OK TEDI MINING LIMITED
ANNUAL REVIEW 2014

OK TEDI MINING

FIGURE 1. REGION MAP

LEGEND

CMCA TRUST AREAS

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

0 25 50 75 100

Kilometres

OK TEDI MINING LIMITED ANNUAL REVIEW 2014

	Page
Highlights 2014	2
Company Profile	4
Vision and Mission	6
Chairman's Report	8
Managing Director and Chief Executive Officer's Report	12
Governance	16
Performance for 2014 and objectives for 2015	20
Business	26
Materiality	28
Geology	32
Future Improvements	44
People	46
Occupational Health Safety and Wellness	52
Environment	58
Social Responsibility	66
Finance	80
Financial Statements	85
Audited Financial Statements	88
Global Reporting Initiative	118
Global Reporting Initiative Verification Statement	121
Abbreviations	123
Contact	124

HIGHLIGHTS 2014

COMPANY

PGK 360 M
(USD 135 MILLION) PROFIT
PGK 123.8 million (USD 50 million) dividend declared in 2014.

28% DECREASE
in Total Recordable Injury Frequency Rate compared to 2013.

6% INCREASE
in material mined from 62.7 Mt in 2013 to 66.7 Mt in 2014.

10% INCREASE
in expenditure on training including salaries to PGK 33.3 million.

OK TEDI MINING LIMITED WELCOMED NEW BOARD MEMBERS AND DEPUTY CHIEF EXECUTIVE OFFICER (MR. MUSJE WERROR)

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

COMMUNITY

PGK 456.1 M

(USD 179.6 million) invested in capacity building.

PGK 59.3 M

(USD 23.3 million) invested in major Western Province infrastructure projects.

PGK 11.3 M

(USD 4.4 million) provided for community development through the Ok Tedi Development Foundation.

PGK 1,433.6 M

(USD 564.6 million) total contribution to the local community and PNG economy in 2014.

PAPUA NEW GUINEA

94 % of the workforce is of Papua New Guinean origin.

5.5 % OF PNG'S GDP

is from OTML's contributions.

54 %

of contracts for goods and services were issued to PNG businesses.

PGK 789.2 M

(USD 310.8 million) is the total value of goods and services procured from PNG businesses.

PGK 934.4 M

(USD 636.5 million) is the total net royalties paid since 1982 (PGK 44.1 million in 2014).

SINCE THE START OF OPERATIONS IN 1981 OTML HAS PRODUCED

4.5 MILLION TONNES COPPER

13.9 MILLION OUNCES GOLD

28.8 MILLION OUNCES SILVER

COMPANY PROFILE

OK TEDI MINING LIMITED (OTML, OR THE COMPANY) IS A STATE OWNED COMPANY THAT OPERATES AN OPEN-PIT COPPER, GOLD AND SILVER MINE LOCATED IN THE STAR MOUNTAINS OF THE WESTERN PROVINCE, PAPUA NEW GUINEA (PNG). THE COMPANY HOLDS A LARGE NUMBER OF EXPLORATION LEASES (ELs) AND OTHER LEASES FOR MINING PURPOSES (LMPs) AT ITS SUPPORT OPERATIONS BASES IN TABUBIL, KIUNGA AND BIGE SEDIMENT RECOVERY FACILITY. THE COMPANY'S REGISTERED OFFICE AND SENIOR OPERATIONAL MANAGEMENT TEAM IS LOCATED AT TABUBIL, IN THE WESTERN PROVINCE OF PNG. IT ALSO HAS A REPRESENTATIVE OFFICE IN PORT MORESBY, PNG AND A MARKETING AND LOGISTICS FACILITY IN BRISBANE, AUSTRALIA.

Benefits from the Mine are directed as dividend streams to Western Province communities, specifically the Community Mine Continuation Agreement (CMCA) communities, the Fly River Provincial Government (FRPG) and the State of PNG.

The Company has been operating in the region for 33 years and has made a significant contribution to development in the Western Province through direct and indirect employment, royalties, compensation payments and business opportunities. The Company has also been responsible for environmental and social impacts including sediment aggradation in the Ok Tedi and Fly River systems, which are monitored and reported to the communities and the State. OTML's continued operation is dependent upon consent by the CMCA communities and the PNG Government. OTML's success is measured by its economic performance, social development programmes, zero harm safety performance and the management and mitigation of its environmental impacts.

This 2014 Annual Review presents the integrated financial and non-financial results of the OTML mining operation at Mt Fubilan and supporting operations. The financial statements have been prepared in accordance with the Papua New Guinea Companies Act of 1997 and comply with International Financial Reporting Standards (IFRS) and other generally accepted accounting practices in PNG. The financial statements have been externally verified by PriceWaterhouseCoopers (PWC) and the verification statements are included in this report.

This report uses the Global Reporting Initiative's (GRI) G4 reporting guidelines for disclosure of non-financial material information. The report has been prepared according to the GRI Core reporting General Standard Disclosures and the Mining and Metals Sector Supplement, based on the material aspects for the Company. The non-financial GRI reporting has been partially verified externally and the verification statement is included in this report.

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 concentrate to Kiunga and shipping to the silo and/or transfer vessel in Port Moresby. Included within the boundaries of this report are the transportation of sulphide concentrate slurry from the processing plant to Bige for placement in engineered containment cells and the dredging of sands and sediment at Bige from the Ok Tedi river. This report does not cover the concentrate after transfer from the Company's silo vessel onto export vessels, nor does it cover the activities of the Company's representative office in Port Moresby and business unit in Brisbane.

This Annual Review is for the 2014 calendar year. Where available, comparable three year data, covering the periods 2012 to 2014 is provided and two years (2013 to 2014) of financial data. Historical data can be found on the Ok Tedi website in previous Annual Reviews. The Annual Review also includes forward looking information for 2015.

Mt Fubilan pit looking south

OTML remits an annual Environmental Report to the PNG Department of Environmental and Conservation (DEC) and the Mineral Resources Authority (MRA) presenting the results of compliance monitoring and research from the period 1 July 2013 to 30 June 2014. To maintain consistency with data presented to the State in the annual Environmental Report and in this Annual Review where environmental monitoring data is reported in the Environmental Report, it covers the one year period ending 30 June 2014, otherwise it refers to the Calendar Year ended 31 December 2014.

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 USD (United States Dollars).

CHANGES AND/OR RESTATEMENTS FOR THE 2014 ANNUAL REVIEW

If erroneous data or information is published in a previous version of the Annual Review, then acknowledgement of the error/s is announced and rectified in the current Annual Review.

In the 2013 Ok Tedi Annual Review, data presented in the following table was incorrect:

BREAKDOWN OF CONTRIBUTIONS TO THE PNG ECONOMY

	2011 %	2012 %	2013 %
National Government, Tax Credit Scheme, Product levy	35	18	**15**
Dividend (National Government and PNG Sustainable Development Programme Limited)	23	27	**0**
PNG goods and services	16	20	**27**
OTML contractors	15	22	**30**
Employment	6	8	**23**
Royalty	3	2	**2**
Community compensation	2	3	**3**

Ok Tedi would like to acknowledge the error and apologise for presenting information which could have been misleading. The correct information is presented in the following table:

BREAKDOWN OF CONTRIBUTIONS TO THE PNG ECONOMY

	2011 %	2012 %	2013 %
National Government, Tax Credit Scheme, Product levy	39	19	**18**
Dividend (National Government and PNGSDP)	25	31	**0**
PNG goods and services	9	14	**18**
OTML contractors	16	21	**27**
Employment	7	9	**29**
Royalty	3	3	**3**
Community compensation	2	3	**4**

VISION AND MISSION

THE COMPANY HAS BEEN THE LONGEST CONTINUOUSLY OPERATING COPPER MINE IN PNG. THE COMPANY VISION IS:

WE ARE A SUSTAINABLE, EFFICIENT AND WELL REGARDED COMPANY THAT DELIVERS VALUE TO ALL OUR STAKEHOLDERS.

During 2014 the Company focused on delivery against each of its six major strategic goals in order to meet the production targets and Corporate Social Responsibility (CSR) outcomes.

Challenges during the year included increasing mining operations to mine 70 million tonnes per annum (Mtpa) of waste rock and ore and processing a lower grade ore, whilst meeting the community and stakeholder commitments. A further key challenge was implementing significant structural changes to the workforce with revised rosters and roles as well as taking on full mining and maintenance operations in the mine (in lieu of using contractors) during June 2014.

Meeting productivity goals, maintaining a safe operating environment and controlling costs by focusing on the core business strategies were significant achievements during 2014. The Company was able to reduce costs and increase production from 59 million tonnes (Mt) in 2013 to 67 Mt in 2014, and declare a USD 135 million profit compared to USD 17 million in 2013 on declining sales revenue due to low copper prices and lower production output. A major factor in this success was the cost reduction strategies and productivity initiatives implemented in late 2013.

THE MISSION IS:

"WE MINE AND EXTRACT COPPER, GOLD AND SILVER FROM PNG RESERVES"

The six major strategic goals to deliver against the Vision include:

- **ZERO HARM**
- **ZERO WASTE**
- **ONE BUSINESS**
- **FOCUS ON CORE OPERATIONAL ACTIVITIES**
- **BE A PNG MODEL MINING AND EXPLORATION COMPANY**
- **OUR CORPORATE SOCIAL RESPONSIBILITY**

As part of continuous improvement, OTML will implement SAP as its Enterprise Resource Planning (ERP) System in 2015, replacing a number of old information technology systems and moving to a modern, integrated system. The Company's *SAP Strongim Future* project is a key enabler for the "Securing Our Future" initiative. There is a solid link between *SAP Strongim Future,* OTML's strategy and Future Mode of Operations (FMO).

The FMO project defined the core capabilities the business needs to develop to achieve its vision. SAP will be a key enabler to drive process changes across the business. SAP Release One focuses on getting the business basics right; with Release Two delivering on support activities, enhancements and adapting the business to the SAP operating environment. The improved business practices will streamline manual paper-based transactions through automated processes and real time reporting across the integration of maintenance, finance, supply and logistics, human resources, occupational health and safety, environment, production and accounting functions. Release One is due to be implemented in the third quarter of 2015.

MISSION

WE MINE AND EXTRACT COPPER, GOLD AND SILVER FROM PNG RESERVES

ZERO HARM
- We look after Our People, Our Environment and Our Communities

ZERO WASTE
- Every Kina matters
- We seek to use wisely, not waste our resources

ONE BUSINESS
- We are all working together for common goals
- We are proud to me OTML people

FOCUS ON CORE OPERATIONAL ACTIVITIES
- We work out what's important, and we do it well

PNG MODEL MINING AND EXPLORATION COMPANY
- We document the "Ok Tedi Way" of operating for future employees and other operations

OUR CORPORATE SOCIAL RESPONSIBILITY
- We are a socially responsible operator, respecting the cultural heritage and traditional rights of the local community

VISION

WE ARE A SUSTAINABLE, EFFICIENT AND WELL REGARDED COMPANY THAT DELIVERS VALUE TO ALL OUR STAKEHOLDERS

CHAIRMAN'S REPORT

OTML OPERATES IN THE REMOTE WEST OF PNG WHERE THE "TYRANNY OF DISTANCE" ALONE PRESENTS MANY AND VARIED CHALLENGES. COUPLING THIS REMOTENESS WITH THE MANAGEMENT OF THE ENVIRONMENTAL LEGACIES AND THE VOLATILITY OF THE WORLD FINANCIAL AND METAL PRICE MARKETS PRESENTS OTML AS A COMPLEX, CHALLENGING COMPANY TO MANAGE. AS WILL BE NOTED FROM THIS REVIEW, THE MINE IS WELL MANAGED AND HAS BEEN A VERY PROFITABLE OPERATION SINCE BHP BILLITON'S EXIT IN 2002. PROFITABILITY IS THE FOUNDATION FOR OTML'S SIGNIFICANT CONTRIBUTIONS TO THE DEVELOPMENT OF THE WESTERN PROVINCE OF PNG AND PNG IN GENERAL, AS WELL AS FOR THE MANAGEMENT OF THE MINE'S ENVIRONMENTAL LEGACY.

Ok Tedi's unique history and ownership structure requires it to focus on its wider CSR as well as its contributions to economic and social development and the usual issues a large mining company has to manage in a broader society.

OTML became 100% PNG owned in 2011, following a share buyback from the then Canadian shareholder Inmet Mining Incorporated (former 18% equity holder). The buyback increased the proportional ownership of the PNG Sustainable Development Programme Limited (PNGSDP), the State of PNG and the beneficial interests of the Western Province.

During September 2013, the PNG Government took the additional step of legislating to directly assume the shareholding of PNGSDP. As an independent and commercially operated State Owned Enterprise (SOE), OTML's efforts are now unambiguously directed towards increasing its contribution to the economic and social development of the Country and particularly the Western Province.

The Company's focus is to adopt a long-term development strategy to keep the mine and/or any new near mines operating for as long as possible to ensure the communities of the Western Province have a sustainable future.

The past year has presented further significant challenges, not only with the transition in shareholding, the continued volatility in world metal prices and challenging operational issues, but also in the transition towards the Mine's continuation as a smaller operation. Most notable in the transition was the notional closure of the Mine (as BHP Billiton left it) on 31 December 2013, and the resulting re-alignment of the workforce. This included the termination of all employment contracts on that date and the issue of new employment contracts from 1 January 2014, with revised terms and conditions to a reduced workforce. 2014 has been the year for the OTML Board of Directors (Board) and Management to validate these strategies and deliver on the benefits that were projected to be achieved.

In 2011, the Company made a conscious decision to commence reporting its annual activities in line with the principles of CSR using the GRI framework. This 2014 Annual Review continues that commitment and is the second year the report has been prepared to the G4 format, with its focus on materiality and in this form it is believed to be a first for a PNG company.

The Company elected to join the Extractive Industries Transparency Initiative (EITI) as a supporting company in 2012. However, with the company now being a SOE, the Board decided that it was inappropriate to be an independent mining company member and therefore the Company has not renewed its company membership although the Company will continue to support the EITI as a demonstration of its corporate leadership in disclosure practices. Reporting against GRI criteria is an EITI requirement and OTML has embraced this reporting.

The Company's operations, management of its environmental impact, contributions to National, Provincial and North Fly District development, whilst responsibly managing its environmental legacy, are the subjects of this review.

Mining the Mt Fubilan Western wall cutback

The structure of the Board changed during the year with the National Executive Council making the following appointments:

- Sir Moi Avei appointed as Director and Chairman of the Board, effective 4 November 2014;
- Mr Nigel Parker continued as ex-officio Managing Director (MD) and Chief Executive Officer (CEO);
- Mr Dairi Vele continued as ex-officio Director representing Treasury;
- Dr Modowa Gumoi continued as ex-officio Director representing the Western Province;
- Dr Jacob Weiss continued as an independent Director;
- Dr Roger Higgins was appointed as an independent Director, effective 4 November 2014; and
- Mr. Glen Kuri was appointed as an independent Director, effective 4 November 2014

The Safety and Technical Advisory Committee (STAC) continues to report regularly to the Board on issues with an array of technical dimensions. Members of the STAC bring a wide range of specialist experience and expertise. Dr Roger Higgins has assumed the chair of the STAC and other members include, Mr Peter Tilyard, Mr Martin Whitham, Mrs Pamela Ruppin, Mr Derrick Kelly and Mr Glen Kuri. The STAC has made valuable contributions to senior management and Board deliberations.

The management team continued to perform well under the MD and CEO's leadership throughout 2014. Complex issues related to company shareholding, engineering, environmental and community decisions on the future of the Mine have been managed with skill and sensitivity while the Mine's profitability has remained positive throughout a very difficult year.

The Board continues to place high priority on the implementation of safety standards and despite an improved overall performance, the Company remains focused on strengthening its safety management and associated programmes.

Ok Tedi retains an environmental legacy. The mine disposes of waste and tailings into nearby creeks, eventually flowing into the Ok Tedi and then the Fly Rivers. The result is a rising Fly River bed, causing flooding over the river's levee banks and dieback to trees adjacent to parts of the river. Even when mining ceases, the legacy of accumulated material will continue to cause flooding and dieback in the Middle Fly region for many decades into the future. In addition, the iron sulphide (pyrite) in the tailings introduces a risk of acid formation that could, if not managed, adversely affect the aquatic ecosystem of the Fly River.

Over the past sixteen years, important initiatives, at a total cost in excess of PGK 3,500 million (USD 1,300 million) have been undertaken to mitigate these effects. In 1998, under the then BHP management, dredging from the Ok Tedi River at Bige commenced. The dredging annually removes a large portion of the sediment passing down the river, which is then stored in engineered stockpiles adjacent to the river. This activity has been effective in some areas by easing the risk of flooding and forest dieback and stopping the situation from getting worse in other areas. However, these activities will not remove the historical legacy of the flooding that will gradually extend into the lower reaches of the Middle Fly River system.

Sir Moi Avei

The second significant environmental issue is the acid rock drainage (ARD) risk, which has been addressed in several ways. Acid-neutralising limestone continues to be added to the materials going into the river. More importantly, a secondary flotation plant costing PGK 1,220 million (USD 466 million) was installed in 2008 to remove acid-forming pyrite materials from the tailings, with the pyrite material then being transported by pipeline to Bige, where it is safely stored in engineered structures under water with a non-acid forming sediment cover system. The reduction in the quantity of pyrite materials flowing down the river has markedly reduced the ARD risk throughout the river system.

The environmental impacts of the Mine are monitored by an exemplary team of environmental scientists and technicians who provide dedicated commitment to their professional roles in the scientific and environmental management work undertaken to secure the objective of minimising damage from the mining legacy whilst continuing mining and processing operations.

The Company makes significant contributions to services and infrastructure development in areas affected by the Mine through its social responsibility programmes. OTML's self-imposed mandate is to ensure self-sustainability and improve the quality of life of all Western Province communities. This is effected through the Ok Tedi Development Foundation (OTDF) by:

- mobilising the eight CMCA Trusts' funds to improve the livelihood of the 125,000 community members as partners;
- adoption of a transparent and functional community-based governance system that works through an Advisory Committee and Associate Directors;
- supporting the significance of the Women and Children's 10% allocation of the total compensation package;
- reviewing the historical operations and setting a new strategic direction through a five year Business Plan (2010 – 2015);
- developing a closer working relationship with key development partners (OTML, State and Fly River Provincial Government (FRPG) and stakeholders (Local Landowner Groups and Village Planning Committees (VPCs)) and implementing a Provincial Project's matrix; and
- signing a Memorandum of Agreement with OTML (Tax Credit Scheme) to deliver approved projects.

During 2013, OTML entered into an agreement with the Madang based, Divine Word University (DWU), to assume management control of the Tabubil Hospital from 1 January 2014. In addition to managing hospital services to a high standard, DWU will be establishing a Rural Health Science Programme in Tabubil, using the Hospital as a teaching facility. This will be only the second programme for educating doctors in PNG, but the first with a primary focus on rural health. The necessary teaching facilities and staff/student accommodation are currently under construction within the hospital precinct supported by the PNG Government through the Tax Credit Scheme (TCS).

The Tabubil Hospital is the major referral hospital in the North Fly District with the majority of the patients coming from the surrounding communities. During the year, the Company provided a number of community and employee medical evacuations and assisted with 121 patient referrals using the Company's charter flights for specialist medical care in Port Moresby, Lae, Cairns, Townsville, Singapore, and the Philippines.

The Company's Public Health team has contributed to a marked reduction in malaria cases since 2006 and together with the treatment of life-style related diseases, is now a central focus of the Company's health and wellness programmes.

OTML introduced the North Fly Health Service Development Programme (NFHSDP) in 2009 under the management of health consultants, Abt JTA. The programme has improved levels of immunisation, delivery of medical supplies and the skills of local health workers. The Tabubil Urban Clinic was opened in 2010 to provide clinical services to North Fly communities and the NFHSDP continues to assist the Provincial Government to improve the Kiunga District Hospital's standards by upgrading the facilities, engaging specialist medical officers, and providing essential equipment. A similar five-year project was approved and funded by the CMCA communities for the Middle and South Fly districts. These initiatives are seeing improved medical service delivery to these communities.

OTML continues to support its subsidiary Ok Tedi Development Foundation Limited (OTDF) as a stand-alone entity and as a vehicle for delivering projects and services funded by contributions made to the CMCA Trusts by OTML and other sources. It has become increasingly effective in service delivery in recent times. Transport infrastructure, income-generating village activities, housing, and community services were successfully delivered in 2014.

Some years ago the OTML Board of Directors tasked management to conduct a feasibility study to define a mine continuation opportunity that would yield economic value for the shareholders, maintain and extend the Company's contributions to local, provincial and national development, whilst having a socially and environmentally acceptable risk profile. Assessing the options from the Feasibility Study has been a major focus of the Board and State Authorities through the years 2012 to 2014. In order for OTML to access new ore and continue mining until the end of the Special Mining Lease (SML) up to 2022, the State approved a variation to the pit shell by the change notice 52/4.2; 27/29.2 dated 21 July 2014.

The matter of a constructed waste dump, as submitted to the State in the original Feasibility Study, received the focus of attention by all parties as the passage of time raised significant issues concerning the constructability and the on-going performance of such a dump in the heavy rainfall environment that the Mine operates in. The outcome of the concerns was that the risk was too high to proceed, but that being said, management remain on notice to continually explore viable waste management options.

The Company has managed the challenges of 2014 effectively and has emerged from a year of transition as a viable, sustainable, productive and focused operation. The Board acknowledges the professional and committed management team for their continued high performance under sustained operational and world market pressures. The newly constituted Board look forward to working with the management team through the year ahead, in which continuing transitioning programmes, affecting the future of the Company and its stakeholders, will come to fruition.

With regards to the management of the Company, the Board advises and acknowledges the pending retirement of Mr Nigel Parker, MD and CEO, effective 28 February 2015. Mr Parker has made significant contributions to the operation and future direction the Company is taking. The Board and the Company as a whole wish him and his family well for the future.

SIR MOI AVEI
Chairman

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REPORT

THIS 2014 ANNUAL REVIEW PRESENTS THE COMPANY'S COMMITMENT TO PROVIDING A TRANSPARENT AND COMPREHENSIVE REPORT ON MATTERS PERTAINING TO SAFETY, FINANCIAL, ENVIRONMENTAL, AND SOCIAL OUTCOMES FOR THE YEAR. IT HAS AGAIN, BEEN A CHALLENGING YEAR WITH CONFRONTING OPERATIONAL ISSUES AND WORLD MARKET DYNAMICS HAVING NEGATIVELY IMPACTED FINANCIAL PERFORMANCE.

The health, safety and wellness of the workforce, their families, the mine associated communities and the general community at large remain core to the business. Revised health, safety and wellness policies and procedures together with a Senior Management iLEAD programme have been implemented across the operations with daily safety talks and on-going training programmes contributing to improved outcomes toward the Company's commitment to achieving *Zero Harm* operations.

This commitment is not simply to be at "World's Best Practice" or "Leading Edge" in outcomes, but rather the commitment is to be striving towards the "Next Edge". To be otherwise would be seen as permitting complacency to set in, a situation that Management does not accept.

The Occupational Health, Safety and Wellness (OHS&W) system is based not only on prescriptive documentation that articulates the organisation's commitment to legislative compliance and operational necessities but more importantly there is the "Next Edge" approach of seeking continuous improvement in accident prevention, a healthy work environment, employee wellness and mine associated community wellbeing through empowerment to seek innovative approaches to engage the workforce and communities to achieve superior outcomes.

In 2014, the Company achieved a Total Recordable Injury Frequency Rate (TRIFR) of 1.07, which was a 28% improvement on 2013's performance. This result is commendable given the variety and complexity of the associated risks that are ever present within the operation. OTML maintains its position as a premier safety and operational leader, not only in PNG, but also within the global mining industry as is evidenced by its insurable low risk profile as determined by International Mining Industry Underwriters Limited (IMIU). OTML has been ranked at 25.7, which is considerably better than the global average of 50.4 in terms of a measure of commercial attractiveness of risk to insurers.

However, the year ended on a very sad note after losing one of our mine operators in the workplace before the end of night shift (6am) on Christmas Day. Our heartfelt condolences go out to the family, wantoks, work colleagues and the general community. This incident has impressed that moving to the "Next Edge" in accident prevention is paramount.

Flotation plant used to remove pyrite from the tailings waste stream

Operational challenges including the combination of environmental, ageing plant and equipment factors all contributed to lost operating time and production. In January and October, the Semi Autogenous Grinding (SAG) Mill No. 2 shell failed through metal fatigue, requiring operational downtime for repairs. The outer shell is scheduled for replacement in the first half of 2016. The mine pit continued to experience flooding following a series of record rain events. The in-pit primary crusher failed and required a major rebuild during November and power services were also impacted by the failure of aging power generating and distribution infrastructure which was further impacted late in the year by the transition to upgraded transformers and switch rooms. The Company's logistical operations were also impacted by landslides, which blocked main arterial roads, caused bridge instability and unpredictable rain events produced variability in the navigable water levels of the Fly River.

Financial performance was negatively impacted by volatility in world metals prices caused by instability in major international economies, production issues and variability in exchange rates. Notwithstanding these issues, OTML improved its profitability in 2014. Specifically, sales revenue amounted to PGK 2,469.9 million (USD 964.7 million), dividends were declared of PGK 123.8 million (USD 50.0 million), and total taxes paid to the PNG Government were PGK 356.8 million (USD 140.5 million). Copper concentrate sales were 381,075 dry metric tonnes (dmt), which was 3% lower than 2013. Metal contained in concentrates sales totalled 93,760 t of copper, 291,873 ounces (oz) of gold and 700,189 oz of silver.

Despite the challenges, the Company reported a net profit after tax of PGK 360.1 million (USD 134.6 million), which was up 99% on the result reported in 2013. OTML's cash operating costs in 2014 were PGK 1,283 million (USD 508 million) a decrease of 21% or PGK 321.4 million (USD 191.3 million) over 2013. A major contributor to decreased costs included the impact of a strong Australian Dollar (AUD) to the PGK but a weaker AUD to the USD for most of the year.

World market dynamics have not only impacted OTML but also global mining operations in general. The year ending 2014 presented a deteriorating position over that experienced in 2013, reinforcing the need for further sustainable cost reduction initiatives. A significant challenge to emerge was that costs remained high while there was further softening of metal prices that seemingly had no traditional empirical basis. As could be expected, this led to further uncertainty around commodity pricing driving fear, increasing perceived risk and making forecasting and planning difficult. Given the situation, OTML focused on cash management and sustainable cost reduction initiatives that were also driven by the decision to continue mining for the life of the current mining lease with a projected reduction in copper concentrate output.

Management has approached the matter of sustainable cost reduction where traditional practices have been put aside and how the business operates has, and is, being challenged in all aspects.

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REPORT

Nigel Parker

The Company's balance sheet, with no debt or leasing commitments, is well positioned to weather the downturn in the mining sector. However, as a mature business, there remain opportunities to redress cost structures. Three years ago, the decision was made to purchase and run the OTML shipping fleet and mining shovel/excavator fleet with operational cost improvements emerging in 2014. The year 2013 also saw a workforce realignment where changes were made to work practices and a voluntary redundancy programme achieved a considerable downsizing of full time employee equivalents. In 2014 this resulted in the significant reduction of unit labour costs.

The major cost initiatives in 2014 revolved around optimising and validating Ok Tedi's future to ensure the Company's cost structures adapted to lower projected metal output to both preserve operating margins and provide resilience to further fluctuations in metal prices. These initiatives included a restructuring of the workforce, engagement with contractor partners and mine associated communities.

The major operational initiative in 2014 was the commencement of the design and implementation of a new ERP software package (SAP) to streamline business processes and improve operational efficiencies. This initiative is the next stage in providing full and complete access to Company data and the managing, controlling and utilisation of that data for the betterment of the business.

The demand for highly skilled labour in the global mining industry has become less competitive than in previous years with 2014 presenting the opportunity to regain Papuan New Guinean professional and trades employees previously lost to the international mining community, who were seeking re-employment with the Company.

The training of the workforce driven by the Company's social responsibility and the necessity to attract and retain a competent, highly skilled work force, remains a priority. Training programmes are an ongoing strategic initiative to develop the technical skills among all employees to ensure that they are qualified to international standards. In 2014, the business invested PGK 33.3 million (USD 9.9 million) towards employee and graduate training programmes.

One of OTML's major continuing concerns is the environmental effects of our operations. The waste and tailings deposition into the riverine system has had a major impact on the Ok Tedi and Fly River systems and associated eco-systems, which in turn has impacted the livelihood of the communities who live along the river corridor. The Company continues to employ a team of scientists to monitor and manage the effects of our mining activity, past and present, over the total mining footprint. During 2014 and following an extensive review of the environmental studies underpinning the proposal to extend the mine's life, the State approved the mine's continued operation until 2022, but did not approve the mine's proposed construction of a waste dump in Harvey Creek. In 2013, management approved a detailed review of the possibility of constructing a close-to-mine, land based Tailings Storage Facility (TSF) and the OTML Board of Directors, at that time, agreed that a formal study be undertaken to assess the technical feasibility of the options identified in the review. Those studies were taken through to Pre-feasibility Study (PFS) level during 2014 and a decision as to whether to proceed to a Feasibility Study will be made in 2015 by the OTML Board of Directors.

During 2013 and 2014, the Company transitioned into a fully owned, independent and commercially operated SOE and at 31 December 2014, the State directly held 87.8% and the people of the Western Province held a beneficial 12.2% interest. The Company is however aware that the State and the CMCAs have reached agreement whereby the Fly River Provincial Government and specific purpose community entities will move to hold 33% direct equity during 2015. The wealth generated by the Company therefore benefits the people of PNG, especially those from the Western Province.

The Company recognises that in contemporary mining practice, its social responsibility is a core requirement to success. It has also recognised that a marker of success is how the benefits generated from mining activities are used for the benefit of the mine associated communities and the rest of the Western Province. Such benefits flow directly from the Company through direct compensation payments, royalties, and through the OTDF along with the backflow of benefits from the State through the transparent use of taxation and other revenues.

In regards to the State benefits, the Company recognises its importance to PNG and has actively engaged with the State for many years in delivering projects worth up to PGK 300.0 million (USD 118.1 million) to the Western Province and the Telefomin District in the Sandaun Province, through the Government funded TCS with an ongoing focus on health, education, roads, bridges and utilities. This contribution has largely gone unnoticed and recognising this, the Company is for the second time, reporting on its TCS activities.

OTML has continued to work with its communities to effectively mobilise their compensation benefits in the form of cash payments and funding for sustainable development projects. In 2014, the mine associated communities received compensation payments of PGK 58.1 million (USD 22.9 million) directly from OTML, with a further PGK 4 million (USD 1.6 million) as disbursements from CMCA trust investment funds. Project delivery to remote parts of the Western Province remains an ongoing logistical challenge. However during 2014, many Trust and TCS projects were completed.

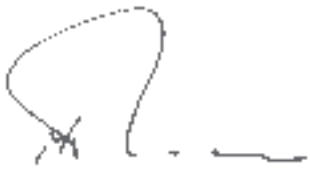
The principal emerging enabler for mobilising community funds is the OTDF, where OTML currently retains 75% of the equity and the PNGSDP, the remaining 25%. The OTDF was established in 2001 as part of the then BHP Limited (now BHP Billiton) exit, to manage the trust funds set-up for the 157 villages under the CMCA. The OTDF mobilised PGK 59.3 million (USD 23.3 million) of community funds from the Western Province People's Dividend Trust Fund (WPPDTF) for projects during 2014. Of particular importance was the completion of two high impact community funded projects namely the Nupmo foot bridge and the Pampenai rubber road. OTDF's enabling legislation requires OTML to relinquish its OTDF shares before or at mine closure to four reputable development organisations.

The role of women in the CMCA communities and the relationship with OTML and OTDF matured in 2014. In the past 12 months all of the Women's Associations became registered and formally elected their representatives and constitutions. The groups are well positioned with women negotiating up to 18% of the benefit stream for their communities to flow into projects and investments the Women's Associations control. These investments are materialising on the ground in the form of agricultural and food security projects, transport and property income generating projects. This significant inclusion and rights for women to directly participate was recognised as leading practice by the World Bank.

Moving forward, faced with the volatility of metal prices, international economic instability and the challenge of operating an ageing plant, there will be an ongoing need to focus on maximising productivity, minimising costs, realigning our procurement strategy and strict management of contracts against terms and deliverables, to ensure that OTML can continue to deliver benefits for the North Fly region, the Western Province and PNG.

Ok Tedi's future, beyond current legal tenure also holds exciting possibilities for the Company and the near mine exploration programmes hold that key. The focus of these programmes are targets within a five kilometer (km) radius of the current pit operations. During the year, over 34,000 metres (m) of exploration check drilling was completed. The majority of that work occurring at OTML's 100% held Townsville Prospect, which is a near surface, high grade gold, hydrothermal mineralisation and copper porphyry system.

2015 will test and challenge OTML's management, employees, business partners and communities through the transition to a smaller operation. However, with the available resources and a stable, creative and well trained workforce, we stand ready to deliver on our commitments.



NIGEL PARKER
Managing Director and
Chief Executive Officer

GOVERNANCE

OTML IS A LEGAL ENTITY INCORPORATED UNDER THE PAPUA NEW GUINEA COMPANIES ACT (1997) AND IS COMMITTED TO MAINTAINING ROBUST CORPORATE GOVERNANCE PRACTISES.

OK TEDI BOARD OF DIRECTORS

OTML is a legal entity incorporated under the Papua New Guinea Companies Act (1997) and is committed to maintaining robust corporate governance practises. This includes monitoring and adopting as appropriate, contemporary international practices such as the guidance principles of the Australia Stock Exchange Corporate Governance Council as follows:

- majority of the Directors are independent;
- the Chairman is independent;
- the positions of Chairman and Managing Director are held by different persons;
- the Board has a number of standing committees, for example the Remuneration and Safety and Technical Advisory Committees; and
- Non-executive Directors do not receive any short or long-term incentives, equity based remuneration or retirement/ termination benefits.

The OTML Board of Directors holds the highest level of responsibility for the Company. However, as a SOE, certain other governance provisions come into effect by application of provisions of the Independent Public Business Corporation Act and the powers of the National Executive Council (NEC), particularly in the appointment of members to the Board of Directors. With the effected change in ownership of OTML, whereby the State now holds, directly to its own account, a shareholding of 87.8%, there has been a restructuring of the Board, Chairman and Director's positions, as sanctioned by the NEC and duly gazetted.

The profile of the Board, as sanctioned by the NEC is as follows:

- Chairman: to be independent;
- Director ex-officio representing the State;
- Director ex-officio representing the Fly River Provincial Government;
- MD ex-officio being the CEO;
- Director representing Audit and Risk: to be independent;
- Director representing Processing: to be independent; and
- Director representing Mining and Exploration: to be independent.

During 2014, the OTML Board of Directors met four times (February, May, September and in November) at Tabubil and held four other conference calls. One resolution was passed. Profiles of each Director, the Charter of the Board and standing committees are available on the Company's website: www.oktedi.com.

