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OK TEDI MINING LIMITED

ANNUAL REVIEW 2018

OK TEDI MINING

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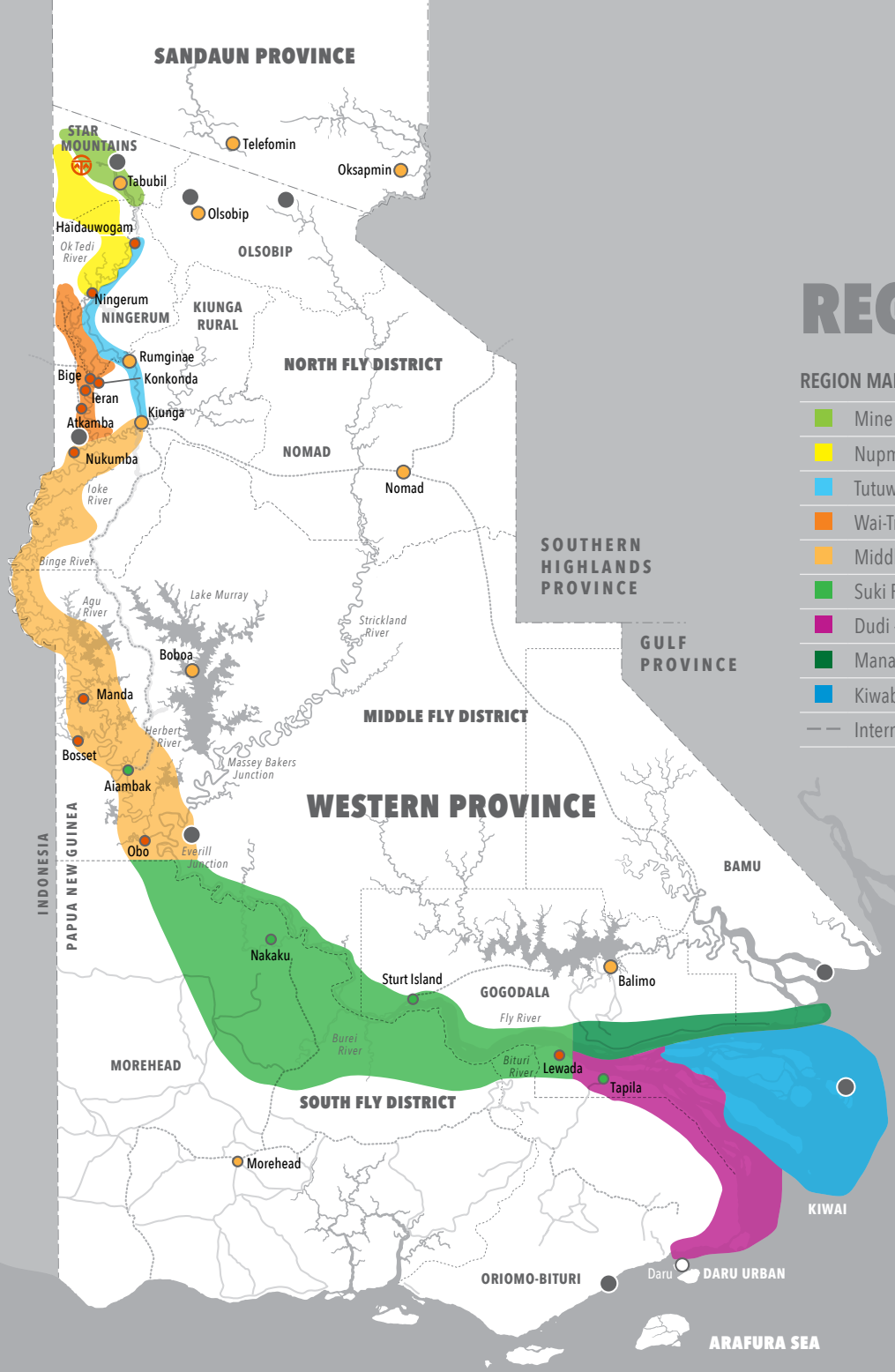
REGION MAP



REGION MAP KEY

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

Cover: Damoi Gatama, Geologist, logging exploration drill-core.

"OK TEDI MINING LIMITED HAS BEEN MINING COPPER, GOLD AND SILVER AT MT FUBILAN OPEN PIT OPERATIONS FOR OVER 35 YEARS."

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OK TEDI MINING HIGHLIGHTS 2018

100% PNG OWNED BY THE STATE AND LANDOWNERS

DONATED PGK 50 M (USD 15 M) TO PNG EARTHQUAKE RECOVERY

ECONOMIC

- **CONTRIBUTED 3.1%** OF PNG'S GDP
- **PGK 466 M (USD 141 M)** PROFIT AFTER TAX
- **PGK 100 M (USD 30 M)** DIVIDEND PAID
- PROVIDED FOREIGN CURRENCY INTO PNG MARKET

ENVIRONMENTAL

- MINE WAS COMPLIANT WITH ENVIRONMENTAL CRITERIA

FINALISED OWNERSHIP TO 33% WESTERN PROVINCE ENTITIES

COMMITTED TO OUR VISION OF "NOBODY GETS HURT"

SAFETY AND OCCUPATIONAL HEALTH

- THE TOTAL RECORDABLE INJURY FREQUENCY RATE WAS **1.48**

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

SOCIAL

- **PROVIDED PGK 17 M** FOR OK TEDI DEVELOPMENT FOUNDATION (OTDF) PROGRAMS
- TOTAL **CONTRIBUTION OF PGK 1,713 M** TO THE PROVINCE AND PNG ECONOMY
- **CONTRIBUTED PGK 22.4 M** TO TAX CREDIT SCHEME INFRASTRUCTURE PROJECTS
- **PROCURED 70%** OF THE TOTAL VALUE OF GOODS AND **40%** OF SERVICE CONTRACTS FROM PNG BUSINESSES
- **RESPONDED TO 100%** OF COMMUNITY COMPLAINTS AND GRIEVANCES

PEOPLE

- **96%** OF THE WORKFORCE IS OF PAPUA NEW GUINEAN ORIGIN
- **40%** FROM THE WESTERN PROVINCE AND PREFERRED AREA
- **10%** FEMALE WORKFORCE
- **1,624** WORKFORCE AT 31 DECEMBER 2018 INCLUDING 126 TRAINEES
- **INVESTED PGK 14 M** ON EDUCATION AND TRAINING OF GRADUATES, APPRENTICES, TRADE TRAINEES AND SCHOOL AND UNIVERSITY SCHOLARSHIPS

SINCE THE START OF MINING OPERATIONS IN 1984, OTML HAS PRODUCED:

COPPER 4.83 MILLION TONNES

SILVER 32.7 MILLION OUNCES

GOLD 14.8 MILLION OUNCES

COMPANY PROFILE

Ok Tedi Mining Limited (OTML, or the Company) is a proudly 100% owned Papua New Guinea (PNG) company. The company has been mining copper, gold and silver at Mt Fubilan open pit operations for over 35 years in the Western Province.

OTML's registered office and senior management team are located in Tabubil. Support operations are based in Tabubil, Kiunga Port and Bige. OTML also has a representative office in Port Moresby and a marketing and logistics office in Brisbane, Australia.

OTML has made a significant contribution to development in the Western Province. Benefits from the mine are directed to Western Province communities, specifically the Mine Villages, Community Mine Continuation Agreement (CMCA) communities, the Fly River Provincial Government (FRPG) and the Independent State of PNG. OTML's future is dependent upon consent from the CMCA communities as well as the Provincial and National Governments. Success is measured by safety performance, financial performance, social development programs and the management and mitigation of environmental impacts.

This 2018 Annual Review presents the integrated financial and non-financial results of the OTML operations. The financial statements have been prepared in accordance with the PNG Companies Act of 1997 and these comply with the International Financial Reporting Standards (IFRS) and other generally accepted PNG accounting practices. External auditor, PriceWaterhouseCoopers (PWC) has verified the financial statements and these are included in this report.

The Global Reporting Initiative's (GRI) Standards reporting guidelines have been used to guide the disclosure of non-financial material information. This Annual Review is the first report prepared under the new standards. The GRI reporting has been selectively verified externally by Materiality Counts Pty Ltd and the verification statement is included in this report. The United Nations Sustainable Development Goals (SDGs) have been adopted by PNG and in this Annual Review, selected reporting against the material topics and SDGs are introduced.

REPORT BOUNDARY

This Annual Review relates to the material activities of the Ok Tedi mining operations comprising the mining and processing of ore from the Mt Fubilan deposit, the transportation of slurry concentrates to Kiunga and the shipping to the transfer vessel in Port Moresby. This report does not cover the copper concentrate product after transfer from the Company's silo vessel onto export vessels.

This Annual Review covers the 2018 calendar year with 2017 comparatives where available. Historical data can be found on the Ok Tedi website in previous Annual Reviews. This Annual Review also includes where applicable, forward looking information for 2019.

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

CHANGES AND/OR RESTATEMENTS FOR THE 2017 ANNUAL REVIEW

If erroneous data or information was published in 2017 Annual Review, then acknowledgement of the error/s is mentioned and rectified in the current Annual Review.

In 2017, the Significant Incidents were stated as 10 (p 21) and Significant Injury Frequency Rate (SIFR) was 0.85. The correct numbers were 6 and 0.51 respectively.

In 2017, in Social Responsibility (p 72), the Total Dividend paid was PGK 380 M (million). The correct number was PGK 377.5 M.

Image: Peter Poiou, Shift Supervisor Flotation and Nico Kama, Plant Metallurgist Flotation at grinding plant.

"OTML HAS MADE A SIGNIFICANT CONTRIBUTION TO DEVELOPMENT IN THE WESTERN PROVINCE."

OK TEDI VISION AND VALUES

OTML has been operating successfully in PNG for over 35 years extracting copper, gold and silver from the Mt Fubilan open pit.

Our Vision is that "Nobody Gets Hurt", operating as one integrated team, with a high-performance culture, reflected in everything that we do.

The Ok Tedi Values that guide expected behaviours of all people in our Company are:

- **SAFETY, ENVIRONMENT** - we care about our employees, business partners and our communities' well-being and the environment.
- **INTEGRITY** – we expect honesty, trust, fairness and respect.
- **ACCOUNTABILITY** – we own our jobs, we meet our commitments.
- **PERFORMANCE** – we give our best every day and seek to continuously improve.
- **TEAMWORK** – our goals are common, our successes shared.
- **SUSTAINABILITY** – we use what we need and conserve what we can.

Image: Jimmy Mukura, Mechanical Fitter.

CHAIRMAN'S REPORT

I am pleased to present our 2018 Annual Report, covering a year in which Ok Tedi faced some significant challenges, yet was still able to generate creditable production and commercial outcomes.

Once again Mother Nature reminded us of her presence, with a major earthquake occurring on 26 February 2018. While its epicentre was in Hela Province, it impacted Ok Tedi by virtue of a landslip that damaged pipelines and roads and caused a three-week production outage.

The Board acted decisively, donating PGK 50 million (USD 15 million) cash to the Earthquake Disaster Relief Fund on 1 March 2018. When announcing the donation, I noted that we recognised our special responsibility to our shareholders and the people of PNG, and that by virtue of Ok Tedi enjoying a successful 2017, we were pleased to be in a financial position to offer a helping hand.

Mother Nature also had an impact on Ok Tedi in the last quarter of the year. For a period of seven weeks, dry weather prevented river passage necessary to transport operating supplies in and saleable concentrate out.

Despite these challenges, the 2018 results were positive and the Board thanks management and the workforce for their efforts and resilience. Gold production was 4.0% higher than in 2017, while the year on year copper production shortfall was contained to 8.9%. These results were achieved through teamwork and positively reflected our "One Team Wan Pasin" culture.

At Ok Tedi we care not just about our results but how they are achieved. Our safety vision is "Nobody Gets Hurt" and the OTML Board remains strongly committed to achieving this outcome. Overall, we recorded a marginal improvement in 2018, however this was overshadowed when sadly, on 18 February 2018, an employee of a long-standing business partner sustained fatal injuries in a motor vehicle incident. The Board extends its deepest sympathy and condolences to his family and friends.

Our social licence to operate remains closely linked to our environmental performance and our relationships with communities. Therefore, we are pleased to report continued compliance with the Ok Tedi Environmental Regime and advanced preparedness to meet the revised requirements of the Ok Tedi Environmental Management Act (OTEMA), which was passed by Parliament in early 2019. We continue to enjoy ongoing support from our communities and the Province who now own 33% of the Company following the transfer of additional equity from the State in the first quarter of the year. OTML remains a proud and successful PNG owned Company.

The Company's contribution to services and infrastructure development in areas affected by the Mine through its community development programs continued during the year. The Ok Tedi Development Foundation Limited (OTDF), a 100% subsidiary of OTML, continued as the vehicle to deliver projects and services funded by contributions made by OTML, directly and through the CMCA Trusts and the Tax Credit Scheme (TCS).

The combined effects of the earthquake and dry weather had a significant impact on financial results with the three-week production outage and seven-week shipping delay (during which time the Company was unable to make any export shipments) contributing to a PGK 386 million (USD 150 million) (or 15%) decrease in total sales revenue compared to the previous year. This, along with the PGK 50 million (USD 15 million) earthquake donation made in March 2018, resulted in a 2018 profit after tax of PGK 466 million (USD 141 million) which was PGK 383 million (USD 125 million) less than in 2017.

At the end of 2018, the Company demonstrated good financial health holding PGK 459 million (USD 136 million) in cash, significant levels of unsold concentrate and no debt. This is after an interim dividend of PGK 100 million was paid to shareholders in July 2018, enabling the OTML Board to declare a further dividend of PGK 200 million in January 2019.

During 2018, the composition of the Board changed with the addition of two directors (Mr Augustine Mano and Mr Robert Kaiyun) representing the pooled 33% equity interest held by the three Western Province entities, and the appointment of an independent director (Mr Byron Chan), replacing Dr Jacob Weiss who sadly passed away during the year. The Board acknowledges Dr Weiss' valuable contribution to OTML over an extended period of time.

I would like to take this opportunity to acknowledge our Trustee Shareholder representing the State, the Prime Minister of Papua New Guinea, the Honourable Peter O'Neill CMG and representatives of Mineral Resources No 2 Limited, Mineral Resources CMCA Limited and Mineral Resources Star Mountains Limited, for their continued and valued support throughout the year. I also wish to thank management and the workforce of Ok Tedi, including our subsidiaries and contract partners, for their continued commitment and valued contribution during what has been a very challenging year.

In 2018, Ok Tedi has demonstrated it is a resilient globally competitive copper producer. The Board looks forward to a safe and successful 2019.

SIR MOI AVEI KBE
Chairman

"At the end of 2018, the Company demonstrated good financial health holding PGK 459 million (USD 136 million) in cash, significant levels of unsold concentrate and no debt."

MANAGING DIRECTOR /CHIEF EXECUTIVE OFFICER'S REPORT

The 2018 year was challenging for Ok Tedi due to the impact of a major earthquake in February and a drought that affected shipping in November and December. The strong operational foundations established in recent years and the resilience of our workforce and management processes, helped deliver commendable results under these circumstances.

Our safety performance in 2018 did not meet internal expectations. While our Total Recordable Injury Frequency Rate improved marginally (from 1.53 in 2017 to 1.48 in 2018), a fatality cast a shadow on the year when during the first quarter, an empty tip truck owned and operated by a contractor lost control on the road from the Mine to Tabubil. Our heartfelt condolences go out to the family and all those affected by this tragedy.

At Ok Tedi our safety vision is 'Nobody Gets Hurt' and the Board and Management remain committed to this outcome. In 2018, considerable progress was made in upgrading safety systems and training and in the year ahead, we will build on that work with a substantial commitment to coaching for safe behaviours.

During the year, Ok Tedi maintained a strong focus on management of environmental impacts meeting applicable criteria. We achieved these outcomes by continuing to invest heavily in mitigation practices with more than PGK 200 million (USD 60 million) spent during the year. Preparations for the new environmental legislation OTEMA were completed during the year and we are ready to meet all requirements when the legislation passed in January 2019 is enacted.

Regular communications were maintained with mine impacted communities. Social development programs addressing education, health and agriculture were aimed at improving community self-sustainability. In addition to the dividend stream flowing to impacted communities, the Company continues to meet all compensation and benefit obligations and fund the OTDF to assist with project and service delivery.

During the year we continued to refine our Life of Mine Plan and improved alignment of short and medium-term plans with long term strategy. Execution of the USD 209 million Crusher Replacement Project will sustain future Life of Mine ore supply. However, the high capital cost may reduce free operating cash in the short term.

Stabilisation of the West Wall of the Mine, which was a key business risk identified in previous planning cycles, was substantially achieved by accelerating removal of material around the erosion channel and improving control of water drainage and depressurisation. The focal point of future strategic planning cycles is the development of additional resources outside the current pit, in order to extend mine life.

From a production perspective the mine had a pleasing year by meeting internal targets and moving 89.5 million tonnes (Mt), which is 6% more than in 2017 (84.6 Mt). This was achieved despite a slow start to the year with first half mine production of 41 Mt impacted by the earthquake outage and fleet reliability issues. The strong second half production (50 Mt) reflects increased investment in fleet reliability and ensures the operation is well positioned to move the 100 Mt plus required in 2019.

Mill throughput of 18.9 Mt was less than in 2017 (20.1 Mt), as a result of earthquake damage to the access road and pipelines. Reliability of the ageing ball mills also impacted throughput, with plans to address replacements as we move into 2019.

As a result, 2018 copper production was 96 thousand tonnes (Kt) compared with 105 Kt in 2017, with the year on year shortfall predominantly due to the earthquake. The 2018 gold production of 280 thousand ounces (Koz) compared favourably with 271 Koz in 2017, despite lost operating time. This positive result was driven by improvements in both grade and recovery.

Lower copper production and an inability to ship product for seven weeks at the end of the year, had an unfavourable impact on sales revenue which was PGK 2,793 million (USD 846 million) or PGK 499 million (USD 150 million) less than 2017. On a more positive note the Company was holding stocks of finished goods at the end of the year totalling 58 Kt, with a saleable value of more than PGK 396 million (USD 120 million).

Total cash operating costs in 2018 were PGK 1,746 million (USD 530 million), which was PGK 258 million (USD 64 million) higher than 2017 (USD 466 million). This was primarily due to a PGK 86 million (USD 26 million) increase in diesel costs driven by higher oil prices and an increased reliance on diesel generated power during the drought in the last quarter. An additional 6 Mt of mine production volumes also contributed to the increase.

As a result, the Company generated a net profit after tax of PGK 466 million (USD 141 million) in 2018 which was PGK 383 million (USD 125 million) less than in 2017. However, this is creditable given the impact of the drought on revenues and the donation paid to the Earthquake Disaster Relief Fund. This enabled the Company to generate enough cash to self-fund PGK 410 million (USD 124 million) of capital expenditure during the year, including the critical crusher replacement project.

Payment of an interim dividend of PGK 100 million (USD 30 million) and the earthquake donation of PGK 50 million (USD 15 million), saw cash reserves reduce from PGK 581 million (USD 180 million) at the start of year to PGK 459 million (USD 136 million) at the end of 2018. With the Company having no debt and abnormally large stocks of finished product on hand, the Company remains in a very strong financial position.

In 2018, efforts to improve business performance were heavily directed towards improving equipment reliability and usage, and on teamwork from Pit to Port, including development of our "One Team Wan Pasin" culture. It is therefore particularly pleasing that after a difficult start to the year, our workforce pulled together and delivered a strong second half performance. This in turn allowed us to achieve full year results that we can be proud of given the circumstances.

We thank our employees and contract partners for their efforts and resilience. We also thank our communities, customers, shareholders and suppliers for their valued support during a very challenging year. We now look forward to 2019 with much optimism for a safe and productive year.

PETER GRAHAM
MD and CEO

"The strong second half production (50 Mt) reflects increased investment in fleet reliability and ensures the operation is well positioned to move the 100 Mt plus required in 2019."

GOVERNANCE

OTML is an unlisted majority PNG State Owned Enterprise operating in accordance with the PNG Companies Act (1997). The Company is committed to maintaining robust corporate governance practices.

OK TEDI BOARD OF DIRECTORS

The Board holds primary responsibility for the governance of OTML and operates in accordance with the Company's constitution and applicable legislation.

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

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

The profile of each board member can be found on the OTML website, www.oktedi.com, as well as a description of each Committee function.

The composition of Ok Tedi Board of Directors as at 31 December 2018, is shown in the table below:

YEAR 2018				
BOARD MEMBER	POSITION	STATUS	DATE APPOINTED	COMMITTEE FUNCTION
Sir Moi Avei, KBE	Chairman	Independent	01-Nov-17	Chairman – Appointment and Remuneration
Mr Peter Graham, CBE	CEO and MD	Ex-Officio	01-Nov-17	Member – Appointment and Remuneration, Safety, Health Environment and Community
Dr Roger Higgins	Non-executive Director	Independent	01-Nov-17	Chairman – Safety, Health and Environment and Community
Mr Glen Kuri	Non-executive Director	Independent	01-Nov-17	Member – Safety, Health and Environment and Community
Mr Augustine Mano	Non-executive Director	Independent	23-Aug-18	Chairman – Audit and Risk
Mr Byron Chan	Non-executive Director	Independent	01-Aug-18	Member – Audit and Risk
Mr Robert Kaiyun	Non-executive Director	Independent	23-Aug-18	Member – Safety, Health and Environment and Community

The executive management team are responsible for planning and delivery of strategic economic, environmental and community programs. Issues of high importance are escalated to Board and the Board Committees for review and action.

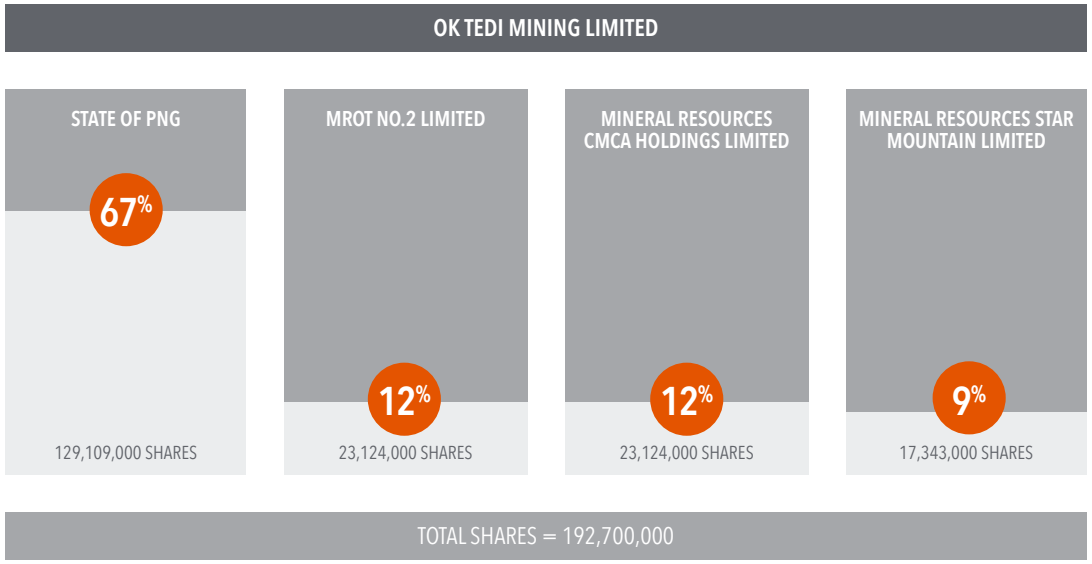
BOARD MAIN ISSUES

During 2018, the Board and Standing Committees met on nine occasions to consider the following issues:

- approval of key economic assumptions used for planning purposes;
- approval of the 2018 Strategic Business Plan; three Year Plan (2019 to 2021) and the 2019 Annual Budget;
- approval of the Delegation of Authorities, Policies, Code of Conduct and Business Ethics;
- review and approval of matters exceeding the delegated authority of management;
- review of operating and business performance against plan;
- approval of the 2018 bonus and 2019 salary program for OTML employees; and
- distribution of profits to shareholders.

SHAREHOLDER STRUCTURE

The shareholder structure for OTML as at 31 December 2018 is shown below with the State holding 67% and Western Province entities, 33%.



CODE OF CONDUCT AND BUSINESS ETHICS

The Code of Conduct and Business Ethics (The Code) provides guidance to Directors, employees and stakeholders on adhering to the highest standards of business conduct and compliance with the law and best practice. The Code covers the use of the Company's resources and information, fraud, confidentiality and proprietary information, conflict of interest, gifts and entertainment, outside directorships, financial inducements and political contributions.

"OK TEDI IS COMMITTED TO MAINTAINING ROBUST CORPORATE GOVERNANCE PRACTICES."

GOVERNANCE /2

EXTERNAL STANDARDS, INITIATIVES AND GUIDELINES

OTML benchmarks its performance against the following Papua New Guinean and international standards, initiatives and guidelines:

- ISO14001:2004, the International Standard for Environmental Management Systems;
- OHSAS 18001:2007, the International Safety Management Standard;
- AS/NZS ISO31000:2009, Risk Management, Principles and Guidelines;
- The GRI Sustainability Reporting Framework and Guidelines;
- Mining (Safety) Act & Regulations;
- Mining Act;
- PNG Companies Act, 1997; and
- International Financial Reporting Standards (IFRS).

The Company complied with its various licences and permits during 2018.

THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the oil, gas and mining sectors. OTML annual payments to all stakeholders were disclosed in 2017 to the PNG EITI secretariat and will continue to be published in line with the EITI and GRI reporting requirements.

RISK MANAGEMENT AND THE PRECAUTIONARY APPROACH

OTML uses a risk-based approach to guide the Company through the identification of major hazards and risks in the workplace and from external sources that could impact on the business.

Enterprise Risk Management is used when evaluating economic, environmental or social aspects of mining projects and major changes to the business.

During 2018, OTML continued a review of major operational hazards (risks) through formal risk review workshops. The Board reviews significant business risks with the assistance of established standing committees. The precautionary principle is applied where there may be a lack of evidence to assist in the development of appropriate management plans.

