



OK TEDI MINING

BUILDING OUR FUTURE



ANNUAL REVIEW 2010



CONTENTS

Organisational Profile	4
Message from the Managing Director	6
Message from the Chairman	7
Corporate Governance, Commitments, and Engagements	8
2010 Strategy Map	11
Social Performance	12
Environmental Performance	28
Operational Performance	37
Financial Performance	42
Future Strategy	45
Glossary	48
Contact	49

Ok Tedi Mining Limited Cautionary Statement for Annual Review 2010

Certain information contained in this Annual Review 2010, including any information as to the Company's strategy, projects, plans, future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "aim", "believe", "expect", "will", "should", "anticipate", "contemplate", "target", "plan", "project", "continue", "budget", "may", "intend", "estimate" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance.

These risks, uncertainties and other factors include, but are not limited to the impact of global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future cash flows, changes in the worldwide price of gold, copper or certain other commodities (such as silver, fuel and electricity), possible variations of ore grade or recovery rates, failure of plant equipment or processes

to operate as anticipated, ability to profitably produce and transport the Company's product, demand for the Company's product, fluctuations in foreign currency markets, risks arising from holding derivative instruments, ability to successfully complete announced transactions and integrate acquired assets, legislative, political or economic developments in the jurisdictions in which the Company carries on business including increases in taxes, operating or technical difficulties in connection with mining or development activities, employee relations, availability and costs associated with mining inputs and labour, the speculative nature of exploration and development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves, changes in costs and estimates associated with the Company's projects and the risks involved in the exploration, development and mining business.

There can be no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements and information due to inherent uncertainty. All forward looking statements and information made herein are qualified by this cautionary statement and speak only as at the date of issue of this Annual Review 2010.

The Company disclaims any intention or obligation to publicly update, revise or review any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable laws or regulations.





ORGANISATIONAL PROFILE:

Ok Tedi Mining Limited (OTML) has chosen to move our reporting toward compliance with the Global Reporting Initiative's (GRI)-G3 guidelines, the third version of the guidelines. While we have previously used GRI reporting parameters to report our Environmental performance, we have not used the guidelines across all areas of our operations. This year's review is a first step in moving OTML towards even greater transparency in performance and issues management. We intend to continue to develop our capacity to report in accordance to the GRI-G3 guidelines and will produce our first fully GRI aligned report in 2014.

The GRI's core goals include the disclosure of environmental, social and governance performance similar to that of financial reporting. Reports based on the GRI framework have been used by organisations to demonstrate their continued diligence and commitment to environmental stewardship, sustainable development, stakeholder engagement, and transparency. Companies using the GRI framework have been able to demonstrate and measure year on year organisational performance in respect to laws, initiatives, leading practices, and standards. Our hope is that this 2010 Annual Review will be used by ourselves and our stakeholders to benchmark and measure our performance.

Materiality is the threshold at which topics or indicators become sufficiently important that they should be reported on. Internal and external factors help determine whether information or actions should be reported on: the organisation's overall mission and strategy, concerns expressed by stakeholders, broader societal expectations, and the organisation's influences on those groups who provide goods and services to the business. These factors have been considered when assembling this annual review; however, external stakeholder engagement specific to identifying material issues was not undertaken.

ANNUAL REVIEW:

This report covers the 2010 calendar year. Comparative data from 2007, 2008, and 2009 is included where available and where warranted to demonstrate performance trends. Reference has been made to events that occurred in early 2011 when doing so helps to clarify a point. Our performance data is presented in the metric system, and quotes AUD (Australian Dollar), USD (US Dollar), or PGK (Papua New Guinea Kina), unless otherwise noted.

For information regarding this Annual Review please contact:

Musje Werror
General Manager, Community Business Support and Corporate Relations

Telephone: 675 649 3919
Fax: 675 649 9312
Email: corporatesocialresponsibility@oktedi.com

ANNUAL REVIEW SCOPE:

Through internal discussions and an analysis of stakeholder concerns, we assembled a list of material issues which we used as the framework for this annual review. These are the aspects of our business that we believe are most critical to know more about and manage. In future years we will use leading industry practices to define our material content.

THE FOLLOWING ISSUES WERE IDENTIFIED AS BEING MATERIAL IN 2010:

- Safety and Health
- Employee Relations
- Society and Development
- Environment
- Operations

Informed by the GRI Boundary Protocol, we have included data from our fully owned and managed operation in Papua New Guinea (PNG), the Ok Tedi mine. We provide data and an overview of our exploration activities, but we have not measured these activities against GRI criteria. Similarly, while we operate a business unit in Brisbane, Australia we have not reported on that entity. Data presented captures our activities as they relate to the mining of the Mt. Fubilan deposit, the Bige dredge operations, and our operations in Kiunga.

ABOUT OK TEDI MINING LIMITED:

OTML is a major producer of copper concentrate for the global commodities market. We have offices in Tabubil, Kiunga, Bige and Port Moresby, Papua New Guinea; and Brisbane, Australia. We employ over 2,100 people; the largest proportion of our workforce comprises Papua New Guineans, with only five (5) percent of positions held by non-Nationals.

OTML actively mines the Mt. Fubilan deposit located in the Star Mountains of the Western Province of PNG. We continue to explore the full potential of the Mt. Fubilan resource while also carrying out exploration programmes with our newly formed Joint-Venture partner, Frontier Resources Limited.

Some Figures at a Glance:

- The full year sales revenue for 2010 was PGK 5.1 billion, twenty-seven (27) percent higher than 2009 reflecting higher copper and gold prices on the global market.
- Full year copper concentrate shipments were nine (9) percent higher than 2009.
- In 2010, OTML's export earnings accounted for thirty-two (32) percent of PNG's total exports, an increase from thirty-one (31) percent in 2009.
- Fifty-two (52) percent of OTML's distributable profits are invested in sustainable development initiatives, to benefit the people of Papua New Guinea, by PNG Sustainable Development Program Limited (PNGSDP).
- In 2010, dividends paid were PGK 1.687 billion which included PGK 1.481 billion for the benefit of Papua New Guineans.
- Mining Royalties were forty (40) percent higher than 2009, with the Fly River Provincial Government (FRPG) and mine area landowners each receiving PGK 46.8 million.
- Other payments made to communities during the year, including land lease payments, trusts, and Community Mine Continuation Agreements (CMCA), totalled PGK 69 million.
- In 2010 we achieved a record low Lost Time Injury Frequency Rate (LTIFR) of 0.21 per million man hours and a Disabling Injury Frequency Rate (DIFR) of 0.55 per million man hours.





MESSAGE FROM THE MANAGING DIRECTOR:



OTML has produced a solid financial performance in 2010 with a strong profit and cash flow result. The structure of the Company is such that, through its PNG Sustainable Development Program Limited (PNGSDP) and the Independent State of PNG (State) shareholders, the wealth generated by the Company benefits the Nation's people and,

specifically, the communities of the Western Province.

In 2010 we achieved a record low Lost Time Injury Frequency Rate (LTIFR) of 0.21 per million man hours, the result was commendable given the variety and complexity of the risks managed, and maintained OTML's position as a premier safety leader.

The Company reported a Net Profit after tax of PGK 2,030 million (USD 732 million), up twenty-seven (27) percent on the record set in 2009. The result reflects the dramatic increase in the copper price in the second half of 2010, closing the year at a record high USD 4.42/lb.

Concentrate sales were 616,080 tonnes, nine (9) percent higher than the previous year. Metal contained in concentrates totalled 158,692 tonnes copper, 482,000 ounces of gold and 1,500,000 ounces of silver. Lower output was a result of mine and plant disruptions due to the restriction on the In Pit Crusher facility and the Mine Waste Tailings Project (MWTP). An illegal seventeen (17) day strike by OTML mine workers from April 1 to 17 also resulted in a concentrate shortfall equivalent to 1,870 tonnes of copper and 5,830 ounces of gold.

In 2010, sales revenue was PGK 5,086 billion (USD 1,873 billion), and shareholders received dividends totalling PGK 1,687 billion. Mining royalties paid to the Fly River Provincial Government (FRPG) and Mine area landowners totalled PGK 94 million while total taxes paid were close to PGK 920 million.

We continued to improve training facilities, implementing the Australian Pacific Training College and Star Mountains Institute programmes to enhance technical skills among our employees and to ensure that our employees are qualified to international standards. A new five (5) year Industrial Agreement for all Award Employees was reached in October 2010; this provides additional benefits to employees. Reaching this Award Agreement was critical and continues to position OTML as an attractive employer. Given the competitive nature of the industry at the moment, in 2010, we did lose some of our professional employees to mineral developers with operations in PNG, Australia, Asia and Africa.

OTML operating costs increased by three (3) percent to a total PGK 1,244 million (USD 456 million). The bulk of the increased costs arose because of increasing License-To-Operate costs comprising increased community compensation packages and environmental management costs. Other contributors to cost increases included the impact of a strong Australian Dollar on supplies.

OTML continued to work with communities to effectively transfer compensation benefits in the form of cash payments and funding for community projects. In 2010, communities affected by our operations received compensation payments of PGK 65 million (USD 24 million) directly from OTML, with further funds available in trust through OTML's major shareholders, the State and PNGSDP. Project delivery to remote parts of the Western Province remained a logistical challenge.

2011 will prove to be a major challenge for our Company. Faced with the volatility of metal prices and the restriction on the Tailings Processing Plant (TPP) to meet process targets and environmental objectives, we will need to focus on maximizing productivity and minimizing costs to ensure that OTML can continue to create opportunities and development for the North Fly, the Western Province, and PNG.

2011 will test and challenge OTML management, employees, and business partners. With abundant resources available to us and a stable, creative and enthusiastic workforce, I am confident that we will prevail.

Alan Breen
MANAGING DIRECTOR



MESSAGE FROM THE CHAIRMAN:



On behalf of the Directors and shareholders of Ok Tedi Mining Limited (OTML) I am pleased to present this Annual Review on the results and activities of the Company for 2010.

You will see the format of the 2010 Annual Review is different to previous Annual Review as OTML is now preparing to produce its Annual Review in accordance with GRI guidelines.

In December 2010 Alan Breen, OTML's Managing Director departed after 3.5 years. I thank Alan for his guidance during a difficult period and welcome Nigel Parker, who was previously OTML's General Manager Commercial, as Managing Director and CEO.

OTML continues to be a significant part of the PNG economy. At the end of 2010, the Company contributed over PGK 2,560 million in royalties, dividends, and taxes, to the National Government, Provincial Government and the mine area landowners. Mining royalties paid to the FRPG and Mine area landowners totalled PGK 94 million while total taxes paid were close to PGK 920 million.

A consultation process to obtain community consent for Mine Life Extension (MLE) is progressing. During the year the Company conducted 2 (two) stakeholder meetings, 8 (eight) regional meetings and 272 village meetings in the mine impacted region. OTML is committed to ensuring all the information on MLE is presented to the communities to enable them to make an informed decision on the future of the mine. The process will continue through 2011, when a decision on MLE is expected.

The Company continues to advance the role of the Ok Tedi Development Foundation Limited (OTDF) as a stand-alone entity and a significant contributor to the long-term development in the region; Ian Middleton was appointed CEO to assume this responsibility. OTDF is a 100% subsidiary of OTML and in 2011, the PNG Sustainable Development Program Limited (PNGSDP) will assume 25% of the shareholding in OTDF. In 2010, a business plan for OTDF was developed to deliver as many benefits as possible to communities affected by the mine's operations, both for the present and future generations.

