



# 2008

## ANNUAL REVIEW



**OTML - Platinum Sponsor  
Business Against HIV and AIDS**

# 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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# CONTENTS

<b>Management and Board Members</b>	<b>3</b>
<b>Chairman's Report</b>	<b>4</b>
<b>Managing Director's Report</b>	<b>6</b>
<b>Production</b>	<b>8</b>
<b>Mine Waste &amp; Tailings Project</b>	<b>10</b>
<b>Pit Drainage Tunnel</b>	<b>11</b>
<b>Occupational Health &amp; Safety</b>	<b>12</b>
<b>Mine Closure Planning</b>	<b>13</b>
<b>Marketing</b>	<b>15</b>
<b>Environment</b>	<b>17</b>
<b>Summary of Key Environmental Indicators</b>	<b>20</b>
<b>Our People</b>	<b>21</b>
<b>Community Relations</b>	<b>23</b>
<b>Community Compensation</b>	<b>24</b>
<b>Financials</b>	<b>27</b>
<b>Resource and Reserve Statement</b>	<b>31</b>
<b>Summary Results</b>	<b>32</b>

# MANAGEMENT & BOARD MEMBERS

## OTML BOARD



**Alan Roberts**  
CHAIRMAN



**Dick Zandee**  
INDEPENDENT  
DIRECTOR



**\*Clement Kote**  
ALTERNATE DIRECTOR  
First Secretary Structural  
Policy & Investment  
Dept of Treasury  
GoPNG



**Alan Breen**  
OTML  
MANAGING DIRECTOR



**\*\*John Sanders**  
ALTERNATE DIRECTOR  
Inmet Mining  
Corporation



**Prof. Ross Garnaut**  
DIRECTOR  
PNG Sustainable  
Development Program  
Ltd



**Nigel Parker**  
OTML  
Company Secretary

## OTML EXECUTIVE MANAGEMENT



**Nigel Parker**  
GENERAL MANAGER  
Commercial



**Ian Sheppard**  
GENERAL MANAGER  
Operations & Business  
Development



**Shelley Jones**  
GENERAL MANAGER  
Human Resources



**David Masani**  
GENERAL MANAGER  
Community & Business  
Support



**Musje Werror**  
GENERAL MANAGER  
Corporate Relations

\*Simon Tosali is the nominated director representing the Government of Papua New Guinea. Clement Kote acts as Mr Tosali's Alternate.

\*\*Jochen Tilk is the nominated director representing Inmet Mining Corporation. John Sanders acts as Mr Tilk's Alternate.

## CHAIRMAN'S REPORT

On behalf of the Directors and Shareholders of Ok Tedi Mining Limited (OTML), I am pleased to present this report on the results and activities of the Company for 2008.

OTML delivered a solid financial performance that was adversely affected in the last half of the year by a significant decline in commodity prices as a result of the global financial crisis.

To the credit of all employees and contractors we were able to maintain high standards of health and safety at our operations despite the influx of 500 contractors for the implementation of three major projects.

Operational performance was disrupted at times during the commissioning of these projects, but the business continued to deliver on its social, environmental and customer obligations throughout the year.

Construction of the strategically important Mine Waste & Tailings Project (MWTP) was completed in October and commissioning was in progress at year's end.

The MWTP has been designed to manage the threat of acid rock drainage along the Ok Tedi/Fly River system by removing sulphur from the

process tailings and to have the sulphide material safely and permanently stored in deep pits below the flood plain at the Bige dredge site.

Other projects completed during the year included the installation of a tunnel boring machine to drive a drainage tunnel below the final pit and a new screening facility for the crushing plant.

The OTML Board undertook to evaluate opportunities that might take mining operations beyond the planned closure of the current open pit in 2013. A pre-feasibility study of an underground mine was initiated and the mine exploration programme was extended to pursue opportunities outside the immediate lease area.

OTML continues to be the foremost contributor to the economy of Papua New Guinea, paying US\$350 million in dividends to shareholders (Kina 927 million), 82% of which ultimately benefited the people of PNG through shareholders PNG Sustainable Development Program Limited (52%) and the National Government (30%).

Net Revenue from the sale of concentrates accounted for over 20% of PNG's export earnings and 17% of GDP. Total taxes and dividends of

Kina 950 million were received by the National Government with a further Kina 350 million distributed to the Western Province Government, communities and employees. Goods and services procured in PNG amounted to over Kina 850 million.

During the year, the Company was pleased to receive a 5 Star accreditation for the Tabubil Hospital. As well as providing health services to Tabubil and local residents the hospital augments government health services in the North Fly District to help raise standards of health care in the region.

Also during the year, the OTML Board approved funding of Kina 20 million for a 5 year extended health services programme comprising improvements to health facilities, health worker training, radio communications, medical supply logistics and programme administration.

Despite the impact of the global financial crisis, OTML continues to maintain its commitment to train and develop employees and community members through trades apprenticeships, university graduates and professional development, and the training of local people in work and lifestyle skills.

MT FUBILAN PIT, SET TO CLOSE IN 2013



A further 38 apprentices and 20 graduates joined the company in 2009 with over 1,000 trainees graduating from the two programmes since 1982.

In 2009, OTML will submit to the Government a definitive Mine Closure Plan for 2013. A Mine Closure Committee, which includes substantial input from our major shareholders, PNG Sustainable Development Program Limited and State Government is well advanced. The closure plan will be designed to allow for business opportunities that emerge for operations beyond 2013.

Prior to the financial crisis, OTML enjoyed a sustained period of record revenues, which resulted in enhanced benefits for shareholders, employees, governments and communities.

It is clear that the economic downturn will be with us for a while so, like many throughout the world, we will need to tighten our belts while still meeting our business, social and environmental obligations. In this regard, commissioning of the MWTP to achieve its operational and environmental objectives is critical, and every effort will be made to achieve these targets.

So, as usual at Ok Tedi, we have very challenging times ahead.

We are fortunate that, as has been demonstrated over the past 25 years, we have the determination of employees and the support of stakeholder communities and governments to overcome any adversity.

I commend this report to you.

**Alan Roberts**  
**CHAIRMAN**

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KIUNGA PORT



CONTROL ROOM AT THE TAILINGS PROCESSING PLANT



## MANAGING DIRECTOR'S REPORT

OTML has produced a solid financial performance in 2008 with a strong profit and cashflow result. The structure of the company is such that, through its shareholders, the wealth generated by the company benefits the nation's people and, specifically, the communities of the Western Province.

OTML's excellent safety record was put to the test with the influx of over 500 contractors from the provinces of Papua New Guinea and from overseas, brought to Tabubil to assist with the construction and commissioning of three major capital projects. Whilst it is disappointing to report that the Lost Time Injury Frequency Rate (LTIFR) deteriorated to 0.59 injuries per million manhours (0.26 in 2007), the result was commendable given the variety and complexity of the various tasks undertaken and maintained OTML's position as a premier safety leader.

The company reported a Net Profit After Tax of US\$452 million (Kina 1,227 million), down 36% on the record set in 2007. The result reflects the dramatic decline in the copper price in the second half of 2008, closing the year at US\$1.31 /lb after reaching a US\$4.08 /lb high in July. The significant loss of

revenue from copper sales was partly offset by a strong gold price with the metal closing at US\$865 /oz at year end.

Concentrate sales were 580,931 tonnes, 13% lower than the previous year. Metal contained in concentrates totaled 162,722 tonnes copper and 504,123 ounces of gold. Lower output was a result of mine and plant disruptions due to commissioning of the In Pit Crusher facility and the MWTA. An illegal 4 day strike by OTML mine workers in March also resulted in concentrate shortfall equivalent to 1,750 tonnes of copper and 5,640 ounces of gold.

