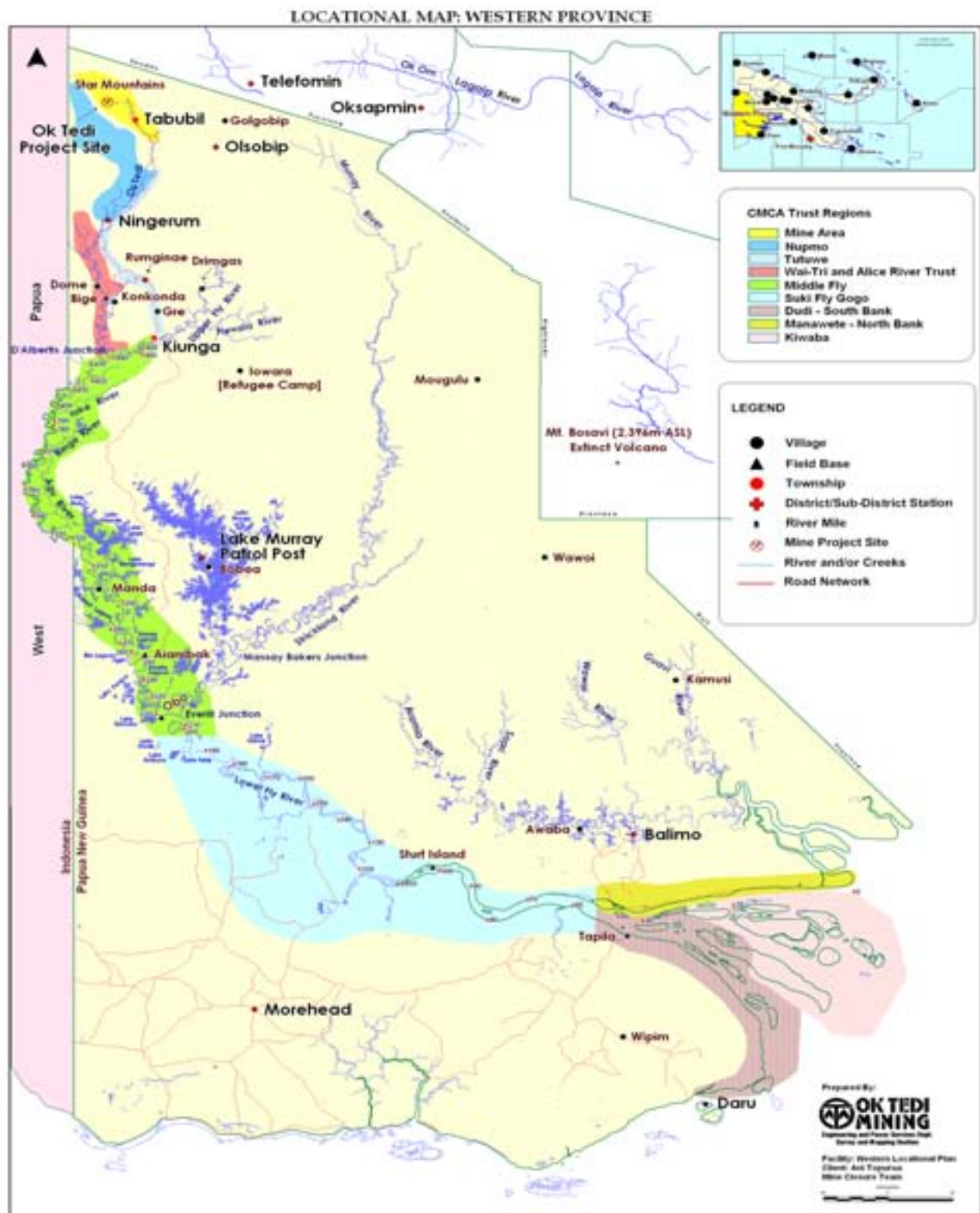




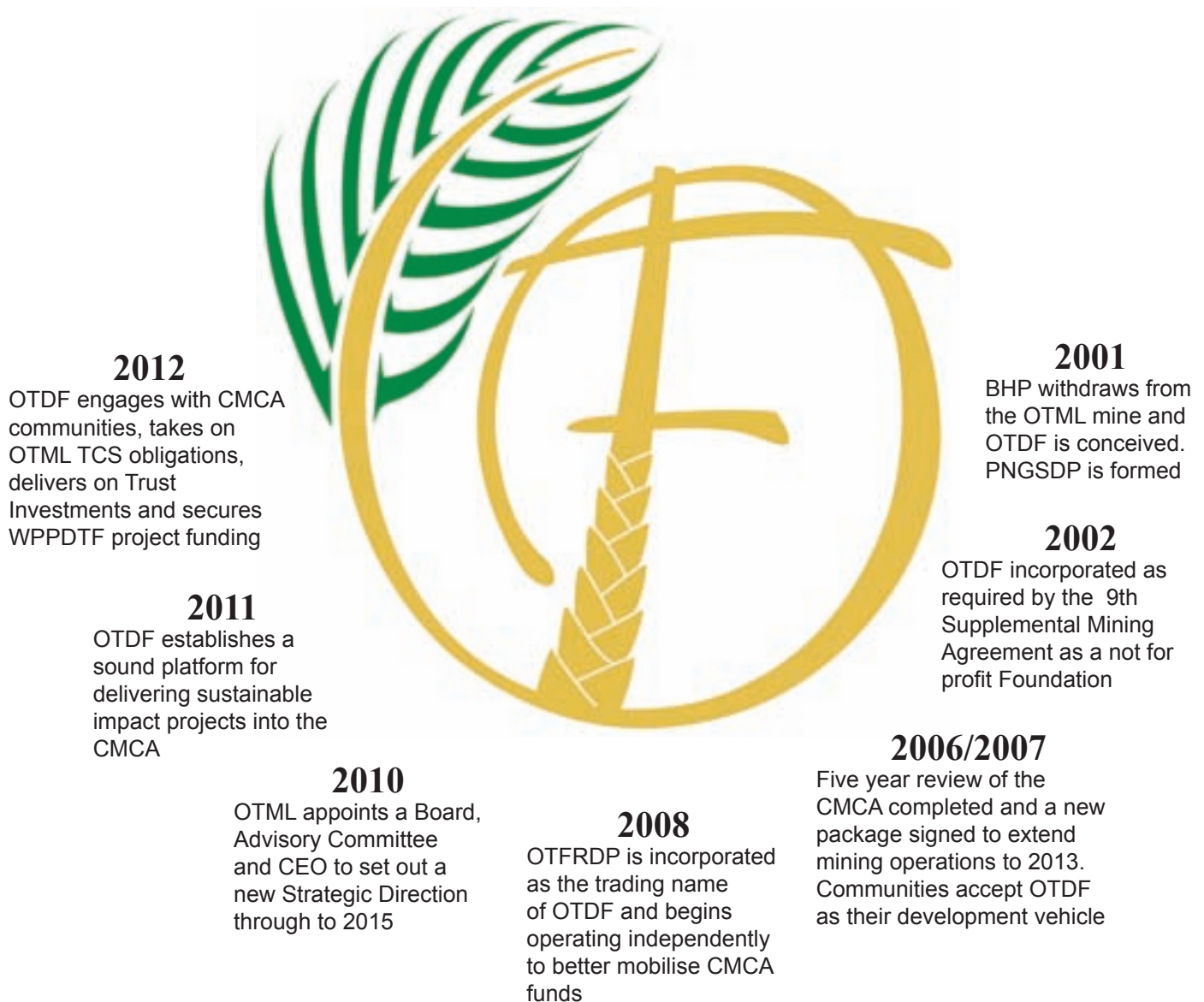
Annual Report 2012

MAP OF THE MINE ASSOCIATED COMMUNITIES



FORMATION, VISION AND STRATEGIC PRINCIPLES

OTDF was established under Clause 6 of the Ok Tedi Mine Continuation (Ninth Supplemental) Agreement in 2001 with its tax-free status enshrined in the same legislation.



OTDF's long term vision is to ensure the self sustainability of and to improve the quality of life of all Western Province communities

The four key Principles underpinning all OTDF's strategic engagement with stakeholders and guiding day to day operations are:

- Effective management and implementation of regional development programs
- Strengthening partnership and involvement with stakeholders
- Open and transparent communications
- Prudent financial and operational systems management and accountability

CONTENTS

FORMATION, VISION AND STRATEGIC PRINCIPLES	<i>i</i>
2012 AT A GLANCE	1
MESSAGE FROM THE CHAIRMAN	3
BOARD MEMBERS	5
MESSAGE FROM THE CEO	7
DEVELOPMENT TARGETS 2012	9
CMCA TRUST PROJECT LIFE CYCLE	10
ORGANISATIONAL STRUCTURE	11
SAFETY PERFORMANCE	12
WPPDTF PROJECTS	13
INNOVATIVE PROJECTS	14
ENGINEERING SERVICES	15
TRUST ADMINISTRATION	19
TRUST DEVELOPMENT PROJECTS	23
TRUST INVESTMENT PROJECTS	24

*Cover Page: MV Fly Warrior
on her maiden voyage up the
Fly River*

CASE STUDY: FLY HOPE	25
REGIONAL DEVELOPMENT	26
NORTH FLY	32
MIDDLE FLY	36
SOUTH FLY	38
SUPPORT SERVICES	42
PROJECT SUPPORT-COMMUNITY DEVELOPMENT	46
PROJECT SUPPORT - RUBBER	48
PROJECT SUPPORT - FORESTRY	50
MEDIA AND PUBLIC RELATIONS	52
CORPORATE SERVICES - HUMAN RESOURCES	55
CORPORATE SERVICES - PLAM	56
CORPORATE SERVICES - FINANCE	57
FINANCIAL REPORTS	58
STATISTICAL SUMMARY	<i>ii</i>

2012 AT A GLANCE



Delivering on the OTDF commitment to spend at least one night in every one of the 156 CMCA villages



Innovative aquaponics project installed at Samagos Field Base, Kiunga and subsequent trial crops harvested by Fubilan Catering Services

Following the National Elections in July the Honourable Ati Wobiro was elected as the new Governor for Western Province. Governor Wobiro has expressed a willingness to work with development partners like OTDF to bring tangible development into the Province

JAN

FEB

MAR

APR

MAY

JUN



Kautru village in the Suki Fly Gogo Trust, South Fly region declared as the pioneer Model Village by OTDF

PNGSDP Co-funded 14 projects worth in excess of K30 million; including bores and water catchment systems, elementary classrooms and rubber development