The Tabubil Hospital is the major referral hospital in the North Fly District and in 2010 approximately 10,500 out-patients were treated each month, with the majority of the patients coming from the surrounding communities. During the year, the Company provided a number of medical evacuations and assisted with 92 patient referrals on the OTML charter air services so that community members could receive specialist

medical care in Port Moresby, Lae, Cairns, and Townsville.

The reduction in malaria cases since 2006 has been an ongoing highlight; however HIV and AIDs continues to remain a concern and challenge. OTML's Public Health team has been very active in conducting programmes to raise awareness on HIV/AIDS. World Aids Day on 1st December was marked with a successful health promotion event at the Town Centre and the Managing Director, Alan Breen, demonstrated and encouraged the public to undertake HIV/AIDS assessment.

The North Fly Health Service Development Programme, commenced in 2009 as an OTML initiative managed by health service provider JTAI, is making good progress to improve the standard of health services in the North Fly District. Over the last two (2) years the programme has improved the levels of immunisation, delivery of medical services, skills of health workers and delivery of essential medications and health facilities. One of the programme's major achievements was the opening of the Tabubil Urban Clinic to provide medical services to the communities. The Programme will also be assisting the FRPG to improve the Kiunga Hospital's standards by upgrading the facilities, engaging specialist medical officers and providing essential equipment.

OTML is also working with other stakeholders including the PNGSDP to develop plans to transition and sustain the Tabubil township beyond mine closure and the Company will identify and outsource its non-core mining functions starting in 2011 to achieve this goal.

The Detailed Mine Closure Plan (DMCP) was submitted to the State in December 2009 and OTML anticipates approval will be granted in 2011. At the end of 2010, USD 204 million had been set aside to implement the closure plan and a further USD 26 million will be contributed over the next 3 years to raise the total to USD 230 million.

OTML workforce has continued to tackle its many challenges- social, environmental and technical- with determination and dedication that has become a hallmark of this great Company. We will continue to strive for world-class levels of safety, production, and environmental management and to meet our obligations that allow us to continue to operate for the benefit of the people of Papua New Guinea.

I commend this Review to you.

Alan Roberts
CHAIRMAN



CORPORATE GOVERNANCE, COMMITMENTS, AND ENGAGEMENTS:

GOVERNANCE STRUCTURE:

OTML's Board of Directors is the highest governing body at Ok Tedi. The Board is responsible for ensuring our governance is adhered to and that stakeholder interests are protected, while our General Managers and Executive Managers are responsible for the day-to-day operations of the Company.

The Board intends to establish a Safety and Technical Advisory Committee in 2011 to oversee proposed major commitments prior to managements' submission to the Board for consideration. There has been a long established Remuneration Committee, and the combination of both committees having the responsibility for reviewing OTML's health and safety practices, financial diligence, and overarching social responsibility and environmental stewardship provides a strong governance element on overall company management.

THE BOARD OF DIRECTORS:

In 2010, OTML's Board of Directors comprised five (5) members, one (1) of whom was considered independent, one (1) of whom was an executive director, and three (3) of whom were non-executive directors.

The 2010 Board comprised the following members:

- Chairman: Alan Roberts (Independent Director)
- Director: Professor Ross Garnaut (PNGSDP)
- Director: Alan Breen (Managing Director, OTML)
- Director: Simon Tosali (Secretary PNG Treasury Department)
- Director: Jochen Tilk (Inmet Mining Corporation)

Changes to the Board membership in 2010 included the exit of Dick Zandee, an Independent Director.

The Chairman of the Board of Directors was not an officer of OTML. In 2010, the Board met quarterly and held monthly teleconferences; the Board held four (4) meetings and six (6) teleconference meetings. All five (5) members, and where required, their alternates, participated in each meeting and teleconference.

In 2010, the main issues on the Board's agenda included:

1. Safety and Health
2. Bige operations, earthworks equipment, and management
3. Limestone mining to improve environmental performance in downstream communities
4. Inmet exit from the share registry
5. Mine Life Extension
6. Strategic growth of the Company
7. Environmental mitigation strategies, Bige revegetation and the sulphur extraction process (Tailings Processing Plant project)
8. Employee attraction and retention

COMMITMENTS:

Vision, Values and Codes of Practice:

Our vision and our intent is to conduct our business and operations in a safe and sustainable manner such that we can continue to foster wealth, prosperity, and opportunity for Papua New Guineans.

OTML and our employees operate within our Ok Tedi Charter, Code of Business Conduct and Ethics, and Management Standards of Conduct. OTML is a partnership comprising shareholders, workforce, and communities. Our purpose is to generate value for all of our partners through high performance, safe work practices, and industry competitiveness. The OTML cultural community is dynamic and varied, comprising a combination of over eight hundred (800) cultural and linguistic groups from Papua New Guinea along with cultures from around the world. We are proud

to honour the unique blend of diverse values, beliefs, symbols, rituals and myths in our region. We support and encourage employees to practice their respective traditional and religious beliefs and customs, while at the same time, we foster a culture of inclusivity.

We value:

- **Integrity**
- **Open and transparent communications**
- **Participation and involvement**
- **Win-win relationships**
- **Operating excellence with continuous improvements**

Commitments to External Initiatives:

We recognise the importance of responding to social, environmental, and economic issues of significance to our local and global communities. We seek opportunities to further our participation in a number of initiatives.

OTML operates to numerous internal and external charters and policies:

In addition to being guided by our Charter, Code of Conduct and Policies, in 2003 we adopted a HIV/AIDS workplace policy with the objective of increasing awareness about transmission and prevention. We are firmly committed to leading and supporting public health campaigns to decrease new incidences of HIV/AIDS. In 2006 we employed our first HIV/AIDS Coordinator responsible for operating a comprehensive awareness and prevention campaign. We also adopted our HIV/AIDS Charter to further strengthen our commitment and activities. We now have a Public Health Community Nursing

Officer who works across all programmes of our public health group but primarily focuses on HIV and AIDS. We offer voluntary counselling, testing, clinical care, and awareness and prevention campaigns to reduce maternal transmission. We work with partners across the region; our programme is consistent with the PNG National Strategic Plan on HIV/AIDS and covers prevention, diagnosis, treatment, care, research, and advocacy. HIV/AIDS appears as a standing item on the Annual Agenda of the OTML Board and is reflected in our corporate policies around HIV/AIDS awareness training. We require all contractors with employees based in the North Fly district, including fly-in-fly-out, to have a workplace policy for HIV/AIDS. All Tabubil and Kiunga based contractors attend an OTML HIV/AIDS training session and all team leaders incorporate HIV/AIDS awareness discussions into their team safety meetings.

Our commitment to supporting the fight against HIV and AIDS extends beyond our workforce and our footprint. We are a proud Platinum sponsor of the PNG Business Coalition Against HIV/AIDS (BAHA), an organisation set up by the PNG superannuation house NASFUND which spearheads the fight through awareness programmes. Since 2007, we have donated nearly PGK 1 million to support BAHA's efforts; annually we donate PGK 200, 000 to BAHA.

OTML is committed to the Precautionary Principle as introduced in Article 15 of the Rio Principles: where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost effective measures to prevent environmental degradation.





2010 STRATEGY MAP:

Each year as part of our budgeting and planning process we develop a Strategy Map. The Strategy Map is a Board approved, visual and easily communicated "Strategy On A Page". It is structured, measurable, and reportable and summarises the what, why, when, and where of our plans for the next three years.

The 2010 Strategy Map highlights our vision of OTML developing and operating multiple resource projects for the benefit of PNG and the Western Province. To achieve this we will:

- Fully explore the resource potential of Mt Fubilan and surrounding exploration targets
- Assess (pursue) opportunities for mergers and acquisitions in PNG and the Asia Pacific
- Effectively manage our business, community, and environmental responsibilities
- Continue to be known as the best employer in PNG by enhancing the skills and developing the careers of our people while continuing to provide high quality working conditions, facilities, and services.

Our Vision and Mission are shown to be supported by the six (6) Key Result Areas (KRAs or Pillars) of:

- Safety and Health
- People
- Sustainable Productivity
- Financial Performance
- Managing Community and Stakeholder Expectations
- Business Development

Each Pillar outlines its own Vision, 2010 Targets and Key Initiatives, and Targets for 2013. The 2010 Strategy Map serves to remind us that our efforts depend on our values as outlined in the Ok Tedi Charter.

The 2010 Strategy Map was used to guide the development of plans and budgets with effort and resources being directed towards the achievement of the Targets and Key Initiatives outlined. Progress was monitored by the Executive Management team on a quarterly basis with remedial action taken as required.

We are committed to fostering long term, positive relationships with our stakeholders who comprise the following groups:

- Employees
- Employees' families
- Prospective employees
- Communities Affected by our Operations
- Traditional Landowners
- Shareholders
- Artisanal and small scale miners
- Health and education service providers
- Local, regional, national governments
- Suppliers and contractors
- Non-government organisations
- Religious leaders and groups
- Regulatory authorities
- Chamber of Mining & Petroleum, and Industry Associations
- Peer companies
- Media
- Academic institutions





SOCIAL PERFORMANCE:

SAFETY AND HEALTH:

Safety and health are paramount to our Company. We strive for Zero Harm. We believe that an incident and injury free workplace is achievable and our goal is to be a zero incident, injury-free company. Our commitment to safety and health is recognised in our 2010 Strategy Map and in our Health and Safety Policy. Our programme is managed through the Ok Tedi Mining Safety Management Plan 2009-2010. Our standards and policy apply to all of our employees and contractors who work at our sites, and cover all of our operations. All contractors are required to provide and maintain a safe and healthy work environment and be responsible for meeting as a minimum, OTML's safety and health standards. Our Bige and Kiunga operations have their own Occupational Health and Safety (OH&S) personnel who ensure our employees and contractors who work for us comply with our safety and health procedures.

Our efforts to create and maintain a safety culture includes safety pre-start meetings, monthly safety meetings, monthly Safe Days, Job Safety Observations (JSO), Job Safety Analysis (JSA), Take-Five Procedures, Pre-start Vehicle Checks, and awareness and training programmes. We believe that these activities and actions are essential to embedding a culture of safety within our company.



Our Intent:

- Safety is about caring for people, not statistics
- Working safely is a personal value and a priority
- No incident or accident that could cause injury to a person is acceptable

Our Commitment:

- No employee will be expected to perform work which places their health and safety at risk
- We shall ensure our six (6) Health and Safety principles are entrenched in our operations and the way we work

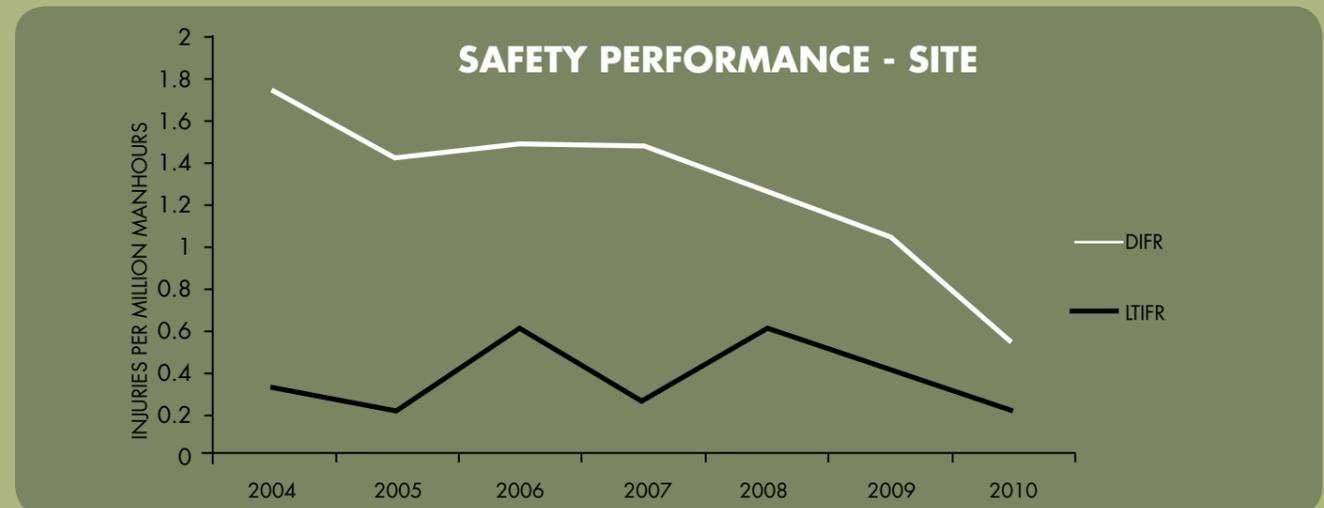
Our six (6) principles are encapsulated in:

- OTML Health and Safety Policy
- OTML Leaders vision statement
- OTML Contractor and Employee vision statement
- OTML Golden Rules

To achieve this vision we continue to lead from the top; provide continual feedback and encouragement; immediately act to correct 'at risk workplace conditions' or at risk behaviour of people; "walk the talk" so that everyone can see by our actions that we mean what we say; apply risk assessment processes to develop and then sustain OTML facilities, equipment and systems of work.