REPORTING

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

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

AUDITING

INSURANCE AUDIT

In January 2019, the International Mining Industry Underwriters (IMIU) completed OTML's operational annual risk external audit. OTML continues to be well regarded in terms of commitment to risk mitigation. In 2018, the IMIU determined a Risk Exposure Number of 27.4 for OTML, which is better than the IMIU global average of 45.4 that compares other global mining operations. Ok Tedi has maintained a better than average commercial attractiveness to insurers.

FINANCIAL AUDIT

The financial statements of the Company for the year ending 31 December 2018 have been audited by PWC PNG and their Independent Auditor's Report is included in this Annual Review.

MATERIALITY AND SDGs

OTML have prepared the 2018 Annual Review in accordance with the GRI Sustainability Core '100' Standards and selected reporting against the '200-400' Standards and the Mining and Metals Supplement to reflect OTML's material topics.

OTML has applied a broad approach to the identification and assessment of material topics through the collation of information from internal and external sources. Topics of significance are identified through strategic reviews, internal risk registers and major hazard reviews.

The collation and assessment of material topics includes the determination of the extent of the opportunity or impact on various stakeholders within OTML's sphere of influence, which has a broad reach across Western Province. OTML has a stakeholder register compiled by the Community Relations team and undertakes regular formal and informal consultation with the various groups. From the community consultation, issues impacting the community are recorded and followed through by OTML responsible departments in collaboration with the Community Affairs team.

In late 2015, the 193 United Nations Member States adopted "Transforming our World: the 2030 Agenda for Sustainable Development", which includes a set of 17 SDGs. PNG signed up to the SDGs in 2016.

There is broad recognition that in order to accelerate progress towards the 2030 Agenda, the private sector through collaboration, support and partnerships, can make a transformational change in advancing the SDGs implementation. OTML is the largest private company in Western Province and has successfully been implementing sustainable development programs for over 30 years. OTML is committed to commence reporting against its key SDGs, having already delivered SDG programs on social inclusion, reducing hunger, eliminating poverty, achieving equal rights and improving education, health, water and sanitation. OTDF is the subsidiary company responsible for these programs delivery and will commence SDG reporting against the SDGs and targets in 2019.

OTML has completed a principled prioritisation to identify the key SDGs which have been aligned to the business materiality. There is interconnectivity with the risks to people, environment, business operations and services. The interconnectivity is shown in the table below with key SDGs. Initial reporting is shown in this Annual Review and will expand in future reports as OTML improves its understanding of SDG requirements.

ISSUE	KEY STAKEHOLDERS CONCERNED	ISSUE DESCRIPTION AND CHALLENGES	SUSTAINABLE DEVELOPMENT GOALS	ANNUAL REVIEW SECTION
Delivery of the Strategic Business Plan	OTML, Government, Communities and Suppliers	Meet planned mining and processing production rates, balanced with management of safety, technical, environmental, social and operational challenges.	SDG9 Industry, innovation and infrastructure	Business Review and Outlook
Waste rock, tailings and pyrite management	OTML, Communities and Government	Waste rock and tailings impacting the riverine system. Remain compliant with Environment Permit conditions.	SDG14 Life below water SDG15 Life on land	Environment
Nobody Gets Hurt	OTML, Employees and Government	Achieving zero harm to employees and contractors is a core value for OTML.	SDG3 Good health and wellbeing	Safety
Community development projects and consultation	OTML, Government and Communities	Communities have benefited from OTML, OTDF and TCS social development and infrastructure project delivery.	SDG8 Decent work and economic growth SDG11 Sustainable cities and communities SDG 17 Partnerships for the Goals	Social Responsibility
Peoples ability to execute operations strategy and plans	OTML, Employees, Government and Communities	Skilled competent people are required to deliver OTML's strategy and plans.	SDG8 Decent work and economic growth SDG9 Industry, innovation and infrastructure	People

Image: Cornelius Tarai, Gabriel Gorosahu and Monica Koek reviewing weekly mine engineering plans.

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"MANAGEMENT OF MATERIAL ISSUES IS CRITICAL TO MEET OUR BUSINESS OBJECTIVES."

SAFETY

At OTML we care about our employees, business partners, the well-being of our communities and we define our Health and Safety success when "Nobody gets hurt". Our aim is zero harm.

SAFETY /2

Safety and Occupational Health strategies and plans are developed to address the business risks by the Safety and Occupational Health, Environment and Community Steering Committee (SHEC). The SHEC meets monthly to review progress against plans and significant incident investigations. In addition, the OTML Board has a SHEC Governance Committee which meets at least twice per year.

In 2018, the focus remained on strengthening the foundations for safety and occupational health, refreshing the standards, simplifying systems, continuing the assessment of higher risks and controls and encouraging greater employee participation through safe behaviour programs.

SAFETY PERFORMANCE

OTML continues to report against the industry standard lagging indicators for Lost Time Injury Rate (LTIFR), Total Recordable Injury Frequency Rate (TRIFR) and SIFR. In 2018, there were 67 workers injured including 19 Recordable Injury reported cases. The TRIFR of 1.48 was slightly lower than in 2017 (1.53). Of the Total Recordable Injuries, 70% were Restricted Work Injuries with an average of 6 days restricted per case. There were two Lost Time Injuries, sadly one of these was a fatality. The fatality occurred when a contractor lost control of his truck and the out of control vehicle then struck a guard post near the mine. This tragic accident initiated a focused program of National Heavy Vehicles Audits conducted on all contractors including approximately 650 vehicle inspections and 850 driver operator competency assessments.

The table on the following page shows the trend in lagging indicators for each rate category over the past two years for combined OTML employees and contractors.

An improvement in reporting Equipment Property Damage Incidents resulted in the recording of 205 incidents. Of these, over 50% were recorded from the mine open pit. The total cost of equipment property damage was significant.

LEADING INDICATORS

The iLead system sets and monitors compliance by all levels of management against a defined expectation of safety activities including Inspections, Hazard Identifications and Job Safety Observations each month. Participation exceeded minimum standards for the year.

PLANS AND PRIORITIES

In 2018, Ok Tedi completed the third year of a five-year Safety Plan aimed at moving from a compliance to a commitment safety culture. Upgrading safety systems and the strengthening of safe behaviours are the two primary focus areas.

SAFETY MANAGEMENT SYSTEMS

OTML has developed an Integrated Management System (IMS) which is aligned with OHSAS 18001. A systematic risk-based approach is applied to identify potentially fatal or life changing hazards and risks. In 2018, risk reviews were completed on; work with/around electricity, drop or falling objects, pressured equipment systems, storage/handling of explosives, environmental issues and marine and air transport.

Work areas with significant risks have been documented and appropriate mitigation plans developed to manage high-risk incidents. These included the review and updating of over 1,200 safety, health, training, vector and general Occupational Health and Safety (OHS) documents including; IMS Standards and safety and work instructions. The documents are loaded on the IMS SharePoint Information Centre, ensuring that employees and contractors have access to the latest approved guidance and procedures.

Increased frequency of Contractor forums/meetings and greater support, guidance and access to resources has been provided by OTML through a contractor online e-portal. Safety management audits to OHSAS 18001 were completed on all contractor safety systems.

Image (previous page): Fire Rescue team training.
Image (right): William Cardigan, Fire Rescue Supervisor, kitting up for fire training.

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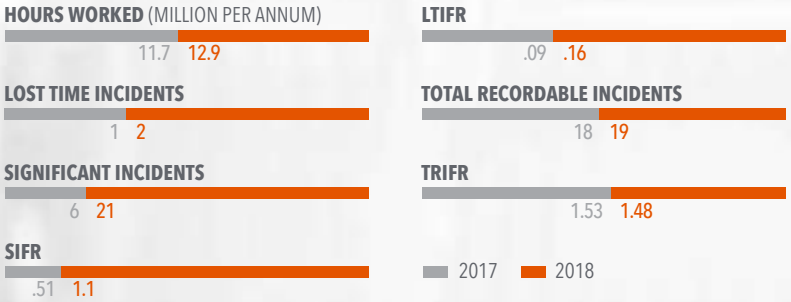
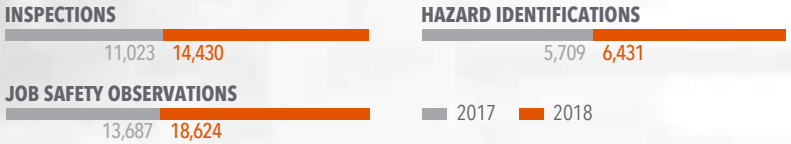
SAFETY PERFORMANCE

Significant Incidents include High Potential Incidents.

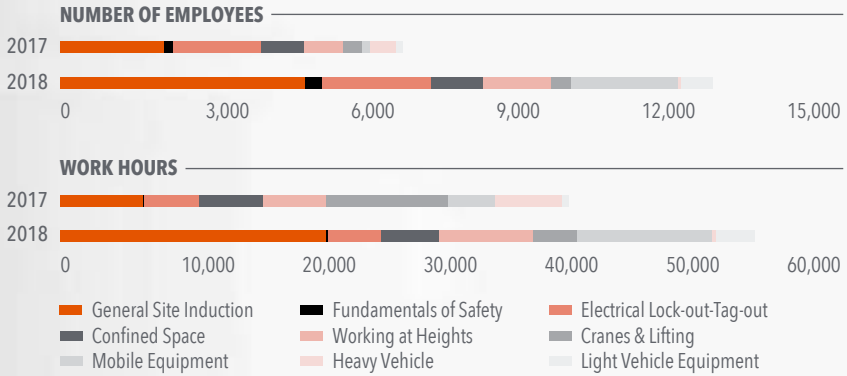


LEADING INDICATORS

Combines activities for both OTML and Contractor employees.



SAFETY TRAINING COURSE



Safety Training Course notes: General Safety Inductions include induction of visitors.
Figures are exclusive of Verification of Competencies.

TRAINING COURSE ATTENDEES

1,025 TOTAL ATTENDEES ACROSS ALL COURSES

BASIC SECURITY TRAINING AT BIGE AND KIUNGA

43

ATTENDEES: OTML code of ethics, static guard duties, foot patrol, radio communication, fitness and self-defence, human rights and 'use of force' principles.

IN-HOUSE TRAINING ACTIVITIES

903

TOTAL IN-HOUSE TRAINING ATTENDEES.
OF THESE ATTENDEES:

14

ATTENDED: Blood alcohol testing, drug wipe testing, new hire inductions, statement taking and 'scout radar gun' use.

632

ATTENDED: First-aid/cardiopulmonary resuscitation training.

239

ATTENDED: Low Voltage rescue training.

18

ATTENDED: Electronic wand training.

HUMAN RIGHTS TRAINING

22

ATTENDEES: Human rights, skills, knowledge and attitudes required to uphold human rights.

FAMILY SEXUAL VIOLENCE TRAINING

16

ATTENDEES: PNG course content.

INVESTIGATIVE INTERVIEWING AT TABUBIL

23

ATTENDEES: Refresh and improve interviewing skills.

AVIATION SECURITY

18

ATTENDEES: Necessary knowledge and skills required to perform the functions and duties of an Aviation Security Officer at Tabubil Airport.

SAFETY /4

SAFETY TRAINING CAPABILITY

A major review of the safety training programs was completed as part of the IMS reviews. This has resulted in the development of a new OHS and Training internet page that is easier for employees and contractors to access. The training program has also facilitated Online Inductions, 3D animations and E-Learning training packages, so that employees can log-on to self-paced programs with on-line assessments. There are now 101 training modules developed to align with the Australian Qualifications Framework, e.g. Certificate III in Extractive Industries.

An update of the OTML truck driver manuals was completed and a formal training development program was rolled out, establishing a revised operator baseline and recognition program for most improved operator.

The Training Centre was refreshed, training resources and delivery equipment were updated to support new training resources. A new Light Vehicle Driver Simulator was commissioned at the Training Centre.

OTML joined the Flight Safety Foundation Basic Aviation Risk Standard Program and commenced a review of all aviation contractors and systems. This included aviation specific training for 120 persons.

BEHAVIOUR BASED SAFETY

OTML applies a behaviour-based safety program (iLead). A safety training program "Fundamentals of Safety" was conducted for supervisors and superintendents to refresh their understanding of safety basics like; Hazard Identification, Inspections, Job Safety Observations, Job Safety Analyses, Toolbox Talks and Near Miss and Hazard Reporting.

In 2018, OTML completed a Culture Survey with employees and contractors as a baseline prior to commencing an Advanced Safety Awareness (ASA) program. Facilitators trained and developed 56 Management Leadership Coaches to facilitate the ASA and 490 employees completed the Level 1 ASA Program in 2018. The program will continue through 2019, targeting 50 employees per week.

OCCUPATIONAL HEALTH & WELLNESS

OTML's Occupational Health and Wellness program focuses on Fitness for Work. During 2018, an improved medical surveillance program was implemented.

In 2018, 2,158 medical examinations were conducted identifying 587 employees as high-risk (i.e. above average to high risk medical risk rating) for atherosclerotic cardiovascular diseases. Individual counselling develops a mandatory personal health management plan around lifestyle diseases and diet and fitness regimes for high risk individuals. This program has been successful, with a 25% reduction of at-risk individuals in the past two years, who have moved to lower risk groupings.

Employees and contractors are subject to random testing for illicit drugs and alcohol as well as "for cause" testing. A total of over 197,000 Blood Alcohol Concentration tests were completed during 2018 with 44 positive results. There were 2,262 illicit drugs tests with only one positive result.

In early 2018, the Tabubil Hospital responded to a concerning public health trend in the incidence of Tuberculosis (TB). Hospital facilities were expanded to incorporate a dedicated eight bed ward for isolation and treatment of TB patients. In 2018, 34 positive cases were identified and treated at the Tabubil Hospital. There were no TB cases confirmed amongst OTML employees.

In 2018, a total of 812 positive cases of malaria were identified at the Tabubil Hospital from a total of over 4,600 screened individuals. Contractor employees residing in villages were found to be the worst affected. Screening for dengue at the Tabubil Hospital identified 16 positive cases from 174 persons.

A vector control program was implemented at Tabubil and Kiunga to reduce the incidence of mosquitos which are the carrier of the malaria and dengue parasites. The control program targeted insecticide residual spraying of over 5,000 buildings to World Health Organisation standards.

Image (previous page): Mary Anda, Compliance Safety Officer reviewing safety performance with Kiunga staff.

POSITIVE CASES REPORTED AT TABUBIL HOSPITAL

	2017	2018
TB	26	34
Dengue	3	16
Malaria	796	812

INDUSTRIAL HYGIENE

An Industrial Hygiene Program monitors common hazards including noise, dust, lighting, radiation and vibration. Training was carried out in 2018 to improve in-house monitoring capabilities and company monitoring equipment was recalibrated or replaced. Safety in Mines Testing and Research Station (Simtars) completed an independent review to establish Similar Exposure Groups at the mine, processing plant, Tabubil, Kiunga and Bige, to identify priority occupational hygiene issues. A site wide Occupational Hygiene monitoring practice was completed by Simtars, including respirable and inhalable dust (e.g. quartz) monitoring, noise monitoring and Volatile Organic Compounds, lighting, vibration and radiation.

Where unacceptable levels are measured, effective controls are implemented to safeguard workers and these include; engineering barriers, worker exposure rotation and personal protective equipment.

SECURITY

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

All occurrences and incidents (including any investigations into criminal or administrative matters) are captured with the OTML 'eSolve' case management system, a comprehensive, confidential security and intelligence database, maintained to aid investigations and track closure of incidents.

CLOSED CIRCUIT TELEVISION

In early 2018, APD upgraded its existing closed-circuit television network to increase surveillance and monitoring capability of key operational sites within the Tabubil township and the Mine and Mill processing precinct. APD can actively monitor 54 high definition wireless cameras linked through the network to the 24-hour monitored control room with trained staff.

The real-time monitoring within the township and other strategic locations is able to alert APD staff of any incident where a first response is warranted e.g. vehicle, fire and undesirable behaviour.

FIRE RESCUE AND FIRE PROTECTION SYSTEMS

OTML has experienced Emergency Response Teams in each of its key business areas including the Mill, Tabubil, Kiunga and Bige. These trained APD personnel are the first responders in case of fire and other serious incidents involving employees, contractors or the public. With the introduction of the Fly-in Fly-out (FIFO) roster, APD have actively recruited and trained auxiliary members so that there are competent APD personnel able to respond to any emergency at any location. The recruitment of auxiliaries in Tabubil will continue in 2019.

APD has a fire maintenance team based in Tabubil which provides statutory testing and inspections of fire safety and protection system installations across all sites. A major project was the upgrade of a 'back to base' monitoring system for all fire alarm panels (70 fire panels). This project involves the upgrading of fire panels and the integration into the OTML network system. It is expected that the project will be completed by June 2019.

BUSINESS REVIEW AND OUTLOOK

OTML operates the longest running open-pit copper, gold and silver mine in PNG and remains 100% PNG owned. The State holds 67% and three Western Province entities collectively hold 33% of OTML's shares.

BUSINESS REVIEW AND OUTLOOK /2

Since the start of operations, Ok Tedi mine has produced more than 4.8 Mt of copper, 14.8 million ounces (Moz) of gold and 33 Moz of silver. As at 31 December 2018, the Mineral Resource estimate was 776 Mt at 0.44% copper and 0.52 grams per tonne (g/t) gold.

Total sales of copper, gold and silver concentrate in 2018 were PGK 2.8 billion (USD 846 million). All product sales are denominated in USD dollars making Ok Tedi an important source of foreign currency for the PNG economy.

OTML's business operations are centred on the Mt Fubilan deposit located in the Star Mountains. The deposit is mined as a large open pit with a flotation processing plant capable of treating in the order of 22 to 24 million tonnes per annum (Mtpa). The throughput rate is highly dependent on the ore lithology delivered from the mine. The plant uses conventional technology to recover copper and gold into a saleable concentrate containing 24 to 25% copper and a gold content in the range of 15 to 25 g/t Au.

Copper concentrate is piped 156 kilometres (km) south to the Kiunga port facilities located on the Fly River. The concentrate is dried, stored, blended and then shipped down the Fly River using purpose-built vessels. Once the product arrives in Port Moresby, it is transferred to a silo and storage vessel before being exported to overseas customers using commercial shipping services.

The mine is serviced by the township of Tabubil, located 20 km to the southeast of the mine and it is here that the Company maintains its registered office. OTML also maintains a corporate office in Port Moresby and a marketing and logistics facility in Brisbane, Australia.

FINANCIAL

OTML generated PGK 2.8 billion (USD 846 million) in total sales revenue in 2018 which was 15% lower than in 2017. The lower revenue was a result of the following two main factors:

- the loss of three weeks of production time due to an earthquake in February which damaged road and pipeline infrastructure. This event had a gross revenue impact approximating PGK 200 million (USD 60 million); and
- the inability to ship finished product to customers for a period of seven weeks in November and December which resulted in stocks of unsold concentrate inventory increasing from 25 Kt at the end of 2017 to 58 Kt at the end of 2018. This additional 33 Kt of inventory (which would otherwise have been sold) had a revenue value of PGK 230 million (USD 70 million) to PGK 250 million (USD 75 million).

Metal prices in 2018 (Cu; USD 2.96/lb and Au; USD 1,278/oz) were 6% and 1% higher than in 2017 (USD 2.79/lb and USD 1,260/oz) for copper and gold respectively. However, the benefit of these higher prices was partially offset by a finalisation loss (an adjustment to the value of product sold based on price movements from time of shipment to the time of finalisation) relating to opening stocks of concentrate inventories held.

Image (previous page): New process water dam.
Image (right): Clyde Makis, 2nd Year PAD Trainee, Mill Operations control room.

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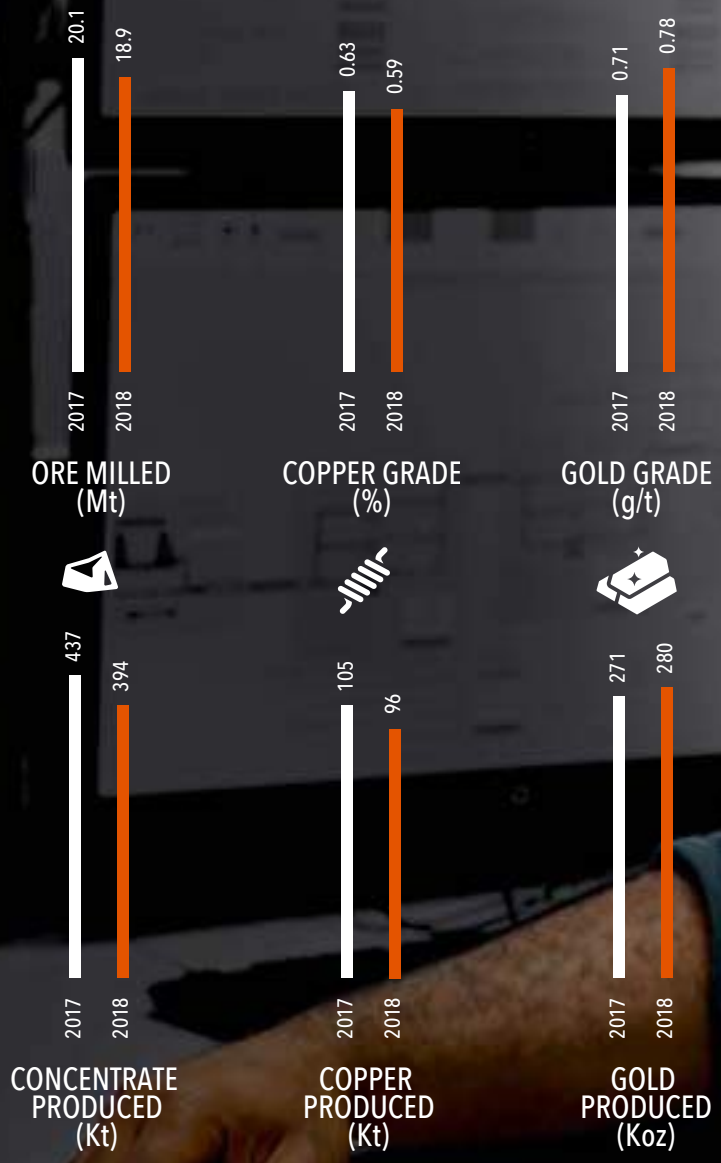
CONTENTS

PRODUCTION RATES YEAR-ON-YEAR COMPARISON



BUSINESS REVIEW AND OUTLOOK /3

Cash operating costs in 2018 were PGK 1,746 million (USD 530 million), which was PGK 211 million higher than the previous year. This was primarily due to a PGK 86 million (USD 26 million) increase in diesel costs driven by higher oil prices and an increased reliance on diesel generated power during the drought in the last quarter. An additional 6 Mt of material moved in the mine also contributed to the increase.

Production costs, determined in accordance with the industry standard Brook Hunt C1 measure, increased from USD 0.93/lb in 2017 to USD 1.22/lb in 2018. This largely reflected the impact of lower production associated with the earthquake outage and equipment reliability, coupled with higher fuel costs driven by price and the drought. EBIT margin fell from 37% in 2017 to 24% in 2018 for the same reasons. The expectation looking forward is that OTML will restore its position in the lowest quartile of global copper producers.

Cash generated from operations during 2018 was PGK 698 million (USD 211 million) with PGK 231 million of this applied to funding capital expenditure including the strategically important crusher replacement project. A further PGK 50 million (USD 15 million) was applied to the Earthquake Relief Fund and PGK 100 million (USD 30 million) was distributed as an interim dividend.

As a result, the cash held by the Company reduced from PGK 581 million (USD 180 million) at the end of the previous year to PGK 459 million (USD 136 million) as at 31 December 2018. With the Company having no debt and 58 Kt of unsold stock on hand, the Company remains in a very strong financial position.

MINING

Mining of the Mt Fubilan Ore Reserves continues to be carried out as a large open pit operation. Mining is conducted using conventional drill and blast techniques, with shovel and excavator loading equipment. Ore is mined and transported to a primary crusher as first stage processing or to a Run of Mine stockpile, where blending of various ore types can take place. Waste rock is characterised according to its Acid Rock Drainage (ARD) potential and disposed of in one of five waste dumps. Limestone waste rock is selectively dumped together with potential ARD waste rock to neutralise acid generation.

The total material mined in 2018 was 89.5 Mt. This compared favourably to the 2017 production of 84.6 Mt and benefitted from the commissioning of an additional loading unit in the third quarter of the year.

The 2018 copper feed grade to the mill of 0.59% was lower than 2017 (0.63%). Conversely gold grade during the year of 0.78 g/t was higher than the previous year (0.71 g/t). This simply reflects the required sequencing of the ore body to deliver the approved Life of Mine Plan.

Mine production was achieved at a unit cost of USD 2.49/t of material moved.

PROCESSING

The ore is crushed in a primary crusher at a nominal 8,000 tonnes per hour and conveyed to a primary ore stockpile. The primary ore is then ground (two trains each comprising a SAG mill and two ball mills) to a final grain size of approximately 180 microns. This material is treated in a twin parallel standard mineral flotation circuit to produce a copper, gold and silver concentrate of approximately 24% to 25% Cu and between 15 g/t and 25 g/t Au. A portion of gold is also captured separately utilising a gravity gold circuit. The concentrate is thickened and piped as slurry to handling facilities at Kiunga where it is filtered, dried and prepared for shipping.

In 2018, 18.9 Mt of ore was milled. This was 6% lower than in 2017 (20.1 Mt), primarily a result of three weeks operating time lost due to the earthquake.

Copper recovery during the year was 86.0%. This was higher than in 2017 (83.5%), due to improved plant operating stability which meant the plant consistently outperformed metallurgical models. Gold recovery during 2018 averaged 59.0% and this was in line with 2017 (59.1%).

Copper production in 2018 was 96 Kt. This was 9% lower than in 2017 (105Kt) due to lower tonnes milled (6%) and a lower head grade. Gold production in 2018 was 280 Koz, 3% higher than in 2017 despite less ore being processed. This reflects the increase in grade.