OTDF was represented by the CEO, senior Management and all Associate Directors at the 12th Mining and Petroleum Conference in Sydney, Australia at which the CEO presented the Company's achievements to 1,350 registered delegates



Five of seven Trust Investments projects were delivered (Fly Hope the 150 person ferry in March, Fly Explorer the riverine sampling and community relations vessel in July, Fly Warrior the 65 meter container and bulk fuel carrier in December and the two new Series 400 Twin Otters in October and December respectively). K82 million committed with the new OTDF Offices and Housing Estate developments in Kiunga to be completed by mid 2013



The Honourable Byron Chan, Minister for Mining approved the release of K 135.84 million for the following impact projects from the CMCA WPPDTF: Pampenai rubber road rehabilitation, Ningerum to Nupmo footbridge across the Ok Tedi River in the North Fly District, Aiambak to Lake Murray road rehabilitation (including Kasa feeder road) in the Middle Fly District, and the Middle and South Fly Health Development Program in the Middle and South Fly Districts. The cheque presentation was made to the OTDF Board on the 20th December

Engineering Services completed the following OTML Tax Credit Scheme and CMCA Projects

- Balimo Hospital project (K36 million)
- Middle Fly bore water project (K771,691)
- Wangbin Elementary and Primary classroom project (K3,092,000)

JUL

AUG

SEP

OCT

NOV

DEC



Signing a formative MOA with PNGSDP in July to establish clear operating responsibilities for both Companies; PNGSDP as co-financier of sustainable development projects and OTDF as implementer



Acceptance by CMCA Communities that OTDF is their delivery vehicle, a sentiment that was strongly supported during the recently completed Mine Life Extension process during which all 8 CMCA Trust Regions and Mine Villages consented to the Ok Tedi mine continuing operations through to 2025

202 Trust Development projects worth K10.54 million approved (68% increase on the 138 projects approved in 2011)

MESSAGE FROM THE CHAIRMAN

Ok Tedi Development Foundation's progress as an operational Company serving our *komunitis* in 2012 was quite remarkable.

This performance is showcased in detail throughout this Report but would not have been possible without the support of my fellow Directors and our *komuniti* appointed Associate Directors nor of course the tireless efforts of a strong and vibrant Ok Tedi Development Foundation Limited (OTDF) team that have committed themselves to engaging with our *komuniti* partners at the village level.