In 2008, sales revenue was US\$1.413 billion (Kina 3.827 billion), and shareholders received dividends totalling US\$350 million (Kina 927 million). Mining royalties paid to the Fly River Provincial Government and Mine area landowners totalled Kina 74 million while total taxes paid were close to Kina 815 million.

Ok Tedi operating costs increased by 18% to total US\$459 million (Kina 1,227 million). The bulk of the increased costs arose because of increasing License-To-Operate costs comprising increased community compensation

packages and environmental management costs associated with the MWTP. Other contributors to cost increases included the impact of a strong Australian Dollar on supplies and salaries as well as higher fuel prices, the crude price reaching previously uncharted territory of US\$145 per barrel during the year.

We continued to improve training facilities, implementing Australian Pacific Training College and Star Mountains Training Institute programs to enhance employee technical skills and to ensure that our people are qualified to international standards.

OTML continued to work with communities to effectively pass on compensation benefits in the form of cash payments and funding for community projects. In 2008, mine affected communities received compensation payments of US\$25 million (Kina 67 million) directly from OTML, with further funds available in trust through OTML's major shareholders, the PNG National Government and PNGSDPL. Project delivery to remote parts of the Western Province remains a logistical challenge.

The company constructed and commissioned three major operations projects, at a capital

THE OK TEDI ORE PROCESSING FACILITIES COMPRISE 2 SAG MILLS AND 4 BALL MILLS



THE TAILINGS PROCESSING PLANT, PART OF THE RECENTLY COMMISSIONED MWTP



cost of US\$170 million (Kina 450 million) during the year. In March, the In Pit Crusher screening plant was commissioned.

In October, construction and commissioning of the MWTP was completed. The new plant and pipeline has been designed to significantly lower the sulphur content of waste material and greatly reduce the longer term mine impacts associated with Acid Rock Drainage. Successful attainment of environmental targets and objectives for the new process is an essential element for continued mine operation to the end of mine life, currently scheduled for the end of 2013.

Also in October, a Tunnel Boring Machine (TBM) was commissioned and development of a 4.2 kilometer Mine Drainage Tunnel commenced. The innovative technology, a first for PNG and Australasian mining, had taken excavation of the tunnel to half way by the end of the year with completion expected in mid 2009. The drainage tunnel solution will allow access to ore in the bottom of the Mt Fubilan open cut.

2009 will prove to be a major challenge for our company. Faced with the world's worst economic crisis in most people's memory, and a critical need for the new Tailings Treatment Plant

to meet its process targets and environmental objectives, our business will need to focus on maximizing productivity and minimizing costs to ensure that OTML can continue to create development for North Fly, the Western Province and PNG.

As the world comes to grips with the global financial crisis and with commodities markets unlikely to recover much this year, OTML revenues will be significantly reduced from the heady days of the recent commodities boom. The result will be reduced government revenues and much lower shareholder dividends.

2009 will test and challenge OTML employees and business partners. With abundant resources available to us and a fantastically creative and enthusiastic workforce, I am confident that we will prevail.

**Alan Breen**  
**MANAGING DIRECTOR**

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*A WORKFORCE OF 2000 PLUS COMMITTED MEN AND WOMEN KEEP THE WHEELS TURNING AT OK TEDI*



*KEEPING STAKEHOLDERS INFORMED THROUGH VARIOUS MEANS INCLUDING A CCTV CHANNEL IS VITAL FOR OTML*



# PRODUCTION

## Mine and Mill Operations

Ok Tedi Mining Limited continued as a significant world class producer of copper and gold in 2008. Performance was down compared to previous years as operations were disrupted by a project commissioning and an illegal industrial action during the year.

A concerted effort to stabilise and improve performance was taking effect by the end of the year, continuing OTML's reputation as a reliable supplier.

A total of 574,000 tonnes of copper – gold concentrate was produced and 581,000 tonnes

sold on the world market. The high quality OTML copper concentrate continues to be in demand from copper smelter customers. Copper and gold metal production was low compared to previous years, reflecting the reduced mill production (see table below).

## Summary of Production Results

Production	2008	2007
Head grade copper (%)	0.85	0.76
Head grade gold (grams per tonne)	1.02	0.85
Mill Throughput ('000 tonnes)	21,663	25,771
Copper (tonnes)	159,650	169,184
Gold (oz's)	514,958	498,790

Three significant projects were completed during the year;

- Mine Waste & Tailings Project
- In Pit Crusher upgrade
- Pit Drainage Tunnel

### In Pit Crusher Upgrade

The In Pit Crusher upgrade project was completed in the year. Demolition of the old Taranaki crusher and associated conveyors was necessary to allow mining of high grade ore in the north east region of the pit.

The upgrade added a second dump pocket and a screening plant.

Most importantly the up grade significantly increases the capacity of the system by diverting undersize direct to the stockpile, reducing demand on the crusher.

Demolishing the old Taranaki crusher involved specialist blasting and close control of steel cutting and detail mining to remove the considerable

volumes of steel and reinforced concrete. It is commendable that the project was completed without any significant safety incidents.

### Mine and Mill Operations

Pit operations achieved a number of milestones in 2008 as focus on improving road conditions and productivity paid off. Truck tyre life had reached over 6,000 hours by year end, a good result in any pit and more so in the difficult conditions at Ok Tedi. Truck productivity and

**OK TEDI MINE, LOCATED IN ONE OF THE MOST CHALLENGING TERRAINS IN THE WORLD, REQUIRES EVERY EMPLOYEE TO OBSERVE SAFETY AT ALL TIMES. PICTURED ARE OVER 2,000 WORKERS ASSEMBLED FOR A SAFETY TALK**



availability also increased with the improved conditions and solid team work between mine operations and maintenance.

The pit working area is shrinking with depth and the mining operations are becoming increasingly challenging to achieve the balance of equipment productivity and appropriate blend of ore to the mill.

Mill operations achievements were affected by commissioning of the In Pit Crusher and Mine Waste & Tailings Project. Mill performance was complimented by a significant improvement in flotation plant recovery as a result of an operational improvement programme.

### Exploration

Regionalexplorationcontinued at a modest pace in 2008. While no new discoveries were made the exploration team continued to map and drill prospects close to the pit. A decision was made to expand the area under exploration. Application for the expanded lease had been made by year's end and plans are in place to commence field geology work on these areas in 2009, once government approval is granted.

### Kiunga Operations

A new filtration plant was commissioned during the last quarter of 2007 and was successfully operated during 2008. The new plant has eliminated the need for diesel-fired rotary kiln dryers and has substantially decreased operating costs and carbon emissions.

The new plant performed well and resulted in a significant reduction in moisture levels as compared to the old diesel fired dryers resulting in savings in diesel consumption and shipping freight.

### Bige Dredging Operations

Challenges at Bige were to excavate the first pit for the storage of pyrite concentrate (P Con) in addition to the normal slot dredging activities. This issue has now been addressed through the engagement of a second dredge, Sliedrecht 34, which will carry out all pit dredging activities leaving the Cap Martin to continue dredging in the slot.

The second dredge will be commissioned in the second quarter of 2009.

MEMBERS OF 'C' CREW CELEBRATE THE RECOVERY OF A D11 DOZER



SAFE WORK PRACTICES ARE PART OF NORMAL DAY TO DAY OPERATIONS



## MINE WASTE & TAILINGS PROJECT

Construction of the Mine Waste & Tailings Project (MWTP) was a major focus for the business during 2008. This significant project is essential for OTML to be able to complete mining through to planned end in 2013.

The project will significantly reduce the amount of sulphide mineral in the mill tailings that is discharged into the Ok Tedi river system, hence reducing the risk of acid rock drainage affecting the Ok Tedi – Fly River system in the future.

