A close-up, profile view of a person wearing a high-visibility safety vest with yellow and orange sections. The person is looking out over a vast, hazy landscape with rolling hills and a layer of white mist or clouds. The sky is a deep, hazy blue. The overall mood is one of contemplation and achievement.

**WE HAVE COME A LONG WAY...
BUT THE JOURNEY IS
JUST BEGINNING**

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OK TEDI AT A GLANCE

OK TEDI MINING LIMITED TODAY

Ok Tedi Mining Limited (OTML) is the leading metalliferous mining company in Papua New Guinea (PNG). Situated in the Star Mountains of the Western Province, the Mt. Fubilan copper-gold-silver deposit continues to yield impressive results. In 2011, the Company shipped 146,336 tonnes of copper (Cu), 456,869 ounces of gold (Au), and 1,189,033 ounces of silver (Ag), and contributed PGK 3.4 billion (USD 1.5 billion) to the PNG economy.

We run our business as a partnership, comprising shareholders, workforce, and communities. Our objective is to demonstrate strong corporate responsibility and support positive sustainable development while generating value through high performance, safe work practices, and industry competitiveness.

In January 2011, OTML purchased back and cancelled the shares of the Canadian shareholder, Inmet Mining Corporation (Inmet), which enabled us to concentrate our efforts on increasing our social and economic

contributions to the people of the Western Province, and the Nation of PNG. We continue to mature our mine life extension plans to arrive at a mine plan that is socially and environmentally acceptable and technically and commercially feasible. Through our social development arm, the Ok Tedi Development Foundation (OTDF), we continue to implement collaborative, community driven sustainable development programmes. We endeavour to empower local people with skills that will enable them to enjoy sustained, diversified livelihoods, beyond our Operations.

LOCATION

The Ok Tedi mine is located in the Star Mountains of the Western Province of PNG, adjacent to the West Papua border. The Western Province has an area of 98,048 km² and is dominated by the Fly and Strickland River catchments, which occupy 78% of the Province. Regional elevations range up to 3,500 m above sea level, with the most prominent feature being the Hindenburg Wall. Tabubil township is located 520 m above sea level in the lower parts of the Star Mountains. The surrounding area is mountainous and is characterised by steep valleys, dense forest and a wet tropical climate. Tabubil receives eight metres of rainfall annually, spread throughout the year, and has around 85% humidity, and an average of three hours of sunshine per day. Neither the topography nor the climate is suitable for agriculture and as a consequence prior to the mine's development, the population density was extremely low. The rugged karst landforms make movement by land extremely difficult. Even now, all supplies to the mine are supplied by river transport or air.



THE 2011 GLOBAL METALS MARKETS

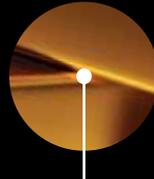
COPPER



Cu

Copper prices set new record highs in 2011, breaking USD 10,000/mt (USD 4.54/lb) in February on the back of ongoing strong metals demand from China, a relatively weak US dollar, strong investment demand for commodities, and continuing supply disruptions at major copper producing mines. However, price strength fell following the Japanese earthquake and tsunami and after the eruption of US debt problems along with concerns over European sovereign debt. China, as the world's biggest copper importer and consumer played, and will continue to play, an important role in driving the global copper market. The stunning and continued growth from the Chinese economy ensured copper achieved its highest ever annual average price of USD 4.00/lb in 2011.

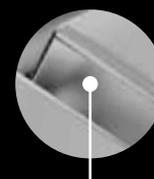
GOLD



Au

Although the gold price fell nearly USD 100/oz in the final month of the year, gold had a stellar year and continued its 11-year winning streak finishing with a record high average annual price of USD 1,571.68/oz for 2011. This represented a 9.3% annual increase year-on-year. Gold benefited from its safe haven status during the ongoing European sovereign debt crisis along with booming demand from Chinese investors, and a generally weaker US dollar. In September, the gold price reached a new all-time high of over USD 1,900 per ounce. The gold price decline late in the year occurred as liquidity concerns dominated the market. The fundamentals will remain intact with gold likely to find support close to its 300-day moving average well into the future due to ongoing debt problems facing many economies coupled with record low interest rates.

SILVER



Ag

Fabrication demand for silver has greatly outpaced mine production in recent years forcing market participants to use existing stocks to meet the demand. As these available sources have declined, silver's fundamental value has strengthened. In addition, in 2011, strong silver investment paved the way to a record annual average silver price in a year marked by steep price volatility. Silver posted an annual average price of USD 35.12 per ounce for the year, providing testament to investors' enthusiasm for the metal. Silver investment recorded a historic high of 282.2 Moz. Physical silver bar investment grew by a massive 67% in 2011 to 95.7 Moz, while global coins and medals fabrication rose by almost 19% to an all-time high of 118.2 Moz.

OUR 2011 RESULTS

WE NOW OPERATE 100% FOR THE BENEFIT OF PAPUA NEW GUINEANS

95% OF OUR EMPLOYEES ARE PAPUA NEW GUINEAN

MAINTAINED OUR POSITION AS THE LARGEST EMPLOYER IN PNG

ACHIEVED A LOST TIME INJURY FREQUENCY RATE OF 0.53

188 COMMUNITY MEETINGS HELD

COMPLIANCE MAINTAINED FOR ALL 9 ENVIRONMENTAL COMPLIANCE MONITORS

INVESTED PGK 19.5 MILLION (USD 8.2 MILLION) IN EMPLOYEE CAPACITY BUILDING

ADMINISTERED 4,332 VACCINES TO CHILDREN AND DISTRIBUTED 4,303 BED NETS

IMPROVEMENTS ACHIEVED IN 9 OF 12 HEALTH INDICATORS AS PRIORITISED BY THE UN MILLENNIUM DEVELOPMENT GOALS

SHIPPED 146,336 TONNES OF COPPER (Cu)

SHIPPED 456,869 OUNCES OF GOLD (Au)

SHIPPED 1,189,033 OUNCES OF SILVER (Ag)

OTML PAID PGK 153.5 MILLION (USD 64.9 MILLION) IN ROYALTIES AND COMPENSATION TO COMMUNITIES NEAR THE MINE AND DOWNSTREAM

PGK 3.4 BILLION (USD 1.5 BILLION) CONTRIBUTED TO THE PNG ECONOMY

SINCE THE START OF OPERATIONS IN 1984 THROUGH TO 31 DECEMBER, 2011, OTML HAS PRODUCED:

COPPER

4,216,000_T

GOLD

12,960,000_{OZ}

SILVER

26,350,000_{OZ}

REVENUE TOTTALING

PGK 41.4 BILLION

Certain information contained in this Annual Review 2011, 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 licences 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 2011.

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 law or regulations.

MESSAGE FROM THE CHAIRMAN



In January 2011, Ok Tedi Mining Limited (OTML) became 100% owned for the benefit of Papua New Guinea as a result of the buy-back of the shares of the Canadian shareholder Inmet Mining Corporation (Inmet). This increased the proportionate ownership in OTML by PNG Sustainable Development Program Limited (PNGSDP) and the Independent State of Papua New Guinea.

It is now 30 years since OTML was formed with five foreign mining companies as foundation shareholders, to build a copper and gold mine in one of the world's most challenging locations.

Following a proposal from the then majority shareholder, BHP Billiton Limited in 2001 to close the Ok Tedi mine on environmental grounds, the Papua New Guinea Government sought advice from the World Bank on whether the mine should be closed for environmental reasons. The PNG Government was sensitive to the large contribution that the mine made to the national economy and to services and incomes in the area of the mine, as well as to the environmental damage from mining activities. The choice

was complicated by the reality that much environmental damage had already been done, and early mine closure would diminish capacity to monitor and manage the environmental legacy. The World Bank's report to the PNG Government drew attention to the large economic and social benefits that the project could generate, and weighed this against the environmental benefits that would result from an early closure.

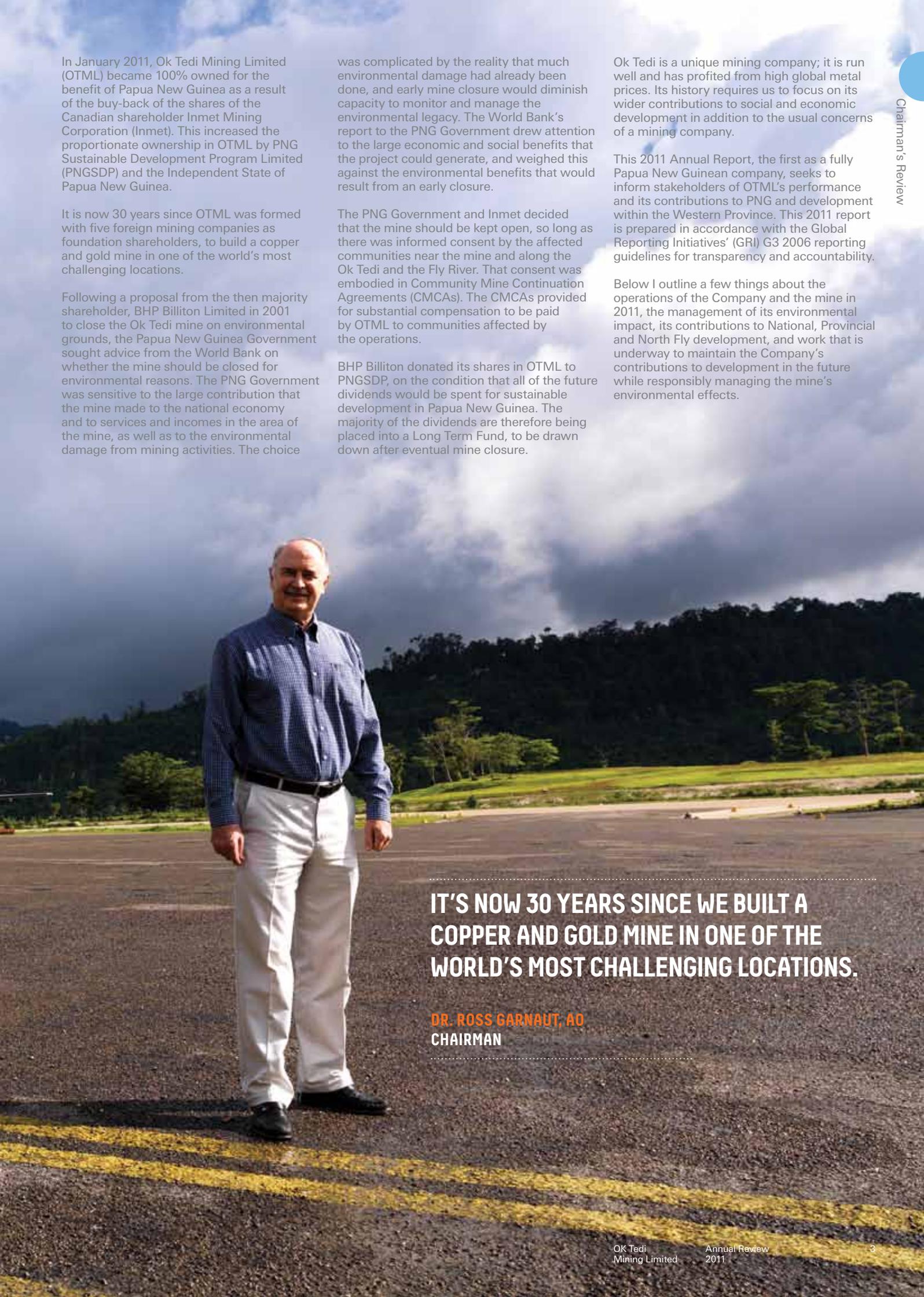
The PNG Government and Inmet decided that the mine should be kept open, so long as there was informed consent by the affected communities near the mine and along the Ok Tedi and the Fly River. That consent was embodied in Community Mine Continuation Agreements (CMCAs). The CMCAs provided for substantial compensation to be paid by OTML to communities affected by the operations.

BHP Billiton donated its shares in OTML to PNGSDP, on the condition that all of the future dividends would be spent for sustainable development in Papua New Guinea. The majority of the dividends are therefore being placed into a Long Term Fund, to be drawn down after eventual mine closure.

Ok Tedi is a unique mining company; it is run well and has profited from high global metal prices. Its history requires us to focus on its wider contributions to social and economic development in addition to the usual concerns of a mining company.

This 2011 Annual Report, the first as a fully Papua New Guinean company, seeks to inform stakeholders of OTML's performance and its contributions to PNG and development within the Western Province. This 2011 report is prepared in accordance with the Global Reporting Initiatives' (GRI) G3 2006 reporting guidelines for transparency and accountability.

Below I outline a few things about the operations of the Company and the mine in 2011, the management of its environmental impact, its contributions to National, Provincial and North Fly development, and work that is underway to maintain the Company's contributions to development in the future while responsibly managing the mine's environmental effects.



**IT'S NOW 30 YEARS SINCE WE BUILT A
COPPER AND GOLD MINE IN ONE OF THE
WORLD'S MOST CHALLENGING LOCATIONS.**

**DR. ROSS GARNAUT, AO
CHAIRMAN**

The Company and the Mine

The Chair of the OTML Board is appointed by the majority shareholder, PNGSDP. One other Director, Treasury Secretary Simon Tosali or his alternate, is appointed by the State. The Managing Director and Chief Executive Officer is appointed by the OTML Board. There is provision for two independent directors, nominated by PNGSDP and approved by the Treasury on behalf of the State.

I am delighted that former Chairman Alan Roberts, with long experience as a metallurgist and senior executive in the mining industry in Australia, Indonesia, and Papua New Guinea, accepted the shareholders' invitation to continue to serve on the OTML Board as an independent director. Alan also chairs the Safety and Technical Advisory Committee which reports regularly to the OTML Board on all issues with major technical dimensions.

The OTML Board appointed Nigel Parker as Managing Director and Chief Executive Officer for three years from 1 January 2011. Previously, while General Manager Commercial, Nigel raised the performance of the Company's financial management to high levels, and demonstrated capacity to provide forward-looking leadership on issues that are crucial to the Company's vision of creating long-term positive social and economic development in the Region. Under Nigel's leadership, the management team performed well through 2011. Complex issues related to engineering, environment, and community choices on the future of the mine have been managed with skill and sensitivity while the mine's profitability has remained at a high level.

Considerable production and revenue was lost in 2011 when we stopped operations for five weeks. In January, we experienced a fatality. We halted operations for one week while a comprehensive investigation involving three third-party audits were completed. In May we had our second shut down which lasted four weeks and was in response to a rupture in the pyrite concentrate pipeline. Immediately on considering advice regarding the pyrite spill, the OTML Board decided to suspend production in the processing plant until a satisfactory environmental solution was defined and agreed to with the State. This temporary containment facility, accepted by all stakeholders, has been implemented and will be utilised for the period during which the pipeline is repaired. These two episodes demonstrate the priority of safety and environmental considerations in our day-to-day management of the mine, beyond commercial returns. The replacement of 130 km of the pyrite concentrate pipeline commenced in March 2012 and is expected to be completed before the end of the 2012 year.

The new ownership structure of OTML allowed comprehensive reviews of operations with a view to adjusting the trade-offs between short-term profitability on the one hand and long-term positive social and economic development on the other. This has resulted in the reduction of the cut-off grade and the introduction of a proportion of limestone waste into the ore blend fed to the processing plant. Together, these enable a longer mine life and result in a reduction in the acid rock drainage (ARD) risk, albeit at some cost to short-term production and revenues. These measures have contributed to an extension of the expected end of mining

within the established pit from 2013 until probably sometime in 2015, with every likelihood that a mine life extension could further extend the operations until 2025, subject to community consent and State approvals.

The OTML Board places high priority on the maintenance of exemplary safety standards and performance. Despite reasonable overall performance, evidence of weaknesses in processes in some areas has led to the strengthening of safety management and programmes. These are discussed further in the Annual Review.

OTML Manages Environmental Effects

Every mineral development requires a strong and continuous investigation into effects and benefits. A balance is sought between avoiding, minimising, and mitigating environmental effects and maximising social and economic benefits.

OTML's environmental effect has been exceptionally severe, for two reasons. The dumping of waste and tailings into creeks near the mine, flowing eventually into the Ok Tedi and then the Fly River, was raising the river bed of the Fly, causing flooding over the river's banks, and dieback in trees adjacent to parts of the river. Even if mining were to stop at some point, the historical accumulation of material would continue to flow down the river for many decades, causing possible flooding and dieback in new areas. In addition, the iron sulfide (pyrite) in the tailings introduced a risk of acid formation that could in some circumstances lead to formation of unacceptable levels of chemical pollutants. Over the past decade, several measures at a total cost to-date in excess of PGK 2.4 billion (USD 1 billion) have been taken to ameliorate these effects.

In 1998, dredging of the Ok Tedi at Bige commenced. The rate of dredging subsequently increased to the current level of approximately ten million cubic metres of sediment per annum. The dredged materials are placed on engineered dumps adjacent to the Ok Tedi. This has been effective in easing the flooding and dieback problem in some areas and stopping it from getting worse in others. However, this particular mitigation programme cannot remove the historical legacy of flooding gradually extending into the lower reaches of the Middle Fly.

The second large environment problem of ARD risk has been addressed in several ways. Tens of millions of tonnes of acid-neutralising limestone have been added to the materials going into the river. Most importantly, a flotation plant has been introduced to remove acid-forming materials from the tailings stream, with the pyrite material then being transported by the pipeline to Bige where it is stored safely under water and sand. The total cost of removal and safe storage of pyrite since the commencement of the project in 2005 has been in excess of PGK 2 billion (USD 840 million). The reduction in the pyrite materials flowing down the river has reduced the environmental legacy from past mining activities, by making the dredge material suitable for use to cover the stockpiles of previously dredged materials at Bige.

The unique environmental effects of the Ok Tedi mine are monitored by a large, well resourced environment department. In collaboration with consultants from Australia and America,

it undertakes monitoring and applied research which underpins activities to understand and mitigate the mine's environmental effects.

Social and Economic Contributions

OTML is by far the largest single source of revenue to the PNG Government. Revenue, dividend and other payments make the Fly River Provincial Government financially the best endowed relative to population in PNG. OTML makes large contributions to services and social and economic development in areas affected by the mine through royalties; non-mining services provided alongside those developed for mining purposes; social and economic development programmes; and, through payments to communities affected by our operations.

Community funds are now being mobilised to fund goods and services facilitated by OTML's social and economic development arm, Ok Tedi Development Foundation Limited (OTDF), and through the activities of PNGSDP.

In 2011, through their compensation funds, CMCA communities committed to purchasing one passenger vessel, two operational support vessels (support vessels to OTML) and two Twin Otter aircraft. The purchases will be delivered in 2012 with the aim of providing services to OTML and enabling the movement of goods and services between the communities along the Fly River.

For the year 2011, OTML paid over PGK 1.315 billion in taxes, dividends and other revenue contributions (USD 560 million) to the National Government. This was 16% of the total taxes, royalties, dividends and other internal revenues from all sources available to the State of PNG. The Company is the country's largest taxpayer by a large margin. Its greatly increased contribution to national revenue over the past half dozen years has transformed the national budgetary and economic situation, underpinning the restoration of macro-economic stability and providing the first opportunity since Independence for sustained increases in the Government provision of services.

In 2011, OTML contributed PGK 66.5 million (USD 28.8 million) as royalties and dividends to the revenues of the Fly River Provincial Government (FRPG). This compares to less than PGK 2 million (USD 840 million) (excluding grants from the PNG Government of PGK 34.4 million (USD 14.4 million)) from other available Provincial sources of revenue such as service charges, indirect taxation, and miscellaneous revenues.

OTML contributed PGK 229.8 million (USD 100.5 million) in royalties and compensation payments to communities near the mine and down river. In addition, OTML continued to provide a range of social and economic development services directly, including the provision of transport, health and other services.

OTML Supports Health Care

The OTML Tabubil Hospital is the major referral hospital in the North Fly District and in 2011 an average of 10,000 outpatients were treated each month with the majority of the patients from the surrounding communities. During the year, OTML provided air transport to 131 patient referrals so that people could receive specialist medical care in Port Moresby, Lae, PNG; and Cairns and Townsville, Australia.

The Company's community wellness programmes have contributed to a marked reduction in malaria cases since 2006. Combating life-style related diseases is now a central focus of health programmes with HIV/AIDS remaining a challenge. The Company in 2012 will establish clinics to assist in the struggle against diabetes, hypertension, and obesity.

