whereby the very substantial economic benefits of continuing to operate the Ok Tedi mine are matched with improved environmental performance. This USD153 million project signifies the commitment of the Board, and the shareholders, to responsible management of the mining of the Mount Fubilan ore resource for the benefit of all stakeholders in the project. While the MWTP is the largest single and most important capital project that the mine is currently undertaking, the Board also approved investment in a further USD 60 million in other capital projects over the past year, again demonstrating our commitment to ensure that the mine continues as a safe, efficient and world class operation.

The importance of the Ok Tedi project to the economy of Papua New Guinea should not be underestimated. In 2006 the mine was responsible for almost one third of the total value of exports from the country and was a major influence in maintaining the strength of the Kina against the US dollar. The shareholders have received Kina 1.8 billion in dividends, 82% of which ultimately went to the benefit of the people of PNG through shareholders PNG Sustainable Development Program Company (52%) and the Government (30%). Total taxes and dividends to the National Government were close to Kina 1.5 billion, with a further Kina 430 million going to Western Province government, communities and employees. Goods and services procured in PNG amounted to Kina 736 million. The Ok Tedi project is a vital part of the economic wellbeing of this country.

There are other, less tangible benefits to

the people of PNG. You will read in this report of the very large commitment the Company continues to make to training and development of both employees and community members through trades apprenticeships, university graduate and professional development, and the training of local people in work and lifestyle skills. About one in eight of our employees are in either full time training or a training function.

The Company's commitment to social welfare is demonstrated by its involvement in food security programs, gender equity promotion and provision of health services to the North Fly district through the Tabubil Hospital on behalf of the Western Provincial Government. Our HIV/AIDS policies and programs help reduce the spread of this devastating disease; our assistance to those affected by the disease, employees and the wider public alike, is recognised as leading the way in PNG and in the south Pacific region.

The Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act of 2001 was a decision taken by the Government of PNG and the people of the communities affected by mine operations to continue mining because it was seen that the social and financial benefits outweighed the negative environmental impacts. Improvements to the benefits packages to affected communities, together with commitment to the Mine Waste Tailings Project, confirms the decision taken in 2001 while resetting the balance between the mine operation and communities wellbeing. We will continue to operate the mine in a responsible manner, beneficial to all stakeholders,

I commend this report to you.

**ALAN ROBERTS
CHAIRMAN**

Report from the **Managing Director**

In 2006, Ok Tedi Mining Limited turned in its best performance in its 25-year history, lifted by record prices for the metals contained in the mineral concentrate that we produce and sell on the world market.

Our theme for our 25th year was "Our Project and Our Challenge". Ok Tedi will always be a challenge in many ways, but it is also capable of generating immense benefit for PNG. Together, the management and workers of Ok Tedi, the contractors and communities that support this great mine, the Government and the shareholders are meeting that challenge and delivering on the mine's promise of wealth for the people of this country.

The shareholders have received Kina 1.8 billion in dividends, 82% ultimately going to the benefit of the people of PNG. Total taxes and dividends paid to the National Government, were close to Kina 1.5 billion, with a further Kina 150 million going to the Western Province government, communities and employees.

Tragically, a contractor's employee lost his life in an accident on June 2nd. Our aim at Ok Tedi is Zero Harm to our employees and contractors and, although our safety performance is generally good by world standards, we are reminded that we must be ever vigilant, and we have re-dedicated ourselves to achieving a harm-free workplace. A safety systems audit in November acknowledged an increased effort rating by the organisation and its contractors, with our NOSA Four Star status being regained after losing it in 2005.

One of Ok Tedi's greatest challenges is the well-documented impact of the mine wastes on the Ok Tedi and Fly River system. The most concerning development in the past few years has been the increasing risk presented by Acid Rock Drainage (ARD), the result of oxidation of sulphide minerals in the waste materials, particularly the mill

tailings. Exhaustive studies have resulted in a project for the removal of pyrite (an iron sulphide mineral) from the tailings and the permanent safe storage of this material where it cannot oxidise and pose a risk to the river system. Studies concluded that the safest storage site is at Bige, where we dredge the mine wastes from the Ok Tedi. This US\$153 million project was approved by the Minister for Environment and Conservation late in December 2006. Final design and procurement is underway and commissioning of the project is planned for the first quarter of 2008.

We are working closely with the Departments of Environment and Conservation, and Mining to ensure that the design, operation, and the long term security of the storage is well understood, and also to alleviate any remaining concerns that the community and regulators may have about this Mine Waste Tailings Project.

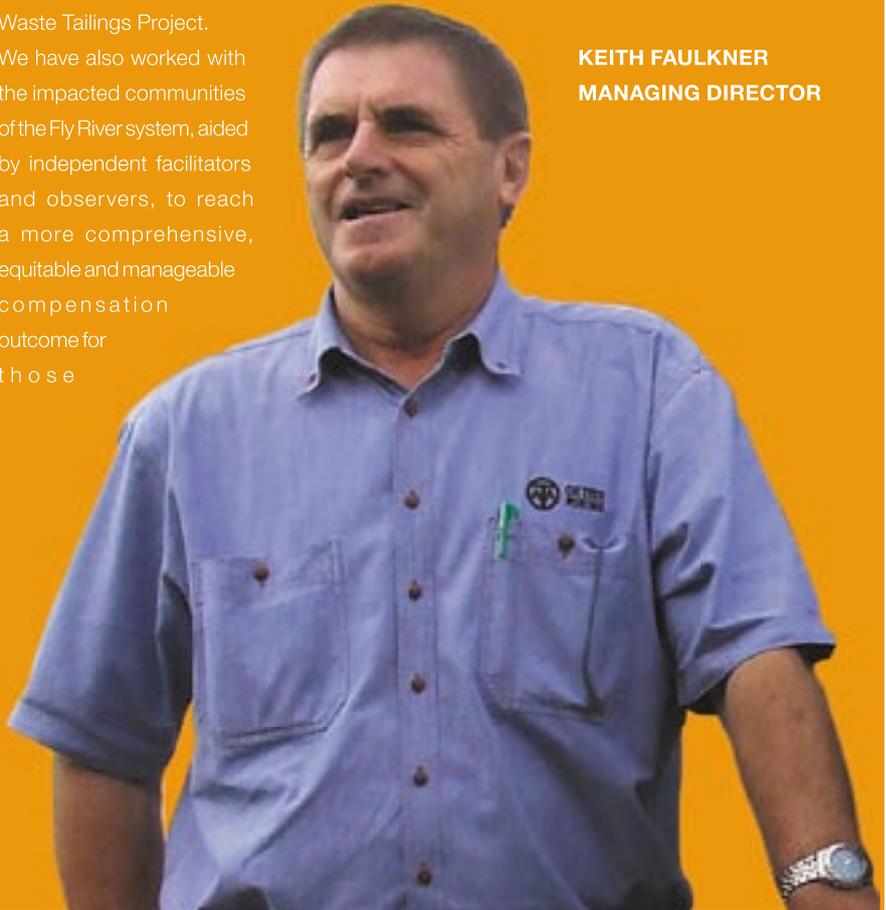
We have also worked with the impacted communities of the Fly River system, aided by independent facilitators and observers, to reach a more comprehensive, equitable and manageable compensation outcome for those

communities. That consultative process has been underway throughout 2006, involving about 500 meetings from village level, through regional level to a representative Working Group. It is anticipated that work will be complete by mid 2007.

2006 has been a record year financially for OTML due in large part to record commodity prices, prices that in relative terms have not been seen before and may never be seen again.

But we have taken advantage of that situation and Our Project has produced great returns for PNG. We are also meeting Our Challenge by facing the problems and finding workable solutions.

Our 25th year has been successful and one about which we can be proud, knowing that the path forward for Ok Tedi and its stakeholders has been laid out.



KEITH FAULKNER
MANAGING DIRECTOR

Our Record Year

In 2006, Ok Tedi celebrated its 25th anniversary in a significant way. It delivered to the nation of Papua New Guinea a record profit before tax of K2.7 billion on gross sales revenue of K4.6 billion, an increase of K1.3 billion from the 2005 gross sales revenue.

As well as being a record year for OTML, 2006 brought a number of challenges to the company, the greatest of which was the need to re-set the right balance between the positive social impact of the mine and its negative effect on the surrounding environment,

so that the mine could continue its significant contribution to the economic development of Papua New Guinea for its remaining mine life.

A team comprising environmentalists, geologists and engineers was put together to find ways to address the issue of acid rock drainage, which was posing a potential problem in the river system downstream of the mine.

A US\$153 million pyrite flotation and pipeline project to better manage mine waste and tailings was suggested and a number of feasibility studies

were conducted. Senior management recommended the concept, and the Board of Directors agreed, and finally the Government approved the project in December 2006.

With confidence that all stakeholders will accept the formula for balance between productivity and environmental management, the mine production team continued to capitalise on firm metal prices, with strong performances in the pit and through the mill.