The MWTP capital cost was US\$212 million and the project team overcame significant logistics and management challenges whilst fitting in with routine operations activity. Major activities included the construction of a new flotation plant, a 130km steel concentrate transport pipeline from the mill to Bige and dredging of PCon storage pits at Bige on the west bank of the Ok Tedi River. As an extension of this project the decision was made during the year to mobilise a second dredge to Bige to complete the excavation of the PCon storage pits.

OTML's SECOND DREDGE, SLIEDRECHT 34, AT WORK ON THE WEST BANK OF THE OK TEDI RIVER AT BIGE



REHABILITATION OF AREAS ON THE EAST BANK OF THE OK TEDI RIVER AT BIGE



THE TAILINGS PROCESSING PLANT THAT IS PRODUCING A FINAL TAILING STREAM OF 1% SULPHUR AND SULPHIDE CONCENTRATE CONTAINING BETWEEN 42% AND 45% SULPHUR



## PIT DRAINAGE TUNNEL

Construction of the pit drainage tunnel commenced in 2008. The project utilised a tunnel boring machine (TBM) and is designed to drain rain and ground water from the pit. The tunnel will be over 4km long when completed in mid 2009 and will be connected to the pit by two vertical large diameter bore holes.

The tunnel will provide more flexibility if any extension of mine life by pit or underground is proved viable.

Ok Tedi is the first project in PNG to use the TBM. Specialists from both in-country and overseas were brought in to operate the TBM and carry out the tunnel boring work. Construction is an alliance between OTML and underground mining contractors Redpath Australia.



THE USE OF THE TUNNEL BORING MACHINE IS A FIRST FOR OK TEDI AND PAPUA NEW GUINEA



# OCCUPATIONAL HEALTH AND SAFETY (OH&S)

OH&S achievements for 2008 included completion of strategic review and restructure of OH&S department. The relocation of safety coordinators and trainers back to line management functions was designed to drive change and assist to reinforce our philosophy of "Safety Is The Priority".

In 2008, the business recorded a Lost Time Injury Frequency Rate (LTIF) of 0.59 injuries per million man hours and a Disabling Injury Frequency Rate (DIFR) of 1.26 per million man hours.

Review and redevelopment of existing standards designed to align our Safety Management System with the Australian Standard 4801- Occupational Health and Safety Management Systems has continued. The new standard provides an increased focus on knowledge, skills, authorisations, fitness to perform tasks, fit for purpose plant/equipment and the competency of persons. The process of standards review and redevelopment will continue throughout 2009.

Contractor management remained a major focus for the business in 2008 and was highlighted by the approval to embed ten OTML Contractor Safety Advisors to work with



completed and encompassed all business units and major contractors. Workshops held during the project drew on a diverse range of experience across our business and were designed to commence from a zero base utilising current work flow, procedural documentation and previous risk experience.

The management of risks within OTML and our contractors will continue in 2009 with risk register reviews and the redevelopment of the OTML Risk Management Standard.

To assist in future planning for OH&S across the business an external pre-audit of our Safety Management System was undertaken. This audit combined with previous internal Wantok Seiffi and

external audits were utilised to identify systems deficiencies, gaps and opportunities for improvement across all business units and contracting organisations. The audit also provided a measure of the progress towards alignment of our Safety Management System with AS/NZ 4081- Occupational Health and Safety Management Systems.

OTML remains committed to embedding proactive safety behaviour in our culture and core business values.

JSA's (JOB SAFETY ANALYSES) and JSO's (JOB SAFETY OBSERVATIONS) ARE NECESSARY TO ENSURE SAFE AND ERGONOMIC WORK PRACTICES



ICARE (IDENTIFY, CLEAN, ARRANGE, REGULATE, EVERYTIME), WHICH ALLOWS FOR EFFICIENCY IN THE WORKPLACE, ALSO CONTRIBUTES TO SAFE WORKING PRACTICES



## MINE CLOSURE PLANNING

As reported earlier, current open pit operations at Ok Tedi will cease in 2013. This will present one of the largest and most challenging mine closure projects in the world to date.

OTML's environmental challenges have been well documented and economic and social issues after mine closure will be equally as important. OTML aims to set an example of good practice and a benchmark against which to measure future mine closure projects.

OTML has a legally binding obligation to submit a detailed 'Mine Closure Plan' to the State four years prior to cessation of commercial production. The detailed Mine Closure Plan will be submitted to the State in 2009, coinciding with closure of open pit operations in 2013.

The detailed Mine Closure Plan will build on the knowledge base established in the three draft Mine Closure Plans (2002, 2004 and 2006) that have been submitted to and approved by the State. OTML will continue to engage key stakeholders in the planning process in an attempt to address their concerns prior to submission of the detailed Mine Closure Plan.

In 2008, a full time Mine Closure Manager was appointed to spearhead the planning

process and to lead the Mine Closure Planning department. During 2008, this department continued to coordinate the efforts of various working groups involved in closure planning and compilation of the detailed Mine Closure Plan. A brief update on the progress of those groups is provided here.

The Rehabilitation group continued to develop rehabilitation procedures for disturbed areas, to define performance criteria against which to measure revegetation success and to develop a revegetation monitoring strategy. The Lands group started planning for community consultation aimed at defining agreed end land use objectives with local landowners.

The Infrastructure group continued working to identify potential future owners for public infrastructure, and to define a closure cost estimate for the purpose of OTML's Financial Assurance Fund for mine closure.

The Socio-economic group started reviewing the 2007 census data and working with stakeholders to define the current status of the mine impacted communities, to identify potential impacts from mine closure on those

communities and to report on OTML and stakeholder strategies to mitigate those impacts.

In January 2008, a mine closure planning workshop was held in Tabubil and was attended by key stakeholders including local landowners, the Local, Provincial and National Government, and PNGSDPL.

During the January workshop, stakeholders agreed to an approach for stakeholders to actively engage in the mine closure planning process. The approach consists of a high-level Steering Committee, a mid-level Planning Committee and Working Group Committees. Agreement was reached on stakeholder representation within the engagement structure. During 2008, the Steering Committee met twice and the Planning Committee and Working Group Committees met five times.

2008 was marked by PNGSDPL's increased involvement in the mine closure planning process; they now have dedicated full time resources to the task. As OTML's largest shareholder (52%) PNGSDPL will play an important role in minimising the dislocation caused by mine closure in the Western Province and in promoting sustainable development.

*WHEN CURRENT OPEN PIT MINING CEASES IN 2013, TABUBIL TOWNSHIP WILL BE SIGNIFICANTLY REDUCED IN SIZE AND SERVICES*



In 2008, PNGSDPL committed to keeping the highway to Kiunga open after mine closure, as part of their assurance to sustain infrastructure established by OTML in Tabubil.

In order to achieve the aim of making the closure of Ok Tedi an example of good practice, an international benchmark study of relevant mine closure examples was undertaken in 2008.

The benchmark study was undertaken to gain knowledge that may enhance closure planning and ultimately enhance closure outcomes for the Ok Tedi mine. As part of this benchmark exercise a study group visited the Kelian Mine in Central Kalimantan (Indonesia), the Minahasa Raya mine in North Sulawesi (Indonesia), and the Misima Mine on Misima Island (PNG).

The study group comprised representatives from key stakeholder groups including the National Government (MRA) and PNGSDPL, as well as OTML representatives including independent Board member Mr. Dick Zandee.

In October 2008, OTML held a two day mine closure planning risk assessment workshop in Port Moresby which was attended by key stakeholders represented

on the Steering, Planning and Working Group Committees. The aim of the workshop was to identify the risks associated with the closure of Ok Tedi.

In the coming year, OTML will quantify those risks and work with relevant stakeholder groups to plan for residual risks after mine closure. The outcomes of the risk assessment process will be built into the detailed Mine Closure Plan.