OTDF is a unique entity established with a vision to deliver maximum benefits to the *komunitis* that we serve and to ensure the self-sustainability of the Community Mine Continuation Agreement (CMCA) regions. To stimulate commerce and deliver the greatest possible benefit to the Ok Tedi mine associated people, the Company recognises the need to solicit support from all possible development partners, external donors and philanthropic organisations.

Delivering on such a bold vision is not an easy task considering there are 156 villages with a population of over 110,000 people sparsely spread along the length of the Fly River and around the Star Mountains. I am pleased however to report that OTDF and the purpose it serves as a Company operating independently of the Ok Tedi mine is proving to be a success. Individuals now

realise tangible benefits from the projects and programs the Company delivers on behalf of the *komunitis*.

Following the 2007 CMCA Review, Ok Tedi Fly River Development Program (OTFRDP) was established as the Company's trading name and mandated to mobilise *komuniti* funds. It is pertinent to remind ourselves that OTDF was only activated as a separate entity from Ok Tedi Mining Limited (OTML) in March 2010, less than three years ago!

OTDF operates within a stringent governance mechanism which includes an Advisory Committee made up of 16 *komuniti* representatives from all CMCA Trust Regions and the six mine villages, directions from which are cascaded up to the Board. The role of the Advisory Committee is to identify and prioritise impact projects for OTDF to deliver on. This approach has worked effectively in identifying and securing investments derived from the CMCA Trust Investment funds and large scale development projects through the CMCA Western Province People's Dividend Trust Fund (WPPDTF).

The Board includes four *komuniti* appointed Associate Directors, each being members of the Advisory Committee representing each district of the Province and all women. Their involvement at the Board level highlights the level of transparency that OTDF values from our *komuniti*, providing them with an opportunity to raise their concerns and aspirations.

Decisions made by the Board are always deliberated transparently with active participation placing all stakeholders' future development interests at the forefront of the decision.

OTDF continues to play an important role as the delivery vehicle for the CMCA *komunitis* and Western Province as a whole and it is important that the Company maintains a strong relationship with other key development partners.

In 2012 that partnership was solidified with the election of a new Governor, the Honourable Ati Wobiro who enthusiastically engaged with OTDF, OTML and PNGSDP to overcome the enormous sectoral development challenges that exist within the Province. The Public/Private Partnership concept is the only way forward given the resources at the disposal of OTDF through OTML for delivering projects and the Board fully embraces this concept. It is my desire to see that this growing partnership translates into many more practical outcomes for the benefit of everyone in Western Province.

In June 2012, OTDF also entered into a Memorandum of Agreement with PNGSDP. The Agreement ensures that OTDF will be the implementing agency for all PNGSDP projects in Western Province. This partnership has further paved the way for closer collaboration and increased project delivery.

Another key highlight in this Report has been the successful transition of the former OTML Regional Engineering Department into the OTDF organisation structure. The Company is now the implementer of the OTML Tax Credit Scheme projects and is managing over K142 million worth of infrastructure projects in the Western Province and the Telefomin District of the Sandaun Province.

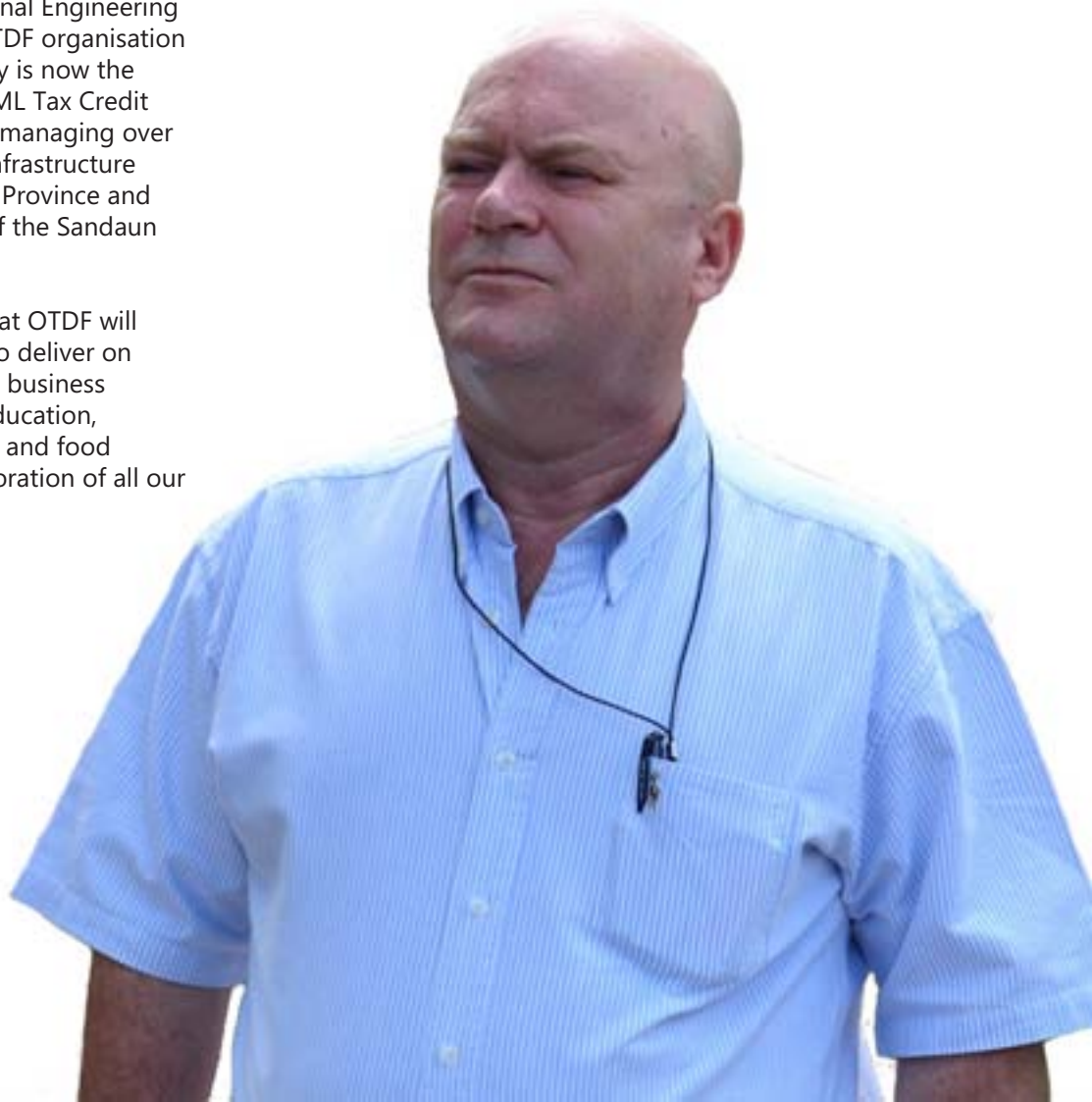
It is my firmest belief that OTDF will succeed in continuing to deliver on transport infrastructure, business development, health, education, livelihood development and food security with the collaboration of all our stakeholders.