The Ok Tedi Board of Directors as at 31 December 2014, are shown in the table below:

YEAR 2014				
BOARD MEMBER	POSITION	STATUS	DATE APPOINTED	COMMITTEE FUNCTION
Sir Moi Avei	Chairman	Independent	04-Nov-14	Chairman-Remuneration
Mr Dairi Vele	Director	Ex-Officio	19-Aug-13	
Mr Nigel Parker	CEO and MD	Ex-Officio	01-Jan-11	
Dr Modowa Gumoi	Director	Ex-Officio	24-Sep-13	
Dr Jacob Weiss	Director	Independent	24-Sep-13	Remuneration
Dr Roger Higgins	Director	Independent	04-Nov-14	Chairman-Safety and Technical
Mr Glen Kuri	Director	Independent	04-Nov-14	Safety and Technical

Supporting the Board are two standing committees - Remuneration and Safety and Technical Advisory Committees.

THE REMUNERATION COMMITTEE

The Remuneration Committee comprises two Non-Executive Directors and it is responsible for evaluating and reviewing remuneration packages and bonuses. OTML's remuneration for Directors and senior executive personnel reflect the complexity of the business and this structure is in line with similar global mining operations. OTML continues to attract, motivate and retain highly experienced professionals as Directors or senior executives. The Remuneration Committee members are Sir Moi Avei (Chairman) and Dr Jacob Weiss (Member).

THE SAFETY AND TECHNICAL ADVISORY COMMITTEE

The Safety and Technical Advisory Committee comprises members who have extensive mining industry experience across operations in risk, safety and health. The Committee is responsible for reviewing major projects and commitments and making recommendations for OTML management to submit to the Board. The Committee reviews the Annual Review prior to finalisation.

The current Safety and Technical Advisory Committee members are:

Dr Roger Higgins – Chairman
Mr Martin Whitham – Member
Mr Peter Tilyard – Member
Ms Pamela Ruppin – Member
Mr Glen Kuri – Member
Mr Derrick Kelly – Member

BOARD MAIN ISSUES

During 2014, the Board and Standing Committees addressed a number of major issues including:

- consideration and approval of capital expenditure items;
- the operation's information system upgrade to SAP business software;
- fast tracking the progression of additional Mineral Resources and updated business plans;
- transition from Starwest Contractors to owner operator for all mining operations;
- TSF Pre-feasibility study;
- Ok Tedi Power Limited established as a subsidiary company and review of power supply assets;
- changes in Directors and standing committee members; and
- OTML's post 2015 preliminary business plan and post implementation reviews.

INTERNAL POLICY AND STANDARDS

In 2014, there were no changes to the Occupational Health and Safety and Environmental Policies or to the Ok Tedi Charter, the Ok Tedi Standards of Business Conduct and the Ok Tedi Management Standards of Conduct.

CODE OF CONDUCT

In October 2013, OTML revised the Code of Corporate Conduct and Business Ethics (The Code of Conduct). The Code of Conduct provides guidance to directors, employees and stakeholders on adhering to the highest standards of business conduct and compliance with the law and best practise.

It recognises that as a leading PNG company, OTML must apply the highest ethical standards to its operations, the business community at large, its employees and their families. In so doing OTML will:

- ensure the Company maintains its reputation for fair and responsible dealings with all stakeholders;
- clearly define the high standards of behaviour expected throughout the organisation;
- transparently provide all employees with a clear idea of what the Company goals are and how it will achieve them;
- hold all persons covered by the Code of Conduct to full account for the performance of their duties; and
- take all steps to ensure staff can be proud of their association with OTML.

The Code of Conduct clearly provides information on personal accountabilities and outlines the process for dealing with Employee concerns. The Code of Conduct covers use of Company resources and information, fraud, confidentiality and proprietary information, conflict of interest, privacy, diversity, health, safety and the environment, human resources, financial inducements, gifts and entertainment and political contributions. There were no changes to the Code in 2014.

GOVERNANCE

COMPANY CHANGES

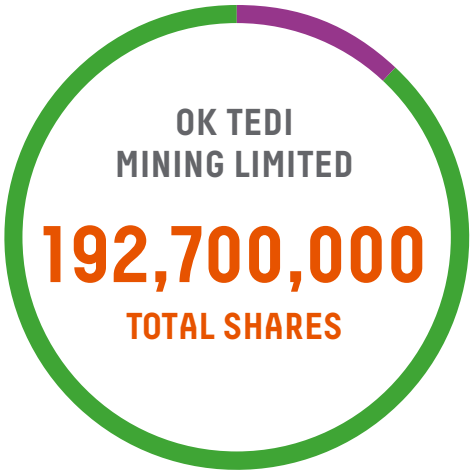
The Mine has been operating for 33 years and in 2013 became a SOE. As a SOE, 100% of the benefits from its operations are distributed to the people of Western Province and to the State. OTML operates within its own statutory framework and is governed through the Ok Tedi Agreement, by the Mining Act 1976 (as amended and supplemented from time to time). In September 2013, with the passing of the Ok Tedi Mining 10th Supplementary Agreement Act by Parliament, the PNGSDP's shares were cancelled and new shares issued to the State. The current shareholder structure for OTML is shown below:

STATE OF PNG
87.8%
(169,200,000 SHARES)

DIVIDENDS BY DIRECTION
MOA - 09/01/91 State of PNG
& Fly River Provincial Government

3.05% MROT NO.2 LTD
(Fly River Provincial Government)

3.05% MRSM LTD
(Mine Village Landowners)



MROT NO.2 LTD
12.2%
(23,500,000 SHARES)

DIVIDENDS BY DIRECTION
NEC decision 29/11/06
MRA 02/08/07

6.1% WESTERN PROVINCE
CMCA Region Peoples Dividend Account
(WPPDTA-CMCA)

6.1% WESTERN PROVINCE
Non CMCA Region Peoples Dividends
Trust Account (WPPDTA-Non CMCA)

On 19 September 2013, PNGSDP shares were cancelled and new 122,200,000 shares were issued to the State

EXTERNAL STANDARDS, INITIATIVES AND GUIDELINES

OTML measures its performance against Papua New Guinean and international standards, initiatives and guidelines. OTML uses the following standards and guidelines in continual improvement of its operating systems:

- 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 International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability for operating projects;
- The GRI sustainability reporting framework and guidelines;
- Papua New Guinea Companies Act, 1997; and
- International Financial Reporting Standards (IFRS).

The Company was in compliance with its various licences and permits during 2014 and no fines or sanctions were issued to OTML by the regulatory authorities.

BUSINESS COALITION AGAINST HIV/AIDS (BAHA)

OTML is a proud foundation platinum member of the PNG BAHA, which was setup to spearhead awareness of Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS) through community education programmes. The Company contributed PGK 100,000 in 2014 and since 2007, total contributions have exceeded PGK 1.3 million. OTML is proactively promoting the awareness of HIV/AIDS through employee and contractor Health, Safety and Wellness programmes.

THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)

In late 2013, OTML withdrew its annual membership from the EITI due to changes in the Company's structure with 87.8% of its share being majority State owned. However, as part of the EITI reporting, companies are encouraged to follow the GRI guidelines. OTML commenced reporting against the GRI G4 guidelines in 2013 and continues to do so in this Annual Review. The Company will continue to publish its payments to all stakeholders in line with the EITI and GRI reporting requirements, through the Annual Review process.

UNITED NATIONS MILLENNIUM DEVELOPMENT GOALS

The PNG Government is a signatory to the United Nation's Millennium Development Goals (MDGs). The MDGs range from halving extreme poverty rates to halting the spread of HIV/AIDS and providing universal primary education by the target date of 2015. The MDGs have galvanised unprecedented efforts to meet the needs of the world's poorest. The MDGs eight key goals include:

1. Eradicate extreme poverty and hunger;
2. Achieve universal primary education;
3. Promote gender equality and empower women;
4. Reduce child mortality;
5. Improve maternal health;
6. Combat HIV/AIDS, malaria and other diseases;
7. Ensure environmental sustainability; and
8. Global partnership for development.

In Western Province, OTML is a significant contributor to programmes that have made an impact against each of the MDGs. Progress on the MDGs is reported in this Annual Review.

PRECAUTIONARY APPROACH

OTML uses a risk-based approach to guide the Company through decision making processes. Enterprise Risk Management is used when evaluating economic, environmental or social aspects of mining projects and major changes to the business. The potential impacts and proposed management plans to mitigate any major risk are presented to the Board for approval. The precautionary principle is applied where there may be a lack of evidence to assist in the development of the management plans. This process will be further improved with the adoption of the SAP integrated risk module.

REPORTING

This integrated Annual Review provides a comprehensive overview of the Company's activities and financial outcomes. The financial statutory accounts of the report are audited by PricewaterhouseCoopers 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 G4 guidance and meet the intent of GRI reporting. The specific Disclosure on Management Approach and indicator summary is located in the back of this Annual Review. The Annual Review has been partially verified against the GRI G4 requirements by Banarra Pty Ltd, an Australian sustainability consulting firm.

RISK MANAGEMENT

The Company is focused on identification of major hazards and risks in the workplace and from external sources that could impact on the business. OTML's risk management system is based on AS/NZS 31000:2009. During 2014, OTML continued to focus on consolidating the risk registers into a single system using the SAP integrated risk module, which will be transferred permanently to SAP in 2015. Significant or material business risks and progress against action plans are reviewed by the Safety and Technical Committee and the top 10 risks by the OTML Board of Directors.

AUDITING

Insurance Audit

The OTML operational risk external audit was completed by IMIU in January 2014 with a further follow-up scheduled for January 2015. The audit identified that OTML is regarded as a world leader in terms of commitment to risk mitigation. IMIU has determined a Risk Exposure Number of 25.7 for OTML which is better than the IMIU global average of 50.4, as determined by IMIU when compared to 390 other mining operations around the world that IMIU report on. OTML has a higher than average level of attractiveness for insurers. The report recommended a number of areas for improvement for which the works and system improvements were completed in 2014.

Financial Audit

The financial statements of the Company for the year ending 31 December 2014 have been audited by PricewaterhouseCoopers PNG and the Independent Auditor's Report is included in this Annual Review. The auditors found that the Company financial statements:

1. comply with IFRS and other generally accepted accounting practices in Papua New Guinea; and
2. give a true and fair view of the financial position of the Company and the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended.

PERFORMANCE FOR 2014 AND OBJECTIVES FOR 2015

PUBLISHED OBJECTIVES FOR 2014
Appoint remaining Board members, finalise Board committees and implement revised Board Charter.
Finalise the Mission, Values and the 2014 to 2018 Strategic and Implementation Plans.
Complete external financial and insurance audits.
External audit for GRI G4 Annual Review.
Complete ISO14001 and OHSAS180001 Audits.
Complete Safety, Health and Environmental Action Plan (SHEAP) activity implementation and external reviews.
Implement SAP risk module as company ERP tool.
Vision and Mission implementation planning as a lead into SAP implementation.
Continue to deliver social development programmes in region.

PUBLISHED OBJECTIVES FOR 2014
Meet or exceed 2014 budgeted production and cost metrics.
Complete Mine Life Extension (MLE) transition.
Implement SAP as the standardised data management operating system by first quarter of 2015.
Commission final haul truck and mining shovel fleet and assume 100% owner operator of pit operations by June 2014.
Renegotiate a revised 11th Supplementary Agreement with the State and other stakeholders and include MLE conditions and any further environmental monitoring requirements.
Complete the PFS on a potential second cut back on the open pit East Wall.
Complete PFS on TSF options.
Drill 35,000 m at Mt Fubilan Pit extension and nearby zones and convert 50% of Inferred Resources to Indicated or Measured status according to Joint Ore Resources Committee (JORC) Code guidelines.
Drill 7,500 m at Townsville Prospect and delineate and define a new Mineral Resource to Inferred and Indicated level according to JORC Code guidelines.

ACTUAL PROGRESS IN 2014	OBJECTIVES FOR 2015
Board members were appointed. The company completed a revision of its Corporate Governance Charter and Charters for Board Sub-Committees.	Roll out the Strategic Map and Code of Conduct and Business Ethics across the workforce.
The company completed its revision of the Code of Conduct and standards of Business Ethics; Board of Director's Profile, Key Corporate Governance Policies, and Strategic Map.	Conduct in-house development for Board members and executive staff on matters of Corporate Governance.
Completed by PWC and IMIU.	Complete external financial and insurance audits.
Partial verification of GRI content by Banarra consultants.	Complete partial verification of GRI content.
No audit in 2014 as SAP migration work underway.	Complete migration of OHS and Environment Systems into SAP
Completion was above the target of 80%.	Complete SHEAP activity implementation and external reviews.
Commencement of the SAP design and implementation.	Go live with SAP and to streamline business processes and improve operational efficiencies.
OTML completed a revision of the Mission, Vision, Strategic Goals and Values in line with the business direction and principles of CSR.	Continue to educate our employees in "the Ok Tedi Way" as the vehicle for engagement of staff and setting corporate conduct.
Programmes were delivered as part of CMCA commitments.	Continue to deliver social development programmes in region.

ACTUAL PROGRESS IN 2014	OBJECTIVES FOR 2015
Budgeted production was not met due to operational issues such as flooding in the centre pit, Yuk Creek landslide and Mill equipment breakdowns. Operating cost was below budget by 8.4% in PGK terms.	Meet or exceed 2015 budgeted production and cost metrics.
MLE not yet approved by the State. Instead a variation to the pit shell was approved in July 2014 to access new Ore Reserves and continue mining till 2022.	Meet the 2015-2026 business plan objectives.
Progress was made as per the proposed schedule.	Standardised data by third quarter of 2015.
Successfully commissioned final haul trucks and mining shovel fleet and have assumed 100% owner operator status by June 2014.	
11th Supplementary Agreement was finalised and approved by the State but without any MLE matters nor further environmental monitoring requirements.	Complete Draft Environmental Management Act for OTML negotiations.
Completed the PFS on a potential second cut back on the open pit East Wall.	Complete the East Wall Cut Back Feasibility Studies by third quarter of 2015.
Completed PFS on TSF options.	Complete the TFS Feasibility Studies by fourth quarter of 2015.
Drilled 34,374 m at Mt Fubilan. An estimated 160,000 t of copper and 316,000 oz of gold was added to the Mineral Resource at a cost of two cents per pound (gold converted to copper equivalents). Inferred Resources in the 2013 Resource shell were reduced from 109 Mt to 81 Mt (25% reduction).	Drill 20,000 m at Mt Fubilan. This drilling will target uncertainty in the three year mine plan, providing additional geological support for the East Wall Cut Back PFS, and explore for additional mineralisation within the current crusher area. Drill 6,000 m of near mine exploration. Target areas include Ok Tedi Deeps, Wellington, Sulphide Creek and Marrakesh.
Only 3,663 m were drilled at Townsville Prospect due to weather related access issues and poor drilling conditions. Significant new mineralisation was delineated. Insufficient information to estimate a Mineral Resource.	Drill 14,000 m at the Townsville Prospect.

PERFORMANCE FOR 2014 AND OBJECTIVES FOR 2015 CONTINUED

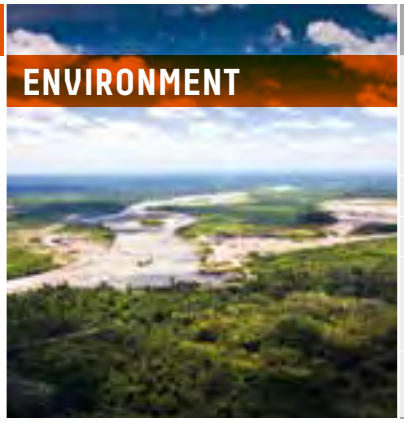
PUBLISHED OBJECTIVES FOR 2014
Complete annual CMCA village consultation tours.
Continue to use the Grievance System, follow-up and resolve grievances in a timely manner.
PNG and International recruitment programme to attract experienced staff.
Implement a new roster and employment agreements for all employees and fill vacant positions with high quality candidates.
Identify training needs for employees in new positions with position descriptions. Develop training programmes to meet the “right person, right job” vision.
Complete the Memorandum of Understanding with DWU for the Tabubil International School’s operational transfer to DWU.
Progress the health plans in the North Fly, Middle Fly and South Fly Regions with Abt JTA deployment.
Advance the public private partnership business model to divest OTML from town infrastructure to Government or private infrastructure providers as part of the Tabubil Futures programme.

PUBLISHED OBJECTIVES FOR 2014
Visible Leadership Programme (iLEAD) rolled out in conjunction with, Job Safety Observations (JSOs), task observations and layered audits.
80% of actions from investigations, audits, inspections closed out by target date.
90% of workplace inspections and JSOs completed as planned. Task observations and layered audits carried out on high risk tasks and projects.
High and significant risks reviewed each quarter by the Health, Safety, Environment Lead Team (HSELT).
Complete six monthly contractor audits against their top 12 contractor risks and Occupational, Health and Safety (OH&S) systems.
Improve lag indicators by 10% from 2013 results.
10% reduction from 2013 in light vehicle incidents.
Implement fatigue management programme.
Migrate OH&S management system to SAP. Progress development of OH&S systems towards meeting certification requirements of OHSAS18001 by 2016.
Findings from annual external OHSAS18001 audits to be compiled into SHEAP and 80% of actions closed out.
OH&S management review meetings conducted quarterly.

ACTUAL PROGRESS IN 2014	OBJECTIVES FOR 2015
Completed one round of CMCA consultation tours. Covered 129 villages and over 13,000 persons.	
Electronic Grievance System deployed and 1,088 Grievances logged and resolved.	
The Company now has processes in place to recruit and engage PNG citizens working abroad back to OTML. Structured remuneration to reward those with international experience.	OTML will continue to develop national employees through succession planning to replace expatriates wherever practical.
All employees are now engaged on new work rosters with simplified terms and conditions.	
All roles at supervisor level and above have up to date position descriptions reflecting their new accountabilities. Competency models have been revised for all positions up to supervisor level. Additional roles and career structures were developed to reward employees in technical and supervisory positions.	Complete a revision of all OTML Training and Development functions and course offerings to up-date the curriculum. Strengthen supervisory and leadership skills across the workforce.
Completed.	Work with DWU to introduce a School Council with representatives from OTML and Tabubil community.
Progressing as planned with the deployment of health services throughout North Fly, Middle Fly and South Fly regions.	Rollout health programmes in the Middle and South Fly Regions with Abt JTA.
No progress made in 2014 mainly due to legislative delays.	Continue to work with relevant Government agencies on Tabubil Futures programme.

ACTUAL PROGRESS IN 2014	OBJECTIVES FOR 2015
iLEAD programme implemented through shop floor safety meetings and workplace inspections. The programme was identified as one of five critical tasks to be implemented as part of the Ok Tedi Safety Management Plan (OTSMP).	Full implementation of iLEAD Programme expected to be achieved including JSOs, task observations and layered audits by end 2015. OH&S lead indicator target for iLEAD performance against target is greater than 80%.
81% of identified SHEAP actions closed out.	Maintain an average completion of SHEAP targets and an action close out against the target date of greater than 80%.
Workplace inspections, JSOs, task observations and layered audits were identified as critical tasks. Lagging targets with respect to workplace inspections and audits continued in 2014.	
Quarterly HSELT review of high and significant risks completed.	High and significant risks reviewed each quarter by the HSELT.
The OHS&W department in coordination with OHS&T conducted six monthly contractor audits.	
Lagging indicator performance resulted in a TRIFR of 1.07 (28% improvement), LTIFR of 0.13 (50% improvement) and a SIFR of 1.89 (2% improvement).	Improve lag indicators by 10% from 2014 results.
Light vehicle incidents reduced by 16%.	
Fatigue monitoring programmes continually reviewed and refined. Findings from the programmes were obtained through site surveys including awareness training, supervisor fatigue tool kits and the impact of cultural issues. Areas were identified for improvement such as the implementation of new working rosters and single person accommodation.	Fatigue monitoring programmes will be continually reviewed and refined.
Continued integration of OH&S systems with SAP project with further progress towards meeting ISO18001 certification requirements.	Upgrade all operating systems to the fully integrated management system using SAP.
No OHSAS18001 audit completed in 2014 during the transition of OH&S systems to SAP.	
Completed.	OH&S management review meetings conducted quarterly.

PERFORMANCE FOR 2014 AND OBJECTIVES FOR 2015 CONTINUED



ENVIRONMENT

PUBLISHED OBJECTIVES FOR 2014
Progress development of environmental systems towards meeting certification requirements of ISO 14001 by 2016.
Complete 80% of actions identified in the SHEAP.
Continue to remain compliant with environmental conditions as per the “Environmental Regime”.
Acid Neutralising Capacity and Maximum Potential to Produce Acid (ANC/MPA) target for Bige cover material to exceed 1.5:1.
Implement the waste rock management plan including the development of a stable waste dump.

SOCIAL RESPONSIBILITY

PUBLISHED OBJECTIVES FOR 2014
Improve functionality of the Integrated Community Development Management System and staff training, including a review and update of all community relations procedures and develop an updated Community Relations Manual which will support the overall community relations strategies and objectives.
Implement a Community Relations document control and data management system that meets data collection and storage requirements for IFC Performance Standards.
Conduct Tabubil household survey as part of the MLE Social Management Plan following a commitment to update the 2009 Tabubil household survey through a recommendation to provide updated social data for assessment and future planning.
Complete an internal audit against ISO26000: Guidance on Social Responsibility which comprises seven core subjects aimed at identifying and maintaining a social license to operate.
Complete a Pilot Social Impact Assessment review of a village affected in Middle Fly River by overbank flooding and quantify against social mapping and land-use criteria. The Pilot review will be used to develop and test social and land mapping tools for a future wider review and assessment of impacted villages.
Delivery of Community Development and infrastructure through OTDF.

ACTUAL PROGRESS IN 2014	OBJECTIVES FOR 2015
No external audit of progress towards meeting certification requirements was undertaken in 2014. However, a number of new elements of the environmental management system were completed. Achieving compliance in 2016 will depend on the successful rollout of SAP in mid-2015.	Completion of all elements of an Environmental Management System compliant with ISO14001 by end 2016.
SHEAP score of 87% achieved.	Complete greater than 85% of actions identified in SHEAP.
Remained in compliance with the requirements of the "Environmental Regime".	Continue to remain in compliance with the "Environmental Regime".
Mean ANC/MPA at the dredge was 2.23, exceeding the 1.5:1 target.	OTML will work with the State to set appropriate compliance conditions for the proposed Ok Tedi Environmental Management Act and thereby replace the "Environmental Regime".
Construction of the Harvey Creek stable waste dump was not progressed.	Develop and implement updated waste rock management plan to align with proposed Ok Tedi Environmental Management Act requirements.

ACTUAL PROGRESS IN 2014	OBJECTIVES FOR 2015
Number of key Community Relations, systems, standards, procedures and guidelines were developed or implemented: • A Data and Records Management System guide (DRMS). • Release of a Community Relations Manual. • A Complaints and Grievance Management System (CGMS). • A Community Relations planning process was conducted to review the implementation of the Community Relations Strategic Plan 2014-2018.	Review and complete 80% of the Community Relations operational procedures and guidelines. Review CGMS reporting for accuracy and quality.
The DRMS guide was completed and the Community Relations records management is being implemented.	Conduct refresher training to 80% of Community Relations staff to fully use the Records Management system. Review 80% of the outstanding records not in the Records Management system.
Initial scoping work and proposal for the Tabubil Social Impact study was completed.	Review work plan and proposal for a study to commence in 2016.
Consultants completed a training session on ISO26000 standard.	Review the Community Relations system and map to the ISO26000 model. Identify work plan improvements.
A seven day field investigation trip to Manda village, Middle Fly was conducted in May 2014 by Anthropologist, Dr. John Burton and the Community Relations team.	Review the work plan and develop a proposal for a full study to be conducted in 2016.
	Conduct two community consultation patrols to disseminate key messages and updates on issues affecting the communities.
	Conduct quarterly stakeholder meetings with the Mine area impact villages and State briefings.
	Complete the Lease Compensation Agreements review for the SML, Alice Pit and Kiunga Airport Motel.
	Prepare draft benefit and compensation packages for KM59, and LMP87 and LMP88.
OTDF completed projects as planned (see OTDF Annual Report).	Delivery of Community Development and infrastructure through OTDF.

BUSINESS

OTML OPERATES THE LONGEST RUNNING OPEN-PIT COPPER, GOLD AND SILVER MINE IN PNG AND IS 100% PNG OWNED. SINCE THE START OF OPERATIONS IN 1981, OK TEDI MINE HAS PRODUCED 4.52 Mt OF COPPER, 13.9 MOz OF GOLD AND 28.8 MOz OF SILVER. TOTAL SALES OF COPPER, GOLD AND SILVER CONCENTRATE IS PGK 2.47 BILLION AND THE COMPANY PAID PGK 1.37 BILLION TO THE PNG ECONOMY. IN 2014 OTML CONTRIBUTED TO 5.5% OF PNG'S GROSS DOMESTIC PRODUCT. AS AT 31 DECEMBER 2014, THE MINERAL RESOURCE ESTIMATE WAS 911 Mt AT 0.43% COPPER AND 0.52 GRAMS PER TONNE (g/t) GOLD.

The business operations are centred on the Mt Fubilan deposit located in the Star Mountains (Figure 1). The deposit is mined as a large open-pit with a 23 Mtpa copper flotation processing plant. The mine is serviced by the township of Tabubil, located 20 km to the southeast. Copper concentrate is piped 156 km south to Kiunga port facilities located on the Fly River. The concentrate is dried, stored and then shipped by barge down the Fly River to Port Moresby to the silo and storage vessel, prior to export to overseas customers. The OTML corporate office is located in Port Moresby and the logistic offices are in Brisbane, Australia.

In 2014, the Company faced significant challenges as a result of the transition in shareholding, the volatility in metal prices and continuing operational issues through the transition to a smaller operation. The workforce was realigned resulting in the termination of all employment contracts and re-issue of new contracts. OTML's workforce comprises 2,245 employees and over 4,000 contractors, with 94% of OTML's employees being Papua New Guinean.

In 2014, the Company mined and reclaimed 15.9 Mt of ore and 52.1 Mt of waste rock with total material moved (68.0 Mt), being 7% below budget. Over 16.8 Mt of ore was processed resulting in 308,387 dmt of concentrate containing 75,901 t of copper, 241,039 oz of gold and 594,932 oz of silver. The concentrate is shipped to customers in Japan, The Philippines, Germany, South Korea, India, and Indonesia where it is refined into copper, gold and silver.

Despite the challenges the Company experienced in 2014, a net profit after tax of PGK 360.1 million was achieved, which is a 99% increase on 2013. OTML's cash operating costs in 2014 were PGK 1,213.8 million, a decrease of 21% over 2013.

The Company has recognised that its social responsibility is a core requirement to success and through its unique history and ownership structure, has contributed to economic and social development. OTML supports its subsidiary OTDF as a vehicle for delivering projects and services funded by contributions made to the CMCA Trusts by OTML and other sources. Transport infrastructure, income-generating village activities, housing, and community services were delivered in 2014.

MINING

Mining of the Mt Fubilan deposit is carried out as an open-cut operation with majority of the ore sourced from the base of a large conical shaped pit with 15 m bench heights. In 2014, the mine operations changed from partial contractor to full owner operator where the Company uses its own employees for all mining works. The deeper Ore Reserves are contained within areas below the current pit floor but also laterally behind the lower pit wall benches. Access to those Ore Reserves require pit wall cutbacks starting from the surface rim of the pit shell, working downwards bench by bench to expose future ore near the pit floor. In 2014, a significant proportion of the total material mined was waste rock moved from an area called the West Wall Cutback. This upper pit wall material contains large quantities of limestone and oxidised rock collectively classified as waste material, which has to be removed before exposing the ore. Other smaller sections containing Ore Reserves are also located within the current pit resource boundary. The overall strip ratio of waste to ore is approximately 2.4.

In 2014, the average mine production rate was 183,000 t per day of total movement. Total annual mine production was 68.0 Mt of combined ore and waste material, with a total of 69.9 Mt moved, including material rehandled. Ore is mined and transported to a primary crusher where it is blended. The crusher throughput capacity is approximately 8,000 t per hour.

Mining uses conventional drill and blast techniques with excavator and shovels loading Caterpillar 793F haul trucks. Four Caterpillar 6030 excavators and two Caterpillar 6050 shovels were commissioned replacing older Hitachi excavators and O&K RH200 shovels. The mine uses the Modular PTX Dispatch fleet management system to optimise fleet movements. The increased load and haul capacity are primarily deployed in the waste stripping regions in the West Wall Cutbacks.

PROCESSING

The ore hauled from the mine 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 ground in a SAG Mill and then in two five metre diameter Ball Mills, before being introduced into the flotation cells. The final product grain size is less than 180 microns. This finely ground material is treated in a mineral flotation circuit to extract the copper, gold and silver as a concentrate. Tank flotation cells are used for final upgrading of the concentrate, which contains approximately 25% copper and 23 g/t gold. It is thickened and piped as a slurry to handling facilities at Kiunga where it is filtered and dried. The residue material or barren waste product is retreated in a separate flotation plant to extract pyrite (iron sulphide). The pyrite is slurry piped to Bige for burial in subaqueous storage facilities and the residual barren sands are disposed of as tailings to the river system.

SUPPLY CHAIN

OTML has an established reliable supply chain for the purchase of goods and services. The contracts and procurement department manages contracts for the supply of major consumables like fuel, tyres, grinding media, explosives, mining spare parts and short term contracts or purchase orders for smaller orders.

In 2014, 3,077 contracts were raised with contractors. Over 85% of these contracts were awarded to PNG companies. Wherever possible, goods are sourced from within Western Province or PNG. In 2014, goods worth PGK 368.1 million (USD 144.9 million) were purchased in PNG. Supplies are shipped to Kiunga and then transported by gravel road to Tabubil or the actual mine facilities. Airports are located at Tabubil, Bige and Kiunga.

The Contracts and Procurement Department completes reference checks for potential suppliers for financial solvency, reliability of supply, and health and safety performance. In 2014, a review of all contractors and development of a pre-qualification process for contractors was implemented. The department is yet to implement environmental and human rights checks against suppliers.

Transportation of final concentrate is from Kiunga to Port Moresby. A fleet of vessels, built specifically for the shallow conditions in the Fly River, transport the dried concentrate to a silo ship (MV Kumul Arrow) moored in the Gulf of Papua during one part of the year and in Port Moresby's Fairfax Harbour during the remainder of the year. Each barge is capable of carrying up to 3,700 t of concentrate. The concentrate is stored and dispatched from the MV Kumul Arrow to OTML's customers in Japan, South Korea, The Philippines, Germany, India, and Indonesia. In 2014, 100% of export shipments went directly to the same smelter customers as in 2013. Lower production levels prevented any sales occurring on the spot market for the year.

Annual production of concentrate from the Ok Tedi Mine currently averages 400,000 t, containing approximately 100,000 t of copper, 300,000 oz of gold and 700,000 oz of silver. The exports in 2014 compared to those in 2013 are shown in the following table:

EXPORTS	2013	2014	CHANGE (%)
Concentrate (t)	394,622	381,075	-3.4
Contained copper (t)	100,212	93,760	-6.4
Contained gold (oz)	352,050	291,873	-17.1
Contained silver (oz)	929,380	700,189	-24.7

SAP ENTERPRISE IT SYSTEM

In 2013, SAP was chosen as OTML's ERP by having the solution that best suited the requirements of the business with the scope to allow further enhancements into the future. SAP is considered to be the mining industry's leading ERP and is now in use in OTML's peer companies and other industry leaders. The package has two phased releases (Release One and Release Two) and allows for leverage of previous implementations and learnings throughout the industry. Release One focuses on getting the business basics right and Release Two focuses on support activities, enhancements and adapting the business to SAP.

Once SAP is implemented it will deliver benefits throughout OTML's operations from the integration of maintenance through workflows and notifications, to finance, supply and logistics, human resources, occupational health and safety, environment and production accounting functions.

The change that is required within OTML to derive the maximum benefit from SAP is significant and therefore a dedicated Change Management stream was created to identify areas in the business where likely challenges should occur and then target and address the risks.

MATERIALITY

OTML HAS FOLLOWED THE GRI G4 GUIDELINES IN IDENTIFYING ISSUES THAT COULD MATERIALLY IMPACT UPON THE BUSINESS AND ITS STAKEHOLDERS IN A SIGNIFICANT WAY. THE MATERIAL ISSUES CAN OFTEN HAVE A FINANCIAL IMPACT OR BE VALUE CREATING FOR THE BUSINESS. THE PROCESS IN DEFINING MATERIALITY IS OUTLINED IN THIS SECTION.

OTML has a comprehensive database of all the key stakeholders it deals with on a regular basis. The 2014 review identified who can be directly impacted by the Company's activities and those who might be impacted. Key stakeholders include the CMCA landowners, shareholders, various Governments, suppliers, contractors, customers and employees. Consultation with the key groups is an ongoing process with regular dialogue with the community through the Community Relations team and other stakeholder consultation is conducted by OTML management and the Board. Each stakeholder group was assessed depending on the type of impact they have on OTML using the following criteria from GRI: responsibility, influence, proximity, dependency and representation.

Identification of key issues have been collated following discussions with key stakeholders, especially the CMCA communities during the Community Relation patrols, OTDF project delivery and from the Complaints and Grievance Management System (CGMS) Register. Other issues have been identified through the mine management risk register and at Board meetings.

Collation of the issues included an assessment to identify the extent of the impact or opportunity within OTML's immediate boundary of influence (e.g. Mining or other Leases) or if the impact extended beyond OTML's boundary. Due to OTML's significant presence across Western Province, the potential for issues to have an impact outside OTML's boundary is considered to be high.

To identify material issues that could impact on OTML's ability to meet its goals, an internal review was completed. Issues considered to be material ranked both as high importance to OTML and to external Stakeholders are deemed to be material. The list is similar to those issues identified in 2013.

The annual review focuses on material issues and these are presented in a materiality table. The issues are reported against the GRI Core reporting requirements and the GRI Mining and Metals Supplement. The various programmes and how the issues are managed are discussed in following sections of the review.