Safety Performance:

In 2010 we achieved a record low Lost Time Injury Frequency Rate (LTIFR) of 0.21 per million man hours and a Disabling Injury Frequency Rate (DIFR) of 0.55 per million man hours. Despite our safety performance, we did not meet our target of Zero Harm. Three (3) lost time injuries were recorded, each incident was thoroughly investigated and lessons learnt were distributed throughout the Company.



Light Vehicle safety continued to be our focus in 2010; emphasis was communicated through Monthly Safety awareness themes, "Safe Day themes," and Awareness programmes run on our closed-circuit television station, Ok Tedi TV, and our own 'Radio Fly'.

With the introduction of our Occupational Safety Compliance Officers, there has been an increase in the reporting of incidents, especially from our contractors. The number of near miss incidents reported has also increased which signifies the continued efforts by everyone toward our goal of "Zero Harm".

**Responsible Person:
Executive Manager,
Occupational Health and Safety**

Occupational Health & Safety Training:

OTML continues to support its employees through various OH&S training. All safety personnel within the business have completed, at the minimum, their Certification IV in Occupational Health and Safety Training.

A Contractor OH&S Management Training for Department and Contractor Managers, Project Supervisors, and Safety Professionals that commenced in 2009 continued throughout 2010. We upgraded OTML's Risk Management System in 2010 and provided training to Line Managers in its use.

In 2010, to improve safety performance, management at our Tabubil, Bige, and Kiunga operations tied a portion of each employee's short-term incentive to safety as a Key Performance Indicator. We also increased the training we provided to employees working at the Bige and Kiunga operations.





Our 2010 Safety Training Objectives and Achievements:

Objective	Action	Status
Improve effectiveness of OH&S leadership at all levels.	Develop frontline management courses with a core safety component for frontline supervisors.	Achieved
	Diploma in management started in conjunction with Barrier Reef TAFE Townsville for identified high performers and furthering their development.	Achieved
Accountabilities are clearly defined, commitment by all OTML and Contractor Leaders.	Re-issue Safety Policy, Golden rules and leadership documents; commitment to safety leadership reinforced by senior management.	Achieved
	Provide Safety Leadership and Hazard Identification training programmes.	Achieved
	Review contractor management standard; develop training and roll out across all areas of the business by a third party facilitator.	Achieved
Implement as a minimum four (4) new Wantok Safety Standards.	Create Crane's Load movement New Load movement standard, roll out covering cranes and rigging.	Achieved
	Roll out Drug and Alcohol workplace standard.	Achieved
	Review Fatigue Management practice.	Achieved
	Review Medicals (Fit for work).	Achieved
	Update Risk Management standard and roll out to the business.	Achieved
	Isolation document was drafted.	Achieved
	OTML Department Risk Registers reviewed to ensure that critical risks are managed.	Not Achieved*
Increase the focus on behavioural safety.	Expand the Job Safety Observation (JSO) process; commence the Pre-Start meetings across the business.	Achieved**
Conduct an external AS4801 Gap Audit.	Engage SAI Global out of Australia to complete; implement recommendations from audit in 2011	Achieved

* Comprehensive plan is being developed for 2011.

** JSO process implemented across all areas of the business, data collected was reviewed to identify trends.

Employee Health Programmes:

2010 saw the relaunch of the Employee Health and Wellness Programme (EHWP) with the introduction of the 'health for life' campaign. With more than seventy (70) percent of the OTML workforce considered overweight or obese, a new health assessment which includes greater emphasis on lifestyle diseases and associated risk factors was introduced. Eight hundred and seven (807) assessments were conducted over the year. Thirteen (13) Health Extension Officers (HEO) were trained, enabling employees to have their assessment at any OTML site (Tabubil, Kiunga or Bige). A comprehensive training manual was developed to ensure standardised training was provided to all new HEOs who joined the programme and a monthly in-service training programme was introduced.



THE '5 STEPS TO A HEALTHY HEART' PROGRAMME:

This programme helps employees identify the 5 important steps they can follow to improve their health:

- Have a balanced diet
- Exercise
- Aim for a healthy weight
- Reduce alcohol intake
- Take steps to quit smoking

In 2010, tailored health information sessions were facilitated in a number of departments, a strategy which saw an increase in the assessments conducted. OTML took steps to increase the availability of fresh and healthy foods at all mess facilities and in retail venues, and in making the OTML community a safe environment for fitness and exercise.

Community Wellness Programmes:

We believe in healthy and sustainable communities; we believe that to have positive effects on employee health, our wellness programmes must address basic needs and extend into the communities where we operate and where we live. As the major employer in the Western Province and a key economic driver, we believe that creating a positive sustainable legacy requires cooperation with health care providers to

address fundamental health issues.

In 2008 the OTML Board committed PGK 20 million, over five (5) years to strengthen the capacity of health providers in the North Fly District. Our vision was for the programme to be delivered through a partnership with the Evangelical Church of PNG (ECPNG), Catholic Health Services (CHS), and the North Fly District Health Administration (NFDHA), with implementation by JTA International. The North Fly





Health Services Development Programme (NFHSDP) has been designed and implemented in line with the PNG National Department of Health Strategic Plan and Priorities. At OTML we believe that collaboration and strategic partnerships will support improved health outcomes for Papua New Guineans.

Through a collaborative effort to strengthen the existing health services system, the goal is to achieve sustainable health improvements. The five (5) year objectives are:

1. Increase child immunization coverage
2. Reduce malaria morbidity and mortality
3. Reduce maternal morbidity and mortality
4. Control rate and transmission of Sexually Transmitted Infections (STIs)
5. Reduce rate of child mortality attributed to pneumonia
6. Control the transmission of Tuberculosis
7. Reduce the rate of child mortality attributed to diarrhoea
8. Strengthen the health system
9. Strengthen health worker performance
10. Ensure effective coordination and management of the health programme with provincial and local government, communities, and churches
11. Monitor efficacy of the NFHSDP
12. Promote community self-reliance and self-determination through Healthy Village principles

Our 2010 programme focused on improving service delivery. Some of the many highlights included increases in childhood immunisations, improved maternal health programmes and service delivery, health awareness and education programmes, and the opening of facilities that had previously been closed. Our teams were able to respond to disease outbreaks in isolated communities and were able to lend support to the cholera outbreak in the South Fly District.

In addition to working with the North Fly Health Services Development Programme, OTML, through its Community Relations Health Extension Officer, supports the "Combine Health Patrols" which are conducted

biannually in partnership with various health service providers. These patrols serve the mine affected communities in the Western Province. In 2010, the patrols focused on maternal and child health.

Performance of our Community Wellness Programmes:

- Twelve (12) out of fourteen (14) health care centres and three (3) out of (3) hospitals received repairs and functioning cold chains which enabled the provision of immunisation services to catchment communities.
- 3,704 children received immunisations.
- The rate of malaria in the villages and settlements around Tabubil has been falling steadily from thirty-six (36) percent in 2007 to below fifteen (15) percent in 2010. This rate is the number of positive tests over all tests conducted at Tabubil Hospital.
- Over PGK 50,000 worth of antimalarials were ordered with eighty-five (85) percent distribution to health centres. 450 Rapid Diagnostic Test kits were distributed. Twenty-four (24) health workers from seventeen (17) health facilities were trained in the use of Rapid Diagnostic Testing (RDT).
- A Village Birth Attendant Training programme developed with the Catholic Health Services was conducted in Bolivip in the North Fly District in November 2010.
- We recorded reduced incidences of diarrhoea related illness by improving the water supply, sanitation and hygiene processes and enabling partners to increase the use of Oral Rehydration Solutions (ORS).
- A first cholera case was reported in Tabubil



in November 2010 with a total of five (5) cases confirmed. The outbreak was well contained with the formation of a cholera taskforce committee and through the distribution of education and information materials in schools, villages, and workplaces by our Public Health officers. Awareness programmes were also run on Radio Fly and Ok Tedi TV.

- World AIDS Day 2010 was celebrated as a mini-expo which drew a large audience. Over 133 people had their blood tested, and status known.
- In late 2010 and Quarter 1 of 2011, improvements were made to health facilities. We created a maternity ward in Ningerum; enabled the provision of water services in Rumginae; and built facilities in Mogulu and Matkomnae.

EMPLOYMENT, LABOUR PRACTICES AND HUMAN RIGHTS:

At OTML we know that attracting and retaining the most talented employees is a critical factor in the continued success of our business. We are the employer of choice in PNG, and the largest employer in PNG. We are committed to providing a safe, healthy, and rewarding workplace for our employees. We provide opportunities for mentorship, training, and career advancement. We operate in a community of vast cultural diversity and have created a workplace environment that fosters inclusivity, respect, and communication.

**Responsible Person:
Executive Manager, Human Resources**

OTML conducts its operations in a manner consistent with the requirements of the Ok Tedi Agreement, Employment Act; Industrial Relations Act; Industrial Organisations Act; Employment of Non-Citizens Act; and good management practices. The Employment Act being the major labour code in PNG is consistent with the following International Labour Organisation (ILO) Conventions ratified in PNG:

- Discrimination (Employment & Occupation) (No. 111)
- Freedom of Association (No. 98)
- Equal Remuneration (No. 100)
- Abolition of Forced Labour (No. 105)
- Worst forms of Child Labour (No. 182)
- Maternity Protection (No. 103)
- Equal of Treatment Accident Compensation (No. 19)

OTML is an equal opportunity employer and upholds all principles of equality, fairness, and justice. All our employees receive training in OTML's Code of Conduct, Golden Rules of Conduct and general Human Resource policies. These all address fair treatment, equity, and respect. We have an elaborate appeals procedure whereby aggrieved employees have recourse for their particular situation and can elect to have their grievance independently reviewed by the Employee Relations department, and if required the appropriate General Manager and/or the Managing Director.

We support on-going training in Union Delegates' Communication and Employee Grievance Procedures. We hold quarterly information sessions with all of our employees, and we circulate regular newsletters/communications materials. In 2010, OTML negotiated and ratified a new five (5) year Industrial Agreement for all Award Employees.