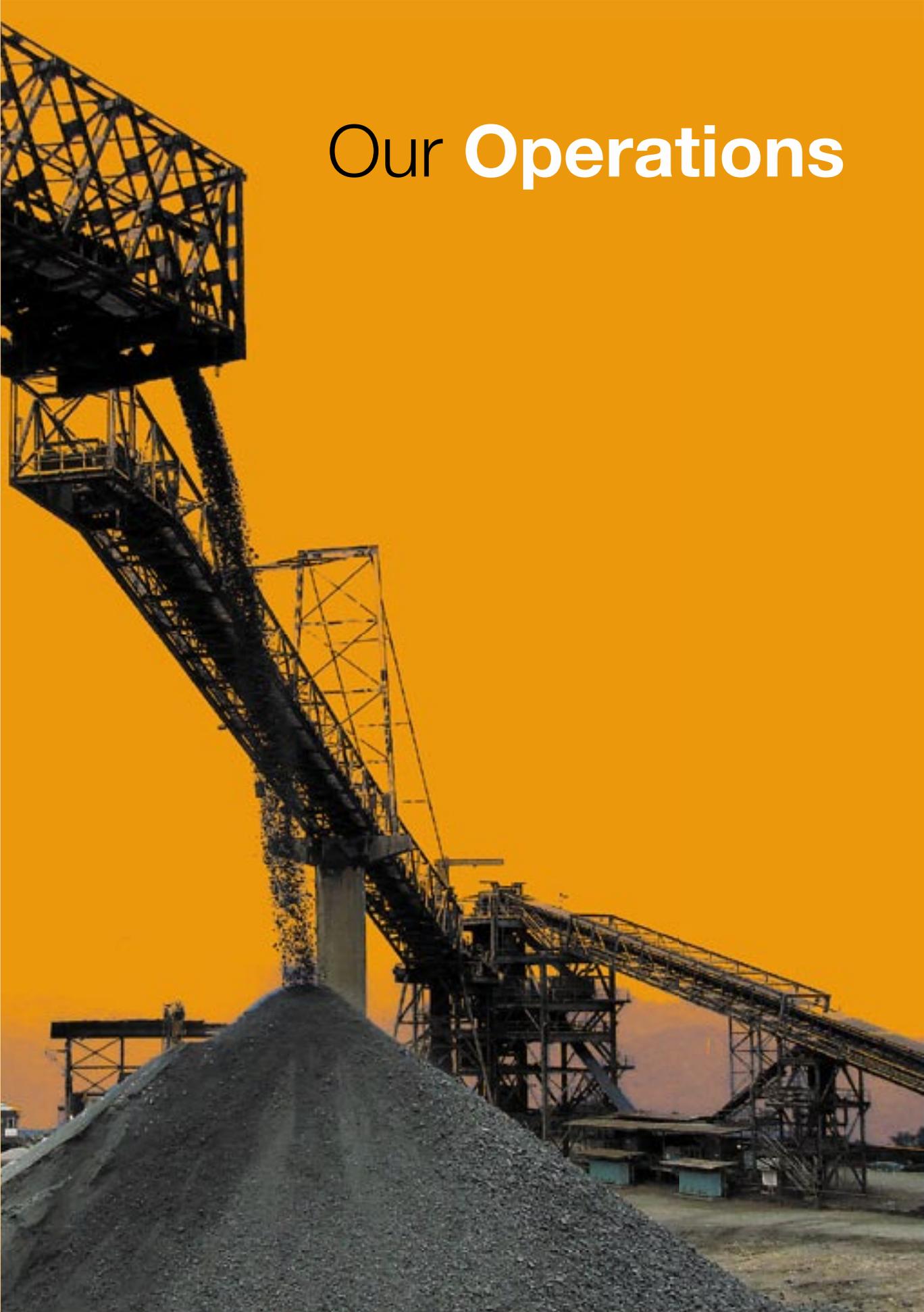


The Revenue

Sales Revenue	K4.6 billion
Profit Before Tax	K2.7 billion
Dividends	K1.8 billion
Total Taxes	K1.0 billion

The Benefits to the Western Province

The People of Western Province	K181 million through the 10% dividend fund
Fly River Provincial Government	K85 million in royalties & dividends
Mine Area Villages	K91 million in dividends, royalties & lease payments
Non-mine Area Communities	K25 million in compensation & benefits payments
OTML Western Province Employees	K43 million in wages
Tax Credit Scheme	K6 million in infrastructure projects



Our Operations

Our Production

Ok Tedi's production group delivered on its challenging targets for the year, with good planning, good controls and a strong team effort.

Sales and Revenue

Mill feed tonnage was 1.0% above budget while mill throughput rate was 2.3% above budget and mill uptime was 93.9% against a budget of 95.0%.

Copper recovery for the year achieved 86.1% against a budget of 85.1% while gold recovery was 70.7% against a budgeted 72.1%.

A total of 622,158 dry metric tonnes of concentrate was sold on the world market in the year. This was 12% less than sales in 2005.

Contained copper was 177,538 tonnes, and contained gold was 505,234 ounces. Full year sales revenue was K4.6 billion, 40% higher than in 2005 reflecting record copper prices, firm gold prices and a continuing strong performance by the company's production team.

Exploration

To examine the potential for a possible life beyond 2013, we maintain an



exploration program both within the pit and in the surrounding region.

The In-pit Drilling Project results in 2006 provided consistent copper and gold grades from skarn mineralisation found under the walls of the pit and at depth below the pit.

Drilling is showing a much improved definition of the location and geometry

of the skarn mineralisation.

The aim of the In-Pit Drilling study is to investigate the potential for a small underground mine that might continue after the end of the open pit operation. A small underground operation would target the remnant skarn mineralisation left in the walls and under the pit that cannot be mined from the pit.

Summary of Production Results

Production	2006	2005	2004
Head grade copper (%)	0.82	0.89	0.80
Head grade gold (grams per tonne)	0.88	0.97	0.88
Mill throughput ('000 tonnes)	27,561	25,351	26,221
Copper (tonnes)	194,355	192,978	173,370
Gold (oz's)	550,099	574,694	524,474
Sales	2006	2005	2004
Concentrate (dmt)	622,158	711,215	598,622
Contained copper (tonnes)	177,538	204,840	166,328
Contained gold (oz's)	505,234	594,402	491,005

In June, an employee of one of our major contractors, Starwest, died in a tragic workplace incident. The external investigation raised a number of issues involving equipment, maintenance practices and management controls. These issues are being followed-up closely by Starwest and OTML, aimed at preventing a recurrence of this type of incident.

OTML ended the year with six Lost Time Injuries and nine Restricted Work Injuries, a total of 15 Disabling Injuries compared to 13 in 2005, and 16 in 2004.

Contractors were involved in three quarters of the Disabling Injuries, which mainly affected fingers and hands. Much focus was placed on reducing finger/hand injuries later in 2006 via monthly themes and local area focus, including introduction of rules for glove use in Mill and Mine Maintenance.

OTML reduced the overall hand/finger injury level by 14 % during 2006.

Light vehicle damage incidents were also significantly lowered, down 25 %.

The workplace experienced a number of potentially significant incidents which did not result in injury. These incidents were investigated using the Incident Cause Analysis Method (ICAM).

The investigations showed causes related to vehicle interaction, operator fatigue and inadequate practices in working at heights and isolation of equipment.

Action Plans grew as we took the lessons from these investigations and applied them to improve the workplace, the equipment and individual behaviour.



As the project moves into 2007, two safety messages are considered to be of the highest importance for all employees and contractors in the progress towards Zero Harm.

The first is that the immediate past is the best predictor of the immediate future.

The second is that we can readily improve our performance and eliminate injuries simply by taking individual responsibility for our own safety at work.

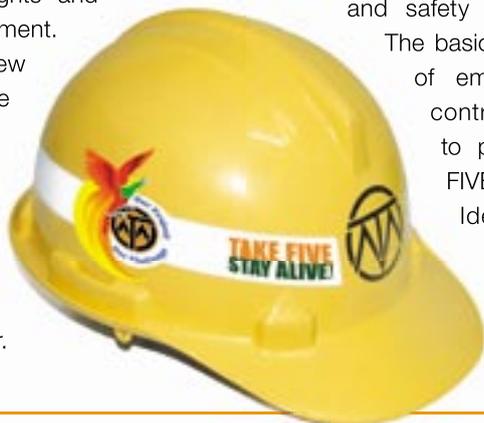
The 2007 commitment is to improve compliance with existing systems and safety requirements.

The basic expectations of employees and contractors are: to perform TAKE FIVE (Stop, Think, Identify, Plan and Proceed) to write a

comprehensive Job Safety Analysis (JSA) to a task and follow it, and to comply with basic risk-reduction rules for equipment, work at height and other clearly defined criteria.

Incidents are being captured in the Safety Information Management System. All incident data is now in this database and reports of management information are coming on stream.

OTML will recreate major operating area Risk Registers so that risks are better understood and resources directed to controlling and continually reducing those risks that are most significant in each area. Over time, Risk Registers will become the centre of area-based safety management.



Our Mine and Mill **Operations**

Our Capital Projects

To maintain efficiency at all operational sites, a number of new infrastructure development projects began rolling out during the second half of 2006.

The upgrade of the In-Pit Crusher (IPC), a project costing US\$20 million, was brought on as a result of the eventual removal of the Taranaki crusher, to allow mining to be carried out in the area.

Upon completion of its upgrade in the 2nd quarter of 2007, throughput of the IPC and reliability of the conveying circuit are set to increase.