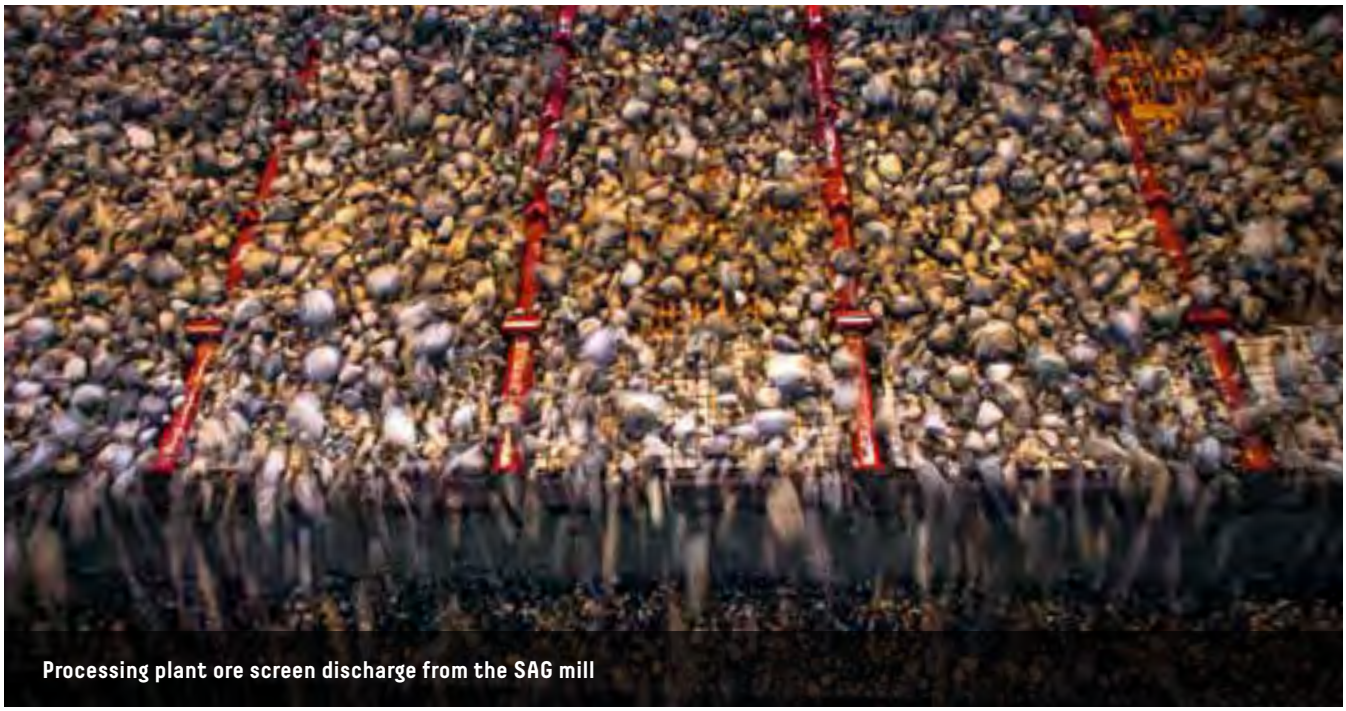
LIST OF KEY STAKEHOLDERS

Community Mine Continuation Agreement Groups
Governments – National, Provincial and Local
Suppliers and Contractors
Employees and Families
Customers
Health and Education Providers
Media
Prospective Employees
Shareholders (State, Western Province, CMCAs)
Financial Institutions and World Bank
Non-Government Organisations
Artisanal and Small Scale Miners
Industry Associations and PNG Chamber of Mines
Peer Companies
Religious Organisations
Unions
Academia

OK TEDI
OUR STAKEHOLDERS
FINANCIAL INSTITUTIONS AND WORLD BANK
UNIONS
ACADEMIA
COMMUNITY MINE CONTINUATION AGREEMENT GROUPS
RELIGIOUS ORGANISATIONS
PROSPECTIVE EMPLOYEES
HEALTH & EDUCATION PROVIDERS
NON-GOVERNMENT ORGANISATIONS
MEDIA
GOVERNMENTS – NATIONAL, PROVINCIAL AND LOCAL
CUSTOMERS
INDUSTRY ASSOCIATIONS
SUPPLIERS AND CONTRACTORS
ARTISANAL AND SMALL SCALE MINERS
PEER COMPANIES
EMPLOYEES AND FAMILIES
SHAREHOLDERS (STATE, WP, CMCAs)
TYPE OF IMPACT STAKEHOLDERS HAVE ON OTML
RESPONSIBILITY
INFLUENCE
PROXIMITY
DEPENDENCY
REPRESENTATION

MATERIALITY CONTINUED

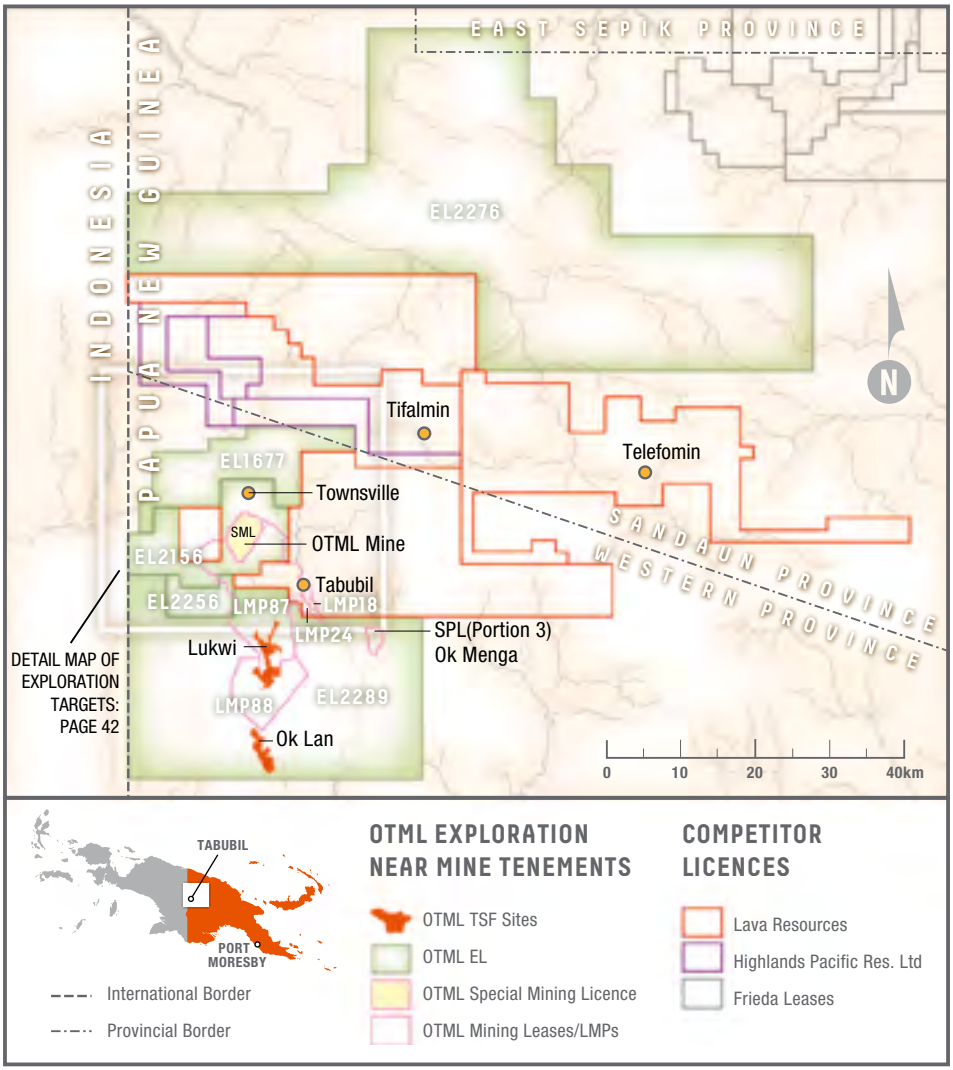
MATERIAL ISSUE	DESCRIPTION	KEY STAKEHOLDERS	REPORT SECTION	GRI ASPECT
Economic performance of the Company	The long term profitability of the Company impacts on all stakeholders. With community and government consent to extend the mine, controlling costs and making production through the high cost years of overburden stripping, will be critical to generate income for shareholders.	OTML employees, government, CMCA communities, suppliers	Business, Financial	Economic Performance
Management of mining waste rock and tailings	Previous mine waste has impacted the riverine environment causing bed aggradation, elevated sediment loads, decreased water quality, overbank flooding in the Middle Fly river region and reduced aquatic biomass. The current expectation is to balance the mine waste inputs and its environmental impacts against the socio-economic benefits of the operation.	Downstream CMCA communities, government, OTML	Environmental	Effluents and waste, water, biodiversity
Improving community health service delivery	High quality community health care is sought after by the community. The focus has been on delivery of improved regional infrastructure and recent partnerships are now targeting rural health delivery in the CMCA regions.	Community, employees and families, government	Social Responsibility	Local Communities
Improving education services	The community views education as a way for current and future generations to engage in the broader development of PNG. A Western Province education plan to improve universal primary and secondary education facilities and resourcing is underway.	Community, employees and families, government	Social Responsibility	Local communities
Community development project delivery and funding	The community have seen OTML, OTDF and the TCS as the financial providers for improved community development projects. Project planning, governance and timely project delivery is a material issue raised by all CMCAs.	Community, employees and families, government, OTML	Social Responsibility	Local communities
Transparent consultation and information sharing with communities	The community value the high level of consultation where OTML complete bi-annual patrols to all 157 villages. The process enables honest two-way exchange of information where communities can raise issues of concern and OTML can respond or facilitate action to address the issues.	Communities, institutions, government	Social Responsibility	Local communities
Zero harm to employees and contractors	Achieving zero incidents to employees and contractors is the key focus for OTML management. Whilst there was improvement in 2014 through the reduction of incidents by applying OH&S systems, other contributing casual factors like fatigue have been identified.	Employees, MRA, OTML	OHS&W	Occupational Health and Safety



Processing plant ore screen discharge from the SAG mill

GEOLOGY

EXPLORATION AND MINERAL RESOURCE DEVELOPMENT AT OTML IS AN INTEGRAL PART OF THE COMPANY'S FUTURE AND SPECIFICALLY THE DRIVER BEHIND MINE LIFE CONTINUATION. A TOTAL OF USD 11.6 MILLION WAS SPENT IN 2014 ON EXPLORATION AND RESOURCE DEVELOPMENT ACTIVITIES WITHIN AND ADJACENT TO THE 2014 RESOURCE AREA. MINE AND NEAR MINE MINERAL RESOURCE DEVELOPMENT DRILLING AT MT FUBILAN AND THE TOWNSVILLE PROSPECT HAS BEEN THE FOCUS FOR THE GEOLOGY TEAM DURING 2014. THE OUTCOME WAS AN UPGRADED MINERAL RESOURCE AND ORE RESERVE STATEMENT FOR OTML AND AN IMPROVED UNDERSTANDING OF THE GEOLOGY AND MINERALISATION AT THE TOWNSVILLE DEPOSIT WITH A CONFIDENT EXPECTATION THAT THE SIZE OF THE DEPOSIT IS SIGNIFICANTLY LARGER THAN PREVIOUSLY REALISED.



HIGHLIGHTS

- Ongoing Mineral Resource development drilling at Mt Fubilan has discovered additional mineralisation with significant expectations to increase future Ore Reserves.
- Increase in published Mineral Resources and Ore Reserves at Ok Tedi's Mt Fubilan Mine.
- More prominent exploratory drilling at the Townsville Prospect has discovered extensional mineralisation along strike from known occurrences and improved overall geological understanding.

The Geology team's primary focus for 2014 was:

- to gain a greater understanding of the paragenesis of the Ok Tedi deposit;
- to increase the understanding of the deeper copper/gold skarn mineralisation at the Townsville Prospect;
- to delineate a near-surface high-grade gold resource at the Townsville Prospect with view towards a Mineral Resource estimation; and
- continued technological developments in geometallurgy.

Mt Fubilan main pit where ore has been mined for the past 33 years

OVERVIEW OF THE GEOLOGICAL HISTORY OF OK TEDI

The rich copper-gold-silver Mt. Fubilan deposit is contained within the 2.6 million year (Ma) old Ok Tedi intrusive igneous complex extending over a 15 square kilometre (km^2) area. This complex is located within the Papuan Fold Belt, a well-endowed region extending from eastern Indonesia through the centre of PNG, with a number of NNE trending Transfer Zones that host giant porphyry-skarn style copper gold deposits, like the Ok Tedi Transfer Zone. This deep-seated crustal structure is responsible for the emplacement of the 1.1 Ma Ok Tedi porphyry and skarn-hosted copper-gold deposit.

There are two main intrusions at Ok Tedi responsible for most of the copper-gold-silver mineralisation, known as the Fubilan monzonite porphyry, located in the northern half of the Centre Pit and the Sydney monzodiorite in the south (see geology map overleaf). The approximate combined north to south length of these intrusions is two kilometres, with an east to west width of 800 m. In the Ok Tedi mining corridor, which extends northwards, at least three other igneous intrusive complexes have been identified, including the Mt Ian Complex, Keme and Kauwol stockworks.

The primary Mineral Resources identified within the Ok Tedi deposit are contained within the intrusive monzonite porphyries. An upper gold-rich capping was the focus of the first four years of mining from 1984. Thereafter, mining continued downwards through a copper-rich zone to where current mining is accessing a blend of copper ores composed of skarns, endoskarns, siltstones and porphyry rocks, deeper within the deposit. The majority of the contained copper and gold is found within the Fubilan monzonite porphyry and sulphide skarns, located adjacent to the intrusions along a contact with limestone and siltstone units. The skarns have been formed by the introduction of hot mineralised hydrothermal fluids reacting with sedimentary host rocks (limestones).

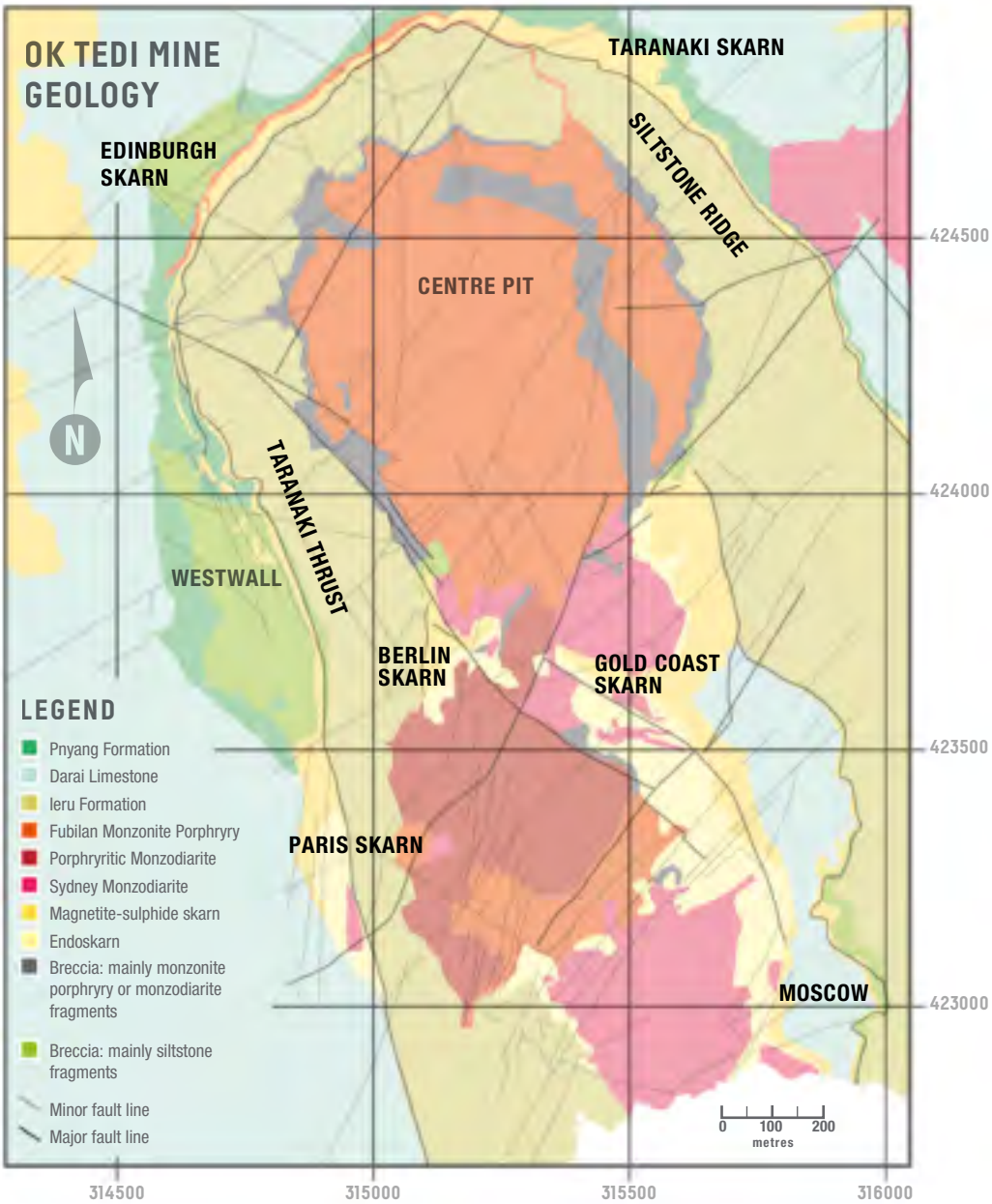
MT FUBILAN

A Mineral Resource update for the Mt Fubilan deposit was published following additional drilling in and around the current pit in 2013 and 2014. Data generated up to 1 November 2014 was validated and used in the construction of an improved updated Mineral Resource Model. A total of 207 drill holes were added to the database, new geological solids were created and new variography undertaken. The Ok Tedi Ore Reserves were also updated.

MINERAL RESOURCE AND ORE RESERVE STATEMENT

The recent extensive drilling programme underway at Mt Fubilan and the information obtained, have contributed to an upgraded Mineral Resource and Ore Reserve estimate. During 2014 alone, 34,374 m of resource development and delineation drilling was completed and combined with the 2013 drilling. This effort has contributed to the revised and current Mineral Resource and Ore Reserve Statement as at 31 December 2014. Ok Tedi's Mineral Resource estimate increased by 4.5% from 871.4 Mt to 910.9 Mt. This change is largely due to revised pit optimisation modelling, mill processing and metal price assumption changes over combined depletion tonnages (15.3 Mt) and block model changes producing a reduction of 43.8 Mt.

During 2014, Ok Tedi's Proven and Probable Ore Reserves increased by 33% from 214.8 Mt to 286.9 Mt as at 31 December 2014. The primary cause of the increase is due to a revised pit design of the East Wall Cut Back (EWCB) Stage 2. The new design accesses deeper ore identified from the 2014 drilling programme. Other contributions to this increase were from changes in mill processing, metal price and Net Smelter Return (NSR) assumptions and minor Ore Reserve block modelling changes. Depletion from mining was 14.5 Mt.



Whilst 160,000 t of contained copper and 316,000 oz of contained gold has been added to the Mineral Resources, the changes to the Ore Reserves resulted in an increase in the estimated recoverable copper of 141,500 t Cu to a contained 1,301,000 t Cu, and a decrease of 266,600 oz Au to a contained 3,599,000 oz Au, as at 31 December 2014.

The change reflected in the Mineral Resource Statements of 2013 and 2014 are shown in the tables overleaf. Price assumptions used were USD 3/lb Cu, USD 1,100/oz Au and USD 20/oz Ag. A 28,000 USD / hr cash flow cut-off between ore and waste was also used in 2013. The cash flow grade method is used to assess the value of mining areas and provide the ore to waste split. The 2014 Mineral Resource estimate used the same price assumptions as in 2013 and a USD 10 NSR cut-off per tonne.

MINERAL RESOURCE AND ORE RESERVE STATEMENT AS AT 31 DECEMBER 2013, USING A USD 10 NSR CUT-OFF PER TONNE								
CLASSIFICATION	TONNAGE (Mt)	Cu (%)	Au (g/t)	CLASSIFICATION	TONNAGE (Mt)	Cu (%)	Au (g/t)	RESERVE/ RESOURCE RATIO
Measured	344	0.52	0.58	Proven	156	0.59	0.69	45%
Indicated	417	0.39	0.51	Probable	58	0.71	0.93	14%
Inferred	110	0.41	0.57					
Total	**871**	**0.44**	**0.54**	**Total**	**215**	**0.62**	**0.76**	**25%**

MINERAL RESOURCE AND ORE RESERVE STATEMENT AS AT 31 DECEMBER 2014, USING A USD 10 NSR CUT-OFF PER TONNE								
CLASSIFICATION	TONNAGE (Mt)	Cu (%)	Au (g/t)	CLASSIFICATION	TONNAGE (Mt)	Cu (%)	Au (g/t)	RESERVE/ RESOURCE RATIO
Measured	332	0.52	0.58	Proven	187	0.55	0.63	56%
Indicated	485	0.38	0.47	Probable	100	0.52	0.66	21%
Inferred	94	0.40	0.54					
Total	**911**	**0.43**	**0.52**	**Total**	**287**	**0.54**	**0.64**	**31%**

The Ok Tedi Geology team is actively targeting a significant increase in Ore Reserves of over 500 Mt into the future, especially following the completion of the EWCB Stage 3 PFS. This will increase the mine life to over 20 years at an estimated production rate of 24 Mtpa.

The information in the tables above relates to Mineral Resources and Ore Reserves based on information compiled by Isaka Bisansaba (Mineral Resource) and Stephen Kable (Ore Reserve) who are members of the South African Institute of Mining and Metallurgy and Australasian Institute of Mining and Metallurgy respectively.

Mr Bisansaba and Mr Kable are full-time employees of OTML 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.

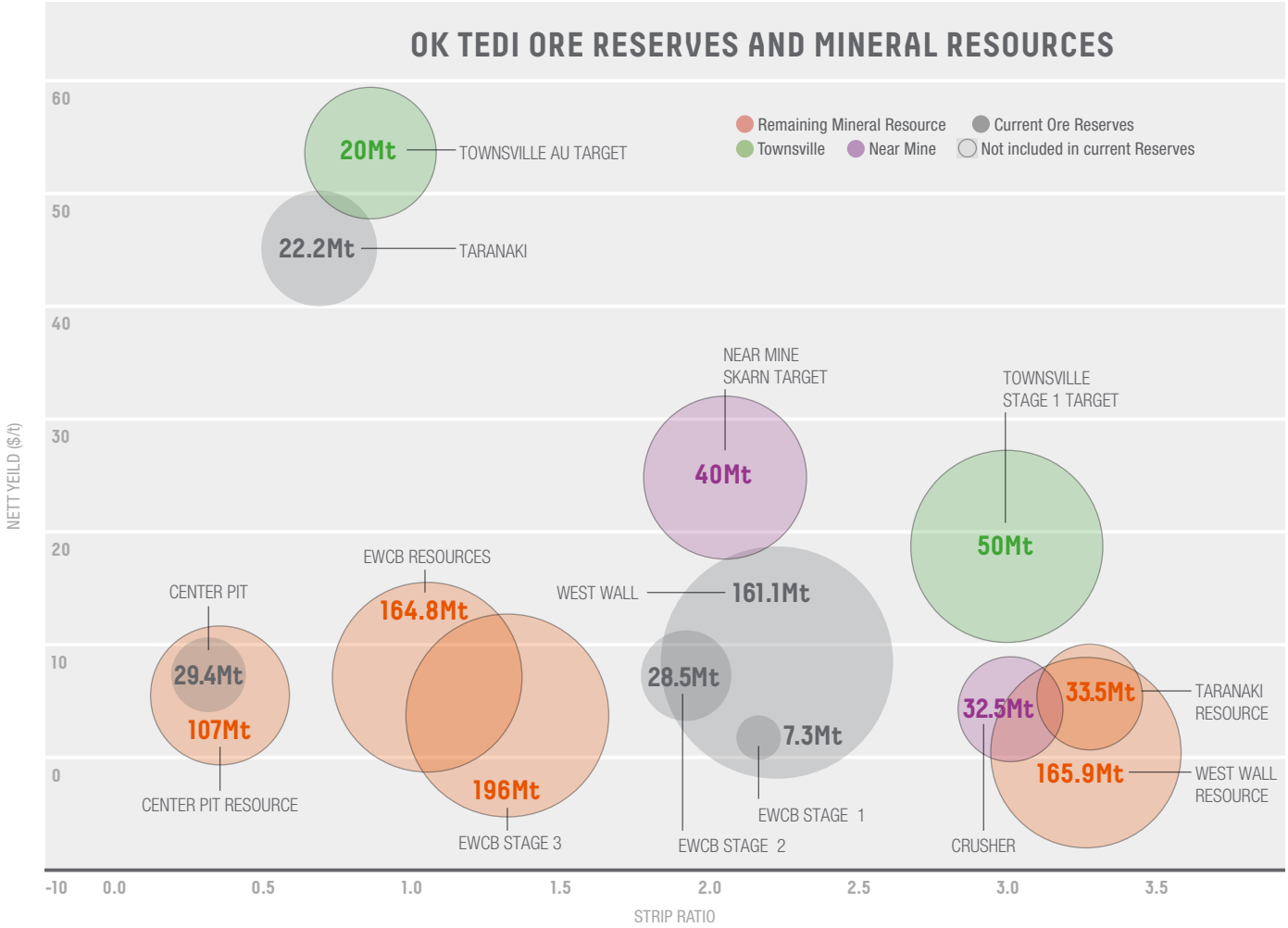
Isaka Bisansaba and Stephen Kable consent to the inclusion of the above tables, which have been based on their information in the OTML Mineral Resource and Ore Reserve Statement, in the form and context in which it appears.

Signed on this the 9th day of March 2015.

Isaka Bisansaba
SAIMM 703638
Superintendent,
Resource Geology

Stephen Kable
AusIMM 211690
Senior Engineer
Long Term Planning

The relative impact of the various current and expected Mineral Resources associated with the current OK Tedi portfolio of assets is shown overleaf. The potential of the eventual conversion from Mineral Resources to Ore Reserves is notable due to the number and relatively large size of certain Mineral Resource deposits (shown in orange overleaf).



GEOLOGY CONTINUED

NEAR MINE EXPLORATION DRILLING – MT FUBILAN

The primary focus for Mt Fubilan in 2014 was the East Wall Cut Back (EWCB) PFS. EWCB geological drilling commenced in 2014 with a total of 5,854 m for drilling data and information incorporated into updating the 2014 Mineral Resource estimate.

Bulk skarn ore and waste samples were dispatched to the Metallurgical Laboratory for test work and the Environment Department for waste rock characterisation, respectively. In addition, infill drilling continued at the monzodiorite at the southern area of the pit and delineation of the low grade mineralisation in the siltstones at Siltstone Ridge in the northern end of the pit.

Drilling was also commenced in 2014 at the Gold Coast, Paris Portal and the Taranaki Siltstone Ridge areas. The information obtained suggests that the gold-molybdenum mineralisation in the Paris area continues to expand to the south and down dip.

Extensive fluorine assays of predominantly skarn mineralisation were received during 2014. This data set was incorporated into the latest updated Mineral Resource model and has improved fluorine estimations going forward.

Drill samples were dispatched to the OTML Mill Chemistry Laboratory and ALS Chemex Townsville Laboratory. Visual inspection of drill core from a number of holes noted to have wide zones of endoskarn (39-58 m) and skarn (18-30 m) containing high Cu-bearing (+/-Au) sulphide mineralisation. The skarns and endoskarns identified in these holes occur outside the current Mineral Resource shell.

The EWCB will require approximately 1,500 m of further drilling, targeting the oxide skarns and Monzodiorite South in the form of infill drilling. Additional geotechnical drilling totalling 2,500 m is also planned to target the basal thrust and other significant features in the EWCB area.

Massive sulphide mineralisation in drill core from the Townsville Prospect

Drilling around the site of the current crusher area is also planned to confirm skarn mineralisation, explore resource extensions and further define the basal thrust plane. The current model estimates that 10.7 Mt of expected Mineral Resource at 0.93% Cu and 1.27 g/t Au representing 100,000 t Cu and 439,000 oz Au, in the form of skarn material is located under the crusher.

Mapping and sampling at Wellington (near Sulphide Creek) by a new near-mine geological team commenced in September 2014. The programme was aimed at defining targets in close proximity to the mine for further drilling in 2015. Significant outcrops of previously un-assayed skarn and sulphide-rich breccia were located in 2014. Mapping and sampling was also undertaken in the Marrakesh, London and Las Vegas areas located southeast of the pit.

In 2015, near mine exploration will be focused in the north at the Sulphide Creek area and in the south at Marrakesh. Excellent opportunities for near mine skarn and porphyry mineralisation exist in these areas. Field work in the last quarter of 2014 was focused on identifying locations for testing drill targets in early 2015.

GEOMETALLURGY

Technological developments in the fields of geometallurgy to find ways of optimising and improving metallurgical recoveries through effective blending strategies continued in 2014 under the leadership of Brisbane based JK Tech Consultants. This programme commenced in 2012 and was advanced in late 2013 with the aim of defining material types related to extraction processes by understanding in-situ ore variability and identifying and understanding the impacts of potential improvements, for example with mill feed hardness predictions. Various improvement scenarios were considered with regards to the SAG mill, flotation performance, relocation of the crusher and the potential addition of a TSF. After this work and the findings thereof analysed, the following recommended work programme steps were proposed:

- a Split Line Feasibility Study;
- a gold recovery geo-metallurgical programme; and
- a comminution geo-metallurgical programme.

NEAR MINE EXPLORATION – TOWNSVILLE PROSPECT

The Townsville copper-gold Prospect is located four kilometres north of the Ok Tedi Mine area and was discovered in the late 1980s as part of a regional exploration stream sediment and pan-concentrate programme. The objectives set aside for 2014 at the Townsville Prospect were to:

- better define the extent of the mineralisation and structural controls on the skarn breccia;
- link the geological mapping to the drilling to create a 3D geological model;
- map out identifiable skarn zonation patterns; and
- generate new targets for further drill testing in 2015.

The Townsville Prospect has been the focus of exploration drilling over the last 18 months and as a result, 2014 has been the most significant in the history of this deposit. New geological models have been developed as a result of the discovery of deeper primary copper, gold and silver skarn mineralisation through the recent drilling programmes. The mineralisation was first intersected in late 2013 by drill hole DDHTVL081 (see 2013 Ok Tedi Annual Review).

A description of the diamond drilling and results obtained in 2014 for DDHTV081 through to DDHTVL092 are summarised below:

DRILL HOLE NO.	HOLE INFORMATION	INTERPRETATION OF MINERALISATION AND INTERCEPT DETAILS
DDHTVL081	Although drilled in December 2013, the assay results were received in January 2014.	Positive results from both the near-surface gold-bearing breccia (from 68 m downhole) and deeper copper-gold-silver skarn (from 184 m downhole).
DDHTVL083	In-fill hole drilled in January 2014.	Low grade, down-hole intersection of 103.5 m with 0.82 g/t Au and 0.23% Cu from hydrothermally brecciated and altered siltstones.
DDHTVL085	Sited at the southeast margin of Zone 1.	Encountered minor amounts of mineralisation and effectively closing off the boundary of the known resource down to 200 m depth at this location.
DDHTVL086	Confirming the along-strike extension of the high-grade Zone 3 Titan copper-gold skarn intersected by TVLDDH081.	Drilled through the skarn approximately 30 m along strike from TVLDDH081 with similar grades and a wide intersection of calcareous-silicate skarn encountered from 176 to 283 m.
DDHTVL087	Drilled from same site as DDHTVL086 to test up-dip and along the expected strike for continuity of the skarn to the north west.	Successfully intersected skarn mineralisation after passing through highly faulted ground at 246 m and therefore, adding a potential strike length of 100 m to the existing skarn zone, thereby confirming the importance of the existence of a strong structural control.
DDHTVL088	Attempted to target the mineralised structure further along strike towards mineralised Zone 1.	Unfortunately, adverse ground conditions were encountered and the hole was abandoned at 230 m without intersecting any skarn mineralisation. The hole did intersect similar alteration and ground conditions encountered in TVLDDH087 where it intersected the Titan skarn mineralisation and therefore the hole was re-drilled.
DDHTVL088a	A “step-out” hole drilled 120 m along strike from original drill hole DDHTVL081.	Drilled through the Titan Skarn breccia in July. Results demonstrate the continuity of the mineralised skarn breccia over a 120 m strike length which is a very encouraging for the project.
DDHTVL089	Designed to assess the dip and potential thickness of the mineralised skarn breccia.	Intersected significant skarn mineralisation as planned. Intercept suggests that skarn geometry is sub vertical to steeply dipping.
DDHTVL091	Drill testing of the Titan skarn breccia.	Hole abandoned in December 2014 due to high water flow at 328 m. The hole intersected over 100 m of quartz-carbonate-pyrite breccia from 20 m down the recovered core is anticipated to return good gold grades.
DDHTVL092	Drill testing of the Titan skarn breccia.	Current drilling and is anticipated to intersect copper-gold skarn breccia at approximately 300 m.

A section of drill core from DDHTVL089 is shown on the photo beside.

Massive Skarn Mineralisation. Magnetite, Chalcopyrite, gold, silver and pyrite.
225.4 m to 227.5 m (2.1 m) @ 6.27% Cu and 3.67g/t Au.

DRILL HOLE NUMBER	DEPTHS (m)	DOWN HOLE INTERVAL (m)	COPPER (%)	GOLD (g/t)	SILVER (g/t)
DDHTVL084	From 63.0	128.90	0.28	1.83	7.01
	Including from 64.0	38.50	0.28	4.51	6.09
	From 202.4	29.20	0.85	0.70	14.48
DDHTVL086	From 78.2	35.15	0.12	10.66	6.11
	Including from 84.4	26.80	0.17	14.67	8.15
	From 172.1	30.20	0.81	0.87	9.96
	Including from 195.6	6.70	2.68	1.97	28.10
	From 211.3	64.05	2.62	1.67	29.29
	Including from 211.3	28.95	3.86	2.30	37.40
	Including from 251.3	5.00	2.77	2.55	32.82
	Including from 260.3	11.00	3.16	2.14	46.52
DDHTVL087	From 105.7	72.40	0.17	1.28	4.49
	Including from 126.5	9.00	0.30	1.57	16.66
	From 270.0	41.60	2.40	1.64	28.41
	Including from 270.0	10.00	4.09	2.71	50.27
	Including from 285.0	13.00	2.09	1.75	23.77
	Including from 300.0	11.60	2.37	1.33	27.06
DDHTVL088A	From 13.0	17.00	0.07	2.72	1.45
	From 296.0	46.00	1.66	1.08	14.38
	Including from 296.0	2.00	5.61	3.34	30.52
	Including from 301.0	18.00	2.86	1.69	25.52
	Including from 321.0	5.00	1.67	0.98	10.00
DDHTVL089	From 201.1	83.40	1.67	1.18	19.71
	Including from 216.5	34.50	3.47	2.42	39.89

Highlighted in dark grey are significant intercepts with extensive zones of mineralisation encountered.

Follow-up holes (DDHTVL084, 86, 87, 88a and 89) drilled after the completion of DDHTVL081 in early 2014 intersected the same skarn mineralisation and have therefore confirmed continuity in the mineralisation over a 150 m strike length. The edges of the mineralised zone were not established, suggesting significant upside potential for a larger deposit. Extending the footprint of the zone can be realised through additional drilling. The table lists selective intercepts from all five holes providing an indication of the potential of the deposit.