In 2008, OTML introduced the North Fly Health Services Development Programme (NFHSDP). It is managed under contract by JTA International. The Programme has improved levels of immunisation, delivery of medical supplies, and skills among health workers. The OTML Tabubil Urban Clinic was opened in December 2010 and commenced providing clinical services to North Fly communities in January 2011. The NFHSDP also assisted the Fly River Provincial Government (FRPG) to improve the Kiunga Hospital's standards by upgrading the facilities, engaging specialist Medical Officers and providing essential equipment.

OTML continues to support OTDF as a stand-alone entity. The OTDF programmes are directed by communities and the entity serves as a vehicle for providing projects and services which are funded by contributions made to the communities affected by our operations through the CMCA's by OTML, PNGSDP,

the PNG Government and other sources. It has become increasingly effective in service delivery in recent times: transport; village-based income-generating activities; housing and community services – have all been the subject of major advances through 2011.

The socio-economic development contributions and strategies of PNGSDP are set out in detail in its own Annual Report. OTML and PNGSDP are working together to coordinate development activities in communities throughout the Fly River area. PNGSDP's Long Term Fund and major infrastructure and development activities have the objective of reducing the effects of mine closure in the Western Province. There are now good prospects for continued improvement in services and socio-economic development outcomes in the Western Province and continued large contributions from the Western Province to National development beyond the eventual closure of the Ok Tedi mine. OTML, OTDF, and PNGSDP are working to avoid a boom-bust economic cycle which is often associated with mineral development projects.



The Future

Under the new ownership and governance arrangements from the beginning of 2011, OTML has worked closely with its shareholders to define an environmentally responsible path to complete utilisation of the mineral resource at Mt. Fubilan, to explore whether there is a future role beyond Mt. Fubilan for PNG's pre-eminent mining management team, and to find a productive future for the excellent town services and structure that have been built over 30 years at Tabubil.

The OTML Board asked OTML Management to define a mine life extension that would yield economic value for the shareholders, and maintain and extend the Company's contribution to local, provincial and National development, minimise environmental impact while continuing, and further developing, established environmental mitigation programmes.

Assessing the choices defined by the work that has flowed from that commission has been a major focus of the OTML Board through 2011 and early 2012. A promising mine life extension has been identified, involving a combination of a cutback on one wall of the existing pit and underground mining of another smaller ore body. Underground mining reduces waste; however, in regards to the cutback, it has been proposed that waste that is generated by a mine life extension cutback can be safely stored in a stable waste dump near the mine. Several mining and waste mitigation options have been considered with the Board supporting a preferred mine life extension framework that has the most favourable environmental outcome, but this does come at a substantial cost to commercial value. The Company is engaged in additional scientific testing and facilitating independent expert assessment of the environmental effect of the preferred mine life extension framework. The resulting information will become part of a careful process of seeking informed community consent and State approval for mine life extension.

During 2011, the Company conducted 109 village meetings regarding the proposed mine life extension. OTML is committed to presenting timely information on the mine life extension to community members to enable them to make an informed decision on the future of the mine. The process will continue through 2012, by the end of which a decision is expected.

OTML and its largest shareholder, PNGSDP, continued to work with other stakeholders to ensure that the excellent town services and culture in Tabubil have value for North Fly communities, Provincial and National development beyond mine closure. The "Tabubil Futures Project" is developing governance structures for the ownership and management necessary for essential infrastructure to exist without the support of OTML.

One important step towards an independent future for the town that was taken during 2011 was the execution of an agreement with Madang based Divine Word University (DWU) to assume management control of the OTML Tabubil Hospital from 1 January 2012. In addition to managing hospital services to a high standard, DWU will establish a Rural Health Science Programme in Tabubil, using the hospital as a teaching post. This will be only the second programme for educating doctors in PNG, and the first with a primary focus on rural health.

The necessary teaching facilities and staff and student accommodation will be provided under the auspices of the Star Mountains Institute of Technology (SMIT), which is being developed by PNGSDP to expand tertiary education opportunities in PNG and to expand the economic base of the town. Further, agreement was reached during 2011 for the transfer to the SMIT of management of OTML's excellent trades training facilities. This will allow expansion of trades training beyond the requirements of the OTML mine.

The OTML Board has been examining ways in which the considerable strengths of OTML in mining in a complex community and physical environment can have value beyond the established mine. It is expected that a long-term role for OTML will be identified during 2012.

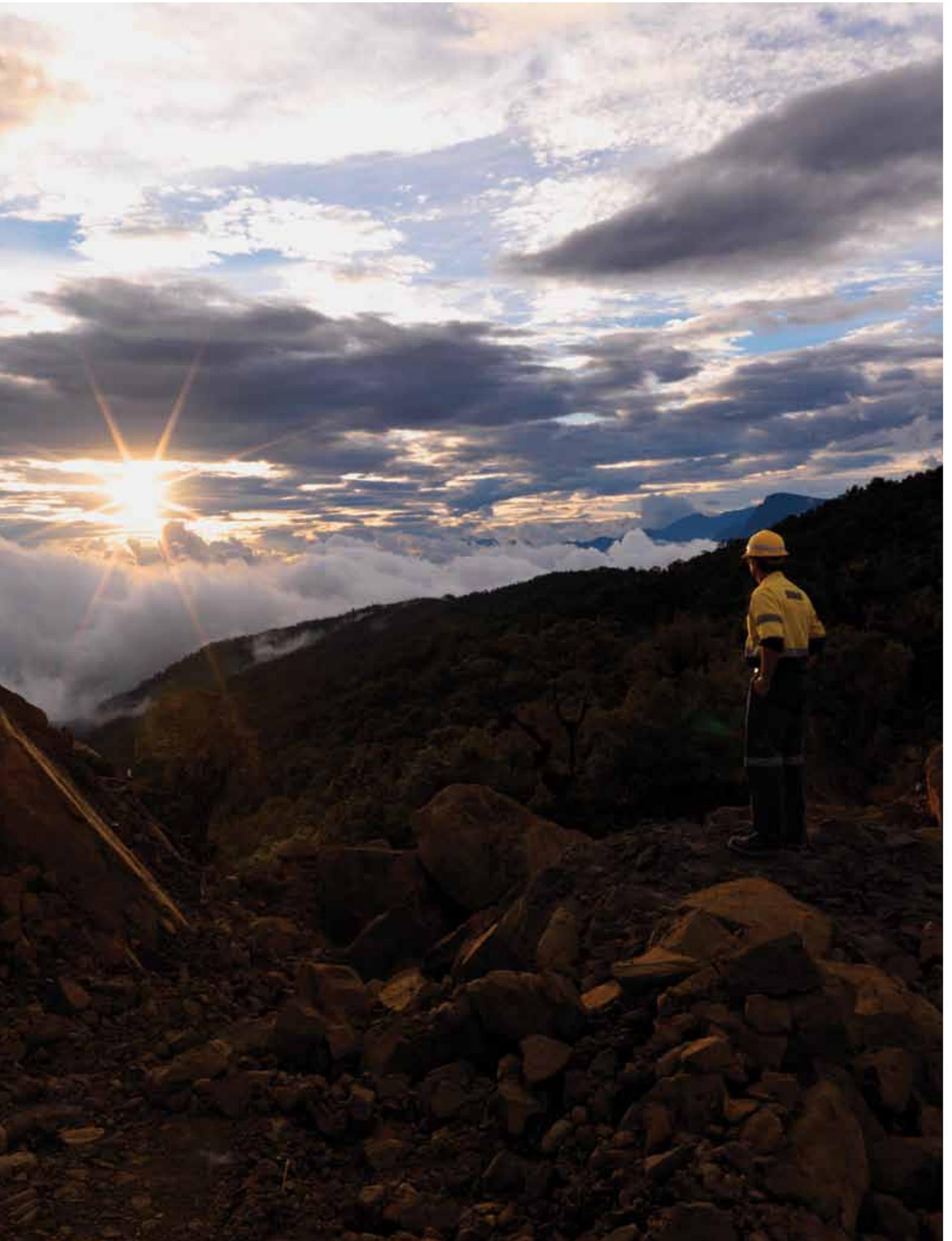
In all of these ways, OTML is preparing to secure the future of people in the North Fly, Western Province and PNG. When mine closure at Mt. Fubilan eventually comes, there are good prospects that the Company will leave a valuable legacy of services and sustainable development. To ensure that these prospects are supported by adequate provision for the conventional requirements of mine closure, the Company makes an additional contribution to a specifically established Financial Assurance Fund for mine closure. The balance in the Fund increased from USD 204 million at the beginning of 2011 to USD 217 million as at 31 December 2011.

Every year brings its challenges to OTML. The year under review was not an exception but OTML has managed the challenges that arose effectively, and has emerged from a year of transition to a more productive and focused Company. The OTML Board thanks an excellent management team for their continued high performance under great pressure in a challenging year. It looks forward to working with the management team through the year ahead, in which large programmes of work affecting the future of the mining Company and its related communities will come to fruition.



DR. ROSS GARNAUT, AO
CHAIRMAN





THE 30 YEAR JOURNEY

THROUGH 30 YEARS OF GROWTH WE NOW OPERATE FOR THE BENEFIT OF PAPUA NEW GUINEANS

1984
Massive landslide at the Ok Ma tailings dam. Gold production commences.

1987
Copper production commences. Tailings and waste discharged into river system.

1997
PNG Govt. approves dredging trials in Lower Ok Tedi.

1981

1990

1981
OTML Incorporated to develop the project. Construction commences.

1994
Ok Tedi/Fly River landowners sue OTML and BHP for environmental damages.

1996
First general compensation payments made. Mine Waste Management Project (MWMP) established. Heads of Agreement for special benefits signed between OTML, the State and the lower Ok Tedi communities. Litigation settled out-of-court for PGK 150 million (USD 111 million) in payments to landowners for the life of the mine, and commitment to the implementation of a feasible tailings option.

Exploration

1963
First contact by a Government patrol with Min people of Star Mountains.

1968
Mt. Fubilan copper and gold deposit was discovered by Kennecott.

1971
Drilling results are favourable but PNG Govt and Kennecott cannot reach agreement about how to develop a mining project.

1975
Kennecott withdraws from PNG.

1976
BHP enters into negotiations with PNG Govt. Ok Tedi Principal Agreement passed by Parliament. International consortium formed to assess feasibility of developing the mine.

1979
Feasibility study completed and presented to the PNG Govt.

1980
PNG Govt approves proposal and takes a 20% equity.

2000

The State asks the World Bank to review the findings of the MWMP. PNG government announces community consultation process over the future of the mine.

2002

BHP completes its withdrawal from the business, with equity transferred to PNGSDP Ltd. PNGSDP applies funds from OTML to sustainable development programmes through projects that benefit the Western Province and PNG. The objective of PNGSDP is to ensure there are ongoing benefits to the people of the Western Province after mining ends. The State approves the Bige dredging operation through to the end of mining, in the lower Ok Tedi region in conjunction with social and environmental monitoring programmes.

2008

MWTP goes online. OTDF trading as the Ok Tedi Fly River Development Programme (OTFRDP) operating to mobilise the CMCA funds.

2000



2011



2001

Community consent is given for the mine to continue, in the form of CMCAs with landowners throughout those parts of the Western Province affected by the mining operations. The Ninth Supplemental Act and Agreement 2001 was passed by the PNG Parliament and set out the basis for mine continuation and BHP's withdrawal. OTML's Environmental Regime and the Ok Tedi Development Foundation were also adopted by The State as a part of the Ninth Supplemental Agreement.

2005

Environmental studies and community relations programmes continued with the aim of understanding the effects of the OTML operations and the benefits that could be delivered to stakeholders.

2006

Major review of the community benefits package commenced. The State approves the MWTP and storage of pyrite concentrate at Bige.

2007

CMCA review concluded. Communities receive significant increase in benefits.

2009

OTML appoints the OTDF Board, Advisory Committee and the CEO to lead the new entity. PNGSDP assume 25% shareholding in OTDF. Detailed Mine Closure Plan submitted to the State.

2010

MLE feasibility study commenced. OTDF Five Year Business Plan sets out a new strategic direction through to 2015.

2011

OTML buys back 18% of Inmet Mining Company for USD 335 million (PGK 877 million). OTML now operating to provide 100% of the benefits to PNG.

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.



About this Report

This report covers the safety, health, community, environment, operations, and financial performance of OTML's fully-owned and managed operation in Papua New Guinea, the Ok Tedi Mine. We continue to mature our competency reporting to the Global Reporting Initiative's (GRI) guidelines using the GRI-G3 2006, Minerals and Metals Sector Supplement. It is our intention to present a combined financial and CSR report to our stakeholders and shareholders. We aim for continuous improvement and have reported our 2011 performance across all domains of our business in this Annual Review.

Informed by the GRI Boundary Protocol, data presented captures our activities as they relate to the mining and management of our wholly-owned Mt. Fubilan deposit. We have not reported on our business unit in Brisbane, Australia nor on our joint-ventures and contractors.

This Annual Review covers the 2011 calendar year. Comparative data from 2007, 2008, 2009, and 2010 is included where available and where warranted to demonstrate performance trends. Reference has been made to events that occurred in early 2012 when doing so helps clarify a point. Annually, we remit an OTML Environment Report to the State which covers programmes and studies completed between July 1-June 30.

To maintain consistency between the data presented to the State in the OTML Annual Environmental Report and the data presented in our Annual Reviews, this and future Annual Reviews, will continue to report results from the compliance monitors for the one-year period ending 30 June. Our performance data is presented in the metric system, and quotes PGK (Papua New Guinea Kina), USD (US dollar), and AUD (Australian dollar), unless otherwise noted.

For information regarding this Annual Report please contact:

Executive Manager, Corporate Communications and Social Responsibility:
corporatesocialresponsibility@oktedi.com

Determining materiality

In 2011 we completed two assessments to identify issues that we believe are most critical to know more about and to manage. We completed a business risk assessment and AccountAbility's Five-Part Materiality Assessment. The results of these two assessments guided the framework of this report.

The following issues were identified as being material in 2011:

- Safety, Health and Community Wellness
- Employee Retention
- Stakeholder Relations
- Sustainable Development Programmes
- Environmental Management
- Mine Life Extension Planning
- Managing the Pyrite Concentrate Pipeline
- Pit and Mill Throughput Optimisation.

MESSAGE FROM THE MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

The safety and health of our people – our employees, their families, and community members in the areas where we live and work is core to our business. We have strong health and safety policies that are implemented across our operations in our daily safety talks, operating policies and procedures, and on-going training programmes. Tragically we lost a colleague employee at our mill operations in January 2011 and we extend our deepest sympathy to the family, friends, and fellow colleagues. We remain committed to our goal of Zero Harm.

We are able to report that in 2011, the Company achieved a Total Recordable Injury Frequency Rate (TRIFR) of 3.23. The result is commendable given the variety and complexity of the risks managed, and maintained Ok Tedi Mining Limited's (OTML) position as a premier safety leader not only in Papua New Guinea but also when viewed against the global mining industry.

2011 was a year of change and of challenges. In May, we experienced an unforeseen failure of the pyrite concentrate pipeline and the Company took the decision to halt operations for four weeks while a temporary solution to pyrite containment was identified. We experienced volatility in global metals prices, instability in major international economies, and political uncertainty here at home in Papua New Guinea. Notwithstanding, OTML produced a solid financial performance in 2011 with strong profit and cash flow results. The year also saw the departure of the 18% minority shareholder, Inmet Mining Corporation (Inmet), via a share buy-back for PGK 877 million (USD 335 million). The resulting shareholder structure is now such that the Company is 100% owned to the benefit of Papua New Guinea through its remaining shareholders PNG Sustainable Development Program Limited (PNGSDP) 63.4%, the Independent State of Papua New Guinea (State) 36.6%, of which half is held for the benefit of the communities and the Fly River Provincial Government. The wealth generated by the Company therefore benefits the nation's people and, specifically, the communities of the Western Province.

Concentrate sales were 553,574 tonnes, 10% lower than the previous year. Metal contained in concentrates totalled 146,336 tonnes of copper, 456,849 ounces of gold and 1,189,020 ounces of silver. Notwithstanding the challenges faced, the Company reported a Net Profit after tax of PGK 1,244 million (USD 621 million), down 39% on the result set in 2010. The result reflects the dramatic increase in the copper price in the second half of 2011, closing the year at a respectable USD 3.43/lb. OTML operating costs of

PGK 2,456 million (USD 1,074 million) have increased by 9% or PGK 196 million as compared to 2010. However, from a normalised perspective, costs decreased by PGK 116 million (10% from a 2008 base year). The bulk of the increases arose because of the Licence-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 and PNG Kina against a weakened US dollar for supplies and services.

Sales revenue in 2011 was PGK 4.536 billion (USD 1.895 billion), and shareholders received distributions/dividends totalling PGK 1.654 billion (USD 685 million). Mining royalties paid to the Fly River Provincial Government (FRPG) and Mine area landowners totalled PGK 86 million (USD 36 million) while total taxes paid to the PNG Government were close to PGK 1.2 billion (USD 496 million).

The international mining industry is very competitive by nature; there is a prevailing skills shortage due to growth in existing mines and the development of new mines. We continue to lose some of our professional and trades employees to other mining companies with operations in PNG, Australia, Asia and Africa. The training of our workforce is therefore not only driven by the Company's social mandate but also by the necessity to attract and retain a competent highly skilled workforce. Our training programmes remain an ongoing strategic initiative such that we develop the technical skills among our employees and ensure that our employees are qualified to international standards. In 2011 we report investing

PGK 19.5 million (USD 8.2 million) in employee capacity building.

One of OTML's major continuing concerns is the environmental effects of our operations: the waste and tailings deposition to the riverine system has had a major impact on the Ok Tedi and Fly River systems and their associated eco-systems. The Company continues to employ a team of scientists to monitor and manage the effects of our mining activity, past and present, over the total mining footprint. During the year, management completed a desk-top review of the possibility of a tailings storage facility and the Board agreed that a formal study be undertaken to assess the technical feasibility of any of the options identified in the review. The issue of controlling waste rock discharges to the river system has been advanced with a stable waste dump solution forming part of a possible mine life extension.

OTML continued to work with communities to effectively mobilise compensation benefits in the form of cash payments and funding for sustainable development projects. In 2011, communities affected by our operations received compensation payments of PGK 66 million (USD 28 million) directly from OTML, with further available funds being held in trusts through OTML's major shareholders, the State, and PNGSDP. Project delivery to remote parts of the Western Province remains an ongoing logistical challenge.

The principal emerging enabler for mobilising community funds is the Ok Tedi Development Foundation Limited (OTDF) of which OTML currently owns 75% and PNGSDP the remaining 25%. OTDF was established in

2001 to promote local development and help mobilise the compensation funds held by trustees under the Community Mine Continuation Agreements.

OTDF assisted the CMCA trustees plan and implement PGK 680 million (USD 308 million) worth of projects during the year, including the purchase of a passenger vessel for the Fly River, a cargo vessel, a research vessel, and two new Twin Otter airframes which will come into operation in 2012.

OTDF's enabling legislation requires OTML to transfer its remaining three OTDF shares before or at mine closure to three reputable development organisations.

In December 2011, the World Bank completed field investigations in remote communities along the Fly River with the aim of understanding the Community Mine Continuation Agreements and, specifically, the processes being followed to bring about a movement towards gender equity in social development programmes. We understand that our processes are unique the world over.

As to the future, OTML's current focus is on the feasibility of Mine Life Extension (MLE), which has involved a significant amount of management's time including consultation with the communities who are affected by our operations. We are pursuing a MLE that is not only feasible in commercial terms but socially and environmentally acceptable to stakeholders. In 2011 we held 109 community meetings to keep stakeholders abreast of the MLE developments. Much of OTML's focus now is on finalising a MLE proposal for the current resource in addition to involvement

in exploration activities near the mine and in other parts of Papua New Guinea. Development of new deposits should ensure that OTML continues to make an important economic contribution to the Western Province and Papua New Guinea beyond the current planned closure of the mine in 2015.

Moving forward, faced with the volatility of metal prices, international economic instability, Papua New Guinea National elections, rebuilding of the pyrite concentrate pipeline, and the restriction on the Tailings Treatment Plant to meet process targets and environmental objectives, there will be a need to focus on maximising productivity and minimising costs to ensure that OTML can continue to create opportunities for the North Fly region, the Western Province, and Papua New Guinea.

2012 will test and challenge OTML management, employees, and business partners; however, with the available resources, and a stable, creative and well trained workforce, the Company has every reason to perform and deliver on its commitments to its shareholders and the Nation of Papua New Guinea.



NIGEL PARKER
MANAGING DIRECTOR /
CHIEF EXECUTIVE OFFICER



An aerial photograph of a large open-pit mine. The mine is characterized by numerous terraced levels of rock, showing various shades of brown, tan, and grey. A single haul truck is visible on one of the lower levels. The overall scene is rugged and industrial.