Only in this way will we continue to see more tangible developments happening on the ground throughout the mine associated river corridor, allowing all to really feel the positive impacts of their financial resources.

On this note, I would like to again thank the CEO and every single member of the OTDF team for the great progress thus far and look forward to an even better year ahead in which development touches the majority of our *komuniti* partners.

Although our journey has just started I can already see that together there is real hope in achieving the Company's vision; "to ensure self sustainability and improve the quality of life of all Western Province communities".

Nigel Parker
Chairman



BOARD MEMBERS



Nigel Parker

Chairman and Director since 2011

Mr Parker is the Managing Director and Chief Executive Officer of Ok Tedi Mining Limited. Mr Parker holds a Masters of Commerce Degree from the University of New South Wales, Sydney, Australia and is a Fellow of the Institute of Chartered Accountants in Australia. He has over 40 years of business experience, 16 of those years with BHP Steel/BlueScope Steel in management appointments in the USA, Sri Lanka, Thailand, China, Australia and Papua New Guinea. Mr Parker first came to PNG in 2001 and has been working with OTML in Western Province for the past six years.



Musje Werror

Director since 2009

Mr Werror is the General Manager for Government and External Relations with OTML. Mr Werror was formerly the Board Chairman and Executive Manager of OTDF. He holds a Masters of Business Administration from the Divine Word University and a Bachelor of Science Degree in Chemistry from the University of Papua New Guinea. He has held various roles with OTML over the last 20 years. Mr Werror is also the Vice President of the PNG Chamber of Mining and Petroleum, Chairman of OTML Australia, Director of North Fly Rubber Limited and Director of the Heduru Trust.



Shadrach Himata

Director since 2012

Mr Himata is the permanent Secretary for the Department of Mineral Policy and Geohazard Management, formerly the Department of Mining. He holds a Bachelors Degree in Mineral Processing Engineering from the PNG University of Technology and is currently doing his Reader Masters Degree in Mineral Economics at the Curtin University in Perth, Australia. Mr Himata is from the island of Nuguria in the Autonomous Region of Bougainville.



Lalatute Avosa

Director since 2009

Mr Avosa works with the Papua New Guinea Sustainable Development Program Limited as their Western Province Manager. Mr Avosa holds a Master in Business Administration (MBA), a Post Graduate Diploma in Business Administration, a Diploma in Tropical Agriculture, Diploma in Management, and various certificates including Monitoring and Evaluation, Strategic Planning and Management and Total Quality Management. He is also a representative on various bodies in the country including the Gulf Oil and Gas Cooperation Advisory Committee, the Balanced Scorecard Institute, the International Kingdom Ministries, Destiny Image Publishers and is also a pentecostal pastor preaching with the Christian Life Church.



Bala Tedumo

Associate Director since 2009

Ms Tedumo represents the Women and Children of the CMCA region. She was involved as a woman's representative in the CMCA Review negotiations in 2006 and 2007. She holds a certificate in Advance Secretarial Studies and a Diploma in Human Resource Management from the Divine Word University. As a women's representative she also attends Women's Association President meetings, communicates and liaises with other development partners such as PNG Sustainable Development Program Limited and various Government departments regarding women and children's programs in the CMCA region.



Richard Zumoi

Associate Director since 2009

Mr Zumoi represents the CMCA people of the Middle Fly region. He is a former primary school teacher and was instrumental in the CMCA negotiations between 1999 and 2001 and then again during the 2006/2007 CMCA review. Mr Zumoi was also involved in the initial creation of the Foundation and throughout the transition period in 2010 which saw OTDF begin operating as an independent entity from OTML. He is from Wangawanga Village in the Middle Fly region.



Harry Wakina

Associate Director since 2009

Mr Wakina represents the CMCA people of the South Fly region. He was involved in the 2006/2007 CMCA negotiations during which he was one of three Regional Delegates for the Dudi Trust region. Mr Wakina is a former Kiap mostly serving in the Oro and Western Provinces for 12 years. He was then appointed Deputy Assistant Clerk of the Fly River Provincial Government from 1994 to 1996. Mr Wakina is currently employed as a Community Liaison Officer facilitating the South Fly Delta Village Relocation Program.



Michael Gen

Associate Director since 2009

Mr Gen represents the CMCA people of the North Fly region. He was involved in the 2006/2007 CMCA negotiations as a Regional Delegate for the Highway (Tutuwe Trust) region. He was a former police officer with the PNG Royal Constabulary for 24 years where he served in the East and West Sepik, Western Highlands, Morobe, Oro and Western Province for 24 years with Investigation and Prosecutions. He is from Hiorenkia Village in the North Fly region.

MESSAGE FROM THE CEO

Olgeta, welcome again, this time to Ok Tedi Development Foundation's second formal annual report and what an amazing year 2012 has been!

This year was historic on a multitude of levels with the delivery of multiple Trust Investments (three vessels; the Fly Hope, Fly Explorer, Fly Warrior and two series 400 twin otter aircraft) and the securing of K143.84 million from the Western Province Peoples Dividend Trust Fund (WPPDTF) to implement the Middle and South Fly Health program, road rehabilitation in the North and Middle Fly Districts and a footbridge across the Ok Tedi River. Delivery of the vessels and aircraft came with unforgettable scenes of support, joy and even tears as the communities long awaited aspirations begin to be realised. This coincided with my most memorable moment back in March when the Aberagerema village people hosted leaders and interested participants from all over the South Fly district during the MV Fly Hope welcoming, creating an original sing-sing specific to the vessel

construction and delivery, dancing continuously in the rain for hours on end. Not dissimilar to the women of Kautru village singing and dancing into the evening when we recently confirmed they would conduct a deer farming trial, an innovative first for PNG.