Employment is a direct potential benefit of a mining operation and is a key expectation of local communities and governments. OTML is committed to the localisation of our workforce and in 2010 remained the largest employer in PNG. At the end of December 2010, we employed over 2,100 people of which ninety-five (95) percent were Papua New



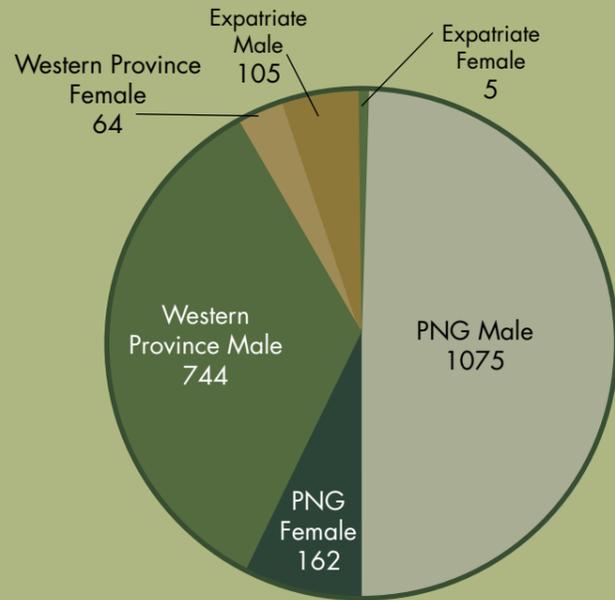


Guineans. While we employ people based on merit and objective assessment of a candidate's skill, and technical training, we work hard to ensure that Papua New Guineans are given absolute preference for employment provided the candidates are able to meet the requirements of the position. Regional senior management positions are hired as often as possible from PNG and we have made a commitment that every position has a succession plan.

During the reporting period there were 5,576 attendees at our training centre, completing fifty (50) different courses. This represents some 24,755 training hours. We invested PGK 1.7 million in employee health and wellness programmes, and PGK 22.4 million in training and development.

2010 Significant Employee Relations Issues:

In April 2010, an illegal and unauthorised industrial strike occurred which lasted for seventeen (17) days. Strikers claimed that OTML's Shares In Success Scheme (SISS) was unevenly distributed between employees ranked as Part A and those ranked as Part B. SISS is considered by the Department of Labour and Industrial Relations (DLIR) to fall outside of the definition of industrial matters under the law. The employees returned to work on 17 of April, 2010 when the issue on SISS was challenged in Court. The decision of the National Court was not in favour of the Union on all counts. The dispute was settled without any resort to violence or force; the strike was peaceful, and workers returned to work peacefully.



STAKEHOLDER ENGAGEMENT:

OTML is an active participant in the economic and social development of communities in Papua New Guinea. OTML's presence brings economic opportunities to communities in the Western Province, and through our sustainable development programmes provides Papua New Guineans a platform for social and economic wellbeing. Community engagement is a key driver for us. Our goal is to foster open, transparent, and respectful relationships with host communities and Governments. Our approach is to understand the respective community and co-develop programmes and processes such that our engagement methods are relevant and our contributions are positive and enduring. We believe that fostering successful relationships requires that each employee and contractor take an active and responsible role in engaging with communities.

Our Commitment:

OTML employees and consultants are guided by the OTML Charter. We recognise the rights of communities to be given the information they need to understand the effects of the mine on their environment and lifestyle, and to receive just and appropriate compensation for adverse effects. We have established processes around engagement and grievance resolution, we wish to protect our social license and our relationships with our communities.

OTML has an active Community Relations department, with teams located throughout the mine affected areas. Core functions are to effectively manage the lands that we lease from traditional landowners, create and meet our community agreements, provide timely compensation payments, and maintain open communication with villages and communities about our operations and issues that may be of materiality to them. Secondary programmes include the provision of health and education programmes, achieved in collaboration with our wellness team and through our partnership with Ok Tedi Development Foundation (OTDF).

Responsible Person:
General Manager, Community Business Support and Corporate Relations

OTML's Stakeholders:

We understand our stakeholders to be people or groups that have an interest in our activities. These include:

- Employees
- Employees' families
- Prospective employees
- Communities Affected by our Operations
- Traditional Landowners
- Shareholders
- Artisanal and small scale miners
- Health and education service providers
- Local, provincial, and national governments
- Suppliers and contractors
- Non-government organisations
- Religious leaders and groups
- Regulatory authorities
- Chamber of Mining and Petroleum, and Industry Associations
- Peer companies
- Media
- Academic institutions

Our stakeholders comprise over 90,000 people and our engagement extends over eight hundred (800) kilometres in the Western Province. Our interactions with stakeholders are recorded in a central data base. When issues arise, the grievance is recorded, ranked and an action plan is developed. Relevant members of the Company discuss the action plan and seek to resolve the grievance within a timely manner. Moving forward, OTML will utilise the International Council on Mining and Metals (ICMM) guidance module, Handling and Resolving Local Level Grievances and Concerns to create a more standardised process for issues management.





Community Engagement for Life of Mine Extension:

In 2010 our focus was on executing an engagement strategy to acquire informed consent from mine affected communities for mine life extension. We facilitated a total of two-hundred and eighty-two (282) community meetings, and we visited over one-hundred and fifty-six (156) communities. Our engagement was guided by a policy and procedures manual which was informed by stakeholders and their preferred methods for engaging. Our discussions with communities followed the following eight (8) principles:

- 1. Integrity**
- 2. Transparency**
- 3. Equity**
- 4. Fairness**
- 5. Respect**
- 6. Responsiveness**
- 7. Adequacy of Information**
- 8. Timeliness**

To maintain transparency we utilised independent facilitators and observers in every meeting. The facilitators provided advice on the negotiations process; facilitated the meetings at the village level; ensured consistency in messaging; reinforced the meeting ground rules; and, reviewed the meeting minutes. The independent observers were retained to comment on the performance of the process against our eight (8) principles; they completed desk-top reviews and reported publically on the process; they reviewed/ approved the minutes of the village meetings; and, they helped to ensure consistency in the information disseminated to stakeholders at each meeting.



COMMUNITY DEVELOPMENT:

OTML is proud of the contributions we have made in the area of community development. We believe in participatory development and in measuring the reach and impact of the sustainable development programmes that we fund so that our efforts are maximised. Our vision has been and remains one whereby the grassroots determine their development priorities and we support them as they bring their visions to fruition. In 2010 we restructured our processes for delivering sustainable development programmes; we are confident that the reach and the impact of our programmes will continue to achieve sustainable benefits.



Sustaining Positive Development Outcomes through our Foundation:

In 2001, we entered into Community Mine Continuation Agreements (CMCA) under the Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001 with the mine affected communities. The Agreements commit OTML to cash compensation; investment and development payments through eight (8) Trusts and six (6) mine villages. The purpose is to benefit community members residing in the 156 mine-impacted villages. To mobilise the Trusts, OTML established Village Planning Committees (VPCs) in each of the 156 CMCA villages. These VPCs identify and prioritise sustainable development projects applicable to their respective needs. Our objective is to support the vision held by the respective individual community. The VPCs prepared submissions for appraisal while the processing was done by OTML's Regional Development Department (RDD), the group responsible for managing the CMCA project implementation process.

As an element of BHP Billiton gifting its shareholding in OTML to the people of Papua New Guinea, BHP Billiton engineered the concept of a charitable legal entity whose main purpose was to manage and mobilise community funds in a highly transparent governance structure. Complying with BHP Billiton's gifting terms, in 2002, OTML registered the Ok Tedi Development Foundation Limited (OTDF) essentially as a not-for-profit organisation. The State of PNG passed





legislation enabling legal substance. The OTDF's mission is to administer the CMCA and other community Trust Funds in support of community development. It is a framework to complement government, community, and private sector development initiatives in the Western Province in preparation for mine closure and beyond.

In 2007, the CMCA review process was completed. This resulted in a revised Memorandum of Agreement (MOA) between OTML, PNGSDP and the State, and CMCA communities mandating the creation of an independent identity to manage the Trusts. As a result, OTDF established the independent identity as a trade name: "Ok Tedi Fly River Development Programme" (OTFRDP). This trade name was registered as the new identity in August 2008. In February 2009, the OTML Board approved the transfer of one share in OTDF to PNGSDP. The OTML Board is legally obliged to transfer the remaining three (3) shares to other reputable development organisations before or at mine closure. In July 2009, a Chief Executive Officer (CEO) was appointed to OTDF to lead the OTDF/OTFRDP establishment process and to map out a firm direction.

OTDF's mission is to ensure self-sustainability and

improve the quality of life of all Western Province communities. OTDF management, in consultation with its Advisory Committee which includes members from the mine affected communities, the Fly River Provincial Government, and the Council of Churches, works to deliver local and regional projects.

Ten (10) percent of the CMCA funds (PGK 53.7 million in 2010) are allocated to programmes that directly serve women and children. OTDF delivers programmes to support health, education, infrastructure, agriculture, fisheries and forestry initiatives. OTDF is governed by a Board of Directors made up of 2 OTML directors, 1 director from the State appointed by OTML, 1 PNGSDP Director and 3 Associate Community.

OTDF is a seventy five (75) percent subsidiary of OTML with the remaining twenty five (25) percent under SDPL. OTDF is governed by a Board of Directors made up of 2 OTML directors, 1 director from the State appointed by OTML, 1 PNGSDP director and 3 Associate Community Directors.

**Responsible person:
Chief Executive Officer, Ok Tedi
Development Foundation Limited**



2010 OTFRDP Highlights:

In 2010, OTDF became a fully independent entity of OTML. We believe that this strategic move will result in improved delivery of sustainable development initiatives during the life of the mine, and significantly, post-closure. We completed Village Planning Committee Capacity Building workshops; we established a committee to manage the Manawete Women's Resource Centre; and we completed the Rubber Development Action Plan 2010-2015. Significantly, the PNG Government enabled OTDF to access the CMCA five (5) percent Western Province Peoples Dividend Trust. This led the OTDF/OTFRDP Advisory Committee to approve the following seven

(7) projects:

- the Lower Ok Tedi Bridge
- the Pampenai Road Rehabilitation in the North Fly district
- Middle Fly Health Programme
- Aiambak-Lake Murray Road Rehabilitation (Middle Fly);
- South Fly Health Programme
- South Fly Village Relocation
- the design and construction of a ferry for all the regions





THE BARRAMUNDI PROJECT:

In response to a collapse in the fishing industry on the Fly River in recent years, in 2010, the Western Province Aquaculture Ltd Business Plan (WVAPALBP) was developed. The development initiative is aimed at providing a sustainable aquaculture industry to the Western Province region through the design and construction of a barramundi hatchery. Instigated by OTML, the plan was developed by a multi-sectoral stakeholder group comprising local and national level government, non-government organisations, local communities, landowners, and national and international research institutions. The WVAPALBP is comprised of two key components: The first involves the establishment of an integrated barramundi hatchery which will produce up to 400,000 fish per annum for restocking of wetland nurseries in both fresh and saltwater habitats. In addition, the hatchery will provide research and development opportunities in aquaculture studies and will offer training and employment opportunities to local communities. The second component is a social development programme which provides for a variety of initiatives. These will be determined once the outcomes of the hatchery, established in component one, have been evaluated. Emphasis is placed on the sustainability of aquaculture and habitat conservation, and on developing new techniques in aquaculture that are applicable and transferable to the Western Province region. Examples include the trial of grow-out pontoons in both freshwater and ocean environments, the support of local fishing companies who will provide the majority of employment opportunities when mining ceases, and the ongoing protection of barramundi habitats focusing on conservation, awareness and ecotourism.

Economic Contributions to Communities and PNG:

Creating long-term value for our employees, local communities, governments, suppliers, and other stakeholder groups is an important part of our approach to sustainability. In addition to facilitating sustainable development programmes, OTML's direct economic contributions to host communities and the PNG government are sizable. These include employee wages and benefits, taxes, and royalties paid to governments, the purchase of goods and services from local and regional suppliers, donations, scholarships, and support for community initiatives.