The project required the construction of a new dump hopper and apron feeder, a scalping screen and two new conveyors, one to take the larger rocks to the crusher and the other to take fine ore to the stockpile conveyor.

Other improvements in the pit included the purchase of four new haul trucks at a total cost of US\$11.2 million, replacing older trucks which have done up to 75,000 hours work. The maximum capacity of each new dump truck is 180 tonnes, the same as the current fleet. Other new mobile equipment purchased in the year included two CAT 16H graders.

Mine Waste Tailings Project

The Mine Waste Tailings Project (MWTP) received approval from the Minister for Environment and Conservation in December 2006. This project is essential for OTML to be able to complete mining through to mid 2013, which is the currently planned mine life.

The US\$153 million MWTP, together with the on-going dredging operation and addition of limestone to the waste rock, will significantly reduce the amount of sulphides in the mill tailings which are currently discharged

into the Ok Tedi system and also reduce the risk of Acid Rock Drainage to the Ok Tedi/Fly River system.

Using conventional flotation technology, the sulphide removal process will produce a final tailings stream containing less than 1% sulphur and a sulphide concentrate containing between 42% and 45% sulphur.

The sulphide concentrate will be transported by a 130km pipeline for storage in specially-prepared containment areas at Bige. These containment areas will be located within the dredged sands and remain under permanently saturated conditions beneath the water-table. This will prevent oxidation of the sulphides in the concentrate and the formation of ARD. At the end of minelife, the containment areas will be covered with an engineered layer of non acid-forming sand to ensure the permanent safe storage of the sulphide concentrates and the dredged sands.

Construction of the project commenced in the first quarter of 2007 with start-up anticipated in the first half of 2008.

Kiunga De-Watering Plant

The OTML production process delivers copper concentrate as a slurry, piped down to the shipping port at Kiunga.

This slurry consists of about 40 % moisture, which needs to be reduced to a level of less than 9.5 % moisture for shipment.

The existing Filtration Plant,

which has been operating since 1987, consists of drum filters and rotary dryers in an energy-intensive process which dewater the slurry to the specified level. The filters are in need of replacement and the two dryers require significant and expensive work to return them to a condition which will allow the plant to run until mine closure.

The new Metso Vertical Pressure Airblow (VPA) plant will allow for the elimination of the drum filters, dryers and ancillary equipment and will generate an annual cost saving of at least three million US dollars, producing a dried concentrate at around 8.5% moisture. A significant proportion of the savings generated will come from reduced use of diesel fuel and lower shipping costs. The highly automated VPA plant will also allow for savings on manning, fresh water usage and power draw. It will significantly enhance the operational skills of the OTML workforce in Kiunga. Approval for the purchase of the filter plant was received in June 2006.

The project was fast-tracked, and work started in mid-September. The plant was originally designated to start up in early May 2007, however with unforeseen difficulties with design drafting, steel supply, low river levels, start-up is now expected in early June, 2007.

The total cost of the filter plant, including operator training, installation and commissioning is expected to be US\$8.5 million.



Our Environment



Our Environmental Management

OTML's Annual Environmental Report, submitted to PNG's Department of Environment and Conservation each September, presents and discusses the range of scientific projects undertaken in addressing the impacts of the mining operation on the river system. This report is posted on OTML's website at www.oktedi.com. For details on the broad range of investigations and monitoring of programs, go to the website.

While some of these river issues have been presented in previous annual reviews, it is more appropriate today to adopt the reporting of key GRI (Global Reporting Initiative) indicators in line with the environmental performance reporting of mining and other industries throughout the world. The background to some of these indicators are discussed below. The relevant indicators are summarised in a table (Page 12) and illustrate OTML's achievements during 2006 compared with previous years.

Environmental Management Performance

Training: In 2006, 99 environmental induction sessions were undertaken for new and existing OTML and contract employees. Additionally, site specific training is provided where necessary (including hydrocarbon / copper concentrate spill response at KM59, incident reporting and general environmental management at the Mine).

Audits: OTML environmental officers undertook environmental site inspections on OTML and contractor work areas throughout the year. In July 2006, GHD Pty Ltd conducted the Annual Environmental Performance Audit of major OTML and contractor

industrial areas, leading to the annual update of the environmental risk register and development of the 2007 Environmental Action Plan (EAP).

The 2006 EAP action items were also assessed by GHD with an annual score of 86% completion of the 34 action items.

Incidents: During 2006, a total of 106 environmental incidents were reported (compared to 68 reported incidents in 2005 and 40 in 2004). The increase in incident reporting over recent years reflects the focus on reporting training and awareness and the inclusion of minor incidents.

The majority of the incidents were minor (Incident Category 1) hydrocarbon spills from machinery during operation or maintenance. Four Category 2 incidents occurred involving spillage of CuCon (2 incidents), waste oil and diesel fuel. All of these were sufficiently cleaned up and remediated where necessary. No community compensation was required as a result of these four incidents.



Water Management

Even though the Mt Fubilan area receives around 10 m annual rainfall, the mill is the site's greatest consumer of water. As the storage capacity of the Mt Fubilan Ok Ningi Dam is insufficient to capture and contain the quantity required for ore processing, water is pumped 15 km from near Tabubil over an elevation of 1200 m. Thus water conservation is important from an energy as well as environmental perspective. Water recycling occurs as part of the every day operation through the retention and recycling of the processing water.

Hydrocarbon Management

OTML has four large hydrocarbon storage areas, as well as many smaller storages throughout the operation. During 2006, OTML commissioned consultants to undertake acoustic emission testing on 13 of the major diesel and oil storage tanks. While no major tank bottom deficiencies were located during these surveys, three tanks warrant further investigation. In addition several of the major hydrocarbon pipelines were hydrostatically tested; only one pipeline failed the testing and the section was immediately repaired.

The OTML operation consumed 105 million litres (ML) of diesel fuel and 1 ML of oil in 2006. The majority of the waste oil was recovered and burnt in the Mill's lime kiln. This has a two fold positive effect: it reduces the use of diesel fuel required in the lime kiln and it disposes of a large volume of site-wide hazardous waste.

Riverine Waste

Under State approval, OTML is permitted to undertake riverine

Our Waste Management

disposal of waste rock and tailings. While the majority of this waste is benign rock, the sulphide and copper mineralisation contained within these wastes is of environmental concern. In 2006, 48 million tonnes of waste rock (containing 1.09% sulphur) and 27.4 million tonnes of tailings (2.66% sulphur) were delivered to the upper Ok Tedi river system. Additionally, as a part of OTML's ARD mitigation strategy, 9.1 million tonnes of limestone was mined for gradual addition to the waste rockstream to assist in buffering potential ARD in the future.

During 2006, 13 million cubic metres (m³) of riverine sediments were dredged at Bige and stockpiled on the western bank of the Ok Tedi. Sediment removal has helped to alleviate inundation of the flood plain and the extent of forest dieback.

To date, 1,602 square kilometres (km²) has been affected by dieback while 25% of this area (410 km²) has undergone some form of recovery. Temporary revegetation is established on the slopes of the dredged stockpiles at Bige, as the benches are constructed, to ensure protection from

surface erosion.

In December 2006, the PNG government approved the Mine Waste Tailings Project (MWTP) which allows for the removal of pyrite from tailings at the Mill, the transportation of the pyrite concentrate via a pipeline to Bige and the subaqueous disposal of this concentrate in storage pits dredged to a level below the flood plain and hence permanently saturated. The successful implementation of this project will dramatically decrease the ARD risk at Bige and throughout the river system.

A final 3-metre thick cover, to mitigate any future ARD development within the Bige stockpiles, will be established once suitable material is fluvially delivered to the dredge slot following the implementation of the MWTP. Permanent rehabilitation will then be initiated as per the Mine Closure Plan's Mine Area Rehabilitation Plan and in consultation with the local communities.

Industrial Waste

Over the past 25 years a large quantity of scrap metal (including ferrous

wastes, aluminium, copper, lead-acid batteries, brass, stainless steel, radiators, electric motors, etc) has accumulated throughout the various operational areas. A contractor has undertaken scrap metal recycling on site since 2002.

With an estimated 7 years of open-cut mining life remaining, the significant reduction in the scrap metal stockpiles (~180,000 tonnes alone in the past 3 years) has not only contributed to the world's metal recycling effort but it has also aided in OTML's clean-up prior to mine closure.

Energy and Greenhouse Gases

Electrical energy production at Ok Tedi includes the burning of fossil fuels (diesel / oil) and the utilisation of hydrogeneration. OTML strives to maximise the use of hydroelectricity over diesel-generated power, resulting in a significant economic benefit.

Without hydroelectricity, an operation the size of Ok Tedi would have to consume significantly greater quantities of fossil fuels resulting in a doubling of the production of greenhouse gases.