Equally historic has been the change in attitude of the Community Mine Continuation Agreement (CMCA) people. They have openly accepted change and the opportunity for more sustainable development with examples of this demonstrated in many villages across all regions including the North Fly Atkamba rubber and Middle Fly Moian eaglewood nurseries. I sincerely appreciate and thank all our CMCA community partners and leaders for their support of and confidence in OTDF throughout the year. Furthermore, we have seen an election year deliver us a new Governor, a genuine blessing for development as the Honourable Ati Wobiro has advocated his clear political will to work closely with OTDF to maximise delivery to the people of Western Province.

OTDF has also opened up to the world, launching an exciting new website with a rapidly growing Facebook following of over 600 people that is refreshed every two weeks; JOIN US at facebook.com/otdfpng!

While it is easy to make reference to the impact projects as highlights, many other equally important project achievements have been delivered. These include an improved safety performance, completion of the hand pump water supply project delivering clean water into all Middle Fly CMCA villages, delivery of school building materials into Telefomin by heavy lifting helicopter and the signing of a formative MOU with PNGSDP to consolidate the operating relationship between both Companies. This has seen a significantly greater number of co-funded projects approved this year for implementation than ever



before (14 projects in excess of K30 million). OTDF also played a pivotal role during the final OTML Mine Life Extension negotiations, contributing to a win-win outcome for all parties. I am further pleased with a first successful harvest of vegetables from the innovative aquaponics trial, continued support to our model schools and agreement by the Provincial Department of Education to form the Western Province Education Steering Committee to guide improvements in the standard of elementary and primary education across the Province from 2013.

Throughout this report you will also read about the continued escalation in the number of Trust Development projects (202 projects worth K10.54 million), our newest team at OTDF Engineering delivering on Tax Credit Scheme (TCS) projects including the Balimo Hospital and Wangbin Primary School, support from our Associate Directors to ensure communities are aware of what the Foundation is achieving for them, the beginnings of our Model Village concept with Kautru village leading the way in the Suki Fly Gogo region and expansion into sub-regional field bases in the Nakaku, Tapila and Waliyama regions of the South Fly. The Kautru people have demonstrated exceptional solidarity and cultural respect for each other to genuinely embrace any development opportunity presented to them and are deserving of their pioneer model village status.

I am particularly proud to report that our Regional Development team met one of the Company's key objectives by visiting and or spending at least one night in all 156 CMCA villages, a commendable level of engagement that will now become an annual operational standard. Well done all!

This year has also seen the Company strengthen its senior management with the recruitment of Geoffrey Fahey as the Chief Operating Officer and Dr Miok Komolong as the Chief Program Officer who have both already made a considerable contribution. Early achievements have seen the trialling of a soap making project from waste vegetable oil, introducing a comprehensive Code of Conduct and developing Safety and Monitoring and Evaluation Policies. In all 2012 has been another outstanding year for OTDF, we have had many successes and all have

come well under budget. The Company is particularly grateful to OTML and PNGSDP for their financial contribution to our operating costs. I am sincerely thankful for the Chairman's, Board Director's and Associate Director's continued support and I am extremely proud of our staff making a committed and heartfelt contribution to delivering to those that so desperately need it. We look forward to 'Making a Real Difference' in the year ahead, moving down to our new offices in Kiunga and facilitating an independent, external review of our first three years of independent operations after March 2013.

All of us that are associated in any way with OTDF look forward to 2013 with great optimism; we look forward to building new relationships and continuing to work closely with all our stakeholders. May 2013 be the greatest year yet for the delivery of projects to our community partners.