GOVERNANCE

**WE ARE CREATING REAL VALUE...
WITH A VISION TO CONDUCT OUR
BUSINESS AND OPERATIONS IN A
SAFE AND SUSTAINABLE MANNER**



GOVERNANCE

Governance Structure

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

In 2011, the Board established a Safety and Technical Advisory Committee comprising non-executive independent members charged with the responsibility of overseeing proposed major commitments prior to management's submission to the Board for consideration. There is also a long established Remuneration Committee (members are non-executives). The combination of both committees have the responsibility of reviewing OTML's health and safety practices, financial diligence, and overarching social and environmental management practices.

Board of Directors

In 2011, OTML's Board of Directors comprised five members, one of whom was considered independent, one of whom was an executive director, and three of whom were non-executive directors.

The 2011 Board comprised the following members:

- Chairman: Dr. Ross Garnaut (PNGSDP)
- Director: Mr. Alan Roberts (Independent Director)

- Director: Mr. Nigel Parker (Managing Director/Chief Executive Officer, OTML)
- Director: Mr. Simon Tosali (Secretary PNG Treasury Department)
- Director: Mr. Jochen Tilk (Inmet Mining Corporation – Resigned in January 2011).

Changes to the Board membership in January 2011 included the exit of Mr. Jochen Tilk (Inmet Mining Corporation).

The Chairman of the Board of Directors was not an officer of OTML. In 2011, the Board met quarterly and held monthly teleconferences; the Board held four meetings and three teleconference meetings. The Board had issued out five Circulating Resolutions during 2011. All four members, and where required, their alternates, participated in each meeting and teleconference.

In 2011, the main issues on the Board's agenda included:

1. Occupational Health and Safety
2. Employee Attraction and Retention
3. Inmet exit from Share Registry
4. Designing a Mine Life Extension Plan that is Socially and Environmentally acceptable to Stakeholders
5. Environmental Mitigation Strategies, Bige Revegetation and the Tailings Processing Plant Project
6. Pyrite Concentrate Pipeline Replacement Strategies
7. Mill Processing Equipment Repair and Refurbishment
8. Strategic Growth of the Company.



WE APPLY THE MOST CURRENT AND RELEVANT TECHNOLOGIES TO OUR MINING AND MILLING OPERATIONS TO DELIVER CONSISTENT OUTSTANDING COMMERCIAL RESULTS.

WE ARE COMMITTED TO:

- Effectively managing our business, community, and environmental responsibilities to achieve sustained results for our stakeholders and shareholders
- Continuing to be known as the employer of choice in PNG by enhancing the talent and advancing the careers of our people
- Continuing to provide high quality safe working conditions, facilities, and services
- Fully exploring the resource potential of the Mt. Fubilan and surrounding exploration targets
- Assessing and pursuing opportunities for mergers and acquisitions in PNG and Australasia.

Commitments

We believe that the key to business longevity is to ground our decisions within the context of our local and global social and biophysical environments and not simply within the single bottom line. Where possible we align our environmental, health, and safety management systems; our employee relations; our stakeholder engagement; and our social development programmes in industry and international standards and best practices. In addition, we apply the most current and relevant technologies to our mining and milling operations to deliver consistent outstanding commercial results:

- Our Occupational Health and Safety system is being amended to align with ISO 18001
- Our Environmental Management System is being aligned with ISO 14001
- Our Corporate Social Responsibility practices support ISO 26000
- Our social development programmes support the PNG National and Provincial development plans and the United Nations Millennium Development Goals (UN MDGs)
- We support the following International Labour Organisation (ILO) Conventions as 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)
 - Equality of Treatment
Accident Compensation.

Our commitment to acquiring and maintaining FPIC (free prior informed consent) is embedded in the Community Mine Continuation Agreements (CMCA) that we have signed with communities who are affected by our operations. Acquiring and maintaining social licence means that we engage frequently, consistently, and with the inclusion of third-party facilitators and observers as witnesses and we collaborate with communities to realise positive long-term social and economic change. Our ability to continue to successfully mine resources is directly linked to the social licence we are awarded by our stakeholders.

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 the following:

- The Ok Tedi Charter
- The Ok Tedi Standards of Business Conduct
- The Ok Tedi Management Standards of Conduct.

We value

- Safety and a commitment to a healthy work environment
- 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.

Did you know?



Copper has been used to make coins for centuries. These stay around for years and it is impossible to guess how many times they have been passed from hand to hand. Normally we don't wash our hands before and after handling money. Yet this is potentially a good route for infections to spread. Copper, with its antimicrobial properties, helps to stop this from happening. Bacteria do not survive on copper coins and since it is a non-allergenic material, people don't get a rash from handling them.

OTML OPERATES TO NUMEROUS INTERNAL AND EXTERNAL CHARTERS AND POLICIES

01.

Business Coalition Against HIV/AIDS

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 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 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 Region, 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; all team leaders incorporate HIV/AIDS awareness discussions into team safety meetings.

Our commitment to supporting the fight against HIV/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 PGK 200,000 (USD 85,000), annually, to BAHA. To date, we have donated nearly PGK 1 million in support of BAHA's efforts.

02.

The Extractive Industry Transparency Initiative (EITI)

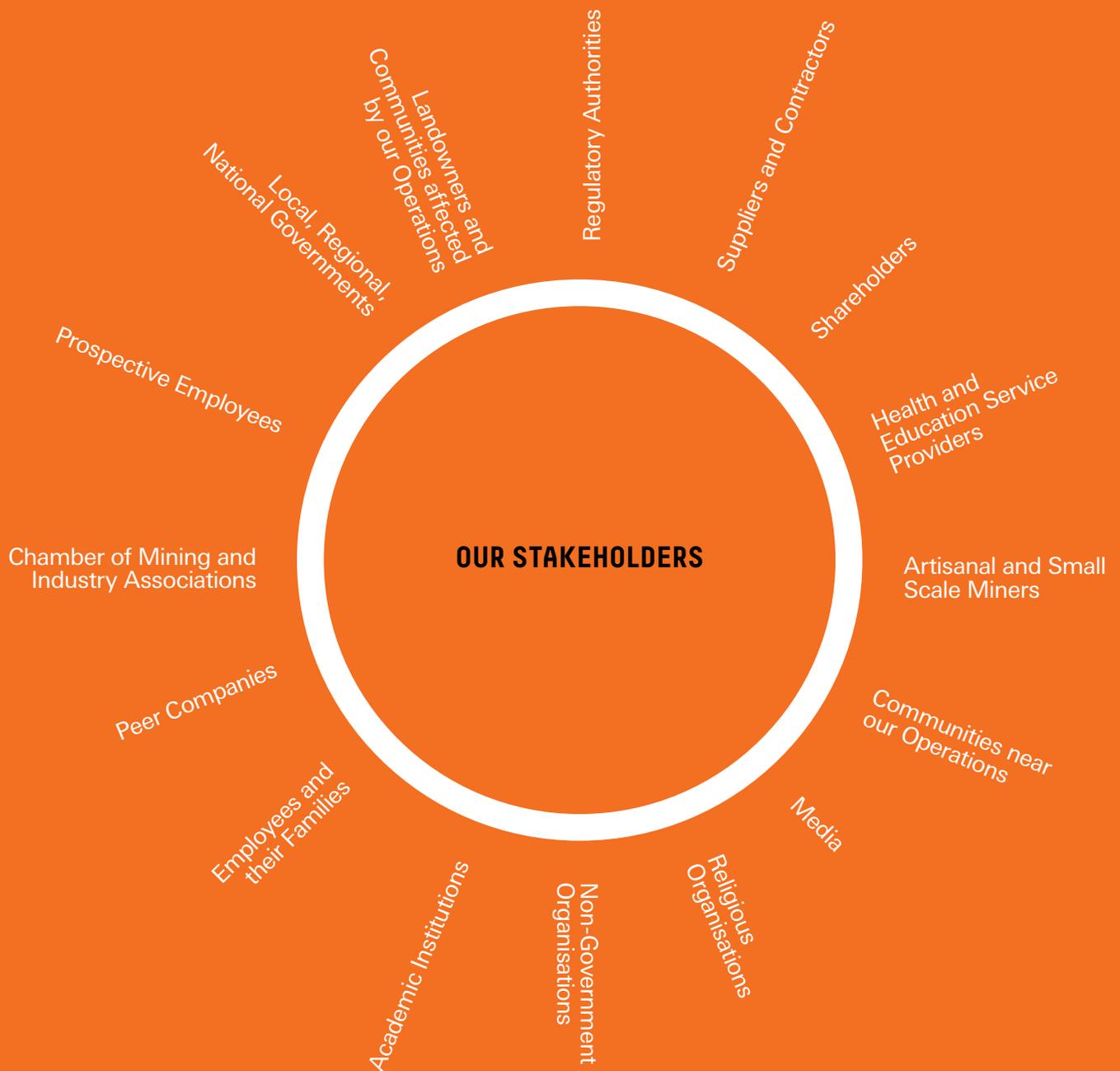
With good governance, OTML believes that the exploitation of natural resources can generate revenues which foster social and economic development for local communities. We support the Extractive Industry Transparency Initiative's work to strengthen governance by improving transparency and accountability in the extractive sector. In 2012, we will make our support of the EITI official.

03.

United Nations Millennium Development Goals – UNMDGs

The eight United Nations Millennium Development Goals address a range of issues from halving extreme poverty to halting the spread of HIV/AIDS, from providing universal education to improving maternal health. The objective is to see significant improvements in the needs of the world's poorest by 2015. This global initiative provides a blueprint for public and private institutions, a focused path upon which they can direct their social development efforts.

WE ARE COMMITTED TO FOSTERING
LONG-TERM, POSITIVE RELATIONSHIPS
WITH OUR STAKEHOLDERS



.....
BUSINESS REVIEW

**WITH OVER 30 YEARS
OF PRODUCTION EXPERIENCE...
WE ARE CONTINUALLY
LOOKING FOR A BETTER WAY**





OPERATIONS



In 2011 OTML shipped 146,336 tonnes of copper, 456,869 ounces of gold and 1,189,033 ounces of silver. OTML's copper concentrate was shipped to smelters in Japan, the Philippines, Korea, India and Germany. Of sales made, 95% were to customers who were directly listed public companies or who had a dominant publicly listed parent company. The remaining 5% of sales were to reputable, long established and privately held trading companies.

Operations Highlight



Rachel Ondu

Rachel joined OTML in September 2011 as a spotter for haul trucks in the pit and was offered a place in the Preferred Area Development (PAD) programme. Rachel moved with her young daughter from Ningerum to Tabubil and enrolled in the PAD haul truck operators training programme. For Rachel the move to Tabubil and joining OTML is significant, "I want to give my child opportunities to go beyond this. She'll receive an education and she will be able to get a job. OTML means a lot to me in terms of gender equity. Ladies are given the same opportunities as men. OTML focuses on the future of employees, not just the present and the current job we are doing. They emphasize planning for the future. I'd like to go beyond haul truck driving. I'd like to operate other machines and work in other places, and live in other places. Hopefully, this is the route to take to get me there".



PRODUCT MINED AND MILLED IN 2011

	2007	2008	2009	2010	2011
Mine production					
Material mined ('000 tonnes)	58,410	59,146	59,434	49,459	41,223
Head grade copper (%)	0.76	0.85	0.86	0.84	0.78
Head grade gold (gram per tonne)	0.85	1.02	1.03	0.97	0.91
Mill production					
Mill throughput ('000 tonnes)	25,771	21,663	22,585	22,191	19,460
Recovery copper (%)	86.1	87.2	86.3	85.7	86.4
Recovery gold (%)	70.9	72.6	68.6	70.5	73.5
Concentrate production (DMT)	610,044	573,761	624,275	620,480	494,879
Copper (tonnes)	169,184	159,650	166,669	159,821	130,456
Gold (oz)	498,790	514,958	515,685	486,458	417,236
Silver (oz)	1,389,643	1,280,345	1,490,481	1,423,733	1,048,546

FIVE YEAR SUMMARY OF SHIPMENTS AND AVERAGE METAL PRICES

	2007	2008	2009	2010	2011
Sales					
Concentrate (dmt)	668,475	580,931	566,109	616,080	553,574
Contained copper (tonnes)	186,525	162,722	150,579	158,692	146,336
Contained gold (oz)	523,437	504,123	499,313	482,089	456,869
Contained silver (oz)	1,560,433	1,335,865	1,372,412	1,507,097	1,189,033
Average prices realised					
Copper (USD/lb)	3.35	2.64	2.44	3.68	3.73
Gold (USD/oz)	655	816	997	1,229	1,553
Silver (USD/oz)	13.77	14.56	15.67	21.35	34.72

MINING

		2007	2008	2009	2010	2011
Ore mined	kt	25,957	21,534	21,348	22,088	21,342
Ore reclaimed	kt	–	–	2,118	965	–
Total Crusher feed	kt	25,957	21,534	23,466	23,053	21,342
Copper feed	%	0.76	0.85	0.86	0.84	0.78
Gold feed	g/t	0.85	1.02	1.03	0.97	0.91
Sulphur feed	%	3.98	3.54	4.53	5.27	4.06
Total Waste mined	kt	32,454	37,613	38,087	27,370	17,300
Limestone mined	kt	7,781	13,371	14,415	9,050	1,036
LG mined	kt	–	–	–	–	2,581
Rehandle	kt	1,091	3,363	5,690	3,347	2,687
Total Material moved	kt	59,502	62,510	67,243	53,771	43,910

Logistics Highlight



Elizabeth Metalau

Elizabeth is both an OTML and PNG success story, representing a new generation of young, professional women actively balancing their careers and home lives. Elizabeth started with the OTML Supply and Logistics department in 2000 as an Administrative Assistant, before accepting a position as the Assistant to the Executive Manager in 2003. Her performance in that role saw her transferred to the Contracts Administration team in 2006. Since this time, she has been involved in many high value, operationally significant contracts, including the Pyrite Concentrate Remediation Program in 2012 and the Fly River Jetties Program in 2011. More recently, Elizabeth became Contracts Officer. Elizabeth lives in Tabubil with her three young sons. "OTML is now a Papua New Guinean company; it's one of the largest. I'm proud of being here and of working here".



MILLED TONNES



PROCESSING

		2007	2008	2009	2010	2011
Milled tonnes	kt	25,771	21,663	22,585	22,191	19,460
Mill util	%	93.2	85.7	89.3	88.1	80.4
Mill throughput	tpoh	3,157	2,877	2,888	2,876	2,761
Head grade						
Copper HG	%	0.76	0.85	0.86	0.84	0.78
Gold HG	g/t	0.85	1.02	1.04	0.97	0.91
Sulphur HG	%	3.98	3.54	4.53	5.27	4.06
Recoveries						
Copper recovery	%	86.1	87.2	86.3	85.7	86.4
Gold floatation	%	62.6	63.5	63.9	66.0	68.0
Gold gravity	%	8.3	9.2	4.7	4.5	4.8
Gold recovery	%	70.9	72.6	68.6	70.5	73.5
Metal						
Copper metal	t	169,184	159,650	166,669	159,821	130,456
Gold metal	oz	498,790	514,958	515,685	486,458	417,236
Silver metal	oz	1,389,643	1,280,345	1,490,481	1,423,733	1,048,546

GEOLOGY OVERVIEW

In 2011, OTML invested PGK 31.5 million (USD 13.3 million) in its exploration and resource drill programmes, with a focus on further extensions to mine life and the identification of drill targets from greenfield prospects across our Exploration Licences. In the coming years, we will continue to invest in our Mt. Fubilan drilling programme to further define the extent and tenure of mineralisation at Ok Tedi. Our objective is to extend and increase OTML's production such that we continue to make significant contributions to the people of the Western Province and Papua New Guinea.

Our geology team focuses on four areas of inquiry: open-pit mine geology, underground geology, resource geology, and exploration. In 2011, we created the resource geology team with a view to further defining and expanding the Mt. Fubilan open-pit and underground resource. Exploration geology is responsible for identifying and developing new ore bodies, while the teams responsible for open-pit and underground geology monitor the movement and grade of the ore while conducting geological mapping and modelling.

MT. FUBILAN A RICH COPPER, GOLD, SILVER DEPOSIT

Mt. Fubilan includes several phases of mineralisation, centred around the intrusion and subsequent alteration of a monzonite porphyry and mozdiorite stock. The majority of contained copper and gold is contained within sulfide skarns located adjacent to the intrusions at the contact of limestone units. These skarns have been formed by the introduction of mineralised fluids that have reacted with the host rocks.



AS AT 31 DECEMBER, 2011, THE MT. FUBILAN RESOURCE ESTIMATE WAS 704 MT @ 0.55% Cu AND 0.65 G/T Au

2011 saw an aggressive resource drilling campaign, resulting in the identification of several significant intersections which indicate the potential for additional cutbacks and/or underground mining to occur at Mt. Fubilan. As at 31 December, 2011, the Mt. Fubilan Resource Estimate was 704 Mt @ 0.55% Cu and 0.65 g/t Au, the contained Ore Reserve is 129 million tonnes at 0.70% Cu and 0.79 g/t Au (Table 1), an increase from 281 Mt @ 0.74% Cu and 0.92 g/t Au. The 2011 Resource estimate includes the proposed MLE West Wall cutback.

As at 31 December, 2011, the Gold Coast underground resource was 50 million tonnes at 1.10% Cu and 1.30 g/t Au (Table 2); a Reserve statement will be released at a later date. However to note, due to the timing of the underground model, the underground Resource is included in the open-pit Resource Estimate. Both the open-pit and underground Resource Estimates were conducted by Quantitative Group (QG) based in Brisbane and signed off by OTML's Chief Geologist.

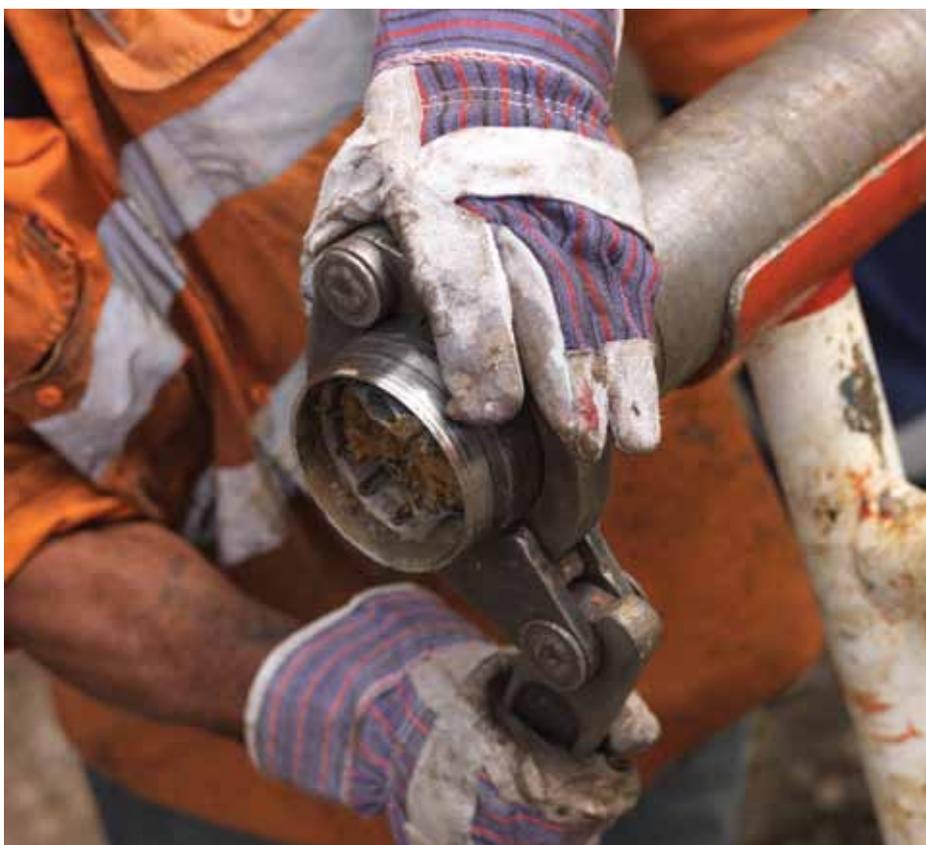


TABLE 1 : MINE LIFE EXTENSION OPEN PIT RESOURCE AND RESERVE STATEMENT AS AT 31 DECEMBER 2011

Category	Mtonnes	Mineral Resource		Category	Mtonnes	Ore Reserve		Conversion
		Cu%	Au g/t			Cu%	Au g/t	
Measured	343	0.59	0.64	Proven	99	0.68	0.73	29%
Indicated	226	0.58	0.75	Probable	30	0.79	0.99	13%
Inferred	136	0.39	0.53					
Total	705	0.55	0.65	Total	129	0.70	0.79	18%

The information in the table above relates to Mineral Resources and Ore Reserves based on information compiled by Luke Jackson (Mineral Resource) and Frank Pothitos (Ore Reserve) who are Members of the Australian Institute of Mining and Metallurgy.