PRODUCTION & COMMERCIAL OUTLOOK

Mine production in 2019 is expected to exceed 100 Mt representing an increase of more than 10% compared to 2018. This improvement is considered achievable given that the second half production in 2018 was 49 Mt (up from 41 Mt in the first half). The accelerated mining rate is necessary to deliver approved mine plans with a three-year requirement in excess of 320 Mt before moderating to a lower mining rate thereafter. The key to achieving this level of production is reliable mining equipment and the strategy is to increase the mining maintenance spend in 2019 to complete major component fleet drive train replacements. Mining cost is however expected to stay under USD 2.40/t in 2019.

Ore grades in 2019 are expected to be about 5% lower than in 2018, with the average for the next three years broadly in line with 2018. Thereafter (2022 and beyond), grades will substantially increase as ore is made accessible after the existing crusher is decommissioned and work to access higher grade material at the bottom of the Centre Pit is completed.

Mill throughput in 2019 is expected to benefit from a softer ore blend that enables higher throughput rates. As a result, it is expected that tonnes of ore processed will be more than 15% higher than in 2018, with recoveries also expected to marginally improve. Efforts to improve plant reliability will increase in the year ahead with additional expenditure to be partially offset by the lower cost of power following the successful commissioning of three new and more fuel-efficient power generation units at the end of 2018.

As a result, metal production in 2019 is forecast to increase by approximately 10% compared to 2018 and then steadily grow for the next two years before a positive step change is realised in 2022. The result is an expected increase in revenue to more than USD 1 billion in 2019.

Cash generation in 2019 will be sufficient to complete funding of the PGK 690 million (USD 209 million) crusher replacement project and build on the PGK 459 million held at the end of 2018. Thereafter, annual cash generation will continue to grow, but the growth in reported profit will be more constrained. This simply reflects the accounting treatment of items such as deferred waste (where cash has already been spent to pre-strip the ore body) and depreciation of investments such as the crusher which are being funded now and will generate significant benefit in future years.

GEOLOGY

The sustainability of the Ok Tedi mining operation continues to be assured through careful management of the existing Mineral Resources within the mine area and the discovery and estimation of new Mineral Resources beyond the existing mine pit areas.


OK TEDI
MINING

GEOLOGY /2

The priority of the exploration team for 2018 was to focus on the identification and testing of near-mine targets within the Special Mining Lease (SML 1), particularly in the New York Ridge area. An induced polarisation geophysical survey was completed over the New York Ridge, Wellington and Gilor areas in late 2018 with the aim of locating new electrically conductive (sulphide) targets.

During 2018, the existing mine resource model was changed from a partial block model to a completed sub-block model. This will improve the interpretation of the narrower and more complex skarn ore bodies. To improve the confidence in the resource model and de-risk areas of high geological complexity, a significant in-pit resource drilling program focused on areas of low drill density and higher uncertainty in and around the skarn ore bodies. In-pit drilling was also completed in the Taranaki and New York areas to refine and expand the mine geological model into adjacent exploration areas at New York Ridge.

Resource drilling and associated metallurgical test work was completed on the Townsville Prospect. The final reports are currently in progress and the initial gold resource statement is presented on page 41.

Exploration activities in more remote areas focussed on EL 2256 (Mt Anju), where previous exploration had identified intrusive rocks hosting gold mineralisation. Work has started on the preparation of another major induced-polarisation geophysical survey to commence in early 2019. Statutory work and expenditure commitments were maintained on all the other exploration licences.

The focus for 2019 will be to escalate drilling in the New York Ridge and Gilor areas within SML 1. The aim is to convert exploration targets to Mineral Resource status for inclusion in the Life of Mine models. Exploration drilling will also be undertaken on identified targets in EL 1667 (Kauwol), the Mt Frew and Mt Kwang prospects (EL 2156), EL2256 (Mt Anju), EL 2289 (Dorongo) and EL 2472 (Bubu). OTML maintained a tenement holding of 682.4 square kilometres (km^2) during 2018.

MINERAL RESOURCE AND ORE RESERVE STATEMENT

In February 2019, a revised Mt Fubilan Mineral Resource and Ore Reserve Statement as at 31st December 2018 was presented to the OTML Board. Comparing the previous estimate to that of December 2018, the changes report a 1% decrease in the total Mineral Resource tonnes from 782 Mt to 776 Mt and a slight decrease in both the copper and gold grades by 2%. The total Proven and Probable Ore Reserves over the same period increased by 4% from 235 Mt to 244 Mt, with no change in the copper grade and a slight decrease of 1% in the gold grade. Recent in-pit drilling at Mt Fubilan and pit optimisation changes contributed to this upgraded estimate.

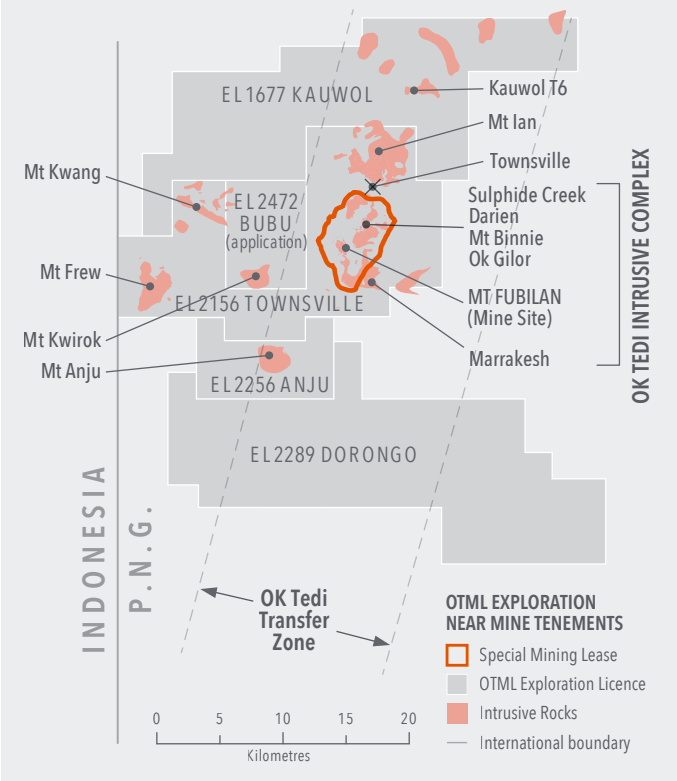
Mr De-Vitry and Mr Hastings are Geological and Mine Engineering Consultants and have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the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

Mr De-Vitry and Mr Hastings consent to the inclusion of the tables, which have been based on their information, in the OTML Mineral Resource and Ore Reserve Statement, in the form and context in which it appears. Signed on this the 27th day of February 2018.

DANIEL HASTINGS
MAusIMM
Principal Consultant
- Hastings Bell Pty Ltd

CHRIS DE-VITRY
MAusIMM
Principal Consultant
– Manna Hill Geoconsulting

Image (previous page): Serah Karl – Geotechnical Engineer reviewing pit drill core.



The changes reflected in the Mineral Resource Statements of 2017 and 2018 are shown in the tables below.

MINERAL RESOURCE AND ORE RESERVE STATEMENT AS AT 31ST DECEMBER 2018

MINERAL RESOURCE				ORE RESERVE				CONVERSION
CATEGORY	TONNAGE (Mt)	CU (%)	AU (g/t)	CATEGORY	TONNAGE (Mt)	CU (%)	AU (g/t)	RESERVE / RESOURCE RATIO
Measured	352	0.46	0.52	Proven	155	0.64	0.75	44%
Indicated	375	0.40	0.52	Probable	90	0.51	0.68	24%
Inferred	48	0.56	0.55					
TOTAL	**776**	**0.44**	**0.52**	**TOTAL**	**244**	**0.59**	**0.68**	**32%**

MINERAL RESOURCE AND ORE RESERVE STATEMENT AS AT 31ST DECEMBER 2017

MINERAL RESOURCE				ORE RESERVE				CONVERSION
CATEGORY	TONNAGE (Mt)	CU (%)	AU (g/t)	CATEGORY	TONNAGE (Mt)	CU (%)	AU (g/t)	RESERVE / RESOURCE RATIO
Measured	365	0.47	0.53	Proven	156	0.60	0.69	43%
Indicated	372	0.43	0.50	Probable	80	0.58	0.70	22%
Inferred	44	0.51	0.71					
TOTAL	**782**	**0.45**	**0.53**	**TOTAL**	**235**	**0.59**	**0.69**	**30%**

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

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CHRIS DE-VITRY
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Principal Consultant – Manna Hill Geoconsulting

GEOLOGY /3

NEAR MINE EXPLORATION TARGETS

The exploration priority was the identification and testing of exploration targets within SML 1 to increase Mineral Resources. A total of 7,428 metres (m) was drilled in 2018 with 13 holes completed to target depths.

The near mine geological model in the vicinity of New York Ridge changed significantly which in turn, altered the exploration strategy. Prior to 2017, the New York Monzodiorite was considered to be a sheet-like body (sill) concordant with the Taranaki Thrust and associated Taranaki skarn by forming the basal contact. Drilling at the start of 2018 identified a feeder structure for the sill and also indicated that the Taranaki Thrust system was less well-defined and thinner in section under a major part of New York Ridge. Although this was not expected, the typical thickness of the Taranaki Skarn beneath the sill is generally only a few metres and the overall effect on the global tonnage was minimal.

The drilling successfully identified four previously undiscovered zones of mineralisation beneath the sill and on the periphery of the feeder structure, namely the Hagley Park Skarn, the New York Breccia, the Hagley Park Breccia and the Waterfall Epithermal system.

HAGLEY PARK SKARN:

Modelling of historical magnetic geophysical data commenced in late 2017 and a large target was identified in the south-eastern part of the New York Monzodiorite. Drilling conducted in February 2018 (drill hole DDHSCK023) intersected 110.2 m of skarn mineralisation, grading at 0.31% Cu and 0.3 g/t Au from 227 m down-hole depth. This intersection included 58.4 m of 0.5% Cu and 0.4 g/t Au from 256 m downhole. This mineralised target was then called the Hagley Park Skarn. Subsequent follow-up wide-spaced drilling intersected an endo-skarn of significant thickness, but only weakly mineralised.

NEW YORK BRECCIA:

The New York Breccia is located in the north-western part of the New York intrusive complex and currently, the breccia pipe has estimated dimensions of approximately 450 m north-south, 200 m east-west and has a vertical extent of at least 900 m and unconstrained at depth.

Assays received in late 2017 from two drill holes (DDHSCK017 and DDHSCK019) returned results with low levels of gold mineralisation, hosted in a breccia unit within the New York intrusive and extending into the underlying Leru Siltstone. DDHSCK017 returned an intersection of 79.4 m grading at 0.17 g/t Au from 167.6m downhole and DDHSCK019 intersected 19.9 m grading at 0.14 g/t Au (from 269.2) and 16.4 m grading at 0.23 g/t Au from 482.6 m downhole.

Breccia pipes in porphyry systems can host significant economic mineralisation. Subsequent dating of the constituent minerals demonstrated that the breccia pipe has a similar age to the adjacent Darien Porphyry, which hosts skarn and porphyry-style copper-gold mineralisation. This suggests that they may share a common source at depth.

TABLE 1: SIGNIFICANT INTERCEPTS IN NEW YORK BRECCIA

HOLE ID	FROM (m)	TO (m)	INTERVAL (m)	GOLD (g/t)	SILVER (g/t)	COPPER (%)
DDHSCK 022	358.0	405.0	47.0	0.34	10.8	0.02
and	517.0	669.0	152.0	0.64	3.5	0.01
including	589.7	602.6	12.9	2.75	14.2	0.05
DDHSCK030	709.0	848.9	139.9	1.28	4.5	0.05
including	718.0	783.0	65.0	1.04	4.5	0.05
and	803.3	848.0	44.7	2.31	6.0	0.05
including	770.2	783.0	12.8	2.1	8.5	0.09

Results from follow-up drilling in 2018 which attempted to test the ground beneath drill holes DDHSCK017 and DDHSCK019 are shown in Table 1. These results are encouraging and indicate a new breccia-hosted porphyry-style gold and perhaps, copper deposit.

Significantly, drill hole DDHSCK030 terminated in mineralisation with grades of up to 0.48% Cu and 11.5 g/t Au in the last 65 m, suggesting that gold and copper mineralisation may be increasing with depth. Another interpretation is that the copper-gold zonation is comparable to that of the Mt Fubilan deposit which had a distinct gold cap and underlying copper zone, albeit attenuated by leaching and supergene enrichment.

WATERFALL EPITHERMAL SYSTEM:

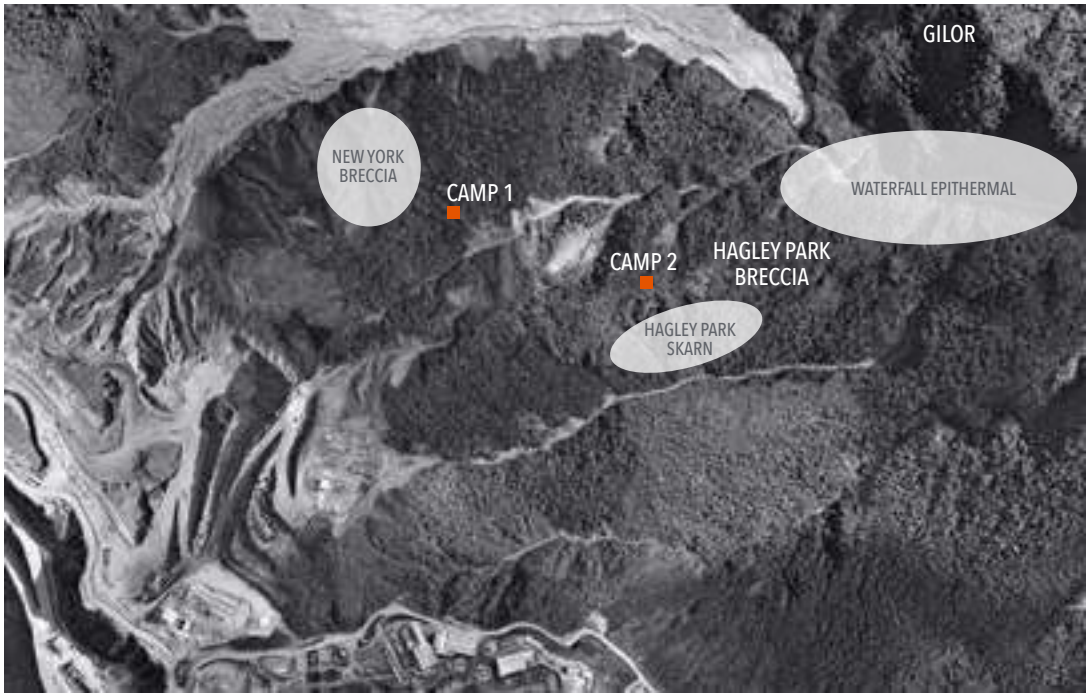
A large zone of argillic alteration has been mapped immediately downstream of the Sulphide Creek waterfall and historically has been the site of artisanal mining activities. A series of major north-east-trending structures occur in the area and are thought to control epithermal-style gold-silver bearing quartz veins and clay-sulphide zones. This area was tested with two drill holes in 2018 as follows:

- drill hole DDHSCK027 intersected a 39 m section grading at 0.88 g/t Au and 19.3 g/t Ag from 243.0 m downhole; and
- assays are pending for a second hole which targeted mineralisation below the intersection described above in drill hole DDHSCK027.

"OTML HAS CONTINUED TO EXPLORE THE GRANTED TENEMENTS OUTSIDE OF THE SML,

...AS PART OF A WIDER REGIONAL EXPLORATION PROGRAM."

GEOLOGY /5



Aerial image showing pit location and location of key targets in SML 1.

HAGLEY PARK BRECCIA:
Whilst testing the extensions of the Hagley Park Skarn, drilling activities intersected an intrusive siltstone breccia dominated by quartz, biotite and magnetite alteration characteristics. Some clasts contain abundant sulphides (FPXRF assays up to 16% Cu) and these may represent transported fragments from a well-mineralised parent intrusive at depth. Drilling activities will continue during 2019 to further evaluate the Hagley Park Breccia.

REGIONAL EXPLORATION

OTML has continued to explore the granted tenements outside of the SML as part of a wider regional exploration program. Beyond the boundary of the SML, OTML holds five Exploration Licences (ELs) in Western Province and these are Townsville (EL2156), Kauwol (EL1677), Bubu (EL2472), Anju (EL2256) and Dorongo (EL2289). Ongoing exploration work has included geophysical surveys, geological mapping and drilling of prospective targets. The Townsville Prospect, located within EL 2156 and located approximately four kilometres north of the processing plant, is the most advanced regional exploration project.

TOWNSVILLE PROSPECT – EL2156
The known mineralisation of the Townsville Prospect occurs in the Upper Gold Zones and the Lower Copper Zones. A view of the working three-dimensional orebody models and associated drill holes are shown in the Figure on page 42. A total of 3,886 m was drilled in 2018 with seven holes reaching target depths.

Table 2 shows the significant drill hole copper and gold results from the Townsville drill holes completed during 2018.

TABLE 2: SIGNIFICANT DRILL HOLES LOCATED IN TOWNSVILLE DEPOSIT

HOLE ID	FROM (m)	TO (m)	INTERVAL (m)	COPPER (%)	GOLD (ppm)
DDHTVL108	218.5	224.4	5.9	1.94	1.06
	338.5	344	5.5	0.77	0.56
DDHTVL109A	102.3	154	51.7	0.21	7.99
and	102.3	130	27.7	0.37	14.30
and	232	266	34	1.70	1.14
DDHTVL110	206	227.2	21.2	0.08	0.36
DDHTVL111	303	319	16	0.87	0.85
DDHTVL112	3.4	247	243.6	0.24	3.39
including	77	87.6	10.6	0.37	4.42
and	108.3	149.8	41.5	0.44	3.08
	196	220	24	0.84	9.40
DDHTVL113	19	51	32	0.01	0.43
	205	229	24	0.19	0.24
	254.5	262	7.5	0.62	0.43
	309	358.5	49.5	1.57	1.02

An inaugural Mineral Resource estimate for the Townsville Upper Gold Zone was completed in 2018 using information compiled by Chris De-Vitry who is a member of the Australasian Institute of Mining and Metallurgy.

TOWNSVILLE UPPER GOLD ZONE MINERAL RESOURCE STATEMENT AS AT 31ST DECEMBER 2018

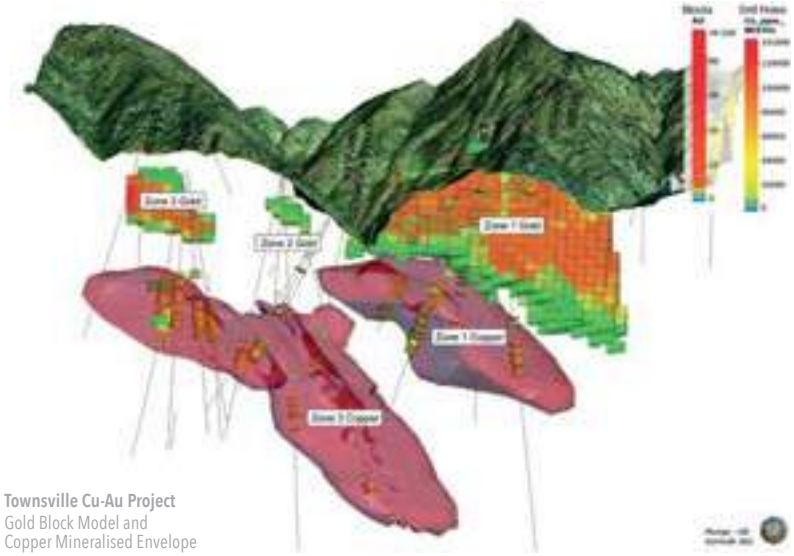
MINERAL RESOURCE			
CATEGORY	TONNAGE (Mt)	AU (g/t)	AU (Moz)
Measured	-	-	-
Indicated	2.4	4.1	0.3
Inferred	17.0	4.3	2.3
TOTAL	**19.0**	**4.3**	**2.6**

Mr De-Vitry is a Geological Consultant and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (Appendix A, page 119).

Mr De-Vitry consents to the inclusion of the above table, which has been based on information in the form and context in which it appears. Signed on this the 18th day of February 2019.

CHRIS DE-VITRY
MAusIMM
Principal Consultant – Manna Hill Geoconsulting

GEOLOGY /6



Townsville Cu-Au Project
Gold Block Model and
Copper Mineralised Envelope

Section illustrating the Upper Gold Zones (block model) and Lower Copper Zones (red) at the Townsville Prospect

A geophysical survey to be conducted away from the main prospect area is currently being considered in order to improve understanding of the mineralisation potential adjacent to the main Townsville prospect.

MARRAKESH – EL2156

The Marrakesh prospect lies at the south-eastern end of the Gold Coast Skarn fault system and a feature of the area is a copper and gold mineralised porphyry/skarn breccia, first intersected in an historic drill hole. The upper part of the Fubilan porphyry was gold rich and the geological interpretation is that Marrakesh represents the un-eroded upper parts of a concealed porphyry system. Four drill holes totalling 1,035 m were completed in 2018. Only very low-grade mineralisation was intersected and the prospectivity of this area has been downgraded. No significant work is planned for 2019.

MT KWANG – EL2156

The Mt Kwang intrusive complex is located eight kilometres west of the Ok Tedi mine within the same anticlinal structure that hosts the Mt Fubilan porphyry. A one square kilometre copper and molybdenum geochemical soil anomaly has been identified as being associated with an altered intrusive. Two drill holes are planned for 2019 to evaluate this anomaly further.

MT FREW – EL2156

The Mt Frew intrusive complex is located 10 km southwest of the Ok Tedi mine. A combined magnetic geophysical and copper and gold geochemical anomaly has been identified from historical data. Subject to ground-truthing, two drill holes are planned at Mt Frew in 2019.

ANJU (EL2256)

During 2018, work at Anju included an extensive program of line cutting in preparation for a geophysical survey. Additional mapping and rock-chip sampling was also completed. The geophysical survey will commence in January 2019.

DORONGO (EL2289)

Reconnaissance work at the Ok Tarim prospect has discovered sulphides in sediments. The Ok Tarim prospect is located 20 km southwest of the Ok Tedi mine but still within the Ok Tedi Mine corridor. Scout drilling is planned to commence in 2019.

KAUWOL (EL1667)

No field programs were undertaken on EL1667 during 2018 due to accelerated work at the SML. However, a review of magnetic and ZTEM geophysical data identified an area of interest immediately north of Mt Ian which has not previously been investigated. The area is along the boundary of EL1667 and EL2156. A field program is scheduled for the last quarter of 2019 which will include scout drilling.

BUBU (EL2472)

The Bubu EL is located immediately to the west of the Fubilan pit. The Kwirok intrusive is located in the southern part of the tenement. In the northern area, there is a deep magnetic anomaly, possibly intrusive related. Altered float samples discovered in 2009 were traced over approximately one kilometre in a creek draining the southern side of the Mt Binnie ridge and these samples returned assays up to 0.85 g/t Au. A magnetic anomaly partly coincides with a topographic ridge which is considered to be the westerly extension of the Mt Fubilan anticline.

A reconnaissance visit was carried out in April 2018, but access was hindered by extreme karst topography. Additionally, a soil sampling program across the main magnetic anomaly is planned for the third quarter of 2019.

REGIONAL EXPLORATION PROJECT PIPELINE

PEOPLE

OTML aims to attract, develop and retain the highest quality employees to maintain competitiveness. This is achieved through competitive remunerations and benefits, effective communication and maintaining an emphasis on a "one integrated team" approach. OTML encourages personal and professional development and provides quality feedback and recognition to reinforce excellence in performance.

PEOPLE /2

OTML employed 1,624 people at year-end 2018 and is the single largest employer in the Western Province. PNG citizens represent over 96% of the workforce with 40.5% from the Western Province and Preferred Area.

The workforce is assigned into 12 Position Grades (PG) from entry level to senior management. 966 employees are in the PG1-4 grade category and these are positions reporting to frontline supervisors with the option of union representation. Of these, approximately 55% are members of a union. In August 2018, a new industrial agreement was reached with the union, covering general conditions of employment. This new agreement became effective from 1 January 2019 and will provide industrial stability for three years. All employees are trained in the OTML Code of Conduct which covers rules regarding behaviour, discrimination, fraud and confidentiality.

Most employees follow one of two FIFO rosters (three or six week cycle) and over 420 employees from the Western and Sandaun Provinces reside in company housing in Tabubil. The rosters provide for efficient allocation of resources and allow for adequate respite. During 2018, an agreement was established to allow employees who work the three-week roster, eligibility to reside in Tabubil to enhance their period of rest between work cycles. As a result, it is expected that an additional 110 families will relocate to Tabubil during 2019.

All OTML employees are remunerated competitively in the context of PNG's resource industries. To maintain competitiveness, the annual review of remuneration levels in comparison to the 2018 market data was completed, allowing for the approval of appropriate adjustments to be effective from 1 January, 2019. Female employees are remunerated equally with their male counterparts. Senior staff participate in an annual performance review with their supervisor, with the outcome linked to salary and career progression. All employees participate in an annual bonus scheme based on performance, with progress against Key Performance Indicators published monthly. At year-end 2018, all employees received a general bonus of 10% of their normal wage.

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

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

The 2018 employee demographics by origin have remained relatively constant compared to that of 2017 and there are no seasonal variations in employment numbers.

In 2018, the Ok Tedi Women's Network (OWN) was formed to address the under-representation of females in the Ok Tedi workforce. OWN also addresses other issues including the identification of structural barriers to career progression, professional development needs and personal safety and health matters. Seventy-three female staff attended a kick-off function and established an agenda for 2018. During 2018, three female employees were promoted on merit to managerial positions. OTML is committed to increasing the participation of women in the workforce and to providing a workplace supportive of both genders.