Ian Middleton
Chief Executive Officer



DEVELOPMENT TARGETS 2012

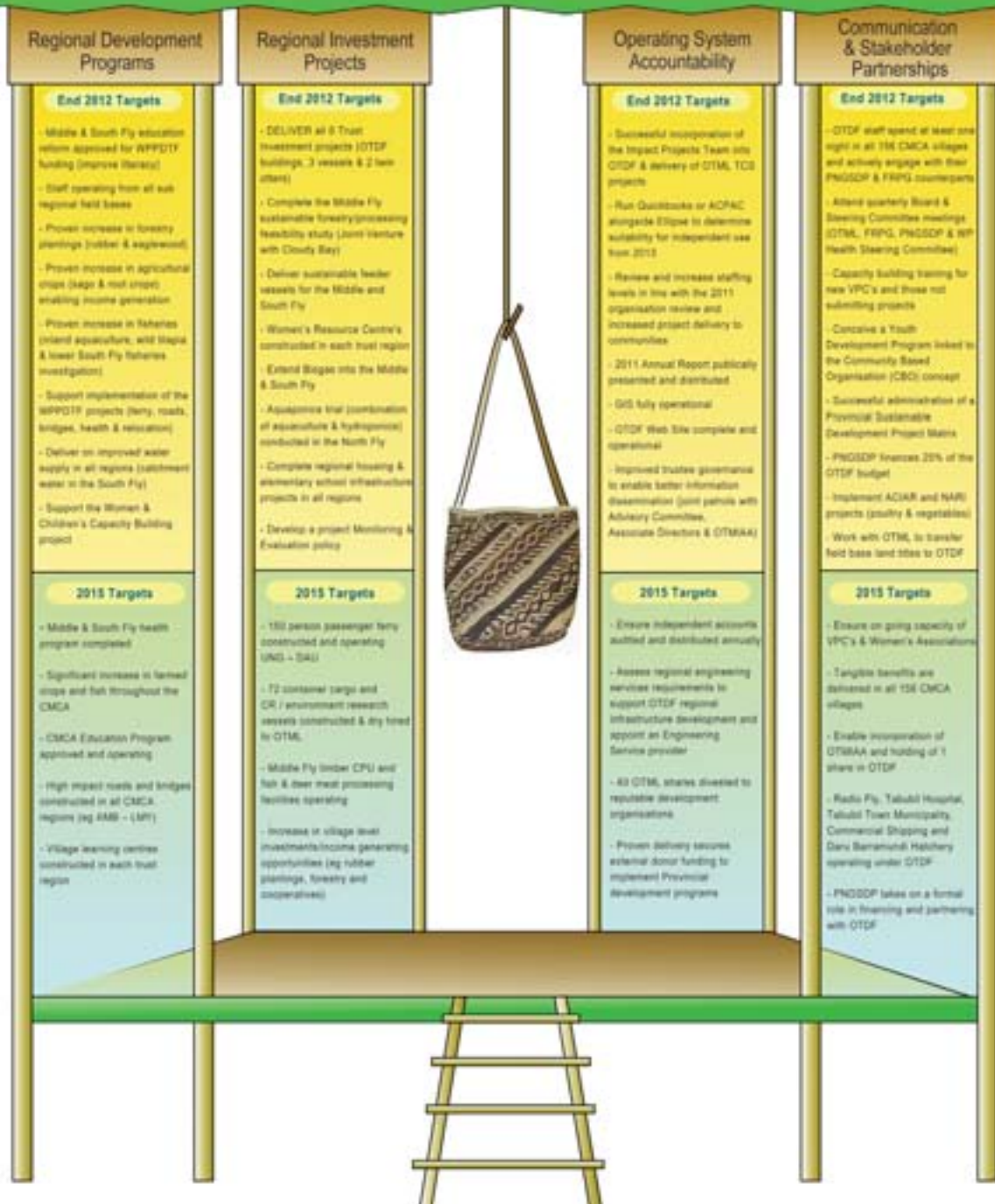


OUR VISION, OUR VALUES

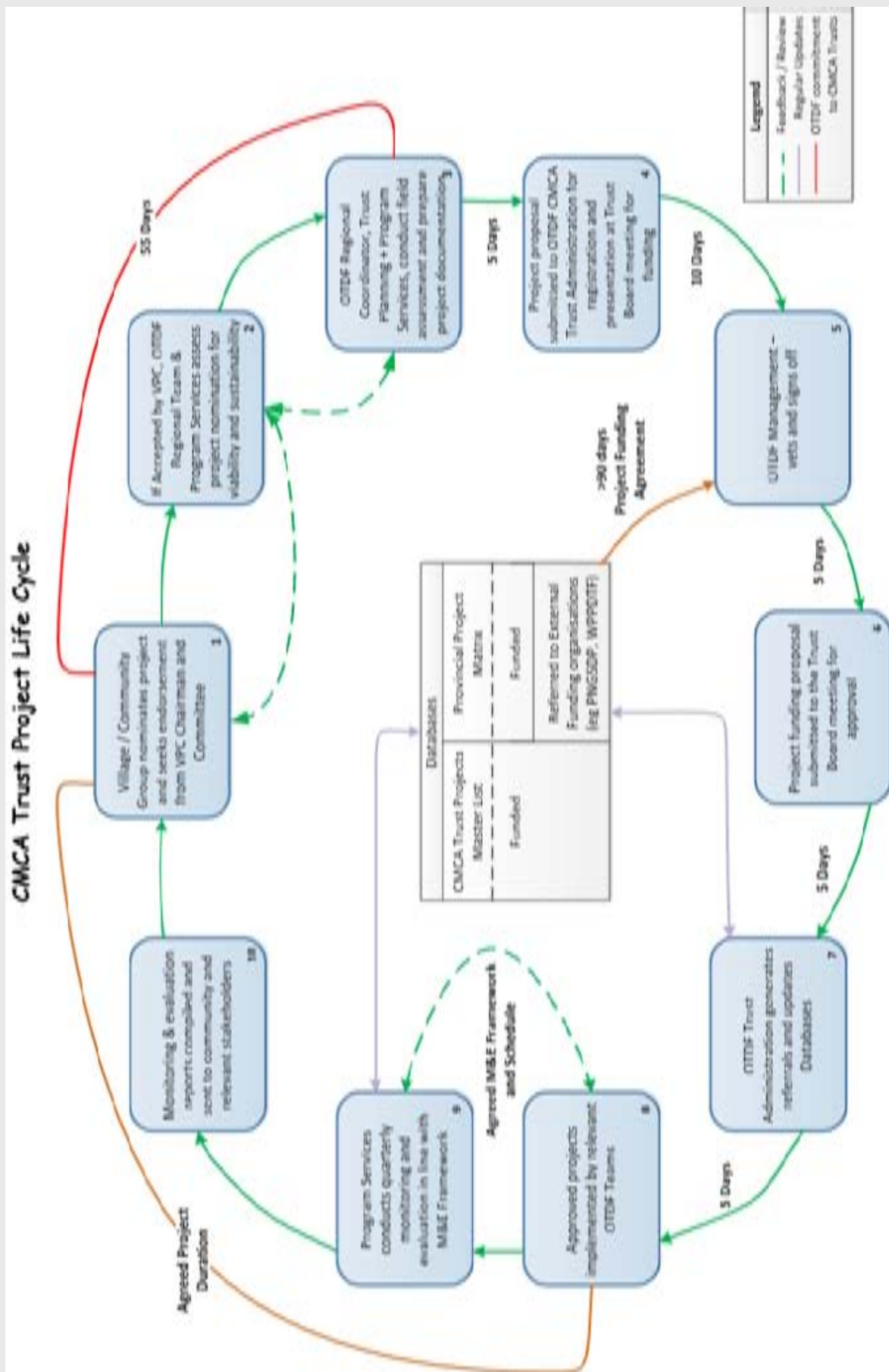
Delivering with Innovation

VISION: To ensure self sustainability and improve the quality of life of all Western Province communities