Mt Fubilan pit wall showing oxidation of mineral deposits

GEOLOGY CONTINUED

Interestingly, almost 30% (29.8%) of the metres drilled and assayed in 2014 at the Townsville Prospect would be considered "ore grade" intercepts based on the current in pit ore determination parameters. The sulphur grade at Townsville Prospect is relatively low with an average for the 2014 drilling of 1.27%.

These findings represent a major breakthrough in the understanding of the formation of the Townsville Prospect as a zoned hydrothermal system, where a relatively shallow gold-rich breccia overlies a copper-gold-silver skarn breccia. Exploration activities in 2014 have demonstrated the continuity of the mineralised skarn breccia with a strike length extending for over 150 m with favourable copper grades. The significance is that copper-gold skarns are commonly formed close to the contacts of intrusive rocks that host major porphyry-style copper-gold mineralisation. This raises a strong possibility that the mineralisation at Townsville Prospect could occur as deeper porphyry-style mineralisation within a separate intrusion to that at Mt Fubilan. The currently known copper-gold mineralisation at Townsville Prospect extends laterally for approximately 500 m and vertically for at least 600 m.

This recent drilling success at Townsville Prospect has for the first time realised the positive economic potential for copper-gold mineralisation outside of the primary Ok Tedi deposit. An accelerated drilling programme has been planned to further evaluate the copper potential in 2015 and 2016, following the renewal of the Exploration Lease. Field mapping of key structures and alteration is underway to better define the controls on mineralisation and there is optimism that new targets will be generated from further drilling in 2015 to 2016.

One other major development that took place in 2014 was the commencement of construction of a new access road to the Townsville Prospect area. The road is anticipated to be completed by the second quarter of 2015 and will provide much easier access for the planned additional drill rigs and provide additional emergency access for employees.

A large increase in exploration activity is expected at Townsville Prospect in 2015, taking the form of advanced exploration techniques where all data and information will be combined together into Project Concept Studies as follows:

- **Exploration** - Increased drilling and surface mapping and sampling;
- **Geology** - Development of a Mineral Resource model;
- **Environment** - Baseline flora and fauna studies and surveys;
- **Geochemistry** – Mineralogical studies and waste rock characterisation;
- **Geotechnical** – Rock stability risk mapping and rock mass characterisation;
- **Hydrogeology** - Groundwater mapping and sampling;
- **Mine Engineering** - Preliminary mine optimisation studies and pit shell designs;
- **Metallurgy** - Ore metallurgical behaviour and leach amenability;
- **Process Analysis** - Conceptual processing flow sheet design and engineering; and
- **Community** - Continuous engagement with local community.

The Townsville EL renewal application was lodged with the MRA and a well-received presentation was delivered to the MRA on recent exploration activities. The application was accepted along with a request for an EL reduction waiver.

Focus on the Townsville Prospect in 2015 will be continuously driven towards defining the quantity and confidence in the mineralisation with the aim to publish a maiden Mineral Resource estimate in the first quarter of 2016. In addition, assuming continued exploration success, metallurgical, mine planning studies and the commencement of environmental studies, with the aim to accelerate permitting, will also be undertaken as part of a concept study due for delivery in early 2016.

REGIONAL EXPLORATION

"The best place to find a mine is near a mine". This is a key factor behind the Company's exploration strategy, as it is well known that porphyry and skarn deposits tend to occur as clusters around world-class mines.

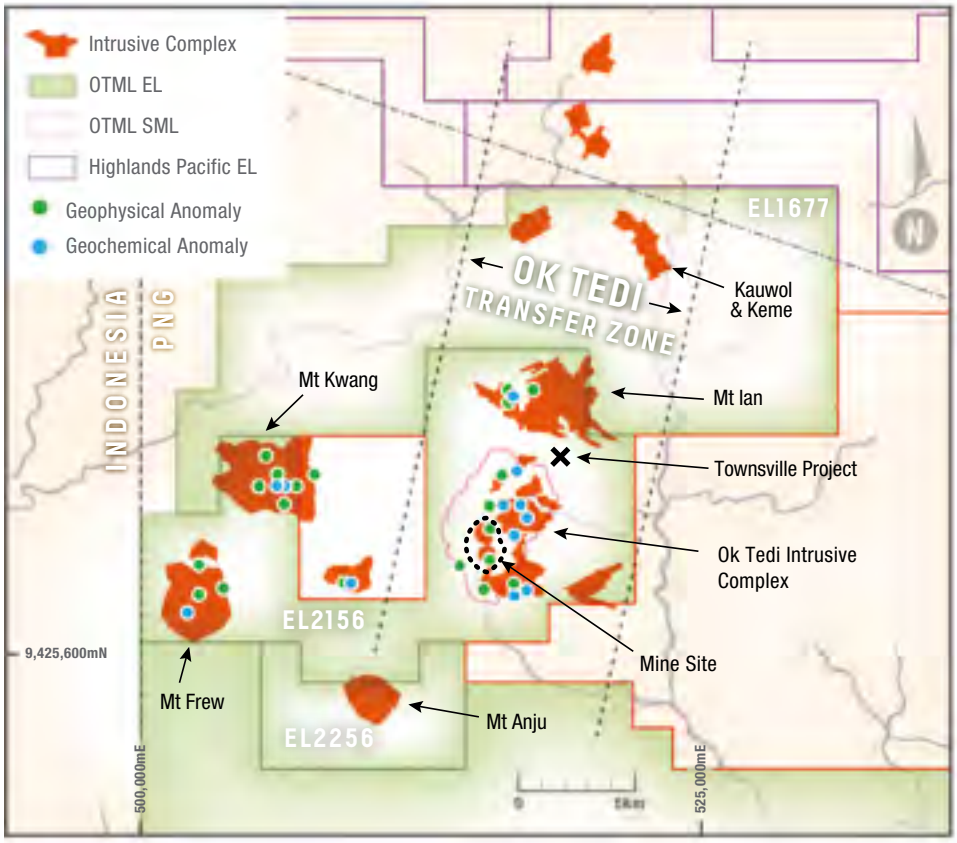
Historical geophysical data was re-interpreted by consultants resulting in the generation of numerous new targets. Information gained from the drilling undertaken at Townsville Prospect agrees with this new interpretation and highlights the potential for further skarn mineralisation.

GEOLOGY CONTINUED

KAUWOL PROSPECT

Field work was carried out at the T5 target at the Kauwol Prospect, located 10 km north of the mine. Rock chip, float and stream sediment samples taken and their corresponding assay results are pending. A comprehensive data review was completed for the Kauwol EL with drill testing of regional targets commenced in late 2014 prior to the renewal process early in 2015. The drilling is largely aimed at determining the age of the various intrusions along with whole rock geochemistry to better define and constrain potential mineralised bodies with respect to the Ok Tedi, Mt Ian (Townsville) and Star Mountain's intrusive centres.

REGIONAL EXPLORATION PROSPECTS



REGIONAL EXPLORATION PROJECT PIPELINE FOR 2015 AND BEYOND

CONCEPTUAL TARGET GENERATION DATA COMPILATION REVIEW	FIELD WORK	TARGET EXPLORATION DRILLING
OK TEDI 2009 MAGNETIC SURVEY RE-INTERPRETATION	MT. ANJU EL 2256	MARRAKESH
NEAR-MINE GIS AND TARGET GENERATION	MT. DORONGO EL 2289	WELLINGTON
DESKTOP REVIEW	MT. MIANMIN EL 2276	SULPHIDE CREEK
SATELLITE MICRO GRAVITY	TOWNSVILLE REGIONAL EL 2156	MT ANJU
RADIOMETRIC AGE DATING	KAUWAL EL 1677	MT KWANG
GEOLOGY REGIONAL MODEL DEVELOPMENT		DARIEN
		TOWNSVILLE SOUTH
		MT GILOR
		OK TEDI DEEPS

Isaac Yopa operating the diamond drilling rig at Townsville Prospect

MT ANJU

Field work was undertaken around the flanks of Mt Anju, 10 km southwest of the mine. The work completed included additional sampling for geochemical test work and mapping of previously identified geochemical anomalies, thereby improving the ground definition of the Mt Anju intrusive contact.

MIANMIN AND DORONGO

A desktop study into data compilation was undertaken on EL2276 (Mianmin) and EL2289 (Dorongo), culminating with work programmes developed for each area. Multiple trips to the Mianmin EL were conducted during the third quarter of 2014. These visits consisted mostly of community talks and preparatory logistics. Initial areas of geologic interest have been defined and deployment of field crews occurred in late 2014. A base camp has been established at the Mianmin village and a number of local labourers have been recruited through a local labour hire company to provide field support.

FUTURE

The current objectives for the discovery and development of future targets in 2015 and 2016 are to apply the geological lessons learned and the successes obtained from the Townsville Prospect. Exploration activities are expected to focus on the anomalies located west of the current operations, Mt Kwang and Mt Frew, through follow-up and drilling.

OTML is also focussing on the development of its new regional assets. The Ok Tedi regional exploration portfolio is expanding and developing year by year. The following targets and deposits in terms of the development stage and distance from the Ok Tedi Mine is shown below.

ADVANCED EXPLORATION	RESOURCE DEVELOPMENT DRILLING	PROJECT DEVELOPMENT
PROJECT DEVELOPMENT CRITERIA ASSESSMENT **2015/2016**	TOWNSVILLE PROJECT **2016** WELLINGTON PROJECT **2017**	TOWNSVILLE PROJECT **2017/2018**
TOWNSVILLE 2015	**OUTPUT:** MINERAL RESOURCE ESTIMATE	**OUTPUT:** PFS + ORE RESERVES
WELLINGTON 2016		
MARRAKESH 2016		
MT GILOR 2017		
OK TEDI DEEPS 2017		

FUTURE IMPROVEMENT

OTML MANAGEMENT IS COMMITTED TO IDENTIFYING BUSINESS AND PRODUCTIVITY IMPROVEMENTS ACROSS THE COMPANY. DURING 2014, THE PROGRAMMES FOCUSED ON OPTIMISING THE MINING AND PROCESSING PLANT AND MEETING PRODUCTION TARGETS, ESPECIALLY THROUGH THE MINING OWNER OPERATOR TRANSITION PERIOD.

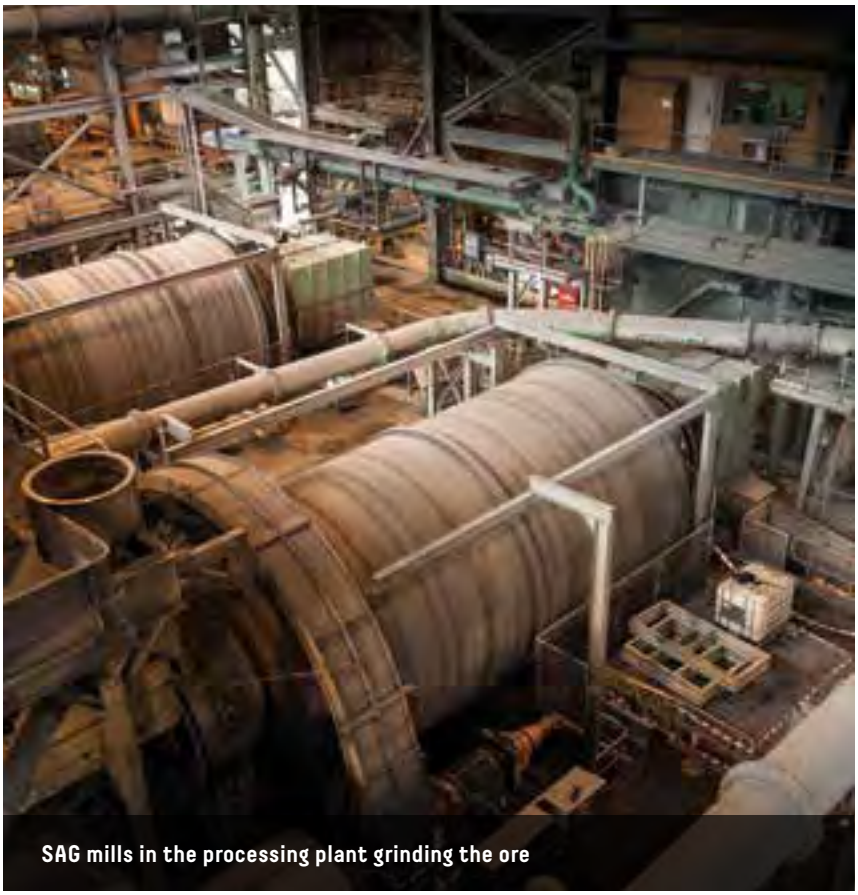
DURING 2014 A NUMBER OF OPPORTUNITIES TO IMPROVE THE BUSINESS OR EXTEND THE MINE LIFE COMMENCED OR MOVED INTO THE PFS PHASE. THIS INVOLVED A NUMBER OF STUDIES.

MT FUBILAN EAST WALL ORE

Preliminary work in 2013 identified additional mineralisation dipping down and into the eastern side of the existing Mt Fubilan pit. It was recommended that a drilling programme be completed on an East Wall Cut Back (EWCB) to evaluate the deposit. An extensive in-fill drilling programme is currently underway and is expected to be completed by the end of the third quarter 2015, including a geotechnical investigation and a PFS on the additional Mineral Resource estimate. The initial results from the EWCB has proposed an approximate resource of 11 Mt at 0.9% Cu and 1.3 g/t Au. The study has identified that the EWCB could be fast tracked and brought into the mine plan earlier, therefore resulting in possible delivery of higher grade ore faster than the existing western wall cutback schedules. However, this project will require relocation of the in-pit crusher and maintenance workshops. Further Feasibility Studies and economic reviews will be completed in 2015.

PROCESSING PLANT AND GRINDING REVIEW

A major review of the processing plant commenced in 2014. Following the cracking of the SAG mill shell, maintaining name plate production with ageing equipment has been a challenge for the Company. The review will investigate the entire crushing and grinding circuit with the aim of reducing bottle necks when processing abrasive ore through the SAG mill. In addition, the review will investigate upgrading equipment to use the latest technology and variable speed drives to improve power utilisation. Further opportunities include investigations into increasing throughput in the flotation circuit used to recover copper and gold if a TSF is constructed to manage direct pyrite tailings. Upgrades to automated process control systems in the mill are also being investigated to stabilise the operating environment. The current improvement plan has 15 separate projects that will be assessed and optimised for a PFS commencing during 2015.



SAG mills in the processing plant grinding the ore

Open pit wall cutback

ALTERNATIVE POWER SUPPLY

OTML is the largest power user in the Western Province, producing its own power from both hydroelectricity and thermal generation. Thermal power is significantly more expensive to generate due to high costs of purchasing and transporting diesel fuel. The current operating philosophy is to maximise hydroelectric power and supplement that with thermal power on an as needed basis. Studies continued in 2014 to investigate upgrades to the Ok Menga hydroelectric facility. These power options include increasing the hydro utilisation by modifying the existing weir to increase flow into the intake and / or constructing a low height upstream weir to provide a more consistent water supply in low rainfall periods.

In the Western Province a number of third party gas explorers have identified economic gas resources in the Kiunga / Bige basin. One option is for a third party to build a gas fired power station that can be the major electricity supplier for Western Province, with the Company being a major base load customer. OTML has commenced early discussions with the gas development companies. These projects will take significant planning and approvals over the next few years.

TAILINGS STORAGE FACILITY

A PFS was completed on the TSF options in 2014. The studies indicated that the preferred location is the Ok Ningi site, where a 120 Mt starter facility could be constructed. Construction of a TSF will enable future expansion of the mine and processing facilities and therefore, the plant would not be constrained by tailings and reduced sediment discharge into the riverine system. All tailings produced could then be stored in the TSF. There is also an opportunity to direct all or a portion of the pyrite tailings stream into the TSF, where it can be placed under a wet cover, thereby reducing potential oxidation. Further Feasibility Studies and economic modelling will be undertaken in 2015.

PROCESS PLANT AND POWER SUPPLY INFRASTRUCTURE UPGRADES

As part of the Mine Life Continuation programme, OTML has progressed a number of projects to rehabilitate and upgrade the existing process plant and power supply infrastructure to improve safety and reliability for the next decade and beyond. The upgrade projects include:

- the fabrication and installation of new main inlet valves and transformers at the Ok Menga hydroelectric power station;
- the installation of a new switch room, transformers and turbine at the Tabubil power station;
- the fabrication and installation of a new SAG mill shell at the process plant; and
- the installation of a new switch room and transformers for the processing plant's high voltage electrical distribution system.

These key infrastructure upgrade works are scheduled to be completed and commissioned in the first half of 2016.

PEOPLE

OTML IS THE SINGLE LARGEST EMPLOYER IN THE WESTERN PROVINCE FOR THE PAST 33 YEARS OF OPERATION. THE COMPANY'S PREFERENCE IS TO EMPLOY PEOPLE FROM THE "PREFERRED AREA" WHICH ENCOMPASSES FIVE SUB-DISTRICTS IN THE WESTERN PROVINCE AND TWO SUB-DISTRICTS IN SOUTHERN SANDAUN PROVINCE (FIGURE 1).

During early 2014, significant changes in the staffing complement occurred through a company restructuring strategy initiated in 2013. Following the implementation of this change, the Company released, through a voluntary redundancy process, over 745 employees. Another significant change was the move from contract mining and maintenance to "owner operator" mining. These changes have enabled OTML to focus on delivery of the Mine Life Continuation plan and set the Company up for profitable production throughout the mine's life. The changes had a short- term impact across the operation as all employees were signed onto new employment packages, benefits, roster systems, point of hire and the opening of new modern accommodation facilities for fly-in fly-out (FIFO) staff. Overall, the Company believes that this change was well managed and resulted in minimal disruption to the work force.

The work force has adapted to the new repeatable work roster systems. One of the benefits of regular rosters is that supervisors can improve planning and resource allocation for daily shifts and thereby ensure that manpower skills and experience remains within the team. Providing appropriate skills through training has been a strength within OTML. During the planning stage of the Mine Life Continuity project, developing the right skills for the job was identified as a key factor to secure the achievement of high levels of productivity. Staff training by OTML has been reviewed and is focused on supplying the right skills to each employee so they can complete their shift both safely and productively.

EMPLOYMENT AND LABOUR RELATIONS

In 2014, OTML employed 2,245 employees including 274 trainees and approximately 4,000 contractors, representing a total decrease of 1,212 persons from 2013. Currently, 94% of all staff employees are PNG nationals and of these, 32.9% are from the Western Province. Women make up 10.8% of the workforce. Recently, these staffing proportions have remained relatively constant through the organisational restructure, compared to previous years and there are no seasonal variations in employment numbers. All OTML employees in all areas of the operation are paid in excess of any minimum wage requirement in PNG. This applies to all employment categories including operators, supervisors, apprentices and graduates. Both women and male employees are remunerated with the same pay grades for similar positions. All employees have annual performance reviews with their supervisor as well as a career review and a salary and bonus review.

The Company also completed a major review of 96 job competency matrices as the basis for career development. In 2014, 282 employees were assessed against the competency matrices for pay and career progression.

Image: Janet Damilia apprentice maintenance fitter working on a motor rebuild

PEOPLE CONTINUED

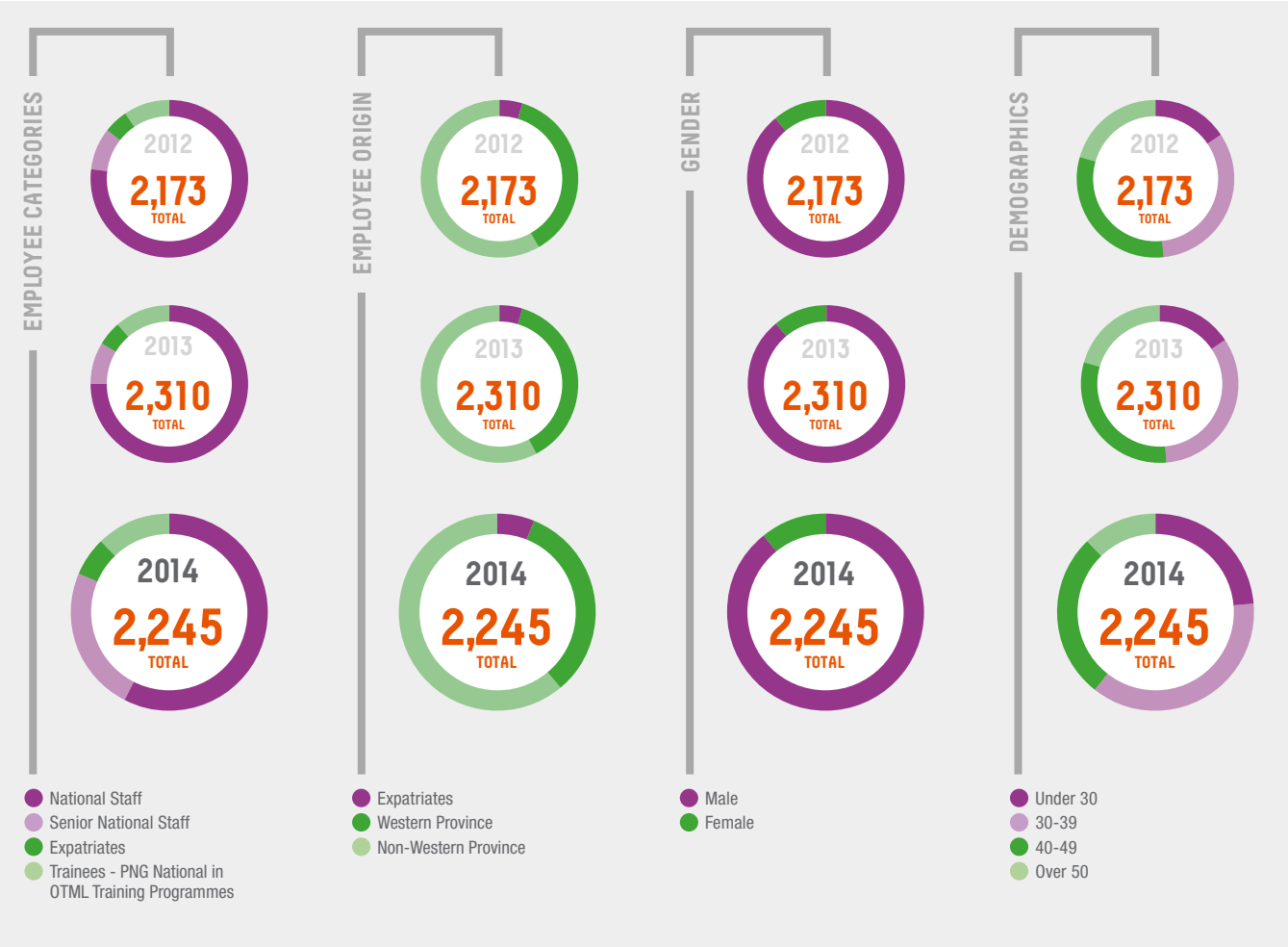
OTML supports the following International Labour Organisation Conventions as ratified in PNG:

- 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).

OTML permanent employees are engaged on a personal letter of engagement (an on-going contract) or on a fixed-term, three year contract. Terms and conditions are identical for each respective category of employee. During early 2014, all employees transitioned onto a new employment agreement that updated benefits, rosters and work conditions. No employees are currently engaged under a collective bargain or industrial award. All non-contract OTML employees are free to form Union collective agreements. OTML did not attend any formal meetings with Unions or representatives during 2014.

In 2014, there were two labour related issues raised between employees and management. These were all addressed internally and successfully resolved without recourse to other agencies and did not result in any work stoppages. Through the 2014 reporting period, Company Senior Workplace Relations Advisors attended to the usual day-to-day issues and were on-site addressing concerns and questions raised by employees. The Company organised and conducted regular information and communication sessions on items of general interest, including safety, operational performance and changes to terms and conditions of employment. No strikes or lock-outs occurred during the year that may have caused work stoppages. The employee breakdown by category and location as at the end of December 2014 is as follows:

BREAKDOWN OF EMPLOYEE NUMBERS



TRAINING AND DEVELOPMENT

OTML has implemented a comprehensive training and development programme across all levels of the Company. The focus following the Company restructuring has been on providing the necessary skills for each employee so they can be a productive team member. This up-skilling has included both internal training programmes and external programmes and this has been particularly important in the mining department where employees have been recruited to be heavy equipment operators and maintenance fitters. As part of the training resources, OTML has invested in a mining computer simulator. The simulator provides a safe formal learning environment where operators can improve their skills in Caterpillar truck and shovel operations, before actually driving a machine in the operating environment.

With this restructure, OTML has filled a number of manager positions with experienced Papua New Guineans. As part of their training, OTML has enrolled five key managers into the inaugural Mining Leader's Programme at the University of Queensland and JKTech. This unique training programme enables participants to optimise their performance across the 'life of mine', by combining the technical, business and leadership capabilities required to become a high performing senior manager. The programme is run over seven months and includes two blocks of two months each, through online learning and two five day intensive workshop sessions at either institution. The programme commenced in 2014 and will conclude in 2015.

JKTech are also developing a customised OTML Mining Leader's Programme for 2015 which will be delivered onsite to a number of managers.

Anza Kayukal undertaking haul truck driver trainer in the Simulator

CASE STUDY

MINE SIMULATOR TRAINING

Ok Tedi is proud to have Immersive Technologies PRO3-B Immersive simulators which have been specifically designed for Ok Tedi Mine. The simulators deliver cutting edge technologies which dramatically increase realism to a level not previously seen by the mining industry. This technology is an ideal training tool for OTML's mining employees to improve their skills.

Currently there are two Immersive simulators and one Caterpillar simulator. The Immersive simulators provide the capability to train on the following equipment:

- Caterpillar 789C Haul Truck;
- Caterpillar 793F Haul Truck;
- Caterpillar 6030 Hydraulic Excavator; and
- Caterpillar 6050 Front Shovel.

The Caterpillar simulator provides training on the Caterpillar 16M Motor Grader.

Built to withstand the extremes of global mining environments, these simulators have been designed with a rating to cope with extreme dust and are waterproof. Temperature and airflow controls and reduced operating noise ensure optimal trainee and trainer comfort during training sessions.

OTML's training simulators have been specifically incorporated into the training package processes and since commencement, have trained more than 70 trainee operators. The training simulators have demonstrated that they are a valuable asset to the mining team.

PEOPLE CONTINUED

SCHOLARSHIPS AND GRADUATE PROGRAMMES

OTML continues to provide funding for scholarships and school fee assistance as part of its social responsibility programme. Education is the key pathway for people to improve their self-worth and therefore provide long term benefits for themselves and future families. OTML continued to fund the graduate programme with an aim to offer students work opportunities within OTML upon graduation. OTML has continued to sponsor apprenticeships and since 1982, when the programme commenced, 1,104 apprentices have received certificates.

Expenditure of PGK 33.3 million in education and training of apprentices, trade trainees and school/university scholarships increased by 10% in 2014 compared to 2013. The breakdown of the number of trainees over the past three years is shown below and includes support for student and graduate salaries, school fee assistance, training course fees, travel, scholarships and other financial assistance.

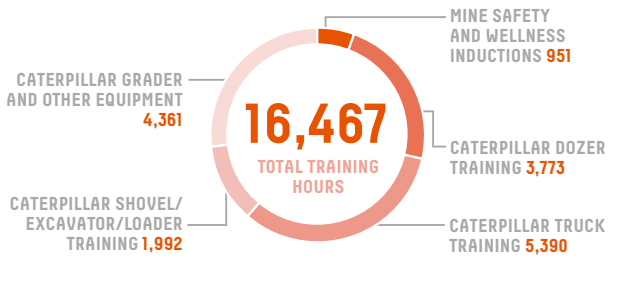
Maintenance apprentices undertaking hands-on training

TRAINEE NUMBERS	2012	2013	2014
Apprentice intake	36	59	39
Graduate intake	27	46	35
Employees undertaking overseas courses	57	30	28
Preferred area sponsorships	80	42	7
Fly River University and CODE	52	154	188
University sponsorships	36	15	131
Scholarships and school fee assistance	299	363	350
Total training costs including salaries (PGK million)	**27.0**	**30.4**	**33.3**

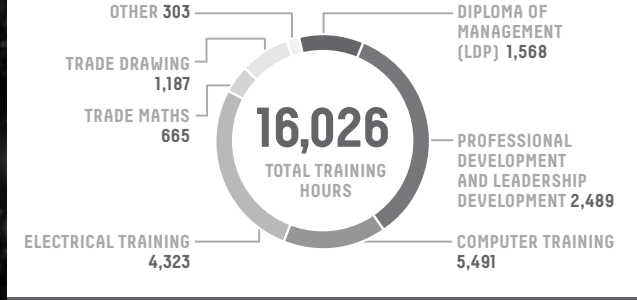
TRAINING AND DEVELOPMENT COURSES

The OTML Training Department conducted a comprehensive suite of training and development courses during 2014. The focus was on skills enhancement thereby enabling employees to progress their career. The tables overleaf show the training categories and total training hours completed in 2014.

TRAINING CATEGORIES AND TOTAL TRAINING HOURS COMPLETED IN 2014

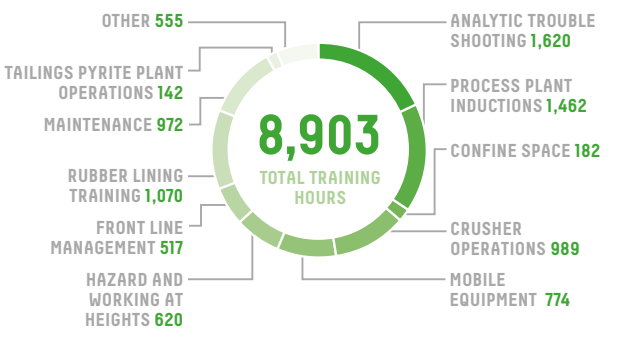


MINE OPERATIONS TRAINING AREAS

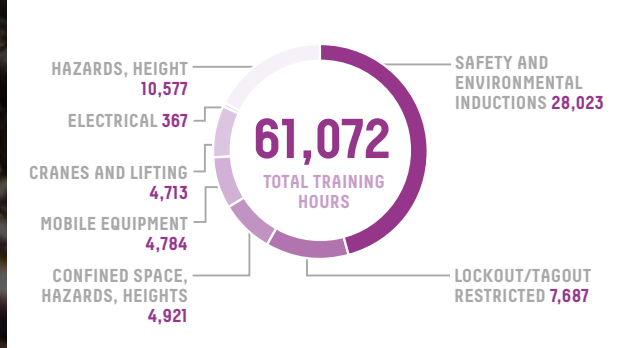


HR LEARNING & DEVELOPMENT TRAINING

PROCESS/ MILL OPERATION TRAINING



OCCUPATIONAL HEALTH & SAFETY STATUTORY TRAINING



OCCUPATIONAL HEALTH, SAFETY AND WELLNESS

OTML MANAGEMENT ARE COMMITTED TO ACHIEVING THE HIGHEST PERFORMANCE IN SAFETY MANAGEMENT. THIS COMMITMENT CONTINUES TO UNDERPIN THE "ZERO HARM" PHILOSOPHY WHERE AN INCIDENT AND INJURY FREE WORKPLACE IS ACHIEVABLE.

Occupational Health and Safety (OH&S) is a core requirement of OTML which aims to create and maintain an organisational culture that seeks to improve work practices which can sustain a safe and healthy working environment throughout its businesses. The requirements are set-out in the Health and Safety Policy and the Code of Corporate Conduct and Business Ethics and reviewed regularly by OTML management and the Board's Safety and Technical Advisory Committee. It is a requirement of each employee and contractor they follow the Occupational Health and Safety Policy, standards and procedures and participate in OH&S programmes.

During 2014, there was a major employee change as a new FIFO roster system was introduced and teams were restructured with many employees allocated to work with new supervisors. Even with these changes, OTML reported an overall improvement in OH&S performance in terms of the Total Recordable Injury Frequency Rate (TRIFR), Lost Time Injury Frequency Rate (LTIFR) and Significant Incident Frequency Rate (SIFR).

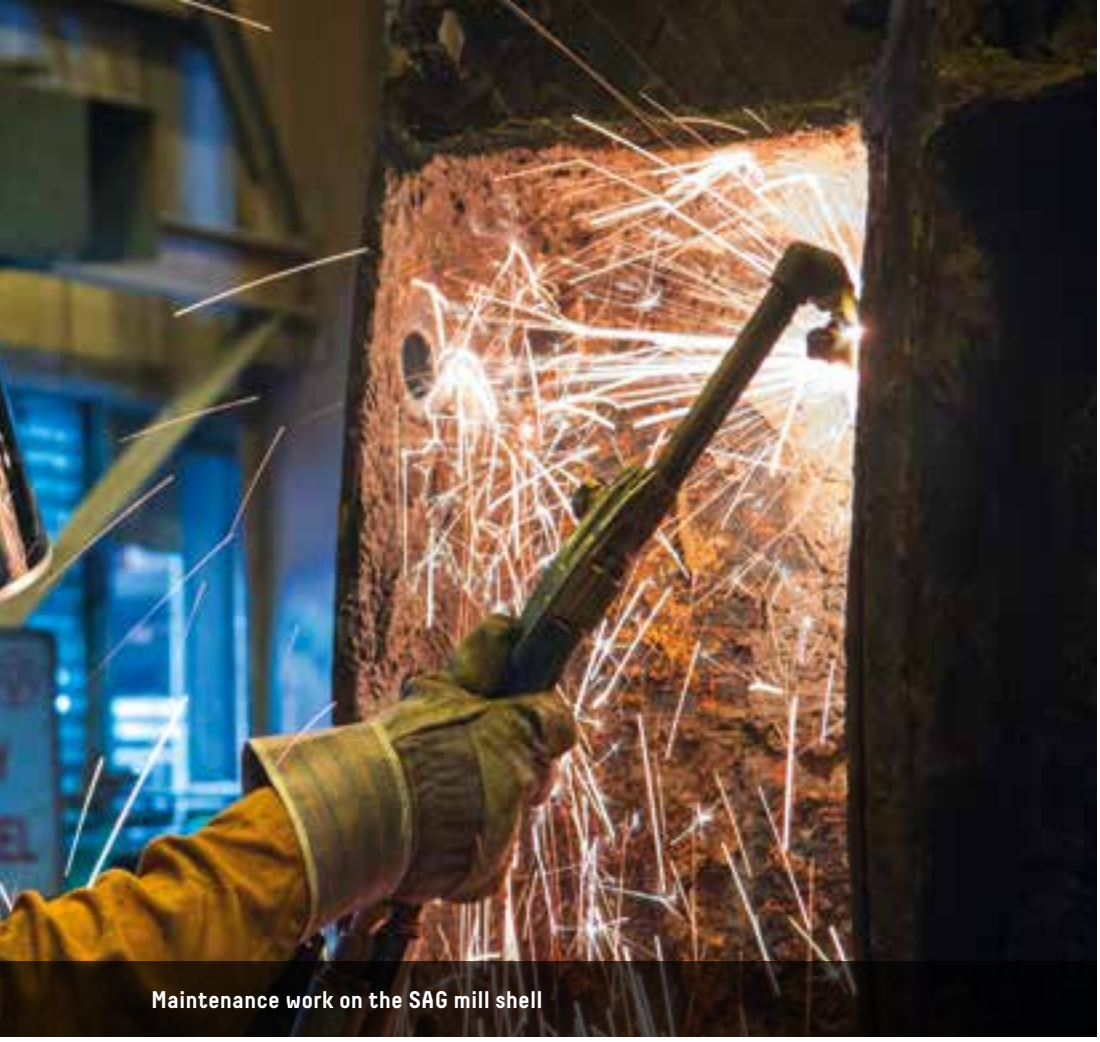
In order to achieve an improved safety culture, safety awareness has to be embedded into everyday business activities and employees and contractors are expected to demonstrate personal accountability for their health and safety.