An Employee Assistance Program is in place to provide confidential counselling and support, either face to face or by telephone, to employees and their families. The most common issues raised involved stress (mainly financial stress), substance dependence and domestic abuse or violence.

The workforce is well-informed on company performance and has an understanding that its competitive position is important to ensure a sustainable future. Formal townhall meetings (Haus Bungs) for all employees are conducted twice per year to share business results and plans.

Regular communication with the workforce and union executives facilitate alignment and timely resolution of grievances. There were no shutdowns of operations due to industrial action. Key concerns raised by the union were those involving rosters, as well as issues around effective time at home impacted by travel requirements. A resolution of these concerns was reached in an industrial agreement which came into effect on 1 January 2019.

Image (previous page): Freddy Wokman - Heavy Equipment Fitter, Mine Maintenance.

Image (right): Emmanuel Aku, Bige Project Officer undertaking safety training.

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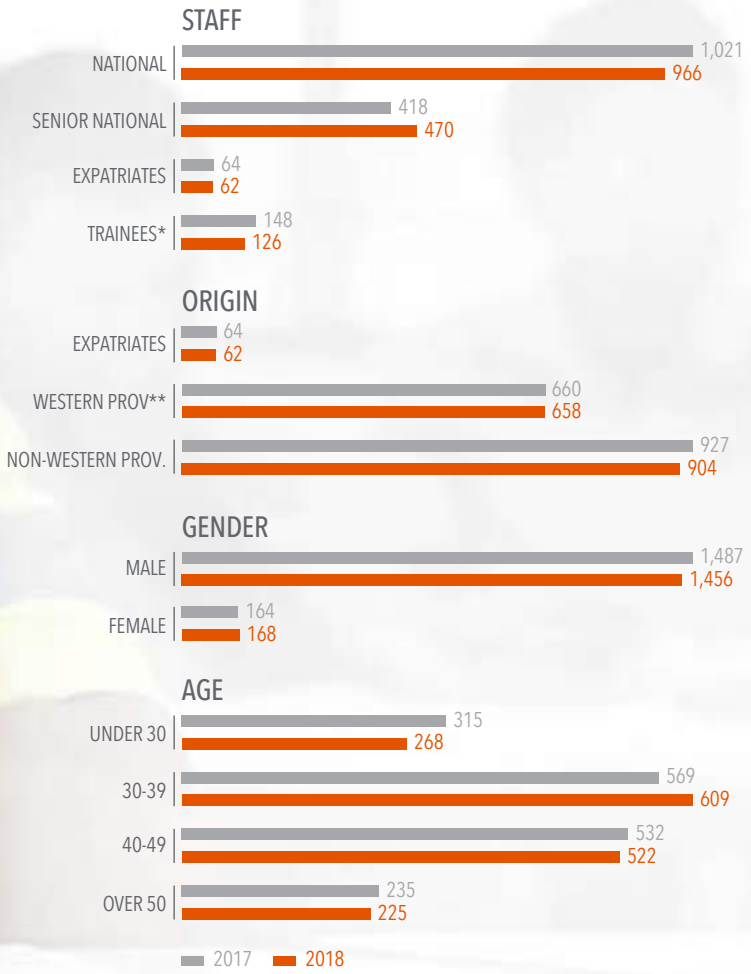
1,624 TOTAL EMPLOYEES (2018)



1,651 TOTAL EMPLOYEES 2017

* PNG National in OTML training programs. ** Preferred Area.

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"OTML IS THE SINGLE LARGEST EMPLOYER IN THE WESTERN PROVINCE."

BUILDING A HIGH-PERFORMANCE ORGANISATION

Establishing a preferred workforce culture, developing workforce capabilities and ensuring business improvement are the three key elements to secure OTML's transformation strategy of building a high-performance organisation.

WORKFORCE CULTURE

In 2017, a culture survey was completed by the workforce on how they viewed the OTML work culture and suggestions for change were presented. The survey results culminated in a transformation plan to improve Ok Tedi's business performance through changes including; improved collaboration and teamwork, greater role clarity and alignment, a shift to positive discipline and supportiveness and greater delegation of authority to enable improvement.

In 2018, a catalyst team of opinion leaders from across the business was formed to help develop and implement initiatives focusing on driving a "One Team, Wan Pasin" culture. The team identified the desired personal behaviours that would bring to life the Ok Tedi Values of Safety & Environment, Integrity, Accountability, Teamwork, Performance and Sustainability. This program will continue throughout 2019.

Image: Lilian Casper, Excavator Operator.

PEOPLE /3

DEVELOPING WORKFORCE CAPABILITY

Operator Training

In 2018, Competency Models were closely aligned with Australian standards enabling the acquisition of packaged training materials to support implementation. The programs identified the specific competencies required to progress from PG1 to PG4 in the mine, processing and operations support divisions. Employees' competencies were assessed to confirm skill levels reached and by year-end, 195 employees had been reclassified into higher levels.

Leadership Development

A Front-Line Leadership Program for supervisors and superintendents was developed and piloted in late 2017 and rolled out during 2018 to the mining and processing areas. This program aimed to develop greater self-awareness of leadership capabilities and styles, build leadership qualities and a capacity to align to cultural outcomes and improve the quality of communications.

An Extended Leadership Team, consisting of the general managers and managers from across the business, continued to meet monthly to review business results and addresses issues which strengthen alignment and foster a one-team approach.

Professional Development

Employees in PG5+ level positions participate annually in a performance appraisal and personal development process. The key outputs are performance feedback and the identification of training needs. This allows training to be targeted at the specific development requirements of individuals.

Business Improvement – Organisation Development

The focus for 2018 (and moving into 2019) was to set the foundations for continuous business improvement. Efforts initially focused on simplifying OTML's management systems to allow leaders to devote more time to value-adding activities and the establishment of an improvement culture, using a simple business improvement framework and the application of technology.

Dedicated teams were established in the mining and processing areas, coordinated through a small central business improvement team.

EDUCATION

Education is seen as the key pathway for people to improve their self-worth and provide long term benefits for themselves and families. Education assistance is offered to eligible children of employees to reimburse mandatory school fees for primary and secondary schooling and tertiary education. In 2018, PGK 9.98 million was paid to education institutions as reimbursement for school and tertiary fees, uniforms and books.

OTML's commitment to training is such that it extends beyond its direct needs which results in qualified personnel entering the general PNG labour market. Many of those who do not move into permanent positions with OTML immediately on completion of their training, return to the company at a later date with additional experience. OTML supports the following three structured develop programs for in-house trainees:

- Graduate Development Scheme (a two-year program) to ensure a continuous flow of developing young professionals in technical and business disciplines. Priority is given to graduates who have been sponsored through the Western Province Education Sponsorship Program and from the Preferred Area. In 2018, there were 25 trainees.
- Apprentice Trade Program (a four-year sandwich program) to ensure an ongoing flow of developing trades persons. In 2018, there were 100 apprentices in this program, with 36 of those graduating in their 4th year. Since 1982, 1,169 apprentices have received their trade certificates.
- Preferred Area Training Program (a two-year program) to provide entry level training to local/preferred area trainees in skills such as Mobile Equipment and Plant Operators, Heavy Equipment Fitting and Administration Assistants. In 2018, there were 40 trainees in this program.

An investment of PGK 4.1 million was made in 2018 on education and training of graduates, apprentices and trainees.

APPOINTMENT OF GENERAL MANAGER PEOPLE & CAPABILITY

Towards the end of 2018, the new position of General Manager People & Capability was created and filled in order to provide further direction and progress on Ok Tedi culture and workforce development.

ENVIRONMENT

OTML undertakes a comprehensive environmental monitoring program governed by the Ok Tedi Agreement. In 2018, environmental monitoring was compliant with the Environmental Regime conditions and there were no fines or imposed penalties.

ENVIRONMENT /2

Ok Tedi's mining operations are centred on the Mt Fubilan deposit in the upper Fly River catchment in the remote Star Mountains, Western Province. The mine is located at an altitude of approximately 1,600 m in a densely vegetated, mountainous area where the annual average rainfall is approximately 9,000 millimetres per annum. Outcropping siltstone and limestone are susceptible to erosion with the high rainfall and steep terrain contributing towards an unstable geotechnical setting. Localised landslips are common causing eroded sediment to be transported into the surrounding riverine system.

In response to the structural instability of the region, OTML was granted permission from the State to discharge desulphurised tailings, waste water and waste rock into the local environment. These materials are hydraulically mobilised down the river systems with approximately 85% of mine derived material captured in the Bige dredge slot located 100 km downstream from the mine. Approximately 10 million cubic metres (Mm^3) of sediment has been dredged annually from the Ok Tedi since 1997/1998, to reduce riverbed sedimentation. Only fine silt and some sand material now passes downstream from the Bige area. The dredged material is placed in engineered stockpiles on the east and west banks of the river and are progressively rehabilitated.

COMPLIANCE MONITORING

The Ok Tedi Mine, through the Ok Tedi Agreement, is governed by the Ok Tedi Mining Act. The Ninth Supplemental Agreement, which was passed by the PNG Parliament in 2001, has adopted the Environmental Regime which contains OTML's environmental management and reporting obligations set against the following six environmental values:

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

The OTML Environment Department is responsible for monitoring impacts along the 1,000 km downstream riverine system from the mine to the Fly Delta and at the port transfer facility in Port Moresby harbour. The 2018 Ok Tedi Annual Environmental Report findings were that the mine was compliant with the Environmental Regime conditions. The Regime will be replaced in 2019 by the OTEMA.

OK TEDI ENVIRONMENTAL MANAGEMENT ACT

The new OTEMA was passed by the PNG Parliament in February 2019. Under OTEMA, OTML will be required to monitor 114 conditions (many carry over from the former Regime, but also include new conditions) and will commence quarterly compliance reporting in 2019.

TAILINGS AND WASTE ROCK MANAGEMENT

The riverine discharge of tailings and waste rock management continues to be the most significant long-term environmental risk for OTML. In the past this has caused sediment aggradation in the river, which then caused overbank flooding in the lower Ok Tedi and upper middle Fly River, as well as decreased aquatic biomass.

In 2018, approximately 16 Mt of treated tailings was discharged into the upper reaches of the Ok Tedi and 59.4 Mt of waste rock was discharged to failing dumps to the north and south of the mine.

OTML has implemented a comprehensive series of mitigation projects to reduce the long-term impact on the river system. OTML is the only large copper mine to separate sulphides from the tailings prior to tailings discharge, as part of the Mine Waste Tailings Project (MWTP). The target is less than 1% Sulphur in the final tailings and predominately sand-sized particles. The pyrite concentrate produced is piped 125 km to storage pits on the West Bank at Bige, where it is permanently stored sub-aqueously and then covered with non-acid forming sands dredged from the river. The sediments (comprising natural, tailings and waste rock fines) that accumulate at this short section of river, are being dredged at a nominal 10 Mm^3 per annum at Bige and placed in engineered stockpiles and rehabilitated.

Image (previous page): Cap Martin dredge at Bige.

To further assist in neutralising potential acid production from the mining and processing operations, limestone is added to the mill feed at the primary crusher to achieve a Net Acid Production Potential (NAPP) target of -30 kg H_2SO_4/t in the tailings. The finely ground limestone reacts more readily to neutralise acidity and is transported with the tailings down the river system. In addition, limestone is mined and discharged in the waste rock failing dumps to ensure a NAPP target of -150 kg H_2SO_4/t is achieved in the dumps.

BIODIVERSITY IMPACTS

The discharge of mine waste to the local river system results in increased sediment deposition on the bed of the river. During high rainfall or long rainfall duration events, an increase in the duration and frequency of overbank floodplain inundation is observed. This flooding has resulted in the conversion of parts of the forested floodplain to grassed floodplain in the lower Ok Tedi and the middle Fly River system.

During 2018, 57 unbounded plots and 24 transects were established as permanent monitoring sites across the different vegetation types and the health status ranges from severe dieback to healthy. OTML purchased high resolution (5 m horizontal) Pleiades satellite imagery to improve the mapping capability of the dieback and other floodplain resources.

Vegetation dieback mapping in 2018 revealed that the total area affected by dieback increased by 6.4 km^2, a 0.3% increase compared to the 2017 estimate. The impacted area of the lower Ok Tedi increased by 0.6 km^2, a rise of 0.2% compared to 2017. Recent studies have shown that portions of the impacted vegetation at the edges of the floodplain were evident prior to mine impact. These areas have been omitted from the overall impacted area resulting in a total area of 1,983.4 km^2 and a lower Ok Tedi estimate of 216.5 km^2. Vegetation recovery over the total area increased by 25.3% and by 3.5% within the lower Ok Tedi floodplain. The total area is less than the long term predicted maximum area of 2,395 km^2.

OTML has monitored fish biomass, abundance and species richness, using standardised gillnet methods at three riverine sites. The extent of decline in fish abundance and species has reduced since 2009, coinciding with the observed improvement in water quality, bed level and dieback stabilisation due to mitigation programs (MWTP and dredging).

In 2018, fishery yield in the Fly River system and local community consumption was calculated based on the latest floodplain catch data, flood extent, population data and consumption data. The proportion of community consumption in 2018 was 19% of the system's yield, compared to 8.4% in 1999. The increased consumption is due to a rising population from approximately 5,000 in 1999 to 16,907 in 2018.

A comprehensive fish diversity study commenced in 2018 investigating main river, tributary and off river refuge locations and is scheduled for completion in 2019. The survey identified many of the 108 previously recorded Fly River fresh water species. The study confirmed that species that were either absent or in decline in the lower Ok Tedi and middle Fly River were taking refuge in the tributaries. A new species of eel-tailed catfish was collected and has been submitted to Australian museums for genetic and morphological confirmation.

ENVIRONMENTAL PERFORMANCE

OTML is committed to improving environmental performance across all aspects of the Company's operations and has prepared the 2018 data tables and previous year data for comparison. The annual average %Sulphur in final tailings discharge was 0.97%. This was 3% lower than the target value of 1%. The average annual ANC/MPA ratio in dredged sediments at Bige was 1.9, higher than the set compliance lower limit of 1.5.

In 2018, OTML successfully completed the network upgrade of its hydrometric sites, including 20 active sites and two inactive sites. Data from all stations are transmitted via telemetry and displayed live on the OTML Intranet.

WATER USAGE

In 2018, total water use was 13% lower than in 2017 due to lower tonnes milled and the earthquake which for three weeks, affected concentrate production at the processing plant. Recycled water comprised 77% of the water utilised by the processing plant.

"THE 2018 OK TEDI ANNUAL ENVIRONMENTAL REPORT FINDINGS WERE THAT THE MINE WAS COMPLIANT WITH THE ENVIRONMENTAL REGIME CONDITIONS."

ENVIRONMENT /4

ENERGY CONSUMPTION

Open cut mining and the processing of copper ores is energy intensive. OTML's energy intensity index (MWh/t contained copper) decreased marginally from 4.7 in 2017 to 4.6 in 2018.

In 2018, total diesel consumption was 108.5 megalitres (ML) and 28% of this consumption was used for power generation. Fuel contributes significantly to the Company's greenhouse gas (GHG) emissions. Total GHG emissions in 2018 were 304 Kt carbon dioxide equivalents (CO_2-e), representing a 10% increase from 2017 emissions of 277Kt. Hydroelectric base load power is utilised in preference over high cost thermal energy generation, which is minimised where possible.

The total amount of electricity used during 2018 was 461 Gigawatt hours (GWh) compared to 493 GWh in 2017, with 331 GWh being produced from hydroelectric generation. Hydroelectric power provided 72% of OTML's power requirement through the two hydroelectric generation stations (Ok Menga and Yuk Creek). Less than one GWh (0.44 GWh) was sold to Ok Tedi Power Limited, the company managing power distribution in Kiunga.

ENERGY TYPE (CONSUMPTION)	2017	2018
Total energy used (fossil + renewables) (Petajoule (PJ))	5.17	5.31
Total energy (fossil) (PJ)	3.75	4.12
Total renewable energy (PJ)	1.42	1.19
Energy used for transportation (ships, planes, vehicles) (PJ)	2.68	2.69

ENVIRONMENTAL MANAGEMENT PERFORMANCE		
Environmental induction (number of OTML and contract employees)	1,380	5,036
Environmental action plan (% completed)	58	37
Incidents Level 3+ (Medium, major or catastrophic)	3	1

WATER MANAGEMENT		
Total water used ('000 m^3)	60,844	52,779
Freshwater ('000 m^3/% of total)	16,425 / 27	12,185 / 23
Recycled water ('000 m^3/% of total)	44,419 / 73	40,594 / 77
Freshwater intensity index (m^3/t contained copper)	156	127

WASTE MANAGEMENT		
Total riverine disposal ('000 t)	68.398	75,333
Waste rock ('000 t/% of total)	51,415 / 75	59,391 / 79
Tailings ('000 t/% of total)	16,983 / 25	15,942 / 21
PCon slurry piped to Bige ('000 t)	2,648	2,550
Riverine disposal intensity index (t/t contained copper)	649	785

Image (previous page): Nou Ako, Senior Chemist, testing water samples.

WASTE MANAGEMENT (CONTINUED)	2017	2018
Annual dredge slot production rates (Mt)	16.3	15.8
Average annual % sulphur in waste rock	1.40	0.95
Average annual % sulphur in tailings	0.95	0.97
Average annual ANC/MPA in dredged sediments	2.56	1.9
Average dissolved copper (µg/L) at Nukumba	7	7
Scrap metal (t shipped for recycling)	2,481	3,041

ENERGY AND GREENHOUSE GAS PRODUCTION		
Total diesel consumption (ML)	103.2	108.5
Diesel consumption for power generation (ML/% of total)	28.9 / 28	28.6 / 28
Diesel used for machinery / other (ML/% of total)	74.3 / 72	79.9 / 72
Electricity use (MWh)	493,188	461,029
Diesel generated electricity (MWh/% of total)	96,891 / 19	130,437 / 28
Hydroelectricity (MWh/% of total)	396,296 / 81	330,592 / 72
Power sold (MWh)	471	437
Energy intensity index (MWh/t contained copper)	4.7	4.6
GHG emissions ('000 t CO_2e)	277	304
GHG emissions index (t CO_2e/t contained copper)	2.6	3.2
New land disturbed this year (ha)	14.3	0.13
Total land disturbed to date (ha)	2,735	2,735
Land rehabilitated this year (ha)	15.32	3.23

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ENVIRONMENT /5

LAND DISTURBANCE AND REHABILITATION

The Special Mining Lease covers 2,083 ha. In 2018, 0.13 ha of new land was disturbed as part of the geological exploration activities. The total cumulative disturbance at all operational sites is 2,735 ha. During 2018, 3.2 ha of Bige stockpiles were rehabilitated using a mixture of grasses and tree species.

Progressive rehabilitation continued at Bige stockpiles. Rehabilitation involves spreading organic material across completed portions of the engineered stockpile to provide immediate surface erosion protection, followed by hand planting and seeding of a large variety of grasses and native tree species.

During 2018, 30 Ecosystem Function Analysis (EFA) transects were monitored on both the Western and Eastern stockpiles. Six new EFA transects were established across the new 2018 Eastern stockpile rehabilitation area. Spatially explicit rehabilitation treatments and EFA transect data are stored and regularly updated in a Geographic Information System developed for the stockpile rehabilitation program.

The land rehabilitation program's objective is to meet the end land use criteria described in the Mine Area Rehabilitation Plan.

MINE CLOSURE PLANNING

Every three years, OTML prepares an updated Mine Closure Plan, Mine Area Rehabilitation Plan and Social Impact Assessment. The next round of updates is scheduled for 2019. In preparation for closure works in 2025 based on current life of mine plan, OTML has PGK 796 million (USD 237 million) in an offshore trust fund.

ENVIRONMENTAL INCIDENTS AND COMPENSATION

OTML reports on the amount of environmental compensation paid to communities and landowners as direct payment for damage to crops, gardens and waterways, in the event of a process or chemical spill or another mine related incident. In 2018, there was only one environmental production-related (Level 3) incident.

DATE	LOCATION	RATING (ACTUAL)	DESCRIPTION
18-Feb-18	Helsinki Security Checkpoint	3	Contractor Truck was returning to Tabubil from the Mine when the truck ran onto the copper concentrate pipeline causing it to rupture and discharge approximately 21 dry metric tonnes (dmt) to the environment.

No community compensation was paid for this incident. Annual compensation payments were made to the nine CMCA regions, as direct reparation for use of riverine tailings discharge.

In 2018, compensation payments totalled PGK 56.1 million.

NON-MINE WASTE MANAGEMENT

OTML has an Industrial Sites Management Program which coordinates the management of contaminants and waste from all operational areas. The Company has developed an integrated waste management program that is actively collecting and sorting materials that can be recycled to reduce landfill. Drone surveys were flown to establish the potential volumes of landfill sites, in order to finalise a Waste Land Fill Plan. In 2018, there was an increase in waste scrap steel shipped off-site.

OTML has made a commitment in 2019 to improve the reclamation of non-ferrous metals. OTML has 1,200 kg of refrigerant gases ready for export to Australia for destruction in 2019. Waste oil is burnt in the lime kiln and 98,000 litres was disposed of in 2018 by this means. Excess waste oil is sent off site to a third party and OTML completed an audit on their storage and processes. Used haul truck tyres were used as foundations for flood embankments at the Kiunga Sewerage Treatment Plant project.

Image: Nicko Paulus, Field Technician, river water sampling.

SOCIAL RESPONSIBILITY

OTML conducts its operations in a manner that balances economic and social impacts, respecting the rights and cultural heritage of impacted communities. This is based on Free and Prior Informed Consent principles.

SOCIAL RESPONSIBILITY /2

The Company maintains regular and open dialogue with communities under various agreements including the CMCA and both National and Provincial governments. The company met all of its obligations under these agreements in 2018.

Ok Tedi's Community Relations programs focus on developing partnerships with local communities, government and businesses in order to improve long term social and economic development and reduce the environmental impacts of mining.

The delivery and management of major social responsibility programs are channelled primarily through the OTDF, a not-for-profit entity, funded directly from OTML. The OTDF aims to build capacity and self-sufficiency within local communities.

OTML supports the OTDF by providing resources and staff to participate on various Boards and Trusts, providing strategic planning support, technical services, networking assistance, financial and in-kind resources such as logistics support.

Papua New Guinea and Western Province obtain enduring benefits from OTML through employment and training, capacity building, national and local business services and economic and social development programs. The company pays significant dividends, taxes and royalties to its shareholders.

COMMUNITY MINE CONTINUATION AGREEMENT

OTML developed the CMCA which involves communities located in areas extending from the mine in the north to the Fly River delta in the south. There are nine CMCA regions which includes the six Mine Landowner Villages, where 158 communities affected by the operations are paid annual compensation, investment and development payments. Each region is represented by four elected representatives, including at least one woman.

The Community Relations Department conducts annual family population updates for the nine CMCA regions. Cash payments to the beneficiaries are calculated using the population of the respective regions and paid directly into over 21,600 family and clan accounts.

COMMUNITY CONSULTATION

OTML organises regular formal and informal community engagements, including an annual CMCA community consultation patrol to all 158 villages. In April and May of 2018, this patrol successfully visited 153 villages throughout all nine regions. OTML uses these meetings to:

- manage community expectations and address community complaints and issues relating to CMCA Payments, General Compensation and Environmental issues;
- conduct awareness on issues of interest such as the operations conducted by Mineral Resources CMCA (MRCMCA), Mineral Resources Star Mountains and the general operations of the mine; and
- provide feedback on issues previously raised where the community can raise concerns and have them recorded as requests or grievances for follow-up and resolution.

Common issues raised by the CMCA communities during the patrol were:

- MRCMCA benefits distributions, royalty and lease payments and payments to leaders;
- general compensation queries and the need for a population census to update records; and
- CMCA payments and the impact of an increasing population.

In 2018 there has been no community disruption to OTML operations and the Company generally enjoys a positive working relationship with the communities.

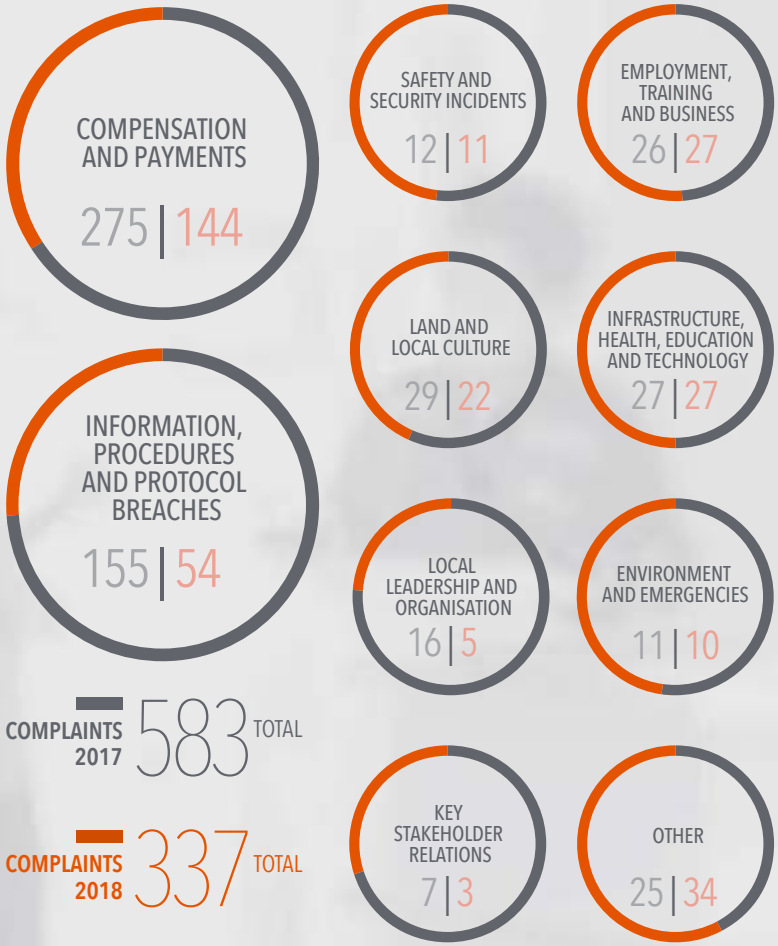
OTML COMPLAINTS AND GRIEVANCES

OTML has been operating a comprehensive on-line Complaints and Grievance Management System (CGMS) since 2014. The CGMS meets the grievance mechanism guidelines of the United Nations and International Finance Corporation for Resource Sector development and addresses human rights and grievances.