In 2010, OTML contributed PGK 3,365 million to the local, provincial, and national economies of PNG.

	PGK IN MILLIONS				USD IN MILLIONS			
	2007	2008	2009	2010	2007	2008	2009	2010
Taxes & levy paid to PNG Government	1,278.5	826.6	310.0	919.5	434.7	310.8	112.8	337.3
Dividend Paid								
- PNGSDP	748.7	482.2	485.4	939.0	254.6	181.3	176.7	344.4
- Government	216.0	139.1	140.0	303.9	75.0	52.5	52.5	110.0
- Fly River Provcl Govt, MRA, Mine Villages	216.0	139.1	140.0	237.7	75.0	52.5	52.5	85.0
	1,180.7	760.4	765.4	1,480.6	404.6	286.3	281.7	539.4
Royalty Payment								
* 2% of Net Revenue distributed 50% to Western Provincial Govt and 50% to the Land Owners								
Payment of Royalty to land owners are subject to 5% withholding tax								
- Western Provincial Government	44.9	36.8	33.6	46.8	15.3	13.8	12.2	17.2
- Land Owners	44.9	36.8	33.6	46.8	15.3	13.8	12.2	17.2
Less: Royalty tax - Land Owners	(2.2)	(1.8)	(1.7)	(2.3)	(0.7)	(0.7)	(0.6)	(0.8)
	87.6	71.7	65.4	91.3	29.8	27.0	23.8	33.5
Compensation & Others								
- Land Lease to Villages	8.3	5.6	3.5	3.7	2.8	2.1	1.3	1.4
- 8th Supplemental Agreement	10.9	10.4	10.9	11.4	3.7	3.9	4.0	4.2
- CMCA	53.1	52.7	53.7	53.7	18.1	19.8	19.5	19.7
	72.3	68.7	68.1	68.8	24.6	25.8	24.8	25.2
Tax Credit Scheme (TCS)								
- Health	0.5	0.1	17.5	8.8	0.2	0.0	6.4	3.2
- Education	1.7	0.5	7.8	12.4	0.6	0.2	2.8	4.5
- Roads, bridges, airports	3.3	13.7	0.6	11.9	1.1	5.2	0.2	4.4
- Utilities	3.0	9.4	14.7	13.7	1.0	3.5	5.4	5.0
	8.5	23.7	40.6	46.8	2.9	8.9	14.8	17.2
Purchases in PNG	324.8	356.3	284.2	434.7	110.4	134.0	103.4	159.4
Local training costs	2.1	3.0	6.6	7.6	0.7	1.1	2.4	2.8
Salaries and wages	296.1	298.1	302.8	315.9	100.7	112.1	110.2	115.9
TOTAL	3,250.6	2,408.5	1,843.1	3,365.2	1,108.3	906.0	674.0	1,230.7



Some figures at a glance:

- Dividends paid in 2010 were PGK 1,687 million; with PGK 1,481 million for the benefit of PNG interests.
- Mining Royalties in 2010 were forty (40) percent higher than in 2009. The Fly River Government and mine area landowners each received PGK 46.8 million.
- Total taxes paid in 2010 were PGK 920 million.
- Goods and services provided to OTML from PNG sources in 2010 was PGK 435 million.
- Over the past six (6) years, landowners and affected communities have received a total of PGK 573.68 million from compensation and royalty payments.
- Over the past six (6) years, total CMCA funds amount to PGK 252.6 million. These funds are divided thus:
 - Ten (10) percent for programmes directed to women and children.
 - Thirty-six (36) percent to community members.
 - Thirty-seven (37) percent allocated to community development programmes/projects.
 - Seventeen (17) percent allocated for the Future Generation and Investment Fund.



Our Consumers Support Our Efforts in PNG:

The relationship between OTML, its customers and the communities within which we work was highlighted when, in early 2010, our German customer, Aurubis AG, presented the Runginae Hospital in the Western Province, PNG, with an ambulance valued at over PGK 105,000. This donation follows on from previous donations Aurubis has made including a nurses training facility at Runginae and an X-ray machine at the Kiunga hospital.

OTML Donations in Brief:

In 2010, on seven (7) occasions we were pleased to be able to provide medical evacuations using our helicopter services. We provided support to medical outposts throughout the Western Province; we supported infrastructure works in villages; and we continued to make contributions to the Tabubil Hospital, the leading medical facility in Papua New Guinea.





ENVIRONMENTAL PERFORMANCE:

At OTML our goal is to minimise our footprint on the environment, now and for future generations. Responsible environmental management is central to our social license to operate and to our continued success as the leading mining company in Papua New Guinea. We are governed in our environmental management by our Corporate Environment Policy. The Policy outlines our commitments to environmental stewardship, compliance reporting and communication with our stakeholders. The State approved riverine disposal system of waste rock and tailings continues to appropriately focus our attention on the long-term effects along the river system.

We operate in a dynamic ecosystem and community which requires us to study, evaluate, plan, and continually monitor our processes and results, and communicate our findings and actions to our stakeholders. Our goal is continuous improvement; we have reported our year on year performance in this Annual Review.

Permit to Operate linked to Compliance Monitoring:

The Ok Tedi mine is governed by the Mining (Ok Tedi Agreement) Act, 1976 as amended and supplemented. The schedule to this Act is an agreement among the initial parties making up the consortium that developed the Ok Tedi mine. This is called the Principal Agreement.

The Act and the Principal Agreement have been amended on nine (9) occasions, the most recent being the Ninth Supplemental Agreement which passed through the PNG Parliament in December 2001 and adopted the 'Environmental Regime'. This contains OTML's environmental obligations.

In passing the Ninth Supplemental Agreement, the State determined that the continuing and predicted impacts of the mine operations were acceptable given the socio-economic contributions that the Ok Tedi mine provides to the country. It determined that the mine ought to continue. Accepting that physical/ecological impacts had already occurred, a set of environmental values was formulated to guide future assessment of the operation's impact. These anthropocentric values reflect the normal expectations that members of the downriver community ought to be able to hold despite the mine continuing. They relate to water quality, the availability and edibility of aquatic and terrestrial resources, and the navigability of the main river channels. We summarise the seven (7) compliance monitors and their status for the last three (3) years in a table below. Annually, we report to the State on our compliance monitoring programme. We strive, and have committed to demonstrating continuous improvement in our environmental performance.

The Environmental Regime requires OTML to undertake specific activities on an annual basis and to report the results to the State. The activities include compliance monitoring under the Regime's Schedule I, and additional investigations under the Regime's Schedule II which are undertaken in support of the Regime's various programmes. The programmes are aimed at achieving the Regime's objectives of better understanding the impact of the OTML operation on the receiving environment and identifying and assessing potential mitigation options to possibly address those impacts.

The implementation of the Environmental Regime is designed to provide the State with a level of information and commentary it needs to make informed decisions about the continuing mining operation. It is also designed to define to the Company, with reasonable clarity, what we must do to comply with the obligations of the Regime.

Our Environmental Programmes:

We utilise six (6) Environmental Values for compliance monitoring. These address the environmental expectations of persons living along the Ok Tedi and Fly River system. Our objective is to continuously improve our understanding of the impact of our operation on the receiving environment in both human health and ecological terms, and identify and assess possible mitigation options that could either limit or reverse the impacts.

Our Six (6) Environmental Values:

- Water quality is to be a drinkable standard downstream of the mining operation following settlement of the total suspended solids
- The water-based resources of the Ok Tedi and Fly River downstream of the mining operation are available to meet normal community requirements
- Fish and aquatic resources of the Ok Tedi, Fly River, and Gulf of Papua receiving environment are safe to eat
- The land and land-based resources of the Ok Tedi and Fly River floodplains downstream of the mining operation are available to meet normal community requirements
- Crops and natural forest resources included in the normal dietary intake of the local community are safe to eat
- The main channels of the Lower Ok Tedi and Fly River are navigable for village craft and commercial shipping





Our Four (4) Research and Management Programmes:

We believe that measuring the effects of our operations only provides a partial picture of the health of the receiving environment. We strive to understand the relationship between the causes and effects of our operations as this provides us with a continually updated picture of the ecological health of the river system, enabling us to respond to emerging issues before they become material. We have developed a multi-faceted research programme that focuses on four (4) key areas. The intention is to focus our efforts deliberately on managing and reducing the effects of our operations. Our research is structured around the following programmes:

1. The Acid Rock Drainage (ARD) Management Programme

The chemistry of the river system has shown some improvement in the last two (2) years due to a combination of mitigation programmes and climatic conditions. The primary risk to the chemistry of the river system would be uncontrolled ARD developing in the system. Therefore the goal of the ARD management programme is to ensure that there are no adverse changes to the river chemistry from OTML's mining operations. A number of mitigation measures implemented over the last five (5) years, most notably the Mine Waste Tailings Project have resulted in a significant decrease in ARD risk in the river system.

2. The Riverine Aquatic Ecology Management Programme

Our goal with this programme is to ensure that there are no adverse changes greater than those known at the time of the mine's continuation under the Ninth Supplemental Agreement relating to the existing health of the communities and the aquatic ecosystem of the receiving environment. This programme's objectives are the assessment of the ecological health of the receiving aquatic environment, specifically in terms of drinking water, the availability of fish and aquatic fauna, and the edibility of aquatic food stocks; the identification, trial, and implementation of mitigation actions relating to our six (6) identified Environmental Values; and the monitoring of the Ok Tedi and Fly River channels for navigability.

3. The Riverine Terrestrial Ecology Management Programme

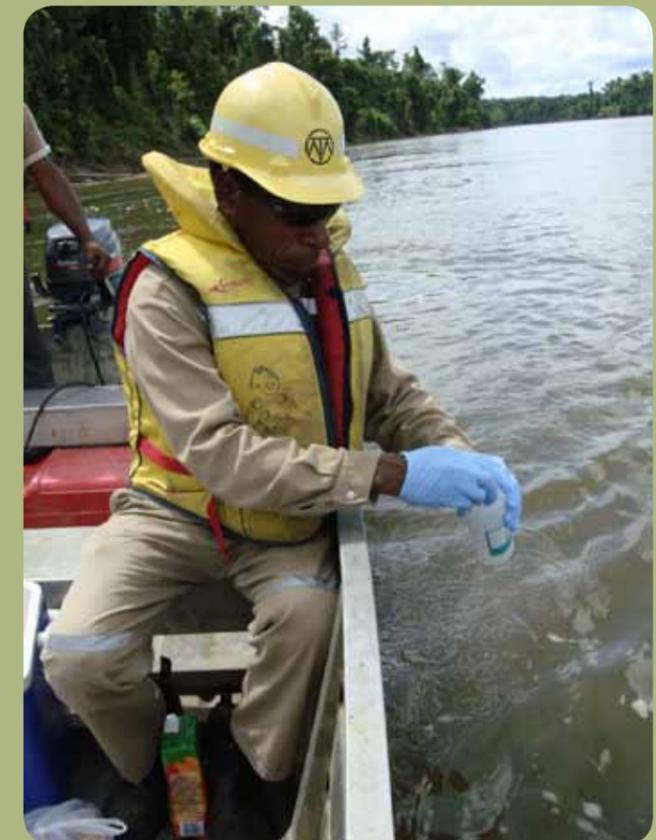
Our goal with this programme is to ensure that there are no adverse changes greater than those known at the time of the mine's continuation under the Ninth Supplemental Agreement relating to the existing well-being of the communities and the terrestrial ecosystem of the receiving environment. This programme's objectives are the determination of the cause and extent of forest dieback and recovery; the determination of the cause, frequency and extent of floodplain inundation and its effect on community access to, and use of, floodplain land and resources; the determination of the ecological health of the receiving terrestrial environment and specifically the edibility of crops and other natural forest resources; and the identification, trial and implementation, where appropriate, of mitigation actions relating to environmental values.