Luke Jackson and Frank Pothitos are full-time employees of OTML and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which they are undertaking to qualify as a competent person as defined in the 2004 edition of the Australasian code for reporting of Mineral Resources and Ore Reserves. Luke Jackson and Frank Pothitos consent to the inclusion in the table of the matters based on their information in the form and context in which it appears.



AS AT 31 DECEMBER, 2011, THE GOLD COAST UNDERGROUND RESOURCE IS 50 MILLION TONNES AT 1.10% Cu AND 1.30 G/T Au

TABLE 2 : GOLD COAST UNDERGROUND RESOURCE STATEMENT AS AT 31 DECEMBER 2011

Lithology	Indicated		Inferred			Total ore resources			Contained metal		
	Mt	Cu%	Au (g/t)	Mt	Cu%	Au (g/t)	Mt	Cu%	Au (g/t)	Cu (kt)	Au (koz)
Sulfide skarn	15.8	1.80	1.96	12.4	1.32	1.69	28.3	1.59	1.84	448.7	1,675.05
Oxide skarn	0.0	2.26	1.08	0.0	2.33	1.55	0.1	2.27	1.17	1.2	1.97
Endo skarn	14.4	0.58	0.66	7.5	0.25	0.45	21.8	0.47	0.59	101.9	412.92
Total	30.2	1.22	1.34	19.9	0.92	1.23	50.2	1.10	1.30	551.8	2,089.9

The information in the table relates to Mineral Resources based on information compiled by Luke Jackson who is a Member of the Australian Institute of Mining and Metallurgy.

Luke Jackson is a full-time employee of OTML and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a competent person as defined in the 2004 edition of the Australasian code for reporting of Mineral Resources and Ore Reserves.

Luke Jackson consents to the inclusion in the table of the matters based on his information in the form and context in which it appears.

A copper price of USD 2.50/lb and USD 1,650/oz for gold were used for the 2011 MLE Mineral Resource and Ore Reserve. Ore cut-off is based on a Net Smelter Return per tonne (NSR/t) calculation.

TABLE 3 : METAL PRICES USED FOR THE 2011 RESOURCE AND RESERVE STATEMENTS

	Open-pit mineral resource	Open-pit ore reserve	Underground mineral resource
Copper price (USD/lb)	2.50	2.50	2.50
Gold price (USD/oz)	1,650	1,650	1,650
Silver price (USD/oz)	30	30	30
NSR per tonne (USD)	12	12	14



The Company's 2011 drill programme resulted in the definition of additional high grade skarns and the completion of the first underground Resource model for the Gold Coast underground feasibility study. Several significant intersections were drilled in the Siltstone Ridge area that indicate the potential for additional cutbacks, including 276 m @ 0.31% Cu and 0.22 g/t Au from 18 m depth and 83 m @ 0.59% Cu and 0.42 g/t Au from 12 m depth.

Near mine exploration continued on the Townsville and Kauwol tenements with the objective of defining anomalous areas and identifying drill targets. We flew aeromagnetic surveys, conducted geological mapping, stream and soil sampling and diamond drilling to define the extent and grade of the mineralisation. Several targets have been identified on the Kauwol prospect; these will be sampled in 2012.

RESOURCE GEOLOGY

During 2011 the resource geology group drilled over 18,600 metres and completed 80 drill holes (Figure 1). As at 31 December, 2011, six drill rigs were in operation. Significant intersections of copper and gold mineralisation were encountered at Siltstone Ridge (Figures 2, 3, and 6) beneath the West Wall cutback (Figure 4) and at Gold Coast (Figure 5). We will continue to drill and assess these areas in 2012. All resource diamond drill core is logged and cut at the OTML geology core shed. Core is sampled to geology contacts and nominally three metre sample intervals. The half core is transported to the mill laboratory for crushing and pulverising prior to analysis. QA/QC is conducted on all samples and includes check samples, check assays, standards and blanks. All core is analysed for Copper, Gold, Silver, Acid Soluble Copper, and Sulphur as well as various base metals and trace elements. Check assays are taken from coarse rejects and sent to ALS in Brisbane for analysis and comparison.

ALL CORE IS ANALYSED FOR COPPER, GOLD, SILVER, ACID SOLUBLE COPPER, AND SULPHUR AS WELL AS VARIOUS BASE METALS AND TRACE ELEMENTS.

Figure 1
Plan view of the Mt. Fubilan mine area showing cross sections and location of 2011 resource drilling (North is up).

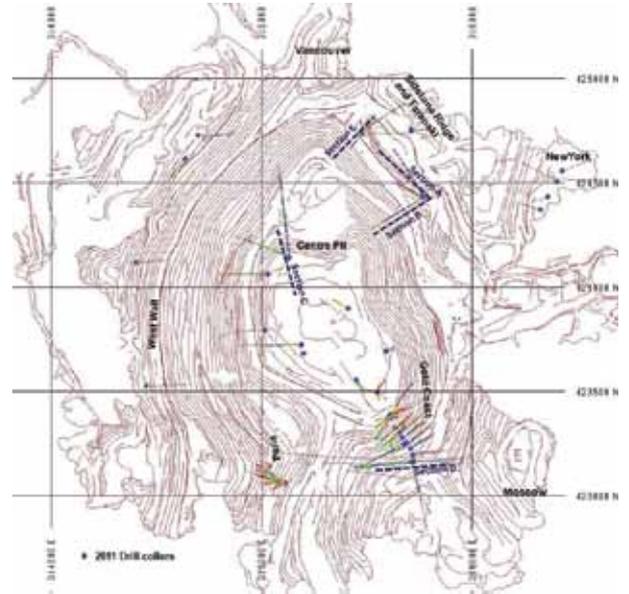


Figure 4 – Section C
Centre Pit looking northeast, the main pit is on the left-hand side. Mineralisation intersected beneath the current pit design.

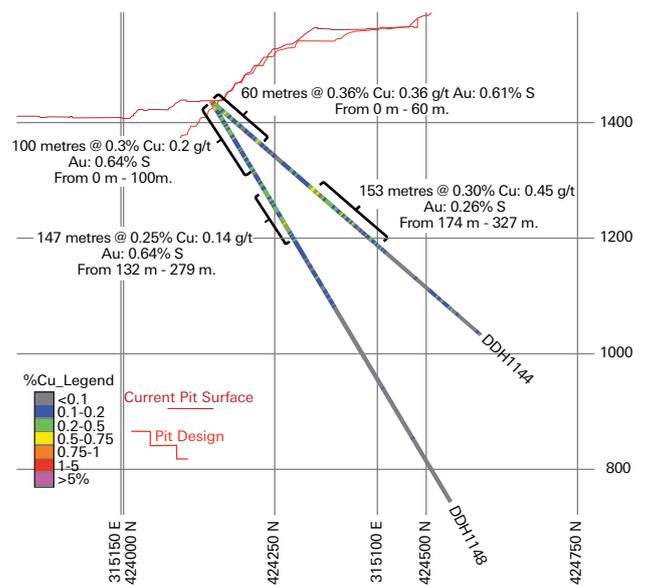


Figure 2 – Section A

Siltstone Ridge area looking southwest. The Taranaki pyrite concentrate pit is on the right-hand side. Mineralisation is hosted within siltstone/porphyry contacts.

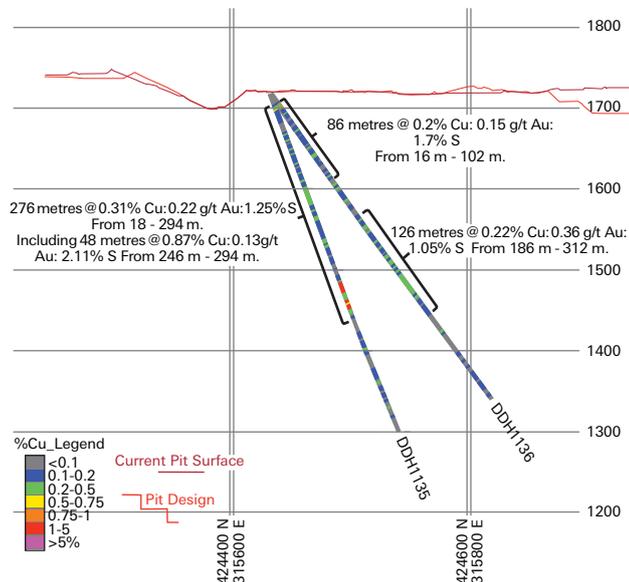


Figure 3 – Section B

Siltstone Ridge looking northwest, the Centre Pit is on the left-hand side. The higher grade intersection between 344.8 - 456 m is characterised by magnetite, chalcopyrite, and molybdenum mineralisation in a relatively fractured zone.

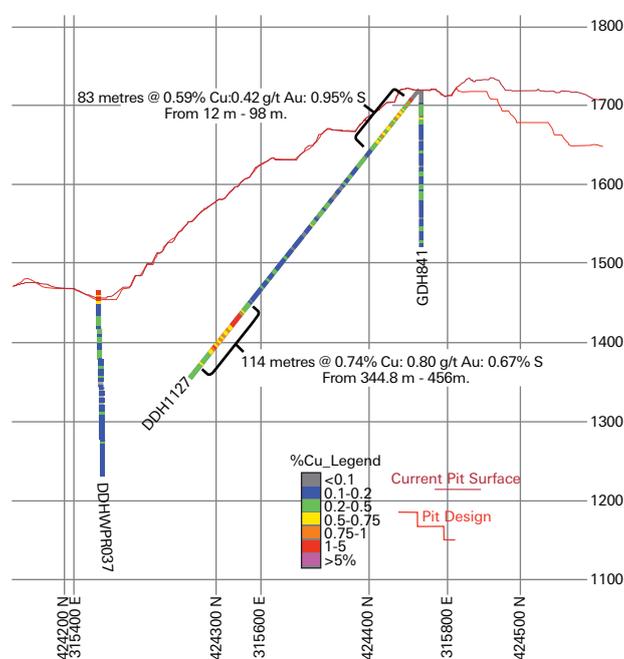


Figure 5 – Section D

Gold Coast skarn, looking north. Additional skarn has been located at the base of mineralisation.

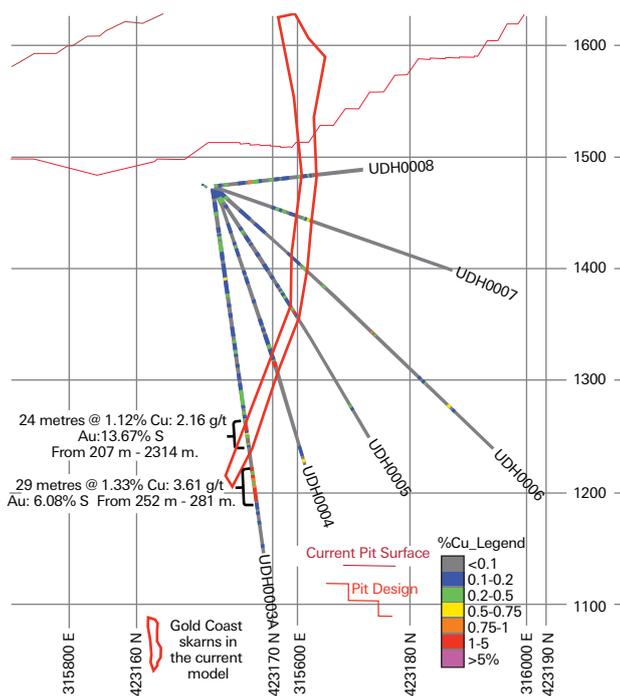
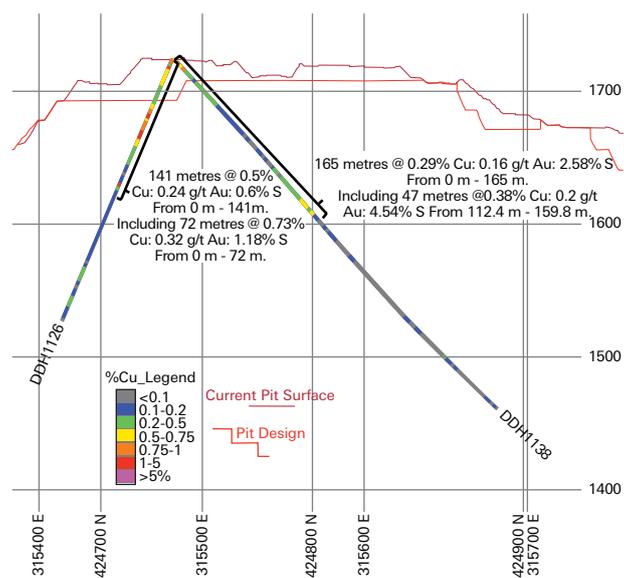


Figure 6 – Section E

Siltstone Ridge area looking northwest. Mineralisation intersected beneath the current pit design.



EXPLORATION GEOLOGY

DURING 2011, THE EXPLORATION TEAM ADVANCED ACTIVITIES ON OUR TWO EXPLORATION LICENCES (EL), EL 581, TOWNSVILLE, AND EL 1677, KAUWOL, BOTH LOCATED WITHIN THE WESTERN PROVINCE. WE ALSO HOLD TWO EXPLORATION LICENCE APPLICATIONS (ELA), LOCATED ON NEW IRELAND, PNG (FIGURE 7).

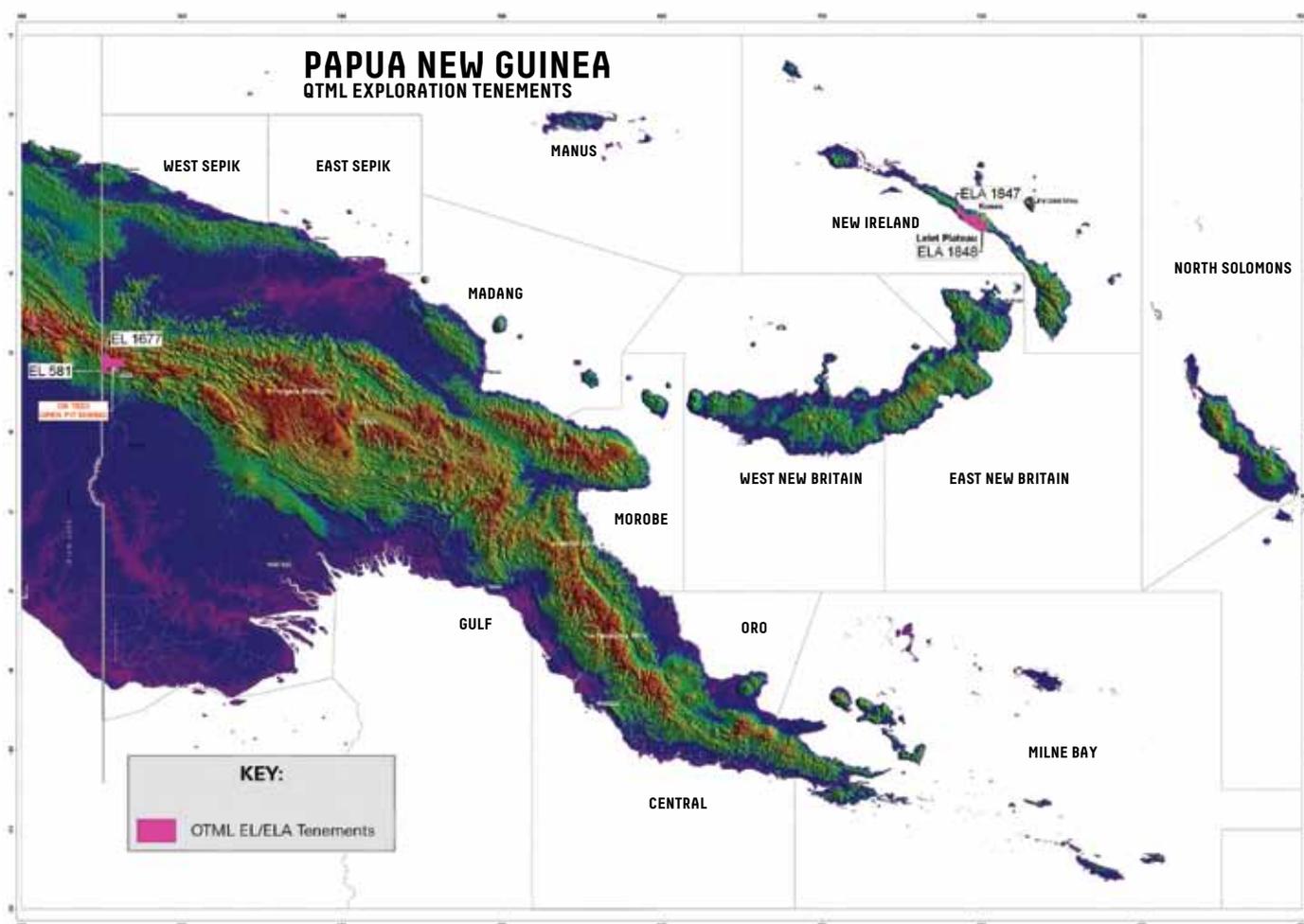
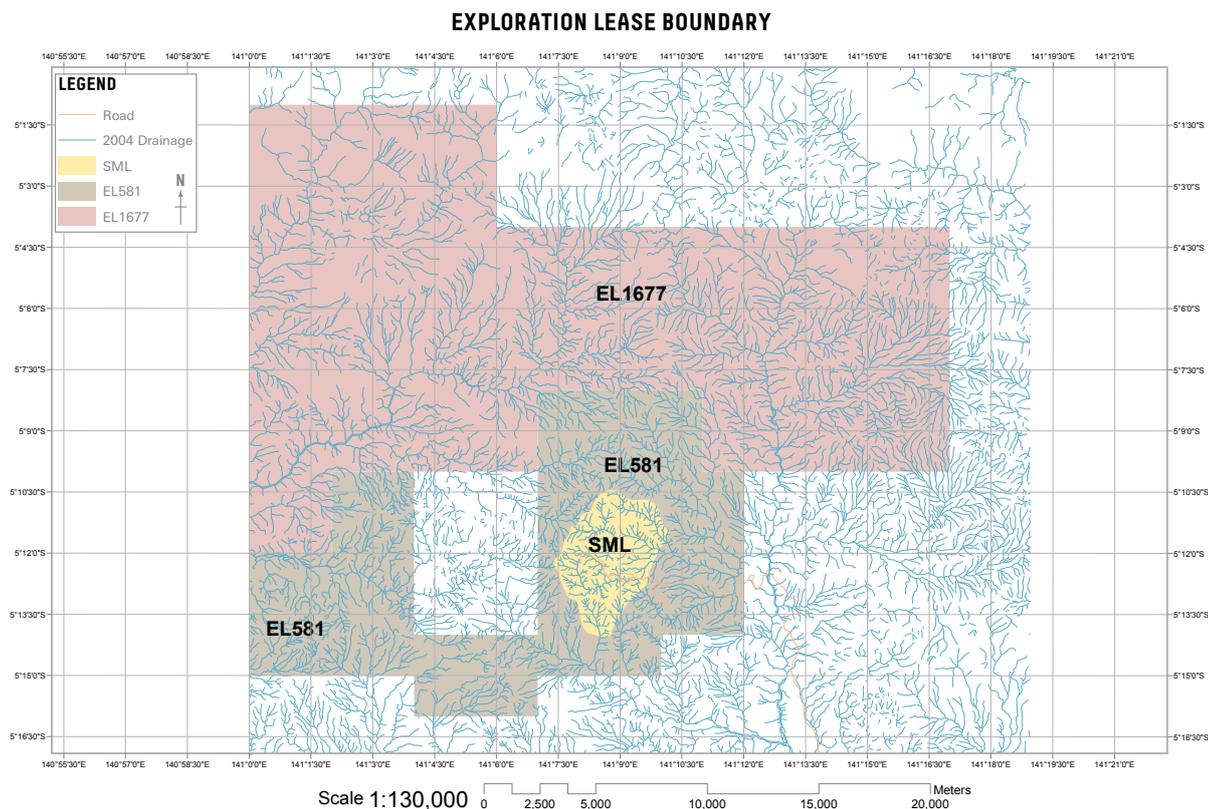


Figure 7
Coloured topography map of PNG showing the location of OTML's Exploration Licences.