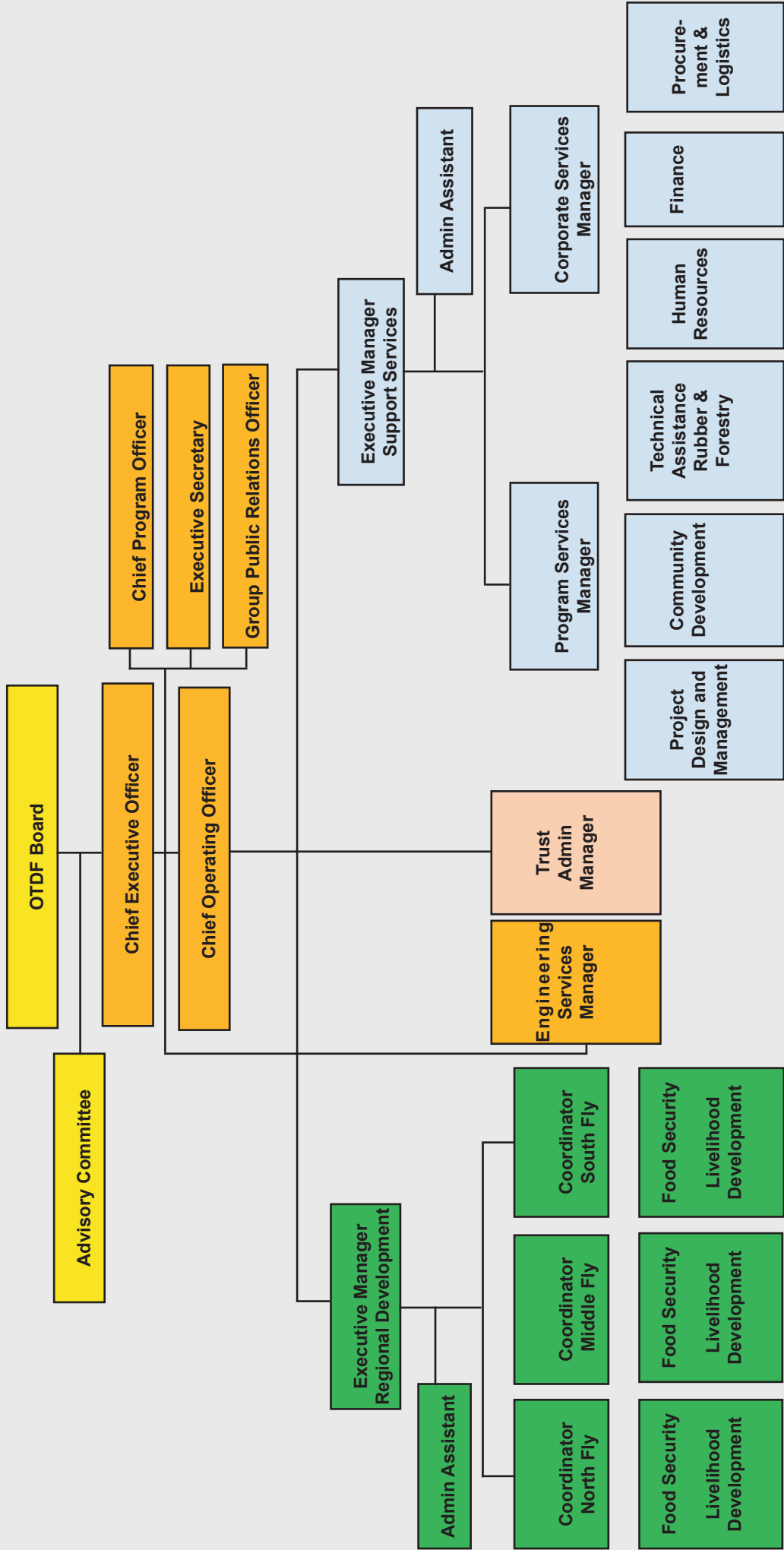
MISSION: Committed to best practice and wise management of funds and programs with emphasis on accountability, transparency, performance and equal participation in order to realise the development aspirations of impacted communities



CMCA TRUST PROJECT LIFE CYCLE



ORGANISATIONAL STRUCTURE



Geoffrey Fahey
Chief Operating Officer
Joined June 2012



Dr Mlok Komolong
Chief Program Officer
Joined July 2012

SAFETY PERFORMANCE

The safety of Ok Tedi Development Foundation staff and community members is paramount to our daily operations. In 2012 OTDF took steps to further strengthen its' own capability in safety management; enabled by the recruitment of a dedicated group Occupational Health and Safety (OH&S) Officer.

In late 2012 Executive Management developed an organisational Safety Policy which was adopted by the Board and distributed to Company staff for display in all office locations and field bases. This policy outlines OTDF's vision, goals, commitment and responsibilities as they relate to safety and covers OTDF staff, business partners, contractors and visitors. OTDF's strong safety culture was adopted from OTML policy and emphasises that safety is everyone's business and the policy aligns with the Company's one golden rule of "Greater Cooperation".

Throughout 2012 all new staff completed safety induction training as conducted by OTML along with a specific OTDF safety induction. Other safety trainings completed by staff included:

- 46 staff underwent first aid training and attained Australian standard Advanced First Aid Certificates
- 30 staff completed fire safety training
- 25 staff completed general safety refresher courses



HR Team Leader Shirley Tegory being shown how to do Cardiopulmonary Resuscitation (CPR) by Trainer Heather Gitschier

As part of the Company's on-going commitment to safety, communication sessions (Safety Kibungs) are held every fortnight in both Kiunga and Tabubil.

In addition, staff in all OTDF locations hold a pre-start safety meeting for 5 to 10 minutes each day before work commences and they also participate in the monthly OTML OH&S themed Safe Days.

As OTDF is expanding its operations beyond Tabubil and Kiunga into sub-regional field bases it is essential that the Company's safety culture and procedures are adopted in these field bases. In order to improve the reporting of safety issues OTDF invested substantially in installing V-SAT facilities in the field bases to enable OTDF officers to report safety matters via email. This has contributed to the improved reporting of incidents and accidents as noted in the following table.

Incident/ Accident Type	2012 Total Incidents	2012 Minor	2012 Significant
Staff General	1	Nil	1
Light Vehicle Incidents	5	3	2
Heavy Equipment	1	Nil	1
Theft	2	2	Nil
Community Related	4	2	2
Near Misses	2	1	1
Total	15	8	7

Moving Forward

In 2013 OTDF will further strengthen and develop its capacity and capability in safety. Planned measures include:

- As OTDF staff often operate in remote locations without mobile phone or radio coverage, satellite phones will be purchased for emergency use
- An emergency response procedure will be developed
- A "Safety Steering Committee" consisting of operational and senior staff will be formed to constantly review OTDFs safety policies and procedures
- Designated safety officers will be identified and trained for all OTDF locations
- Regular inspections of all OTDF equipment especially boats and motors will be conducted to ensure that all items are safe and fit for purpose
- Developing a Safety Manual with specific standard operating procedures relating to the activities and locations in which the staff work.

WPPDTF PROJECTS

Accessing the Western Province People's Dividend Trust Fund (WPPDTF) to Improve the Lives of Our Partner Communities

OTDF is fortunate to be able to access several sources of development funds for and on behalf of the CMCA communities and people of Western Province. The largest of these funds is the WPPDTF held by the Department of Mineral Policy and Geohazards Management (DMPGM) as custodian under the OTML Ninth Supplemental Agreement 2001. In 2007 the National Executive Council agreed to split the funds and grant 5% of the OTML dividends to the CMCA communities in the hope of setting a balance for communities and the benefits with the impacts of the mine. With the formal exit of Inmet Mining as an OTML shareholder early in 2012 the dividend contribution into this fund was increased to 6.1% of which there is a current balance of K269 million (as of the 31st December 2012).