SAFETY PERFORMANCE

The safety performance in 2014 was very good with the best results recorded in the past three years and a significant reduction in LTIFR compared to 2013.

Unfortunately there was a single fatality when a male mine worker was involved in a vehicle incident, causing a grader to run out of control tipping to one side before righting itself on the Open Pit haul road during the early hours of the morning. This incident is under investigation by OTML and also the PNG Mines Inspectorate to determine the root cause of the incident. OTML will implement the recommendations from the investigations to prevent a similar incident occurring.

OTML reports against the Australian and PNG industry standard lag indicators of LTIFR, TRIFR and SIFR. There was a 50% improvement in LTIFR, a 28% improvement in TRIFR and a 3% improvement in SIFR. A total of 15.9 million man-hours (employee and contractors) were worked for the year.



Maintenance work on the SAG mill shell

OTML's safety database collects comprehensive information on all incidents including gender and injury statistics as per the OHSAS18001 Standard. Absentee rates are reported through the Human Resources database. The data is used by management to analyse trends and develop targeted programmes.

LAGGING TARGETS (OTML & CONTRACTORS)	2012	2013	2014
LTIFR (per year)	0.82	0.26	0.13
TRIFR (per year)	2.8	1.49	1.07
SIFR (per year)	3.47	1.94	1.89

Analysis of the safety incident reports showed that vehicle incidents are still a major area for improvement. More than half of the significant incidents encountered in 2014 were associated with vehicle incidents and mobile equipment damage. Vehicle related initiatives and programmes are ongoing and will be emphasised again to address this key area that includes awareness to local communities and villages, an introduction of defensive driver training for workers, reviews of driver training assessments and licence permits. In 2015 management will lead a review of serious vehicle incidents. Outcomes from the review will allow the Company to be in a better position to implement strategies to address this matter further.

The 2015 performance target for safety lag indicators is a 10% improvement on the 2014 target results.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS

In 2014, efforts to align the Ok Tedi Safety Management Plan (2014-15) (OTSMP) with OHSAS18001 continued. The OTSMP establishes clear consistent OH&S responsibilities and accountabilities as well as leading and lagging performance targets and indicators.

During 2014, the Company made progress with incorporating the OH&S components into the fully integrated management system using the SAP business software. The OTSMP has determined key initiatives including the following:

- the development of OTML Standards to best practice;
- full implementation of the visual leadership programme (iLEAD Programme);
- full implementation of the OH&S components of the SAP programme;
- the improvement of the internal audit programmes for 2015, including a systems review of critical risk areas;
- implementation of the general safety online induction programme; and
- further improvements to the mandatory medical assessments and health programmes for OTML employees.

Each year the management team review the findings of the OH&S audits and as part of the annual planning cycle, develop OH&S improvement programmes. These plans are compiled in the Safety, Health and Environmental Action Plan (SHEAP) and actions are allocated to departments and individuals for implementation. Progress against the SHEAP is formally reviewed during each quarter. In 2014, the target for SHEAP completion was greater than 80%, with an actual completion rate of 88% achieved.

Allen Patrick and Ivan Brian lathing a new part for the process plant

OCCUPATIONAL HEALTH, SAFETY AND WELLNESS CONTINUED

OCCUPATIONAL HEALTH AND SAFETY TRAINING

It is a requirement that all OTML employees and contractors follow the Health and Safety Policy, standards and procedures, attend daily safety talks and attend on-going training programmes.

OTML requires all employees, contractors and visitors to be appropriately inducted prior to entering any OTML controlled work area. The inductions are specific to each area of work and therefore provide information on area hazards, emergency contacts and Personal Protective Equipment (PPE) requirements.

Safety and health training is important to ensure that people have the necessary understanding of the hazards and risks associated with the work they undertake and also to implement the appropriate controls and procedures so that work can be completed correctly and safely.

In 2014, OH&S training totalled 61,072 man-hours, reflecting a slight decrease from 61,560 man-hours in 2013. Each major operating section has dedicated staff including an OH&S manager at the mine and processing departments.

Currently all safety personnel have completed their Certificate IV in OH&S Management and ten safety personnel completed the Diploma in Workplace Health and Safety Course in 2014. Eight fitness officers underwent Certificate Training III in Fitness Officer training and 24 employees attended Safety Representatives training. Wellness Officers were also assessed as swimming pool instructors.

A TapRoot® Lead Investigation Course was attended by 14 attendees. TapRoot® is the comprehensive safety incident analysis programme that enables lead investigators to determine what was, the underlying root cause of an incident, so appropriate plans can be developed to control a repeat incident.

Willie Anaisep, Heavy Equipment Fitter with Duston Emos a 2nd Year Apprentice inspecting a Volvo bus undercarriage

In 2015, OTML will continue to develop a business training needs analysis to drive improvement in OH&S training processes in statutory training and skills development. The OTML General Safety Induction will then be able to be conducted online and include online assessments.

A review of the Company risk and injury data identified that there were twelve areas of significant risk. A major awareness programme was rolled out to all employees and contractors. Monthly safety themes address a particular risk. Resource training, wall posters, task observations and audits were deployed throughout 2014 to ensure safe work procedures are being followed.

OCCUPATIONAL HEALTH AND SAFETY COMMUNICATIONS

Communication with all levels of the workforce, contractors and visitors is carried out through a number of mediums including a monthly safety theme, which is communicated at all work locations, toolbox and other meeting forums. OTML has implemented a layered approach to OH&S communications. This includes face-to-face formal meetings, informal coaching by peers and supervisors, noticeboards and the use of the Company radio network and television channels to broadcast OH&S messages, which convey the necessary information to as many people as possible. OH&S messages are also loaded onto each computer screen saver on the OTML network.

Formal communication through structured meetings provides employees and contractors the opportunity to provide feedback and participation in processes that impact their areas of work and/or areas of responsibility and these include:

- senior manager leadership health, safety, community relations and environment meetings;
- safety technical committee meetings;
- department OH&S meetings;
- occupation, health, safety and environment contractor meetings;
- tool box meetings;
- shift pre-start meetings;
- technical working groups; and
- risk assessment working and review meetings.

OCCUPATIONAL HEALTH PROGRAMME

During 2014, OTML continued to develop its internal occupational health monitoring programme.

A review of potential occupational aspects that could impact on the employees' health identified the following occupational hazards:

- dust and fibrous minerals;
- noise;
- lighting;
- vibration; and
- ergonomics.

Not all employees are exposed to all of these hazards and therefore work activities were assessed to identify which occupations are potentially at risk. A number of these hazards are seasonal, for example, dust during short periods when the Ok Tedi region is dry. Scheduled monitoring programmes continued to collect information across all work sites. In areas where the monitoring has indicated higher than recommended exposures, a review of engineering controls and PPE requirements were completed.

EMPLOYEE HEALTH AND WELLNESS PROGRAMME

The aim of the Employee Health and Wellness Programme (EHWP) is to assist employees to remain physically and medically fit for work and so they can enjoy quality time with their families. In 2014, the Company continued targeting lifestyle factors including those that contribute to heart complications like obesity, blood pressure and diabetes. Scheduled health assessments were introduced, commencing with employees in the higher risk exposure groups, in order to monitor changes in the individual's health and to allow the implementation of suitable interventions.

The Tabubil Health Assessment and Management facility was fully operational in 2014. This facility manages OTML employees' health and fitness programmes, whilst the Tabubil Hospital, under the management of Diwai Pharmaceutical Limited (DPhL), will continue to provide routine and emergency care to the greater Tabubil community.

FATIGUE MANAGEMENT

The management of fatigue in the workplace is an ongoing priority for OTML. A fatigue management programme commenced with site surveys and included awareness training, a fatigue identification and management tool kit for supervisors, assessment of fatigue across all areas of the operation and the impact of cultural issues. New rosters which significantly reduce fatigue in the workplace have been implemented and the building of new, modern, three storey, air-conditioned, single person accommodation.

OFF-THE-JOB HEALTH AND SAFETY

OTML is passionate about health and safety not stopping at work. Considerable awareness is undertaken to encourage employees and contractors to take home the same level of health and safety care they demonstrate at work.

One initiative is the "Schools One" programme conducted throughout the year. A group of representatives from Community Relations, Asset Protection, OH&S Departments and local Police, presented safety topics such as bicycle safety, general road safety, healthy diet, eye care and other topics to school children. The OTML healthy eating and wellness mascot "Moses Munch" is used to assist in spreading these messages to children.

OTML organised a safety week as part of the PNG Department of Mines initiative in Tabubil to showcase OH&S initiatives and work being undertaken by OTML and contractors towards safety improvements. During the week, a variety of activities were staged to focus on the importance of health, safety and wellness. The highlight of the week was an exhibition, which was open to all stakeholders, schools and the general community. The Safe Week exhibition had the largest attendance compared to previous years and received excellent reviews and comments from OTML stakeholders. OTML's catering contractor, Fubilan Catering Services, won the PNG Safe Week safety song competition. The competition is conducted across all mines in PNG and is judged by the Chief Inspector from the MRA Inspectorate.

OTML AND STATE MINING DEPARTMENTS

The OTML Occupational Health, Safety, Welfare and Training (OHSW&T) Department is active in partnering with the PNG Mines Inspectorate through the Apex Mining Safety Council, to develop mining specific guidelines for major hazards. OTML participated with other PNG mines to investigate ways to continually improve Health and Safety within PNG. OTML prepares regular OH&S reports for the MRA, including monthly, quarterly and the annual OH&S Year Books as requested by the PNG Chief Inspector of Mines.

SECURITY AND HUMAN RIGHTS

The OTML Asset Protection Department (APD) manages security including contractor security for OTML Assets. The content of the Human Rights training completed in 2014 fulfilled the requirements of the International Voluntary Principles on Security and Human Rights. A total of 17 hours of training on Human Rights was completed with 17.9% of APD staff attending the sessions. Security contractors also attended the training with 20.7% in attendance. In 2014, no human rights grievances were filed through the grievance process.

EMERGENCY RESPONSE

OTML has developed competent Emergency Response Teams (ERTs) under the direction of the APD. Due to the remote location of the Mine and limited public emergency response capability, OTML has to be able to mobilise its teams in the event of an emergency. Regular risk reviews are completed to identify the range of emergencies that could occur during exploration and mining activities, at the processing facilities at Kiunga and Bige and during logistic and transport activities. Due to the distances between operational bases, the Company has developed ERTs at each centre.

Training of ERTs is an ongoing commitment so that each team member can develop the skills required to rapidly deploy in the case of an emergency. Training is to Certificate IV competencies and is based on Australian course material with practical training sessions. Following each training session and emergency callout, debriefing sessions are conducted to identify what worked well and assist in identifying areas for improvement.

APD team reviewing the incidents on eSOLVE

CASE STUDY

ASSET PROTECTION DEPARTMENT (ADP) - eSOLVE®

In July 2014 the APD implemented an electronic investigation management project. The software, known as eSolve® allows security officers, investigators and management to accurately collect, organise, analyse and distribute actionable intelligence about security risks and threats. The use of this software permits real time reporting of all security observations and activities. The software also allows for the electronic recording of investigations into criminal matters and safety or policy violations, all of which are captured in real time.

Over the latter part of 2014, multiple sessions of eSolve® training were delivered to the APD. As a web based application, the software can be utilised by multiple employees with minimal effort. Training is focused on the input of quality data into the system, in conjunction with simultaneous, actual operational productivity. This permits rapid acceptance by users of the system and facilitates a seamless move into a more paperless environment. In addition, immediate value was added through easy retrieval of all incident responses and investigations. Patterns and trends are easy to identify when expressed visually in charts and graphs, representing security and crime statistics.

In only six months, APD have utilised eSolve® for the live reporting of over 14,000 security activities and the management and reporting of 350 investigations. The built-in document management feature has fully searchable text content from over 2,500 scanned documents. The intelligence management component of the system has recorded over 1,400 person profiles, 820 locations for geographical pattern analysis and 560 contact numbers. Within seconds any security incident or activity of any category can be located and highlighted.

The feedback from APD personnel was overwhelmingly positive and expectations were exceeded.

ENVIRONMENT

OTML UNDERTAKES A COMPREHENSIVE ENVIRONMENTAL MONITORING PROGRAMME AS GOVERNED BY THE OK TEDI AGREEMENT. IN 2014, PGK 181 MILLION (USD 71.7 MILLION) WAS SPENT ON ENVIRONMENTAL PROGRAMMES. ALL ENVIRONMENTAL MONITORING IN 2014 WAS IN COMPLIANCE WITH THE ENVIRONMENTAL REGIME CONDITIONS AND THERE WERE NO FINES OR IMPOSED PENALTIES.

Following the approval of the Mine Continuation Project in 2013, the Company was advised by the State that a new Ok Tedi Environmental Management Act would replace the current Environmental Regime in 2016. During 2014, the State and external reviewers have been drafting the Act including various conditions specific to Ok Tedi.

The Ok Tedi mining operations are centred on the Mt Fubilan deposit in the upper Fly River catchment in the remote Star Mountains, Western Province and are only 16 km east of the Indonesian border. The mine is located at an altitude of approximately 2,000 m, in an area of dense rainforest where the annual average rainfall is approximately 10,000 mm per annum. The high rainfall contributes to geotechnical hazards comprising of fractured and friable siltstone with limestone outcrops which erode easily, resulting in frequent localised landslips that erode into the riverine system. The mine discharges treated tailings and waste rock into the local environment. These materials are hydraulically mobilised down the river systems into the middle and lower reaches of the Fly River. At Bige, approximately 100 km downstream of the mine, sediment is dredged from the river to reduce riverbed aggradation. The sediment is placed in engineered stockpiles that are and will continue to be stabilised and rehabilitated.

The OTML Environmental team is responsible for monitoring impacts along the 900 km downstream riverine system from the mine to the Gulf of Papua. This includes maintaining a hydrological network of monitoring stations along the river system, regular field sampling campaigns, data analysis and reporting. The Environmental team work closely with the Community Relations team providing environmental information for stakeholder consultation.

Image: Ok Tedi Processing Plant

In 2014 the focus areas for the Environmental team were as follows:

- monitoring and assessing the effects of tailings and waste rock disposal on the downstream riverine receiving environment and the communities who depend upon natural resources throughout the Fly River system;
- mine mitigation programmes aimed at reducing sediment and chemical effects on the riverine system;
- rehabilitation trials on the riverine dredged stockpiles at Bige;
- waste management initiatives;
- development of the environmental management system, and
- working with the PNG Department of Environment and Conservation and their external reviewers to develop the technical schedule for the proposed Ok Tedi Environmental Management Act, that is expected to be released in 2016.

COMPLIANCE MONITORING

The Ok Tedi Mine, through the Ok Tedi Agreement, is governed by the Ok Tedi Mining Act, 1976, (as amended and supplemented). The schedule to this Act is the Principal Agreement that is amended from time to time and to date, has been amended eleven times previously. The Ninth Supplement Agreement, which was passed through the PNG Parliament in 2001, has adopted the Environmental Regime which contains OTML's environmental management and reporting obligations set against six environmental values. The Environmental Regime requires that OTML undertake specific annual monitoring activities and submit an annual Environmental Report for the State.

OTML prepared the annual Environmental Report (July 2013 – June 2014) and submitted a copy to the State in September 2014. The findings were that the mine was in compliance with all the Environmental Regime conditions with no fines or non-monetary sanctions imposed. This criteria assessment is summarised overleaf and is compared to the previous two years of monitoring.

MINE COMPLIANCE WITH ENVIRONMENTAL REGIME CONDITIONS

WATER IN MAIN CHANNEL SATISFIES DRINKING WATER STANDARDS

The water in the main channel and the floodplain satisfies drinking water standards if allowed to settle.

COMPLIANT

FISH FLESH METAL CONCENTRATIONS ARE BELOW AUSTRALIAN AND NEW ZEALAND FOOD AUTHORITY (ANZFA) FOOD STANDARD GUIDELINES

Levels of the contaminant metals (Cd, Cu, Pb and Zn) in Fly River fish were comparable to levels in similar food within relevant International (Australian and U.S.) and regional (Porgera, Strickland and Fly) market basket and dietary studies. Dietary intake of these metals were within the range of the values established by the World Health Organisation (WHO).

COMPLIANT

TERRESTRIAL FOOD RESOURCES ARE BELOW ANZFA FOOD STANDARDS GUIDELINES

Levels of the contaminant metals (Cd, Cu, Pb and Zn) in terrestrial food were comparable to International (Australian and U.S.) and regional (Porgera, Strickland and Fly) market basket and dietary studies. Intake of these metals is low compared to the WHO thresholds.

COMPLIANT

FLY RIVER NAVIGABILITY

River levels in 2014 were slightly lower than average due to lower than average rainfall in parts of the Fly River catchment. The number of non-shipping days at Kiunga was 75 in 2014 compared with 47 in 2013.

COMPLIANT

DISSOLVED AND BIOAVAILABLE COPPER CONCENTRATIONS IN THE RIVER WATER

A decrease in dissolved copper (dCu) and bioavailable copper concentrations has been observed over the last decade. These decreasing trends are caused by a combination of factors including; implementation of the mine waste tailings project and a decrease in copper ore cut-off grades.

COMPLIANT

UNDERTAKING ECO-TOXICOLOGICAL MONITORING PROGRAMMES

Algal growth inhibition (%AGI) at all compliance sites, except Ningerum, are below or only slightly exceed the 5% threshold for significance, as has been the case over the last five years. Bacterial Growth Inhibition (%BGI) at all sites mostly exceeds the 25% threshold value for significance. %BGI for Obo and to a lesser extent Nukumba, has generally decreased over the last five years. The improvement in %AGI and to a lesser extent %BGI observed over the last decade is associated with the observed decrease in the concentrations of dissolved copper and bioavailable copper.

COMPLIANT

FISH BIOMASS REMAINS SUFFICIENT TO PROVIDE FOOD FOR HOUSEHOLDS ALONG THE RIVER

Analysis of the long term (1983-2014) catch data shows a biomass decrease at all sites monitored with the highest decreases observed closest to the mine. While biomass decreases are observed throughout the system, there remains sufficient fish to meet the community's food needs.

COMPLIANT

EXTENT OF VEGETATION DIEBACK IN OFF RIVER AREAS AFFECTED BY FLOODING

Vegetation dieback mapping in 2014 revealed that the total area affected by dieback was 1,924 km^2, a 2.6% increase compared to 2013. The area under some form of recovery has increased by 7% (from 288 km^2 to 308 km^2). The area of dieback is approaching its maximum likely extent, which is less than the predicted maximum extent of 2,395 km^2.

COMPLIANT

MONITORING OF POTENTIAL FOR ACID ROCK DRAINAGE (ARD) FORMATION WITHIN MINE AND RIVER

Results of the extensive surveys of sediments in the river system conducted during 2014 indicate that the acid-base chemistry of the riverine sediments continues to improve following the implementation of various mitigation measures, especially the mine waste tailings project. The critical ANC/MPA ratio in dredged sediments at Bige increased to an annual average of 2.23 in 2014, the fourth consecutive year that the ratio has exceeded the target of 1.5.

COMPLIANT

MANAGEMENT OF MINING WASTE ROCK AND TAILINGS

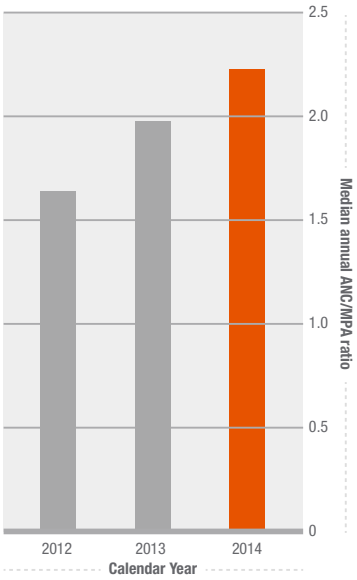
The primary effect of mine operations on the environment is caused by the use of riverine waste disposal. In 2014, 14.9 Mt of tailings was discharged to the upper reaches of the Ok Tedi River, and 51.9 Mt of waste rock was discharged to failing dumps to the north and south of the mine.

A key performance indicator on the mining waste management is the ratio of Acid Neutralising Capacity to Maximum Potential Acidity (ANC/MPA). The target is to have the ratio exceed 1.5 at Bige, which means that there is 1.5 times more neutralising material, like limestone, than acid producing material (pyrite). At Bige the dredging operations collect excess sediment and sands from the river. In 2014, 18.8 Mt of material was dredged and put into stockpiles.

The graph shows how the median ANC/MPA ratio in dredged material has continuously increased over the past three years.

The primary environmental and human health risks associated with riverine waste disposal based on external and internal risk assessments are shown together with the current OTML mitigation strategies and outcomes below.

VARIATION IN ANC/MPA AT BIGE BY YEAR



ENVIRONMENTAL RISK MITIGATION STRATEGIES

ENVIRONMENTAL AND HUMAN RISKS (IMPACTS)	MITIGATION STRATEGIES	MITIGATION OUTCOMES
Sediment build up in the river system results in overbank flooding in the middle Fly River causing vegetation inundation and dieback.	Removal of riverine sediments by dredge at Bige.	The dredge removes 85% of sand passing Bige. In 2014, 18.8 Mt of sand and silt were removed from the river. Monitoring of the river's cross-section at locations downstream of the dredge show that the riverbed is becoming lower downstream of the dredge. The vegetation dieback area of 1,924 km^2 is lower than the original maximum predicted impact area of 2,395 km^2. Some vegetation self-regeneration has occurred across a 308 km^2 area.
Oxidation of exposed pyrite in waste rock dumps and exposed river sandbars impacts on river water quality.	Mine Waste Tailings Project (MWTP) removes pyrite from tailings in the processing plant. Limestone is added to waste rock and tailings (about 4,000 tonnes per day) prior to discharge.	The MWTP removes 80% of the pyrite from the tailings and this is stored in subaqueous containment structures. The sulphur concentration of the sediments in the river system has shown a gradual decrease in concentration. The material being dredged at Bige in 2014 was not acid forming and is of sufficiently high quality that it can be used as a final cover layer for the stockpiles at Bige.
Increased copper in the river system can impact ecology.	Lower grade ore is now processed resulting in less copper in waste rock discharges.	The average dissolved copper concentrations in the river system have fallen year on year to six micrograms per litre (µg/L) in 2014, 40% lower than in 2009. Decreased risk of adverse ecological impact.
Decrease in fish biomass in main river channels.	Sediment dredging. MWTP removal of pyrite from tailings. Limestone addition. Decreased copper discharge.	Fish biomass levels in the main river channel have decreased on average by 52% (between 1983 and 2014) due to sediment increase and decreased water quality. While none of the mitigation strategies directly reverse the fish biomass decrease, they all decrease the overall physical and chemical stresses on the river and hence decrease the risk of further adverse effects on fish biomass.

BIODIVERSITY IMPACTS

The primary impacts on biodiversity are caused by the use of riverine waste disposal and to a lesser extent land clearing for Bige stockpiles. The discharge of rock and tailings waste to the river results in sediment deposition on the bed of the river. The secondary effect of sediment deposition on the riverbed has caused an increase in the duration of floodplain inundation, which has in turn resulted in the conversion of parts of the forested floodplain to grassed floodplain in the lower Ok Tedi and the middle Fly reaches of the river system. The forest dieback extent is monitored annually and reported to the State in the annual Environmental Report.

In 2014, 1,924 km^2 of dieback was recorded, of which 308 km^2 showed some form of recovery. These impacted areas have not been recorded on the PNG register as having high biodiversity values or protected status. Although regular monitoring is completed, Ok Tedi has not developed Biodiversity Management Plans for the impacted areas and no direct restoration of impacted areas has occurred.

A second major effect on biodiversity relates to fish diversity. OTML has monitored fish biomass and diversity using standardised methods since 1983 and is therefore able to assess the effect of riverine waste disposal on diversity, particularly in the main channels of the river where the effect of riverine waste disposal is greatest. It is assumed that the decrease in fish diversity is solely due to the mine's riverine waste disposal practices. However, there are also other effects due to increased fishing of the rivers with modern equipment, a commercial fishery in the middle Fly and introduced fish species causing invasion of habitat.

Fish diversity is monitored annually at three sites in the middle Fly River and reported to the State in the annual Environmental Report. Decreases in species richness were reported for the period 1983 to 2014 at the three monitoring sites at Kumabit/Erekta, Bosset and Ogwa (used here as a surrogate for 'diversity') of 56%, 58% and 42%, respectively.

OTML will continue to monitor the riverine biodiversity as part of the annual monitoring programme and maintain the environmental mitigation projects to reduce the overall impacts.

ENVIRONMENTAL PERFORMANCE

OTML is committed to improving environmental performance across all aspects of the Company's operations and have prepared the 2014 data tables and previous two years of data for comparison. Tailings production (14.9 Mt) was significantly less than planned and less than any previous years since at least 1997. This decrease was due to extended down time as a result of the failure of the SAG mill 2, pit flooding impacting on ore delivery and general maintenance time in the processing circuit.

WATER USAGE

In 2014, total water use was 11% higher than in 2013 and 80% of the water was recycled through the processing plant with only 20% being freshwater. Overall freshwater use increased by 2%, which combined with decreased copper production increased the freshwater intensity measure from 122 to 172 cubic metres per tonne (m^3/t).

ENERGY CONSUMPTION

Open cut mining and the processing of copper ores is an energy intensive industry. OTML's energy intensity index (MWh/t contained copper) increased from 4.8 to 5.7 in 2014.

OTML is a significant user of diesel fuel in PNG. Fuel costs are a major component of the overall costs and where possible high cost thermal energy generation is minimised, whilst hydroelectric base load power is being generated.

Diesel is used for all major transportation including the following:

- powering of cargo ships and concentrate barges;
- road transportation of materials and goods from the Kiunga wharf facility to Tabubil town;
- the mining fleet consisting of trucks and shovels and ancillary equipment; and
- supplementary power generation at Tabubil and Kiunga.

In 2014, total diesel consumption was 93.9 Megalitres (ML) and 27% of this consumption was used for power generation. Diesel is sourced from the PNG State owned Interoil refinery in Port Moresby and shipped to Kiunga. Hydroelectric power provided 81% of the power requirement through the two hydroelectric generation stations, representing an increase of 7% compared to 2013.

Thirteen Gigawatt hours (GWh) of electricity, comprising approximately 3% of OTML's total of 432 GWh of electricity generated, was sold to Ok Tedi Power, a new entity created to manage power distribution and development through Western Province.

Greenhouse gas emissions were similar to 2013 levels at 234,000 t equivalent carbon dioxide (CO^2-e).

Note: The energy table overleaf shows only two sets of data because this information was only captured in 2013 to comply with GRI G4 reporting requirements.

ENERGY TYPE (CONSUMPTION)	2013 PETAJOULE (PJ)	2014 (PJ)
Total energy used (fossil + renewables)	5.07	5.02
Total energy (fossil)	3.69	3.73
Total renewable energy	1.38	1.27
Energy used for transportation (ships, planes, vehicles)	3.2	2.8

ENVIRONMENTAL MANAGEMENT PERFORMANCE	2012	2013	2014
Environmental induction (No. of OTML and contract employees)	1,978	1,745	2,738
Environmental action plan (% completed)	81	81	87
Incidents Level 3+ (Medium, major or catastrophic)	1	1	1

WATER MANAGEMENT	2012	2013	2014
Total water used ('000 m^3)	75,542	57,665	64,193
Freshwater ('000 m^3/% of total)	13,601 / 18	12,840 / 23	13,031 / 20
Recycled water ('000 m^3/% of total)	61,940 / 82	44,820 / 77	51,162 / 80
Freshwater intensity index (m^3/t contained copper)	109	122	172

WASTE MANAGEMENT	2012	2013	2014
Total riverine disposal ('000 t)	53,978	59,873	66,836
Waste rock ('000 t/% of total)	32,517 / 60	44,177 / 74	51,905 / 78
Tailings ('000 t/% of total)	21,461 / 40	15,696 / 26	14,931 / 22
Pyrite Concentrate (Pcon) slurry piped to Bige ('000 t)	649	1,618	1,621
Riverine disposal intensity index (t/t contained copper)	431	565	881
Annual dredge slot production rates (Mt)	18.0	18.9	18.8
Average annual % sulphur in waste rock	0.53	0.68	0.99
Average annual % sulphur in tailings	0.86	0.86	1.13
Average annual ANC/MPA in dredged sediments	1.64	1.98	2.23
Average dissolved copper (µg/L) at Nukumba	8	7	6
Scrap metal (t shipped for recycling)	4,869	4,100	5014

ENERGY AND GREENHOUSE GAS PRODUCTION	2012	2013	2014
Total diesel consumption (ML)	106.0	93.3	93.9
Diesel consumption for power generation (ML/% of total)	45 / 42	31.6 / 34	25.3 / 27
Diesel used for machinery / other (ML/% of total)	61 / 58	62.7 / 66	68.6 / 73
Electricity use (MWh)	532,899	519,700	432,994
Diesel generated electricity (MWh/% of total)	159,364 / 30	134,700 / 26	80,146 / 19
Hydroelectricity (MWh/% of total)	373,535 / 70	385,000 / 74	352,848 / 81
Power sold (MWh)	NR	12	13
Energy intensity index (MWh/t contained copper)	4.3	4.8	5.7
GHG emissions ('000 t CO_2e)	392	232	234
GHG emissions index (t CO_2e/t contained copper)	3.1	2.2	3.1
New land disturbed this year (ha)	54.9	30	1
Total land disturbed to date (ha)	2,678	2,708	2,709
Land rehabilitated this year (ha)	0	42	6

LAND DISTURBANCE AND MINE CLOSURE PLANNING

In 2014, one hectare (ha) of new land was disturbed as part of the East Wall push back at the mine. This brings the disturbance at all operational sites to 2,709 ha. During this period, 6 ha of Bige stockpiles were rehabilitated using a mixture of grasses and tree species. No land rehabilitated currently meets the end land use.

Zephaniah Waviki and Korin Kelly inspecting 2 year old revegetation at Bige

MINE CLOSURE PLANNING

OTML prepared a revised Mine Closure Plan in 2013 that addressed how the mining operations and other disturbed areas like Bige will be rehabilitated. The aim of the Mine Closure Plan is to reduce the environmental impacts to as low as practicable, progressively rehabilitating final disturbed land when it comes available for closure, to create stable landforms and vegetate with plants and trees native to PNG. The Mine Closure Plans are reviewed with the impacted communities and CMCAs.

As part of planning for closure, OTML has allocated USD 229 million (PGK 594 million) to a trust fund for closure works. Financial modelling has demonstrated that the principal amount will meet the financial needs for future closure based on normal financial investment returns.

At the Mt Fubilan mining area, with planned expansion of the pit due to cutbacks, there has been no progressive rehabilitation. However, self-seeding and revegetation of areas of the older pit wall and benches has occurred.

At Bige, the Company has a number of demonstration areas under propagation including some outer slopes and crown areas of the stockpiles. These demonstrations have enabled monitoring and assessment of the ability of grasses and plants to establish in the spoils and have shown that a viable revegetation strategy exists. It is anticipated that the approach used to rehabilitate the stockpiles will continuously evolve through further trials and demonstrations.

Bige dredging operations and engineered stockpile to contain the sediment

ENVIRONMENTAL COMPENSATION

OTML reports on the amount of environmental compensation paid to communities and landowners either as direct payment for damage to crops, gardens and waterways, in the event of a process or chemical spill or other mine related incident. In 2014 a single external spill was reported when a blockage in the pyrite concentrate (Pcon) pipeline required fixing. A small amount of contaminated water and Pcon was lost to the environment. These are reported as non-CMCA related payments. In 2014, these payments totalled PGK 22,339. The other annual compensation payment was made to the nine CMCA regions as direct reparation due to legislated continued use of riverine tailings discharge. In 2014, this payment totalled PGK 58.0 million or USD 22.9 million.

ENVIRONMENTAL COMPENSATION	2012 (PGK) MILLION	2013 (PGK) MILLION	2014 (PGK) MILLION
Non-CMCA related	0	0.46	0.02
CMCA related	64.3	64.8	58.0
Total	**64.3**	**65.3**	**58.0**

ENVIRONMENTAL COMPENSATION	(USD) MILLION	(USD) MILLION	(USD) MILLION
Non-CMCA related	0	0.20	0.08
CMCA related	31.0	28.4	22.9
Total	**31.0**	**28.6**	**22.9**

WASTE MANAGEMENT

OTML has a proactive general waste management programme. The Company is actively collecting and sorting materials that can be recycled rather than burying them in landfill sites. Due to the steep terrain around the mine and Tabubil township, there are few suitable locations for landfill. Medical waste from the hospital is incinerated on site. No hazardous waste was transported, imported or exported. During 2014, the following products were recycled:

Water	80% of process water was recycled through the processing plant;
Tyres and rubber	117 t of rubber was shredded and 76 t sold to A1 Rubber in Australia; and
Steel	5,014 t of scrap steel was shipped to Port Moresby.

SOCIAL RESPONSIBILITY

OTML IS COMMITTED TO CONDUCTING ITS OPERATIONS IN A SOCIALLY RESPONSIBLE MANNER THAT RESPECTS CULTURAL HERITAGE AND TRADITIONAL RIGHTS. OTML BELIEVES THAT IT CAN CONDUCT BUSINESS IN A SAFE AND SUSTAINABLE MANNER THAT CAN BRING BENEFITS TO CURRENT AND FUTURE GENERATIONS. THE COMPANY ENGAGES WITH ITS STAKEHOLDERS AND MAINTAINS COMPREHENSIVE OPEN AND TRANSPARENT DIALOGUE WITH THE IMPACTED COMMUNITIES AND GOVERNMENT. THE SOCIAL LICENSE TO OPERATE IS BASED ON THE FREE AND PRIOR INFORMED CONSENT (FPIC) PRINCIPLES GRANTED BY THE CMCA COMMUNITIES, THE PNG GOVERNMENT AND OTHER STAKEHOLDERS. THE FPIC WERE TESTED THROUGH THE RECENT MINE LIFE CONTINUATION NEGOTIATIONS, WHICH RESULTED IN THE COMMUNITIES AND THE STATE EXTENDING OTML LICENCE TO OPERATE FOR A FURTHER EIGHT YEARS, BASED ON CURRENT ORE RESERVES.