Our Key Environmental Indicators

Global Reporting Initiative (refer page 10)

Environmental Indicators	2004	2005	2006
Environmental Management Performance			
Environment Induction (#OTML & Contract Employees)	642	898	1,232
Environment Action Plan (% completed)	83	91	86 ▼
Incidents Category 3+ (Medium, Major or Catastrophic)	1 (3 - medium)	0	0
Environment Incident Compensation	US\$300,000 (PGK960,000)	US\$0	US\$0
Water Management			
Total Water Used ('000 m ³)	33,000	35,846	41,340
Fresh Water ('000 m ³ / % of total)	13,000 39	12,905 36	14,865 36
Recycled Water ('000 m ³ / % of total)	20,000 61	22,941 64	26,475 64
Total Water Intensity Index (m³ / % of total Contained Copper)	190	185	213 ▲
Waste Management			
Total Riverine Disposal ('000 m ³)	79,825	89,368	79,366
Waste Rock ('000 t / % of total)	46,927 59	53,950 60	48,000 57
Tailings ('000 t / % of total)	25,600 32	24,686 28	27,366 32
Additional Limestone to offset potential acid production in Ok Tedi ('000 t / % of total)	7,298 9	10,732 12	9,142 11
Riverine Disposal Intensity Index (t/t Contained Copper)	460	463	435 ▼
Annual Dredge Production Rates (million m ³)	12.3	10.4	13.0
Average annual % sulphur in Waste Rock	1.12	1.35	1.09
Average annual % sulphur in Tailings	3.22	2.93	2.66
Average annual % sulphur in Dredged Sediments	3.74	3.36	2.50
Scrap Metal (t shipped for recycling)	84,043	44,218	47,586
Energy and Greenhouse Gas Production			
Total Diesel Consumption (ML)	88.6	90.7	110.2
Power Generation (ML / % of total)	33.9 38	24.9 27	39.1 35
Machinery / Other (ML / % of total)	54.7 62	65.8 73	71.1 65
Electricity Use (MWH)	471,088	495,716	495,131
Diesel generated electricity (MWH / % of total)	121,277 26	86,174 17	126,611 26
Hydroelectricity (MWH / % of total)	349,811 74	409,542 83	368,520 74
Energy Intensity Index (MWH / t Contained Copper)	2.7	2.6	2.5 ▼
GHG Emissions ('000 t CO ₂ -e)	288	295	358
GHG Intensity Index (t CO₂-e / t Contained Copper)	1.7	1.5	1.8 ▲
Mine Closure Planning			
Mine Closure Plan (MCP) Biennial Update Submitted to PNG Government	2004 MCP Submitted 15/02/05	(Not Required)	2006 MCP Submitted 14/12/06
New Land Distribution This Year (ha)	(not recorded)	325	71
Total Land Distributed to Date (ha)	2,185	2,510	2,581
Total Land Rehabilitation (ha)	(not recorded)	88 (Temporary on dredged sand stockpiles)	3 (Temporary on dredged sand stockpiles)
▲▼	Decline in performance in comparison with previous year due to increase / decrease	▲▼	Improvement in performance in comparison with previous year due to increase / decrease

Note: All values are current at the end of each calendar year

Our Community and Business Support



Our Community

At Ok Tedi, the relationship between the company and the host communities is as important as the mineral wealth. One of the milestones achieved by OTML in its 25th year is the level of maturity and openness the two parties share with each other.

OTML values the cordial relations it has with the people. The relationship was built over a long period of open communications between the company and the people and has been improved in the past five years as an independent PNG company.

The successful relations with the host community has served the company well in arranging better participation in spin-off social and economic activities generated by the project.

In the first quarter of 2006, OTML and the mine-affected communities began the mid term review of the compensation package Community Mine Continuation Agreements (CMCAs), signed in 2001 to allow the project to continue operations.

Called as the "New Way Forward" the process used in reviewing the CMCAs was developed in consultation with community leaders and with advice and facilitation from an independent non-government organisation based in the USA, Keystone Centre and its PNG counterpart Tanorama.

The review process which is continuing into 2007, works in a cycle beginning with Village Meetings, followed by Regional Meetings and then the Working Group Meetings which comprise delegates from each CMCA region, PNG National Government, Fly River Provincial Government, PNG Sustainable Development Program Limited, Non Government Organisations (NGOs), in particular women's and church groups, and

OTML.

Independent facilitators are Keystone Centre and Tanorama while independent observers of the process include former Prosecutor General John Kawi. The mine-affected communities have an advisor in Sir Arnold Amet, former Chief Justice of PNG.

The process is funded by OTML through an arm's length arrangement. Lead Independent Observer John Kawi describes the negotiation process as credible and transparent and is a model approach to solving disputes and conflicts. He says it has laid the foundations for a future of open dialogue between the communities and OTML.

Our commitment to fighting HIV/AIDS

OTML is leading the corporate sector in PNG in the fight against HIV/AIDS, which poses a serious threat to the nation, including its working population.

Working closely with the National AIDS Council Secretariat, OTML began running awareness and training programs on the virus in 2004 and in 2006 the company appointed a full time HIV/AIDS Coordinator to manage its awareness program, reaching out to the workforce and the host community.

The company's Tabubil hospital was the first facility outside the PNG public health system to give out anti retro-viral drugs to HIV- positive expectant mothers.

Tabubil hospital has

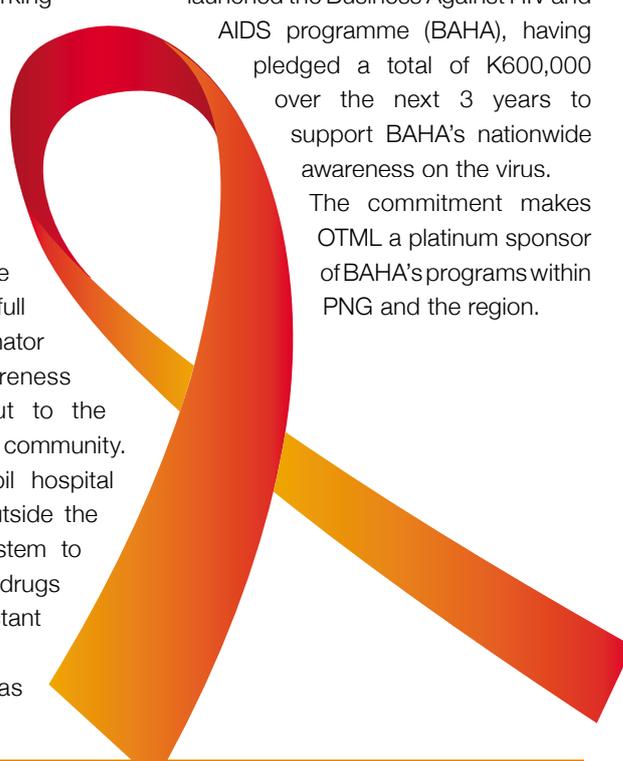
also become a centre for rapid HIV testing with qualified and experienced volunteer counsellors present to take people through the testing process.

OTML's concern for the seriousness of the AIDS epidemic caused it to become the first private sector entity in PNG to create and implement a workplace policy on the issue in 2005 and extend this to a company charter in 2006. The charter is committed to a HIV-AIDS free workforce and country. The charter calls for OTML to achieve its objectives through a comprehensive program, and collaboration with other PNG stakeholders.

OTML does not discriminate against persons living with HIV and AIDS. Furthermore the company requires its senior staff, from Team Leader level and up, to undergo basic HIV/AIDS courses at its corporate training centre.

During 2006 OTML joined forces with other corporate citizens of PNG and launched the Business Against HIV and AIDS programme (BAHA), having pledged a total of K600,000 over the next 3 years to support BAHA's nationwide awareness on the virus.

The commitment makes OTML a platinum sponsor of BAHA's programs within PNG and the region.



Our contribution to a **Sustainable Future**

OTML's current community obligations include the management and implementation of the Community Mine Continuation Agreement (CMCA) project delivery process and the implementation of sustainable social and economic development programs to the mine-impacted and preferred-area communities in the Western Province.

Part of those obligations is to establish an independent development entity that can continue to carry on this responsibility prior to and after mine closure. This is currently being discussed in the CMCA review where the establishment of the new entity is a key outcome.

In responding to this requirement, OTML's Regional Development Department / Ok Tedi Development Foundation has developed a Community and Regional Development Strategy (CRDS) which outlines the program focus and a model for the CMCA communities to consider.

Economic Programs

OTML's focus has been to assist and develop the land owner regional companies. To date four companies from the different mine-affected regions have been established, being Star Mountains Investment Holdings Limited (Mine Area), Flood Plains Holding Limited (Middle Fly), Lower Ok Tedi Investment Company (Lower Ok Tedi) and Hore Binkia Engineering Limited (Highway). A company for the South Fly region is also being considered.

OTML has been actively assisting these companies to have in place proper governance systems and competent management to ensure that they remain viable after closure.

Training for landowner company

directors has also been conducted and further training is planned for 2007.

Mine Closure Plan

The 2006 draft Mine Closure Plan (MCP) was submitted in December 2006. The plan is currently based on cessation of mining in mid 2013.

Work has commenced to prepare the 2008 plan, which is expected to become the detailed plan which is due four years prior to cessation of production.

Consultation with the mine-affected communities especially from the leased areas is the main focus for the next two years.

The draft MCP outlines how OTML intends to decommission and remove all the infrastructure it has built at various operational sites including the mine and mill areas, Tabubil township, Kiunga and Bige. The MCP also discusses the Mine Area Rehabilitation Plan (MARP).

The process of mine closure planning is managed by a full time coordinating team which is made up of various departments of the company including Environment, Community Relations and Engineering and Power Services. An important part of the process of formulating a final MCP is consultation with all stakeholders including the mine-affected communities, the local, provincial and national government representatives and non-government organisations.