Complaints are usually raised by the community with Community Relations Officers during patrols or are lodged at the Tabubil, Kiunga and Bige offices. The CGMS supports considered responses and enables management to analyse trends by complaint type, region or complainant. Complaints can be resolved and closed out at any time if a complainant is satisfied with the outcome.

Image (previous page): Kiunga traditional cultural dancer.
Image (right): Miriam Yambie - Team Leader, Accident Emergency and General Out Patient Department, Tabubil Hospital

NUMBER OF COMPLAINTS



COMPLAINTS 2017 583 TOTAL

COMPLAINTS 2018 337 TOTAL

SOCIAL RESPONSIBILITY /3

In 2018, a total of 337 (42% lower than in 2017) complaints or queries were lodged in the system and 315 were successfully closed out. Of these complaints, 43% were related to compensation payments. The decrease in complaints in 2018 can be attributed to a better understanding by community that spurious claims will be rejected.

SIGNIFICANT DISPUTES RELATING TO LAND USE OR CUSTOMARY RIGHTS

In 2018, a total of seven land related disputes were ongoing although many have not been active for a number of years. Five of these were in relation to land ownership claims over the SML and Tabubil Township lease. One was in relation to pursuit of benefits from the State for the occupation of the Kiunga Wharf operational areas and a legal case against OTML where landowners are claiming payment for the usage of Dablan Creek. OTML is monitoring these legal cases and where OTML is a direct party to the case will seek to have the cases dismissed by the courts in 2019.

COMMUNITY RELATIONS PROJECTS AND OTHER SIGNIFICANT ISSUES

Other projects and major issues attended to by the Community Relations Department (CRD) in 2018 are listed in the table below.

TYPE	DESCRIPTION
CMCA/Mine Village Database	The Mine Village CMCA population update and bank account database was completed, tested and deployed in 2018.
Leaders Meeting	Three leader meetings were held in 2018 to provide an update on OTML and OTDF operations and discuss issues affecting the Western Province. The meeting was attended by representatives from OTML, OTDF, Provincial Government and community leaders.
Land Lease Compensation Reviews	Lease compensation reviews for LMP 79 and LMP 85 (Storage & Access Road) were successfully completed and leases renewed for a further five years (2019 – 2023) and signed Lease Compensation Agreements (LCAs) between the Landowners and OTML.
PNG National Identify Roll Out	CRD worked with PNG Government officials to commence the registration of all persons in the CMCA regions to obtain National Identity Cards and Birth Certificates. In 2018, 19,000 people were registered.

OK TEDI DEVELOPMENT FOUNDATION

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

- effective management and implementation of development programs;
- strengthening partnerships;
- appropriate and accountable financial and operational systems support; and
- open and transparent communications.

OTDF is managed by a Board and the focus is on the delivery of five key sector programs, namely; Local and Regional Development, Education, Health, Infrastructure and Community and Social Development. Project and program funding for the OTDF is primarily provided by OTML, CMCA Trusts, Mine Village Development Funds, Alice River Trust, OTML Tax Credit Scheme and the Western Province Peoples Dividend Trust Fund (WPPDTF).

Detailed information on community program delivery for 2018 can be found in the OTDF Annual Report and on the OTDF website: www.otdfpng.org.

ECONOMIC CONTRIBUTION

OTML provides significant funds towards socio-economic development, both directly through services provided, infrastructure and indirectly through the facilitation of community access to services and infrastructure. OTML's economic contribution to PNG and the Western Province is through the following payments:

- royalties from metal sales;
- employee salaries;
- capital and operating expenditure with suppliers of goods and services in PNG;
- payments under the various land and community agreements;
- various business taxes, including company payroll, goods and services and the TCS;
- donations and investments in community development programs; and
- investments in local and regional infrastructure, including roads, bridges, jetties, hospitals, schools.

Payments to the PNG economy in 2018 were approximately PGK 1,713 million, higher than in 2017 (PGK 1,374 million). Taxes and levies paid to the PNG Government were PGK 293 million, 82% higher than in 2017 due to higher company group and income tax payments, custom duty payments, higher GST payments due to the disposal of the three vessels and higher production levy payments. A dividend payment of PGK 100 million was paid to shareholders.

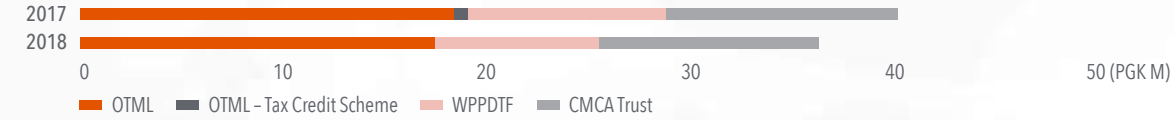
TCS expenditure was PGK 22.4 million compared to the 2017 expenditure of PGK 5.5 million. Goods purchased in PNG increased to PGK 478 million compared to PGK 295 million in 2017.

CONTRIBUTION TO LOCAL COMMUNITIES AND THE PNG ECONOMY

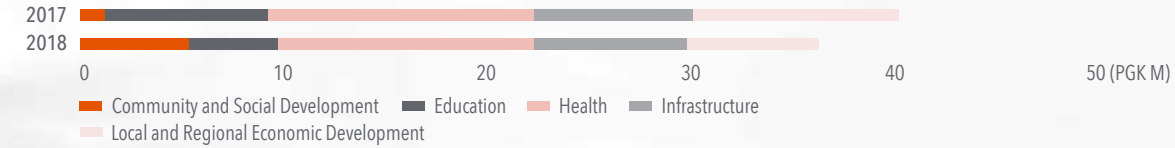
	PGK (M)		USD (M)	
	2017	2018	2017	2018
Taxes and levees paid to PNG Government	161.1	293.3	50.5	89.3
Dividend paid	377.5	100.0	116.0	30.4
ROYALTY PAYMENT				
– Fly River Provincial Government	21.3	25.4	6.7	7.7
– Land owners	30.0	26.7	8.7	8.10
– Less: Royalty tax – Land owners	(1.4)	(1.3)	(0.4)	(0.4)
SUBTOTAL	**49.9**	**50.8**	**15.0**	**15.4**
TAX CREDIT SCHEME				
– Health	0.1	0.7	0.04	0.2
– Education	3.2	6.0	1.0	1.8
– Roads, bridges, airport	0.7	10.1	0.2	3.1
– Utilities	1.6	5.6	0.5	1.7
SUBTOTAL	**5.5**	**22.4**	**1.7**	**6.8**
Goods purchased in PNG	295.2	478.3	92.5	145.5
PNG contractors	243.5	497.1	76.3	124.6
Local training costs	4.4	4.1	1.4	1.2
Salaries and wages	236.6	267.4	74.1	81.0
TOTAL	**1,373.7**	**1,713.4**	**427.5**	**494.2**

SOCIAL RESPONSIBILITY EXPENDITURE

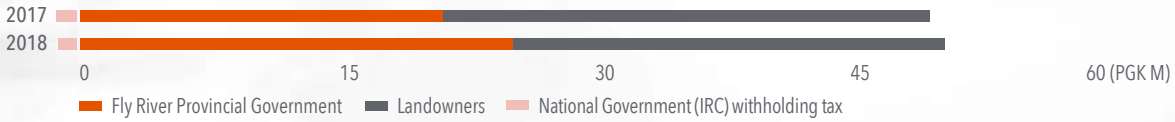
OK TEDI DEVELOPMENT FOUNDATION – MAIN SOURCE OF INCOME



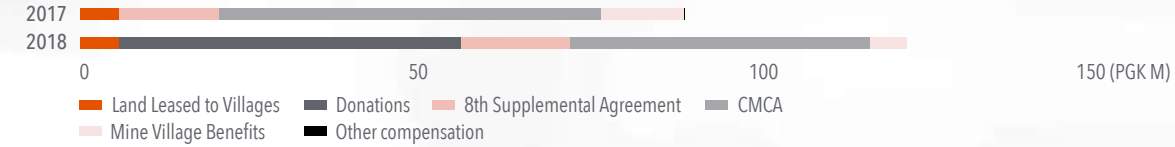
PROGRAM EXPENDITURE BY SECTOR



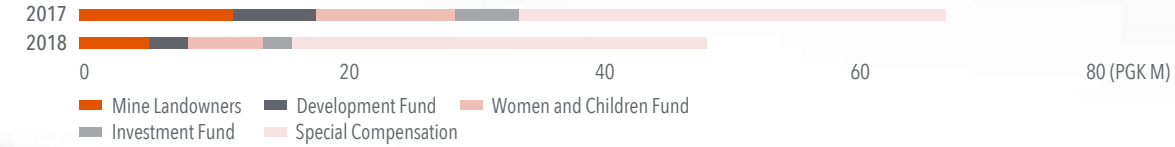
ROYALTY PAYMENTS



COMPENSATION PAYMENT RECIPIENTS



GROUPS AND TRUSTS



SOCIAL RESPONSIBILITY /5

ROYALTY PAYMENTS

In 2018, OTML paid PGK 50.8 million in royalties based on net revenues derived from copper and gold production. The royalties were similar to those paid in 2017.

COMPENSATION PAYMENTS

OTML makes annual lease land payments to cover the mine and its infrastructure. General compensation payments to CMCA communities include, mine landowner projects, environmental and other compensation.

In 2018, compensation payments totalled PGK 121.5 million. This was 37% higher than in 2017 and included a PGK 50 million donation to the Earthquake Disaster Fund.

CMCA PAYMENTS

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

In 2018, the funds were distributed to the various groups and trusts.

TAX CREDIT SCHEME

The TCS was established by the PNG National Government in 1996 to deliver infrastructure and development projects to the Provinces in which resources companies operate. This funding stream is the National Government's direct funding for projects from the taxes collected in the Province where they were generated.

OTML's TCS was established in 1997 and has provided significant project funding to the Western Province and Sandaun Province. In 2018, the OTML's TCS contribution was PGK 22.4 million. The projects delivered under the TCS are shown below.

2018	CONTRIBUTION (PGK M)
HEALTH	
Telefomin District Hospital Equipment	0.75
EDUCATION	
Montfort Primary School Infrastructure, Kiunga	1.18
Oksapmin High School Development Project	4.85
ROADS, BRIDGES, AIRPORTS AND BUILDINGS	
Tabubil Telefomin Road	10.06
UTILITIES	
Kiunga Town Water and Sewerage Supply Project	5.58
TOTAL	**22.42**

LOCAL BUSINESS SUPPLY CHAIN

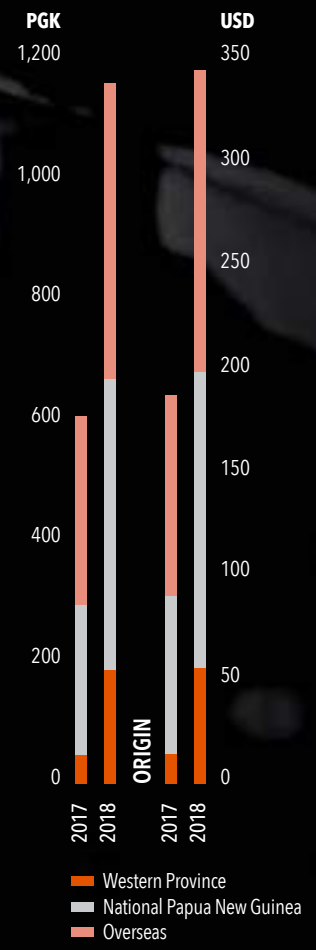
OTML has a policy to locally source PNG manufactured goods and service providers where they are competitively priced. The OTML Supply and Logistics Department engages over 647 suppliers and 415 service providers. The PNG supply chain includes multinational companies that are represented in PNG and many have offices in Western Province. Small to medium businesses that have pre-qualified and established management systems are preferred suppliers.

In 2018, there were 450 contracts raised with various suppliers of which 138 contracts or service orders were awarded to PNG or PNG / Joint Venture companies. The total value of services contracts sourced from PNG suppliers was PGK 466 million or 40% of all contracts.

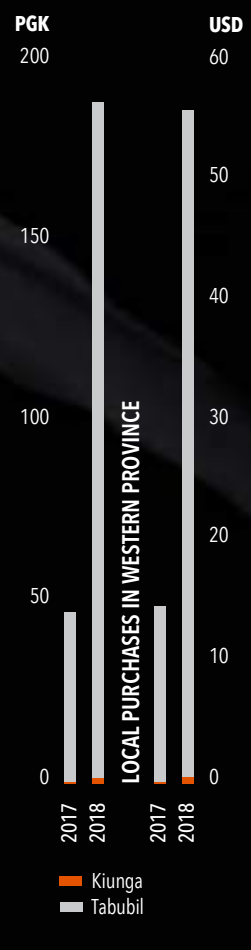
The breakdown of goods purchased by source is shown in the following plots and of this, PGK 188.5 million was generated from within the Western Province, a significant increase from 2017. This increase was mainly due to the crusher project.

Image (previous page): Kiunga Montford School grade 7C students, Velerie Palau, Penelope Tilam and Hency Rowai.
Image (right): Kiunga traditional cultural dancer.

BREAKDOWN OF PURCHASES OF GOODS BY LOCATION (M)



BREAKDOWN OF PURCHASES OF GOODS IN WESTERN PROVINCE (M)



FINANCE

Consistently strong financial performance has enabled OTML to fulfil its shareholder and sustainability commitments.

FINANCE /2

ECONOMIC CONTRIBUTION

OTML's financial performance for 2018 included gross sales revenue of PGK 2,932 million with an after-tax profit of PGK 466 million. The company spent PGK 668 million on capital expenditure and declared an interim dividend of PGK 100 million. The board approved a final dividend of PGK 200 million in December, to be paid in 2019. The Company also contributed PGK 50 million to the national government's 2018 earthquake recovery efforts.

The financial statements have been externally audited by PricewaterhouseCoopers PNG. During 2018, there was no direct financial assistance in the form of tax subsidies, royalty relief, grants or financial incentives received by the Company from the PNG Government.

SALES AND MARKETING

OTML produces a copper-gold-silver concentrate product which is sold to customers in Japan, Philippines, Germany, South Korea and India, with these formal offtake agreements representing at least 85% of expected annual production. The balance of product is sold to the spot market as circumstances dictate.

OTML's commitment to meeting customer requirements occurs across the value chain, with operations and logistics teams working together to reliably deliver a marketable concentrate parcel. Customer concentrate specifications are blended at OTML's Kiunga facility before being shipped to the silo vessel the Kumul Arrow, in Port Moresby harbour. Product is then exported to customers by our commercial export shipping partners.

METAL PRICES

The 2018 copper price was 6% higher than in 2017 and the gold price was 1% higher.

FINANCIAL PERFORMANCE SUMMARY

In 2018, the Company recorded a profit (after tax) of PGK 466 million (USD 141 million), and generated PGK 504 million of cash from operating activities which was used to fund capital expenditure which included the Crusher Replacement Project.

The net cash outflow before dividend was PGK 49 million and included the PGK 50 million donation paid to the Earthquake Disaster Fund. In addition, the Company distributed PGK 100 million in dividends. A cash balance of PGK 459 million (USD 136 million) was held as at 31 December 2018.

SALES REVENUE BY COMMODITY (M)

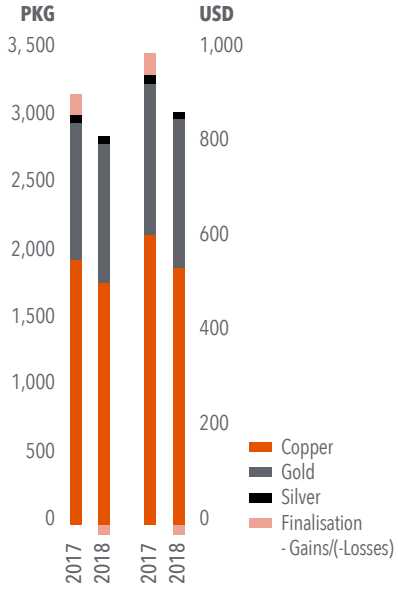


Image (previous page): Loading copper concentrate at Kiunga wharf.

EXPORT SALES

CONCENTRATE (dmt)

2017 423,359
2018 361,460

CONTAINED COPPER (t)

2017 102,883
2018 87,110

CONTAINED GOLD (oz)

2017 260,661
2018 259,412

CONTAINED SILVER (oz)

2017 1,231,360
2018 1,111,760

COMPANY INCOME STATEMENT AND BALANCE SHEET

RESULTS: INCOME STATEMENT

	2017 (PGK M)	2018 (PGK M)	2017 (USD M)	2018 (USD M)
SALES REVENUE	3,253	2,790	1,019	845
Other operating income	74	-3	23	-1
Marketing costs	-358	-333	-112	-101
Cash operating costs	-1,488	-1,746	-466	-530
Change in product inventories	41	182	13	55
Depreciation and amortisation	-243	-270	-76	-82
PROFIT FROM OPERATIONS	**1,205**	**620**	**378**	**188**
Net finance costs	-1	40	-	12
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX	**1,204**	**660**	**377**	**200**
Income tax expense	-356	-195	-111	-59
NET PROFIT FOR THE YEAR	**848**	**466**	**266**	**141**

FINANCE /3

RESULTS: BALANCE SHEET

	2017 (PGK M)	2018 (PGK M)	2017 (USD M)	2018 (USD M)
ASSETS				
Cash and cash equivalents	581	459	180	136
Trade and other receivables	280	219	87	65
Inventories	558	941	173	279
Income Tax refund	0	49	0	15
TOTAL CURRENT ASSETS	**1,419**	**1,668**	**439**	**495**
Financial assurance fund	758	796	235	237
Property, plant and equipment	2,466	2,924	763	868
Restoration and rehabilitation	0	0	0	0
Deferred Income Tax Asset	0	0	0	0
Other	18	0	6	0
TOTAL NON-CURRENT ASSETS	**3,242**	**3,720**	**1,004**	**1,105**
LIABILITIES				
Trade and other payables	224	332	69	99
Borrowings	0	0	0	0
Provisions	125	84	39	25
TOTAL CURRENT LIABILITIES	**349**	**416**	**108**	**124**
Restoration and rehabilitation	651	672	202	200
Provisions	211	483	65	144
TOTAL NON-CURRENT LIABILITIES	**862**	**1,155**	**268**	**343**
NET ASSETS	**3,452**	**3,817**	**1,068**	**1,134**
Share capital	195	195	234	234
Reserves	0	0	-601	-647
Retained earning	3,257	3,622	1,435	1,546
TOTAL EQUITY	**3,452**	**3,817**	**1,068**	**1,134**

DISCUSSION OF INCOME STATEMENT

REVENUE

Total operating revenue in 2018 was PGK 2,790 million, 14% below that for 2017. This reflected the 9% fall in production, impacted by the earthquake, and the loss of seven weeks shipping time in the final two months of the year, which affected export shipments.

With sales revenues denominated in USD, the marginal strengthening of the USD relative to the Kina (averaged 0.3028 in 2018 compared to 0.3133 in 2017) had a small favourable impact on Kina revenues.

YEAR	PGK (M)
2018	2,790
2017	3,253

Marketing costs, which include treatment charges, refining cost, freight and royalties represented 12% of revenue in 2018, which was slightly higher than 2017 (11%).

OPERATING COSTS

The gross operating cost in 2018 was PGK 1,863 million (USD 566 million) which was 14% higher than in 2017 and driven by a 6% increase in mine production, an increase in global oil prices of more than 25% which increased diesel costs, and additional expenditure on components required to maintain an ageing processing plant and mine fleet.

PROFITABILITY

The after tax profit generated by the Company in 2018 was PGK 466 million, which was PGK 383 million lower than the previous year and primarily due to the PGK 463 million fall in operating revenue.

PROFITABILITY (COMPANY)

PGK (MILLIONS)	2017	2018
Profit Before Tax	1,206	661
Tax Expense	-357	-195
PROFIT AFTER TAX	**849**	**466**

DISCUSSION OF BALANCE SHEET

CASH AND BORROWINGS

Cash on hand at the end of 2018 was PGK 459 million (USD 136 million), with no borrowings. This is a decrease of PGK 122 million over the cash held at the end of 2017 (PGK 581 million), and in part reflects the PGK 239 million invested in the Crusher Replacement Project during the year.

RECEIVABLES

Trade and other receivables were PGK 219 million (USD 65 million) as at 31 December 2018. This was 22% lower than PGK 280 million (USD 86 million) in 2017, primarily due to the lower export shipments in the final two months of the year as a result of inability to ship concentrate due to low river levels.

INVENTORY

Inventories on hand as at 31 December 2018 were PGK 941 million (USD 279 million), 68% higher than PGK 559 million (USD 173 million) in 2017. This reflects the high concentrate inventory stored at Kiunga, as a result of the inability to ship concentrate due to low river levels.

NON-CURRENT ASSETS

The Financial Assurance Fund is maintained to fund estimated mine closure obligations. The value of the fund increased from PGK 758 million at the end of 2017 to PGK 796 million as at 31 December 2018, primarily due to the strengthening of the USD against the PGK.

Property, Plant and Equipment increased by PGK 458 million during the year to PGK 2,924 million. This included PGK 239 million of expenditure on the Crusher Replacement project, and a PGK 197 million net increase in mine development costs incurred to accelerate removal of mine waste and secure future ore sources.

During the year the final three of four vessels were sold to specialist maritime services operator P&O Maritime under an arrangement where the vessels are chartered back by OTML. Under new accounting standards the value of the lease is now capitalised and recorded as an asset. This offset the reduction in non-current assets associated with the sale.

TRADE AND OTHER PAYABLES

Trade and other payables at the end of 2018 were PGK 332 million. This was higher than 2017 (PGK 224 million), in part due to the higher level of monthly outgoings whilst the Crusher Replacement Project is in progress.

NON-CURRENT LIABILITIES

Non-current liabilities as at 31 December 2018 were PGK 1,155 million and included a provision for restoration and rehabilitation of PGK 672 million, deferred income liability (being timing differences between accounting and taxation treatments) of PGK 256 million, employee provisions of PGK 8 million, deferred income of PGK 67 million (being profit on the sale of the vessels that will be progressively written to income as the charter agreement expires), and capitalised lease liabilities of PGK 153 million.

The increase of PGK 293 million compared to the previous year is mainly due to an increase in deferred tax liabilities of $108 million, an increase in capitalised lease liabilities of PGK 125 million following sale of the final three of four vessels, and an additional PGK 40 million of profit on the disposal of those vessels recorded as deferred income.

EQUITY

Shareholder equity benefited from a net profit after tax of PGK 466 million at 2018 year end. Dividend distributions in 2018 of PGK 100 million were declared from profits. As a result, total shareholder's equity increased by PGK 365 million in 2018 to PGK 3.8 billion.

OK TEDI MINING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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Image: Sheenah Saun, Storeperson in the central warehouse.

OK TEDI MINING LIMITED

ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors are pleased to present their report on the affairs of the Company and the Group, including the financial statements, for the year ended 31 December 2018.

ACTIVITIES

The Group's principal activity is mining and processing copper ore. Shipments for the year totalled 361,460 (2017: 425,359) dry metric tonnes of copper concentrate.

FINANCIAL RESULTS

The Group made a profit after tax of K465,774,000 for the year (2017 profit of K848,724,000).

DIRECTORS

The Directors as at balance date were:

Sir M. Avei (Chairman)

Mr P. Graham (Managing Director/CEO)

Dr R. Higgins

Mr G. Kuri

Mr J. Chan (appointed 1 August 2018)

Mr R. Kaiyun (appointed 23 August 2018)

Mr A. Mano (appointed 23 August 2018)

The Company Secretary as at balance date was:

Ms Melissa Sharon Wrightson

DIVIDENDS

K100,000,000 dividends were declared during the year (2017: K320,515,000).

AUDITORS

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

DONATIONS

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

ACCOUNTING POLICIES

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

INTEREST REGISTER

No entries were made in the interest register in 2018.

Signed for, and on behalf of, the Board on 28 February 2019.

MR PETER GRAHAM
DIRECTOR

SIR MOI AVEI
DIRECTOR

pwc

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF OK TEDI MINING LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

Our opinion

We have audited the financial statements of Ok Tedi Mining Limited (the Company), which comprise the statements of financial position as at 31 December 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2018 or from time to time during the financial year.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and their financial performance and cash flows for the year then ended.

Basis for opinion

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

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

INDEPENDENCE

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

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

Information other than the financial statements and auditor's report

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

PricewaterhouseCoopers
PwC Haus, Level 6, Harbour City, Konedobu. PO Box 484, PORT MORESBY, PAPUA NEW GUINEA
T: (675) 321 1500 / (675) 305 3100, F: (675) 321 1428, www.pwc.com.pg

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF OK TEDI MINING LIMITED

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2018:

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

Who we report to

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

PricewaterhouseCoopers

CHRISTOPHER HANSOR
Partner
Registered under the Accountants Act 1996

Port Moresby
28 February 2019

OK TEDI MINING LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

		CONSOLIDATED		COMPANY	
	Note	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Continuing operations					
OPERATING REVENUE:					
Sales revenue	4 (a)	2,793,247	3,179,111	2,793,247	3,179,111
Other operating income/(expense), net	4 (b)	1,730	114,826	(3,231)	73,941
TOTAL OPERATING REVENUE		**2,794,977**	**3,293,937**	**2,790,016**	**3,253,052**
Mining costs		(473,973)	(366,809)	(473,973)	(366,809)
Processing costs		(501,062)	(422,834)	(501,062)	(422,834)
Increase in inventories of product on hand and in process		181,766	40,949	181,766	40,949
General and administrative costs	5	(739,428)	(708,627)	(735,857)	(669,816)
Depreciation and amortisation	8, 9 ,10	(270,737)	(243,554)	(270,286)	(243,131)
Exploration costs		(38,022)	(28,047)	(38,022)	(28,047)
Marketing costs		(332,883)	(358,124)	(332,883)	(358,124)
TOTAL OPERATING COSTS		**(2,174,339)**	**(2,087,046)**	**(2,170,317)**	**(2,047,812)**
PROFIT FROM OPERATING ACTIVITIES		**620,638**	**1,206,891**	**619,699**	**1,205,240**
Finance income	6 (a)	64,773	16,926	64,765	16,918
Finance cost	6 (b)	(24,160)	(17,856)	(24,160)	(17,856)
PROFIT BEFORE INCOME TAX		**661,251**	**1,205,961**	**660,304**	**1,204,302**
Income tax expense	7	(195,477)	(357,237)	(195,206)	(356,740)
NET PROFIT FOR THE YEAR		**465,774**	**848,724**	**465,098**	**847,562**

This statement is to be read in conjunction with the accompanying notes.