*OTML OPERATED TABUBIL DOMESTIC TERMINAL, AMONGST THE BUSIEST AND MOST EFFICIENT AIRPORTS IN PNG*



*OK TEDI'S CLOSURE PLANNING INVOLVES A WIDE RANGE OF STAKEHOLDERS INCLUDING IMPACTED LANDOWNERS*



## MARKETING

In 2008, OTML delivered 581,000 tonnes of copper concentrate to its customers. This was 14% less than the 678,000 tonnes delivered in the previous year. The reason for the reduced amount of concentrate shipped was lower production from the mine.

The total contained metal in the concentrate shipped was 163,000 tonnes of copper, 15.7 tonnes of gold and 43 tonnes of silver. Concentrate was delivered to smelters in Japan, the Philippines, India, Korea and Germany. In addition to the copper concentrate sold, a separate gravity gold concentrate product containing 2 tonnes of gold was sold to smelters in Japan, Korea and Germany.

OTML had contractual commitments for delivery of 656,000 tonnes of concentrate for 2008; in excess of concentrate produced. As a result some deliveries as per the agreed shipping schedule were not made and these will carry over to 2009.

In future years, the Marketing strategy will ensure forecast production of concentrate is not fully committed to ensure production disruptions are provided for. New contracts were agreed with three customers in 2008 whilst discussions with

two other customers were well advanced by year end as part of this new strategy.

Treatment and refining charges for the processing of OTML concentrate at custom smelters continued to fall in the first half of the year whilst the concentrate market remained tight. Mid year negotiated contractual charges fell 7% from those negotiated at the end of 2007.

However, as demand for copper fell in the second half of the year, smelters began announcing capacity cutbacks to match falling copper demand. As a result, raw material requirements fell and the concentrate market quickly went from a deficit to a significant over supply. As a result year end treatment charges negotiated increased by 80% from the mid year levels.

In 2008, the copper price averaged \$3.15/lb which was 2.5% less than the \$3.23/lb achieved for 2007. The average gold price of \$871.96/oz and silver price of \$14.99/oz recorded in 2008 were 25.2% and 12% higher respectively than the \$696.39/oz and \$13.38/oz recorded in 2007. These price levels assisted OTML's strong revenue for the year.

The copper price reflected two distinctly different periods of 2008. In the first half, despite

looming concerns over the future of the global economy, the copper price surged to a record high of \$4.08/lb in early July due to a combination of strong demand growth in China, supply side shortages, and a flood of investment money into base metals.

In the second half, an unprecedented fall in all markets occurred as the global economic downturn struck. Economic statistics confirmed the US, European and Japanese economies experienced negative growth whilst in the BRIC economies, responsible for so much of the world's recent record growth, demand had slowed. This was reflected in a substantial fall in the copper price to a year low \$1.26/lb recorded on Christmas Eve.

The falling demand for copper was further illustrated by year end copper metal inventory held in registered warehouses rising 71% to 340,000 tonnes from the 198,000 tonnes held at the start of the year.

With the falling demand for all commodities in 2008, the freight market collapsed in the second half of the year. Charter rates being offered did not even cover the cost of operating vessels. From its highs of 2008 the market fell some 90% by year end. OTML took advantage

TAILINGS PROCESSING PLANT



COPPER CONCENTRATE LOADING AT KIUNGA PORT



OK TEDI'S MILL AT FOLOMIAN AND MT FUBILAN PIT IN THE BACKGROUND



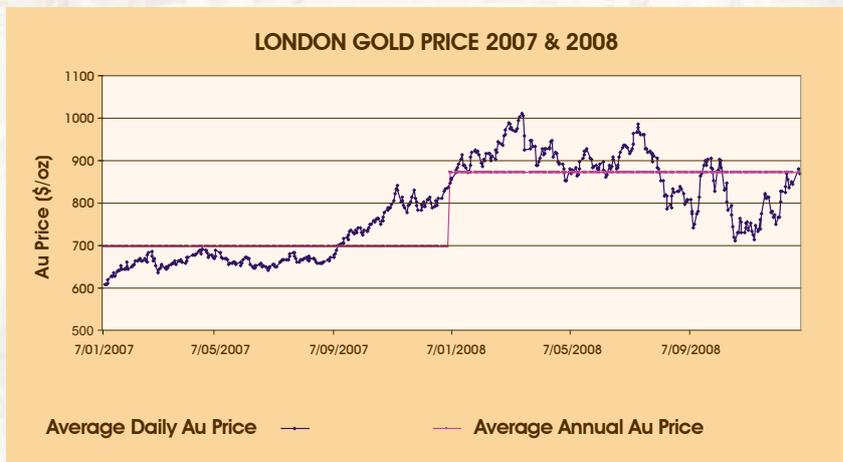
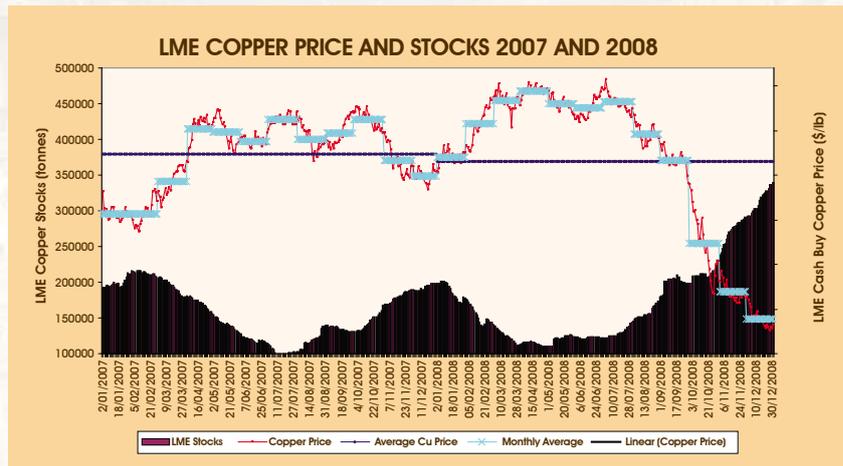
of this market to enter into some short contractual positions and lock in low rates for 2009. The average freight rate achieved for 2008 was \$55/wmt which was as predicted in the Budget.

For 2009, the global economic outlook remains bleak. The International Monetary Fund has forecast world economic growth of just 0.5% and most analysts do not expect to see a broad based recovery until late 2010 or even 2011.

Under such a scenario the prospects for an increased copper price are not strong. Most analysts predict the average price to be somewhere between \$1.30-1.80/lb for 2009. However, copper is better placed than all other base metals due to its unique characteristics and potential supply shortages to experience a price rebound sooner rather than later.

In times of crisis, gold has traditionally been a safe haven. This was the case late in 2008 and will continue to be so throughout 2009. OTML benefits significantly from the gold content of its ore body especially during times of low copper price.

Many mines without any precious metal content have been forced to shut down due



to low copper prices and rising costs. Many analysts expect gold to easily pass back through the \$1,000/oz mark in the next year.

Reduced copper price and higher concentrate treatment charges will make 2009 a challenging year from a marketing perspective.

Increased gold price and reduced freight rates will offset the negatives to some extent, as will the continued implementation of the new Marketing strategy. OTML will survive this expected difficult time and will be well positioned to enhance returns to stakeholders when the overall market inevitably turns for the better.

OTML IS STRONGLY COMMITTED TO TRAINING ITS WORKFORCE



# ENVIRONMENT

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 riverine system.

This report, posted to OTML's website at [www.oktedi.com](http://www.oktedi.com), can be accessed for detail on the broad range of investigations and monitoring programs undertaken.

In line with the environmental performance reporting of mining and other industries throughout the world, the data presented in OTML's Annual Review adopts the reporting of key GRI (Global Reporting Initiative) indicators.

The background to some of these indicators is discussed below. The relevant indicators are summarised in a table and illustrate OTML's achievements during 2008 compared to previous years.