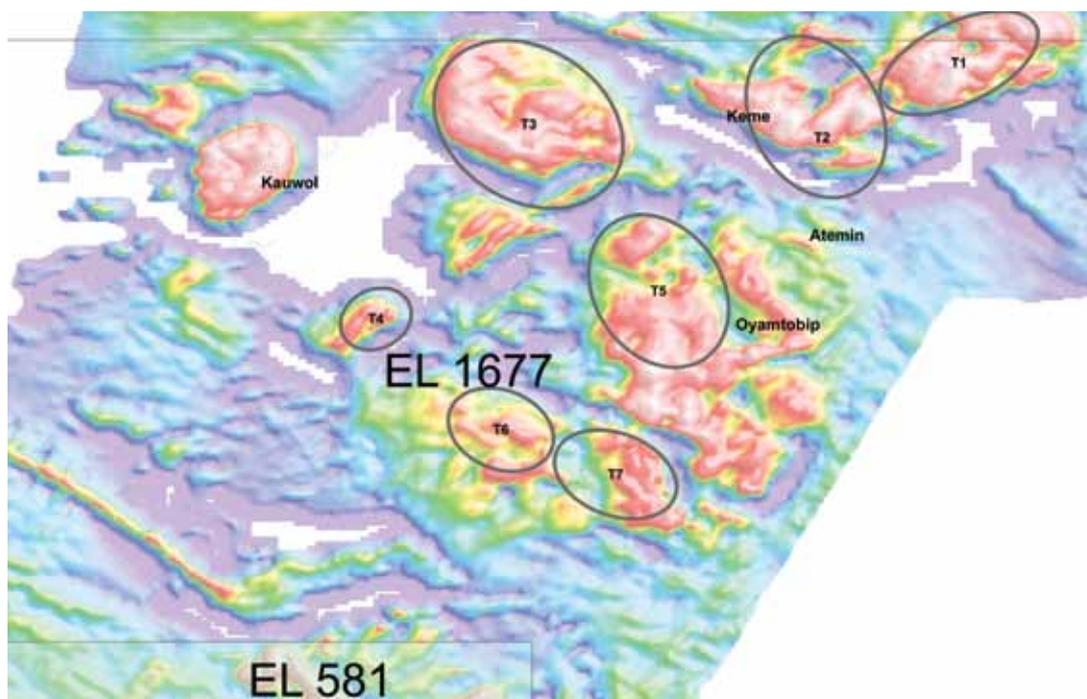
In 2011 we embarked on a diamond drilling programme at Townsville (EL 581) to define the extent of near surface gold mineralisation, and to target a potential deep, copper porphyry system. Two diamond drills operated in 2011; four drill holes for 781.3 m were conducted at two sites. Diamond drilling will continue in 2012.

Figure 8
EL 581, Townsville, and EL 1677, Kauwol, located around the Special Mining Lease (SML) of the Mt. Fubilan deposit



Exploration work at Kauwol (EL 1677), included an aeromagnetic survey and new 3-D inversion model (Figure 9). A ridge and spur sampling programme was completed at the T3 target where 17 soil lines were sampled for a total of 262 samples. The soil sampling campaign was designed to determine if these targets contained anomalous amounts of copper, gold and trace elements which may indicate nearby mineralisation. The exploration group will continue to work in this area in 2012.

Figure 9
Regional Exploration targets (T1-T7) within Kauwol, EL 1677 over apparent magnetic susceptibility model. T3 was the focus of ridge and spur sampling in 2011.



All exploration diamond drill core is logged and sampled at the OTML geology core shed. During 2011 a sample preparation facility was constructed in order to crush and pulverise samples prior to dispatching them to the assay lab. All exploration samples are sent to ALS in Brisbane for analysis to avoid any low level contamination from high grade mill and resource samples. QAQC is conducted on all samples and includes check samples, check assays, standards and blanks. All core is analysed for Copper, Gold, Silver, Acid Soluble Copper and Sulphur as well as various base metals and trace elements.

FINANCIALS

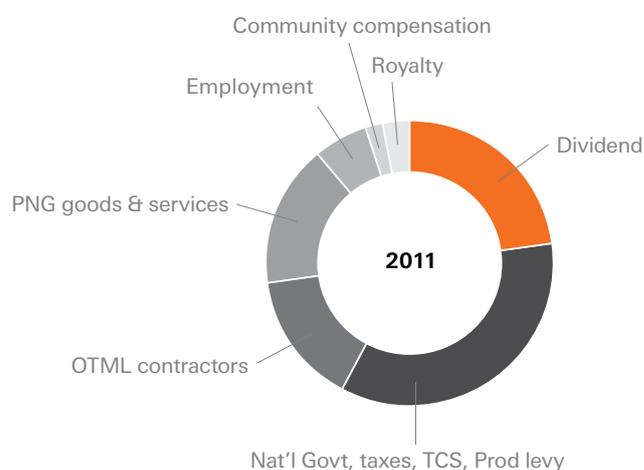
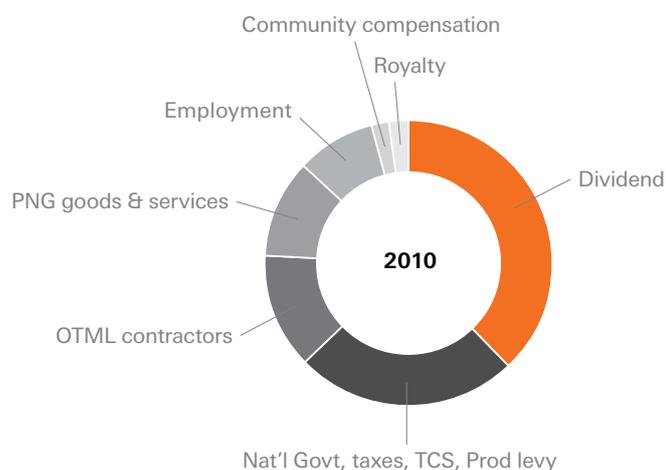
2011 was a difficult operating year as we took the decision to shut down our operations for a total of five weeks. The first shut down was in January 2011, when we experienced a fatality. We stopped operations for one week as we implemented three third-party comprehensive investigations into the cause of the fatality. The second shut down lasted four weeks in May and was a result of a rupture in the pyrite concentrate pipeline.



BREAKDOWN OF CONTRIBUTIONS TO PNG ECONOMY

	2010	2011
● Dividend (Nat'l Govt & PNGSDP)	38%	23%
● Nat'l Govt, taxes, TCS, Prod levy	25%	35%
● OTML contractors	13%	15%
● PNG goods & services	11%	16%
● Employment	9%	6%
● Community compensation	2%	2%
● Royalty	2%	3%

IN 2011, TOTAL SALES REVENUE WERE PGK 4.536 BILLION (USD 1.895 BILLION)



2011 PERFORMANCE AT THE MINE AND MILL

	2010 Actual PGK'million	2011 Actual PGK'million
Copper	3,153	2,981
Gold	1,574	1,638
Silver	72	90
Finalisation/revaluation	287	(173)
Total sales revenue	5,086	4,536

INCOME STATEMENT

	2010 Actual PGK'million	2011 Actual PGK'million
Sales revenue	5,086	4,536
Other operating income	(1)	20
Marketing costs	(371)	(271)
Cash operating costs	(1,442)	(1,648)
Change in product inventories	(24)	(66)
Depreciation and amortisation	(422)	(471)
Profit from operations	2,826	2,100
Net finance costs	44	(252)
Profit from ordinary activities before tax	2,870	1,848
Income tax expense	(840)	(604)
Net profit for the year	2,030	1,244

Sales revenues were 13.8% below budget, in line with the volume decrease. Copper, gold and silver prices remained strong, but PGK revenues were impacted by a weak USD. We report that our total operating costs were well within reasonable limits of the 2011 budget. Expenses include PGK 54 million (USD 26 million) for the preliminary stripping of the West Wall and PGK 36 million (USD 15 million) on business development and exploration.



**SHAREHOLDERS
RECEIVED
DISTRIBUTION/
DIVIDENDS TALLING
PGK 1.654 BILLION
(USD 685 MILLION).**

Current Assets:

The decrease in current assets reflects lower sales volumes and payment of dividends in December. The 2011 cash balance included funding for the Inmet payout.

Non-Current Assets:

The decrease in the Financial Assurance Fund reflects exchange rate movement in USD as additional contributions were made in the year to meet the target of a USD 230 million (PGK 548 million) balance by the end of 2013.

Property, Plant and Equipment (PPE) is being amortised over the remaining years to 2013, but there has been additional capital expenditures on plant and equipment that will have a useful life or residual value beyond 2013. PPE also includes PGK 102 million (USD 43 million) of capitalised Mine Life Extension costs.

Current Liabilities:

Income tax is in a recoverable position as provisional tax payments have been based on higher levels of expected profit.

Non-Current Liabilities:

No change in estimated rehabilitation provision PGK 548 million (USD 230 million) other than unwinding of the discount rate.

Equity and Reserves:

Major movement in the year was the exit payment to Inmet of PGK 881 million (USD 335 million) which was deducted PGK 43 million (USD 16 million) against share capital and PGK 838 million (USD 319 million) against retained earnings.

Total dividends paid for the year were PGK 774 million (USD 350 million).

BALANCE SHEET

	PGK' million 2010	PGK' million 2011
Assets		
Cash and cash equivalents	821	506
Trade and other receivables	777	314
Inventories	445	385
Other	34	38
Total current assets	2,077	1,243
Financial assurance fund	534	462
Property, plant and equipment	1,216	1,299
Restoration and rehabilitation	250	170
Other	154	128
Total non-current assets	2,154	2,059
Liabilities		
Trade and other payables	165	116
Income tax payables	180	(73)
Derivative financial instrument	34	34
Provisions	161	147
Total current liabilities	540	224
Deferred income tax liability	269	167
Restoration and rehabilitation	585	484
Derivative financial instrument	49	16
Provisions	17	21
Total non-current liabilities	920	688
Net assets	2,771	2,390
Equity		
Share capital	238	195
Reserves	(70)	(40)
Retained earning	2,603	2,235
Total equity	2,771	2,390

TABULATED SUMMARY OF 2011 FINANCIALS

	2007	2008	2009	2010	2011
Financials (PGK '000s)					
Sales revenue	5,039,723	3,826,560	4,002,104	5,086,128	4,535,890
Profit before tax	2,916,043	1,767,835	2,252,347	2,869,482	1,846,758
Tax	873,517	541,184	690,182	840,164	607,503
Net profit after tax	2,042,526	1,226,651	1,562,165	2,029,318	1,239,255
Comprehensive income	2,048,076	1,329,786	1,467,747	2,018,103	1,268,345
Net cash flow (before dividends)	1,051,573	1,182,537	1,009,838	1,981,557	1,328,051
Dividends paid	1,439,901	927,253	933,438	1,686,645	1,654,355
Financials (USD '000s)					
Sales revenue	1,700,947	1,412,967	1,459,085	1,872,735	1,895,282
Profit before tax	1,002,583	648,821	820,180	1,041,912	870,056
Tax	294,036	196,338	252,589	310,268	251,292
Net profit after tax	708,547	452,483	567,591	731,644	618,764
Comprehensive income	735,215	490,062	532,424	726,710	627,699
Net cash flow (before dividends)	378,988	450,063	369,774	723,479	605,098
Dividends paid	500,000	350,000	350,000	605,000	685,000



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SOCIAL RESPONSIBILITY REVIEW

**WE ARE INVESTING IN THE
COMMUNITIES IN WHICH
WE LIVE AND WORK...
AND CREATING BETTER FUTURES**



SAFETY AND HEALTH

**WE HAVE A WORLD CLASS
SAFETY RECORD...
BUT NEVER LOSE SIGHT
OF OUR ZERO HARM GOAL**



Safety and Health

Our Company philosophy is that all personnel in the workplace have an obligation to demonstrate a conscientious commitment to the prevention of incidents and the elimination of risk. OTML is committed to a policy of "Zero Harm" to its workforce of employees and contractors. All OTML policies use the principle of "Zero Harm" as a measure to ensure that all employees and contractors are not exposed to any potentially harmful situation whilst involved in work for OTML.

Our programme is managed through the Ok Tedi Mining Safety Management Plan. 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 at a minimum, OTML's safety and health standards.

In previous years OTML used the National Occupational Safety Association (NOSA) system to manage Occupational Health and Safety but performance in this area reached a level where improvements were not occurring and in fact had taken a negative turn. In mid-2011, we took the decision to move away from NOSA and implement a management system focusing on risk and behaviour that is aligned with ISO 18001.

Significant Incident

Sadly in January 2011, one of our colleague employees suffered fatal injuries while working in the mill. We shut down our operations for one week while a comprehensive third-party investigation was completed. Three separate third-party audits were undertaken to understand:

- The structural integrity of the mill complex
- The integrity of the electrical wiring and systems
- The mill safety systems.

As a result of these investigations we revised and implemented new processes and policies.

The foundation stones of the OTML Occupational Health and Safety system are our policies and standards which consist of 22 Integrated Management Standards (IMS) and 16 standards aligned to ISO 18001 (2007). Accordingly, our system is audited annually by an external certified IMS auditor, the results and recommendations are integrated in to our planning processes across all domains of our business.

2011 major health risks included:

- Noise
- Fatigue
- Manual Handling
- Fitness for Work.

These are being managed through on-going assessments and our Occupational Health and Wellness Programme.

2011 major safety risks included:

- Vehicle Interaction On and Offsite
- Uncontrolled Slope Movement
- Hazards Associated with the Use of Electricity
- Working at Heights
- Working in Confined Spaces
- Isolated Work Locations
- Working Around Water.

These risks are managed through mitigation plans and the OTML health, safety and IMS standards.

Monitoring and reporting of Lost Time Injury (LTI) statistics is a requirement of the Mineral Resources Authority (MRA) and is one of the Company's main performance measures.

The site's rolling Lost Time Injury Frequency Rate (LTIFR) as at 31 December, 2011 was 0.53. We also report against Total Recordable Incidents and Significant Incidents – these are classified as incidents which have a rating of four or five on the OTML scale of one to five. In 2011, we achieved a Total Recordable Injury Frequency Rate (TRIFR) of 3.23.

OUR TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR) WAS 3.23.

The safety initiatives we implemented in 2011 are expected to result in ongoing improvements.

2011 SAFETY STATISTICS

Lag targets		Target 2010	Actual 2010	Target 2011	Actual 2011
LTIFR	Lag	<0.50	0.21	0	0.53
DIFR	Lag	<1	0.55	<1	1.06
Light vehicle incident FR	Lag	<6	9.48	<6	9.83
Hand and finger incidents FR	Lag	<5	0.34	<5	0.66

Safety Team Highlight



Yayoka Hangu

Yayoka joined OTML 13 years ago and moved to Bige three years ago to lead the Occupational Health and Safety team at the Bige Operations.



OCCUPATIONAL HEALTH AND SAFETY TRAINING PROGRAMMES

We believe in providing every employee and contractor with the necessary competencies to identify and manage risks in their work environment. In 2011 we ran a series of training programmes for employees and contractors consisting of:

- TapRoot Investigation Training
- Defensive Driving
- Risk Management
- Contractor Management
- Take-5
- Job Safety Analysis (JSA)
- Safety Representative Training.

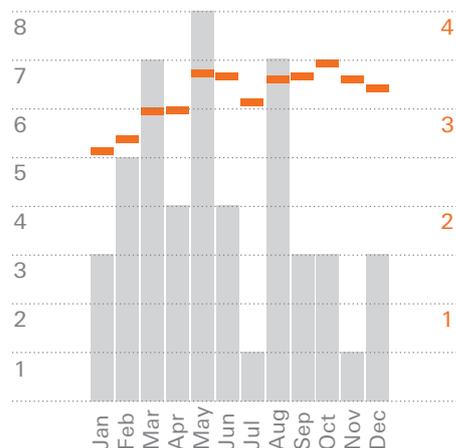
In May 2011, we commenced a web-based training programme that covered the following topics: Obesity, Alcohol Consumption, Diabetes, Cholesterol, Healthy Eating, High Blood Pressure, Foot Care, HIV/AIDS, and Occupational Asthma.

Our intention is to continue these web-based health and safety messages.

In 2011, 6,990 people attended OHS training, accounting for 36,614 person-training hours.

TOTAL RECORDABLE INJURY FREQUENCY RATE-SITE

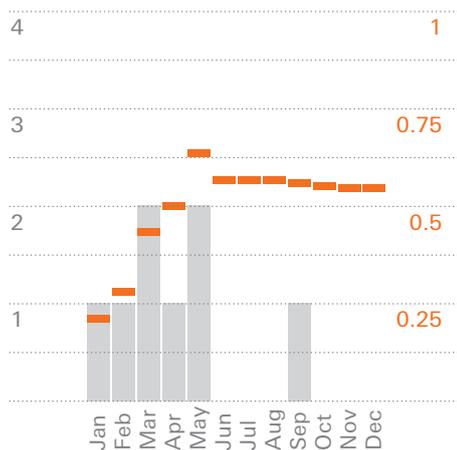
- All work related injuries = fatality, lost time, restricted work, medical treatment
- TRIFR = [(number of Injuries/Hours worked) x 1,000,000]





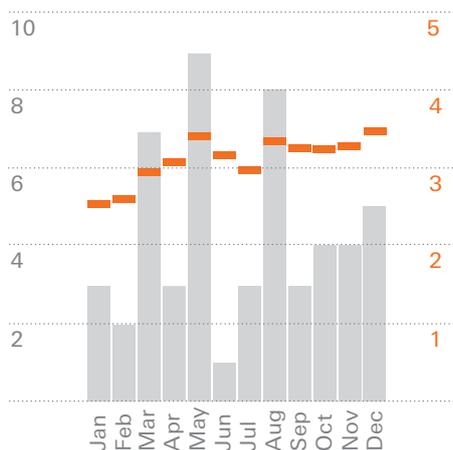
LOST TIME INJURY FREQUENCY RATE-SITE

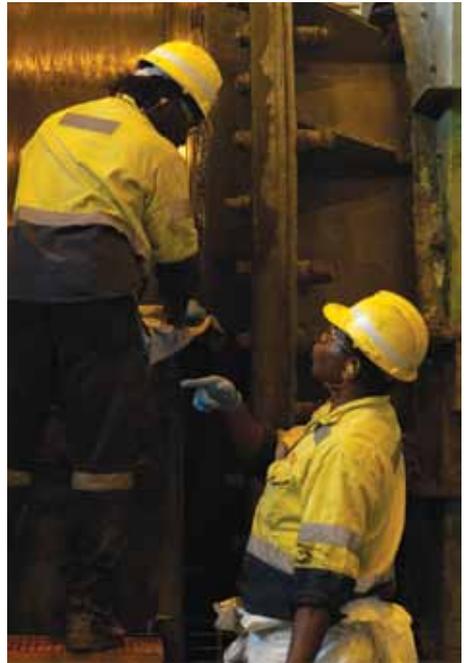
- LTI = Work related injury/illness which renders the person unable to perform any of the duties of his/her regular work on the next calendar day after the injury
- LTIFR = [(number of Injuries/Hours worked) x 1,000,000]



SIGNIFICANT INCIDENT FREQUENCY RATE-SITE

- Significant incidents = Disabling Injuries and Actual/Potential Consequence of Levels 4 and 5
- SIFR = [(number of Incidents/Hours worked) x 1,000,000]





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TURNOVER BY DEMOGRAPHIC

Turnover	%
Male	12.9
Female	10.3

Turnover by age	%
Under 30	15.6
30-39	10.9
40-49	10.7
Over 50	16.1

LABOUR RELATIONS AND WORKPLACE PRACTICES

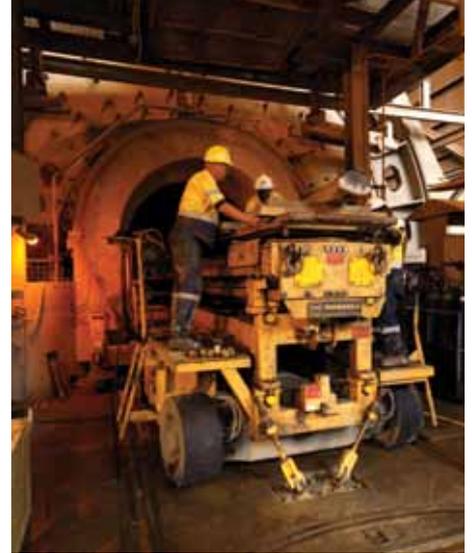
Our success as a Company is grounded in strong foundations of personal and professional integrity and excellence. We know that to continue to be the premier mining company in PNG we need to continue to attract and retain talented, committed people. We know that to be the employer of choice we need to provide people with a safe and rewarding work environment. We operate in a community of vast cultural diversity and have created a workplace environment that fosters inclusivity, respect, and open communication.