Regular workshops and meetings as well as tours are organised for stakeholders to contribute to OTML's MCP.

Every year for the past 20 years, OTML has contributed about 20% of PNG's export revenue and about 10% of its gross domestic product. Therefore Ok Tedi's closure would have a significant impact on the economies of North Fly, Western Province and PNG, a fact that is reflected in the mine's MCP.



Our commitment to the **Community**

OTML's support for its community partners is demonstration of the company's commitment to create a responsible balance for its continuing mining operations, environmental effects, sustainable development in the Western Province, and national economic gain.

Benefits under the Community

Mine Continuation Agreements

The Regional Development Department delivered a total of 122 CMCA projects in 2006. Alice River Trust saw the completion

of 19 projects while Dudi and Kiwaba achieved 11 and 6 projects respectively. Manawete received 14 projects, Middle Fly 14 and Mine Villages realised 15 projects.

Under the Nupmo Trust, 5 projects were implemented, 7 were completed for Suki-Fly-Gogo while Tutuwe achieved 16 and Wai-Tri completed 13 projects in the year.

Funding for the 8 CMCA Trusts, 6 Mine Villages, the Alice River Trust in the Lower Ok Tedi Region were distributed as shown in the tables below.



Dudi Development Trust

Dudi Development Trust represents over 6,900 people in 16 villages along the South Bank of the South Fly Region. Payments made to Dudi Trust from 2001 to 2006:

Investment Fund	K 3.5 million
Development Fund	K 2.9 million



Kiwaba Development Trust

Kiwaba Development Trust represents over 3,600 people from 14 villages in the Kiwai and the Wabada group of islands in South Fly. Payments made to Kiwaba Trust from 2001 to 2006:

Investment Fund	K 2.2 million
Development Fund	K 4.4 million



Manawete Development Foundation

The Manawete Development Trust represents over 10,000 people in 21 villages along the North Bank of South Fly region. Payments made to Manawete Trust from 2001 to 2006:

Investment Fund	K 2.1 million
Development Fund	K 4.4 million



Middle Fly River Development Foundation

The Middle Fly River Development Trust represents over 8,300 people from 18 villages. Payments made to the Middle Fly Trust by OTML from 2001 to 2006:

Community Members	K 12.9 million
Children's Fund	K 8.4 million
Development Fund	K 27.2 million

Our partners in the **Community**



Nupmo Development Trust

Nupmo Development Trust represents over 2,700 people from 17 villages in the North Ok Tedi region. Payments made to Nupmo Trust between 2001 to 2006:

Community Members	K 4.3 million
Investment Fund	K 1.5 million
Development Fund	K 1.2 million



Suki Fly Gogo Development Trust

Suki Fly Gogo Development Trust represents almost 8,000 people in 16 villages in the South Fly region. Payments made to Suki Fly Gogo Trust between 2001 to 2006:

Investment Fund	K 4.3 million
Development Fund	K 2.3 million



Tutuwe Development Trust

The Tutuwe Development Trust represents over 11,300 people in 29 villages along the Tabubil Kiunga road. Payments made to Tutuwe Trust between 2001 to 2006:

Community Members	K 4.3 million
Investment Fund	K 2.6 million
Development Fund	K 3.9 million



Wai Tri Development Trust

Wai Tri Development Trust represents over 3,200 people in 16 villages in the Lower Ok Tedi region. Payments made to Wai Tri Trust between 2001 to 2006:

Future Generations Fund:	K 5.2 million
Development Fund:	K 12.9 million
logi Development Projects:	K 0.4 million

Mine Villages

Under the CMCA's, Mine Villages comprise six communities located within the Special Mining Lease. They are Kavorabip, Atemkit, Finalbin, Bulitem, Wangbin, and Migalsimbip. The total population of the six communities is over 2,650. Payments made to Mine Villages between 2001 to 2006:

Kavorabip	K 2.1 million	Wangbin	K 5.6 million
Finalbin	K 4.6 million	Bulitem	K 2.1 million
Atemkit	K 2.1 million	Migalsimbip	K 2.5 million

Alice River Trust (ART)

The lower Ok Tedi region is also benefiting from a 1997 agreement which saw the establishment of the Alice River Trust (ART). Payments made to Alice River Trust between 1997 to 2006:

Landowners' & Land Users' Fund	K 11.1 million
Future Generations' Fund	K 2.0 million
Development Fund	K 20.5 million

Our people's **Development**

As one of the largest resource projects in the Pacific region, OTML is leading the way in developing PNG's human resources, in the workplace and in the wider community.

In air-conditioned classrooms at the training centre in Tabubil, and under the shady trees on the banks of the Fly River,

OTML is facilitating development programs that equip employees and the local Western Province people with life skills for the present day and for the inevitable day when the mine is closed.

Over the past 25 years, hundreds of Papua New Guineans have been through the various corporate training programs including apprenticeship and trades courses, graduate development cadetships and middle management courses such as Competitive Edge and 7 Habits. Basic HIV/AIDS training is also offered to those in middle management.

OTML is also facilitating training programs to equip the local population with the right skill sets to take full advantage of opportunities brought by the mine.

OTML's efforts in developing the knowledge and skills of Papua New Guineans have been recognised by the National Training Council by making the Star Mountain Institute, located within the company's corporate training centre, a certified centre with accredited courses provided by qualified trainers from both PNG and overseas.

As an accredited trainer, Star Mountains Institute is now offering courses to people from other resource projects and organisations within PNG and the Pacific region.

Apprentices/Trade Trainees

OTML plays a major role in the training of young men and women to become tradesmen and women, completing four years of apprenticeship program with the company.

At the beginning of 2006 OTML had a total of 104 apprentices'. New intakes in March of 2006 totalled 31, of which three were women. Apprentices are placed across 13 trade categories with the majority in the core areas of the business.

During the course of the year, the Apprentice Master received a number of requests for apprentices to assist in community projects. In 2006, as part of each apprentice's practical learning, our young apprentices commenced building six houses at the local Finalbin village of which three are now complete.

Another major request was via the CMCA's for work on community schools in the Middle and South Fly. The request was to build 200 desks before the beginning of the 2007 school year. The apprentices met the eight week deadline and students were happy to have desks to sit at on their first day at school.

Apprentice-of-the-Year Award

In 2006, OTML entered 2 candidates in the National Apprentice and Trade Testing Board-sponsored Apprentice-of-the-Year national titles.

OTML's Apprentice-of-the-Year Melinda Gebob, a fourth year Electronics apprentice, was the first runner up in the prestigious National Apprentice-of-the-Year Award, missing out by just one point. Miss Gebob also won the W.C.Gee Memorial Prize for academic excellence, scoring the highest marks in theory in extension courses. She

is not new to high achievement. In her school years she was dux of the class and won first place prizes in a number of grades, typifying the quality of young people entering career paths with OTML.

Trade Trainee-of-the-Year Award

Another title in the National Apprenticeship Trade Testing Board annual contest is the Trade Trainee-of-the-Year Award which is for Competency Based Training. In 2006, this national award was won by OTML candidate Frank Soma from Nomad, a remote region of Western Province.

Mr Soma is a certified welder with the crushing and conveying section at the mill, and has undergone the trade testing program as part of the training opportunity made available for local employees from the Preferred Area which includes mine-affected communities, the rest of Western Province and Telefomin District in neighbouring West Sepik Province.

Mr Soma says he has come through many obstacles to be where he is today and he is grateful to those who have assisted in shaping his life at OTML.

Other notable achievements in OTML's Trades Training program in 2006 include six trainees from the Electrical trade being the first to fully complete the Competency Based Training program provided exclusively for Preferred Area employees. Altogether 40 trainees are engaged in a range of trades and occupations.

Post Trade TAFE

Another intake of course participants, mainly tradesmen, staff and contractors was engaged in 2006 to participate in the two year Diploma in Mechanical,

Our people's **Development**

Electrical and Electronics Engineering program. These programs are run by various TAFE providers from Australia and consist of on-site intensive two weeks theory and practical training followed by on-the-job practical application and exercises. This is repeated over a two year period. The current group of attendees is made up of 14 in the Mechanical, and 8 in the Electrical field. Two course attendees in the Mechanical group are non employees from Highlands Gold Kainantu project and Ramu Sugar. Those who successfully complete the program will graduate in March 2008. Because there is no Instrument Trade training in the country, OTML has been experiencing great difficulty in hiring people with instrumentation training and experience.

During 2006, OTML has been discussing with Oil Search and the National Apprentice and Trade Testing Board (NATTB) the introduction of an Instrumentation Trade.

In the meantime OTML has negotiated with Gippsland TAFE two new programs.

The first program, Certificate III Instrumentation, will have 42 selected OTML Electrical/Electronics tradesmen attending. In essence OTML's Electrical/Electronics trades people will, after they have gone through the requisite modules, be dual trade skilled.

Secondly, OTML Trainers will attend training in Certificate IV Workplace Assessors to enhance their skills and upgrade their competency levels to recognised standards required by Industries and the National Training Council (NTC) to allow them to take over from Gippsland TAFE in the next year or so.