Social responsibility programmes have been developed through consultation with the CMCA communities and focused on key areas of infrastructure, health, education and business development. The programmes focus is on developing partnerships with local communities, governments and businesses in order to improve long-term social and economic development in Western Province. This approach ensures the community development programmes, compliment government initiatives, aid agencies and Non-Government Organisations (NGOs) working in the region.

Delivery and management of major programmes is primarily through the Ok Tedi Development Foundation (OTDF). A key goal of the OTDF is to build capacity within the local community in order to manage long-term sustainable outcomes. OTML participates in a local business capacity by providing resources and staff to participate on various Boards and Trusts, strategic planning support, technical services, networking assistance, financial and in-kind resources.

During 2014, a number of Public Private Partnerships (PPPs) were advanced as part of the ongoing delivery model. These included the operation of Tabubil Hospital with DPhL and North, Middle and South Fly rural health delivery through the Abt JTA partnership. Divine World University (DWU) also was engaged to manage the day-to-day operations of the Tabubil International School.

The PNG Government and the Prime Minister have been proactively promoting the use of PPPs to achieve superior outcomes in the areas of health, education and infrastructure delivery. OTML has been able to position itself as a leader for PPP implementation in Western Province and establish a model that can be used in other parts of PNG.

The commitment to social responsibility covers all phases of the project's life cycle from exploration, construction and development, operations and mine closure activities.

Brenda Tom with a new born child at Tabubil hospital

Local soccer team match at Tabubil

COMMUNITY CONSULTATION

OTML believes that open dialogue with its stakeholders is the key to building strong relationships based on trust and respect. By listening and discussing issues, the concerns of the community and stakeholders can be used to plan for the future and implement programmes with sustainable outcomes.

The Community Relations department is responsible for managing the dissemination of information to the communities and undertaking formal and informal consultation. In the last eleven years, there has been no major community disruption to OTML operations and the Company enjoys a healthy working relationship with the communities. This has been attributed to continuous consultation and resolving issues promptly.

In 2014, the Community Relations team completed a series of formal community visits in May and June to each of the 157 villages in the CMCA region, covering an area of over 98,000 km^2 (Figure 1). Meetings were held in 129 villages and over 13,000 people attended these meetings. Meetings are held with both men and women, and also with women separately to discuss issues specific to women and children.

Those present at the meetings included representatives from OTML Community Relations, Government, CMCA regional leaders, women leaders and OTDF. In these forums the communities and their leaders have the right to raise issues with OTML and the State that impact upon their livelihoods.

OTML uses the meetings to provide feedback on issues previously raised and provide information updates on mining operations, environmental impacts and social responsibility programmes managed through OTDF. The community is able to raise issues of concern and these are recorded as requests or grievances through the grievance mechanism for follow-up and resolution.

The main issues raised by the communities during 2014 were:

- closure of the PNG Micro Finance Limited Bank and the impact on various payments to individuals.
- concern that the State has acquired the PNGSDP's 63.4% share that is believed to belong to the CMCA communities and people of Western Province. Negotiations are underway to try and agree on a percentage of the share that will be returned to Western Province communities.
- with the closure of PNGSDP and its shares acquired by the State, concern remains as to how project delivery and the maintenance of existing projects will continue.
- the South Fly CMCA Trust funds have been frozen due to a court injunction by various leaders. This is impacting on delivery of community projects and education sponsorship for the South Fly children.

The team also conducted two formal meetings with the villages within the SML and LMP's and one formal meeting with the State of PNG.

COMMUNITY RELATIONS MANUAL

A leading practice Community Relations Manual was introduced in November 2014 as a practical guide to Community Relations programmes, methods and activities, especially with ongoing engagement and the maintenance of relationships with the CMCA and other stakeholders.

The three main purposes of the Community Relations Manual are as follows:

- to outline the socio-economic and environmental context, legal and policy framework and procedural requirements for conducting Community Relations activities in mine affected areas;
- to provide technical guidance to supplement Community Relations activities and requirements including a standardised approach, tools and terminologies; and
- to highlight examples and lessons learnt from many years of Community Relations activities; with experiences and learnings characterised by trial and error that now underscore the programmes.

Although the Community Relations Manual has been developed primarily for internal OTML use, the target audience includes contractors, OTDF and key government agencies. It is also suitable for use by local level stakeholders actively involved in Community Relations activities.

SIGNIFICANT DISPUTES RELATING TO LAND USE OR CUSTOMARY RIGHTS

During 2014, three outstanding land disputes were resolved. At the end of 2014, there were six current land disputes and one compensation claim for environmental pollution still under negotiation. The land disputes are ranked (level 1 (low) to level 5 (high)) according to the OTML IMS Standard 1-10: Incident Reporting and Investigation Community and Government consequence table. Disputes are risk ranked using the consequence and likelihood tables from low to high based on the evidence and potential impact to OTML operations. All significant and high ranked disputes are given the highest priority. Most of the disputes involve court proceedings for SML land and/or royalty payments. The current 2014 land disputes are:

1. Claim for benefits for occupation of the Kiunga wharf operation against the State and OTML as the Lease Holder.
2. Legal case against OTML from a Clan claiming ownership of the Mine Pit, Migalsim Power station and Tabubil township.
3. Two Clans claiming ownership of SML and seeking benefit sharing inclusion with the recognised landowners.
4. A Clan claiming ownership of Wangbin and Tabubil townships.
5. Various Ningerum clans claiming compensation for environmental pollution (a repeat case).
6. Land ownership dispute over Aiambak Field base used by OTML and OTDF.

There were also two disputes over various land parcels in LMP85. The OTML Community Relations team is working with claimants to resolve the issue or seek a determination through the village court or land mediation.

There was no major resettlement of community landowners on OTML leased lands in 2014.

OTML STAKEHOLDER COMPLAINT AND GRIEVANCE MECHANISM SYSTEM

In the Mineral Resource industry addressing environmental and social complaints and grievances in a responsible and systematic manner is now an internationally accepted leading practice. The United Nations and IFC have encouraged the use of a Grievance Mechanism tool in resource industries as a means of empowering human rights and resolving grievances.

The OTML Complaint and Grievance Management System (CGMS) was officially launched in March 2014 after 12 months of development. The integrated on-line system enables rapid capture of a compliant or grievance from the community, other OTML line departments or other persons and has a formal seven-stage escalating resolution process. It enables the Community Relations team to quickly track progress against a compliant, and during staff absence, other Community Relations team members can follow through and progress the resolution process. The system will also assist in the reduction of slow or poor responses and the ability to analyse trends by complaint type, region or complainant. Complaints can be resolved and closed out at any stage if a complainant is satisfied with the outcome.

In 2014, a total of 1,088 complaints or queries were lodged in the system. In 2014, all of these complaints were successfully resolved by the Community Relations team. Only one compliant escalated to external arbitration stage (litigation). In December, a very high number of complaints (83%) were received due to the withdrawal of the Microfinance Bank and the impact on year-end CMCA payments. OTML has worked with the Bank of South Pacific to establish new bank accounts for those persons affected.

COMPLAINT BREAKDOWN	PERCENTAGE
Compensation and payments	83%
Safety and security incidents	5%
Local employment and business opportunities	3%
Land and local culture	3%
Infrastructure, health and education	2%
Local leaders and organisation	1%
Information, procedure, protocol breaches	1%
Environment and emergencies	1%
Key stakeholder relations	0%
Other	1%

Note: This is the first year this data has been presented in this form. Previous year's grievance data has not been analysed for inclusion in this review.

COMMUNITY MINE CONTINUATION AGREEMENT (CMCA)

This agreement defines the cash compensation, investment and development payments that OTML will make to the 157 village communities and six mine villages affected by the operations. The CMCA communities are grouped into nine trust areas (Figure 1) and represent over 125,000 people. The nine CMCA regions extend from the mine to the South Fly. Each region is represented by four representatives, including at least one woman. A total of 36 elected community members comprise the CMCA Working Group and attend the delegates meetings along with government representatives, OTML, churches, women and youth organisations and NGOs.

WOMEN AND CHILDREN'S PROGRAMME

In 2014, all nine CMCA Women's Associations were formally registered with IPA (mine villages and eight respective trust regions) with election of women leaders completed. Through OTDF support and guidance, capacity building and institutional strengthening occurred through formal training and association executives and members attending various workshops. The training included management of associations and governance, leadership development, financial literacy, adult literacy and economic livelihood development. This has enabled each association to properly administer their respective associations, complete formal meetings and conduct reviews of the 10% funds under custodianship of the CMCA trusts. Meetings were held to discuss how to best administer the investment and development funds to provide sustainable returns.

The Women's Associations are identifying and approving projects that will enable them to earn regular incomes and be self-sustaining. These have included Eaglewood plantation projects, citrus seedlings, trial piggery programmes and the purchase of vehicles, which have been leased back to OTML or other companies. Investment in property in high growth areas like Kiunga and Daru are also being investigated as suitable long-term income sources.

The associations have also taken the opportunity to network with other industry Women's groups in other Provinces and participate in the Chamber of Mines and Petroleum's Women in Mining workshops and events. Through the OTDF Programme Services Group, the Women and Children's Programme, Community Development and Business Development teams, women participate in both the decision-making at a village and community level. Life skills and participation in business opportunities will enable them to become closer to becoming more independent, administer their own funds and have a more optimistic outlook for the their families in the future.

COMMUNITY DEVELOPMENT: COMMUNITY HEALTH

Access to high quality health services by the community and the Company's employees is a priority. OTML has been the main provider and financial supporter of private and public health services in the Tabubil and mine affected regions. The Company works closely with a number of multi-sectoral stakeholders for the provision of health services through the Western Province. These include the Western Province Provincial Health Department, various church based providers, NGO's and private health providers.

OTML has engaged DWU's commercial subsidiary, DPhL to manage the Tabubil Hospital. The hospital, which is owned by OTML, has served communities from Western Province and Telefomin District for many years and is best known for being Western Province's referral hospital, servicing the North, Middle and South Fly districts. The hospital has consistently rated as a five star facility in accreditation under the National Health Service Standards. In 2014, focus was on construction of new staff housing and a laboratory.

Tabubil Hospital provides support for the six local aid posts in the mine affected areas including Finalbin, Bultem, Migalsim, Sissimarkem, Ok Ma and Atemkit. As part of the rural health plan, functional aid posts stocked with medicines and qualified staff, means that community members can be assessed and treated for most illnesses by the aid post, and if serious, referred to the Tabubil hospital.

Local community members

SOCIAL RESPONSIBILITY CONTINUED

NORTH FLY HEALTH SERVICES

The North Fly Health Services Development Programme (NFHSDP) is a community health programme working in partnership with existing health service providers to improve the health of people in North Fly District.

The goal of the NFHSDP is to collaborate with all North Fly health service partners to achieve sustainable health improvements through the strengthening of the existing health system. The NFHSDP is being implemented in line with the National Department of Health's (NDoH) National Health Plan and priorities. The NDoH priorities and therefore a number of the NFHSDP's objectives, align with several MDGs including; MDG 4 – Reduce Child Mortality; MDG 5 – Improve Maternal Health; and MDG 6 – Combat HIV/AIDS, Malaria and Other Diseases. In November 2013, the OTML Board granted a five year contract extension worth PGK 32 million, in recognition of the further improvements in rural health services.

One significant contribution of the programme has been the sustained increase in 3rd dose pentavalent vaccine coverage for children under one year of age. When the programme started in 2009, coverage rates were 49%. This increased to 75% in 2010 and 2011 and has remained at 74% in 2012 and 2013. Improvements such as these could not be achieved without the hard work and commitment of all partners in the programme.

Patrols have contributed to an increase in the number of outreach clinics held per 1,000 children who are under five years of age, from 22 in 2009 to 38 in 2014 in North Fly. This is above the Provincial averages of 21 and 35 respectively.

Malaria has continued to decline, with an incidence of 143 cases per 1,000 people in 2013. North Fly District is now below the national average of 151 cases per 1,000 people and well below the North Fly's 2007 incidence of 439 per 1,000 people.

Official opening of the Pamenai Road in Middle Fly

Now in its sixth year of operation the NFHSDP has continued to work with local health service providers to strengthen health care delivery across the District. Following the five-year extension of the programme to 2018, health service partners reviewed and updated the programme charter, which provides a platform for overall collaboration and partnership. An independent evaluation of the first five years (2009-2013) of NFHSDP was conducted in May 2014 and the results of stakeholder interviews and data reviews were summarised in the concluding remarks of the evaluation report as follows:

"Overall, the core strength of NFHSDP has been the way in which it has pursued and strengthened the partnership approach through the collaborative and effective way its staff and notably the senior Management team have worked with and engaged with partners. This approach, which includes frequent and constructive interaction, needs to be maintained as it is the very foundation of the programme's success".

Highlights of programme's achievements in 2014 include:

- over 14,400 outpatient occasions of service at Tabubil Urban Clinic;
- 38 integrated health patrols conducted in collaboration with health service partner organisations, covering all areas of the North Fly District;
- over 26,000 people reached through health promotion and community awareness;
- 22 health workers attended Essential Obstetric Care training, facilitated by the Reproductive Health Training Unit;
- 141 on the job training sessions were conducted with health workers in their facilities on a number of topics including malaria diagnosis and treatment;
- seven scholarships were provided to health workers to upgrade their qualifications;
- four scholarships provided to school graduates undertaking health studies;
- water supply at Rumginae Hospital was completed;
- commenced construction of health staff housing in Bolivip and Mougulu;
- 10 Village Health Volunteers trained;
- three solar direct drive vaccine fridges installed at Rumginae Hospital, Ningerum Health Centre and Matkomnai Health Sub-Centre;
- three new radios installed on the national health radio network and seven radios repaired; and
- one dinghy and four outboard motors donated to the Catholic Health Services (CHS) and the Evangelical Church of Papua New Guinea (ECPNG) Health Services to assist with their health facilities and conduct outreach patrols.

Under the NFHSDP agreement, Abt JTA is contracted to support the District Administrator and the District Health Manager and their teams to oversee the day-to-day operations of the Kiunga Hospital. The hospital is a government facility with a 60-bed capacity. There have been a number of significant improvements in the operation of the hospital's administration and health delivery. Public Private Partnerships such as this are an innovative way for resource-constrained governments to improve health infrastructure and simultaneously improve provision and delivery of clinical services.

MIDDLE AND SOUTH FLY HEALTH SERVICES

A PPP has been established with local health providers to service the CMCA communities in the Middle and South Fly districts. The South Fly Health Programme (SFHP) is funded by the five CMCA Trust Regions. PGK 42 million has been committed to fund a five-year programme and is being implemented by Abt JTA, in consultation with CHS, the ECPNG Health Services and district and provincial health offices to provide rural health services. The SFHP has three main components as follows:

1. provide support to district and provincial health services including partnership development;
2. to be fundamental enablers of health care, including infrastructure, staff training and rural health care delivery; and
3. tailored support for identified community needs

The SFHP brings together all health providers in the region to discuss common issues and health delivery priorities to meet the NDoH plans and community needs. It also means that duplication of services can be avoided, resulting in more cost effective health service delivery. As part of the SFHP, a review of all infrastructure including medical facilities, aid posts, health centres and staff accommodation was completed.

A refurbishment programme and new staff housing construction projects commenced in 2014. Seven boats were purchased to enable health staff to conduct outreach patrols to remote regions that are only accessible by water. An upgrade of radios for communication to NDoH standards was completed as well as installation of solar direct drive vaccine fridges, cold boxes and other essential medical equipment to meet National Health Service Standards.

In 2014, 170 outreach clinics were conducted across all villages in the CMCA Trust regions. The clinics provided outpatient services, immunisations, child nutritional assessments, antenatal care, family planning, eye testing and health promotion including tuberculosis and HIV/AIDS.

EDUCATION

OTML has been a long-term supporter of the local schools and through the TCS has constructed and refurbished many new school classrooms and teacher houses. Education is widely accepted by the Western Province communities as a way for children to improve their self-worth and provide a pathway to obtaining quality employment and a career.

Provision of high quality education is important for all residential employees who raise their families in Tabubil. In 2014, OTML provided funding for the completion of new classrooms for grades 9 and 10 at the International School, due to extra demand. This programme will continue to upgrade the school to offer grade 11 and 12 in 2015.

In Tabubil, OTML has implemented a significant public school refurbishment and upgrade programme with funding from deferred royalties to the value of PGK 29.8 million. This programme has seen the construction of a new primary school, major upgrades to the high school and refurbishment of 109 government houses.

Tabubil high school students undertaking a computer class

WESTERN PROVINCE EDUCATION REVIEW

Education services throughout the Western Province, especially in the Middle and South Fly districts have been deteriorating with key indicators falling well below the national average. Following a request from CMCA regarding the improvement of education standards throughout the Western Province, OTDF facilitated the formation of the Western Province Education Steering Committee (WPESC), in collaboration with the Fly River Provincial Government. The Committee comprises senior leaders and stakeholders involved in education and training in the Western Province. In 2014, WPESC engaged Cardno Consultants through the OTDF to undertake a major Provincial wide review of the educational system focusing on the strategic and continuous improvement of elementary and primary education, technical and vocational education and flexible, open and distance education. The outcome of the review was a fully costed five-year implementation improvement programme worth PGK 119.8 million. Through collaboration and pooling of resources in a PPP, delivery of the education plan should see improvement in education standards across the CMCA districts.

WPESC also engaged Cardno to complete a follow-up project to assess the state of the Provincial High Schools infrastructure. The assessment reviewed the current infrastructure including all eight high school structures, grounds, water and sanitation systems. Sites of proposed new high school buildings were considered and a detailed assessment and costing report for rehabilitation and maintenance for the existing eight schools and specifications for a new school were prepared. Funding for the facilities will be from future TCS and other sources.

TRUST DEVELOPMENT PROJECTS

The cost and number of projects under the care of CMCA's Trust Development Projects by sector are shown in the table below:

CMCA TRUST IMPLEMENTED PROJECTS	COST (PGK)	%
Others	1,179,127	10.4
Business	1,586,405	14.0
Livelihood	1,085,487	9.6
Infrastructure	5,253,098	46.4
Education	1,348,951	11.9
Transport	691,632	6.1
Health	171,020	1.5
TOTAL	**11,315,720**	**100**

In 2014, the expenditure on major WPPDTF projects for the 2014 was:

MAJOR PROJECT	PGK (MILLION)
CMSFHP (health)	9.46
Pampenai road	0.58
Nupmo footbridge	6.96
Aiambak road	39.7
Western Province education feasibility	1.12
Contingency – South Fly water	1.49
Contingency – Fly Hope vessel	0.924
TOTAL	**59.26**

The Trust's investment expenditure in 2014 included completing the Kiunga Office Complex for PGK 401,369 (under lease for 2014). Nearing completion is the Kiunga Housing Estate at PGK 3.6 million (under lease since February 2015).

Further information on OTDF activities can be found on the website: www.otdffpng.com and in the OTDF 2014 Annual Report.

CMCA LIVELIHOOD PROJECTS

OTDF is actively promoting village and community livelihood projects that will not only provide food security, but also provide income-earning opportunities and longer term sustainable outcomes. These projects are focused on village people who have available land and other natural resources that can be used for crop or livestock production. Through the OTDF extension officers, external experts and NGOs, a comprehensive range of agricultural products have been trialled and piloted across the Western Province. These projects have made positive changes to families and communities, as they are able to move from a subsidence lifestyle into a broader economic market as suppliers of agricultural products. A key enabler has been the development of roads, bridges, ships and planes which means that farmers can transport their produce to market. The projects have positively changed many people's lives as they can participate in a broader economy and generate income and realise that they can genuinely sustain themselves and future generations.

Some of the major projects that have been implemented include:

- Fish farming;
- Dry land rice production;
- Vegetable production;
- Forestry;
- Citrus plantations; and
- Duck and crocodile production.

THE FOLLOWING AGRICULTURAL ACTIVITIES DIRECTLY OR INDIRECTLY INVOLVING OTML AND OTDF SUPPORT ARE HIGHLIGHTED BELOW FOR EACH OF THE REGIONS:

NORTH FLY REGION

AQUACULTURE

One hundred and twelve new fish farms were established including the set-up of two fish breeding and distribution farms.

- 1,612 community persons trained in fish farming
- 5,032 fingerlings used for stocking
- 500kg of fish feed sold to farmers

RICE PRODUCTION

A total 87 farmers were trained on dry rice production, resulting in 53 farmers harvesting 3,900 kg of rice for sale and consumption.

VEGETABLE CROPS

The soils of the North Fly region are ideal for vegetable production.

- Farmers produced and delivered 18,819 kg to Tabubil market
- Earnings PGK 97,529
- Benefits flow back to farmers

FORESTRY

The OTDF has established a 20,000 rubber seedling nursery at Komopkin village to supply local farmers, who are actively replanting rubber trees.

- 110 farmers involved
- 134 Hectares planted
- Eaglewood cultivation commenced
- Aim to plant over 1 million trees

MIDDLE FLY REGION

AQUACULTURE

Tilapia fish smoking trials.

DUCKS

Muscovy duck expansion with 32 farmers participating in the programme.

VEGETABLE CROPS

Citrus trees and intercropping of vegetable crops (bananas, taro, cassava, pumpkin, yam) between teak and eaglewood trees was carried out.

FORESTRY

Rubber and eaglewood nurseries with an the expansion of planting occurrences.

SOUTH FLY REGION

AQUACULTURE

Crocodile farming. Over 35 crocodiles were penned.

DUCKS

By end of 2014 there were 72 duck farmers with 652 ducks in production.

RICE PRODUCTION

76 rice farmers have established new plantings which were harvested after three months in the Suki Fly Gogo Trust area.

- 3,969 kg rice cultivated producing 2,170 kg husked white rice
- 700 kg sold at PGK 5/kg

Middle Fly duck farmer

ECONOMIC CONTRIBUTION

Part of OTML's social responsibility is to make positive social and economic contributions to the region and communities in the Western Province. OTML is the single largest business in the Western Province and provides significant funds for socio-economic development. OTML contributes to the communities both directly through provided services and infrastructure, specifically for the benefit of the community and indirectly through the facilitation of community access to services and infrastructure necessary for the business. OTML has developed a number of partnerships and through the OTDF, is delivering on the ground programmes to the Western Province.

OTML's economic contribution to PNG and the Western Province economy is through the following ways:

- royalties from sales of copper, gold and silver product;
- salaries paid directly to employees;
- capital and operating expenditure to 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 programmes; and
- investment in local and regional infrastructure including roads, bridges, jetties, etc.

A summary showing all payments over the past three years is shown in the table overleaf.

Total payments in 2014 were approximately PGK 170 million, which is less than in the previous year. However, there was an increase of almost PGK 100 million in taxes and levees to the PNG Government compared to 2013. A dividend payment PGK 116.4 million was made to Government and other entities and royalty payments decreased by PGK 4.9 million, due to lower production.

The TCS expenditure was lower at PGK 17.6 million compared to 2013 expenditure of PGK 25.7 million. Goods purchased in PNG increased by PGK 84 million compared to 2013. However payments to contractors and salary and wages were significantly lower. These lower payments were due to improvements in contractor management and no significant redundancy payments following the workforce restructuring in 2013.

CONTRIBUTION TO LOCAL COMMUNITIES AND THE PNG ECONOMY

	PGK (MILLION)			USD (MILLION)		
	2012	2013	2014	2012	2013	2014
TAXES AND LEVEES PAID TO PNG GOVERNMENT	444.8	261.5	356.8	214.3	114.6	140.5
Dividend paid						
– PNGSDP	458.3	-	-	221.9	-	-
– Government	132.3	-	101.4	64.1	-	40.9
– Fly River Provincial Government, MRA, mine villages	132.3	-	15.0	64.1	-	6.1
Total	**722.9**	**-**	**116.4**	**50.0**	**-**	**47.0**
ROYALTY PAYMENT						
– Western Provincial Government	32.7	25.1	22.6	15.8	11.0	8.9
– Land owners	32.7	25.1	22.6	15.8	11.0	8.9
– Less: Royalty tax – Land owners	(1.6)	(1.2)	(1.1)	(0.8)	(0.5)	(0.4)
Total	**63.8**	**49.0**	**44.1**	**30.7**	**21.5**	**17.4**
TAX CREDIT SCHEME (TCS)						
– Health	5.6	0.9	1.2	2.7	0.4	0.5
– Education	0.1	6.7	5.6	0.1	3.0	2.2
– Roads, bridges, airport	0.2	6.2	4.4	0.1	2.7	1.7
– Utilities	0.1	11.9	6.4	0.1	5.2	2.5
Total	**6.0**	**25.7**	**17.6**	**2.9**	**11.3**	**6.9**
GOODS PURCHASED IN PNG	313.3	294.0	368.1	150.9	128.8	145.0
PNG contractors	483.0	441.3	217.1	232.7	193.4	85.5
Local training costs	8.0	8.1	8.2	3.9	3.5	3.2
Salaries and wages	209.4	460.2	241.7	101.1	190.8	95.2
Grand Total	**2,251.2**	**1,539.8**	**1,370.0**	**1,086.5**	**663.9**	**540.6**

PERCENTAGE BREAKDOWN OF CONTRIBUTIONS TO THE PNG ECONOMY

	2012 (%)	2013 (%)	2014 (%)
National Government, Tax Credit Scheme, Product Levy	19	18	26
Dividend (National Government and PNGSDP)	31	0	8
PNG goods and services	14	18	26
OTML contractors	21	27	15
Employment	9	29	17
Royalty	3	3	3
Community Compensation	3	4	4
Total	**100**	**100**	**100**

ROYALTY PAYMENTS

In 2014, OTML paid PGK 44.1 million in royalties based on the copper production. The royalties were split as follows to the various recipients:

ROYALTY PAYMENT RECIPIENTS	PGK (MILLION)
Western Provincial Government	22.6
Landowners	22.6
National Government (IRC withholding tax)	(1.1)

COMPENSATION PAYMENTS

OTML makes annual compensation payments. These payments typically cover payments for the various leases involving the mine and its infrastructure overlay, general compensation payments to mine impacted Fly River communities, mine landowner projects, environmental and other general compensation.

In 2014 compensation payments totalled PGK 63.6 million.

COMPENSATION PAYMENT	2012 (PGK MILLION)	2013 (PGK MILLION)	2014 (PGK MILLION)
Land leased from Villages	3.4	2.0	5.5
Eighth Supplemental Agreement	13.0	13.4	14.0
CMCA	51.4	51.4	44.1
	67.8	**66.8**	**63.6**

DONATIONS

Various donations are paid out by OTML to approved recipients following a process of deliberation, after requests for donations are received. In 2014, PGK 1.0 million (USD 400,000) was budgeted for donations and by the end of the year PGK 1,069,396 (USD 421,128) was paid out. The following are some of the recipients:

- cash payments for helicopter hires;
- cash payments for Ok Tedi Charter flights;
- medical travel and medical evacuations under the donations committee;
- airfreight and shipments under the donations committee; and
- specific sponsorships under the donations committee.

CMCA PAYMENTS

The CMCA provides specific funding on an annual basis to mine 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 through to the eight Trust Regions and six mine villages. To mobilise the Trusts, the Village Planning Committee (VPC) are empowered to identify and prioritise sustainable development projects. The Board of each Trust meet every quarter to approve new projects submitted by the VPC and review the progress of the projects under construction.

In 2014, the following funds were deposited to the various groups and trusts:

CMCA GROUPS AND TRUSTS	PGK (MILLION)
Mine Landowners (six village communities)	3.42
Development Fund	15.96
Women and Children's Fund	5.12
Investment Fund	7.56
Special Compensation	22.73
Logi, Kawok, Komokpin villages	1.83
Total	**56.60**

TAX CREDIT SCHEME

The TCS was established by the PNG National Government in 1996 to deliver infrastructure and development projects to the Province in which the resource company operates. This funding stream is poorly understood and is often misinterpreted as CMCA development funds, where in fact it is the National Government's direct funding for projects from the taxes collected in the Province where they were generated. The funding is based on the lesser of the income tax payable for the year or 0.75% of assessable income.

OTML's TCS was established in 1997 and has provided significant development and high impact project funding to the Western Province and Sandaun Province, worth up to PGK 305.3 million. In 2014, the OTML TCS contribution was PGK 17.6 million. The projects and associated contributions are listed in the table alongside:

YEAR 2014	CONTRIBUTION	
TAX CREDIT PROJECTS	PGK (MILLION)	USD (MILLION)
HEALTH		
Balimo Hospital redevelopment (Stage 2)	1.433	0.564
Pumakos Sub Health Centre-Enga Province	0.981	0.386
Rumginae Hospital-solar installation	0.219	0.086
Tabubil Hospital projects	1.634	0.643
EDUCATION		
Montfort Primary School infrastructure	1.927	0.759
Oksapmin High School development project	0.561	0.221
Telefomin High School refurbishment	0.093	0.037
Pumakos Primary School development	2.968	1.169
ROADS, BRIDGES, AIRPORTS AND BUILDINGS		
Kiunga Town housing project	0.722	0.284
Fly River jetty projects	0.318	0.125
South and Middle Fly Districts jetties rehabilitation	0.137	0.054
Olsobip road project	0.144	0.057
UTILITIES		
Kiunga Town water and sewerage supply	6.438	2.535
Total	**17.6**	**6.9**

DEFERRED ROYALTIES

OTML as a SOE has been able to directly fund repairs and maintenance and new development of public infrastructure through the deferral of royalties. This system is similar to the TCS, but rather than capped at a fixed amount of 0.75% per annum, taxes payable to the State of PNG have been used to fund the infrastructure upgrades. Over the years, a number of government facilities have fallen into disrepair due to a lack of funding and these also need expanding to meet population growth.

In 2014, total project cost was PGK 29.8 million and total expenditure was PGK 9.7 million compared with PGK 12.6 million in 2013. Outstanding expenditure for works to be completed in 2015 is PGK 7.5 million. These projects include:

DEFERRED ROYALTY PROJECTS	PGK (MILLION)
Tabubil High School repairs and maintenance	2.0
Tabubil Primary School repairs and maintenance	2.0
Tabubil Elementary School repairs and maintenance	0.8
Government Housing repairs and maintenance	11.0
Government Offices repairs and maintenance	1.5
Police Barracks repairs and maintenance	0.5
Rebuild Elementary School	2.0
NEW GRADE 11 AND 12 CLASSROOMS AND ADDITIONAL	
Secondary/Primary School	5.0
Additional elementary teachers houses	3.0
Secondary/Primary teachers houses	2.0

New Nupmo footbridge across the OK Tedi river

LOCAL BUSINESS SUPPLY CHAIN

OTML is a major customer for local businesses who can provide a reliable and competitive service for the purchase of goods and services. The OTML PNG supply chain includes large multinational companies like Interoil Products Limited and Hasting Deering (PNG) Pty Ltd, through to the Small to Medium Enterprises (SMEs) that are headquartered in Western Province. OTDF business teams have been working with the Landowner SMEs to improve governance and other systems to meet OTML's pre-qualification requirements.

The OTML Contracts and Procurement department engages over 667 suppliers and 280 service providers. Local businesses that have been proven suppliers and usually have well developed management and governance frameworks can have the capacity to be awarded larger and more complex contracts with OTML.

In 2014, there were 2,754 contracts or service orders awarded to PNG or PNG/JV companies. This was 88% of all contracts and an increase of 4% compared to 2013. The overall total percentage value of orders awarded to PNG or PNG/JV companies was 78%. The total value of service contracts in PNG was PGK 421.1 million. Goods purchased in PNG totalled PGK 368.1 million or 54% of all goods purchased.

BREAKDOWN OF PURCHASES OF GOODS BY LOCATION:

	2013		2014	
ORIGIN	PGK (MILLION)	USD (MILLION)	PGK (MILLION)	USD (MILLION)
Western Province	50.0	22.0	72.6	28.6
National PNG	244.0	107.4	295.5	116.4
Overseas	390.4	171.8	312.2	122.9
Total	**684.4**	**301.1**	**680.3**	**267.9**

BREAKDOWN OF PURCHASES OF GOODS IN WESTERN PROVINCE

	2013		2014	
LOCAL PURCHASES IN WESTERN PROVINCE	PGK (MILLION)	USD (MILLION)	PGK (MILLION)	USD (MILLION)
Daru	0.06	0.03	0.08	0.03
Kiunga	4.0	1.7	10.8	4.2
Tabubil	46.0	20.2	61.8	24.3
Total	**50.0**	**22.0**	**72.6**	**28.6**

FINANCE

OTML'S ECONOMIC PERFORMANCE FOR 2014 IS SUMMARISED AND PRESENTED HERE. THE FINANCIAL STATEMENTS HAVE BEEN EXTERNALLY AUDITED BY PRICEWATERHOUSECOOPERS PNG. DURING 2014, 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.

BREAKDOWN OF CONTRIBUTIONS TO THE PNG ECONOMY

	2012 (%)	2013 (%)	2014 (%)
National Government, Tax Credit Scheme, Product levy	19	18	**26**
Dividend (National Government and PNGSDP)	31	-	**8**
PNG goods and services	14	18	**26**
OTML contractors	21	27	**15**
Employment	9	29	**17**
Royalty	3	3	**3**
Community compensation	3	4	**4**

SALES REVENUE BY COMMODITY

	PGK (MILLION)			USD (MILLION)		
	2012	2013	2014	2012	2013	2014
Copper	1,960	1,602	**1,564**	943	706	**612**
Gold	1,352	1,091	**909**	650	482	**355**
Silver	52	45	**29**	25	20	**12**
Finalisation/revaluation	(4)	(68)	**(32)**	(3)	(32)	**(14)**
Total sales revenue	**3,360**	**2,670**	**2,470**	**1,615**	**1,176**	**965**

PRODUCT MANAGEMENT

OTML currently produces a copper-gold-silver concentrate product which is sold to smelters or refineries in Asia or Europe. Formal trade and off-take agreements are in place with customers in Japan, The Philippines, Germany, South Korea, India and Indonesia. Despite the downward trend in output reflected in sales revenue continuing into 2014, OTML's customers remain committed to retaining these purchase contracts due to the consistent quality and reliability of supply.

OTML's commitment to its product marketing management starts during Ore Reserve estimation, through to mining, then to the processing plant and out to the storage vessel. From there, ships bound for international destinations transport the concentrate to export markets. Throughout this process, OTML's product management systems secure a chain-of-custody for the concentrate that follows the product from the processing mill, via a pipeline to the drying and storage facilities at Kiunga. At Kiunga the product is blended to meet specific customer contractual specifications and then loaded onto vessels and shipped to a storage silo vessel, which is either moored in the Gulf of Papua or in Port Moresby harbour depending mainly on seasonal weather factors.

The quality of OTML's concentrate is considered to be clean by world standards with fluorine being the only potential trace element of concern. The production process is carefully monitored to ensure that the concentrate product meets customer contractual specifications.

No external penalties nor customer complaints were received by OTML in 2014 with respect to OTML's shipped concentrate product.