OTML conducts its operations in a manner consistent with the requirements of the Ok Tedi Industrial 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)
- Equality of Treatment Accident Compensation.

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.



OTML is an equal opportunity employer and upholds all principles of equality, fairness, and justice. All our employees receive training in OTML's Business Code of Conduct; Golden Rules of Conduct; and, general Human Resource policies. These all address fair treatment, equity, and respect.

We are actively engaged in a campaign to increase the number of women working at OTML. In 2011 we completed focused outreach to attract women to our Preferred Area Development employment schemes and our Apprenticeship and Graduate programmes. The Company and management are committed to increasing the representation of females in all areas of our business.

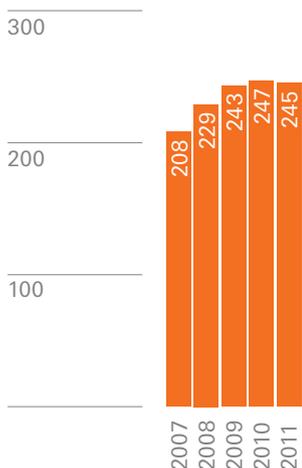
Our workforce is drawn from 21 provincial regions, each with its own unique language and customs. We are committed to employing and empowering local people with skills and opportunities to advance their careers. Of the 2,156 employees with our Company, 95% (2044) are from Papua New Guinea. Of these, 34% hold management positions.

Employee retention remains a significant issue of concern to the Board and Management team at OTML. Our employees, especially our trades people, are exceptionally well trained and in high demand as the global need for skilled workers continues to increase. The majority of our turnover is a result of OTML trained employees being offered opportunities to work on mineral development projects outside of Papua New Guinea. To remain competitive, we offer a comprehensive benefits package:

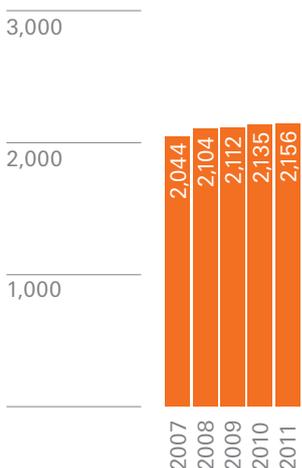
- Market Competitive Salaries
- Generous Education Support for Dependents
- On-going Training and Development Opportunities
- Performance Bonuses
- Home Purchase Assistance
- Superannuation
- Generous Annual Leave.



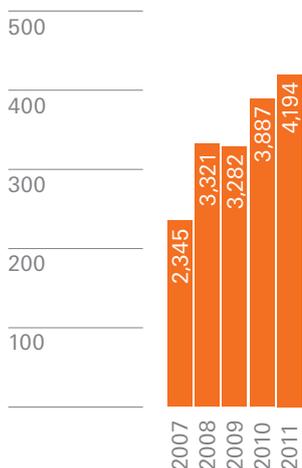
NUMBER OF WOMEN EMPLOYED



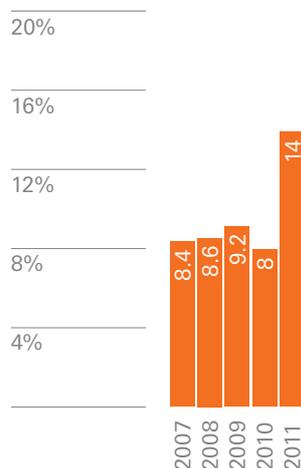
EMPLOYEES



CONTRACTORS

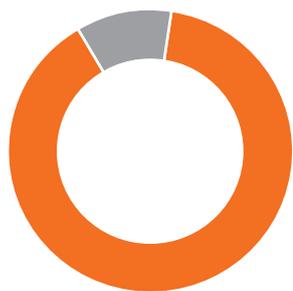


EMPLOYEE TURNOVER RATES



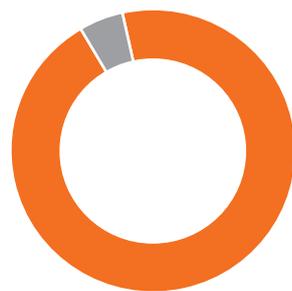
**PAPUA NEW
GUINEANS HAVE 16
OF 47 MANAGEMENT
POSITIONS AT OTML**

**GENDER IN THE
WORKPLACE**



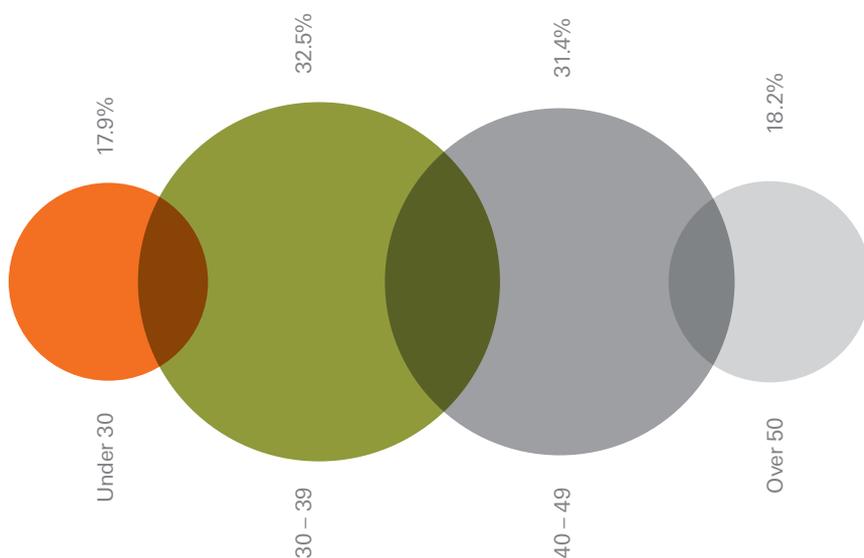
	Employees	%
Male	1,924	89.0
Female	232	11.0
Total	2,156	

**WORKFORCE
BREAKDOWN**



	Employees	%
Expats	112	5.2
Nationals	2,044	94.8
Total	2,156	

WORKFORCE DEMOGRAPHIC



Did you know?



25% of all the copper produced is used in buildings for plumbing, roofing and cladding. Copper provides light, durable maintenance-free structures that are naturally good looking, long-lasting and fully recyclable. Copper's naturally antimicrobial properties can be exploited in hygienic surfaces for hospitals and healthcare facilities.



2011: TRAINING AND DEVELOPMENT RESULTS

Training areas (Figures based on training events).	2011 Yearly running total attendees	2011 Yearly running total person hours
Corporate training Management and leadership; computing, communication skills, planning.	1,098	27,156
Trades training	494	43,281
Graduate development scheme (GDS) & preferred area development (PAD) training	44	4,400
External training Sponsored online studies; attendance at courses, conferences and workshops in PNG and elsewhere.	164	150,620
Statutory training This covers training required for professional trade certification and it covers occupational health and safety such as rigging, working at heights, working in confined spaces etc.	7,200	36,544
Community education & training Supports people from the local area as they attend classes for literacy and numeracy.	168	15,960

Employee Capacity Building Programmes

In 2011, we invested PGK 19.5 million (USD 8.2 million) in employee capacity building programmes. We support our employees as they develop skills that enable them to take on ever more demanding roles requiring greater accountability and technical knowledge. We have a comprehensive two year Graduate Development Scheme (GDS) for developing new Graduates into our business, and the Industry in general. In addition, the Preferred Area Development (PAD) scheme has been created to induct and train people from the local area to potentially work directly for the OTML.

In 2011 approximately 10% of women attended the training programmes; we had an overall success rate of 85-90%. Those who did not achieve competency or certification on their first try were encouraged and asked to resit their assessment and testing to arrive at competency and certification.

Direct economic benefits to the Western Province and Papua New Guinea:

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 2011 remained the largest employer in PNG. 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.

Did you know?



Gold's unique properties make it useful in medical applications, pollution control, air bags, mobile telephones, laptop computers, space travel, and many other things we consider indispensable to our modern lives.

IN 2011, WE INVESTED PGK 19.5 MILLION (USD 8.2 MILLION) IN EMPLOYEE CAPACITY BUILDING PROGRAMMES.

SOCIAL RESPONSIBILITY REVIEW

**WE ARE DEVELOPING, TRAINING,
AND EDUCATING OUR EMPLOYEES...
95% OF OUR WORKFORCE ARE
PAPUA NEW GUINEANS**



EMPLOYEE WELLNESS PROGRAMME

We believe in supporting our employees as they advance their careers and adopt healthier lifestyle practices.

Through our Employee Health and Wellness Programme we continue to empower our employees to make healthy lifestyle choices. Health assessments continued to be the major focus of the programme in 2011, with 1,304 employees (61% of the workforce) voluntarily participating in the assessment. The 'Health for Life' book, containing health assessment results and general health information, was launched on 20 May, 2011 by OTML's Managing Director and CEO.

In October, over 200 employees and contractors registered to participate in *Kilim Dai Gris*, the inaugural six week weight loss programme. Translating as 'get rid of fat', the programme saw the combined loss of 196 kg and 403 cm. By losing an average of 4 cm off their waist circumference and 2 kg off their total body weight, the 103 employees who completed the programme successfully halved their risk of lifestyle diseases such as heart disease, diabetes, stroke and cancer.

The availability of fresh and healthy food as frequently raised in health assessments, medical appointments and safety meetings remains a significant concern for employees. To address this, key performance indicators for catering and supermarket contracts have been developed and are regularly audited, in order to better monitor the types, quality and quantity of food available in Tabubil and at other OTML sites.

2011 saw the introduction of a number of community based initiatives, including supermarket tours, to teach individuals how to read nutrition labels on grocery items and how to make healthier choices from available products; the commencement of group fitness classes; a monthly walking group; and a 'Jump Rope for Heart' skipping programme in four schools in Tabubil.

In 2011, we published the OTML Health Passport. The Health Passport provides information about health facilities in Tabubil and OTML clinics, common illnesses and how to prevent them, recommended vaccines and provides a place to keep a record of vaccinations. This is available for all newly arrived expatriate employees and contractors. The Health Passport is also available to national employees and contractors when they are vaccinated for the first time at an OTML clinic. It is issued by the health care worker giving the vaccination.

To support employees and their families, OTML offers a number of medical benefits to employees:

- Comprehensive Health and Medical Cover
- Employee and Family Counselling and Support
- Generous Sick and Compassionate Leave Allowances.

To If dealing with a chronic illness, OTML provides the individual with:

- Ongoing support from a range of medical and allied health professionals
- Referrals to specialists as required
- Treatment in international hospitals as required
- Provision of medications
- Medical support for 12 months following an ill-health retirement from the Company.

Did you know?



Silver ions are starting to be added to water purification systems in hospitals, community water systems, pools and spas. It is slowly replacing chlorine as the widespread element of choice for filtration. Silver also eradicates Legionnaires' disease, which is caused by buildup in pipes, connections and water tanks.



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SOCIAL RESPONSIBILITY REVIEW

**WE ARE CREATING SHARED PROSPERITY...
WE COLLABORATE WITH COMMUNITIES
TO DEVELOP ENDURING BENEFITS**





STAKEHOLDER ENGAGEMENT

COMMUNITY MINE CONTINUATION AGREEMENTS (CMCA)

Social Highlight



Allan Tagai

Allan is the Senior Employee Counsellor with OTML's Employee Assistance Programme which provides assistance to employees and their spouses. When Allan joined OTML ten years ago it was with a vision to empower local people with skills so that they could better manage the changes they were witnessing in their communities. To this end, Allan started a Radio talkback programme, *The Common Ground*; it is the most anticipated weekly programme on OTML's Radio Fly. Every Tuesday night, the show attracts a huge audience from regions near and far, from the Western Province to far north Queensland in Australia, into neighbouring provinces, and across the globe, reaching people in New Zealand, Korea, Japan, Indonesia, France, and America.

The programme is a four-hour live counselling talkback show. Listeners write to the programme and counselling is provided for everyone's benefit. Listeners can also telephone-in live and air their views. A variety of topics are discussed: relationships, financial management, reproductive health and general wellness, PNG culture and taboo practices, initiation ceremonies, career choices, alcohol and drug misuse, law and order, to name a few. *The Common Ground* is the only talkback counselling radio programme in PNG.



WE BELIEVE IN OPEN AND HONEST COMMUNICATION AND IN WORKING WITH COMMUNITIES TO ARRIVE AT AND CELEBRATE:

**SHARED PURPOSE
SHARED GOALS
SHARED VALUES
SHARED SUCCESS.**

We operate a Community Relations department and fund the Ok Tedi Development Foundation (OTDF), OTML's sustainable development arm. Our Community Relations department is the main interface between the communities affected by our operations and our Company. Our vision is to create and maintain harmonious relationships with communities where we live and operate such that mutually beneficial programmes and visions are achieved.

We are committed to acquiring and maintaining FPIC (free prior informed consent), as embedded in our Community Mine Continuation Agreements (CMCA) which we signed with communities who are affected by our operations. The CMCA region covers a geographic area of 98,048 km² and a total population of over 100,000 people.

OTDF's vision is to work in collaboration with CMCA community members to develop sustainable initiatives that improve their quality of life. OTDF management, in consultation with its Advisory Committee which includes members from communities affected by our operations; the Fly River Provincial Government; PNGSDP and, the Council of Churches, works to deliver local and regional sustainable development projects.

OTDF's mandate is to mobilise and administer the CMCA and other community Trust Funds in support of community development. The framework is one to complement government, community, and private sector development initiatives in the Western Province. Of note, 10% of the CMCA funds (PGK 11.4 million; USD 4.8 million in 2011) are allocated to programmes that directly serve women and children.

2001

In 2001, we entered into Community Mine Continuation Agreements (CMCA) under the Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act with the 156 villages affected by our operations.

The Agreements commit OTML to:

- Seeking informed consent prior to making material changes to our operations
- Making investment and development payments through eight Trusts and six mine villages. To mobilise the Trusts, OTML established Village Planning Committees (VPCs) in each of the 156 CMCA villages and empowered them to identify and prioritise sustainable development projects that they felt would be of most benefit to their communities.

The legislation also included the concept of a charitable legal entity whose main purpose was to manage and mobilise community funds in a highly transparent governance structure.

2002

In 2002, OTML registered the Ok Tedi Development Foundation Limited (OTDF) as a not-for-profit organization. The State of PNG passed legislation enabling legal substance.

2007

In 2007, a revised Memorandum of Agreement (MOA) between OTML, PNGSDP, the State and CMCA communities was reached requiring the creation of an independent identity to manage the Trusts. As a result, OTDF established the Ok Tedi Fly River Development Program (OTFRDP) as a trade name. This trade name was registered as the new identity in August 2008.

2009

In February 2009, the OTML Board approved the transfer of one share in OTDF to PNG Sustainable Development Program Limited (PNGSDP). The OTML Board is legally obliged to transfer the remaining three shares to other reputable development organisations prior to or at mine closure.



COMMUNITY RELATIONS

Our Community Relations department consists of the following five units, each with a dedicated team of people living throughout the Western Province:

1. Tabubil-based Community Relations.
2. Kiunga and Bige-based Community Relations.
3. Communications and Consultation.
4. Socioeconomic Research and Effects Assessment and Monitoring.
5. Government Liaison and Lands.

We believe communities can only make informed decisions about our practices and operations if they are kept abreast of our business developments. We are committed to providing timely information and to understanding the visions, dreams, and concerns that are of importance to our stakeholders.

In 2011, we facilitated 188 village meetings. As determined by our stakeholders, we focused our outreach and engagement programmes on providing detailed and timely information on the following:

Environmental Performance

Our attention continues to be appropriately focused on the environmental effects of our operations as this remains a key area of concern for our stakeholders. In 2011, our Community Relations team members in partnership with scientists from our Environment department made regular presentations on our environmental management and mitigation programmes and encouraged community members to review our record keeping and read our reports.

The Mine Life Extension (MLE) plan

In 2011, we facilitated 109 village consultation meetings to ensure communities are fully apprised of the research programmes we are completing to arrive at a mine life extension plan. Our engagement was guided by a policy and procedures manual which was informed by stakeholders and their preferred methods of engagement. Discussions regarding the MLE will continue throughout 2012. Our meetings were facilitated by third-party consultants and were witnessed by two highly respected citizens.

Pyrite Concentrate Spill

In 2011, we facilitated 79 meetings with area residents to communicate the causes and the effects of the pyrite concentrate spill and to arrive at a compensation package for area residents. The Environment department together with the Community Relations team facilitated meetings and coordinated the containment and remediation efforts.

Sustainable Development Programmes

Communities expressed a continued desire to participate in the following social development programmes:

- Sewage, sanitation systems and power supplies
- Access to a consistent and clean water supply
- Housing and education facilities
- Medical facilities and services
- Microfinance projects.

Compensation and Benefits Packages

In 2011, OTML paid PGK 53.8 million (USD 22.7 million) in compensation to CMCA communities. 50% was paid in cash to clan and family accounts and the remainder to the eight CMCA Trust regions as development and investment funds. In addition to this, the Company paid PGK 16 million (USD 6.7 million) as general compensation to affected communities that own land along the Ok Tedi and Fly Rivers.

**IN 2011, OTML PAID PGK 53.8 MILLION
(USD 22.7 MILLION) IN COMPENSATION
TO CMCA COMMUNITIES.**

WE BELIEVE THAT COMMUNITY ENGAGEMENT IS EVERYONE'S RESPONSIBILITY. OUR AIM IS TO FURTHER THE INTEGRATION OF OUR COMMUNITY RELATIONS PRINCIPLES AND PRACTICES THROUGHOUT OUR OPERATIONS.



Community Highlight



Constructing Homes

In 2011, OTDF facilitated the construction of 82 houses. The intention is to continue to support the construction of homes in villages throughout the CMCA area.



SOCIAL DEVELOPMENT

Participatory development programmes have the capacity to positively affect and empower people, enabling them to sustain a quality of life that they can be proud of. Research shows that programmes that are developed in collaboration with the people they are intended to empower have a higher success rate than programmes that are created without localised participation.

OTDF's mission is to facilitate the creation of localised participatory sustainable programmes that support the aspirations of communities affected by our operations, specifically the CMCA communities. OTDF is a 75% subsidiary of OTML, with PNGSDP holding the remaining 25% shareholding. To learn more about OTDF, please visit www.otdfpng.org

Over the last two years OTDF has amended key operating practices with a goal to improving the efficacy of programme identification, selection, and delivery. In 2011, OTDF increased the number of regional and community development officers from 11 to 31, and invested in accommodations and telecommunications so that OTDF staff can reside in remote areas of the Middle and

South Fly region. We believe that living in the vicinity of the CMCA communities is the best way for us to improve our understanding of the vision and dreams held by area residents.

Initiatives undertaken by OTDF are population based and seek to positively touch the largest number of people. Our programmes are grounded in research and are monitored for efficacy of delivery and desired outcomes. In 2011, in addition to facilitating meetings with stakeholders, OTDF regional development teams completed profiles in 156 villages with the goal of understanding their respective social, economic, environmental, and cultural assets and needs. The combination of the stakeholder engagement and the research provided the base from which OTDF commenced working with communities on development initiatives. These projects varied from supporting the delivery of basic needs, such as clean water, to developing microfinance projects and improving upon the riverine transport system.

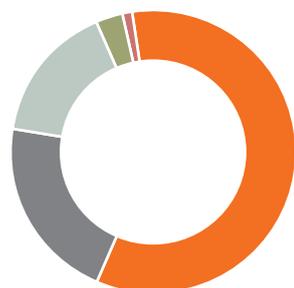
In addition to working with community members, OTDF engages regularly with key development partners – PNGSDP, the Fly River Provincial Government (FRPG), the PNG

National Government and AusAID. Together they have created programmes to improve health, education, and economic indicators.

In 2011, OTDF development initiatives focused on the following areas:

- Access to clean water
- Food security
- Housing
- Education
- Rubber development
- River transport
- Health.

ALLOCATION OF CMCA TRUST FUNDING



	%
● Infrastructure	59
● Education	21
● Others	16
● Rubber	3
● Food security	1

IN YEAR 2011, OTML PROVIDED PGK 18.4 MILLION (USD 8.1 MILLION) IN FUNDING TO OTDF FOR USE IN SUSTAINABLE DEVELOPMENT PROGRAMMES.

Water

Access to clean water is a basic necessity that some residents of the Middle and South Fly regions do not currently enjoy. Village baseline studies and engagement with multisectoral stakeholder groups identified a need for the installation of bore wells, water tanks and catchments. In 2011, PGK 15 million (USD 6 million) in counter funding from PNGSDP and WASH, the AusAID water and sanitation programme, was secured for the installation of this infrastructure in 49 South Fly villages.