OK TEDI MINING LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	CONSOLIDATED			COMPANY	
	ORDINARY SHARES K'000	RETAINED EARNINGS K'000	TOTAL K'000	RETAINED EARNINGS K'000	TOTAL K'000
BALANCE AT 1 JANUARY 2017	**195,102**	**2,731,010**	**2,926,112**	**2,729,466**	**2,924,568**
COMPREHENSIVE INCOME					
Net profit for the year	–	848,724	848,724	847,562	847,562
Dividends declared (note 23)	–	(320,515)	(320,515)	(320,515)	(320,515)
BALANCE AT 31 DECEMBER 2017	**195,102**	**3,259,219**	**3,454,321**	**3,256,513**	**3,451,615**
COMPREHENSIVE INCOME					
Net profit for the year	–	465,774	465,774	465,098	465,098
Dividends declared (note 23)	–	(100,000)	(100,000)	(100,000)	(100,000)
BALANCE AT 31 DECEMBER 2018	**195,102**	**3,624,993**	**3,820,095**	**3,621,611**	**3,816,713**

This statement is to be read in conjunction with the accompanying notes.

OK TEDI MINING LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		CONSOLIDATED		COMPANY	
	Note	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Non-Current Assets:					
Property, plant and equipment	8	1,413,627	1,145,741	1,412,401	1,144,390
Mine development costs	9	1,467,980	1,271,504	1,467,980	1,271,504
Intangible assets	10	43,662	50,940	43,662	50,940
Restoration and rehabilitation asset	11	-	-	-	-
Deferred income tax asset	18	-	106	-	-
Investment in subsidiaries	27 (b)	-	-	21	21
Financial assurance fund	28	796,438	757,808	796,438	757,808
Other receivables	12	-	18,126	-	18,126
TOTAL NON-CURRENT ASSETS		**3,721,707**	**3,244,225**	**3,720,502**	**3,242,789**
Current Assets:					
Cash and cash equivalents	13	484,949	612,522	459,013	580,781
Trade and other receivables	14	221,153	282,884	218,722	279,950
Inventories	15	940,934	558,647	940,934	558,647
Income tax refundable	17	48,952	-	49,131	-
TOTAL CURRENT ASSETS		**1,695,988**	**1,454,053**	**1,667,800**	**1,419,378**
Total Assets		**5,417,695**	**4,698,278**	**5,388,302**	**4,662,167**
Current Liabilities:					
Trade and other payables	16	356,903	255,679	331,703	224,094
Provisions and other liabilities	19	85,548	72,056	84,474	70,823
Income tax payable	17	-	54,297	-	53,920
TOTAL CURRENT LIABILITIES		**442,451**	**382,032**	**416,177**	**348,837**

OK TEDI MINING LIMITED

STATEMENTS OF FINANCIAL POSITION /2

AS AT 31 DECEMBER 2018

		CONSOLIDATED		COMPANY	
	Note	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Non-Current Liabilities:					
Provision for restoration and rehabilitation	21	672,062	651,118	672,062	651,118
Provisions and other liabilities	20	227,723	63,461	227,620	63,251
Deferred income tax liability, net	18	255,364	147,346	255,730	147,346
TOTAL NON-CURRENT LIABILITIES		**1,155,149**	**861,925**	**1,155,412**	**861,715**
Total Liabilities		**1,597,600**	**1,243,957**	**1,571,589**	**1,210,552**
Net Assets		**3,820,095**	**3,454,321**	**3,816,713**	**3,451,615**
Shareholders' Equity:					
Ordinary shares	22	195,102	195,102	195,102	195,102
Retained earnings		3,624,993	3,259,219	3,621,611	3,256,513
Total Shareholders' Equity		**3,820,095**	**3,454,321**	**3,816,713**	**3,451,615**

These financial statements were authorised for issue by the Board on 28 February 2019.

For, and on behalf of, the Board.

MR PETER GRAHAM
DIRECTOR

SIR MOI AVEI
DIRECTOR

This statement is to be read in conjunction with the accompanying notes.

OK TEDI MINING LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Cash Flows from Operating Activities:				
Receipts from customers	2,928,619	3,257,541	2,875,937	3,183,959
Payments to suppliers and others	(2,235,185)	(2,146,348)	(2,177,487)	(2,070,104)
CASH GENERATED FROM OPERATIONS	**693,434**	**1,111,193**	**698,450**	**1,113,855**
Interest received (note 6 (a))	8,168	11,547	8,160	11,537
Interest paid (note 6 (b))	(246)	(204)	(246)	(204)
Income tax paid (note 17)	(148,505)	(54,285)	(147,884)	(53,915)
Donation Earthquake disaster fund	(50,000)	-	(50,000)	-
NET CASH GENERATED FROM OPERATING ACTIVITIES	**502,851**	**1,068,251**	**508,480**	**1,071,273**
Cash Flows from Investing Activities:				
Purchase of property, plant and equipment (note 8)	(410,583)	(173,924)	(410,257)	(173,518)
Mine development expenditures (note 9)	(258,079)	(165,185)	(258,079)	(165,185)
Purchase of intangible assets (note 10)	-	(1,216)	-	(1,216)
Proceeds from sale of property, plant and equipment	143,250	52,530	143,100	52,471
NET CASH USED IN INVESTING ACTIVITIES	**(525,412)**	**(287,795)**	**(525,236)**	**(287,448)**
Cash Flows from Financing Activities:				
Dividends paid (note 16 (a))	(100,000)	(379,694)	(100,000)	(379,694)
Finance lease payments	(20,271)	(6,757)	(20,271)	(6,757)
NET CASH USED IN FINANCING ACTIVITIES	**(120,271)**	**(386,451)**	**(120,271)**	**(386,451)**
Net increase (decrease) in cash and cash equivalents	(142,832)	394,005	(137,027)	397,374
Cash and cash equivalents at beginning of the year	612,522	214,443	580,781	179,472
Foreign exchange effect on foreign currency balances	15,259	4,074	15,259	3,935
Cash and Cash Equivalents at End of the Year (Note 13)	**484,949**	**612,522**	**459,013**	**580,781**

This statement is to be read in conjunction with the accompanying notes.

OK TEDI MINING LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Principal accounting policies

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

(a) BASIS OF PREPARATION

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

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

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

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

Changes in Accounting Policies and Disclosures

(i) **New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2018**

- IFRS 9: 'Financial Instruments' on the classification and measurement of financial assets and liabilities, hedge accounting and recognition of impairment losses
- IFRS 15: 'Revenue from contracts with customers'
- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions
- Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9
- Amendment to IAS 40, 'Investment property' relating to transfers of investment property
- Annual improvements 2014-2016 in respect to IFRS 1 and IAS 28
- IFRIC 22, 'Foreign currency transactions and advance consideration'

(ii) **New standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2018 and not early adopted**

- IFRS 16: 'Leases'
- IFRIC 23, 'Uncertainty over income tax treatments'
- Annual improvements 2015-2017
- Amendment to IFRS 9 on prepayment features with negative compensation
- Amendments to IAS 28 'Investments in associates' on long term interests in associates and joint ventures
- Amendments to IAS 19 'Employee benefits' on plan amendments, curtailment or settlement
- Amendments to IFRS 3 – definition of a business
- Amendments to IAS 1 and IAS 8 on the definition of 'material'
- IFRS 17: 'Insurance contracts'

The entity has conducted investigations and does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the entity.

(b) CONSOLIDATION

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

(c) REVENUE RECOGNITION

The Group adopted IFRS 15, *Revenue from Contracts with Customers* effective 1 January 2018. The Group opted to apply IFRS 15 on a modified retrospective approach such that the cumulative impact of initially applying this standard is recognised at the date of initial application (i.e. 1 January 2018). Based on its assessment, the Group concluded that there were no significant changes in the accounting for the sale of copper concentrate, gold and silver as a result of transition to IFRS 15.

Revenue from contracts with customers includes the sale of copper concentrate, gold and silver. The Group satisfies its performance obligation with the customer upon shipment or delivery in accordance with specific contract terms. Revenue from the sale is recognised at the point in time when control of the asset is transferred to the customer, generally when the goods are loaded onto the export vessel in Port Moresby.

The transaction price is based upon the amount the Group expects to be entitled to in exchange for the transferring of promised goods. The revenue is based on one hundred percent of provisional weights, assays and prices and is adjusted when actual values are determined and invoiced in accordance with the terms and conditions of the relevant sales contract. The provisional invoice, which is usually 90-95% of the contract price, has an average credit term of 3-5 days after bill of lading date. The final settlement adjustments on the copper portion of the sales contracts is generally based on the average London Metal Exchange (LME) price for a specified future period generally three to five months after arrival at the customers' facility. The copper concentrate sales invoicing is done net of treatment and refining charges. However, for revenue disclosure purposes, the sales are grossed up and the treatment and refining charges from the smelters and refineries are included in marketing costs on the face of the statement of comprehensive income.

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

The average forward prices used at 31 December 2018 were US$2.71 per pound for copper (31 December 2017: US$3.26), US$1,285 per ounce for gold (31 December 2017: US$1,311) and US$16 per ounce for silver (31 December 2017: US$17).

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Deferred revenue arises from up-front payments received by the Group in consideration for future commitments for the delivery of concentrates.

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

(d) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

(e) PRE-PRODUCTION EXPENDITURE AND EXPLORATION EXPENDITURE

Pre-production expenditure represents the net mine development cost incurred by the Company prior to the commencement of commercial production on 31 January 1985. Such expenditure is classified as a mine development asset and is amortised on a units of production basis over the mine life.

(f) DEFERRED STRIPPING COST

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

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

OK TEDI MINING LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Principal accounting policies (continued)

(g) RESTORATION AND REHABILITATION

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

These costs may include the costs of dismantling and demolishing of infrastructure or decommissioning, the removal of residual material, the remediation of disturbed areas and the relocation and retrenchment of employees under an agreed mine closure plan. Where future economic benefits are probable a corresponding asset is raised and subsequently amortised using the straight line method.

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

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

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

(h) COMPENSATION

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

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

(i) INVENTORIES

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

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

(j) FOREIGN CURRENCY TRANSLATION

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

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

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

(k) INCOME TAX

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

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

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

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

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

(l) EMPLOYEE BENEFITS

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

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

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

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

(m) CASH AND CASH EQUIVALENTS

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

(n) FINANCIAL INSTRUMENTS

The Group adopted IFRS 9, *Financial Instruments* effective 1 January 2018. The Group opted to apply IFRS 9 on a modified retrospective approach such that the cumulative impact of initially applying this standard is recognised at the date of initial application (i.e. 1 January 2018). Based on its assessment, the Group concluded that there were no significant adjustments in the opening retained earnings as a result of transition to IFRS 9.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets Initial recognition and measurement

The Group classifies its financial instruments in the following categories:

Financial Assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group's intent is to hold these receivables until cash flows are collected. Receivables are recognised initially at fair value, net of any transaction costs incurred and subsequently measured at amortised cost using the effective interest method. The Group recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities Initial recognition and measurement

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

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

OK TEDI MINING LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Principal accounting policies (continued)

(n) FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities Initial recognition and measurement (cont.)
The Group's financial liabilities at amortised cost only consist of trade payables, other payables and borrowings.

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

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Impairment of financial assets
The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of financial assets
In the prior year, the impairment of trade receivables was assessed based on the incurred loss model the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

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

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

(o) IMPAIRMENT OF ASSETS

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

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

(p) BORROWING COSTS

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

(q) LEASES

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

Operating lease payments, where substantially all the risks and benefits remain with the lessor, are expensed as incurred over the period of the lease. Commitments for such leases are disclosed in note 25(d).

(r) INTANGIBLE ASSETS

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

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

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

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

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

(s) DIVIDEND DISTRIBUTION

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

(t) TRADE AND OTHER PAYABLES

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

(u) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

(v) COMPARATIVE FIGURES

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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2. Financial risk management

(a) FINANCIAL RISK FACTORS

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

The Company and the Group hold the following financial instruments:

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
FINANCIAL ASSETS:				
Cash and cash equivalents	484,949	612,522	459,013	580,781
Trade and other receivables	221,153	282,884	218,722	279,950
Financial assurance fund	796,438	757,808	796,438	757,808
Other Receivables	-	18,126	-	18,126
	1,502,540	**1,671,340**	**1,474,173**	**1,636,665**
FINANCIAL LIABILITIES:				
Trade and other payables	356,903	255,679	331,703	224,094
Other liabilities	145,859	146,990	144,682	145,170
Finance lease liability	167,412	42,824	167,412	42,824
	670,174	**445,493**	**643,797**	**412,088**

(b) MARKET RISKS FACTORS

(i) Foreign Exchange Risks

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

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

The rates used at 31 December 2018 for United States dollars and Australian dollars were 0.2970 and 0.4208 equal to one Kina respectively (31 December 2017 - 0.3095 and 0.3967 respectively).

At 31 December 2018, if the Kina had moved by 5% against the US dollar with all other variables held constant, the net profit after tax (NPAT) for the year would have an effect of K18.6 million (31 December 2017: K14.4 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated provision for restoration & rehabilitation, trade receivables, financial assurance fund and cash at bank.

MONETARY ASSETS, PROVISIONS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES, AT BALANCE DATE, ARE AS FOLLOWS:

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
ASSETS:				
Cash – US Dollars	326,442	222,520	326,442	222,520
– Australian Dollars	7,452	4,765	5,910	2,941
Receivables – US Dollars	136,117	218,807	136,117	218,807
Financial Assurance Fund receivable – US Dollars	796,438	757,808	796,438	757,808
LIABILITIES:				
Payables – US Dollars	13,219	10,682	13,219	10,682
– Australian Dollars	39,853	34,597	39,656	33,983
Provision-Restoration & rehabilitation – US Dollars	672,062	651,118	672,062	651,118

(ii) Price Risks

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

At 31 December 2018, a fluctuation of US$110 per tonne (US$0.05/pound) in the price of copper would have an effect of K22.63 million (US$6.72 million) on the NPAT. A fluctuation of US$10/ounce in the price of gold would have an effect of K6.11 million (US$1.82 million) on NPAT. These sensitivities assume all other variables remain constant.

The Company does not hedge its copper and gold production.

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

(iii) Interest Rate Risks Exposures

For the year ended 31 December 2018, the Company had on average cash of K459 million (2017: K405 million) at any given time. The cash balances were on demand and earned minimal interest.

(c) CREDIT RISKS EXPOSURES

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

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

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

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

(d) LIQUIDITY RISKS EXPOSURES

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

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

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

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2. Financial risk management (continued)

(d) LIQUIDITY RISKS EXPOSURES (CONTINUED)

GROUP	1 YEAR K'000	MORE THAN 2 YEARS TO 5 YEARS K'000	MORE THAN 5 YEARS K'000
AT 31 DECEMBER 2018			
Trade and other payables (note 16)	356,903	-	-
Other liabilities	145,859	-	-
Finance lease liability (note 20(b))	27,030	94,043	115,443
AT 31 DECEMBER 2017			
Trade and other payables (note 16)	255,679	-	-
Other liabilities	146,990	-	-
Finance lease liability (note 20(b))	6,758	27,030	27,030

COMPANY	1 YEAR K'000	MORE THAN 2 YEARS TO 5 YEARS K'000	MORE THAN 5 YEARS K'000
AT 31 DECEMBER 2018			
Trade and other payables (note 16)	331,703	-	-
Other liabilities	144,682	-	-
Finance lease liability (note 20(b))	27,030	94,043	115,443
AT 31 DECEMBER 2017			
Trade and other payables (note 16)	224,094	-	-
Other liabilities	145,170	-	-
Finance lease liability (note 20(b))	6,758	27,030	27,030

(e) FAIR VALUE ESTIMATION

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). The Company has no assets or liabilities classified under Level 3 as at December 31, 2018 and 2017.

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

The Company's Financial Assurance Fund is carried at fair value as at December 31, 2018. The Company holds no other financial instruments that are carried at fair value in 2018 and 2017.

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e., market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions. The Company has no non-financial assets or liabilities carried at fair value as at December 31, 2018 and 2017.

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

(f) CAPITAL RISK MANAGEMENT

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

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

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

The gearing ratios at 31 December 2018 and 31 December 2017 were as follows:

	CONSOLIDATED		COMPANY	
	2018 K'000	**2017 K'000**	**2018 K'000**	**2017 K'000**
Trade and other payables (note 16)	356,903	255,679	331,703	224,094
Finance lease liability	167,412	42,824	167,412	42,824
Other liabilities	145,859	66,276	144,682	66,832
Less: Cash and cash equivalents (note 13)	(484,949)	(612,522)	(459,013)	(580,781)
Net debt	185,225	-	184,784	-
Equity	3,820,095	3,454,321	3,816,713	3,451,615
Total capital	4,005,320	3,454,321	4,001,497	3,451,615
GEARING RATIO	**0.046**	**-**	**0.046**	**-**

3. Critical accounting estimates and judgements

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

(a) CRITICAL ACCOUNTING ESTIMATES

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

(i) Uncertainty of mineral reserve and mineral resource estimates

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

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

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

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3. Critical accounting estimates and judgements (continued)

(a) CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

(ii) Life of Mine

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

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

The current mine plan and resource and reserve statement supports mining of the ore reserve up to 2024. Although Special Mine Lease 1 (SML 1) expires in 2022, management are confident that renewal of the lease beyond 2022 is highly probable.

(iii) Provision for Restoration and Rehabilitation

The Provision for Restoration and Rehabilitation is based largely on an obligation to contribute to the Ok Tedi Financial Assurance Fund (refer note 1(g) and note 21). Pursuant to the Mine Closure Code, contained in the Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001, the Company is required to update its Mine Closure Plan and submit it to the Office of the Environment and the Department of Mining every three years. The updated Mine Closure Plan must notify, amongst other things, what the Company's latest estimate is of the open pit mine closure costs. A Mine Closure Plan in 2013 estimated a cost of mine closure of US$227 million which has been further updated in 2016 to reflect the continuation of the mine to 2025 and approved by the regulators in 2017 and estimated a cost of mine closure of US$196 million. The Company will be preparing another Detailed Mine Closure Plan 4 years before the end of mine life. The amount of provision recognised at balance sheet date is the latest estimated cost of US$196 million escalated to 2025 at an inflation rate of 2.16 percent (2017: 2.36 percent) and is discounted using a discount rate of 2.59 percent (2017: 2.35 percent).

(iv) Provision for Obsolescence

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

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

(v) Depreciation and Amortisation of Long Term Assets

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

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

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Property, plant and equipment	1,413,626	1,145,741	1,412,401	1,144,390
Mine development cost	1,467,980	1,271,504	1,467,980	1,271,504
Intangible assets	43,662	50,940	43,662	50,940
TOTAL COSTS AT RISK	**2,925,268**	**2,468,185**	**2,924,043**	**2,466,834**

(b) CRITICAL ACCOUNTING JUDGEMENTS

(i) Income taxes

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

(ii) Impairment Assessment of Long Term Assets

In accordance with the Group policy (note 1(o)), the Company has undertaken an assessment of impairment indicators and determined that there are no indicators of potential impairment of long term assets. However, an assessment of the recoverable amount of the long term assets was performed on a value-in-use basis as part of the Company's standard process. These calculations used post-tax cash flow projections based on the most recently approved life of mine plan, discounted at a post-tax discount rate. The use of after-tax cash flows and discount rate was considered appropriate as the cash generating unit was the Company as a whole and use of post-tax cash flows and discount rates should provide a consistent result to using pre-tax cash flows and discount rate. The calculation of recoverable amount requires the use of estimates. In performing the assessment the key assumptions included:

- Long term metal prices of US$3.00/lb for copper and US$1,200 for gold. These are consistent with external sources of information;
- Remaining mine life of 7 years and recoverable ore of 244MT; and
- Discount rate of 12%, with sensitivities ranging from 7.5% to 15%

Should the discount rate increase (decrease) by +/-1%, total net present value of property plant and equipment and other non-current assets would increase (decrease) by approximately K70 million. The assessment indicated that the recoverable amount was greater than carrying amount and no impairment was required to be recognised as at 31 December 2018.

(iii) Revenue from Customer Contracts

The Group concluded that it satisfies the performance obligation with customer for the sale of copper concentrate, gold and silver when the goods are loaded onto the export vessel in Port Moresby. In making their judgement, the directors considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Group had transferred control of the goods to the customer. The directors consider that the control has been transferred to the customer when the goods pass the rail on a vessel selected by the buyer and at this point the customer has the ability to direct the use of and obtain substantially all of the remaining benefits of the goods.

4(a). Sales revenue

	CONSOLIDATED		COMPANY	
	2018 K'000	**2017 K'000**	**2018 K'000**	**2017 K'000**
Copper	1,781,330	1,952,066	1,781,330	1,952,066
Gold	1,032,698	1,015,804	1,032,698	1,015,804
Silver	52,887	58,365	52,887	58,365
Finalisation/revaluation adjustments (note 1(c))	(73,668)	152,876	(73,668)	152,876
TOTAL SALES REVENUE	**2,793,247**	**3,179,111**	**2,793,247**	**3,179,111**

4(b). Other operating income/(expense), net

Gain (loss) on disposal of equipment	(3,231)	189	(3,231)	189
Other income	4,961	40,885	-	-
Adjustment to provision for restoration and rehabilitation	-	73,752	-	73,752
TOTAL OTHER OPERATING INCOME	**1,730**	**114,826**	**(3,231)**	**73,941**

5. General and administrative costs

Commercial, Business Improvements and Managing Director	420,179	510,711	420,179	510,711
External Relations	296,155	120,068	296,155	120,068
Business Strategy	27,185	29,638	27,185	29,638
Other expenses/(Other Income)	(4,091)	48,210	(7,662)	9,399
TOTAL OPERATING COSTS	**739,428**	**708,627**	**735,857**	**669,816**
Included in the operating profit before tax are the following items:				
Auditors' remuneration:				
- Auditing services	660	854	660	610
- Other services	117	245	117	187
Donations	50,199	235	50,199	116

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6(a). Finance income

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Foreign exchange gain, net	49,814	5,379	49,814	5,379
Interest income	14,959	11,547	14,951	11,539
TOTAL FINANCE INCOME	**64,773**	**16,926**	**64,765**	**16,918**

6(b). Finance cost

Unwinding of discount on long term provisions:				
- Restoration and rehabilitation (note 21)	(15,643)	(17,652)	(15,643)	(17,652)
Finance Lease	(8,271)	-	(8,271)	-
Interest expense	(246)	(204)	(246)	(204)
TOTAL FINANCE COST	**(24,160)**	**(17,856)**	**(24,160)**	**(17,856)**

7. Income tax expense

The prima facie tax charge on the profit for the year is reconciled to the income tax expense as follows:				
Profit for the year before tax	661,251	1,205,961	660,304	1,204,302
Prima facie tax on the profit for the year at 30%	(198,375)	(361,788)	(198,091)	(361,291)
Tax effect of permanent differences:				
Non-deductible items	(7)	(7)	(7)	(6)
Non-taxable income	2,111	3,149	2,111	3,149
Double deduction – staff training	-	983	-	982
Unrealised exchange (gain)/loss	791	426	791	426
Adjustments in tax expense	3	-	(10)	-
INCOME TAX EXPENSE	**(195,477)**	**(357,237)**	**(195,206)**	**(356,740)**
Tax expense comprises:				
Income tax - current year (note 17)	(90,811)	(192,124)	(90,376)	(191,707)
Deferred tax - current year (note 18(a))	(104,656)	(165,113)	(104,820)	(165,033)
Adjustment on tax expense	(10)	-	(10)	-
INCOME TAX EXPENSE	**(195,477)**	**(357,237)**	**(195,206)**	**(356,740)**

8. Property, plant and equipment

COMPANY	BUILDINGS AND IMPROVEMENTS K'000	PLANT, MACHINERY, EQUIPMENT & OTHER ASSETS K'000	CAPITAL WORKS IN PROGRESS K'000	TOTAL K'000
Cost 1 January 2018	433,903	3,741,695	189,756	4,365,354
Accumulated depreciation 1 January 2018	(341,861)	(2,879,103)	-	(3,220,964)
NET BOOK VALUE 1 JANUARY 2018	**92,042**	**862,592**	**189,756**	**1,144,390**
Additions - property, plant and equipment	-	-	410,257	410,257
Transfer from capital works in progress	60,403	7,930	(68,333)	-
Additions - capital lease	-	143,100	-	143,100
Disposals (net book value)	-	(83,942)	-	(83,942)
Depreciation charge (note 3(a)(v))	(13,149)	(188,255)	-	(201,404)
NET BOOK VALUE 31 DECEMBER 2018	**139,296**	**741,425**	**531,680**	**1,412,401**
Cost 31 December 2018	494,306	3,754,064	531,680	4,780,050
Accumulated depreciation 31 December 2018	(355,010)	(3,012,639)	-	(3,367,649)
NET BOOK VALUE 31 DECEMBER 2018	**139,296**	**741,425**	**531,680**	**1,412,401**

COMPANY	BUILDINGS AND IMPROVEMENTS K'000	PLANT, MACHINERY, EQUIPMENT K'000	CAPITAL WORKS IN PROGRESS K'000	TOTAL K'000
Cost 1 January 2017	428,738	3,622,237	135,553	4,186,528
Accumulated depreciation 1 January 2017	(329,082)	(2,728,185)	-	(3,057,267)
NET BOOK VALUE 1 JANUARY 2017	**99,656**	**894,052**	**135,553**	**1,129,261**
Additions - property, plant and equipment	-	-	173,518	173,518
Transfer from capital works in progress	5,165	114,150	(119,315)	-
Additions - capital lease	-	50,689	-	50,689
Disposals and adjustments	-	(22,641)	-	(22,641)
Depreciation charge	(12,779)	(173,658)	-	(186,437)
NET BOOK VALUE 31 DECEMBER 2017	**92,042**	**862,592**	**189,756**	**1,144,390**
Cost 31 December 2017	433,903	3,741,695	189,756	4,365,354
Accumulated depreciation 31 December 2017	(341,861)	(2,879,103)	-	(3,220,964)
NET BOOK VALUE 31 DECEMBER 2017	**92,042**	**862,592**	**189,756**	**1,144,390**

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8. Property, plant and equipment (continued)

(b) LEASED ASSETS

Plant, machinery equipment and other assets include the following amounts where the Company is a lessee under a finance lease (refer to note 20(b) for further details):

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Vessel				
Cost	192,681	49,581	192,681	49,581
Accumulated depreciation	(19,079)	-	(19,079)	-
NET BOOK AMOUNT	**173,602**	**49,581**	**173,602**	**49,581**

In accordance with the Mining (Ok Tedi Agreement) Act, the Independent State of Papua New Guinea (the State) has the right, after the closure of the mine, to acquire certain infrastructure fixed assets. The accounting net book value of these fixed assets is K139,296,000 (2017: K92,042,000). At the time that these accounts were prepared the Company has not received, and does not expect to receive, notice that the State intends to acquire any of the assets concerned. The current life of the open pit mine estimate is that mining and processing of ore will continue until the end of 2025 (note 3 (a)(ii)).