Loading waste rock into haul truck

EXPORTS IN 2014

	2012	2013	2014
Concentrate (t)	459,335	394,622	**381,075**
Contained copper (t)	121,432	100,212	**93,760**
Contained gold (oz)	395,820	352,050	**291,873**
Contained silver (oz)	889,381	929,380	**700,189**

EXPORTS BY RECIPIENT COUNTRIES

	2012 (%)	2013 (%)	2014 (%)	CHANGE (2013 TO 2014) (%)
Japan	64.3	43.6	**54.3**	24.5
South Korea	6.5	12.6	**9.1**	(27.8)
Philippines	7.7	23.6	**15.8**	(33.1)
Germany	12.9	5.1	**13.6**	166.7
India	8.6	10.1	**5.2**	(48.5)
Indonesia	0	5.0	**2.0**	(60.0)

FINANCE CONTINUED

RESULTS: INCOME STATEMENT

	PGK (MILLION)			USD (MILLION)		
	2012	2013	2014	2012	2013	2014
Sales revenue	**3,360**	**2,670**	**2,470**	**1,615**	**1,176**	**965**
Other operating income	0	5	1	0	2	0
Marketing costs	(263)	(274)	(244)	(127)	(120)	(95)
Cash operating costs	(1,468)	(1,526)	(1,283)	(768)	(772)	(508)
Change in product inventories	93	(47)	(107)	31	(5)	(42)
Depreciation and amortisation	(470)	(614)	(325)	(116)	(245)	(128)
Profit from operations	**1,252**	**214**	**512**	**635**	**36**	**192**
Net finance costs	(8)	(2)	(3)	(4)	(1)	(1)
Profit from ordinary activities before tax	**1,244**	**212**	**509**	**631**	**35**	**191**
Income tax expense	(331)	(31)	(149)	(159)	(18)	(56)
Net profit for the year	**913**	**181**	**360**	**472**	**17**	**135**

RESULTS: BALANCE SHEET

	PGK (MILLION)			USD (MILLION)		
	2012	2013	2014	2012	2013	2014
ASSETS						
Cash and cash equivalents	448	423	153	214	167	59
Trade and other receivables	212	295	228	101	117	78
Inventories	483	453	385	205	201	148
Income tax refundable	49	77	6	24	31	3
Other	30	40	53	15	16	20
Total current assets	**1,222**	**1,288**	**825**	**559**	**532**	**308**
Financial assurance fund	483	577	594	230	228	229
Property, plant and equipment	1,682	1,819	2,268	740	758	874
Restoration and rehabilitation	121	78	49	47	32	19
Deferred Income Tax Asset	0	0	42	0	0	16
Other	14	297	50	8	117	19
Total non-current assets	**2,300**	**2,771**	**3,003**	**1,025**	**1,135**	**1,157**
LIABILITIES						
Trade and other payables	156	362	161	74	143	49
Income tax payables	0	0	0	0	0	0
Derivative financial instrument	17	0	0	9	0	0
Provisions	118	60	49	56	24	21
Total current liabilities	**291**	**422**	**210**	**139**	**167**	**70**
Deferred income tax liability	125	259	0	60	103	0
Restoration and rehabilitation	476	577	577	227	228	222
Derivative financial instrument	0	0	0	0	0	0
Provisions	23	0	4	11	0	2
Total non-current liabilities	**624**	**836**	**581**	**298**	**331**	**224**
NET ASSETS	**2,607**	**2,801**	**3,037**	**1,147**	**1,169**	**1,171**
Share capital	195	195	195	234	234	234
Reserves	(13)	0	0	(5)	0	(83)
Retained earning	2,425	2,606	2,842	918	935	1,020
Total equity	**2,607**	**2,801**	**3,037**	**1,147**	**1,169**	**1,171**

PRODUCTION

During 2014, mine to mill production decreased compared to 2013 largely due to a decrease in direct-mined ore reporting to the mill. This decrease was due to a number of environmental factors that impacted the ability to access higher grade ore. Heavy rains resulted in restricted access to ore in the pit floor due to flooding and the access ramp was blocked due to instability along the Western Wall fault resulting in a loss of access on the main ramp into the pit due to minor landslides. Lower grade ore was mined from stockpile material to bolster production where possible and used as mill feed, whilst development work was completed to restore full access to the pit. The processing plant production was also lower due to a major failure of a SAG mill shell and major outages of the primary crusher. Overall total mill throughput decreased by 14% which reflected a drop of 16% below budget whilst concentrate production was 31% below budget.

This production slowdown is also reflected in a decrease in year on year sales revenue from lower export tonnages.

REVENUE

Gross revenues were 15% down in USD terms (13% in PGK terms) against the original budget for 2014 mainly due to the net effect of reduced shipments and lower metal prices. This is a drop of 18% in USD terms and 7% in PGK terms as compared to 2013. Concentrate shipments were 13.4% down on budget due to the lower production, whilst realised copper and gold prices were 3% and 5% above budget respectively. The strengthening USD bolstered PGK revenues.

OPERATING COSTS

Cost per tonne mined was 4.7% higher against budget (actual USD 3.33/t; budget USD 3.18/t) due to lower total material mined despite a lower cost value by 4.5%. Cost per tonne milled was almost in line with budget (actual USD 7.97/t; budget USD 7.96/t) despite a 15.8% lower cost value due to 15.9% less tonnes milled compared to budget.

Cash operating costs for 2014 were PGK 1,283 million (USD 508 million), which was PGK 243 million lower than in 2013 PGK 1,526 million (USD 772 million). While this was a positive result, major favourable variances were partly attributable to lower milling activity. More notable was the delivery of cost reductions initiated in 2013 and incorporated into the 2014 budget of PGK 150 million (USD 60 million). Major year on year cost reductions were caused by removing the impact of, for example, redundancy costs, including salaries, labour and accommodation. Costs were contained in all other cost categories despite internally sourcing certain activities.

RECEIVABLES

Trade and other Receivables for 2014 PGK 228 million (USD 78 million) were lower by 23% than in 2013 PGK 295 million (USD 117 million) due to lower shipments during the last quarter of 2014, brought about by lower production, but higher than what was budgeted for in 2014 PGK 170 million (USD 68 million).

INVENTORY

During the year the relatively high opening inventory of concentrate due to elevated Fluorine levels encountered late in 2013, decreased with more concentrate shipped (381,000 dmt) than concentrate produced (308,000 dmt). At the end of 2014, the closing concentrate inventories were a low 8,000 dmt. This drawdown in inventory, being higher than budgeted, also contributed to the lower operating costs, due to lower comparative milling volumes.

NON-CURRENT ASSETS

The Financial Assurance Fund increased from PGK 577 million to PGK 594 million due to the strengthening of the USD against PGK, with no significant change in the USD value of the portfolio (USD 229 million).

Significant capital expenditure in the year included West Wall Pit stripping and payments for new mining equipment. Higher depreciation was charged during the year due to significant capital expenditure in 2012 and 2013, offset by the extension of mine life for depreciation purposes to 2022.

Fly Resilience ore concentrate barge at Kiunga waiting to be loaded

CURRENT LIABILITIES

Total current liabilities were significantly higher (75%) than budgeted for 2014. This was mainly due to a collective drop in creditors and borrowings by over a half, a larger reduction in provisions for Income Tax/refunds and a minor increase in "Other Provisions".

NON-CURRENT LIABILITIES

A slight increase of 4% between budget and actual total non-current liabilities occurred and this was largely due to an increase in the provision for deferred income tax.

The Ok Tedi Financial Assurance Fund is in place to meet the statutory mine closure requirements. In 2014 the fund was at PGK 594 million, a 3% increase compared to 2013.

EQUITY

Nil reserves existed at year-end as the hedging contracts finally expired in mid-2013.

A dividend of USD 124 million (USD 50 million) was declared during the year. In addition a sum of PGK 211 million (USD 83.1 million) was paid out through a Foreign Currency Translation Reserve.

	2012	2013	2014
Earnings Before Interest and Taxes (EBIT) PGK million	1,244	212	509
EBIT Margin	37%	8%	21%

THREE-YEAR SUMMARY OF C1 CASH COST

		USD	
	2012	2013	2014
Copper Cash Cost	2.99	3.49	3.88
Metal Credits	(2.50)	(2.21)	(1.75)
Cash Cost	**0.49**	**1.28**	**2.13**

OK TEDI MINING LIMITED FINANCIAL REPORT 2014

Annual Report of the Directors to the Shareholders	86
Independent Auditor's Report to the Shareholders	88
FINANCIAL STATEMENTS:	
Statements of Comprehensive Income	90
Statements of Changes in Equity	91
Statements of Financial Position	92
Statements of Cash Flows	93
Notes to and forming part of the Financial Statements	94

ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014.

ACTIVITIES

During the year, the Group has continued its principal activity of mining and processing copper ore. Shipments for the year totalled 381,075 (2013: 394,622) dry metric tonnes of copper concentrate.

FINANCIAL RESULTS

The Group made a profit after tax of K362,813,000 for the year (2013 of K180,744,000). Although shipments and metal prices were down on the prior year, this was partly offset by lower operating costs. The 2013 year also included one-off redundancy costs of K224,150,000.

DIRECTORS

The Directors as at balance date were:

Sir M. Avei (Chairman)
Mr N. Parker (Managing Director/CEO)
Mr D. Vele
Dr M. Gumoi
Dr J. Weiss
Dr R. Higgins
Mr G. Kuri

The Company Secretaries as at balance date were:

Mr E. Tajonera
Mr C. Clark

DIVIDENDS

The dividends declared during the year amounted to USD50,000,000 (K124,069,000) (2013: K Nil).

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 2014

DIRECTORS' REMUNERATION

The following Directors' fees and remuneration were paid during the year:

	2014 K'000	2013 K'000
Mr N. Parker	4,733	3,353
Mr A. Roberts	-	270
Dr J. Weiss	254	-
	4,987	**3,623**

REMUNERATION OF EMPLOYEES

Remuneration paid to employees during the year, in excess of K100,000 in bands of K100,000 were:

SALARY BANDS K'000	NO. OF EMPLOYEES
100-199	238
200-299	38
300-399	8
400-499	14
500-599	21
600-699	30
700-799	9
800-899	5
900-999	4
1,000-1,099	5
1,100-1,199	2
1,200-1,299	3
1,300-1,399	2
1,600-1,699	2
1,800-1,899	2
4,700-4,799	1

Signed for, and on behalf of, the Board on 26 February 2015.

DIRECTOR

DIRECTOR

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF OK TEDI MINING LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ok Tedi Mining Limited (the Company), which comprise the statements of financial position as at 31 December 2014, 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 that 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 2014 or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of these financial statements such that they give a true and fair view in accordance with generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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OPINION

In our opinion, the accompanying financial statements:

1. comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
2. give a true and fair view of the financial position of the Company and the Group as at 31 December 2014, and their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act 1997 requires 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 2014:

1. we have obtained all the information and explanations that we have required;
2. in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records; and
3. other than in our capacity as auditor, we have no relationship with, or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and the Group.

RESTRICTION ON DISTRIBUTION OR USE

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

STEPHEN BEACH

Partner
Registered under the Accountants Registration Act 1996

Lae
February 2015

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

		CONSOLIDATED		COMPANY	
	NOTE	2014 K'000	2013 K'000	2014 K'000	2013 K'000
CONTINUING OPERATIONS					
Operating revenue:					
Sales revenue	4(a)	2,469,945	2,670,179	2,469,945	2,670,179
Other operating income	4(b)	5,773	37,305	841	4,931
Total operating revenue		**2,475,718**	**2,707,484**	**2,470,786**	**2,675,110**
Mining costs		(168,908)	(248,865)	(168,908)	(248,865)
Processing costs		(538,358)	(672,474)	(537,024)	(672,474)
Increase (decrease) in inventories of product on hand and in process		(107,390)	(46,929)	(107,390)	(46,929)
General and administrative costs	5	(588,837)	(842,773)	(588,346)	(811,667)
Depreciation and amortisation		(314,362)	(570,421)	(313,982)	(570,421)
Exploration costs		(46,054)	(34,537)	(46,054)	(34,537)
Marketing costs		(243,977)	(274,041)	(243,977)	(274,041)
Total operating costs		**(2,007,886)**	**2,690,040**	**(2,005,681)**	**(2,658,934)**
Profit from operating activities		**467,832**	**17,444**	**465,105**	**16,176**
Finance income		54,847	200,247	54,870	200,154
Finance costs		(10,894)	(5,132)	(10,894)	(4,976)
Net finance (cost) income	6	43,953	195,115	43,976	195,178
Profit before income tax		**511,785**	**212,559**	**509,081**	**211,354**
Income tax expense	7	(148,972)	(30,645)	(148,993)	(30,610)
Net profit for the year		**362,813**	**181,914**	**360,088**	**180,744**
Other comprehensive income:					
Changes in fair value of derivative financial instruments		-	18,864	-	18,864
Tax effect of change in fair value of derivative financial instruments		-	(5,301)	-	(5,301)
Total other comprehensive income for the year		-	13,563	-	13,563
Total comprehensive income for the year		**362,813**	**195,477**	**360,088**	**194,307**

This statement is to be read in conjunction with the Notes on pages 94 -117.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

				CONSOLIDATED		COMPANY	
	NOTE	ORDINARY SHARES K'000	HEDGE RESERVE K'000	RETAINED EARNINGS K'000	TOTAL K'000	RETAINED EARNINGS K'000	TOTAL K'000
Balance at 1 January 2013		**195,102**	**(13,563)**	**2,422,070**	**2,603,609**	**2,425,283**	**2,606,822**
Comprehensive income							
Net profit for the year		-	-	181,914	181,914	180,744	180,744
Other comprehensive income		-	13,563	-	13,563	-	13,563
Contributions and distributions to the shareholders							
Dividends declared	22	-	-	-	-	-	-
Balance at 31 December 2013		**195,102**	**-**	**2,603,984**	**2,799,086**	**2,606,027**	**2,801,129**
Comprehensive income							
Net profit for the year		-	-	362,813	362,813	360,088	360,088
Other comprehensive income		-	-	-	-	-	-
Contributions and distributions to the shareholders							
Dividends declared	22	-	-	(124,069)	(124,069)	(124,069)	(124,069)
Balance at 31 December 2014		**195,102**	**-**	**2,842,728**	**3,037,830**	**2,842,046**	**3,037,148**

This statement is to be read in conjunction with the Notes on pages 94 -117.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		CONSOLIDATED		COMPANY	
	NOTE	2014 K'000	2013 K'000	2014 K'000	2013 K'000
NON-CURRENT ASSETS:					
Property, plant and equipment	8	1,266,025	1,344,585	1,264,617	1,344,413
Mine development costs	9	1,003,226	475,017	1,003,226	475,017
Restoration and rehabilitation	10	48,725	78,240	48,725	78,240
Deferred income tax asset, net	18	41,908	-	41,765	-
Investment in subsidiaries	26(c)	-	-	115	26
Financial assurance fund	27	594,604	576,817	594,604	576,817
Trade and other receivables	11	49,964	77,262	49,875	77,262
Total non-current assets		**3,004,452**	**2,551,921**	**3,002,927**	**2,551,775**
CURRENT ASSETS:					
Cash and cash equivalents	12	226,007	570,902	153,276	423,470
Trade and other receivables	13	282,892	337,768	280,989	334,774
Inventories	14	384,872	452,826	384,872	452,826
Income tax refundable	16	6,624	78,087	6,493	77,214
Total current assets		**900,395**	**1,439,583**	**825,630**	**1,288,284**
Total ASSETS		**3,904,847**	**3,991,504**	**3,828,557**	**3,840,059**
CURRENT LIABILITIES:					
Trade and other payables	15	171,077	367,874	160,906	361,778
Other liabilities	17	114,079	204,681	48,642	60,347
Total current liabilities		**285,156**	**572,555**	**209,558**	**422,125**
NON-CURRENT LIABILITIES:					
Deferred income tax liability, net	18	-	42,719	-	39,661
Provision for restoration and rehabilitation	20	577,081	577,144	577,081	577,144
Other provisions	19	4,780	-	4,780	-
Total non-current liabilities		**581,861**	**619,863**	**581,861**	**616,805**
Total LIABILITIES		**867,017**	**1,192,418**	**791,419**	**1,038,930**
NET ASSETS		**3,037,830**	**2,799,086**	**3,037,148**	**2,801,129**
SHAREHOLDERS' EQUITY:					
Ordinary shares	21	195,092	195,102	195,102	195,102
Retained earnings		2,842,728	2,603,984	2,842,046	2,606,027
Total SHAREHOLDERS' EQUITY		**3,037,830**	**2,799,086**	**3,037,148**	**2,801,129**

These financial statements were authorised for issue by the Board on 26 February 2015.

For, and on behalf of, the Board.

DIRECTOR

DIRECTOR

This statement is to be read in conjunction with the Notes on pages 94 -117.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

		CONSOLIDATED		COMPANY	
	NOTE	2014 K'000	2013 K'000	2014 K'000	2013 K'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers		2,593,813	2,648,885	2,559,447	2,586,776
Payments to suppliers and others		(1,979,660)	(1,937,569)	(1,869,981)	(1,842,486)
Cash Generated From Operations		**614,153**	**711,316**	**689,466**	**744,290**
Interest received		3,175	3,618	3,164	3,071
Realised gold and copper hedge settlements	2(b)(ii)	-	(14,148)	-	(14,148)
Fund received from trustee		-	137,673	-	-
Income tax paid	16	(125,200)	(104,966)	(125,200)	(104,966)
Net Cash Generated From Operating Activities		**492,128**	**733,493**	**567,430**	**628,247**
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	8	(348,799)	(389,719)	(348,061)	(389,719)
Mine development expenditures	9	(417,327)	(318,472)	(417,327)	(318,472)
Proceeds from sale of property, plant and equipment		1,569	214	1,569	214
Ok Tedi Power Limited investment and loans		-	-	(1,339)	-
Net Cash Used In Investing Activities		**(764,557)**	**(707,977)**	**(765,158)**	**(707,977)**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividends paid	22	(116,467)	-	(116,467)	-
Net Cash Used In Financing Activities		**(116,467)**	**-**	**(116,467)**	**-**
Net (decrease)/increase in cash and cash equivalents		(388,896)	25,516	(314,195)	(79,730)
Cash and cash equivalents at beginning of the year		570,902	490,110	423,470	447,924
Foreign exchange effect on foreign currency balances		44,001	55,276	44,001	55,276
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	226,007	570,902	153,276	423,470

This statement is to be read in conjunction with the Notes on pages 94 -117.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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 general purpose 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 most 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 its issue.

Changes in Accounting Policies and Disclosures

(a) Standards, amendment and interpretations effective in 2014

The following new standards and amendments were applicable for the first time during the accounting period beginning 1 January 2014:

- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities (effective 1 January 2014) provides an exemption to investment entities from consolidating controlled investees. Instead, they will measure them at fair value through profit and loss. The entity is not an investment entity and will not therefore be affected by these amendments.
- Narrow scope amendments to IAS 36 "Impairment of assets" (effective 1 January 2014) address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The entity has no such impaired assets.
- Amendments to IAS 32, "Financial instrument: Presentation" (effective 1 January 2014). These amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Narrow scope amendments to IAS 39, "Financial instruments: Recognition and measurement" in relation to novation of derivatives (effective 1 January 2014). These amendments provide relief from discontinued hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- IFRIC 21 "Levies" (effective 1 January 2014). This is an interpretation to IAS 37, "Provisions, contingent liabilities and contingent assets" IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have present obligation as a result of past event (known as obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

(b) Standards, amendments and interpretations issued but not effective for the year ended 31 December 2014 or adopted early

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2015 or later periods, but the entity has not early adopted them:

- Amendment to IAS 19 regarding defined benefit plans (effective 1 July 2014). These narrow scope amendments simplify the accounting for contributions to defined benefit plans that are independent of the number of years of employee service.
- Annual improvements 2012 (effective 1 July 2014) makes minor changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 37 and IAS 39.
- Annual improvements 2013 (effective 1 July 2014) makes minor changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendment to IFRS 11 "Joint arrangements" on acquisition of an interest in a joint operation (effective 1 January 2016). These amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- Amendment to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture", regarding bearer plants (effective 1 January 2016). These amendments require bearer plants to be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The produce growing on bearer plants will remain within the scope of IAS 41.
- Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets", on depreciation and amortisation (effective 1 January 2016). These amendments clarify that the use of revenue-based methods to calculated depreciation and amortisation are not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- IFRS 14 "Regulatory deferral accounts" (effective 1 January 2016) permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS.

- Amendments to IAS 27 "Separate financial statements" on the equity method (effective 1 January 2016). These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (effective 1 January 2016) in relation to the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Annual improvements 2014 (effective 1 January 2016) makes minor changes to IFRS 5, IFRS 7, IAS 19, and IAS 34.
- IFRS 15 "Revenue from contracts with customers" (effective 1 January 2017) is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- IFRS 9, 'Financial Instruments" (effective 1 January 2018) replaces the guidance in IAS 39 with a standard that is less complex and principles based. The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, relaxes the requirements for hedge accounting and introduces an expected credit losses model that replaces the current incurred loss impairment model.

(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

Revenue from the sale of copper concentrate, which also contain quantities of gold and silver, is brought to account at the time of shipment to the buyer; when the significant risks and rewards of ownership have been transferred to the buyer; the Group no longer has control over the goods; and the amount of revenue can be reliably estimated. 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 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 customer's 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 in 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 a three months forward price for copper and spot prices at year end for gold and silver.

The average forward prices used at 31 December 2014 were USD2.85 per pound for copper (31 December 2013: USD3.34), USD1,196 per ounce for gold (31 December 2013: USD1,222) and USD16 per ounce for silver (31 December 2013: USD20).

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

(D) MINERAL HEDGING

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. On the date a derivative contract is entered into, the Group designates the contract as a hedge against specific future production. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged.

Changes in the fair value of derivatives that are designated against future production and that qualify as cash flow hedges, and are deemed highly effective, are recognised in equity. Amounts deferred in equity are transferred to the income statement and classified as revenue in the same periods during which the hedged sales affect the income statement.

Certain derivative instruments, while providing effective economic hedges under the Company's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39, "Financial Instruments - Recognition and Measurement". Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecast production is ultimately recognised in the income statement. If the committed or forecast production is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific forecast concentrate sales. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group obtains a valuation from an external party.

(E) 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 Company and the cost of the item can be reliably measured.

Certain properties owned by the company 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 on a straight-line basis over their estimated economic lives or the expected life of the mine, whichever is shorter. Capital spare parts are depreciated over the life of the equipment for which they are purchased.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(E) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Buildings and improvements	5 years to life of mine
Automotives 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	10 years to life of mine

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 (note 8).

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

(F) 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 being amortised on a straight-line basis over the life of the open pit mine (note 9).

All post-production exploration expenditure is expensed as incurred.

(G) DEFERRED STRIPPING COST

Deferred stripping costs represent the costs incurred in removing overburden and other mine waste materials during the operation 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.

Capitalisation of development stripping costs ceases at the time that saleable material begins to be extracted from the additional ore body associated with the stripping campaign. The stripping asset is then amortised over the life of the additional ore body accessed on a unit of production basis.

(H) 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 (note 20) 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 (note 10).

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 estimate amount and timing of future cash flows are adjusted against the carrying amount of the related asset.

(I) 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(h).

(J) 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.

(K) 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.

(L) 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 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.

(M) 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.

(N) 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.

(O) FINANCIAL INSTRUMENTS

a) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: (a) loans and receivables; (b) available-for-sale securities; (c) held-to-maturity securities; and (d) at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group does not hold any financial assets under category (c) at the end of each reporting period.

Where possible, financial assets are supported by collateral or other security. These arrangements are described in the individual accounting policies associated with each item.

Loans and receivables are non-derivative financial assets with fixed or determinable payments: (i) that are not quoted in an active market, (ii) with no intention of being traded, and (iii) that are not designated as available-for-sale. They are included in current assets, except for those with maturities greater than twelve (12) months after the reporting period, which are then classified as non-current assets.

The Group's loans and receivables consist of cash and cash equivalents and trade and other receivables.

The Company's investment in the Financial Assurance Fund is classified as fair value through profit or loss.

(ii) Recognition and measurement

Initial measurement

Regular-way purchases and sales of financial assets are recognised on trade date (the date on which the Group commits to purchase or sell the asset). Loans and receivables are initially recognized at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

The Financial Assurance Fund investments are measured at fair value.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows have expired or the Group has transferred substantially all risks and rewards of ownership to the financial assets.

(iv) Impairment of financial assets

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;

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(O) FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Impairment of financial assets (continued)

- 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, it is 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 update 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 income.

b) Financial liabilities

(i) Classification

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.

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

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.

The Group's financial liabilities at amortised cost only consist of trade and other payables.

(ii) Recognition and measurement

Financial liabilities at amortised cost are recognised when the Group becomes a party to the contractual provision of the instrument. Financial liabilities at amortised cost are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.

(iii) Derecognition

Financial liabilities are derecognised when and only when the obligation is extinguished, i.e., when the obligation is discharged or cancelled or has expired.

(P) 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).

(Q) 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.

(R) 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 24(d).

(S) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently, where required, reduced by provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount. The amount of the provision is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited against expenses in the income statement.

(T) COMPARATIVE FIGURES

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

(U) 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.

(V) 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.

(W) 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.

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	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Financial Assets:				
Cash and cash equivalents	226,007	570,902	153,276	423,470
Trade and other receivables	282,892	337,768	280,989	334,774
Financial assurance fund	594,604	576,817	594,604	576,817
	1,103,503	**1,485,487**	**1,028,869**	**1,335,061**
Financial Liabilities:				
Trade and other payables	171,077	367,874	160,906	361,778
	171,077	**367,874**	**160,906**	**361,778**

(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 2014 for United States dollars and Australian dollars were 0.3855 and 0.4656 equal to one Kina respectively (31 December 2013 - 0.3955 and 0.4443 respectively).

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) MARKET RISK FACTORS (CONTINUED)

At 31 December 2014, 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 K15.3 million (31 December 2013: K68.7 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated provision for restoration & rehabilitation, trade receivables and cash at bank.

Monetary assets and liabilities denominated in foreign currencies, at balance date, are as follows:

	CONSOLIDATED		COMPANY	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Assets:				
Cash – US Dollars	126,706	332,351	126,706	310,749
– Australian Dollars	15,828	55,666	14,717	54,129
Receivables – US Dollars	187,587	277,079	187,549	277,051
Financial Assurance Fund receivable – US Dollars	594,604	576,817	594,604	576,817
Liabilities:				
Payables – US Dollars	24,132	68,289	24,132	68,289
– Australian Dollars	31,232	21,477	31,207	21,101
Provision-Shares in Success – US Dollars	-	40,998	-	19,404
Provision-Restoration & rehabilitation – US Dollars	577,081	577,144	577,081	577,144

(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 2014, a fluctuation of USD110 per tonne (USD0.05/pound) in the price of copper would have an effect of K18.7 million (USD7.4 million) on the NPAT. A fluctuation of USD10/ounce in the price of gold would have an effect of K6.0 million (USD2.4 million) on NPAT. These sensitivities assume all other variables remain constant.

The Company no longer enter into hedges of its copper and gold production.

Included in operating profit for the year is derivative financial instrument income (losses) of:

		CONSOLIDATED		COMPANY	
	NOTE	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Gold hedging – Realised gain/(loss)		-	(14,148)	-	(14,148)
– Unrealised gain/(loss)		-	-	-	-
Total Hedging Gain/(Loss)	**4(a)**	**-**	**(14,148)**	**-**	**(14,148)**

The Company is exposed to debt securities price risk. These 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 2014, the Company had an average of USD86 million (2013: USD190 million) cash at any given time. On average 70% (USD60 million) of these funds were invested in Short-Term Deposits (1 to 90 days) and earned an average of 0.3% per annum. The Company had no borrowings during 2014.

At 31 December 2014, if interest rates had changed by 100 basis points from the year-end rates with all other variables held constant, NPAT for the year would have been USD0.02 million lower/higher, mainly as a result of higher/lower interest incomes from cash and cash equivalents.

(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 risks 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 requires 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 below analyses the Company'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.

	1 YEAR	AND 2 YEARS	AND 5 YEARS	5 YEARS
	K'000	K'000	K'000	K'000
At 31 December 2014				
Trade and other payables	160,906	-	-	-
At 31 December 2013				
Trade and other payables	361,778	-	-	-

During the year, the Company entered into a bank overdraft facility amounting to K100 million and a term facility amounting to K195 million. These facilities were undrawn during the year.

(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, 2014 and 2013.

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, 2014. The Company holds no other financial instruments that are carried at fair value in 2014 and 2013.

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, 2014 and 2013.

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.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(F) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard their 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 its 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 2014 and 31 December 2013 were as follows:

		CONSOLIDATED		COMPANY	
	NOTE	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Trade and other payables	15	171,077	367,874	160,906	361,778
Income tax payable		-	-	-	-
Less: Cash and cash equivalents	12	(226,007)	(570,902)	(153,276)	(423,470)
Net debts		(54,930)	(203,028)	7,630	(61,692)
Equity		3,037,830	2,799,086	3,037,148	2,801,129
Total capital		2,982,900	2,596,058	3,044,778	2,739,437
Gearing Ratio		**(0.02)**	**(0.08)**	**0.003**	**(0.023)**

The increase in the gearing ratio during 2014 resulted primarily from lower trade and other payables as at balance date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The most significant estimates and judgements relate to the long term copper and gold price, Ore 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 Resource and Ore Reserve estimates

Mineral Resource and Ore Reserve 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 Resource 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 Ore Reserves uneconomic;
- Increases in mining costs and processing costs could adversely affect the economics of Mineral Resources; and
- The grade of Mineral Resources 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 Ore Reserves.

Any of these factors may require the Company to reduce Mineral Resource and Ore Resource estimates or increase its costs.

(ii) Life of Mine

In 2013, Management changed the estimated life of mine through which the mining and processing of copper ore operation of the open pit mine 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 2025. Although Special Mine Lease 1 (SML 1) expires in 2022, management are confident that renewal of the lease beyond 2022 is highly probable.

The impact of a change in life of mine estimate is applied prospectively from the beginning of the financial year during which the change has been determined. The financial effect of increasing the estimated mine life by one year would be to decrease the life of mine asset's depreciation and amortisation for 2014 by K1 million.

(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(h) and note 24). 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. The most recent Mine Closure Plan estimated a cost at mine closure in 2013 of USD227 million. With the life of mine extension to 2025, the Company will be preparing another Detailed Mine Closure Plan in 2016. The amount of provision recognised at balance sheet date is the latest estimated cost of 2013 of USD227 million escalated to 2025 at an inflation rate of 1.90 percent and is discounted using a discount rate of 2.20 percent (2013: 0.38 percent).

(iv) Provision for Obsolescence

Consumable items that have not been issued in the last two years are included as part of current inventory. A full provision however is made for potential write-off of these items. Management considers that it is prudent to make such provision given the uncertainties concerning the remaining life of the open pit mine.

(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 eventuates are:

	CONSOLIDATED		COMPANY	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Property, plant and equipment	1,266,025	1,344,585	1,264,617	1,344,413
Mine development	1,003,226	475,017	1,003,226	475,017
Restoration and rehabilitation	48,725	78,240	48,725	78,240
Road co-prepayment	-	1,433	-	1,433
Total Costs At Risk	**2,317,976**	**1,899,275**	**2,316,568**	**1,899,103**

(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(p)), the Company has undertaken an assessment of impairment indicators and determined that the lower metal price environment through 2014 and into the near future was an indicator of potential impairment of long term assets.

Accordingly, an assessment of the recoverable amount of the long term assets was performed on a value-in-use basis. 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 USD3.00/lb for copper and USD1,100/oz for gold, with sensitivity up to USD1,200 for gold. These are consistent with external sources of information.
- Remaining mine life of 11 years and recoverable ore of 257Mt
- Discount rate sensitivities ranging from 7.5% to 14%

Should the discount rate increase (decrease) by +/-1%, total net present value of property plant and equipment and other noncurrent assets would increase (decrease) by approximately USD40 - 50 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 2014.

		CONSOLIDATED		COMPANY	
	NOTE	2014 K'000	2013 K'000	2014 K'000	2013 K'000
4 (A) SALES REVENUE					
Copper		1,563,966	1,602,557	1,563,966	1,602,557
Gold		908,756	1,091,218	908,756	1,091,218
Silver		29,371	45,143	29,371	45,143
Finalisation/revaluation adjustments	1(d)	(32,148)	(68,739)	(32,148)	(68,739)
Total Sales Revenue		**2,469,945**	**2,670,179**	**2,469,945**	**2,670,179**
4 (B) OTHER OPERATING INCOME					
Airfares recoveries		-	53	-	53
Other		5,773	37,252	841	4,878
Total Other Operating Income		**5,773**	**37,305**	**841**	**4,931**
5. GENERAL AND ADMINISTRATIVE COSTS					
Employee and external relations		221,902	224,013	192,842	213,330
Commercial and managing director cost		224,658	225,091	224,658	225,091
Business strategy and support		90,349	183,685	90,349	183,685
Other expenses		51,928	209,984	80,498	189,561
Total Operating Costs		**588,837**	**842,773**	**588,347**	**811,667**
Included in the operating profit before tax are the following items:					
Auditor's remuneration:					
- Auditing services		1,001	842	730	645
- Other services		75	396	75	396
Donations		1,089	1,151	1,089	1,151
6. FINANCE INCOME AND COSTS					
Interest income		3,784	3,164	3,772	3,071
Unwinding of discount on long term provisions:					
- Restoration and rehabilitation		(10,894)	(5,132)	(10,894)	(4,976)
Net foreign exchange (gain) or loss		51,063	197,083	51,098	197,083
Total Net Finance Income		43,953	195,115	43,976	195,178

	NOTE	CONSOLIDATED 2014 K'000	CONSOLIDATED 2013 K'000	COMPANY 2014 K'000	COMPANY 2013 K'000
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		511,785	212,556	509,081	211,354
Prima facie tax on the profit for the year at 30%		153,536	63,767	152,724	63,406
Tax effect of permanent differences:					
Non-deductible items		119	36	119	36
Non-taxable income		(1,869)	1,448	(1,036)	1,485
Double deduction – staff training and pacific games		(1,379)	(1,075)	(1,379)	(1,075)
Dividend payment exchange		(11)	-	(11)	-
Unrealised exchange (gain)/loss		1,154	(34,604)	1,154	(34,315)
Under/(over) provision in prior years		(2,578)	1,073	(2,578)	1,073
Income Tax Expense		**148,972**	**30,645**	**148,993**	**30,610**
TAX EXPENSE COMPRISES:					
Income tax - current year	16	220,379	115,720	220,257	116,592
Deferred tax- current year	18(a)	(68,829)	(87,759)	(68,686)	(87,055)
Prior year adjustment		(2,578)	2,684	(2,578)	1,073
Total Income Tax Expense		**148,972**	**30,645**	**148,993**	**30,610**

8. PROPERTY, PLANT AND EQUIPMENT

	NOTE	BUILDINGS AND IMPROVEMENTS K'000	PLANT, MACHINERY AND EQUIPMENT K'000	CAPITAL WORKS IN PROGRESS K'000	TOTAL K'000
Opening cost 1 January 2014		336,556	3,395,282	416,369	4,148,207
Opening accumulated depreciation		(311,474)	(2,492,320)	-	(2,803,794)
Opening net book value		25,082	902,962	416,369	1,344,413
Additions		-	-	348,061	348,061
Transfer to mine development costs			(111,610)		(111,610)
Transfer from capital works in progress		75,684	476,222	(551,906)	-
Disposals and adjustments		(2)	(2,991)	-	(2,993)
Depreciation charge	3(a)	(14,677)	(298,577)	-	(313,254)
Closing Net Book Value 31 December 2014		**86,087**	**966,006**	**212,524**	**1,264,617**
Closing Cost 31 December 2014		412,238	3,756,903	212,524	4,381,665
Accumulated depreciation		(326,151)	(2,790,897)	-	(3,117,048)
Closing Net Book Value 31 December 2014		**86,087**	**966,006**	**212,524**	**1,264,617**

	NOTE	BUILDINGS K'000	PLANT, MACHINERY AND EQUIPMENT K'000	CAPITAL WORKS IN PROGRESS K'000	TOTAL K'000
Opening cost 1 January 2013		316,168	2,698,675	744,562	3,759,405
Opening accumulated depreciation		(295,836)	(1,941,914)	-	(2,237,750)
Opening net book value		20,332	756,761	744,562	1,521,655
Additions		-	-	389,719	389,719
Transfer from capital works in progress		20,388	697,524	(717,912)	-
Disposals and adjustments		-	(917)	-	(917)
Depreciation charge	4(a)	(15,638)	(550,406)	-	(566,044)
Closing Net Book Value 31 December 2013		**25,082**	**902,962**	**416,369**	**1,344,413**
Closing Cost 31 December 2013		336,556	3,395,282	416,369	4,148,207
Accumulated depreciation		(311,474)	(2,492,320)	-	(2,803,794)
Closing Net Book Value 31 December 2013		**25,082**	**902,962**	**416,369**	**1,344,413**

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 K86,087,000 (2013: K25,082,000). 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 (ii)).