4. The Industrial Site Monitoring Programme

This program provides oversight of the environmental management of the various OTML operations such as the Mill, the Mine, the pipeline, facilities in Tabubil and the Kiunga facility. This programme is consistent with principles and practices that would be expected at any open-cut mine which claims good environmental management. The objectives of this programme are to ensure environmental best practice applies to the OTML operation and its monitoring, management and recording of potential operational impacts.

**Responsible Person:
Manager, Environment.**

OTML's reporting requirements relate to a 1st July to the 30th June year rather than the Annual Review's calendar year. For the purposes of this Annual Review, the data collected during calendar year 2010 are compared against the compliance monitors under the Environmental Regime's Schedule 1 activities. The comprehensive report on our environmental performance can be accessed on our OTML website at <http://www.oktedi.com/news-and-reports/reports/environmental/env-annualreports>.





During 2010, compliance was maintained for each of the seven (7) compliance monitors, this is as summarised in the table below:

Compliance Monitor	2008	2009	2010	Comments regarding 2010
Water in main channel satisfies drinking water standards.	Compliant	Compliant	Compliant	All parameters measured in dissolved phase were lower than drinking water standards throughout river system.
Fish metal concentrations are below ANZFA Food standards guidelines.	Compliant	Compliant	Compliant	Integrated metal uptakes based on fish metal concentrations and food intake rates show metal uptakes from food to be below food standard guidelines.
Terrestrial food resources are below ANZFA Food standards guidelines.	Compliant	Compliant	Compliant	Integrated metal uptakes based on terrestrial food metal concentrations and food intake rates show metal uptakes from food to be below food standard guidelines.
Fly River navigability.	Compliant	Compliant	Compliant	We experienced 12 non-shipping days in 2010 as a result of low water levels in the river at Kiunga.
Dissolved and bioavailable copper concentrations.	Compliant	Compliant	Compliant	Dissolved and bioavailable copper concentrations were monitored throughout the river system. Concentrations have decreased throughout the river system in 2009 and 2010; however, the dissolved copper concentrations continue to exceed the Australian water quality guidelines for ecosystem protection.
Undertaking ecotoxicological monitoring programme.	Compliant	Compliant	Compliant	Ecotoxicological monitoring shows that sensitive bacteria and algal species show growth inhibition. Algal growth inhibition has decreased in 2009 and 2010.
Fish biomass remains sufficient to provide food for households along the river.	Compliant	Compliant	Compliant	Fish biomass is sufficient to feed a family of 8 using 10 cm nets. Long-term fish biomass reduction in rivers varies between 50% and 90%.
Extent of vegetation dieback.	Compliant	Compliant	Compliant	Total dieback area was 1670 km ² compared with a maximum predicted area of 2395 km ² .
Monitoring of potential for ARD formation within mine and river.	Compliant	Compliant	Compliant	ARD monitoring through the river system shows a general trend towards decreased ARD risk due to the implementation of the Mine Waste Tailings Programme and the addition of limestone to tailings and the waste rock stream.

2010 Significant Environmental Incidents:

Location	Substance	Amount	Remedial actions taken
Helsinki valve station; the fitting containing the rupture disc on the pyrite concentrate pipe line start up line at Helsinki checkpoint value station failed catastrophically, releasing pyrite concentrate to the environment.	Pyrite concentrate	Estimated to be 500 tonnes distributed over several hundred square metres.	The spill was contained as much as possible by forming earthen bunds using mobile machinery. An Incident Cause and Analysis Method (ICAM) incident investigation was carried out and an Action Plan was developed to prevent similar incidents happening in the future. Community were engaged and community clean-up teams were employed to assist with the recovery of the spilt pyrite. Clean-up continued into March 2011.



Our 2010 Environmental Performance:

As part of our diligence to social responsibility, we continue to improve our operations and further our mitigative programmes to control environmental risk and reduce effects to downstream communities and the river system. We are bound by our environmental conditions and our commitment to our stakeholders to demonstrate continuous improvement in our environmental performance.

Key mitigative programmes in 2010 included:

- Continued dredging at the Bige site. This removes approximately seventeen (17) million tonnes of sediment from the river every year and places it in engineered stockpiles beside the river. The dredging programme removes the bulk of the sand sized material sourced from the mining operation and consequently controls the major environmental risk of increased floodplain inundation. The annual operating cost of the Bige Operation is USD 40 million.
- The second full year of operation of the Mine Waste and Tailings Project (MWTP). This PGK 1 billion capital investment removes the mineral pyrite from tailings and stores it permanently subaqueously in pits dredged in the floodplain beside the lower reaches of the Ok Tedi. The MWTP reduces the risk of ARD throughout the river system since ARD occurs through the reaction of pyrite with air. It also results in the dredged material at Bige being suitable for revegetation due to its markedly reduced ARD risk.
- Trials using hydromulching / hydroseeding for revegetation on the Bige stock piles were commenced to enable us to close the gap in our knowledge of revegetation of sand stockpiles. Key learnings were that nutrient deficiencies affected growth rates, and despite the 5m rainfall, irrigation may be required to establish plants on the top surface due to the free draining nature of the stockpiles.
- Development of the Environmental Management System (EMS) to international standards (ISO 14001) was progressed with the commencement of EMS Auditing and Management Reviews. The reviews highlighted a number of deficiencies - the most fundamental of which was the requirement to develop a unified Environmental Risk Assessment across all risks on all sites.
- In May 2010, a trial was undertaken during which

5kt/day of limestone was milled and discharged with the tailings to the river system. Our intention was to determine if this was an effective way of increasing the acid neutralizing capacity of material dredged at Bige. The results of the study were used to improve the sediment transport models for limestone transport and supported the continuation of milling limestone to improve sediment quality through the system. As a result it was decided to continue to mill approximately 5kt/day of limestone for the rest of 2010.

- For both economic and environmental reasons, the cut-off grade in ore was lowered from USD 50,000 to USD 36,000 net revenue per operating hour (NRMH). This resulted in a decrease in the copper load to the system and contributed to decreased dissolved copper concentrations in the river systems.



Rubber Waste Recycling Programme:

Since commencing our operations, twenty-nine (29) years ago, we have sent rubber from our tyres and conveyor belts to landfills. We realised in 2010 that this was no longer an acceptable option for us, our stakeholders, or the environment. We initiated conversations with recycling experts from Europe with a view to developing a recycling plant where we can send our rubber waste materials. Through research we identified a number of uses for our rubber waste materials: rubber crumb of various sizes, rubber fines, steel, fibre and tyre derived fuel (TDF). We discovered that in using rubber crumb on the roads, we would reduce the amount of bitumen required, add flexibility and longer life to the sealed surfaces and that by surfacing the roads we would reduce dust. Our intention at this time is to use the recycled materials within the Western Province of PNG.



Our environmental performance in 2010 is captured in the following table:

Environmental Indicators	2007		2008		2009		2010	
Environmental Management Performance								
Environmental Induction (#OTML & Contract employees)	2,498		3,537		3,339		1,403	
Environmental Action Plan (% completed)	86		78		74		81	
Incidents Category 3+ (Medium, Major, or Catastrophic)	0		0		0		1	
Environmental Compensation	US\$ 0		US\$ 0		US\$ 0		US\$ 3000	
Water Management								
Total Water Used ('000 m ³)	41,215		43,833		44,051		64,354.22	
Fresh Water ('000 m ³ / % of total)	12,425	30	18,569	42	18,569	42	12,227.3	19
Recycled Water ('000 m ³ / % of total)	28,790	70	25,264	58	25,482	58	53,259	81
Fresh Water Intensity Index (m ³ / t Contained Copper)	73		114		124		77	
Waste Management								
Total Riverine Disposal ('000 t):	56,100		55,416		54,235		45,705	
Waste Rock ('000 t / % of total)	30,939	55	34,609	62	33,965	63	25,412	56
Tailings ('000 t / % of total)	25,161	45	20,807	38	20,270	37	19,570	44
Riverine Disposal Intensity Index (t / t Contained Copper)	332		352		360		286	
Annual Dredge Slot Production Rates (million m ³)	4.5		4.6		10.7		10.6	
Average annual % sulphur in Waste Rock	1.58		1.38		1.46		0.92	
Average annual % sulphur in Tailings	2.94		2.82		0.82		0.99	
Average annual % sulphur in Dredged Sediments	2.00		3.11		2.48		2.2	
Scrap Metal (t shipped for recycling)	2,824		3,367		5,064		6,142	
Energy and Greenhouse Gas Production								
Total Diesel Consumption (ML):	98.8		91.4		105.6		114	
Power Generation (ML / % of total)	34.2	35	31.7	35	43.1	41	51.6	45
Machinery / Other (ML / % of total)	61.4	65	59.7	65	62.5	59	62.2	59
Electricity Use (MWH):	491,422		472,021		521,500		483,516.20	
Diesel-generated electricity (MWH / % of total)	111,016	23	101,551	22	139,098	27	151,113.20	31
Hydroelectricity (MWH / % of total)	380,406	77	370,470	78	382,402	73	332,403	69
Energy Intensity Index (MWH / t Contained Copper)	2.9		2.9		3.5		3.0	
GHG Emissions ('000 t CO ₂ e)	338		306		355		342.705	
GHG Emissions Index (t CO ₂ e / t Contained Copper)	2.0		1.9		2.4		2.1	
Mine Closure Planning								
Mine Closure Plan (MCP) Biennial Update Submitted to PNG Government	2009 detailed MCP due 2009	2006 draft MCP approval gained from PNG Govt, 2009 detailed MCP due June 2009	2009 detailed MCP submitted December 2009	2009 detailed MCP submitted December 2009				
New Land Disturbed This Year (ha)	0		42		0		0	
Total Land Disturbed To Date (ha)	2,581		2,623		2,623		2,623	
Land Rehabilitated This Year (ha)	0		0		0		0	

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

OPERATIONAL PERFORMANCE:

Our operations include the Ok Tedi mine located in the Star Mountains, twenty (20) kilometres north of Tabubil; the Bige Operations located one hundred and ten (110) kilometres south-east of Tabubil, and the Kiunga Operations, located one hundred and thirty (130) kilometres south-east of Tabubil.

Located in the Lower Ok Tedi in the Western Province, the Bige site is an environmental dredging and mine waste storage operation with the purpose of capturing and storing sediment and pyrite concentrate. Dredging of the Ok Tedi commenced at Bige in 1998; it operates twenty-four (24) hours per day, seven (7) days per week.

Our Kiunga Operation is located on the Fly River in the township of Kiunga within the Western Province, and includes a port facility, plant operations, power generating facility, and accommodations and warehouse facilities.

In 2010, OTML enjoyed the benefits of high commodity prices and relatively low concentrate treatment and freight charges. Our cash and cash equivalents increased to PGK 894 million in 2010 from PGK 602 million in 2009. The key marketing performance indicators for 2010 showed significant improvement from 2009.

Treatment charges for concentrate fell in 2010 due to more smelting capacity being available than concentrate to feed it. These charges are at historically low levels and with additional concentrate becoming available from 2011 onwards, it is expected that increased treatment charges will be necessary and inevitable to ensure smelter survival.

Freight rates for shipping concentrate increased year-on-year for 2010 as the global economy continued to recover following the global financial crisis of 2008. Despite this, freight rates remained below budget and were considered reasonable by market standards.