Food security

Research indicated that a large majority of CMCA community members' diets were not varied enough and were lacking in protein. We engaged in an outreach and education programme that encouraged diversified crop production and inland fish farming, with the aim of increasing caloric and nutritional intake and supporting micro-economic development. There are now 21 model farmers in 20 villages throughout the CMCA area growing fish and producing diversified crops for both subsistence and market purposes. A new inland aquaculture production model was developed to address the constraints of fingerling supply and feed production. Fish farmers received training to produce pelletised feed from locally available ingredients. Two fish farmers became exclusive fish breeders; they supply fingerlings to all inland fish farmers. A total of 70,000 fingerlings were grown-out and sold in 2011.

Housing

The majority of homes in the North Fly area are constructed of wild sago leaves, and few have electricity. PNGSDP's subsidiary company, Western Power Ltd is supplying electricity to rural villages across the North Fly; the requirement is that the homes be made of construction materials capable of supporting electricity. In 2011 we facilitated the construction of 82 houses; our intention is to continue to facilitate the construction of homes in villages throughout the CMCA area.

Education

In 2011, we completed a comprehensive review of the educational facilities with a view to understanding whether or not the current infrastructure meets the needs of school aged children and youth. Results revealed a need to support the delivery of materials and the development of educational infrastructure and services. Our focus in the coming years will be to enable the construction of necessary educational infrastructure and facilitate the delivery of educational materials to schools within the CMCA region.

Rubber development

Originating in the North Fly region, rubber development has gradually expanded into the Middle and South Fly regions. CMCA communities have identified rubber development as a viable long-term economic development opportunity that will generate an income beyond the opportunities and compensation provided by the mine.

The long-term vision of North Fly residents is for every family living in suitable rubber growing areas to have a one to four hectare rubber block such that they become economically independent post-mine closure. In the South Fly region 37,312 points of rubber were budded and distributed to select farmers covering over 80 hectares of land. In 2011, 240,000 points of rubber were grown in three OTDF regional nurseries for distribution to village farmers.

River transport

People living in parts of the North Fly and throughout the Middle and South Fly region rely on a riverine network as their highway. To enhance movement along the Fly River system, OTDF encouraged people to adopt the use of fibreglass canoes, as opposed to outboard motors and dinghies. Moreover, in 2011, on behalf of the CMCA trusts, OTDF facilitated the acquisition of three vessels: the MV Fly Hope passenger vessel, the MV Fly Warrior cargo vessel, and the MV Explorer, a research vessel that the CMCA communities will lease back to OTML's environment and community relations teams. To accommodate the vessels, jetties funded by the Tax Credit Scheme were built.



COMMUNITY WELLNESS PROGRAMMES

In late 2008, the OTML Board committed PGK 20 million (USD 8 million) over five years to strengthen the capacity of health providers in the North Fly District. When the OTML Board first considered this programme, our vision was for it to be delivered through a partnering approach with the Evangelical Church of PNG (ECPNG), Catholic Health Services (CHS), and North Fly District Administration (NFDA) together with our implementation partner JTA International. The year 2011 was another major step forward in achieving the vision.

The goal of the North Fly Health Services Development Programme (NFHSDP) is to collaborate with all North Fly partners to achieve sustainable health improvements through strengthening of the existing health system. The 12 objectives are:

1. Increase child immunisation coverage.
2. Reduce malaria morbidity and mortality.
3. Reduce maternal morbidity and mortality.
4. Control rate and transmission of STIs and HIV.
5. Reduce the rate of child mortality attributed to pneumonia.
6. Control the transmission of TB.
7. Reduce the rate of child mortality attributed to diarrhoea.
8. Health system strengthening.
9. Strengthen health worker performance.
10. Ensure effective coordination and management of the health programme with provincial and local government, communities and churches.
11. High quality monitoring and evaluation of NFHSDP.
12. Promote community self reliance and self determination through Healthy Village principles.

The NFHSDP was designed and is being implemented in line with the National Department of Health Strategic Plan and priorities. In late 2010, the National Department of Health of PNG (NDoH) launched a National Health Plan 2011-2020 with the theme *Back to Basics, strengthening primary health care for all and improved service delivery for the rural majority and urban disadvantaged*. Aligned with this focus, the NFHSDP key area is strengthening primary health care across the entire North Fly District, and is thus well positioned to continue to support NDoH's strategic priorities in PNG.

The NDoH priorities, and therefore a number of the NFHSDP's 12 objectives, align with several UN Millennium Development Goals (UNMDGs), including Millennium Development Goal 4, Reduce Child Mortality, Millennium Development Goal 5, Improve Maternal Health, and Millennium Development Goal 6, Combat HIV/AIDS, Malaria and Other Diseases.

In 2011, three years into its five year duration, the Programme was concurrently internally and externally evaluated (mid-term review). The mid-term review, using health facility surveys, client exit interviews, and community focus group discussions, provided an analysis and evaluation of the contribution of the NFHSDP to North Fly health services since it began in 2009. In general the review found improvements in many areas of service delivery including the frequency and type of services that are provided, the availability of national standard treatment guidelines, the availability of functional basic equipment, record keeping and reporting practices, and infrastructure and communication mechanisms. These improvements were measured against the findings of the Baseline Survey which had been completed in 2009.

Improvements requiring further attention include:

1. Childhood illnesses, specifically the incidence of diarrhoeal disease.
2. The incidence of low birth weights.
3. The availability of essential drugs and supplies.
4. The availability of oxygen and suction apparatus for treating children with pneumonia, and for the provision of basic and emergency obstetric care.
5. The general maintenance of health facilities.
6. Channelling of communication from senior management levels to health facility staff.
7. Engaging communities such that they take an increased responsibility for their own health.
8. The need for a better District and Provincial approach to addressing the HIV and AIDS agenda.

The review also found that there are still considerable improvements which could be made to a number of the components inherent in delivering quality health services to the people of the North Fly, and the Programme looks forward to continuing its support to all partners in an effort to address the issues that continue to challenge North Fly health services.

The outcomes of the mid-term review and key learnings will be used by the Provincial Health Steering Committee to establish the health programmes in the Middle Fly and South Fly Districts.

The NFHSDP review was timely as it coincided with the release in the same month of the *2011 Sector Performance Annual Review – Assessment of Performance 2006-2010 Annual Report* compiled by the NDoH. Of 11 indicators reported in the mid-term review, North Fly shows demonstrated improvement in nine areas, while two have deteriorated. These results are not dissimilar to the significant challenges that remain nationally in the areas of childhood malnutrition, malaria incidence, and diarrhoea disease, as highlighted in the Annual Sector Review.

Indicators that improved:

1. Pneumonia case fatality rate in health facilities for children < 5 years.
2. Family planning practised for a couple (years of protection).
3. Total childhood malnutrition (< 80% weight-for-age).
4. Severe child malnutrition (< 60% weight-for-age).
5. Measles vaccine coverage (children < 1 yr).
6. Third dose pentavalent coverage (children < 1 yr).
7. Antenatal coverage.
8. Supervision of births in health centres and hospitals.
9. Malaria incidence (health centre/hospital presentations per 1,000 people).

Those that have deteriorated:

1. Diarrhoeal disease in children < 5 years.
2. Maternal health (low birth weight < 2,500g).



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**COMMUNITY WELLNESS
IN 2011 THE NFHSDP
ACHIEVED:**



- Tabubil Urban Clinic commenced services on 12 January. An outpatient clinic is now staffed by nursing officers, community health workers and a health extension officer. The clinic saw an average of 1,238 patients per month, the same number of patients seen at the General Outpatients Department at Tabubil Hospital
- In 2011, North Fly was the first district in the Western Province to receive training in the new national malaria treatment protocol. 123 participants from aid-posts, health centres, clinics and hospitals across the North Fly District, and a small number from the Middle Fly District, attended the two day training in Kiunga in March.
- Work continued to replace, repair and maintain the cold chain network resulting in 14 out of 14 health centres and three out of three hospitals with a functioning cold chain at the end of 2011.

The above actions contributed to providing quality immunisation services to North Fly communities.

- NFHSDP co-funded the Village Health Management Forum in Kiunga on 2-3 March, 2011. The Forum brought together over 100 participants, to determine how stakeholders could collectively contribute to protecting the health and wellbeing of women and children in rural and remote settings in the Western Province by identifying challenges and actions that could be taken both individually and collectively.
- Three health service managers completed a five day health facility management course, coordinated and presented by the NFHSDP Infrastructure Officer. The training focused on strengthening health facility management through the development of a standard user-friendly focused asset management and preventative management systems. This is to allow health workers to periodically control and monitor the quality of facility infrastructure and equipment.
- In 2011 two students completed NFHSDP funded scholarship courses.

- 20 staff were trained in the basic maintenance and use of the cold chain system including Honinabe, Mougulu, Matkomnae, Ningerum, and Golgobip health centres
- Preventative malaria measures included a bed net distribution exercise conducted in the first quarter of the year to provide nets to those villages and individuals who were missed in the 2009 large scale distribution.

A total of 3,838 nets were distributed in 15 villages and a further 465 nets were provided to antenatal mothers, which is a total bed net distribution of 4,303 in 2011. Awareness programmes on the correct use of bed nets were also delivered to over 500 villagers at Membok, Karengo and Putmambine.



20 STAFF WERE TRAINED IN THE BASIC MAINTENANCE AND USE OF THE COLD CHAIN SYSTEM INCLUDING HONINABE, MOUGULU, MATKOMNAE, NINGERUM, AND GOLGOBIP HEALTH CENTRES.

- NFHSDP contributed to improving immunisation coverage for the children of the North Fly. 4,332 vaccines were administered in 2011, in addition to the 1,437 vaccines administered in 2010. The types of vaccines administered include:
 - BCG
 - Hepatitis B
 - Pentavalent
 - Sabin
 - Measles
 - Vitamin A

Independent monitoring and evaluation reports published during the year by the National Department of Health (NDoH) and our own reporting, highlight that a greater number of outreach services are being provided, more children are being immunised, more women are receiving antenatal care, more women are giving birth in a supervised environment, and more members of the community are sleeping under bed nets now than they were prior to NFHSDP.

THE HOSPITAL'S PROFILE IN THE COMMUNITY WAS ENHANCED THROUGH THE FORMAL ESTABLISHMENT OF THE FRIENDS OF TABUBIL HOSPITAL AUXILIARY WHICH MET REGULARLY AND RAISED OVER PGK 50,000 (USD 21,000) FOR HOSPITAL EQUIPMENT AND SERVICES.

Tabubil Hospital

Tabubil Hospital was successful in again being awarded Five Star status in the PNG Hospital Accreditation Program. As part of the accreditation preparation, a number of improvements to the efficient functioning of the hospital were made, including the revision of the policy and procedure manual and a review of the organisational structure to align it with other PNG hospitals.

A new clinic was opened at the mine, complementing the frontline health care provided to the workforce at the mill. A range of new equipment was purchased and received for all health services, including new ambulances at the mine and Bige.

The hospital's profile in the community was enhanced through the formal establishment of the Friends of Tabubil Hospital Auxiliary which met regularly and raised over PGK 50,000 (USD 21,000) for hospital equipment and services; the introduction of the Baby of the Month award, in conjunction with Tabubil Chemcare Pharmacy; the development and circulation of a hospital brochure, a bi-monthly hospital newsletter and the hospital's first annual report (2010).

The health service department commemorated significant international events, including World Health Day, World Malaria Day, and World AIDS Day.



CONTRIBUTIONS TO LOCAL COMMUNITIES AND THE PNG ECONOMY

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 supporting community-based development initiatives, OTML's direct economic contributions to communities affected by our operations, and the PNG government are sizeable.

**IN 2011, OTML CONTRIBUTED
PGK 3.4 BILLION (USD 1.5 BILLION)
TO THE PNG ECONOMY.**

	PGK in millions					USD in millions				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Taxes & levy paid to PNG Government	1,278.5	826.6	310.0	919.5	1,173.5	434.7	310.8	112.8	337.3	496.0
Dividend paid	748.7	482.2	485.4	939.0	490.4	254.6	181.3	176.7	344.4	221.9
– PNGSDP	216.0	139.1	140.0	303.9	141.6	75.0	52.5	52.5	110.0	64.1
– Government	216.0	139.1	140.0	237.7	141.6	75.0	52.5	52.5	85.0	64.1
– Fly River Provincial Govt, MRA, mine villages	1,180.7	760.4	765.4	1,480.6	773.6	404.6	286.3	281.7	539.4	350.0
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	42.9	15.3	13.8	12.2	17.2	18.1
– Land owners	44.9	36.8	33.6	46.8	42.9	15.3	13.8	12.1	17.1	18.1
– Less: Royalty tax – Land owners	(2.2)	(1.8)	(1.7)	(2.3)	(2.1)	(0.7)	(0.7)	(0.6)	(0.8)	(0.9)
	87.6	71.7	65.4	91.3	83.7	29.8	27.0	23.8	33.5	35.4
Compensation & others										
– Land lease to villages	8.3	5.6	3.5	3.7	3.4	2.8	2.1	1.3	1.4	1.4
– 8th Supplemental Agreement	10.9	10.4	10.9	11.4	12.6	3.7	3.9	4.0	4.2	5.3
– CMCA	53.1	52.7	53.7	53.7	53.8	18.1	19.8	19.5	19.7	22.7
	72.3	68.7	68.1	68.8	69.8	24.6	25.8	24.8	25.2	29.5
Tax Credit Scheme (TCS)										
– Health	0.5	0.1	17.5	8.8	2.9	0.2	0.0	6.4	3.2	1.2
– Education	1.7	0.5	7.8	12.4	11.8	0.6	0.2	2.8	4.5	5.0
– Roads, bridges, airport	3.3	13.7	0.6	11.9	11.5	1.1	5.2	0.2	4.4	4.9
– Utilities	3.0	9.4	14.7	13.7	16.2	1.0	3.5	5.4	5.0	6.9
	8.5	23.7	40.6	46.8	42.4	2.9	8.9	14.8	17.2	17.9
Goods purchased in PNG	324.8	356.3	284.2	434.7	565.6	110.4	134.0	103.4	159.4	239.1
PNG contractors	579.0	406.3	1,025.3	503.7	507.7	196.9	152.8	373.2	184.8	214.6
Local training costs	2.1	3.0	6.6	7.6	8.6	0.7	1.1	2.4	2.8	3.6
Salaries and wages	296.1	298.1	302.8	315.9	202.6	100.7	112.1	110.2	115.6	85.6
Total	3,829.6	2,814.8	2,868.4	3,868.9	3,427.5	1,305.2	1,058.8	1,047.2	1,415.5	1,471.8

**WE ARE PROUD OF THE
PRODUCTS WE PRODUCE...
BUT SEEK TO CONTINUALLY
IMPROVE OUR FOOTPRINT**



ENVIRONMENT

Responsible environmental management is central to our social licence to operate and to our continued success as the leading mining company in PNG. Our goal is to minimise our footprint on the environment, now and for future generations. We operate in a dynamic ecosystem and society which requires us to study, evaluate, plan, and continually monitor our processes and results and communicate our findings and actions to our stakeholders in a transparent, clear, and consistent manner.

The OTML Environment department is an active participant in stakeholder meetings organised by our Community Relations department. The Executive Manager for Environment meets with National and State governments and community members to ensure transparency around our monitoring and mitigation programmes and research findings.

Our environmental management includes the completion of primary research, the assessment of the effects of our operations on the receiving environment, and the implementation of mitigation programmes such as the Bige dredging operation which is a riverine rehabilitation programme that removes up to 85% of the sand-sized fraction of mine derived waste sourced from tailings and waste rock.

We are governed by our Code of Business Conduct and our Corporate Environment Policy which outlines our commitment to environmental stewardship, compliance reporting, and communication with our stakeholders. The State approved riverine tailings disposal system continues to focus our attention on understanding and managing the long-term effects of our operations along the river system. We aim for continuous improvements.

Compliance Monitoring and Our Licence to Operate

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 occasions, the most recent being the Ninth Supplemental Agreement. The Ninth Supplemental Agreement passed through the PNG Parliament in December 2001 and adopted the 'Environmental Regime' which contains OTML's environmental obligations. In passing the Ninth Supplemental Agreement, the State determined that the continuing and predicted effects were acceptable and that the mine ought to continue. Accepting that physical and ecological effects had already occurred, a set of environmental values was formulated to guide future assessment of the effects of the operation. 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.

The implementation of the Regime is designed to provide the State the 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 it must do to comply with the obligations of the Regime.

The Regime requires OTML to undertake specific activities on an annual basis and to report our 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 objectives of better understanding the effects on the receiving environment and identifying and assessing potential mitigation options to possibly address those effects.

We utilise six Environmental Values for compliance monitoring. These address the environmental expectations of persons living along the Ok Tedi and the Fly River system.

Our Six Environmental Values

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

WE USE SIX ENVIRONMENTAL VALUES FOR COMPLIANCE MONITORING. THESE ADDRESS THE ENVIRONMENTAL EXPECTATIONS OF PERSONS LIVING ALONG THE OK TEDI AND THE FLY RIVER SYSTEM.



The Table below summarises nine compliance monitors and their status for the last four years.

**DURING 2011,
COMPLIANCE WAS
MAINTAINED FOR EACH
OF THE NINE
COMPLIANCE MONITORS.**

COMPLIANCE MONITOR

● Compliant

	Status 2008	Status 2009	Status 2010	Status 2011	Comments regarding 2011
Water in main channel satisfies drinking water standards	●	●	●	●	All parameters measured in dissolved phase were lower than drinking water standards throughout river system.
Fish metal concentrations are below ANZFA Food standards guidelines	●	●	●	●	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	●	●	●	●	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	●	●	●	●	Number of non-shipping days in CY 2011 was 12 due to low water levels in the river at Kiunga.
Dissolved and bioavailable copper concentrations	●	●	●	●	Dissolved and bioavailable metal concentrations exceed environmental protection standards throughout river system. The concentrations have decreased in 2009, 2010 and 2011.
Undertaking ecotoxicological monitoring programme	●	●	●	●	Ecotoxicological monitoring shows that sensitive bacteria and algal species show growth inhibition. Algal growth inhibition has decreased in 2009, 2010, and 2011.
Fish biomass remains sufficient to provide food for households along the river	●	●	●	●	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	●	●	●	●	Total area of dieback increased by 5% to 1,795 km ² .
Monitoring of potential for ARD formation within mine and river	●	●	●	●	No evidence of adverse effects on river chemistry due to ARD.

We have developed and operate a comprehensive research programme to complement the compliance monitoring required by the State. We have a fully equipped live-aboard research vessel, the Tahua Chief, which enables us to undertake environmental research throughout the Fly River system. In 2011, on behalf of the CMCAs, OTDF commissioned the building of The Fly Explorer, a 30 m research vessel which will be ready for use mid-2012. OTML will lease the Fly Explorer from the CMCAs.

Measuring the effects of our operations only provides part of the picture of the health of the receiving environment. To understand the relationship between the causes and the effects of our operations, we run four research and management programmes. Taken together, the information from the compliance monitoring and the research programmes provides us with a continually updated picture of the ecological health of the river system. This enables us to identify and respond to emerging issues before they become material to our stakeholders and our business.

Our research programme focuses on the following four areas:

1. Acid Rock Draining (ARD) Management Programme.
2. Riverine Aquatic Ecology Management Programme.
3. Riverine Terrestrial Ecology Management Programme.
4. Industrial Site Monitoring Programme.





Measuring, understanding, and reducing our effects: The Bige Dredge Operations

Located in the Lower Ok Tedi, our Bige operation focuses on riverine rehabilitation and mine waste storage. The main purpose is to capture and store the pyrite concentrate from our mill and the sand-sized sediment from our mine.

Sediment, both low-sulphur tailings and waste rock, deposited in the river system from our mill 130 km upstream are transported to the dredge by the Ok Tedi. Annually, approximately 10 Mm³ of sediment, or 85% of the sand-sized sediment from our operations and naturally occurring processes, is dredged from the Ok Tedi and stored in engineered stockpiles on both the East and West banks of the Ok Tedi.

Since dredging commenced in 1998, there has been a significant improvement to the river system downstream of Bige, die-back has been minimised and secondary growth has commenced along the river banks. Upon closure, the stockpiles will be revegetated with local vegetation.

In 2011, we engaged with communities living adjacent to the Bige operations and completed traditional ecological use studies to identify ethnobotanicals which are of value to local area residents. The research programme involved members of the OTML environment department, consultants from Australia, and community members. Our intention is to use this information such that the stockpiles are vegetated with local flora that is of value to local people.