The two programs will be delivered by

the TAFE College and will comprise 12 trainers in each group. After Certificate IV is completed, NTC will carry out inspections and assessments to accredit the OTML Corporate Trainers.

Graduate Development Program

To the end of 2006, a total of 227 university graduates from various disciplines had joined OTML's 2 year Graduate Development Scheme, since its inception in 1988. In 2006, 31 new graduates were selected from over 200 applicants to join the program. A further 34 new graduates were selected to join OTML in the 2007 intake which will be the largest intake since inception. This confirms OTML's leadership in developing tertiary qualified professionals in PNG.

The graduate salaries, rosters and

terms and conditions have further been reviewed and are, overall, highly competitive when compared with similar graduate schemes in PNG, particularly in the mining industry.

Dependant Children's Scholarship Program

In 2006, ten dependants of OTML employees were selected by the company to be part of its two year sponsorship program, to attend colleges, universities or National Training Council recognised institutions. At the end of the 2 year program, successful students have the opportunity to apply for the various traineeship programs offered by OTML.

Training for the Wider Community

Downriver, in communities impacted by the mine, OTML is facilitating



OTML NATTB award winners, Frank Soma, left, Labour and Employment Minister Mathew Siune, centre, and Melinda Gebob.

Our Recruitment and Retention

training programs to equip the local population with the right skill sets to take full advantage of opportunities provided by the company over the past 25 years.

From personal viability courses and health awareness to business development, adults and children are acquiring valuable skills that will be needed for life after the mine closes. Village planning committees are also receiving much-needed assistance on how to run meetings, plan for community development and write proposals that will attract funding for tangible community assets such as running water and clinics. At the same time the company's public health section is equipping hundreds of women with the necessary skills to help mothers give birth safely in the remote corners of Western Province, where medical help is frequently inaccessible.

Primary school teachers are also receiving assistance from OTML as they upgrade their academic qualifications from certificates to diplomas while local landowner companies are learning about directors' roles and responsibilities, business ethics and good governance.

OTML is funding leadership workshops such as negotiation skills and 7 Habits for mine-impacted community leaders in a bid to prepare them for formal consultations with the company and other stakeholders.

OTML's public health section is also equipping hundreds of women with the necessary skills to help mothers give birth safely in the remote corners of the far-flung Western Province, where medical help is frequently inaccessible.

Star Mountains Institute

Since gaining independence in 1975, Papua New Guinea has worked hard to develop a solid technical skills base. Maintaining skills is a vital part of PNG's future development.

During 2006, OTML held discussions with the PNG Sustainable Development Program Limited (PNGSDP) as a potential partner in funding the Star Mountains Institute (SMI), with the aim of providing ongoing training for OTML operations as well as providing training for the new and emerging industries being developed in the Western Province and elsewhere in PNG as a precursor to mine closure.

It is the expressed intention of the PNGSDPL to develop the SMI into a unique training institute with the capability to respond to a wide range of requirements specified by industry and the community in the Western Province. While plans are being progressed, there is a working party of representatives from OTML and PNGSDPL.

In response to the Australian Prime Minister's announcement in October, 2006 that the Australian Government will provide AUD149.5 million for the establishment and operation of a new Australian-Pacific Technical College (APTC), representatives from AusAID visited PNG and identified several sites and companies they would like to partner in the delivery of this training initiative.

OTML has been identified as one company AusAID would like to partner in the Technical Trade areas.

Recruitment and Retention

Competition for attracting and retaining talented mining professionals in 2006 continued to be a challenge

for OTML.

With improved rosters and conditions the company's turnover stabilised and fell slightly for both the national and expatriate workforce. However, the greatest number of departures continued to be the company's mid level national engineers with the majority moving to Australia.

In the latter part of 2006, there was an increase in the number of national trades people being offered jobs in Australia and this is expected to continue into 2007.

The fact that OTML employees are being sought after is a vote of confidence in the company's training and development programs.

An incentive program to attract good employees and encourage them to work for the success of OTML was introduced in 2001.

Called Shares In Success Scheme (SISS), the incentive plan is understood by all employees who contribute every year towards ensuring the company meets its corporate goals of safety and production, among others, under budget.

SISS is also designed as a means to retain contract employees, particularly necessary today when there continues to be intense competition for professional skills in the mining industry.

OTML is aware of the incentive schemes of other companies. We believe, however, for a one-project, one-company operation, our SISS is as competitive as those of bigger miners and employers. It certainly is the best incentive scheme in PNG.

OTML board and management believe that SISS continues to have an influence on the decision-making of senior staff.

Our **Commercial** Report



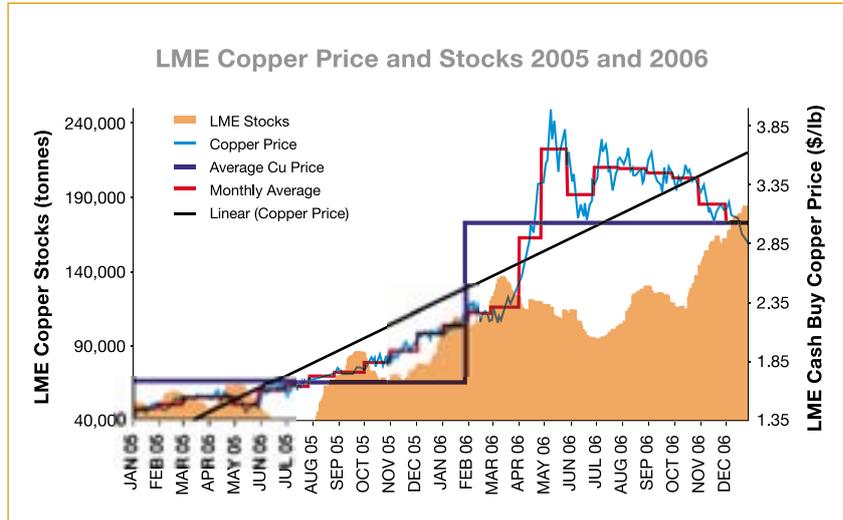
Our Market Report

OTML delivered 622,000 tonnes of copper concentrate to its customers in 2006, a reduction of 90,000 tonnes on the 2005 year. The primary reason for this reduction was a prolonged dry spell in the last quarter of the year that significantly disrupted the water level in the Fly River system and consequently, scheduled shipments. These shipments were rescheduled into early 2007 with the full cooperation of OTML's customers. The total contained metal in the concentrate shipped was 178,000 tonnes of copper, 13.2 tonnes of gold and 40 tonnes of silver. Concentrate shipped went to smelters in the Philippines, Japan, Korea, China, India and Germany. In addition to the copper concentrate sold, a separate gravity gold concentrate product containing 3 tonnes of gold was sold to smelters in Japan and Korea. In 2006, copper, gold and silver prices increased strongly over 2005 prices. This had a major beneficial impact on OTML's revenue.

The world market copper price averaged US\$3.05/lb over the entire year, an 83% increase over the 2005 figure of US\$1.67/lb. The price reached an all time record high of US\$3.99/lb in May. Gold averaged US\$604/oz, an increase of 36% over the 2005 average price of US\$444/oz. Silver averaged US\$11.55/oz, an increase of 58% over the 2005 average price of US\$7.30/oz.

Copper's price surge was driven by both fundamental physical demand and the attractiveness of the base metal sector to investment and hedge funds. China's hunger for commodities continued with economic growth registering more than 10.5% over the year. Increased sales of copper intensive products such as motor vehicles, power generating equipment,

electric motors, household refrigerators and computers were beneficial to copper demand. These five products alone recorded an average sales increase of 30% over 2005 figures in the world's most populous nation. Growth in copper demand was not restricted to China, with many other Asian and European countries showing strong demand for new cars, computers and mobile phones. The strong price rise for copper was tempered towards the latter part of the year when the US economy faltered with particular concern over the slowing construction and manufacturing sectors. By year end, copper metal stocks in warehouses had increased to nearly 200,000 tonnes, which although a historically low level, was double the stockpile that existed at the start of the year.



Despite a downward trend in the copper price towards the end of the year, a price of US\$2.50/lb is probably more sustainable above the long term average as end users are less likely to look to substitute copper in manufactured goods.

The gold price benefited over the year from a weaker US dollar and continued concerns over geopolitical instability in the Middle East. Jewellery demand grew during the year. Such demand growth, however, remains far less of a factor in gold price movement than the macroeconomic and political factors.

The silver price made impressive gains over the year as investment interest

Our Market Report

in the metal gained momentum particularly from European investors. OTML not only benefited from stronger commodity prices over the year but also from reduced treatment and refining charges from its smelter customers. During 2006, smelter capacity increased in China, Japan and India to meet rising copper demand. There was, however, insufficient concentrate supply to meet the new smelter capacity. Certain disruptive events at some mining operations compounded the concentrate shortage. Of significant importance was the negotiating down of a price participation arrangement with smelters where historically they have shared in the benefit of a rising copper price through increasing copper refining charges. OTML retained fully sold positions through long term contracts focused towards Asian



based customers given the growth profile of the region and the advantageous freight rates. O T M L remains well

placed to continue to enjoy its status as a reliable supplier of copper concentrate and, in the short to medium term, to benefit from relatively high commodity pricing and reduced concentrate treatment costs.