## Riverine Waste

Under State approval, OTML is permitted to undertake riverine 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 2008, 30.5 Mt of waste rock (containing an average 1.4% S) and 20.8 Mt of tailings (2.8% S) were delivered to the upper Ok Tedi river system. Additionally, as a part of OTML's Acid Rock Drainage (ARD) mitigation strategy, 4.1 Mt of limestone was mined for gradual addition to the waste rock stream to assist in buffering potential acid production in the future (i.e. from oxidation of sulphides in the waste rock).

During 2008, 4.6 Mm<sup>3</sup> of riverine sediments were dredged at Bige and stockpiled on the western bank of the Ok Tedi. The dredge was also utilised in preparing access channels and the excavation of pits for the safe storage of the pyrite concentrate to be delivered once the MWTP pipeline is commissioned. Sediment removal by the dredge has helped to alleviate inundation of the flood plain and the extent of dieback.

To date, 1,633 km<sup>2</sup> has been affected by dieback while 26% of this area (429 km<sup>2</sup>) has undergone some form of recovery. Temporary revegetation is established on the slopes of the dredged stockpiles, as the benches are constructed, to ensure protection from surface erosion.

In December 2006, the PNG

government approved the MWTP which allows for the removal of pyrite from tailings at the Mill, the transportation of the pyrite concentrate (PCon) via a pipeline to Bige and the subaqueous disposal of this concentrate in storage pits constructed on the flood plain below the water surface.

The successful implementation of this project will dramatically decrease the ARD risk at Bige and throughout the riverine system. Commissioning of the MWTP occurred in October 2008. A second dredge has been brought to site to construct the PCon storage pits while the original dredge remains in the dredge slot to excavate channel sediments.

A final 4 m thick cover, to mitigate any future ARD development within the Bige stockpiles, will be established once suitable material is fluviably 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.

## Environmental Action Plan

The Environmental Action Plan (EAP) is formulated annually to address on-site environmental

DURING 2008, ALMOST 4 MILLION CUBIC METRES OF RIVERINE SEDIMENT WERE DREDGED AT BIGE BY THE 'CAP MARTIN'



SOUTH-EAST OF BIGE IS THE GOVERNMENT TOWN OF KIUNGA WHICH HAS RECEIVED INFRASTRUCTURE BENEFITS, SUCH AS A NEW HOUSING ESTATE, BUILT UNDER OTML'S TAX CREDIT SCHEME



management activities. It is developed from a range of inputs including: environmental performance audits; monitoring results; incident reports; outstanding previous EAP items; and risk assessments determined during audits and inspections. These various activities are consistent with leading industry practices.

Progress against EAP items is determined on a quarterly basis, with regular feedback sessions held with action owners as necessary. Final business scores are distributed in December and form an important part of OTML's corporate goals.

The successful completion of many EAP actions in recent years is demonstration of the success of the EAP tool at raising awareness and actioning a prioritised list of activities. However as the site improves in its environmental performance each year, the operational areas are left with even more challenging and often costly actions than the year before. The following are some of the recent EAP highlights:

- The development of a small wetland system to reduce particulate copper entering the downstream environment.
- The development of better hydrocarbon, chemical

and waste management procedures.

- The investigation and clean-up of various contaminated sites.
- The development of a small landfarm to bioremediate hydrocarbon-contaminated sludges and soils.
- The installation and commissioning of several purpose-built oil/water separators across the site, which were also designed and built on-site.
- The undertaking of acoustic emission testing (AET), followed by risk ranking, of 13 major hydrocarbon storage tanks. Based on the risk assessment, seven major diesel storage tanks at Tabubil and Kiunga were cleaned out and physically inspected. Small pin holes (corresponding to abnormalities found in AET results) were located in the base of two tanks and repaired.
- The conducting of site-relevant emergency oil spill response training by specialist trainers Oil Response Company of Australia, for employees and contractors across the different operational areas.
- The smart disposal of the potentially dangerous redundant Mill reagent PAX.

□ The installation and commissioning of a purpose built bag-house on the Mill's lime kiln to reduce the lime dust emissions.

□ The installation and commissioning of an industrial high temperature incinerator to improve site waste management.

□ The export from site of hazardous PCB wastes (~46,200L waste transformer oil and 24 transformers), under the Waigani Convention (a first in PNG). These wastes were shipped to Australia for specialised waste treatment and/or disposal at BCD Technologies Brisbane licensed facility.

### Rehabilitation

With approximately five years of planned commercial production remaining at the current Ok Tedi Mine, the important preparation of site-wide rehabilitation plans and programs are being developed in conjunction with the mine closure planning process, specifically the Mine Area Rehabilitation Plan (MARP).

The Ok Tedi Mine Closure Code requires disturbed lands within the mining leases to be rehabilitated to a stable and self-sustaining condition.

MT FULBILAN PIT IS INCLUDED IN THE MINE AREA REHABILITATION PLAN



Professional rehabilitation consultants, Natural Resource Assessments (NRA), were commissioned in February 2008 to assist OTML in the development of numerous rehabilitation requirements (especially planning and monitoring) and the preparation of the 2009 MARP submission to the State.

**Tasks undertaken in 2008 include:**

□ Detailed planning of the Bige final rehabilitation program, in consultation with NRA, Revegetation Contractors (hydro-mulching and seeding) and Biotropica Australia (nursery establishment). This program is due to start mid-2009 on the Bige East Bank stockpiles once the 4 meter cover is placed.

To date, the initial set up cost of this program is approximately US\$1M (equipment and consultation), with ongoing costs estimated at US\$2M per year (consumables and contractors).

□ Rehabilitation surveys to monitor the natural and man-induced vegetation establishment on both the current Bige stockpiles and riverine deposited material in the Ok Tedi around the Bige area.

□ Community consultation in some mine impacted villages assisted in establishing the various ethnobotanical uses of the local vegetation and potential future uses of the disturbed land.

□ The determination of the details and methods of implementing Phases of Rehabilitation and closure criteria for the various operational sites.



MONITORING OF FLORA AND FAUNA IN THE MINE IMPACTED AREAS SHALL CONTINUE PAST CLOSURE



# SUMMARY OF KEY ENVIRONMENTAL INDICATORS

Environmental Indicators	2006		2007		2008	
<b>Environmental Management Performance</b>						
Environmental Induction (#OTML & Contract employees)	1,232		2,498		3,537	
<b>Environmental Action Plan (% completed)</b>	86		86		78 ▼	
Incidents Category 3+ (Medium, Major, or Catastrophic)	0		0		0	
Environmental Incident Compensation	US\$ 0		US\$ 0		US\$ 0	
<b>Water Management</b>						
Total Water Used ('000 m <sup>3</sup> )	41,340		41,215		43,833	
Fresh Water ('000 m <sup>3</sup> / % of total)	14,865	36	12,425	30	18,569	42
Recycled Water ('000 m <sup>3</sup> / % of total)	26,475	64	28,790	70	25,264	58
<b>Total Water Intensity Index (m<sup>3</sup> / t Contained Copper)</b>	213		244		269 ▲	
<b>Waste Management</b>						
Total Riverine Disposal ('000 t):	75,366		56,100		55,416	
Waste Rock ('000 t / % of total)	48,000	57	23,158	41	30,474	55
Tailings ('000 t / % of total)	27,366	32	25,161	45	20,807	38
Additional Limestone to offset potential acid production in Ok Tedi ('000 t / % of total)	9,142	11	7,781	14	4,135	7
<b>Riverine Disposal Intensity Index (t / t Contained Copper)</b>	435		332		352 ▲	
Annual Dredge Slot Production Rates (million m <sup>3</sup> )	13.0		4.5		4.6	
Average annual % sulphur in Waste Rock	1.09		1.58		1.38	
Average annual % sulphur in Tailings	2.66		2.94		2.82	
Average annual % sulphur in Dredged Sediments	2.50		2.00		3.11	
Scrap Metal (t shipped for recycling)	4,701*		2,824*		3,367	
<b>Energy and Greenhouse Gas Production</b>						
Total Diesel Consumption (ML):	110.2		98.8*		91.4	
Power Generation (ML / % of total)	39.1	35	34.2	35	31.7	35
Machinery / Other (ML / % of total)	71.1	65	61.4	65	59.7	65
Electricity Use (MWH):	495,131		491,422		472,021	
Diesel-generated electricity (MWH / % of total)	126,611	26	111,016	23	101,551	22
Hydroelectricity (MWH / % of total)	368,520	74	380,406	77	370,470	78
<b>Energy Intensity Index (MWH / t Contained Copper)</b>	2.5		2.9		2.9 ■	
GHG Emissions ('000 t CO <sub>2</sub> -e)	358		338		306	
<b>GHG Intensity Index (t CO<sub>2</sub>-e / t Contained Copper)</b>	1.8		2.0		1.9 ▼	
<b>Mine Closure Planning</b>						
Mine Closure Plan (MCP) Biennial Update Submitted to PNG Government	2006 draft MCP submitted 14/12/06		2009 detailed MCP due June 2009		2006 draft MCP approval gained from PNG Govt 2009 detailed MCP due June 2009	
New Land Disturbed This Year (ha)	71		0		42	
Total Land Disturbed To Date (ha)	2,581		2,581		2,623	
Land Rehabilitated This Year (ha)	3 (Temporary on dredged sand stockpiles)		0		0	