The schedule above do not include the OTDF property, plant and equipment which has a closing net book value of K1,408,000 (2013: K172,000).

There are no conditions that indicate impairment of property, plant and equipment as at 31 December 2014.

	PRE-PRODUCTION EXPENDITURE K'000	DEFERRED STRIPPING COST K'000	TOTAL K'000
9. MINE DEVELOPMENT COSTS			
Opening cost 1 January 2014	392,710	466,284	858,994
Accumulated amortisation	(383,977)	-	(383,977)
Opening net book value	**8,733**	**466,284**	**475,017**
Additions	-	417,326	417,326
Transfer from Property, plant and equipment	-	111,610	111,610
Amortisation	(727)	-	(727)
Closing Net Book Value 31 December 2014	**8,006**	**995,220**	**1,003,226**
Closing cost 31 December 2014	392,710	995,220	1,387,930
Accumulated amortisation	(384,704)	-	(384,704)
Closing Net Book Value 31 December 2014	**8,006**	**995,220**	**1,003,226**

	PRE-PRODUCTION EXPENDITURE K'000	DEFERRED STRIPPING COST K'000	TOTAL K'000
Opening cost 1 January 2013	392,710	147,812	540,522
Accumulated amortisation	(379,600)	-	(379,600)
Opening net book value	**13,110**	**147,812**	**160,922**
Additions	-	318,472	318,472
Amortisation	(4,377)	-	(4,377)
Closing Net Book Value 31 December 2013	**8,733**	**466,284**	**475,017**
Closing cost 31 December 2013	392,710	466,284	858,994
Accumulated amortisation	(383,977)	-	(383,977)
Closing Net Book Value 31 December 2013	**8,733**	**466,284**	**475,017**

		CONSOLIDATED		COMPANY	
	NOTE	2014 K'000	2013 K'000	2014 K'000	2013 K'000
10. RESTORATION AND REHABILITATION ASSET					
Opening net book value		78,240	120,621	78,240	120,621
Adjustment to provision	20	(29,338)	-	(29,338)	-
Amortisation		(177)	(42,381)	(177)	(42,381)
Closing Net Book Value	1(h)	**48,725**	**78,240**	**48,725**	**78,240**
Cost		447,127	476,464	447,127	476,464
Accumulated amortisation		(398,402)	(398,224)	(398,402)	(398,224)
Net Book Value		**48,725**	**78,240**	**48,725**	**78,240**
11. TRADE AND OTHER RECEIVABLES (NON-CURRENT)					
Advances to suppliers		49,875	60,994	49,875	60,994
Home Ownership Scheme loans		-	14,835	-	14,835
Others		89	1,433	-	1,433
Total Non-Current Other Assets		**49,964**	**77,262**	**49,875**	**77,262**
12. CASH AND CASH EQUIVALENTS					
Cash on hand		68	119	67	117
Cash at bank		165,939	217,423	153,209	170,443
Short term deposits		60,000	353,360	-	252,910
Total Cash and Cash Equivalents		**226,007**	**570,902**	**153,276**	**423,470**

	CONSOLIDATED		COMPANY	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
13. TRADE AND OTHER RECEIVABLES (CURRENT)				
Accounts receivable – trade	189,447	277,051	187,549	277,051
Accounts receivable – sundry (a), (b)	73,261	45,988	73,256	42,994
Home ownership scheme loans receivable	21,980	15,309	21,980	15,309
	284,688	338,348	282,785	335,354
Less: Provision for doubtful debts (c)	(1,796)	(580)	(1,796)	(580)
Total Current Receivables	**282,892**	**337,768**	**280,989**	**334,774**

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

(A) IMPAIRED RECEIVABLES

As at 31 December 2014, other receivables of the Group with a nominal value of K1.79 million which are over six months overdue (2013: K0.58million) are considered to be impaired. The amount of additional impairment provision was K1.21million (2013: K0.58million). 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 2014.

(B) PAST DUE BUT NOT IMPAIRED

As at 31 December 2014, sundry receivables of K3,595,000 (2013: K3,213,000) were past due but not impaired. These relate to employee, local, overseas and PNG sundry receivables for whom there is no recent history of default and/or regular partial payments are being received. The ageing analysis of these sundry receivables is as follows:

	60 DAYS	90 DAYS	120 DAYS	>120 DAYS	TOTAL
2014 K'000	331	514	289	2,461	3,595
2013 K'000	938	540	533	1,202	3,213

	CONSOLIDATED		COMPANY	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
(C) PROVISION FOR DOUBTFUL DEBTS				
Opening balance	580	3,784	580	3,784
Increase in provision	1,216	-	1,216	-
Write-offs applied against provision	-	(3,204)	-	(3,204)
Closing Balance	**1,796**	**580**	**1,796**	**580**

(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.

	NOTE	CONSOLIDATED 2014 K'000	CONSOLIDATED 2013 K'000	COMPANY 2014 K'000	COMPANY 2013 K'000
14. INVENTORIES (CURRENT)					
CONSUMABLES:					
Spare parts and consumables		341,048	320,397	341,048	320,397
Less: Provision for obsolete stock (a)		(116,488)	(98,566)	(116,488)	(98,566)
Goods in transit		111,177	102,539	111,177	102,539
Total Consumables		**335,737**	**324,370**	**335,737**	**324,370**
CONCENTRATE:					
Product in process		32,413	40,792	32,413	40,792
Product on hand		16,722	115,733	16,722	115,733
Less: Provision for high fluorine (a)		-	(28,069)	-	(28,069)
Total Concentrate		49,135	128,456	49,135	128,456
Total Current Inventories		**384,872**	**452,826**	**384,872**	**452,826**
(A) PROVISION FOR STOCK					
Opening balance		126,635	87,398	126,635	87,398
Reversal of high fluorine provision		(28,069)	-	(28,069)	-
Provisions created	4(a)	17,922	39,237	17,922	39,237
Closing Balance		**116,488**	**126,635**	**116,488**	**126,635**
15. TRADE AND OTHER PAYABLES (CURRENT)					
Accounts payable – trade		143,449	227,248	134,462	227,218
Accounts payable – other		27,628	140,626	26,444	134,560
Total Current Trade and Other Payables		**171,077**	**367,874**	**160,906**	**361,778**
16. INCOME TAX (REFUNDABLE) PAYABLE					
Opening balance refundable		(78,087)	(48,304)	(77,214)	(49,443)
Prior year adjustment		11,183	3,016	10,163	4,758
Tax expense	7	220,379	115,720	220,257	116,592
Interest withholding tax/Tax credit scheme		(34,499)	(43,553)	(34,499)	(44,155)
Payments		(125,200)	(104,966)	(125,200)	(104,966)
Closing Balance (refundable) payable		**(6,624)**	**(78,087)**	**(6,493)**	**(77,214)**
17. OTHER LIABILITIES (CURRENT)					
Employee entitlements		17,630	12,818	16,710	11,408
Community Mine Continuation Agreements		73,552	130,157	9,035	8,827
Compensation liability		16,376	14,718	16,376	14,718
Employee Incentives (SISS) accrual		-	40,998	-	19,404
Production levy		6,521	5,990	6,521	5,990
Total Other Current Liabilities		**114,079**	**204,681**	**48,642**	**60,347**

	NOTE	CONSOLIDATED 2014 K'000	CONSOLIDATED 2013 K'000	COMPANY 2014 K'000	COMPANY 2013 K'000
18. DEFERRED INCOME TAX (NON-CURRENT)					
Deferred Income Tax comprises:					
DEFERRED TAX ASSET:					
Provisions & employee benefits		215,353	215,901	215,210	215,901
Others		46,262	2,738	46,262	3,125
Total Deferred Tax Assets		**261,615**	**218,639**	**261,472**	**219,026**
DEFERRED TAX LIABILITY:					
Prepayments / consumables inventory		68,434	80,054	68,434	80,054
Property, plant and equipment		130,022	114,171	130,022	114,171
Others		21,251	67,133	21,251	64,462
Total Deferred Tax Liabilities		**219,707**	**261,358**	**219,707**	**258,687**
Net Deferred Tax (Assets) Liabilities		**(41,908)**	**42,719**	**(41,765)**	**39,661**
(A) MOVEMENT IN DEFERRED INCOME TAX (ASSET)/LIABILITY					
Opening balance		42,719	126,853	39,661	124,720
Prior year adjustment		(15,798)	(1,676)	(12,740)	(3,305)
Charged to income statement	7	(68,829)	(87,759)	(68,686)	(87,055)
Charged to equity		-	5,301	-	5,301
Closing Balance		**(41,908)**	**42,719**	**(41,765)**	**39,661**
19. PROVISIONS (NON-CURRENT)					
Employee entitlements (a)		4,780	-	4,780	-
Compensation provision		-	-	-	-
Employee incentives (SISS) provision		-	-	-	-
Total Non-Current Provisions		**4,780**	**-**	**4,780**	**-**
(A) EMPLOYEE ENTITLEMENTS (CURRENT AND NON-CURRENT)					
Opening balance		12,817	60,628	11,408	59,608
Provision created		75,649	133,068	75,167	131,466
Less: Payments made against the provision		(66,056)	(180,879)	(65,084)	(179,666)
Closing Balance		**22,410**	**12,817**	**21,491**	**11,408**
Current	17	17,630	12,817	16,711	11,408
Non-current		4,780	-	4,780	-
Closing Balance		**22,410**	**12,817**	**21,491**	**11,408**

	NOTE	CONSOLIDATED 2014 K'000	CONSOLIDATED 2013 K'000	COMPANY 2014 K'000	COMPANY 2013 K'000
20. PROVISION FOR RESTORATION AND REHABILITATION					
Opening balance		577,144	476,221	577,144	476,221
Adjustment to provision		(29,338)	-	(29,338)	-
Impact of change in exchange rate on provision		18,381	95,947	18,381	95,947
Interest charged	6 and 27	10,894	4,976	10,894	4,976
Closing Balance	**1(h)**	**577,081**	**577,144**	**577,081**	**577,144**

The adjustment to the provision relates to change in the estimated timing of future cash flows from 2015 to 2025 with the escalated inflation and discount rates in the period.

21. ORDINARY SHARES

Issued and paid up capital				
192,700,000 shares (2013: 192,700,000 shares)	**195,102**	**195,102**	**195,102**	**195,102**

In 2013, the Company cancelled 122,200,000 ordinary shares held by PNGSDP and issued new shares to the Independent State of PNG (note 28).

22. DIVIDENDS DECLARED AND PAID

As defined in the Company's Constitution, the Available Cash Flow of the prior financial year determines, without the need for declaration, the level of ordinary dividends payable each year.

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.

	CONSOLIDATED 2014 K'000	CONSOLIDATED 2013 K'000	COMPANY 2014 K'000	COMPANY 2013 K'000
Interim dividend	124,069	-	124,069	--
Total Dividends Declared	**124,069**	**-**	**124,069**	**-**

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

	CONSOLIDATED		COMPANY	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000

23. CONTINGENCIES

(A) GUARANTEES

ANZ	60,000	3,391	60,000	3,391
Total Guarantees	**60,000**	**3,391**	**60,000**	**3,391**

(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 CMCA's.

24. 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 670.8 million (USD 258.6 million) over eleven years from 2015 to 2027, which is approximately 85% of the existing package.

(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 USD 34.1 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 2014, the Company had contracted for capital commitments totalling K264,177,000 which are not provided for in the accounts (31 December 2013: K667,859,000).

(D) OPERATING LEASES

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

	CONSOLIDATED		COMPANY	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Due within 1 year	153,778	141,942	153,778	141,942
Due within 1-2 years	62,355	31,003	62,355	31,003
Due within 2-5 years	51,253	27,425	51,253	27,425
Total Operating Leases	**267,386**	**200,370**	**267,386**	**200,370**

25. 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 USD400,000,000 (inclusive of self-insured retentions).

Self-insured retentions (ISR) include: Property Damage – USD25,000,000; Business Interruption – first 30 days after insurable event plus USD2,500,000 at various layers of the cover.

26. INVESTMENT IN SUBSIDIARIES

The holding company's investment in subsidiaries comprises shares at cost.

	ORDINARY SHARES	% SHAREHOLDING
Ok Tedi Development Foundation Limited (a)	3	75%
OTML Shares in Success Limited (b)	2	100%
Ok Tedi Australia Pty Limited (c)	10,000	100%
Ok Tedi Power Limited	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.

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 2013: 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) OTML SHARES IN SUCCESS LIMITED (SISL)

SISL is the Trustee of OTML Shares in Success Scheme (SISS). SISS was established to provide rewards to Company employees for their individual and collective contributions to improving the productivity and profitability of the Company and to those employees who provide their services until mine closure.

As at 31 December 2014, the following liabilities existed:

		CONSOLIDATED		COMPANY	
	NOTE	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Opening balance		40,998	88,849	19,404	53,461
Provision created	29	-	18,827	-	18,827
Less: Payments made against the provision		(40,998)	(66,678)	(19,404)	(52,884)
Less: Exchange variance		-	-	-	-
Total SISL Liability		**-**	**40,998**	**-**	**19,404**
Current	17	-	40,998	-	19,404
Non-current	19	-	-	-	-
Total SISL Liability		**-**	**40,998**	**-**	**19,404**

The SISS ceased on 31 December 2013. Last fund distribution was paid in 2014.

(C) 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 as follows:

	CONSOLIDATED		COMPANY	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Opening balance	-	-	26	26
Total Investment	**-**	**-**	**26**	**26**

(D) 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 provide electricity in the Western Province, Papua New Guinea.

As at 31 December 2014, the Company's investment in OTPL at cost is as follows:

Opening balance	-	-	-	-
Investment during the year	-	-	88	-
Total Investment	**-**	**-**	**88**	**-**

27. 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 on 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(h)). The Company's most recent Detailed Mine Closure Plan which was approved by the Minister for Mining on 7 May 2012 was that the Fund should contain USD227 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. The next detailed review of the mine closure plan and cost estimate to reflect the continuation of the mine to 2025 will be performed in 2016. 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 2014 comprised a portfolio of investments, valued at balance date at K595million or USD229million (2013: K577million or USD228million). These investments are accounted for as a financial asset at fair value through profit or loss.

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)	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Opening balance	**576,817**	482,584	**576,817**	482,584
Contribution	-	-	-	-
Payment	(403)	-	(403)	-
Portfolio return - current year	3,227	(4,976)	3,227	(4,976)
Exchange variance	14,963	99,209	14,963	99,209
Closing balance	**594,604**	**576,817**	**594,604**	**576,817**

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

	CONSOLIDATED		COMPANY	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Total Assets	3,310,243	3,414,687	3,233,953	3,263,242
Total Liabilities	289,936	615,274	214,338	461,786

28. RELATED PARTY TRANSACTIONS

(A) OWNERSHIP

Shareholders and their respective shareholdings are as follows:

	ORDINARY SHARES	% HOLDING
Independent State of Papua New Guinea	169,200,000	87.8
Minerals Resources Ok Tedi No. 2 Limited	23,500,000	12.2
	192,700,000	**100**

On 19 September 2013, the PNG Parliament passed the 10th Supplemental Agreement cancelling the 122,200,000 shares of PNGSDP and issuing 122,200,000 new share to the State, making the Company a 100% State Owned Enterprise (SOE).

(B) TRANSACTIONS DURING THE YEAR

Transactions with the Independent State of Papua New Guinea predominantly comprise the payment of taxes and other statutory payments. During the year Ok Tedi Power generated income from Kiunga operations amounted to K1.6million (USD0.6million).

(C) KEY MANAGEMENT COMPENSATION

	2014 K'000	2013 K'000
Salaries and short-term employment benefits	11,759	13,709
Post-employment benefits	165	192
Total Compensation	**11,924**	**13,901**

Key management comprise the Managing Director, General Managers and Managers.

29. EMPLOYEE BENEFITS

The average number of people employed by the Company during the year was 1,830 (2013: 2,049).

Staff costs comprise of the following:

	CONSOLIDATED		COMPANY	
	2014 K'000	2013 K'000	2014 K'000	2013 K'000
Salaries and wages	247,474	237,002	238,786	235,856
Redundancy costs (a)	-	224,150	-	224,150
Contribution to retirement benefit funds	17,086	20,152	16,623	20,152
Other employee on-costs	59,434	80,582	56,345	80,218
Shares in Success (b)	-	22,536	-	22,536
Total Staff Costs	**323,994**	**584,422**	**311,754**	**582,912**

a) The Company terminated all employee contracts as at 31 December 2013 and paid out all entitlements to annual leave, sick leave and long service leave together with the approved redundancies payments. Certain employees were then offered new contracts with the Company on new terms and contracts.

b) The Shares in Success incentive scheme (note 26(b)) was a mechanism established to enable the Company to attract and retain employees by allowing them to share in the financial success of the Company.

The scheme ceased at 31 December 2013 with final entitlements paid in 2014.

30. 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.

31. POST BALANCE DATE EVENTS

No significant events occurred post balance date.

G.R.I. TABLES

GENERAL STANDARD DISCLOSURES

GENERAL STANDARD DISCLOSURES	GRI DESCRIPTION	REPORT SECTION - PAGE NUMBER/S
STRATEGY AND ANALYSIS		
G4-1	Statement from the CEO	CEO report - pp 12 - 15, MD reports, pp 15
G4-2	Key Impacts, risks and opportunities	Materiality - pp 28, Governance - pp 16, Performance and targets - pp 20, Risk 19
ORGANISATIONAL PROFILE		
G4-3	Name of Organisation	Company profile - pp 4
G4-4	Primary brands, products, and services	Company profile - pp 4
G4-5	Location of organisation's headquarters	Company profile - pp 4
G4-6	Number of countries where the organisation operates	Company profile - pp 4
G4-7	Nature of Ownership and legal form	Business - pp 18
G4-8	Markets served	Business - pp 18
G4-9	Scale of the organisation	Finance - pp 80 - 81
G4-10	Total number of employees	People - pp 46 - 48
G4-11	Percentage of total employees covered by collective bargaining agreements	People - pp 46 - 48
G4-12	Organisation's supply chain. Describe the organisation's supply chain	Business - pp 27
G4-13	Significant changes during the reporting period	Governance - pp 16 - 17
G4-14	How the precautionary approach or principle is addressed by the organisation	Governance - pp 19
G4-15	Externally developed principles or initiatives to which the organisation subscribes	Governance - pp 18
G4-16	Memberships of associations & national or international advocacy organisations	Governance - pp 18 - 19
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Entities included in the organisations consolidated financial statements	PWC statements - pp 85
G4-18	Process for defining the report content and the Aspect Boundaries	Company profile - pp 4
G4-19	List all material aspects identified in the process for defining report content	Materiality - pp 28 - 31
G4-20	For each material aspect, report the aspect boundary within the organisation	Materiality - pp 28 - 31
G4-21	For each material aspect, report the aspect boundary outside the organisation	Materiality - pp 28 - 31
G4-22	Report the effect of any restatements of information provided in previous reports	Company profile - pp 5
G4-23	Report significant changes from previous reporting periods in the Scope & Aspect Boundaries	Company profile - pp 5
STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups	Materiality - pp 29
G4-25	Basis for identification and selection of stakeholders	Materiality - pp 28 - 29
G4-26	Approaches to stakeholder engagement	Materiality - pp 28 Social Responsibility - pp 67 - 69
G4-27	Key stakeholder topics and concerns	Social Responsibility - pp 67 - 69
REPORT PROFILE		
G4-28	Reporting period	Company Profile - pp 5
G4-29	Date of most recent previous report	Company Profile - pp 5
G4-30	Reporting cycle	Company Profile - pp 5
G4-31	Contact point for the report	Contents - pp 124
G4-32	Report the 'In accordance' option	Company Profile - pp 4
G4-33	Organisation's policy and current practice with regard to seeking external assurance	Company Profile - pp 4
GOVERNANCE		
G4-34	Governance structure	Governance - pp 16 - 19
ETHICS AND INTEGRITY		
G4-56	Mission and values statement, codes of conduct and principles	Governance - pp 17 Vision and Mission pp 6 - 7

SPECIFIC STANDARD DISCLOSURES INCLUDING MINING AND METALS SUPPLEMENT

DMA AND INDICATORS	GRI DESCRIPTION	PAGE NUMBER/S
CATEGORY: ECONOMIC		
MATERIAL ASPECT: ECONOMIC PERFORMANCE		
G4-DMA	Disclosures on Management Approach	Materiality - pp 28
G4-EC1	Direct economic value generated and distributed	Social Responsibility - pp 75 - 79, Finance - pp 80
G4-EC4	Financial assistance received from government	Finance - pp 80
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS		
G4-DMA	Disclosures on Management Approach	Social Responsibility - pp 75
G4-EC7	Development and impact of infrastructure investments and services supported	Social Responsibility - pp 75 - 79
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Social Responsibility - pp 76
MATERIAL ASPECT: PROCUREMENT PRACTICES		
G4-DMA	Disclosures on Management Approach	Business - pp 79
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Social Responsibility - pp 79
CATEGORY: ENVIRONMENTAL		
MATERIAL ASPECT: WATER		
G4-DMA	Disclosures on Management Approach	Environment - pp 62 - 63
G4-EN8	Total water withdrawal by source	Environment - pp 62 - 63
G4-EN9	Water sources significantly affected by withdrawal of water	Environment - pp 62
G4-EN10	Percentage and total volume of water recycled and reused	Environment - pp 62 - 63
MATERIAL ASPECT: EFFLUENTS AND WASTE		
G4-DMA	Disclosures on Management Approach	Environment - pp 58
G4-EN22	Total water discharge by quality and destination	Environment - pp 63
G4-EN23	Total weight of waste by type and disposal method	Environment - pp 58 - 60
G4-EN24	Total number and volume of significant spills	Environment - pp 65
G4-MM3	Total amounts of overburden, rock, tailing, and sludges and their associated risks	Environment - pp 58 - 63
MATERIAL ASPECT: COMPLIANCE		
G4-DMA	Disclosures on Management Approach	Environment - pp 58 - 60, Governance pp 16, Performance Targets pp 24 - 25
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environment - pp 58 - 65, Governance pp 18
MATERIAL ASPECT: OVERALL		
G4-DMA	Disclosures on Management Approach	Environment - pp 62
G4-EN31	Total environmental protection expenditures and investments by type	Environment - pp 58 - 62
MATERIAL ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS		
G4-DMA	Disclosures on Management Approach	Social Responsibility - pp 65
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Social Responsibility - pp 65

DMA AND INDICATORS	GRI DESCRIPTION	PAGE NUMBER/S
CATEGORY: SOCIAL		
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK		
MATERIAL ASPECT: EMPLOYMENT		
G4-DMA	Disclosures on Management Approach	People - pp 46
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	People - pp 46 - 48
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
G4-DMA	Disclosures on Management Approach	OHS&W - pp 52
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	OHS&W - pp 52 - 53
MATERIAL ASPECT: TRAINING AND EDUCATION		
G4-DMA	Disclosures on Management Approach	People - pp 49 - 51
G4-LA9	Average hours of training per year per employee by gender, and by employee category	People - pp 51
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
G4-DMA	Disclosures on Management Approach	People - pp 46
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	People - pp 48
SUB-CATEGORY: HUMAN RIGHTS		
MATERIAL ASPECT: LOCAL COMMUNITIES		
G4-DMA	Disclosures on Management Approach	Social Responsibility - pp 66 - 67
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Social Responsibility - pp 66 - 67
G4-MM6	Number & description of significant disputes relating to land use, customary rights	Social Responsibility - pp 68
G4-MM7	Extent to which grievance mechanisms were used to resolve disputes relating to land use	Social Responsibility - pp 68 - 69
SUB-CATEGORY: SOCIETY		
MATERIAL ASPECT: GRIEVANCE MECHANISM FOR IMPACTS ON SOCIETY		
G4-DMA	Disclosures on Management Approach	Social Responsibility - pp 68, 79, 81 Performance Targets - pp 24 - 25
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Social Responsibility - pp 68 - 69

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Independent Verification Statement

Ok Tedi Mining Pty Ltd - 2014 Annual Review

To Ok Tedi Mining Pty Ltd's stakeholders,

Banarra was commissioned by Ok Tedi Mining Pty Ltd (OTML) to verify selected data sets contained in OTML's Annual Review for the 2014 calendar year, ending 31 December 2014. This is Banarra's first independent verification of OTML's Annual Review.

Verification Scope and Criteria

The scope of Banarra's verification included three data sets contained in the Annual Review. Each data set, and the criteria that Banarra used to verify the data, are presented in Table 1. Banarra also used the Global Reporting Initiative (GRI) G4 Principles for Defining Report Content (stakeholder inclusiveness, sustainability context, materiality and completeness) and Principles for Defining Report Quality (balance, comparability, accuracy, timeliness, clarity and reliability) to form an opinion on the overall quality of the agreed data sets.

Table 1: Verified Data Sets Including Verification Criteria

Annual Review Section	Data Set	Verification Criteria (GRI G4 Indicator Protocols)
Environment	Waste and tailings	• **G4-MM3** – Total amounts of overburden, rock, tailings, and sludges and their associated risks
Occupational health and safety (OHS)	OHS lag indicators	• **G4-LA6** – Type of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender
Community grievances	Disputes relating to land use, customary rights and Indigenous Peoples	• **G4-MM6** – Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples • **G4-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

Verification Methodology

Within the above scope, Banarra's verification methodology included an assessment of the quality of the specified data sets by:

- Reviewing internal documentation and systems relating to data management, including in relation to data collection, collation, reporting and quality assurance processes;
- Analysing information gathered to determine the extent to which OTML's performance data and supporting documentation align with the specified verification criteria;
- Visiting Sustainable Mining Strategies Pty Ltd[1] (SMSPL's) offices in Brisbane, and conducting telephone interviews with six OTML data owners and SMSPL to check the reliability, completeness and accuracy of data, including through re-calculations and cross-checks with source data; and
- Checking the accuracy of selected qualitative statements in the Annual Review through interviews and reviewing documentary evidence.

Findings and Recommendations

Based on the verification methodology outlined above, Banarra concludes that there is no evidence that the data disclosed in relation to: Waste and tailings (G4-MM3); OHS lag indicators (G4-LA6); and Disputes relating

[1] Sustainable Mining Strategies Pty Ltd served as the OTML 2014 Annual Review report writer.

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to land use, customary rights and Indigenous Peoples (G4-MM6 & MM7) are not correct in all material aspects and are not a fair representation of OTML's performance during the 2014 calendar year. Minor transcription errors were identified between source data spreadsheets and the Annual Review, however it is considered that these are a result of the manual transcription process and that any inconsistencies do not materially affect the performance data contained within the Annual Review.

In relation to GRI G4-LA6 - Types of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender - Banarra's verification identified that OTML's 2014 Annual Review does not currently disclose a complete set of data as per the requirements of this indicator. OTML is aware of this issue and Banarra recommends that OTML reports according to the full set of GRI G4-LA6 indicator disclosure criteria in its next report, so as to improve the alignment of OTML's sustainability reporting to GRI G4 and fulfil its intent.

The following opportunities for future improvement were also identified:

GRI Principles for Defining Report Content

- *Materiality* – Banarra's verification revealed that OTML's engagement and consultation with the community is a key input into the Annual Review's materiality process; however OTML has not recently undertaken a Social Impact Assessment (SIA). There is thus a risk that OTML has not considered the full range of social impacts associated with its operations in the materiality process. Banarra recommends that, when OTML undertakes such a SIA, the outcomes should be included in future materiality processes to enable a comprehensive consideration of its operational impacts.

The Environment

- *Waste and tailings (G4-MM3)* – Banarra's verification revealed that the Annual Review does not have a process in place to identify the social/community risks or impacts associated with the generation and disposal of overburden, rock, tailings, and sludges. Banarra recommends that OTML directly reports on the associated risks or impacts of identified environmental issues on communities living in the 'mining impacted zone'. Banarra acknowledges that OTML launched a Pilot SIA work plan in 2013. The completion of a comprehensive SIA of its operations along the OK Tedi River will enable a more effective identification of such risks.

Responsibilities and Independence

OTML and SMSPL were responsible for the preparation of the Annual Review's content and supporting processes. Banarra's responsibility was to provide an independent verification opinion on selected data sets contained in OTML's Annual Review as specified in the scope of this statement. This opinion is provided to OTML's management through both this statement and a management report with further detail on the findings and recommendations outlined in this statement. Any reliance third parties may place on this statement is entirely at their own risk.

Banarra was paid by OTML to conduct this assignment. Banarra declares itself independent in relation to OTML and its stakeholders. There is a detailed statement on our independence, impartiality and competencies at www.banarra.com.

Paul Davies
Chief Operating Officer
Banarra

Sydney, Australia
21 April 2015

ABBREVIATIONS

%	Percent
ADP	Asset Protection Department
Ag	Silver
AGI	Algal Growth Inhibition
AIDS	Acquired Immune Deficiency Syndrome
ANC	Acid Neutralising Capacity
ANZFA	Australian and New Zealand Food Authority
ARD	Acid Rock Drainage
Au	Gold
AUD	Australian Dollar
BAHA	PNG Business Coalition Against HIV/AIDS
BGI	Bacterial Growth Inhibition
CEO	Chief Executive Officer
Cd	Cadmium
CGMS	Complaints and Grievance Management System
CHS	Catholic Health Services
CMCA	Community Mine Continuation Agreement
CO_2-e	Carbon dioxide equivalent
CSR	Corporate Social Responsibility
Cu	Copper
dCu	Dissolved copper
DEC	PNG Department of Environment and Conservation
dmt	Dry metric tonnes
DPhL	Diwai Pharmaceuticals Limited
DRMS	Data and Records Management System
DWU	Divine Word University
EBIT	Earnings Before Interest and Taxes
ECPNG	Evangelical Church Papua New Guinea
EHWP	Employee Health and Wellness Programme
EITI	Extractive Industries Transparency Initiative
EL	Exploration Lease
ERP	Enterprise Resource Planning
ERT	Energy Response Teams
EWCB	East Wall Cut Back
FCS	Fubilan Catering Services
Fe	Iron
FIFO	Fly-In-Fly-Out
FMO	Future Mode of Operations
FPIC	Free Prior Informed Consent
FRPG	Fly River Provincial Government
g/t	Grams per tonne
GDP	Gross Domestic Product
GHG	Greenhouse Gas Emissions
GRI	Global Reporting Initiative
GWh	Gigawatt hour
ha	Hectare
HIV	Human Immunodeficiency Virus
HSELT	Health, Safety, Environment Leadership Team
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMIU	International Mining Industry Underwriters
LMP	Lease for Mining Purpose
IT	Information Technology
JORC	Joint Ore Reserves Committee
JSO	Job Safety Observation
km	Kilometres
km^2	Square kilometres
LTIFR	Lost Time Injury Frequency Rate
m	Metre
M	Million
m^3	Cubic metres
m^3/t	Cubic metres per tonne
Ma	Million years
MD	Managing Director
MDGs	Millennium Development Goals (United Nations)
ML	Megalitres
MLE	Mine Life Extension
Moz	Million ounces
MPA	Maximum Potential Acidity
MRA	Mineral Resources Authority
Mt	Million tonnes
Mtpa	Million tonnes per annum
MWh	Megawatt hour
MWTP	Mine Waste Tailings Project
NDoH	PNG National Department of Health
NEC	National Executive Council
NFHSDP	North Fly Health Services Development Programme
NGO	Non-Government Organisation
NSR	Net Smelter Return
OH&S	Occupational Health and Safety
OHSW&T	Occupational Health, Safety, Wellness and Training
OHS&W	Occupational Health, Safety and Wellness
OTDF	Ok Tedi Development Foundation Limited
OTML	Ok Tedi Mining Limited
oz	Ounces
Pb	Lead
Pcon	Pyrite Concentrate
PFS	Pre-feasibility Study
PGK	Papua New Guinea Kina
PJ	Petajoule
PNG	Papua New Guinea
PNGSDP	Papua New Guinea Sustainable Development Programme Limited
PPE	Personal Protective Equipment
PWC	PriceWaterhouseCoopers
PPP	Public Private Partnerships
SAG	Semi Autogenous Grinding
SAP	Systems Applications and Products
SHEAP	Safety, Health and Environment Action Plan
SIFR	Significant Injury Frequency Rate
SFHP	South Fly Health Programme
SOE	State Owned Enterprise
SML	Special Mining Lease
STAC	Safety and Technical Advisory Committee
t	Tonnes
TCS	Tax Credit Scheme
TRIFR	Total Recordable Injury Frequency Rate
TSF	Tailings Storage Facility
µg/L	Microgram per litre
US	United States
USD	United States Dollar
VPC	Village Planning Committee
WHO	World Health Organisation
WPPDTF	Western Province People's Dividend Trust Fund
Zn	Zinc

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Certain information contained in this Annual Review 2014, 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 2014. 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.

Image: Kiunga thickeners used to remove excess water from the concentrate slurry

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