Our Logistics

Logistics is a service department, the purpose of which is to support mining operations, company commitments to employees in relation to travel, and community activities. This purpose is achieved by managing key elements of the supply and product delivery chains and providing transportation services for goods and personnel. The key elements involved are shipping, aviation and road transport.

The northern part of Western Province experienced very good rainfall

for the first 10 months of 2006 which

resulted in the navigability of the Fly River being at 94% for that period. A weak El-Nino event then took hold with characteristic reduction in rainfall. As a consequence, in the last two months of the year the navigability of the Fly River was reduced to 36%.

The excellent river levels during most of the year facilitated sound preparation for the dry period in the latter part of the year. This was achieved by execution of a shipping program which focussed on copper concentrate shipments such that the storage shed at Kiunga was kept close to empty and on incoming fuel supplies such that on-site fuel stock was at near maximum level. These circumstances allowed uninterrupted operations in the latter part of the year when low river levels prevented shipping movements at times. During the dry period at the end of the year, copper concentrate stock

levels at Kiunga built up considerably. The challenge for 2007 will be to reduce it again to minimal levels of stock.

The year 2006 opened with the silo vessel MV Erawan sailing off to China for dry

docking and urgent maintenance. Copper concentrate exports continued successfully during the period under trying circumstances involving the

capital expenditure programme.

The global trend to tightening of aviation regulations and security has begun to impact the aviation services provided by company chartered fixed and rotary wing aircraft from Tabubil Aerodrome. A broad upgrading program was commenced in 2006 encompassing the construction of a security perimeter fence around the aerodrome, manoeuvring apron and



transfer of cargo directly from feeder vessels to export vessels. MV Erawan returned to duty in February 2006. The feeder vessel fleet consists of eleven time chartered vessels, several of which underwent dry docking and extended unavailability for maintenance during the year. In August an additional vessel was chartered for a period of ten months for the purpose of assisting to uplift the steadily growing volume of project cargo arising from a strong



terminal building upgrading, acquisition of enhanced passenger and baggage security surveillance equipment and progress towards aerodrome management certification by the Civil Aviation Authority.

In order to cope with the increasing amount of capital project cargo in addition to regular operational cargo, to be transported on the Tabubil/Kiunga highway, a range of additional road transport equipment was ordered during 2006. Some older equipment will be retired at the end of 2007 after the peak demand for project cargo movement has passed. The new equipment ordered in 2006 (much of it for delivery in early 2007) included three 28 tonne fork lift trucks, eight line haul prime mover trucks, ten semi-trailers and four 25 seat buses.

Our Financial Statements

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Ok Tedi Mining Limited and its Subsidiaries

Income Statement

for the year ended 31 December 2006

	2006 K'millions	2005 K'millions
OPERATING REVENUE:		
Sales Revenue	4,643	3,308
Other Operating Income	4	21
Total Operating Revenue	4,647	3,329
Operating Costs	(1,944)	(1,797)
Profit from Operating Activities	2,703	1,532
Net Finance Costs	(24)	(42)
Profit Before Income Tax	2,679	1,490
Income Tax Expense	(800)	(445)
Net Profit After Income Tax	1,879	1,045

Ok Tedi Mining Limited and its Subsidiaries
Statement of Changes in Equity
 for the year ended 31 December 2006

	Ordinary Shares K'millions	Hedge Reserve K'millions	Retained Earnings K'millions	Total K'millions
Balance at 31 December 2004	238	(43)	543	738
Net profit for the year	-	-	1,045	1,045
Dividends paid/payable	-	-	(925)	(925)
Change in fair value of derivative financial instruments	-	(31)	-	(31)
Tax effect of change in fair value of derivative financial instruments	-	9	-	9
Balance at 31 December 2005	238	(65)	663	836
Net profit for the year	-	-	1,879	1,879
Dividends paid/payable	-	-	(1,808)	(1,808)
Change in fair value of derivative financial instruments	-	(12)	-	(12)
Tax effect of change in fair value of derivative financial instruments	-	4	-	4
Balance at 31 December 2006	238	(73)	734	899

Ok Tedi Mining Limited and its Subsidiaries

Balance Sheet

as at 31 December 2006

	2006 K'millions	2005 K'millions
CURRENT ASSETS:		
Cash and Cash Equivalents	679	245
Other Current Assets	514	763
Total Current Assets	1,193	1,008
NON-CURRENT ASSETS:		
Property, Plant and Equipment	463	356
Pre-production Expenditure	54	64
Other Assets	343	309
Total Non-Current Assets	860	729
Total Assets	2,053	1,737
CURRENT LIABILITIES:		
Trade and Other Payables	292	121
Other Current Liabilities	381	290
Total Current Liabilities	673	411
NON-CURRENT LIABILITIES:		
Other Liabilities	481	490
Total Liabilities	1,154	901
Net Assets	899	836
SHAREHOLDERS' EQUITY:		
Ordinary Shares	238	238
Hedge Reserve	(73)	(65)
Retained Earnings	734	663
Total Shareholders' Equity	899	836

Ok Tedi Mining Limited and its Subsidiaries
Statement of Cash Flows
 for the year ended 31 December 2006

	2006	2005
	K'millions	K'millions
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Generated From Operations	3,452	1,507
Interest and other costs paid	(1,019)	(438)
Net Cash Flows From Operating Activities	2,433	1,069
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Capital Expenditures	(163)	(60)
Financial Assurance Fund investment	(26)	(26)
Net Cash Flows From Investing Activities	(189)	(86)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(1,808)	(1,006)
Finance facility establishment fees	(2)	(3)
Net Cash Flows From Financing Activities	(1,810)	(1,009)
Net increase/(decrease) in cash and cash equivalents	434	(26)
Cash and cash equivalents at beginning of the year	245	271
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	679	245
CASH AND CASH EQUIVALENTS COMPRISES:		
Cash	104	138
Short term deposits	575	107
Total Cash and Cash Equivalents	679	245

Our **Resource and Reserve** Statement

Resource and Reserve Statement as at 31st December 2006								
Mineral Resource				Ore Reserve				Conversion
Category	Mtonnes	Cu%	Au g/t	Category	Mtonnes	Cu%	Au g/t	Resv/Reso
Measured	290	0.81	0.97	Proven	157	0.88	1.14	54%
Indicated	322	0.60	0.71	Probable	21	0.76	1.29	7%
Inferred	161	0.52	0.71					0%
Total	773	0.66	0.80	Total	178	0.86	1.16	23%

Resource and Reserve Statement as at 31st December 2005								
Mineral Resource				Ore Reserve				Conversion
Category	Mtonnes	Cu%	Au g/t	Category	Mtonnes	Cu%	Au g/t	Resv/Reso
Measured	328	0.79	0.94	Proven	192	0.86	1.08	59%
Indicated	350	0.56	0.68	Probable	22	0.80	1.32	6%
Inferred	177	0.49	0.68					0%
Total	854	0.63	0.78	Total	214	0.85	1.11	25%

The information in the tables above relates to Mineral Resources and Ore Reserves based on information compiled by Karl Smith (Mineral Resource) and Ian Sheppard (Ore Reserve) who are Members of the Australian Institute of Mining and Metallurgy. Karl Smith and Ian Sheppard are full-time employees of OTML.

Karl Smith and Ian Sheppard have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration, and to the activity to which they are undertaking to qualify as a competent person as defined in the 2004 edition of the Australasian code for reporting of Mineral Resources and Ore Reserves. Karl Smith and Ian Sheppard consent to the inclusion in the table of the matters based on their information in the form and context in which it appears.

Original signed by:

Karl Smith
Manager Mine Planning Services

Ian Sheppard
Executive Manager Technical Services

Keith Faulkner
Managing Director

January 2007

OTML Summary Results - Five years to 2006

	2002	2003 (*)	2004	2005	2006
Production					
Concentrate (dmt)	716,019	1,005,219	627,762	664,041	680,975
Contained Copper (tonnes)	208,124	293,966	173,370	192,978	194,355
Contained Gold (oz)	464,545	754,818	524,474	574,694	550,099
Sales					
Concentrate (dmt)	702,513	1,027,819	598,622	711,215	622,158
Contained Copper (tonnes)	196,010	290,579	166,328	204,840	177,538
Contained Gold (oz)	432,339	744,241	491,005	594,402	505,234
Financials (Kina '000's)					
Sales Revenue	1,571,885	2,774,413	2,088,363	3,308,327	4,643,151
Gross Profit	154,020	503,162	716,999	1,490,344	2,679,302
Tax	53,177	139,448	210,899	445,036	800,100
Net Profit	100,843	363,714	506,100	1,045,308	1,879,202
Dividends	87,237	441,172	395,078	925,050	1,808,257
Royalties	24,865	46,307	35,945	54,585	86,374

(*) – Note that 2003 figures cover an 18 month period from July 2002 to December 2003

Our Future

Our theme for OTML's 25th year was "OUR PROJECT, OUR CHALLENGE".

OTML is a truly Papua New Guinean project which benefits all stakeholders in a material financial sense. That is why it is our project.

And the challenges the project presents are several. The current challenge is to hold the well documented environmental impact to levels tolerable by the ecology of the river system, and acceptable internationally, nationally and most particularly, to the impacted communities.