Operational Highlights:

The total material mined in 2010 from the Mt. Fubilan deposit was 49,459,000 tonnes; total ore mined was 22,088,000 tonnes. Total ore milled was 22,191,000 tonnes. Total concentrate produced was 620,480 dry metric tonnes (dmt) compared to 624,275 dmt in 2009. Contained copper totalled 159,821 dmt while contained gold was 486,458 ounces.

The Tailings Processing Plant (TPP) was commissioned in late 2008 and optimisation continued during

Key Marketing Statistics	2010	2009	Change
LME Average Cash Copper Price (\$/lb)	3.42	2.34	+46.2%
LME Average Cash Gold Price (\$/oz)	1225.28	972.87	+25.9%
LME Average Cash Silver Price (\$/oz)	20.18	14.66	+37.7%
Copper Concentrate Shipped ('000 tonnes)	616.1	566.0	+8.9%
Gravity Concentrate Shipped (tonnes)	179.0	215.7	-17.0%
Annual Treatment & Refining Charge (c/lb)	12.92	20.85	+38.0%
Mid-year Treatment & Refining Charge (c/lb)	11.12	13.90	+20.0%
Export Freight Rate (\$/wet metric tonne)	36.00	28.82	-24.9%

Note: Positive change is favourable year-on-year, negative change is unfavourable





2010. The TPP is designed to remove most of the sulphur from mill tailings. In 2010 mill tailings sulphur content was 0.99% sulphur. In total, 1.49 million tonnes of pyrite was removed from mill tailings instead of reporting to the Ok Tedi River system.

The TPP uses conventional flotation technology to produce a final tailings stream containing less than 1% sulphur and a sulphur concentrate containing 37.6 % sulphur. The sulphur concentrate is then transported in a one hundred and thirty (130) kilometre pipeline to specially-engineered containment pits at Bige. The pits are permanently saturated under the water table. This prevents oxidation of the sulphides in the concentrate and significantly reduces the possibility of ARD forming.

	2010	2009	2008	2007
Mine Production				
Material mined ('000 tonnes)	49,459	59,434	59,146	58,410
Head grade copper (%)	0.84	0.86	0.85	0.76
Head grade gold (gram per tonne)	0.97	1.03	1.02	0.85
Mill Production				
Mill Throughput ('000 tonnes)	22,191	22,585	21,663	25,771
Recovery copper (%)	85.7	86.3	87.2	86.1
Recovery gold (%)	70.5	68.6	72.6	70.9
Concentrate production (DMT)	620,480	624,275	573,761	610,044
Copper (tonnes)	159,821	166,669	159,650	169,184
Gold (oz)	486,458	515,685	514,958	498,790
Silver (oz)	1,423,733	1,490,481	1,280,345	1,389,643

Responsible Person:
General Manager, Operations.

Bige Operations:

Low-sulphur tailings, waste rock, and natural sediments deposited in the river systems are transported along the Ok Tedi to the Bige site. Annually, approximately 10 Mm3 of sediment is dredged from the river. The materials are stored in engineered stockpiles on both the East and West banks of the Ok Tedi. Upon closure, the stockpiles will be re-vegetated with local vegetation.

Since the dredging operation commenced, there has been a significant improvement to the river system downstream of Bige, die-back has been minimised and vegetation has returned along the river banks.

Commencing in 2011 and continuing for two (2) to three (3) years, the East Bank stockpile will be capped, drainage structures and instrumentation will be installed, and re-vegetation works will be completed. Our objective is to ensure the safe, stable, and sustainable closure of the East Bank stockpile in line with our Mine Closure Plan.

Pyrite concentrate is transported from the OTML Mill to the Bige Operation via a dedicated pipeline. Engineered pyrite concentrate storage pits have

been dredged on the West Bank of the Ok Tedi where pyrite concentrate delivered from the Mill is stored sub-aqueously in the pits.

Since 2008, approximately 2.5 Mm3 of pyrite concentrate has been safely stored at the Bige site. Once a pit is full, it is then capped with a ten (10) metre thick layer of dredge sand to ensure the pyrite concentrate in the pit remains saturated and does not oxidize. Pyrite concentrate pit dredging will likely cease at the end of 2013 when sufficient pyrite concentrate storage capacity for the remainder of OTML's mining operation has been dredged. The second dredge will then be demobilised from site.

2010 Improvements to our Bige Operation:

Since the commencement of the activities at Bige, earthworks associated with the reclamation activities had been completed utilising a third-party contractor's equipment. In 2010, the OTML Board of Directors approved a proposal so that we could purchase, manage and maintain our own fleet of earthworks equipment. Orders were placed in the third quarter of 2010; we intend to commence operating the new fleet in the third quarter of 2011. In purchasing our own equipment, we enjoy cost-savings as well as the added benefit of flexibility around use, which comes with owning our own fleet.

Our Bige Operation is located in a remote and rural area which presents many logistical challenges in terms of operations and emergency response. We have used the Tabubil-Kiunga Highway as our main transportation corridor to move people, goods and services. To improve performance around safety and efficiency, in 2010, in compliance with PNG Civil Aviation Authority (CAA) regulations, we commenced the construction of an airstrip at Bige.

Kiunga Operation:

Our Kiunga Operation is located on the Fly River in the township of Kiunga within the Western Province, and includes the following key components:

Plant operations

- Copper concentrate produced by the Mill is transported as slurry, via dedicated pipeline, to our facilities in Kiunga. The concentrate is dried in the filter plant and stored in copper sheds until it is loaded on to feeder vessels. The feeder vessels then sail down the Fly River and discharge the concentrate on OTML's export vessel stationed off either Umuda Island in the Fly River estuary or in the harbour at Port Moresby.

Port facilities and associated logistical supports

- All cargo that is required for our operations is received in Kiunga. Vessels (cargo, concentrate, and diesel) arrive in Kiunga, materials are off-loaded and linked with the road transport crew to move the materials to the various areas of OTML's operations. Copper concentrate produced at the Mill is received and loaded onto dedicated vessels at the port, and sent to the respective destination.

Accommodation and Housing

- We have a camp and housing facilities for our employees and contractors within the Kiunga township. We maintain the water and sewerage treatment facilities; as part of our social responsibility, we provide this service to the Kiunga township.

Power generating facilities

- We operate and maintain the power generating facilities in Kiunga which supports our Kiunga operations and housing facilities. As part of our social responsibility, OTML provides power to the Kiunga township.





2010 Improvements to our operations in Kiunga:

In 2010, we evaluated our maintenance programme and noticed that we were more reactive as regards to maintenance procedures. We commenced development of a strategic maintenance plan which we will implement by 2012. The restructure will increase our efficiency and provide favourable cost savings.

In 2010, the responsibility for the Kiunga Logistics Department was transferred directly to the Kiunga Operations Management. The benefits noted included improved supervision, accountability, cost control, personnel management, and efficiency in vessel turn-around times.

With the construction of a new filter building, we commenced dismantling the redundant plant, we cleaned up the site and in doing so, we reduced risks to the environment, to local people, and to the Company.

MARKET REVIEW:

OTML's copper concentrate is distributed to a global market. When downturns occur or a demand for our product decreases, our operations adjust accordingly. Critical to our long-term sustainability as a business is our monitoring and understanding of the commodities markets.

In 2010 our products contained 158,692 tonnes of copper; 482,068 ounces of gold, as reflected on the table below; and, 1,507,097 ounces of silver. Copper achieved an annual record average price in 2010 with the upward trend attributed to:

- Continued strong economic growth and demand for metals from China
- Slowly improving economic conditions in the USA, Japan and Europe
- A weakened US dollar
- Strong investment demand for commodities; and,
- Supply disruptions at major copper producing mines

TABULATED SUMMARY OF 2010 SHIPMENTS & PRICES				
	2010	2009	2008	2007
Sales				
Concentrate (dmt)	616,080	566,109	580,931	668,475
Contained Copper (tonnes)	158,692	150,579	162,722	186,525
Contained Gold (oz's)	482,089	499,313	504,123	523,437
Contained Silver (oz's)	1,507,097	1,372,412	1,335,865	1,560,433
Average Prices Realised				
Copper (US\$/lb)	3.68	2.44	2.64	3.35
Gold (US\$/oz)	1,229	997	816	655
Silver (US\$/oz)	21.35	15.67	14.56	13.77

Most of the factors that influenced the strong copper price growth in 2010 are expected to remain in 2011 and 2012 which will benefit OTML and all other copper producers.



Copper Price Trend 2005 - 2014

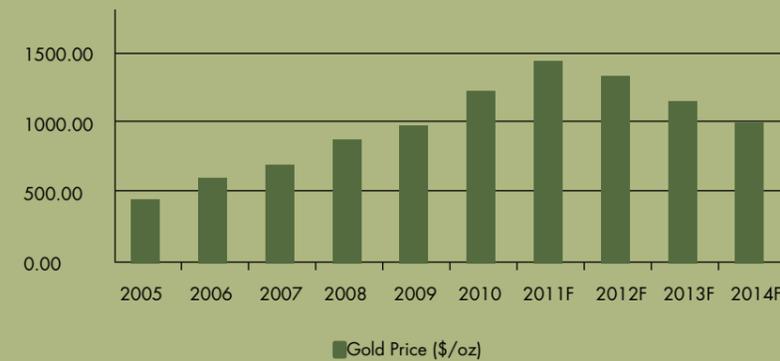


Note: Prices from 2011 onwards are consensus forecasts from reputable analysts

Like copper, gold also achieved an annual record high average price in 2010, this was attributed to:

- Booming demand from markets in China, India, and the Middle East
- A weakened US dollar
- Investment fund buying
- Geopolitical unrest in the Middle East, North Africa, and on the Korean peninsula

Gold Price Trend 2005 - 2014



Note: Prices from 2011 onwards are consensus forecasts from reputable analysts

At a time of ongoing uncertainty, gold retains its safe haven status with higher prices likely in 2011 and 2012.

The combination of an extremely healthy outlook for metals prices with relatively low concentrate treatment charges and transportation costs means that the Company and all of its stakeholders can look forward to another strong year of revenue generation in 2011.





FINANCIAL PERFORMANCE:

In 2010, as a result of a strengthening copper price and record high gold prices we enjoyed a twenty-seven (27) percent increase in revenue from 2009, and budget by fourteen (14) percent. Concentrate shipments were slightly below budget largely due to the employee strike in April 2010, but higher against last year by nine (9) percent.

**Responsible Person:
Manager Finance.**

	2010 PGK' million	2010 PGK' million
Copper	3,153	2,137
Gold	1,574	1,303
Silver	72	49
Finalisation/revaluation	287	513
Total sales revenue	5,086	4,002

We report that our total operating costs for 2010 were well within reasonable limits of the forecasted budget. This is attributed to the management's strong emphasis on cost-control and operational effectiveness.