▲ ▼ Decline in performance in comparison to previous year due to increase / decrease. ■ Same performance in comparison to previous year. ▲ ▼ Improvement in performance in comparison to previous year due to increase / decrease.

## Note:

- All values current at the end of each calendar year.
- Numbers marked with \* denote a value correction on previously reported numbers.

## OUR PEOPLE

Investing in our people is our legacy. OTML is nationally known for looking after and developing its human resource.

Employee benefits include medical cover, education assistance, off-site housing assistance, personal travel and bonus schemes, and training and development of employees has reached new milestones.

### Training and Development

Types of training offered by OTML include Graduates and External Training, Trades Training, Operational Training and Corporate Training. In 2008, over 11,000 employees received training in these four categories. To date over 1,000 graduates of

Apprenticeship and Graduate Training programmes have received OTML sponsored training and development.

A new programme on Leadership Development for our high potential senior nationals was developed in partnership with the Barrier Reef Technical and Further Education (TAFE) in Townsville, Australia. This is one of the key programmes that will assist OTML to deliver the managing director's target of 50% of key roles at manager and above level to be filled by senior nationals by 2011.

OTML continues to work closely with our training partners, the Australia Pacific Technical

College (APTC) and Star Mountains Training Institute (SMTI). The APTC is a very popular Australian aid initiative focussed on upgrading the technical skills of people in the Pacific Islands to Australian educational standards. OTML is one of the chosen sites in the Pacific to deliver this training in the trades of Carpentry, Diesel Fitting, Electrical, Fitting and Machining, Boiler Making, Refrigeration and Plumbing.

The SMTI project aims to takeover OTML's excellent training facilities after mine closure to continue the provision of technical training in PNG and local area training for the Western Province.

## Some of our successful people

The 2008 OTML Apprentice-of-the-Year was fourth year Electronics trainee Joel Benny. The win qualified Joel, from East Sepik, to contest the PNG Apprentice-of-the-Year title.

In celebrating his win, Human Resources General Manager Shelley Jones said the OTML training centre had done a tremendous job in educating PNG apprentices, some of whom had gone on to win the national award in Port Moresby.

Other OTML apprentices who have also won the national title include lone OTML woman welder Serah Tito and former Parliamentarian and State Minister Michael Nali.



OTML's commitment to developing female national employees was further demonstrated in 2008 with the appointment of Samantha Andreas as the Safety Coordinator – Systems.

Samantha, the 2008 winner of the Westpac's Young Achiever's category in the 2008 Women in Business Awards, because of the effort she put in to upgrade safety systems at Ok Tedi, initially joined OTML's Environment Department as a graduate chemist under the Graduate Development Program.

According to her supervisors, Samantha was appointed to the position because she displayed the drive to work in a new environment. Samantha proved her appointment within three months when she displayed total ownership of the position.

Samantha says although the job is different from her field of studies, the same principles are applied and she is working with the help of others.

"It is a different job but it is a challenge which I must face so I am exposed to different things which will enable me to have opportunities in various fields in the future," she said.

Samantha sees her appointment as both a learning experience and a career development as she works alongside other safety coordinators.



Reliability engineer at the Mill Operations, Gilbert Hamambi, recently graduated with a Masters Degree in Maintenance & Reliability Engineering from Monash University Gippsland Campus, Victoria.

Gilbert, the first employee to benefit from OTML's Masters Program sponsorship, attributes his success to OTML for its commitment to training professional Papua New Guineans.

Like many of his peers, Gilbert joined OTML as a cadet under the company's Graduate Development Scheme and worked his way up to a secure job with the mine.



"At the end of the 2005 performance development review, the Monash MRE program was identified and recommended to me by my team leader and team coordinator. That was how I officially entered into the sponsorship. It was initially a one-off offer to complete the Graduate Certificate in Reliability Engineering. The certificate was a prerequisite for the Masters program. However, after successful completion of the certificate I learnt that to go on to the masters program I had to meet it out of my own pocket. I was prepared to do that but OTML management came up with its attraction and retention programs in 2008 and among those initiatives was the offer for Masters Program sponsorship," Gilbert said.

He is thankful to his young family's understanding and OTML, in particular Training Systems & Governance, the Mill Maintenance Management and his colleagues at the Mill's Reliability Engineering & Condition Monitoring.

Chris Kulanji, Team Leader Auto Electrical Support, resumed duties at OTML last year after two years of full time studies in Australia. His studies were jointly sponsored by OTML and AusAID.

Chris graduated from Swinburne University of Technology in Victoria with an Advanced Diploma in Engineering Technology specialising in Mechanical Engineering.

Now back on site, Chris wants to put to good use at the workplace what he has learnt and gained from his studies.



"I am willing to share my experience with anyone who wishes to pursue the same career. My advice to my colleagues is that opportunities come only once so make full use of them and get the best out of it."

Tradeswomen Serah Tito who successfully completed her apprenticeship training at OTML by winning both the OTML Apprentice-of-the-Year and the PNG Apprentice-of-the-Year Awards in 2004 is setting the pace for female employee development at OTML.

Not only is she the only female welder at OTML at present, she has also become the first woman to enrol in the Diploma in Engineering Technology program.

The softly spoken Serah is a quiet achiever who chose the trade of welding after completing high school because she wanted to be the best welder that she could be, like her father who was a simple but successful welder.



"I thank OTML for providing the opportunity for me to undertake world-standard training in safe working conditions and an environment of encouragement. "Welding is still a man's world but I believe OTML has made it possible for women to take their place beside men in almost every trade and profession. "At Ok Tedi my male colleagues respect me for who I am and the way I do my work and I look forward to taking every new technical challenge as it comes," Serah said.

# COMMUNITY RELATIONS

In compliance with the outcomes of the 2006/2007 Community Mine Continuation Agreement (CMCA) review, Community Relations commissioned a survey of all CMCA villages. The survey covered the usual residents of the 155 CMCA villages as well as persons from these villages who were residing in other parts of Western Province.

The objective of the village survey was to identify and list families from each village so that their CMCA cash compensation payments can be made directly to individual families.

It is also a requirement of the CMCA review that village population be updated annually by village recorders who have been trained to update village population numbers by registering birth and death statistics and migration information. The updated population for the CMCA villages in 2008 was 84,457 people compared to 81,136 in 2007.

Annual census of the CMCA villages is critical as cash compensation funds are distributed on a per capita basis.