Mine Waste Tailings Project

In 2008, OTML commenced operation of the Mine Waste Tailings Project (MWTP). The MWTP is designed to remove pyrite from tailings discharged to the river to control an ARD risk identified by OTML's environmental monitoring and research. The MWTP comprises: the Tailings Processing Plant (TPP) at the mill that removes pyrite from mill tailings and produces a pyrite concentrate; a 130 km pipeline that transports the pyrite concentrate to Bige; and a second dredging operation that dredges deep storage pits in the floodplain at Bige so as to allow the pyrite concentrate to be permanently and safely buried under water thus minimising pyrite oxidation. Since 2008, approximately 2.5 Mm³ of pyrite concentrate has been safely stored at the site.

Once a pit is full, it is capped with a 10 m thick layer of dredged sand to ensure the concentrate in the pit remains saturated and does not oxidize. Water samples are collected on a regular basis and analysed by the Environment department to confirm discharge poses no risk to the environment.

With improved geochemistry of material recovered from the slot in 2011, OTML reclamation operations at Bige returned to the East Bank, and placement of the final cover commenced. Rehabilitation, revegetation, construction of final water management structures and instrument installation will follow the cover placement programme and continue into 2014.



Environmental Highlight



Charles Pondo

Charles joined OTML as a project engineer and over the past six years he has moved up to become Manager, Bige Operations, "I guess you could say that I'm passionate about what I do. Back in my high school days I heard about Ok Tedi and the effects it was having. Now that I've come to work here, and become part of OTML and the culture, and see for myself on the ground what is being done, I've come to appreciate it more. OTML serves PNG at various levels and in all sorts of ways. It's not just revenue and something that generates an income for the country – it does that and it does form a huge part of our national revenue and our services as well, but it also serves the

grassroots. OTML, through PNGSDP and OTDF, venture out in all parts of the country. They provide services, aid, health and education to people in communities around the Western Province. They also provide educational opportunities. A lot of local area people benefit, but so too do people who come into the organisation, it helps and supports them. As an employee, I wouldn't be where I am now if it wasn't for OTML. I came in as a Junior Officer, fairly new and over the years I have grown with the Company and in my responsibilities. They've provided me with opportunities and avenues for training. I've been able to better myself and to hopefully influence others

as well during that betterment. OTML means a lot of things. It's not just a Company, it's a culture and that's something that a lot of people and my counterparts also share. OTML, it is an image. It's PNG..."



We believe in reviewing our performance across our business with the goal of continuous improvement. To that end, OTML is systematically working to align its Environment Management System with the ISO 14001 international standard. OTML has a target of being fully compliant with ISO 14001 by 2014.

- Improvement
- No Change
- Deterioration

Our 2011 environmental performance is summarised in the table below. Material issues are discussed on the following page.

OUR 2011 ENVIRONMENTAL PERFORMANCE

	2007	2008	2009	2010	2011
Environmental management performance					
● Environmental induction (#OTML & contract employees)	2,498	3,537	3,339	1,403	1,364
● Environmental action plan (% completed)	86	78	74	81	85
● Incidents Level 3+ (Medium, major, or catastrophic)	0	0	0	1	5
● Environmental compensation (PGK)	0	0	0	8,000	1,077,140
Water management					
● Total water used ('000 m ³)	41,215	43,833	44,051	64,354	56,434
● Freshwater ('000 m ³ / % of total)	12,425 / 30	18,569 / 42	18,569 / 42	12,227.3 / 19	9,730 / 17
● Recycled water ('000 m ³ / % of total)	28,790 / 70	25,264 / 58	25,482 / 58	53,259 / 81	46,704 / 83
● Freshwater intensity index (m ³ /t contained copper)	73	114	124	77	75
Waste management					
● Total riverine disposal ('000 t)	56,100	55,416	54,235	45,705	27,279
● Waste rock ('000 t/ % of total)	30,939 / 55	34,609 / 62	33,965 / 63	25,412 / 56	9,485 / 35
● Tailings ('000 t/ % of total)	25,161 / 45	20,807 / 38	20,270 / 37	19,570 / 44	17,794 / 65
● Riverine disposal intensity index (t/t contained copper)	332	352	360	286	209
● Annual dredge slot production rates (million m ³)	4.5	4.6	10.7	10.6	10.5
● Average annual % sulphur in waste rock	1.58	1.38	1.46	0.92	0.25
● Average annual % sulphur in tailings	2.94	2.82	0.82	0.99	0.95
● Average annual ANC/MPA in dredged sediments	1.08	0.75	1.11	1.33	1.58
● Average dissolved copper (ug/L) at Nukumba	15	12	10	9	9
● Scrap metal (t shipped for recycling)	2,824	3,367	5,064	6,142	6,124
Energy and greenhouse gas production					
● Total diesel consumption (ML)	98.8	91.4	105.6	114	95
● Power generation (ML/ % of total)	34.2 / 35	31.7 / 35	43.1 / 41	51.6 / 45	39 / 41
● Machinery / other (ML/ % of total)	61.4 / 65	59.7 / 65	62.5 / 59	62.2 / 59	56 / 59
● Electricity use (MWH)	491,422	472,021	521,500	483,516	469,478
● Diesel-generated electricity (MWH/ % of total)	111,016 / 23	101,551 / 22	139,098 / 27	151,113 / 31	126,801 / 27
● Hydroelectricity (MWH/ % of total)	380,406 / 77	370,470 / 78	382,402 / 73	332,403 / 69	342,677 / 73
● Energy intensity index (MWH/t contained copper)	2.9	2.9	3.5	3.0	3.6
● GHG emissions ('000 t CO ₂ -e)	338	306	355	343	298
● GHG emissions index (t CO ₂ -e/t contained copper)	2.0	1.9	2.4	2.1	2.3

Material changes in performance during 2011 compared with the previous year include the following:

Environmental Action Plan (EAP) as part of ISO 14001 Compliance: 85% completion rate

The proportion of the Environmental Action Plan completed increased in 2011 over the previous two years. This was a direct result of an increased priority placed across the site and improved management scrutiny.

Five "Level 3" or above incidents occurred during the year

Two of the incidents relate to major losses of pyrite concentrate (PCon) to the environment when the PCon pipeline ruptured at km 84 and km 87 on the main Kiunga-Tabubil highway. A major clean-up followed each rupture. Both OTML Environment department investigations and those of a State-appointed environmental consultancy confirmed that environmental effects were restricted to streamlines within 1-3 km of each rupture. No contaminants at levels likely to affect human health were detected. Compensation totalling PGK 1.07 million (USD 513,000) was paid to the affected communities for the inconvenience and concern caused by the ruptures. As a result of these failures, all mine production ceased for 4 weeks between 28 May 2011 and 24 June 2011 until temporary storage of pyrite concentrate at the Mt. Fubilan site was approved by the State of PNG. Studies of the pipeline subsequently showed that the entire pipeline required replacing. While the pipeline is being replaced, pyrite concentrate is being temporarily stored at the Mt. Fubilan mine site and will be slurried to Bige down the pipeline once the new pipeline is commissioned.

One incident related to elevated dissolved metal concentrations detected in the drainage tunnel outfall discharging into the Ok Ningi. A project is underway to re-route the tunnel discharge away from the Ok Ningi and into the impacted Sulphide Creek, but completion of this project is not expected until 2013.

Two other Level 3 incidents were recorded where water stored in the Ok Ningi dam overflowed into the upper reaches of the Ok Ningi. The mill is improving its water management practices to decrease the frequency and volume of such discharges into the future.

Decline in use of Freshwater

Freshwater use declined in 2011. This was partially due to the shutdown of the mill in response to the pyrite concentrate failures. Freshwater intensity of 75 m³/t contained copper was essentially unchanged compared with 2010, but is significantly reduced compared with 2008 and 2009.

Decline in tailings tonnage and waste rock tonnage disposed into the river

Both tailings and waste rock tonnages disposed into the river declined in 2011 compared with 2010 and previous years. The decline in tailings tonnage in 2011 reflected the extended period of time when the mill was shut down (four weeks). The decline in waste rock tonnage reflects the decreasing strip ratio being achieved as the open-pit moves towards its ultimate depth within the current pit shell. It should be noted that approval of the mine life extension project would see an initial rebound in waste rock tonnage to the river followed by a further reduction in waste tonnage as a waste dump is built. The effect of the reduction in waste tonnage resulted in a marked decrease in the riverine disposal intensity index in 2011 to 209 t/t contained copper.

Decrease in volume of sediment dredged at our Bige operation

In 2011, the dredged volume decreased slightly to 10.5 million m³. The sulphur content of the dredged material decreased to 1.9%, a continuation of a downward trend in the sulphur grade of the dredged material following the implementation of the MWTP. The decrease in sulphur grade is required to develop sand with a geochemistry suitable for the formation of a final cover over the previously dredged material at Bige.

Marginal increase in ANC/MPA values

The ANC/MPA ratio in the dredged material is an important parameter as it determines whether the material is suitable for use as the final cover material for placement over the dredged stockpiles at Bige. A ratio in excess of 1.5 renders a sediment non-acid forming (NAF), and the target of the MWTP was to achieve mean ANC/MPA ratios in excess of 1.5. In 2011, for the first time, the mean ANC/MPA ratio exceeded 1.5 as a result of gradually increasing ANC values due to limestone milling and deposition in the waste dumps and decreases in sulphur values as a result of the Tailings Processing Plant (TPP) operating at the mill.

Mean dissolved copper concentrations reach 20 year low

The dissolved copper concentration measured at Nukumba (just downstream of the confluence of the Ok Tedi and Fly Rivers) is a measure of the chemical stress on the Middle Fly River. Mean dissolved copper concentrations in 2011 concentrations exceeded Australian ecosystem protection levels (1.3 ug/L) as they have since the inception of mining at Mt. Fubilan. However, mean dissolved copper concentrations are now lower than they have been for at least 20 years, although the concentrations over the last three years are not significantly different from one another. The decreased mean dissolved copper concentrations at Nukumba over the last three years reflect decreases in mine cut-off grade (which decreases mean copper concentrations in waste rock), the operation of the TPP (which decreases the copper concentration in tailings) and wet climatic conditions that have minimised sulphide oxidation reactions in the river.

Scrap steel shipped levels remained high

Scrap steel shipped remained at the high level seen in 2010 and reflects a concerted effort to remove recyclable waste from site.

Greenhouse gas emissions decreased but intensity increased

GHG emissions decreased in 2011 largely due to the extended period of mill shutdown. The GHG intensity increased to 3.6 MWh/t contained copper reflecting a decrease in copper head grade and associated additional energy demands to mill the ore per tonne of contained copper.

	2007	2008	2009	2010	2011
Mine closure planning					
Mine Closure Plan (MCP) biennial update submitted to PNG Government			Detailed MCP submitted in December		
● New land disturbed this year (ha)	0	42	0	0	0
● Total land disturbed to date (ha)	2,581	2,623	2,623	2,623	2,623
● Land rehabilitated this year (ha)	0	0	0	0	0

Industrial Waste Management

In 2011, OTML applied a focused approach to the management of industrial waste. The responsibility was moved to the Supply Operations department and two new positions were created, Team Coordinator Industrial Waste, responsible for identifying waste types and managing their recycling or disposal; and Coordinator Disposals, responsible for the cost effective and socially acceptable disposal of surplus assets. Initiatives undertaken during the year included the recycling of used mill liner plates to their manufacturer; synchronisation of waste oil transportation assets for use of this material as a fuel substitute; implementing a process for the safe disposal of electronic waste; and improved use of available land used in waste storage. A noticeable reduction in the build-up of waste oil and a cleaner, more orderly site at the laydown area were the key outcomes in the year. The department also released a Waste Management Strategy, in which future works were identified to improve the rate of recycling of industrial waste. These include a waste oil storage and treatment facility and rubber crumb treatment plant, both of which are currently being advanced.

Environmental Highlight

- Achieved
- Ongoing
- Not achieved

2011 Action

Status

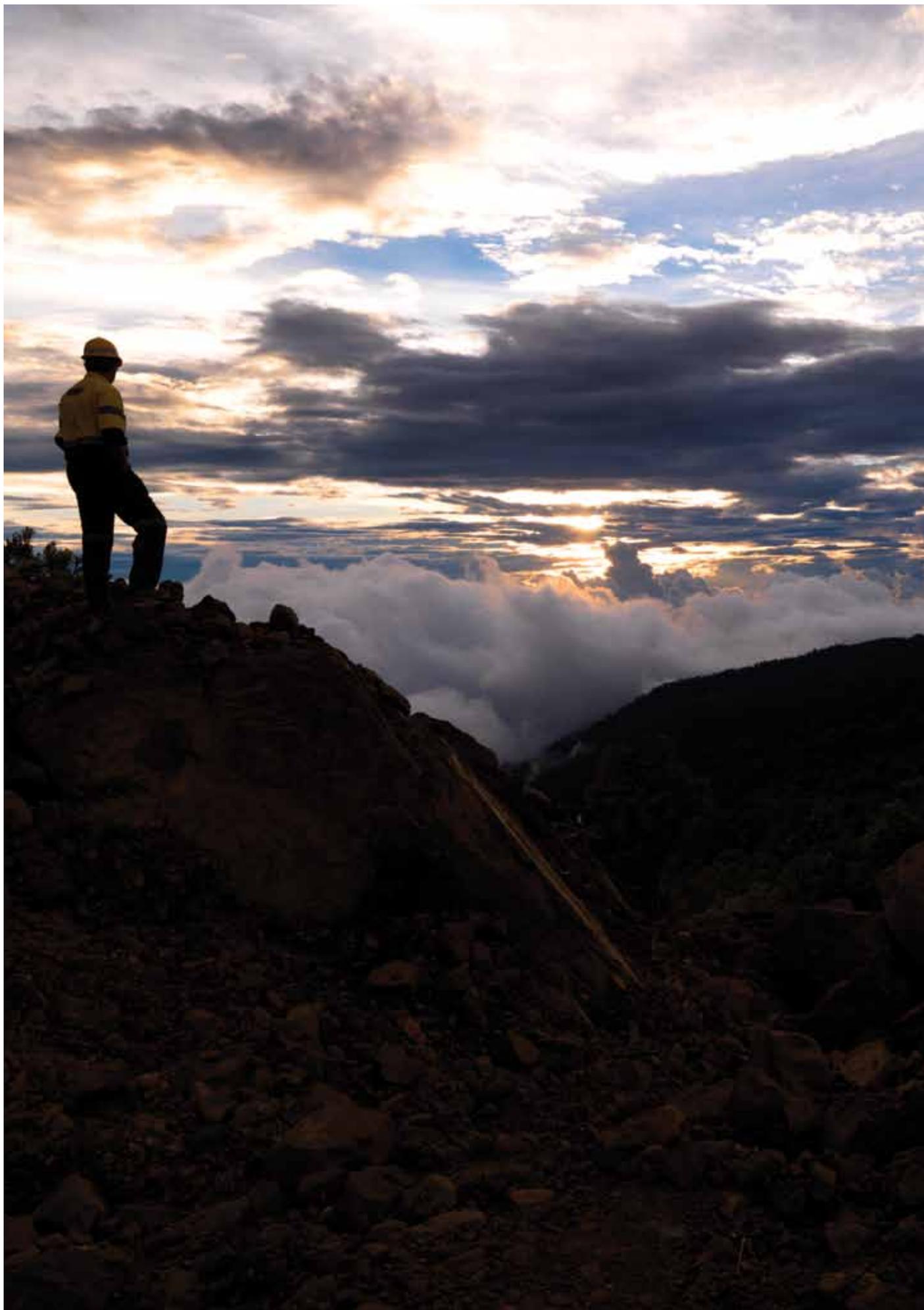
2011 Action	Status
Site-wide review of industrial waste collection and movement	●
Establishment of material specific disposal areas	●
Optimisation of existing scrap metal contracts	●
Optimisation of existing waste oil disposal assets	●
Establishment of liner plate recycling trial	●
Establishment of rubber crumb recycling project	●
Consolidation of conveyor scrap	●
Establishment of IBC recycling trial	●
Establishment of e-waste, office waste recycling trial	●
Establishment of improved waste oil disposal method	●
Identification of major capital assets for disposal	●
Development of programme for major capital asset disposal	●
Audit of obsolete catalogued materials currently held in disposal yards	●
Development of programme for obsolete inventory disposal from site	●
Establishment of on-site inventory obsolescence programme	●
Establishment of OTML disposal catalogue	●
Remediation of laydown department storage yards	●
Establishment of rubber crumb recycling yard	●
Remediation of Mill laydown yard	●
Remediation of Kiunga laydown yard	●
Remediation of Geneva laydown yard	●
External audit of domestic waste collection, movement and disposal	●
Domestic waste recycling study	●
Waste reduction programme	●
Tabubil landfill replacement feasibility study	●



Ethnobotany Study

In 2011 OTML completed a traditional knowledge study with five communities in close proximity to the Bige site. The goal was to identify indigenous plant species which are of value to local residents. OTML will revegetate the Bige stockpiles with plants that local people will be able to use. These plants are now being collected as seeds and wildings and raised at OTML's Bige nursery. The results of the ethnobotanical study are presented in the book, 'An Introductory Guide to the Plants Used by the Awin in Bige, Kwiape, Miamrae, and Senamrae; Western Province, PNG', 2011.





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2012 AND BEYOND

**WE ARE PLANNING FOR THE FUTURE...
SETTING STRATEGIC MILESTONES**





MAJOR EXPLORATION INITIATIVES FOR 2012



01.

In 2012 the geology team will focus on continuing to define the Mt. Fubilan resource, exploring for near mine targets and developing the most prospective exploration targets. Resource drilling at the mine will focus on potential cutbacks, underground targets and deeper significant intercepts that have not yet been tested.



02.

Drilling will continue at Townsville and surface sampling will continue at Kauwol with the aim of defining drill targets by December 2012.

MAJOR SAFETY AND HEALTH INITIATIVES FOR 2012



01.

Achieve greater than 40% in the 2012 external OHS Integrated Management Audit.



02.

Achieve 80% completion of all actions identified in the 2012 Safety, Health, Environment Action Plan (SHEAP).



03.

Complete comprehensive assessments to identify critical risks across all areas of our operations:

- Review all departmental risk registers with a view to capturing any new risks and ensuring as far as practical the ongoing mitigation of identified risks.



04.

Implement an auditing, monitoring, and feedback regime:

- Develop and implement an internal audit programme across all areas of our operations.



05.

Improve the communication process for sharing the learnings from high level investigations:

- 80% of high level investigation outcomes will be communicated to the OTML and contractor workforce within 45 days.



06.

Develop a better understanding of the health and safety issues affecting the workforce:

- Develop and implement a more comprehensive health and wellness programme.
- Communicate occupational health monitoring results to the workforce monthly.

MAJOR COMMUNITY RELATIONS INITIATIVES FOR 2012



01.

In 2012, we will review our community relations policy, our community relations data collection and issues tracking systems, and our grievance mechanism and make the necessary adjustments to enable Company-wide use.

MAJOR ENVIRONMENT INITIATIVES FOR 2012



01.

Publication of an ethnobotany book detailing the indigenous vegetation found in areas adjacent to the Bige stockpiles.



02.

Undertake studies to support the proposed diversion of the mine drainage tunnel to Suphide Creek.



03.

Complete various environmental studies for the proposed Mine Life Extension (MLE).



04.

Continue extensive community engagement regarding the proposed Mine Life Extension (MLE) to allow communities to make an informed decision as to whether or not they consent with the programme as proposed.



05.

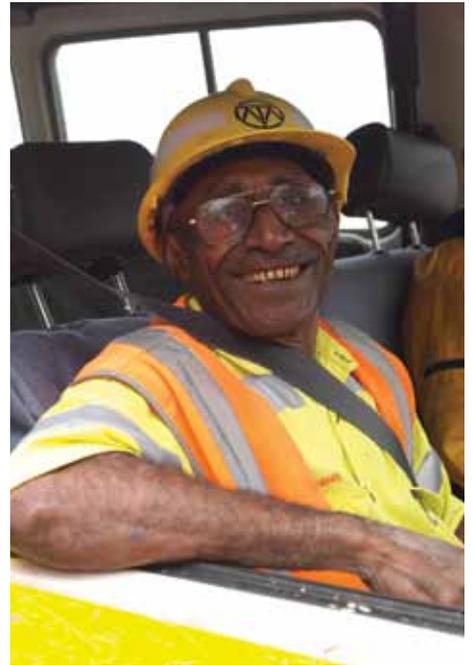
Continued focus to align our current environmental management system to the ISO 14001 Environmental Management System.



06.

Integration of the Environment Management System and the Occupational Health and Safety Management systems.

CREATING
BETTER
FUTURES





GLOSSARY

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

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