The schedule above does not include the OTDF property, plant and equipment which has a closing net book value of K1,351,000 (2017: K1,367,000).

9. Mine development costs (consolidated and company)

	PRE-PRODUCTION EXPENDITURE K'000	DEFERRED STRIPPING COST K'000	TOTAL K'000
Cost 1 January 2018	399,367	1,391,589	1,790,956
Accumulated depreciation 1 January 2018	(386,058)	(133,394)	(519,452)
NET BOOK VALUE 1 JANUARY 2018	**13,309**	**1,258,195**	**1,271,504**
Additions	-	258,079	258,079
Adjustments	(7,139)	7,139	-
Amortisation	(1,059)	(60,544)	(61,603)
NET BOOK VALUE 31 DECEMBER 2018	**5,111**	**1,462,869**	**1,467,980**
Closing cost 31 December 2018	392,710	1,656,326	2,049,036
Accumulated amortisation 31 December 2018	(387,599)	(193,457)	(581,056)
NET BOOK VALUE 31 DECEMBER 2018	**5,111**	**1,462,869**	**1,467,980**
Cost 1 January 2017	399,367	1,226,404	1,625,771
Accumulated depreciation, 1 January 2017	(385,483)	(89,543)	(475,026)
NET BOOK VALUE 1 JANUARY 2017	**13,884**	**1,136,861**	**1,150,745**
Additions	-	165,185	165,185
Amortisation	(575)	(43,851)	(44,426)
NET BOOK VALUE 31 DECEMBER 2017	**13,309**	**1,258,195**	**1,271,504**
Cost 31 December 2017	399,367	1,391,579	1,790,946
Accumulated amortisation December 2017	(386,058)	(133,384)	(519,442)
NET BOOK VALUE 31 DECEMBER 2017	**13,309**	**1,258,195**	**1,271,504**

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10. Intangible assets

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Opening net book value	50,940	56,827	50,940	56,827
Transfer from capital works in progress (note 8)	-	1,216	-	1,216
Amortisation	(7,278)	(7,103)	(7,278)	(7,103)
CLOSING NET BOOK VALUE	**43,662**	**50,940**	**43,662**	**50,940**
Cost	67,050	67,050	67,050	67,050
Accumulated amortisation	(23,388)	(16,110)	(23,388)	(16,110)
NET BOOK VALUE	**43,662**	**50,940**	**43,662**	**50,940**

The intangible asset relates to the capitalised development cost of the operations and accounting software of the Company.

11. Restoration & rehabilitation asset

Opening net book value	-	45,126	-	45,126
Adjustment to provision (note 21)	-	(40,563)	-	(40,563)
Impact of change in exchange rate on provision	-	469	-	469
Amortisation	-	(5,032)	-	(5,032)
CLOSING NET BOOK VALUE (NOTE 1(G))	**-**	**-**	**-**	**-**
Cost	471,868	471,868	471,868	471,868
Accumulated amortisation	(471,868)	(471,868)	(471,868)	(471,868)
NET BOOK VALUE	**-**	**-**	**-**	**-**

12. Other receivables (non-current)

Advances to suppliers	**-**	**18,126**	**-**	**18,126**

13. Cash and cash equivalents

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Cash on hand	32	77	30	75
Cash at bank	364,917	602,445	343,983	580,706
Short term deposits	120,000	10,000	115,000	-
TOTAL CASH AND CASH EQUIVALENTS	**484,949**	**612,522**	**459,013**	**580,781**

14. Trade and other receivables

Accounts receivable – trade	138,302	220,278	136,117	218,807
Accounts receivable – sundry (a), (b)	32,099	17,858	31,904	16,343
Prepayments and other receivables	51,045	44,998	50,994	45,050
	221,446	283,134	219,015	280,200
Less: Provision for doubtful debts (c)	(293)	(250)	(293)	(250)
TOTAL CURRENT RECEIVABLES	**221,153**	**282,884**	**218,722**	**279,950**

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

(a) IMPAIRED RECEIVABLES

As at 31 December 2018, other receivables of the Group with a nominal value of K0.3 million which are over six months overdue (2017: K0.8 million) are considered to be impaired. There was K293,000 provision for the year (2017: K250,000). The individually impaired receivables mainly relate to employee, local, overseas and PNG sundry receivables. It was assessed that a portion of the receivables was expected to be recovered. There were no impaired trade receivables in 2018 (2017).

(b) PAST DUE BUT NOT IMPAIRED

As at 31 December 2018, sundry receivables of K13,200,000 (2017: K4,100,000) were past due but not impaired. These relate to employee, local, overseas and PNG sundry receivables for which there is no recent history of default and/or regular partial payments are being received. The ageing analysis of these sundry receivables are as follows :

	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL
2018 K'000	6,599	273	59	184	6,085	13,200
2017 K'000	2,460	384	256	154	846	4,100

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14. Trade and other receivables (continued)

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
(c) PROVISION FOR DOUBTFUL DEBTS				
Opening balance	250	152	250	138
Increase in provision	243	112	243	112
Write-offs applied against provision	(200)	(14)	(200)	-
CLOSING BALANCE	**293**	**250**	**293**	**250**

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

(e) FAIR VALUE
Due to the short-term nature of the receivables, their carrying amount is assumed to approximate their fair value.

15. Inventories

Materials and supplies:				
Spare parts and consumables	690,679	481,249	690,679	481,249
Less: Provision for obsolete stock (a)	(32,796)	(23,887)	(32,796)	(23,887)
Total Consumables	657,883	457,362	657,883	457,362
Concentrate:				
Product in process	72,208	42,332	72,208	42,332
Product on hand	210,843	58,953	210,843	58,953
Total Concentrate	283,051	101,285	283,051	101,285
TOTAL INVENTORIES	**940,934**	**558,647**	**940,934**	**558,647**
(a) PROVISION FOR OBSOLETE STOCK				
Opening balance	23,887	33,087	23,887	33,087
Provision – addition/(reversal)	8,909	(9,200)	8,909	(9,200)
CLOSING BALANCE	**32,796**	**23,887**	**32,796**	**23,887**

16. Trade and other payables

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Accounts payable – trade	334,041	228,743	331,226	223,113
Dividends payable (a)	-	-	-	-
Other payables	22,862	26,936	477	981
TOTAL TRADE AND OTHER PAYABLES	**356,903**	**255,679**	**331,703**	**224,094**
(a) PROVISION FOR DIVIDEND PAYABLE				
Opening Balance	-	59,179	-	59,179
Declared	100,000	320,515	100,000	320,515
Paid	(100,000)	(379,694)	(100,000)	(379,694)
CLOSING BALANCE	**-**	**-**	**-**	**-**

17. Income Tax Payable (refundable)

Opening balance payable	54,297	-	53,920	-
Tax expense (note 7)	90,811	192,124	90,376	197,707
TCS, royalty and Interest withholding tax	(45,555)	(83,542)	(45,543)	(83,872)
Payments/refunds	(148,505)	(54,285)	(147,884)	(53,915)
CLOSING BALANCE PAYABLE / (REFUNDABLE)	**(48,952)**	**54,297**	**(49,131)**	**53,920**

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18. Deferred income tax, net

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Deferred Income Tax comprises:				
Deferred Tax Asset:				
Employee benefits	10,822	10,171	10,485	10,065
Rehabilitation and restoration liability	201,619	195,335	201,619	195,335
Provision for stock obsolescence	9,839	7,166	9,839	7,166
Others	30,580	42,267	30,535	42,267
TOTAL DEFERRED TAX ASSETS	**252,860**	**254,939**	**252,478**	**254,833**
Deferred Tax Liability:				
Prepayments / consumables inventory	(160,344)	(113,102)	(160,328)	(113,102)
Financial Assurance Fund	(199,594)	(190,116)	(199,594)	(190,116)
Property, plant and equipment	(109,383)	(53,888)	(109,383)	(53,888)
Others	(38,903)	(45,073)	(38,903)	(45,073)
TOTAL DEFERRED TAX LIABILITIES	**(508,224)**	**(402,179)**	**(508,208)**	**(402,179)**
DEFERRED TAX (LIABILITIES) / ASSETS, NET	**(255,364)**	**(147,240)**	**(255,730)**	**(147,346)**
(a) MOVEMENT IN DEFERRED INCOME TAX ASSET/(LIABILITY)				
Opening balance	(147,240)	17,873	(147,346)	17,687
Charged to income statement (note 7)	(104,656)	(165,113)	(104,820)	(165,033)
Adjustment on tax liability	(3,468)	-	(3,564)	-
CLOSING BALANCE	**(255,364)**	**(147,240)**	**(255,730)**	**(147,346)**

19. Provisions and other liabilities

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Employee entitlements (note 20)	27,930	34,461	26,960	33,545
Community Mine Continuation Agreements	3,496	3,301	3,495	3,301
Compensation liability	16,273	17,156	16,170	17,156
Lease liability	14,720	6,308	14,720	6,308
Deferred Income and other current liabilities	9,163	3,289	9,163	2,972
Production levy	13,966	7,541	13,966	7,541
TOTAL CURRENT PROVISIONS AND OTHER LIABILITIES	**85,548**	**72,056**	**84,474**	**70,823**

20. Provisions and other liabilities (non-current)

Deferred income	66,937	26,735	66,937	26,735
Lease liability	152,692	36,516	152,692	36,516
Employee entitlements	8,094	210	7,991	-
TOTAL NON-CURRENT PROVISIONS AND OTHER LIABILITIES	**227,723**	**63,461**	**227,620**	**63,251**
(a) EMPLOYEE ENTITLEMENTS (CURRENT AND NON-CURRENT)				
Opening balance	34,674	30,505	33,545	22,813
Provision created	32,874	30,676	32,611	30,236
Less: Payments made against the provision	(31,524)	(26,507)	(31,205)	(19,504)
CLOSING BALANCE	**36,024**	**34,674**	**34,951**	**33,545**
Current (note 19)	27,930	34,461	26,960	33,545
Non-current	8,094	210	7,991	-
CLOSING BALANCE	**36,024**	**34,671**	**34,951**	**33,545**

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20. Provisions and other liabilities (non-current) (continued)

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
(b) LEASE LIABILITY				
Commitments in relation to finance leases are payable as follows:				
Within one year	27,030	6,758	27,030	6,758
Later than one year but not later than five years	94,043	27,030	94,043	27,030
Later than five years	115,443	27,030	115,443	27,030
Minimum lease payments	236,516	60,818	236,516	60,818
Future finance charges	(69,104)	(17,994)	(69,104)	(17,994)
Recognised as a liability	**167,412**	**42,824**	**167,412**	**42,824**
The present value of finance lease liabilities is as follows:				
Within one year	14,720	6,308	14,720	6,308
Later than one year but not later than five years	54,513	20,833	54,513	20,833
Later than five years	98,179	15,683	98,179	15,683
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**167,412**	**42,824**	**167,412**	**42,824**

21. Provision for restoration and rehabilitation

Opening balance	651,118	733,584	651,118	733,584
Adjustment to provision	(22,522)	(112,675)	(22,522)	(112,675)
Impact of change in exchange rate on provision	27,823	12,557	27,823	12,557
Interest charged (note 6(b))	15,643	17,652	15,643	17,652
CLOSING BALANCE (NOTE 1(G))	**672,062**	**651,118**	**672,062**	**651,118**

22. Ordinary shares

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Issued and paid up capital				
192,700,000 SHARES (2017: 192,700,000 SHARES)	195,102	195,102	195,102	195,102

23. Dividends

The Constitution provides that the Board may vote to:

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

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

TOTAL DIVIDENDS DECLARED	100,000	320,515	100,000	320,515

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

24. Contingencies

	2018 K'000	2017 K'000	2018 K'000	2017 K'000
(a) GUARANTEES				
COLLECTOR OF CUSTOMS	100	120	100	120

(b) LITIGATION

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

(c) MINE CONTINUATION

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

25. COMMITMENTS

(a) COMPENSATION PAYMENTS

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

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

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

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

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25. Commitments (continued)

(b) ENVIRONMENTAL MONITORING COSTS

In OTML's 2009 Detailed Mine Closure Plan (MCP), which was submitted to the PNG Office of Environment and Conservation and the Mineral Resources Authority the Company has undertaken to monitor key environmental aspects for a 30 year period following closure of the open pit mine. The Detailed MCP included a detailed estimate of the cost of this PCEMP (Post Closure Environmental Monitoring Program) which totalled US$38 million. This comprises: Monitoring Activities which are aimed at the performance of the cover on the Bige stockpiles and, throughout the riverine system, ARD, water quality, fish biology and hydrography; Support Programs which cater for labour, equipment, travel and access logistics, and operating, management and reporting costs; and Contingency and Escalation Costs which allow for both pre closure and post closure cost movements.

(c) CAPITAL EXPENDITURE

As at 31 December 2018, the Company has capital commitments totalling K230,603,540 which are not provided for in the accounts (31 December 2017: K96,574,000), this mainly pertains to the Crusher Project.

(d) OPERATING LEASES

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

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Due within 1 year	186,910	132,841	186,910	132,841
Due within 1-2 years	110,183	103,914	110,183	103,914
Due within 2-5 years	19,721	190,543	19,721	190,543
Due > 5 years	16,914	-	16,914	-
TOTAL OPERATING LEASES	**333,728**	**427,298**	**333,728**	**427,298**

26. Insurance

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

The basis of indemnification for Business Interruption (BI) insurance is reimbursement of fixed costs with a cover of US$600,000,000 (2017: US$600,000,000) inclusive of self-insured retentions.

Self-insured retentions (ISR) include: Property Damage – US$12,500,000; Business Interruption – first 30 days after insurable event plus US$2,500,000 for property damage.

27. Investment in subsidiaries

The Company's investment in subsidiaries comprises shares at cost.

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

(a) OK TEDI DEVELOPMENT FOUNDATION LIMITED (OTDF)

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

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

OTDF have a break-even operating result for the year (31 December 2017: break-even). OTDF is exempt from PNG income tax and supplies to OTDF do not attract GST. Further, moneys paid or the cost of assets contributed to OTDF is an allowable deduction to the person making the payment or contribution in the year of payment or contribution.

(b) OK TEDI AUSTRALIA PTY LIMITED (OTAPL)

OTAPL was incorporated on 19 June 2008 as a wholly owned subsidiary of OTML. The objectives of OTAPL are to provide marketing and logistics services to OTML. The Company's investment in OTAPL at cost is K21 thousand.

(c) OK TEDI POWER LIMITED (OTPL)

OTPL was incorporated on 12 June 2014 as a wholly owned subsidiary of OTML. The sole purpose of OTPL is to manage the provision of electricity in the Western Province, Papua New Guinea. The Company's investment in OTPL at cost is K nil.

28. Ok Tedi financial assurance fund

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

The Ok Tedi Financial Assurance Fund is established to provide sufficient cash at the open pit mine closure for settlement of mine rehabilitation and restoration liabilities (refer note 1(g)). A Detailed Mine Closure Plan which was approved by the Minister for Mining on 7 May 2012 indicated that the Fund should contain US$227 million by 2013. As at 31 December 2013, the Company had already met the funds required and ceased the semi-annual payments. The Funds are held by the Trustee to be applied in assisting both the Company and the State to comply with their respective Mine Closure Plan obligations under the Mine Closure Code. A detailed review of the mine closure plan and cost estimate to reflect the continuation of the mine to 2025 was updated in 2016 and approved by the regulators in 2017. Management expect that the existing Fund with accrued income through to 2025 will be sufficient to meet any increase in the mine closure liability.

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

In accordance with accounting practice, the Ok Tedi Financial Assurance Fund is considered to be a special purpose entity controlled by the Company and it is consolidated in the Group financial statements. The assets of the Fund at 31 December 2018 comprised a portfolio of investments, valued at balance date at K796 million or US$237 million (2017: K758 million or US$235 million). These investments are accounted for as a financial asset at fair value through profit or loss.

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28. Ok Tedi financial assurance fund (continued)

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

	CONSOLIDATED (CASH, CASH EQUIVALENTS AND AVAILABLE FOR SALE INVESTMENTS AT FAIR VALUE)		COMPANY (RECEIVABLE FROM THE FAF)	
	2018 K'000	**2017 K'000**	**2018 K'000**	**2017 K'000**
Opening balance	757,808	734,070	757,808	734,070
Payment	-	-	-	-
Portfolio return - current year	6,791	10,497	6,791	10,497
Exchange variance	31,839	13,241	31,839	13,241
CLOSING BALANCE	**796,438**	**757,808**	**796,438**	**757,808**

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

	CONSOLIDATED		COMPANY	
	2018 K'000	**2017 K'000**	**2018 K'000**	**2017 K'000**
Total Assets	4,621,257	3,940,486	4,591,864	3,904,359
Total Liabilities	925,538	592,837	899,527	559,434

29. Related party transactions

(a) OWNERSHIP

Shareholders and their respective shareholdings are as follows:

	ORDINARY SHARES	% HOLDING
Independent State of Papua New Guinea	129,109,000	67
Minerals Resources Ok Tedi No. 2 Limited	23,124,000	12
Minerals Resources CMCA Holdings Ltd	23,124,000	12
Minerals Resources Star Mountain Ltd	17,343,000	9
	192,700,000	**100**

(b) TRANSACTIONS DURING THE YEAR

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

(c) KEY MANAGEMENT COMPENSATION

	2018 K'000	2017 K'000
Salaries and short-term employment benefits	20,966	19,503
Post-employment benefits	2,921	2,718
TOTAL COMPENSATION	**23,887**	**22,221**

Key management comprise the Managing Director and General Managers.

30. Employee benefits

The number of people employed by the Company at the end of the year was 1,624 (2017: 1,653).

	CONSOLIDATED		COMPANY	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Staff costs comprise of the following:				
Salaries and wages	226,894	231,315	218,495	222,490
Contribution to retirement benefit funds	12,836	14,809	10,977	14,117
Other employee on-costs	48,932	47,242	48,145	44,384
TOTAL STAFF COSTS	**288,662**	**293,366**	**277,617**	**280,991**

31. Incorporation and Registered Office

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

32. Events after the reporting period

The Board of Directors declared a PGK 200M final dividends in their board meeting in January 2019. The dividends will be paid in the first quarter of 2019. Aside from the dividends declaration there were no other significant events that occurred post balance date.

GENERAL STANDARD DISCLOSURES

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
ORGANISATIONAL PROFILE			
102-1	Name of the organisation	Company profile pp 4	
102-2	Activities, brands, products, and services	Company profile pp 4	
102-3	Location of headquarters	Company profile pp 4	
102-4	Location of operations	Company profile pp 4	
102-5	Ownership and legal form	Governance pp 13 Business review pp 27	
102-6	Markets served	Business review pp 28 Finance pp 72	
102-7	Scale of the organisation	Highlights pp 2-3 Company profile pp 4 Business review pp 27	
102-8	Information on employees and other workers	People pp 44-49	
102-9	Supply chain	Highlights pp 3 Company profile pp 4 Social responsibility pp 68-69	
102-10	Significant changes to the organisation and its supply chain	Chairman report pp 8 MD report pp 10 Business review pp 27	
102-11	Precautionary principle or approach	Governance pp 15	
102-12	External initiatives	Governance pp 15	
102-13	Membership of associations	Governance pp 15	

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
STRATEGY			
102-14	Statement from senior decision-maker	Chairman report pp 8-9	
102-15	Key impacts, risks, and opportunities	Governance pp 15 Materiality pp 16	
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour	Vision and mission pp 7 Governance pp 15	
102-17	Mechanisms for advice and concerns about ethics	Governance pp 13 People pp 46-49	
GOVERNANCE			
102-18	Governance structure	Governance pp 12-15	
102-19	Delegating authority	Governance pp 12-15	
102-20	Executive-level responsibility for economic, environmental, and social topics	Governance pp 12	
102-21	Consulting stakeholders on economic, environmental, and social topics	Governance pp 12	
102-22	Composition of the highest governance body and its committees	Governance pp 12	
102-23	Chair of the highest governance body	Governance pp 12	
102-24	Nominating and selecting the highest governance body	Governance pp 12	
102-25	Conflicts of interest	Governance pp 13	
102-26	Role of highest governance body in setting purpose, values, and strategy	Governance pp 13	
102-27	Collective knowledge of the highest governance body	Governance pp 12	
102-28	Evaluating the highest governance body's performance	Governance pp 12-13	

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
102-29	Identifying and managing economic, environmental, and social impacts	Governance pp 15 Materiality pp 16	
102-30	Effectiveness of risk management processes	Governance pp 15 Materiality pp 16	
102-31	Review of economic, environmental, and social topics	Governance pp 15 Materiality pp 16	
102-32	Highest governance body's role in sustainability reporting	Governance pp 12	
102-33	Communicating critical concerns	Governance pp 13	
102-34	Nature and total number of critical concerns	Not reported	
102-35	Remuneration policies	Governance pp 12	
102-36	Process for determining remuneration	Governance pp 12 People pp 46	
102-37	Stakeholders' involvement in remuneration	People pp 46	
102-38	Annual total compensation ratio	Not reported	
102-39	Percentage increase in annual total compensation ratio	People pp 46	
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	Materiality pp 16 Social responsibility pp 62	
102-41	Collective bargaining agreements	People pp 46	
102-42	Identifying and selecting stakeholders	Materiality pp 16 Social responsibility pp 62	
102-43	Approach to stakeholder engagement	Social responsibility pp 62	
102-44	Key topics and concerns raised	Materiality pp 16 Social responsibility pp 62-64	

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Financial Statements pp 79	
102-46	Defining report content and topic boundaries	Company profile pp 4	
102-47	List of material topics	Materiality pp 16	
102-48	Restatements of information	Company profile pp 4	
102-49	Changes in reporting	Company profile pp 4	
102-50	Reporting period	Company profile pp 4	
102-51	Date of most recent report	Company profile pp 4	
102-52	Reporting cycle	Company profile pp 4	
102-53	Contact point for questions regarding the report	Company profile pp 4	
102-54	Claims of reporting in accordance with the GRI Standards	Company profile pp 4	
102-55	GRI content index	GRI index pp 114-117	
102-56	External assurance	Materiality Counts assurance statement pp 118	
MANAGEMENT APPROACH			
103-1	Explanation of the material topic and its Boundary	Company profile pp 4	
103-2	The management approach and its components	Governance pp12	YES
103-3	Evaluation of the management approach	Governance pp 12 Materiality Counts assurance report pp 118	

SPECIFIC STANDARD DISCLOSURES INCLUDING MINING AND METALS SUPPLEMENT

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
ECONOMIC			
ECONOMIC PERFORMANCE			
201-1	Direct economic value generated and distributed	Highlights pp 2-3 Chairman pp 8 Business review pp 28 Social responsibility pp 65 Finance pp 72-75	
201-4	Financial assistance received from government	Finance pp 72	
MARKET PRESENCE			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	People pp 46	
202-2	Proportion of senior management hired from the local community	People pp 47	
INDIRECT ECONOMIC IMPACTS			
203-1	Infrastructure investments and services supported	Social responsibility pp 62-69	
203-2	Significant indirect economic impacts	Social responsibility pp 62-69	
PROCUREMENT PRACTICES			
204-1	Proportion of spending on local suppliers	Social responsibility pp 68-69	
ANTI-CORRUPTION			
205-2	Communication and training about anti-corruption policies and procedures	People pp 46	

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
ENVIRONMENTAL			
MATERIALS			
301-1	Materials used by weight or volume	Environment pp 52-57	
301-2	Recycled input materials used	Environment pp 58-59	
ENERGY			
302-1	Energy consumption within the organisation	Environment pp 56-57	
302-3	Energy intensity	Environment pp 57	
302-4	Reduction of energy consumption	Environment pp 56-57	
WATER			
303-1	Water withdrawal by source	Environment pp 53-56	
303-3	Water recycled and reused	Environment pp 53-56	
BIODIVERSITY			
304-2	Significant impacts of activities, products, and services on biodiversity	Environment pp 53	YES
EMISSIONS			
305-1	Direct (Scope 1) GHG emissions	Environment pp 56-57	
305-4	GHG emissions intensity	Environment pp 56-57	
305-5	Reduction of GHG emissions	Environment pp 56-57	
EFFLUENTS AND WASTE			
306-1	Water discharge by quality and destination	Environment pp 52-53	YES
306-2	Waste by type and disposal method	Environment pp 52-53	YES
306-3	Significant spills	Environment pp 59	YES
306-5	Water bodies affected by water discharges and/or runoff	Environment pp 52-53	YES
ENVIRONMENTAL COMPLIANCE			
307-1	Non-compliance with environmental laws and regulations	Environment pp 51-52	

Society

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
EMPLOYMENT			
OCCUPTAIONAL HEALTH AND SAFETY			
403-1	Occupational health and safety management system	Safety pp 20	YES
403-2	Hazard identification, risk assessment, and incident investigation	Safety pp 20	YES
403-3	Occupational health services	Safety pp 24	YES
403-4	Worker participation, consultation, and communication on occupational health and safety	Safety pp 20-24	YES
403-5	Worker training on occupational health and safety	Safety pp 24	YES
403-6	Promotion of worker health	Safety pp 20-25	YES
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety pp 24-25	YES
403-8	Workers covered by an occupational health and safety management system	Safety pp 20	YES
403-9	Work-related injuries	Safety pp 20-21	YES
403-10	Work-related ill health	Safety pp 24-25	YES
TRAINING AND EDUCATION			
404-2	Programs for upgrading employee skills and transition assistance programs	People pp 48-49	YES
404-3	Percentage of employees receiving regular performance and career development reviews	People pp 46	YES
DIVERSITY AND EQUAL OPPORTUNITY			
405-1	Diversity of governance bodies and employees	People pp 46	YES
405-2	Ratio of basic salary and remuneration of women to men	People pp 46	YES
NON-DISCRIMINATION			
406-1	Incidents of discrimination and corrective actions taken	People pp 46	
SECURITY PRACTICES			
410-1	Security personnel trained in human rights policies or procedures	Safety pp 25	
LOCAL COMMUNITIES			
413-1	Operations with local community engagement, impact assessments, and development programs	Social responsibility pp 62	YES
413-2	Operations with significant actual and potential negative impacts on local communities	Social responsibility pp 62	YES

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
SUPPLIER SOCIAL ASSESSMENT			
414-1	New suppliers that were screened using social criteria	Social responsibility pp 68	
PUBLIC POLICY			
415-1	Political contributions	Governance pp 12	
SOCIO-ECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the social and economic area	Social responsibility pp 62	
MINING AND METALS			
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	Environment pp 59	
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	Environment pp 53	
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks	Environment pp 52, 56	YES
MM4	Number of strikes and lock-outs exceeding one week's duration, by country	People pp 46	
MM5	Total number of operations taking place in or adjacent to indigenous peoples' territories, and number and percentage of operations or sites	Company profile pp 4 Business review pp 28	
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	Social responsibility pp 62-64	
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes	Social responsibility pp 64	
MM11	Programs and progress relating to materials stewardship	Business review pp 28	

MATERIALITY COUNTS INDEPENDENT ASSURANCE REPORT

TO OK TEDI MINING LIMITED

SCOPE OF WORK

Materiality Counts was engaged by Ok Tedi Mining Limited (OTML) to provide independent limited assurance of its 2018 Annual Review (the Report) to the scope of work outlined below. The Report covers OTML's operations for the 12 months to 31 December 2018, unless stated otherwise in the text. The work was performed using Materiality Counts' assurance methodology to *ISAE 3000, the International Standard on Assurance Engagements Other than Audits or Review of Historical Financial Information*. Material issues formed the basis of the scope. Materiality Counts interviewed OTML personnel/contractors, reviewed data collation processes, sighted original records, interrogated spreadsheets and re-performed calculations.