Having completed the village survey and validating the population figures for each family in each village of the CMCA regions, the next step

was to ensure that all the families had operating bank accounts so that their cash compensation money could be deposited directly into their account. This was a challenge indeed as not many ordinary village people have bank accounts.

Community Relations persisted in its attempt to solving the problem of depositing compensation money directly into bank accounts of ordinary villagers. Its persistence was rewarded when a major commercial bank, BSP agreed to accompany community relations officers to all villages along the Fly River and open their accounts right at their door step in their villages.

PNG Microfinance did the same and between June and September 2008, staff from BSP and Microfinance went from village to village and facilitated the opening of accounts of each family in the CMCA region.

Families opened 11,459 accounts with BSP and Microfinance for the purpose of receiving CMCA cash compensation. This was the first time a project of this magnitude was undertaken in PNG.

At the end of over 12 months of effort, the people of the CMCA regions for the first time received their CMCA cash payments through their family accounts.



COMMUNITY RELATIONS OFFICERS CONDUCT AN ANNUAL SURVEY OF THE MINE-AFFECTED COMMUNITIES TO ENSURE CMCA CASH IS CORRECTLY DISTRIBUTED

A total of Kina 45 million CMCA cash compensation was paid for 2007 and 2008.

Other major activities undertaken by Community Relations in 2008 included maintenance of constructive relations with local landowners which allowed for the successful completion of the Mine Waste & Tailings Project, the completion of the lease review for Lease for Mining Purpose (LMP) 37 which culminated in the signing of the Revised Lease agreement for LMP 37 in October 2008 and signing in of Komopkin village to the CMCA.

AT OK TEDI, MAINTAINING HEALTHY RELATIONSHIPS WITH THE IMPACTED COMMUNITY IS VITALLY IMPORTANT FOR THE SUCCESS OF THE BUSINESS



THE COMPANY'S 'RADIO FLY' KEEPS THE LOCAL POPULACE INFORMED OF IMPORTANT COMPANY INFORMATION SUCH AS SAFETY ISSUES



## COMMUNITY COMPENSATION

Under its social licence to operate, OTML continued to deliver compensation benefits through the revised Community Mine Continuation Agreement (CMCA) package. The revised CMCA package was valued at K1.1 billion. It entered its second year of its 5-year implementation period in 2008.

A new Trust, Koborn, was formed during the year. Koborn Trust is specifically for the landowners of Dome village on the west bank of Bige Lower Ok Tedi region. Koborn has a total population of 288 people who make up seven clans in the village. Koborn's inclusion brings to 15 the total

number of community trusts that are currently registered to receive compensation benefits under the CMCA.

In 2008, OTML Regional Development Department and Community Relations delivered to the CMCA regions both projects and cash compensation monies which were paid into family accounts. Projects delivered ranged from community infrastructure such as water supply systems to small business activities such as poultry farming.

Altogether a total of 209 CMCA projects were delivered in 2008.

Nupmo Trust had 18 projects implemented while Suki-Fly-Gogo Trust realised 10 projects. Tutuwe Trust (Tabubil-Kiunga Highway communities) implemented 19 projects while Wai Tri Trust (Lower Ok Tedi) completed 23 projects.

Dudi Trust (South Bank of Fly River, South Fly) and Kiwaba (Kiwai and Wabada Islands, South Fly) implemented 21 and 10 projects respectively and Manawete (North Bank of Fly River, South Fly) established 36 projects in 2008.

Middle Fly Trust implemented 48 projects and Alice River Trust completed 18 projects in the year.

### FUNDING DISTRIBUTION

#### Mine Villages

Mine Villages comprise a total of 2,322 people who live in the communities of Kavorabip, Atemkit, Finalbin, Bulitem, Wangbin and Migalsimbip which are located within the Special Mining Lease.

**Kavorabip** CMCA payments made from 2001 to 2008 are:  
Village Development Fund K2.8 million.

**Atemkit** CMCA payments made from 2001 to 2008 are:  
Village Development Fund K2.8 million.

**Bulitem** CMCA payments made to DDT from 2001 to 2008 are:  
Village Development Fund K2.8 million.

**Migalsimbip** CMCA payments made from 2001 to 2008 are:  
Village Development Fund K2.8 Million  
Special Compensation K0.6 Million

**Finalbin** CMCA payments made from 2001 to 2008 are:  
Village Development Fund K2.8 Million  
Special Community Projects K2.9 Million

**Wangbin** CMCA payments made from 2001 to 2008 are:  
Village Development Fund K3.5 Million  
Special Compensation K1.1 Million  
General Compensation K0.6 Million  
Housing Maintenance K1.2 Million  
Business Assistance K0.7 Million

### Dudi Development Trust

Dudi Development Trust speaks for 15,982 people in 14 villages located along the south bank of the South Fly region. CMCA payments made to DDT from 2001 to 2008 are:

Investment Fund K5.0 million  
Development Fund K 4.4 million  
Cash Compensation K3.7 million  
Women & Children's Fund K0.7 million



### Kiwaba Development Trust

A total of 11,360 people are registered to receive benefits under the KDT. These people come from 14 villages in the Kiwai and the Wabada group of islands in South Fly. Payments made to Kiwaba Trust from 2001 to 2008:

Investment Fund K3.3 million  
Development Fund K 6.4 million  
Cash Compensation K3.9 million  
Women & Children's Fund K0.8 million



### Manawete Development Foundation

As of end 2008, Manawete Development Foundation comprised of 12,930 people in 20 villages along the north bank of the South Fly region. Payments to MDF between 2001 and 2008:

Investment Fund K2.9 million  
Development Fund K6.8 million  
Cash Compensation K3.9 million  
Women & Children's Fund K0.8 million



### Middle Fly River Development Foundation

Middle Fly River Development Foundation represents 11,185 people from 18 villages. Payments made to the Middle Fly trust from 2001 to 2008:

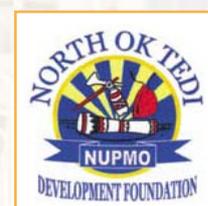
Community Members: K19.0 million  
Women & Children's Fund: K11.2 million  
Development Fund: K35.8 million  
Cash Compensation: K8.2 million  
Investment Fund: K2.9 million



### Nupmo Development Trust

Nupmo trust comprises 11,892 people from 18 villages in the North Ok Tedi region. Payments made to Nupmo between 2001 and 2008:

Community Members: K5.3 million  
Investment Fund: K3.6 million  
Development Fund: K2.9 million  
Cash Compensation: K3.0 million  
Women & Children's Fund: K0.9 million



### Suki Fly Gogo Development Trust

The Suki Fly Gogo Development Trust comprises 10,185 people from 16 villages in the South Fly region. Payments made to this trust between 2001 and 2008:

Investment Fund: K5.5 million  
Development Fund: K4.2 million  
Cash Compensation: K3.8 million  
Women & Children's Fund: K0.8 million



### **Tutuwe Development Trust**

Tutuwe Development Trust covers 29 villages along the Tabubil-Kiunga Highway. The population as of 2008 is 11,892 and payments made from 2001 to 2008:

Community Members: K3.4 million  
Investment Fund: K3.3 million  
Development Fund: K9.3 million  
Cash Compensation: K3.8 million  
Women & Children's Fund: K1.2 million



### **Wai Tri Development Trust**

Wai Tri represents 5,126 people in 19 villages in the lower Ok Tedi region. Payments made between 2001 and 2008:

Future Generations' Fund: K9.0 million  
Development Fund: K20.4 million  
logi Development Projects: K1.2 million  
Cash Component: K0.7 million  
Women & Children's Fund: K1.9 million



### **Alice River Trust**

People from Lower Ok Tedi are also receiving benefits under the Alice River Trust which was signed in 1997. From then till 2008, Lower Ok Tedi region has received:

Landowners' & Users' Fund: K13.2 million  
Future Generations' Fund: K2.3 million  
Development Fund: K22.5 million

### **Kobom Development Trust**

Kobom is the latest community trust to be established. Kobom has a small population of 288 people. Payments received since they signed the CMCA in 2008:

Development Fund: K0.6 million  
Development Projects: K3.0 million

MANAWETE DEVELOPMENT FOUNDATION PEOPLE GATHER FOR POPULATION SURVEY



YOUNGSTERS FROM MINE AFFECTED COMMUNITIES ALSO RECEIVE EDUCATION ASSISTANCE AS UNDER THE CMCA



# FINANCIALS

## INCOME STATEMENT

Ok Tedi Mining Limited and its Subsidiaries for the year ended 31 December 2008

	2008 K'millions	2007 K'millions
<b>OPERATING REVENUE:</b>		
Sales Revenue	3,826	5,040
Other Operating Income	7	2
<b>Total Operating Revenue</b>	<b>3,833</b>	<b>5,042</b>
Operating Costs	(1,970)	(2,032)
<b>Profit from Operating Activities</b>	<b>1,863</b>	<b>3,010</b>
Net Finance Costs	(95)	(93)
<b>Profit Before Income Tax</b>	<b>1,768</b>	<b>2,917</b>
Income Tax Expense	(541)	(874)
<b>Net Profit After Income Tax</b>	<b>1,227</b>	<b>2,043</b>

# FINANCIALS

## STATEMENT OF CHANGES IN EQUITY

Ok Tedi Mining Limited and its Subsidiaries for the year ended 31 December 2008

	Ordinary Shares K'millions	Hedge Reserve K'millions	Retained Earnings K'millions	Total K'millions
<b>Balance at 31 December 2006</b>	<b>238</b>	<b>(73)</b>	<b>734</b>	<b>899</b>
Net Profit for The Year	-	-	2,043	2,043
Dividends Paid	-	-	(1,440)	(1,440)
Change in Fair Value of Derivative Financial Instruments	-	8	-	8
Tax Effect of Change in Fair Value of Derivative Financial Instruments	-	(2)	-	(2)
<b>Balance at 31 December 2007</b>	<b>238</b>	<b>(67)</b>	<b>1,337</b>	<b>1,508</b>
Net Profit for The Year	-	-	1,227	1,227
Dividends Paid	-	-	(928)	(928)
Transfer to EML Bonus Fund	-	-	(5)	(5)
Change in Fair Value of Derivative Financial Instruments	-	147	-	147
Tax Effect of Change in Fair Value of Derivative Financial Instruments	-	(44)	-	(44)
<b>Balance at 31 December 2008</b>	<b>238</b>	<b>36</b>	<b>1,631</b>	<b>1,905</b>

# FINANCIALS

## BALANCE SHEET

Ok Tedi Mining Limited and its Subsidiaries as at 31 December 2008

	2008 K'millions	2007 K'millions
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	543	289
Other Current Assets	793	707
<b>Total Current Assets</b>	<b>1,336</b>	<b>996</b>
<b>NON-CURRENT ASSETS:</b>		
Property, Plant and Equipment	1,306	877
Pre-production Expenditure	45	45
Other Assets	376	437
<b>Total Non-Current Assets</b>	<b>1,727</b>	<b>1,359</b>
<b>Total Assets</b>	<b>3,063</b>	<b>2,355</b>
<b>CURRENT LIABILITIES:</b>		
Trade and Other Payables	528	117
Other Current Liabilities	144	145
<b>Total Current Liabilities</b>	<b>672</b>	<b>262</b>
<b>NON-CURRENT LIABILITIES:</b>		
Other Liabilities	486	585
<b>Total Liabilities</b>	<b>1,158</b>	<b>847</b>
<b>Net Assets</b>	<b>1,905</b>	<b>1,508</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Ordinary Shares	238	238
Hedge Reserve	36	(67)
Retained Earnings	1,631	1,337
<b>Total Shareholders' Equity</b>	<b>1,905</b>	<b>1,508</b>

# FINANCIALS

## STATEMENT OF CASH FLOW

Ok Tedi Mining Limited and its Subsidiaries for the year ended 31 December 2008

	2008 K'millions	2007 K'millions
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Generated From Operations	2,639	2,944
Interest and Other Cost Paid	(900)	(1,378)
<b>Net Cash Flows From Operating Activities</b>	<b>1,739</b>	<b>1,566</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Net Capital Expenditures	(537)	(490)
Financial Assurance Fund Investment	(19)	(23)
<b>Net Cash Flows From Investing Activities</b>	<b>(556)</b>	<b>(513)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Dividends Paid	(928)	(1,440)
Finance Facility Establishment Fees	(1)	(1)
<b>Net Cash Flows From Financing Activities</b>	<b>(929)</b>	<b>(1,441)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	254	(388)
Cash and Cash Equivalents at Beginning of the Year	289	677
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>543</b>	<b>289</b>
<b>CASH AND CASH EQUIVALENTS COMPRISES:</b>		
Cash	224	23
Short Term Deposits	319	266
<b>Total Cash and Cash Equivalents</b>	<b>543</b>	<b>289</b>

## RESOURCE AND RESERVE STATEMENT

Resource and Reserve Statement as at 31 <sup>st</sup> December 2008								
Mineral Resource				Ore Reserve				Conversion
Category	Mtonnes	Cu%	Au g/t	Category	Mtonnes	Cu%	Au g/t	Resv/Reso
Measured	282	0.48	0.60	Proven	93	0.71	0.91	33%
Indicated	80	0.82	1.25	Probable	30	1.23	2.05	37%
Inferred	29	0.93	1.15					
Total	391	0.58	0.77	Total	123	0.83	1.19	32%

Resource and Reserve Statement as at 31 <sup>st</sup> December 2007								
Mineral Resource				Ore Reserve				Conversion
Category	Mtonnes	Cu%	Au g/t	Category	Mtonnes	Cu%	Au g/t	Resv/Reso
Measured	502	0.49	0.59	Proven	116	0.68	0.86	23%
Indicated	144	0.79	1.10	Probable	31	1.32	2.03	21%
Inferred	51	0.94	1.28					
Total	697	0.59	0.75	Total	147	0.82	1.10	21%

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

Karl Smith and Wayne Schiller 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 Wayne Schiller 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

**Wayne Schiller**  
 Executive Manager  
 Planning & Technical Services

**Alan Breen**  
 Managing Director

## SUMMARY OF PRODUCTION RESULTS

	2008	2007	2006	2005	2004
<b>Production</b>					
Concentrate (dmt)	573,761	610,044	680,975	664,041	627,762
Contained Copper (tonnes)	159,650	169,184	194,355	192,978	173,370
Contained Gold (oz's)	514,958	498,790	550,099	574,694	524,474
<b>Sales</b>					
Concentrate (dmt)	580,931	668,475	622,158	711,215	598,622
Contained copper (tonnes)	162,722	186,525	177,538	204,840	166,328
Contained gold (oz's)	504,123	523,437	505,234	594,402	491,005
<b>Financials (Kina '000's)</b> (including the Subsidiaries)					
Sales Revenue	3,826,560	5,039,723	4,643,151	3,308,327	2,088,363
Profit Before Tax	1,767,835	2,916,043	2,679,302	1,490,344	716,999
Tax	541,184	873,517	800,100	445,036	210,899
Net Profit After Tax	1,226,651	2,042,526	1,879,202	1,045,308	506,100
Dividends Paid	927,253	1,439,901	1,808,257	925,050	395,078
Royalties	52,294	78,091	86,374	54,585	35,945
<b>Average Prices Realised</b>					
Copper (US\$/lb)	2.64	3.35	3.24	1.82	1.33
Gold (US\$/oz)	816	655	581	443	411



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