Income Statement	2010 Actual	2010 Budget	2009 Actual
	PGK'million	PGK'million	PGK'million
Sales revenue	5,086	4,486	4,002
Other operating income	-1	5	8
Marketing costs	-371	-423	-279
Cash operating costs	-1,442	-1,431	-1,247
Change in product inventories	-24	-27	120
Depreciation and amortisation	-422	-450	-314
Profit from operations	2,826	2,160	2,290
Net finance costs	44	0	-39
Profit from ordinary activities before tax	2,870	2,160	2,251
Income tax expense	-840	-640	-690
Net profit for the year	2,030	1,520	1,562

Balance Sheet	2010 PGK' million	2009 PGK' million
Assets		
Cash and Cash Equivalents	821	522
Trade and Other Receivables	777	598
Inventories	445	459
Other	34	51
Total Current Assets	2,077	1,630
Financial Assurance Fund	534	376
Property, Plant, and Equipment	1,216	1,303
Restoration and Rehabilitation	250	303
Other	154	144
Total Non-Current Assets	2,154	2,126
Liabilities		
Trade and Other Payables	165	172
Income Tax Payable	180	129
Derivative Financial Instrument	34	22
Provisions	161	120
Total Current Liabilities	540	443
Deferred Income Tax Liability	269	237
Restoration and Rehabilitation	585	565
Derivative Financial Instrument	49	45
Provisions	17	26
Non-Current Liabilities	920	873
Net Assets	2,771	2,439
Equity		
Share Capital	238	238
Reserves	-70	-59
Retained Earnings	2,603	2,260
Total Equity	2,771	2,439

Current assets:

An increase in our current assets reflects strong operational cash flows from improved performance on the back of high metal prices. This has enabled increased dividends to shareholders (PGK1.7 billion as compared to PGK0.9 billion in 2009) and increased payments into the Financial Assurance Fund (FAF). Under the Ninth Supplemental Agreement, OTML is required to have a FAF to ensure the company has sufficient funds to cover closure activities. In addition to the FAF, our cash balance was sufficient to cover the USD 335 million payout to Inmet Mining Limited, in January 2011.

Non-current assets:

The change reflects an increase in contributions to the FAF to ensure we have a USD 230 million balance by the end of 2013; this is offset by the depreciation of mine assets.

Current liabilities:

An increase in current liabilities reflects the higher Share in Success Scheme (SISS) contribution and higher tax provision based on our high profit for 2010. To attract and retain employees, we offer a SISS package. Annually, we distribute 5.2 percent of the yearly available cash flow to all employees, as per the SISS deed.

Non-current liabilities:

In 2010 we did not report any change in our estimated rehabilitation provision (USD 230 million) other than unwinding of the discount rate.



Tabulated Summary of 2010 Financials:

	2010	2009	2008	2007
Financials (PGK' 000's)				
Sales Revenue	5,086,128	4,002,104	3,826,560	5,039,723
Profit Before Tax	2,869,482	2,252,347	1,767,835	2,916,043
Tax	840,164	690,182	541,184	873,517
Net Profit After Tax	2,029,318	1,562,165	1,226,651	2,042,526
Comprehensive Income	2,018,103	1,467,747	1,329,786	2,048,076
Net Cash Flow (before dividends)	1,981,557	1,009,838	1,182,537	1,051,573
Dividends Paid	1,686,645	933,438	927,253	1,439,901
Financials (USD '000's)				
Sales Revenue	1,872,735	1,459,085	1,412,967	1,700,947
Profit Before Tax	1,041,912	820,180	648,821	1,002,583
Tax	310,268	252,589	196,338	294,036
Net Profit After Tax	731,644	567,591	452,483	708,547
Comprehensive Income	726,710	532,424	490,062	735,215
Net Cash Flow (before dividends)	723,479	369,774	450,063	378,988
Dividends Paid	605,000	350,000	350,000	500,000

FUTURE STRATEGY:

Our goal is to continue to be the largest mining company in PNG, the single biggest contributor to the PNG economy, and the largest employer. We recognise that to meet these goals we must demonstrate our capacity and worth as a corporate citizen; continue to manage environmental risks; use innovation to optimise our operations and keep costs low; partner with civil society to build local capacity and sustainable development initiatives; and, discover and develop a new asset in Papua New Guinea.

In the years ahead we hope to extend the life of the Mt Fubilan deposit, beyond 2013. We would like to optimise our time to enable the development and evolution of Tabubil so that the residents who call it home can thrive post-closure.

We have a number of social and environmental obligations under the Principle Agreement; the Ninth Supplemental Agreement; and landowner and Community Mine Continuation Agreements (CMCA) compensation arrangements including commitments to hiring local people from impacted communities, and supporting the development of (and contracts for) spin-off businesses.

Over the years we have provided services and assistance to our mine affected communities and others in the Western Province, in areas of health services, education support, social services, and casual employment for villagers. We have worked to support the communities where we live and work, and have taken the necessary steps to encourage wider participation from members of civil society and government. We are cognisant of the impacts that mine closure can have on communities and we have been working hard to develop strategies to enhance, and further develop capacity, livelihoods, and self-sufficiency.

The growth strategy considers our legal obligations under the Principle Agreement, the Ninth Supplemental Agreement and the current landowner and CMCA. In order to meet our objectives we believe that the following changes to our business are required:

- i. Competitively position the base operations in Tabubil (productivity, output, costs, skills, license to operate, industrial relations, security, as example);
- ii. Restructure the corporate identity such that the Company attracts future investors (governance, executive management, commerciality, financial viability, social and environmental responsibility, corporate structure)
- iii. Facilitate fast and flexible responses to opportunities (exploration, joint-ventures, acquisition)
- iv. Meet the aspirations of current shareholders and communities (ongoing State dividends, sustainable Tabubil township, appropriate impacted community compensation and impacted community project development)
- v. Meet and exceed internationally accepted environmental management standards; and
- vi. Implement compliance with the International Finance Corporations' Performance Standards and ISO 26000 for Social Responsibility; and, report our performance annually in a GRI compliant report.





Mine Life Extension:

The Mine Life Extension (MLE) is considered essential to maintaining a positive cash flow with which we can support future growth. Completion of the Feasibility Study has been identified as a critical path on the Growth Strategy timeline.

As part of the MLE it is understood that from 2014, PNG Sustainable Development Program Limited (PNGSDP) will assume responsibility for the ongoing sustainability and management of Tabubil.

As we outlined in our integrated Detailed Mine Closure Plan (DMCP) our intention is to support the transition of some Tabubil services and much of the infrastructure to other parties (PNGSDP, FRPG, the State and other service providers) prior to 2014. Beyond 2014, we will pay for the use of such services as required to keep our future operations running. This transitional period between 2014 and mine closure will allow time for PNGSDP and others to explore opportunities to develop alternative sustainable industries for Tabubil. Such sustainable industry would be developed separately but, where appropriate, in partnership with OTML (for example: training facilities; power, water and sewerage services; housing maintenance).

The current DMCP assumes that there are no alternative industry options available beyond 2013 and that many residents (mainly families of redundant employees and contractors) will be repatriated. Housing and other buildings will become available for others to use. PNGSDP is developing a plan that foresees an education facility existing in Tabubil after mine closure; however PNGSDP needs to develop this facility whilst the mine is still in operation. Currently, there are no buildings or houses available in Tabubil until mine closure. If an education facility is to be successfully developed, we will need to review our residential arrangements.

Extending our operations beyond 2013 will involve some level of downsizing. This downsizing will free up buildings and accommodation for other uses after 2013 but does not provide much opportunity for transition prior to that date as OTML will operate at full operations capacity until that time.

FUTURE GROWTH STRATEGY:

Our Future Growth Strategy is PNG based, and targets as a minimum:

1. Maintaining the current levels of copper concentrate output to be sourced through the Mt. Fubilan open pit extension
2. Complete Corporate mining acquisitions
3. Continue our exploration/development programmes and seek Joint Ventures; and,
4. Engage with the State as its exploration and mining implementer

Our goal is to identify, develop, and construct a new project within six (6) years with an aspirational "end game" of 500,000 tpa copper, and 500,000 ozs pa gold. To reach this goal requires a concerted, disciplined and focused effort by the Company.

Our proposed Future Growth Strategy comprises a build up of the business in four (4) stages ("horizons") over the next ten (10) years, and beyond. The first two (2) horizons are focused on maintaining current levels of output over the next five (5) years whilst beyond that the strategy targets more aggressive growth:

Time Horizon 1 - Secure the Base (1 to 3 years)

- Mt. Fubilan open pit Mine life extension (90,000 tpa Cu from 2014)
- Priority exploration close to base – geographic horizons 1 and 2
- Acquisition of near term production potential with PNG
- Maintain 160,000 tpa Cu, 600,000 ozs pa Au

Time Horizon 2 - First Growth (2 to 5 years)

- Assets that will allow growth up to 200,000 tpa Cu, up to 400,000 ounces pa Au
- Priority on exploration in Ok Tedi/Fly River corridor, but also exploring in the remainder of PNG
- Acquisition of assets with near term production potential

Time Horizon 3 - (5 to 10 years)

- Develop up to 400,000 tpa Cu, 500,000 ounces pa Au
- Develop additional operations in PNG
- Time Horizon 4 (Long term aspirational)
- Explore opportunities throughout South East Asia and Oceania.

To continue to meet the aspirations of our shareholders and stakeholders, we must continue to match our aspirations with our performance and measure our strides, year on year.





GLOSSARY

AUD:	Australian Dollar
CMCA:	Community Mine Continuation Agreement
DIFR:	Disabling Injury Frequency Rate
DLIR:	Department of Labour and Industrial Relations
DMCP:	Detailed Mine Closure Plan
DMT:	Dry Metric Tonnes
ECPNG:	Evangelical Church Papua New Guinea
EHWP:	Employee Health and Wellness Programme
FAF:	Financial Assurance Fund
FRPG:	Fly River Provincial Government
GRI:	Global Reporting Initiative
HEO:	Health Extension Officers
ICAM:	Incident Cause and Analysis Method
LTIFR:	Lost Time Injury Frequency Rate
MLE:	Mine Life Extension
MWTP:	Mine Waste Tailings Project
NFDHA:	North Fly District Health Administration
NFHSDP:	North Fly Health Services Development Programme
NRMH:	Net Revenue per Operation Hour
OTML:	Ok Tedi Mining Limited
OTDF:	Ok Tedi Development Foundation Limited
OTFDRP:	Ok Tedi Fly River Development Program
PGK:	Papua New Guinea Kina
PNGSDP:	Papua New Guinea Sustainable Development Program Limited
SISS:	Share in Success Scheme
TPP:	Tailings Processing Plant
USD:	United States Dollar

OK TEDI MINING LIMITED

P. O Box 1
Dakon Road, Tabubil
Western Province
Papua New Guinea
Phone: +675 649 3000/ 649 3311
Fax : +675 649 9199

OK TEDI MINING LIMITED

P. O Box 93
Hoawaginai Drive, Kiunga
Western Province
Papua New Guinea
Phone: +675 649 3724
Fax: +675 649 1046

OK TEDI MINING LIMITED

P.O Box 506
Musgrave Street, Port Moresby
Phone: +675 321 3522
Fax: +675 320 1308

OK TEDI AUSTRALIA LIMITED

P. O Box 535
Hamilton Central QLD 4007
936 Nudgee Road
Northgate, QLD 4013
Phone: +61 7 3363 9900
Fax: +61 7 3363 9999

WWW.OKTEDI.COM



THIS REPORT WAS PRINTED ON FSC MIXED SOURCES CERTIFIED PAPER BY AN ISO 14001 REGISTERED FIRM.



ISO 14001 ENVIRONMENTAL MANAGEMENT SYSTEM

As a major party of our commitment to producing high quality products, Bolton Print operates world's best practice ISO14001:2004 Environment Management System certification. This international certification ensures that our Environmental Management System delivers solid benefits, including the measuring and monitoring of all the environmental aspects and impacts of our organisation.

All work manufactured by us is produced by way of this accredited standard.



FSC (FOREST STEWARDSHIP COUNCIL)

In support of growing corporate concerns toward the environment, Bolton Print is actively involved with the Forest Stewardship Council (FSC) and is Chain of Custody certified. The FSC Chain of Custody is rapidly becoming the highest and most accurate international certification for sustainable paper and timber products. It is guaranteed to our customers and environmental partners that the paper used in FSC products is of the purest environmental value purchased anywhere worldwide.