The subject matter for the assurance consisted of data and statements relating to the following material issues:

- **Environment:** Waste rock, tailings and pyrite management.
- **Safety:** Nobody Gets Hurt.
- **Social responsibility:** Community development projects and consultation.
- **People:** Peoples' ability to execute operations strategy and plans.

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

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

MATERIALITY COUNTS' INDEPENDENCE

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

OUR CONCLUSION

Materiality Counts concludes that, based on the scope of work and related limitations, for the specified subject matter, OTML's 2018 Annual Review provides a balanced representation of the material issues concerning OTML, reports accurate performance information and satisfies the requirements of GRI Standards Core Reporting for the 12 months to 31 December 2018. In addition, Materiality Counts provided a management report on assurance findings to OTML.

KEY OBSERVATIONS

Based on the scope of work, and not affecting our assurance conclusion, the following good practice was identified:

- **Integrated data collation:** Environmental and geochemical data capture and reporting is being integrated into the INX Information Management System, already well established for health and safety data, including the development of key controls and risk review.
- **Progression from Excel:** The Excel-based system is being replaced with the INX online interface.
- **Accounting practices:** A review is being done of accounting practices for OTDF and community expenditure.

Materiality Counts identified the following areas for improvement:

- **Mineral waste data consistency:** Consistent reporting of annual totals for mineral waste data.
- **Financial data reconciliation:** Reconciliation and verification of OTDF financial data prior to Report development, including a robust audit trail to support any reallocation of funds between expenditure categories.
- **Trend data reporting:** Enhanced comparability of data in the Report by including 3 years of data as a minimum.

Materiality Counts congratulates OTML on its ongoing commitment to reporting.

Materiality Counts, 8 April 2019, Melbourne, Australia

APPENDIX A -

JORC 2012 TABLE 1 FOR TOWNSVILLE UPPER AU ZONE

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections)

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Sampling techniques	• Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. • Include reference to measures taken to ensure representative samples and the appropriate calibration of any measurement tools or systems used. • Aspects of the determination of mineralisation that are Material to the Public Report. • In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1m samples from which 3kg was pulverised to produce a 30g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	• All samples used for the resource estimate are from diamond drilling. Core is split in half, oven dried at 105° for 6 hours, crushed to 2mm and split with a rotary sample divider. A 3.5kg split is pulverised with an LM5 to 90% passing -106 microns. • Some historic samples do not have the information to confirm the above process, however knowing the lab and year used, the process is assumed to be the same for the purpose of estimation.
Drilling techniques	• Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).	• Historical drilling was standard tube, however, drilling is now all triple tube. • All samples used for the resource estimate are from diamond drilling. Core diameters are HQ, NQ and PQ. • The core barrel is fitted with splits to minimise disturbances of the core and to maximise core recovery. • The core and splits are carefully pumped out from the barrel and placed on a core tube stand. Splits are separated, and core carefully placed in core trays with drill depths indicated. • Short drilling lengths (<1m) are employed for highly fractured and soft clayey zones to maximise recovery. Typically, 3m lengths of core are retrieved when drilling in competent formations. • Historically not all core was orientated. Current practice is for core to always be oriented unless it is too broken. Drill core is retrieved from the bottom of the hole using a wire-line core barrel triple tube set up. Orientation data has not been incorporated into the resource estimate.
Drill sample recovery	• Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	• Recovery is normally above 90%. • There is no known relationship between sample recovery and grade, but further analysis is recommended. • Washing out of mineralised zones is rare. • Core is typically broken (RQD of 83%) and recovery has been increased by using very short runs.

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Logging	• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged.	• Lithology, alteration and mineralisation are all logged in sufficient detail to support the mineral resource and subsequent studies. • Oxidation logging is inconsistent and relogging is required. • Logging is qualitative in nature. • Procedure is for all core to be logged. • Primary logging intervals are based on lithological types. Sub-sampling in the primary lithology is based on alteration and mineralisation intensities. Logged parameters include lithology, mineralisation types and intensities, dominant and secondary alteration and mode of occurrence. • Geotechnical logging is often done concurrently with geological logging. Parameters logged include RQD and structural data (alpha and beta angles). All core is photographed prior to any logging taking place. • All drill holes relogged by a geological specialist to ensure consistency in lithology and alteration.
Sub-sampling techniques and sample preparation	• If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representative samples. • Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled.	• Core is split in half, oven dried at 105° for 6 hours, crushed to 2mm and split with a rotary sample divider, a 3.5kg split is pulverized with an LM5 to 90% passing -106 microns. • Sample preparation is likely to be appropriate for the style of mineralization and the grainsize of the mineralisation being sampled. This, however, has not been verified by a sampling study. • Industry standard QA/QC methods are used including sizing analysis to ensure that material is being crushed appropriately and that equipment is cleaned to minimise contamination. • Some historic samples do not have the information to confirm this, however, knowing the lab and year used, the process is assumed to be the same for the purpose of estimation.
Quality of assay data and laboratory tests	• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	• Assaying and laboratory procedures are considered appropriate for the mineralisation. • Quality Control materials inserted to the samples dispatched to the Assay Laboratories include Certified Reference Materials, Coarse Blanks and Duplicates (Field, Coarse and Pulp). The laboratory also runs its own internal checks. QA/QC for recent drilling is generally industry standard however historic QA/QC still needs to be documented. • Some historic samples do not have the information to confirm this, however, knowing the lab and year used, the process is assumed to be the same for the purpose of estimation.

APPENDIX A - JORC 2012 TABLE 1 FOR TOWNSVILLE UPPER AU ZONE (continued)

Section 2 Reporting of Exploration Results (continued)

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Verification of sampling and assaying	• The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data.	• Assay data are imported directly into acQuire as csv file formatted files generated by the Laboratory Information System (CCLAS). Only the Database Administrator loads assay data into the database. QA/QC checks are done on import and failed batches imported into a "pending" table in acQuire pending investigation and possible re-assaying of the failed samples. Reasons are given for accepting failed assay batches (these reasons are captured in the database for reference). • All geological data generated by the Geology Department of Ok Tedi Mining Limited are managed using acQuire database software (a Geological Information Management System: GIMS, developed by acQuire Technology Solution Pty Ltd, Australia). All acQuire databases have comprehensive daily and weekly back-up plans. • No twin holes have been drilled. • Data stored in the database includes drill hole collar location and orientation, assay data and all geological logging information. The collar and all logged data is validated and entered into acQuire as drilling progresses. The down hole survey data are routinely transferred to the central database once a drill hole is completed and down hole survey performed and validated. • No primary adjustments to assay data are known of. • Historic holes were logged onto paper, which was transcribed and imported to the acQuire database at a later time. Assays and samples followed a similar methodology and were captured on paper prior to the implementation of acQuire and later imported. • Hole locking is used on site to prevent changes to resource holes once they have been validated.
Location of data points	• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control.	• Newer Townsville hole collars were mostly surveyed in the field using a DGPS, however some were not. A 2017 field inspection, in combination with 2015 orthophotography and LiDAR, established the correct location of the non-DGPS located holes. • Down hole surveys employed in the past include Deviflex, Eastman, Gyro, Maxibor, Ranger and Reflex. • While pickups are primarily in AGD66 Zone 54, all coordinates are imported in the native grid set and acQuire performs all required grid transformations. The majority of the last drill program was completed with down hole surveys at intervals every 4m down hole using a Deviflex camera tool. Other down hole survey tools used were the Pathfinder and less commonly the Reflex where set intervals were surveyed, for example at collar then every 30m down hole. In the past, there have been other cameras and methods including an Eastman single shot, gyro and Maxibor surveys. Dip and Azimuth readings are recorded, along with type of survey used in the database. If for any reason a drill hole was surveyed with two different methods, a more acceptable method takes preference. This is managed in the acQuire database for the current program and assigned "Priority 1" for the preferred method. • In addition to the other measures listed, a campaign of checks was undertaken in the field, in addition to using high resolution LIDAR, to validate and confirm collar locations. In some cases, collars were moved based on this data to a more correct location. There are still some minor discrepancies between collar elevations which need to be resolved.
Data spacing and distribution	• Data spacing for reporting of Exploration Results. • Whether the data spacing, and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied.	• Exploration results are generally not reported. • Most of the resource is classified as Inferred and drill spacing is generally insufficient for a higher confidence resource classification. • Samples are composited to 6m and are broken at changes in lithological domain. Composites less than 3m in length are added to the previous interval.
Orientation of data in relation to geological structure	• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	• Drilling is considered not to be at low angles to the mineralisation. • Drilling orientation is not considered to have introduced a bias.
Sample security	• The measures taken to ensure sample security.	• Prepared samples (pulps) are packed in boxes and sealed off tightly and transported from the Exploration Sample Prep Lab to the warehouse whereby they are airfreighted by the OTML charter to Port Moresby where they are airfreighted again to ALS - Townsville. For those analysed at the OTML site Laboratory, they are transported by truck to the Laboratory. • Once received in Townsville by ALS the samples are checked against the submitted sample request form and the bill of lading. From this point forward once the samples have been accepted by ALS, the ALS standard chain of custody process applies.
Audits or reviews	• The results of any audits or reviews of sampling techniques and data.	• No audits have been conducted.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section)

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Mineral tenement and land tenure status	• Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. • The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	• Drilling in the area is bounded by the Exploration Lease (EL2156) and is regulated by the Mineral Resources Authority (MRA), a legislative governing body overseeing mining and exploration activities in Papua New Guinea (PNG). With a long history of mining, there are no foreseeable impediments in renewing the EL for-exploration continuity.
Exploration completed by other parties	• Acknowledgment and appraisal of exploration by other parties.	• OTML with BHP as operators discovered Townsville in the late 1980's and by 1992 had drilled 29 holes into the deposit. • In 1994, OTML drilled hole DDHTVL034 and intersected a copper zone beneath the Zone 1 gold zone. • In 2014, drilling by OTML intersected a copper zone beneath Zone 2 gold zone.

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Geology	• Deposit type, geological setting and style of mineralisation.	• Cu-Au mineralization is hosted in several breccia bodies extending vertically for more than 800m within Pnyang Formation siltstone-sandstone and underlying Darai Limestone. The deposit occurs within a broad WNW-trending synclinal hinge zone between the ca.1-2 Ma Ok Tedi and Mt Ian intrusive complexes. The breccia bodies appear to be controlled by the intersection of major NNE- and WNW-oriented faults, but in places also follow gently dipping bedding. • Alteration and mineralization is divided into three stages, which from early to late include: • Calc-potassic alteration consisting of clinopyroxene ± actinolite ± epidote ± chlorite ± carbonate ± pyrrhotite alteration of calcareous sandstone layers and K-feldspar alteration of siltstone layers. • Early skarn which is zoned from deeper brown garnet skarn after limestone to shallower clinopyroxene-epidote skarn after siltstone-sandstone. • Skarn breccia composed of K-feldspar ± epidote-altered angular to rounded fragments of host rocks and earlier alteration together with hydrothermal infill which is strongly zoned. From deeper to shallower levels infill comprises: anhydrous skarn, hydrous skarn, quartz-carbonate-base metals-gold and milled breccia with clay-sericite matrix and alteration. • Cu-Au mineralization occurs mainly in the anhydrous skarn while Au-Ag mineralization occurs in the hydrous skarn and overlying quartz-carbonate-base metals-gold zone. There is commonly a 100m+ interval of very low-grade skarn breccia between the mineralized zones. • The upper part of Townsville is similar to the carbonate-base metal-gold deposits described by Corbett and Leach (1998) that include Kelian (Indonesia), Porgera and Misima (Papua New Guinea), and Acupan (Philippines). Zoning of Townsville gold mineralization downwards into weakly mineralized skarn breccia and then deeper Cu-Au mineralization indicates the possibility that deposits of this type may overlie as yet undiscovered porphyry and/or skarn Cu-Au mineralization.
Drill hole Information	• A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: – easting and northing of the drill hole collar – elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar – dip and azimuth of the hole – down hole length and interception depth – hole length. • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	• Exploration results are not reported at the Townsville deposit.
Data aggregation methods	• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated.	• Exploration results are not reported at the Townsville deposit.

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Relationship between mineralisation widths and intercept lengths	• These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').	• Exploration results are not reported at the Townsville deposit.
Diagrams	• Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	• Exploration results are not reported at the Townsville deposit.
Balanced reporting	• Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	• Exploration results are not reported at the Townsville deposit.
Other substantive exploration data	• Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	• Exploration results are not reported at the Townsville deposit.
Further work	• The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). • Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	• Geophysical surveys are planned for 2019 to target additional mineralisation.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1 and where relevant in section 2, also apply to this section)

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Database integrity	• Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. • Data validation procedures used.	• Data is transferred using csv files rather than typing. On loading data into acQuire automatic checks are made to detect errors.
Site visits	• Comment on any site visits undertaken by the Competent Person and the outcome of those visits. • If no site visits have been undertaken indicate why this is the case.	• The Competent Person has visited the core farm and exploration offices for Townsville in 2017 and 2019. Core from several holes was reviewed and geology discussed with Ok Tedi personnel. The Townsville site was not accessible at the time of this visit.
Geological interpretation	• Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. • Nature of the data used and of any assumptions made. • The effect, if any, of alternative interpretations on Mineral Resource estimation. • The use of geology in guiding and controlling Mineral Resource estimation. • The factors affecting continuity both of grade and geology.	• There is still significant uncertainty in the geological interpretation however the resource is mostly classified as Inferred with some Indicated. • The estimation domains are controlled by geology, weathering, Cu grade and Au grade. • The domains/mineralisation are intersected by numerous faults and the individual fault blocks tend to have very little drilling which reduces the confidence of the estimate within the fault blocks.
Dimensions	• The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width and depth below surface to the upper and lower limits of the Mineral Resource.	• There are five sub-vertical mineralised zones which extend from 200m to 900m below surface and are in the order of 300m long x 50m wide.

APPENDIX A - JORC 2012 TABLE 1 FOR TOWNSVILLE UPPER AU ZONE (continued)

Section 3 Estimation and Reporting of Mineral Resources (continued)

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Estimation and modelling techniques	• The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. • The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. • The assumptions made regarding recovery of by-products. • Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation). • In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. • Any assumptions behind modelling of selective mining units. • Any assumptions about correlation between variables. • Description of how the geological interpretation was used to control the resource estimates. • Discussion of basis for using or not using grade cutting or capping. • The process of validation, the checking process used, the comparison of model data to drill hole data and use of reconciliation data if available.	• Ordinary kriging was chosen as the interpolation method which is considered suitable for this type of deposit. Extreme grade values are dealt with by using outlier restricted kriging which restricts the influence of composites which are greater than 30m from the block being estimated. Estimation was performed using Isatis. Discretisation was 5x5x3. No quadrant or octant searching was used. An anisotropic search was used (the relative shape of the search ellipse stays the same and is only large enough to obtain the maximum of 20 composites). All composites situated in a block were used to estimate that block (plus extra composites as dictated by the search). Grades can be extrapolated large distances in the waste however this material is not reported as a resource. For the resource, extrapolation is restricted to within the mineralisation domain boundaries which were treated as hard during estimation. Search ellipse orientations and dimensions reflected the variography. • Au was estimated. • The block size of 15m x 15m x 15m is relatively small compared to drill hole spacings which vary from about 25m x 25m to 100m x 100m or greater. Conditional simulation is proposed to evaluate the impact of smoothing compared to the proposed selective mining unit. • There are correlations between some variables however these have not been used in estimation for co-kriging. • The kriged estimate was validated using visual comparisons against composite grades and statistical comparisons against declustered grades. Northing and RL slice plots were also used to compare the kriged and composite grades. These comparisons focussed on Au. • The influence of high Au grades was restricted using outlier restricted kriging.
Moisture	• Whether the tonnages are estimated on a dry basis or with natural moisture and the method of determination of the moisture content.	• Tonnages are estimated dry.
Cut-off parameters	• The basis of the adopted cut-off grade(s) or quality parameters applied.	• A cut-off of 1.8g/t has been chosen for the upper gold resource (assumed to be mined by underground).
Mining factors or assumptions	• Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	• Open pit optimisation was unable to generate a mineable shell due to topography and geotechnical constraints. • Townsville will most likely be an underground mine. Stoping is likely to have some selectivity rather than being a block cave style operation.
Metallurgical factors or assumptions	• The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	• Ten samples were selected for metallurgical test work from the recent drilling campaigns, including three composites. • These samples underwent grind characterisation; bottle roll leach testing with and without prior gravity recovery of gold; flotation testing; gold diagnostic testing and mineralogical analysis to assess a range of processing routes. • The sample preparation, test work, analysis and reporting of results were all undertaken independently by ALS Metallurgy Pty Ltd in their Perth metallurgical laboratory. • Based on the test work, the preferred metallurgical treatment process for the Townsville Upper Gold resource is gravity followed by flotation using the existing Ok Tedi processing facility. • The metallurgical recovery estimates are based on the test work results, which indicate overall recovery of gold of around 60% and copper of around 85% would be achievable using the existing Ok Tedi processing facility.

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Environmental factors or assumptions	• Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	• Acid Rock Drainage is of concern and there is currently only sufficient information to assign default values to the block model. Environmental factors need to be assessed in the upcoming studies.
Bulk density	• Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. • The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit. • Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.	• Bulk density is measured on a dry basis and has been assigned a default value of 2.76 for the complete block models. Density is based on 535 core samples and the average density does not appear to vary significantly within the various domains. This, however, needs to be verified by obtaining more density data. • Core is weighed wet, dried and weighed again then weighed in water. The dry weight and weight in water are used to calculate the dry bulk density.
Classification	• The basis for the classification of the Mineral Resources into varying confidence categories. • Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). • Whether the result appropriately reflects the Competent Person's view of the deposit.	• Resource classification is primarily based on drill spacing, geological complexity and continuity of the mineralisation. The resource was classified as Inferred with some Indicated. There is too much uncertainty at the current drill hole spacing to support a higher classification. Some areas with very low confidence were downgraded to unclassified. • The current resource classification is considered appropriate by the Competent Person.
Audits or reviews	• The results of any audits or reviews of Mineral Resource estimates.	• There have been no audits or reviews.
Discussion of relative accuracy/confidence	• Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. • The statement should specify whether it relates to global or local estimates and if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. • These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	• No estimates of the accuracy of the current estimate exists and Townsville is undeveloped. There is a high level of uncertainty for this estimate, hence it is mostly classified as Inferred.

ABBREVIATIONS

/	Per
%	Percent
ADP	Asset Protection Department
ANC	Acid Neutralising Capacity
APD	Asset Protection Department
ARD	Acid Rock Drainage
ASA	Advanced Safety Awareness
Au	Gold
CEO	Chief Executive Officer
CGMS	Complaints and Grievance Management System
CMCA	Community Mine Continuation Agreement
CO_2-e	Carbon dioxide equivalent
CRD	Community Relations Department
Cu	Copper
dmt	Dry metric tonnes
EBIT	Earnings Before Interest and Taxes
EFA	Ecosystem Function Analysis
EITI	Extractive Industries Transparency Initiative
EL	Exploration Lease
FIFO	Fly-in Fly-out
FRPG	Fly River Provincial Government
g/t	Grams per tonne
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GWh	Gigawatt hour
ha	Hectare
H_2SO_4	Hydrogen sulphate
IFRS	International Financial Reporting Standards
IMIU	International Mining Industry Underwriters
IMS	Integrated Management System
IRC	Internal Revenue Centre
kg	Kilogram
km	Kilometre
km^2	Square kilometre
Koz	Thousand ounces
Kt	Thousand tonnes
lb	Pound
LMP	Lease for Mining Purpose
LTIFR	Lost Time Injury Frequency Rate
m	Metre
M	Million
Mm^3	Million cubic metres
m^3	Cubic metres
m^3/t	Cubic metres per tonne
MD	Managing Director
ML	Megalitres
Moz	Million ounces
MPA	Maximum Potential Acidity
MRCMCA	Mineral Resources CMCA
Mt	Million tonnes
Mtpa	Million tonnes per annum
Mtpm	Million tonnes per month
MWh	Megawatt hour
MWTP	Mine Waste Tailings Project
na	Not applicable
NAPP	Net Acid Production Potential
OHS	Occupational Health and Safety
OTDF	Ok Tedi Development Foundation Limited
OTEMA	Ok Tedi Environmental Management Act
OTML	Ok Tedi Mining Limited
oz	Ounces
PCon	Pyrite concentrate
PG	Position Grade
PGK	Papua New Guinea Kina
PJ	Petajoule
PNG	Papua New Guinea
ppm	Parts per million
PWC	PriceWaterhouseCoopers
RPNGC	Royal PNG Constabulary
SAG	Semi Autogenous Grinding
SDGs	Sustainable Development Goals
SHEC	Safety, Health, Environment and Community
SIFR	Significant Injury Frequency Rate
Simtars	Safety in Mines Testing and Research Station
SML	Special Mining Lease
t	Tonnes
TB	Tuberculosis
TCS	Tax Credit Scheme
TRIFR	Total Recordable Injury Frequency Rate
ug/L	Microgram per litre
USD	United States Dollar
VPC	Village Planning Committee
WPPDTF	Western Province Peoples Dividend Trust Fund
ZTEM	Z-Axis Tipper Electromagnetic

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Image (right): Janet Damua, Auto Electrician and Francis Maima, Mechanical Fitter in heavy equipment workshop.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Certain information contained in this Annual Review 2018, including any information as to the Company's strategy, projects, plans, future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "aim", "believe", "expect", "will", "should", "anticipate", "contemplate", "target", "plan", "project", "continue", "budget", "may", "intend", "estimate" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to the impact of global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future cash flows, changes in the worldwide price of gold, copper or certain other commodities (such as silver, fuel and electricity), possible variations of ore grade or recovery rates, failure of plant equipment or processes to operate as anticipated, ability to profitably produce and transport the Company's product, demand for the Company's product, fluctuations in foreign currency markets, risks arising from holding derivative instruments ability to successfully complete announced transactions and integrate acquired assets, legislative, political or economic developments in the jurisdictions in which the Company carries on business including increases in taxes, operating or technical difficulties in connection with mining or development activities, employee relations, availability and costs associated with mining inputs and labour, the speculative nature of exploration and development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves, changes in costs and estimates associated with the Company's projects and the risks involved in the exploration, development and mining business. There can be no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements and information due to inherent uncertainty. All forward looking statements and information made herein are qualified by this cautionary statement and speak only as at the date of issue of this Annual Review 2018. The Company disclaims any intention or obligation to publicly update, revise or review any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable laws or regulations.


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