We believe that the Mine Waste Tailings Project (MWTP) to protect the river from unacceptable levels of ARD meets that first challenge. Agreement with the impacted communities on a fair compensation regime is the second facet of that challenge, and we believe that matter is close to resolution at the time of this publication (May 2007).

The next challenge is to keep the operation and its surrounding infrastructure at a world competitive level of performance. We have the team of managers, technical experts and trained operators, committed to safe, productive operation, to achieve that aim in the coming years.

Preparing for mine closure within the requirements of the Mine Closure Code contained in the 9th Supplemental Agreement Act is a further challenge. That code requires a detailed mine closure, rehabilitation and socio-economic plan to assist the nation, the workforce and the community through a difficult transition period at the time of planned closure of 2013.

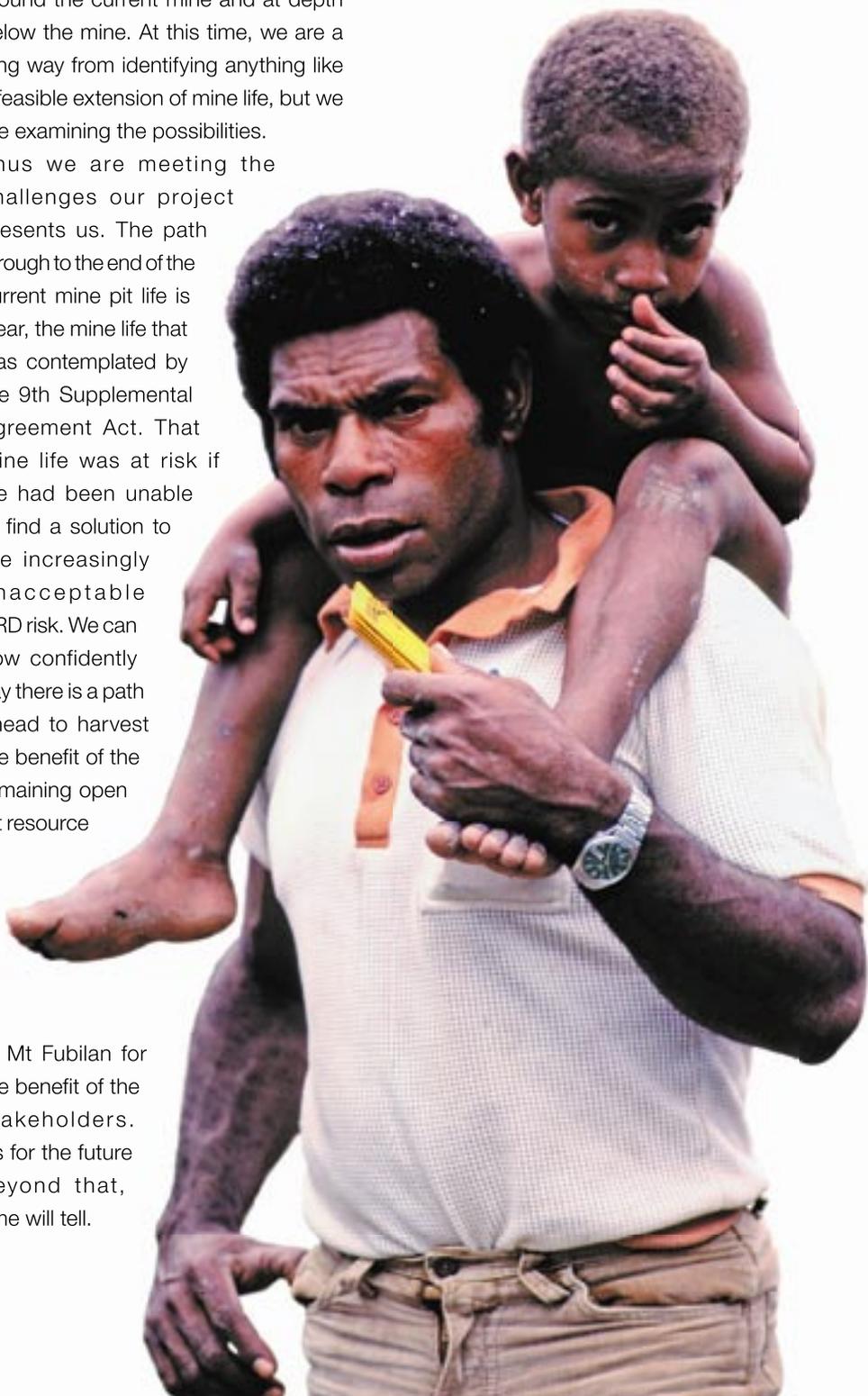
That leads us to the final challenge, which is to examine whether there is a sensible economic, environmentally

acceptable and practical extension of mine life. We are exploring locally around the current mine and at depth below the mine. At this time, we are a long way from identifying anything like a feasible extension of mine life, but we are examining the possibilities.

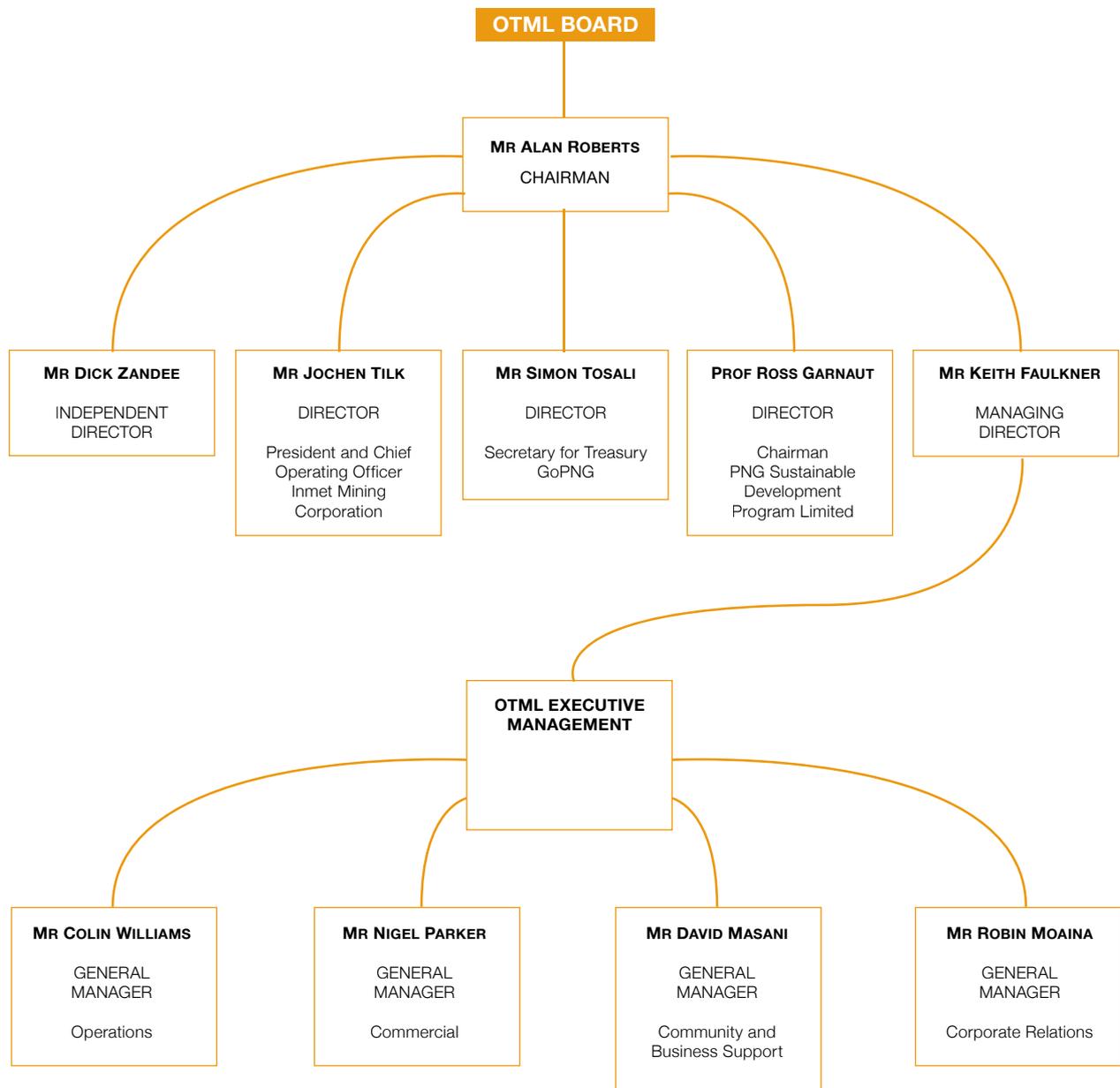
Thus we are meeting the challenges our project

presents us. The path through to the end of the current mine pit life is clear, the mine life that was contemplated by the 9th Supplemental Agreement Act. That mine life was at risk if we had been unable to find a solution to the increasingly unacceptable ARD risk. We can now confidently say there is a path ahead to harvest the benefit of the remaining open pit resource

of Mt Fubilan for the benefit of the stakeholders. As for the future beyond that, time will tell.



Our Management Structure



The run of the river



Over 25 years of operation, the Ok Tedi fleet has mastered the art of safely plying the Fly, the lifeline of our mining project.





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