In 2007 the State also agreed with the CMCA's that an instrument to gain access to the funds would be approved once OTDF was fully functioning in its role of delivering projects to communities. On the 25th of October 2010, Honourable John Pundari, then Minister for Mining, signed off on the process to access the funds (note executed copy following).

As selected by the Advisory Committee in 2011 OTDF management then proposed six impact projects across all three Districts and secured K3.22 million in funding to conduct extensive feasibility studies, selected consulting firms through an independent national tender evaluated by Kramer Ausenco and awarded contracts to the following Companies for completion throughout 2012:

- URS Australia - Pampenai road rehabilitation and Ningerum foot bridge (North Fly) and Aiambak to Lake Murray road rehabilitation (Middle Fly)
- JTAI - Middle and South Fly health
- Cardno - village relocation in the South Fly delta
- CDV and V'Ships - passenger ferry for the Fly River (benefit all river residents)

OTDF management worked closely with the selected Companies to complete all but one of the six feasibility studies funded by the WPPDTF. Only the South Fly Relocation Study remains outstanding with a fourth and final site investigation trip to be conducted by Cardno in January 2013.

The completed passenger vessel study was approved by the OTDF Board of Directors on the 20th of March 2012 and submitted to the former DMPGM Secretary Nellie James with K4.0 million subsequently released in May 2012 as co-funding with the CMCA Trusts for the MV Fly Hope; since delivered and operating along the Fly River between Kiunga and Daru.



The completed Middle and South Fly Health Development study by JTA and the Pampenai rubber road rehabilitation, Ningerum Foot Bridge and Aiambak to Lake Murray road rehabilitation studies by URS Australia were approved by the OTDF Board of Directors on the 18th of September and subsequently submitted to the current DMPGM Secretary Shadrach Himata for funding project implementation. The Honourable Byron Chan, Minister for Mining was then responsible for the most significant moment in the CMCA people's development history when he announced the endorsement of all projects and subsequent funding in November 2012. A formal acceptance ceremony and hand over of the cheque for K135.84 million kina was held during the OTDF Board of Directors meeting on the 20th December.

OTDF will manage the proposed health program through the Western Province Health Steering Committee and all road and bridge construction works will be managed through Kramer Ausenco with on ground support from OTDF Engineering Services. Expressions of Interest seeking technical capability and design and construct services from reputable Companies have been advertised in both national newspapers and contracts are expected to be awarded in May 2013.

These milestone development projects bring real hope for the people of Western Province in terms of accessibility enabling commerce but more importantly in terms of saving lives. The K43 million health program aims to address the poor state of health in the Middle and South Fly CMCA regions by improving primary health care through community participation. This program is an extension of the National Health Plan 2011-2020 with a 'Back to Basics' theme utilising a primary health care approach.

INNOVATIVE PROJECTS

OTDF's commitment to 'delivering with innovation' means trying new things that have never been attempted in the past to address development challenges faced by the people in the CMCA regions. Opportunities arise when difficult situations are tackled with innovations that enhance the development potential of the people and communities beyond what is possible through conventional means.

OTDF has successfully piloted several innovative project ideas throughout 2012. These include aquaponics and floating garden projects, soap making from waste vegetable oil, biogas expansion and the model village concept.

Aquaponics integrates fish farming with vegetable farming for optimum use of nutrient recycling to maximise output value. This is a combination of traditional aquaculture and hydroponics in which nutrient rich water from the fish tanks is reticulated through trays to grow vegetables under hydroponic conditions. A pilot system has been installed at Samagos in Kiunga from which an encouraging first harvest of fish and vegetables has been achieved.

The Floating Gardens concept takes advantage of floating islands of matted vegetation in off river water bodies such as oxbow lakes on which silt and soil are added to grow vegetables. This is a particularly useful drought coping strategy for people living along the Fly River whose food gardens and sago crops fail during prolonged dry periods. This concept has been trialed with some initial success in the Middle Fly.



A bar of soap made from waste cooking oil being tested for suitability for further manufacture

Soap making from waste vegetable oil has been successfully trialed using small batch processing. There is a weekly output of near 400kg of waste cooking oil being produced by Fubilan Catering Services from the Ok Tedi mine site messes. This waste cooking oil is currently disposed of into landfill under strict regulatory conditions and supervision by the OTML Environment Department.

Making soap from waste vegetable oil will thereby improve the environment and convert waste into a useful product with significant socio-economic value. OTDF proposes to make bars of soap either by multiple women's groups with basic equipment or in a mini-industrial scale factory for distribution to village communities to help improve family hygiene and sanitation.

Fully functional 'biogas' systems have been installed at OTDF's Aiambak and Tapila field bases. The biogas plant uses human waste from occupants but can also use other organic plant and animal wastes to produce usable gas. Biogas is used for cooking, hot water and lighting with continuous supply so long as the house has occupants. In 2013 biogas systems will be installed in the new Women's Resource Centres being built at Bige (North Fly) and Aiambak (Middle Fly).




Children of Kautru village celebrating after their village was selected as the first CMCA Model Village

The model village concept has been introduced to involve entire communities into embracing integrated development opportunities to improve their living conditions. A pioneer model village is being developed at Kautru in the Suki Fly Gogo Trust region of the South Fly. A model village allows for innovative community projects to be introduced to villagers prepared to try new things for the collective good of future generations, to learn then share their experiences with neighbouring communities. At Kautru village a PNG first deer farm is being established under the guidance of a commercial deer farmer from Mandagery Creek Australian Farmed Venison, NSW, Australia. Model villages will also benefit from basic health facilities and training (Community Health Workers and Village Birth Attendants), elementary classrooms and teachers as well as programs in adult literacy, safe living and livelihood development amongst others.

ENGINEERING SERVICES

An aerial photograph of a large residential or institutional complex. The foreground and middle ground are dominated by several long, single-story buildings with light-colored walls and green roofs. The buildings are arranged in a somewhat grid-like pattern on a reddish-brown dirt area. In the background, there is a lush green landscape with many tall palm trees and a large body of water, possibly a lake or a wide river. The sky is clear and blue. The overall scene suggests a well-maintained and modern facility in a tropical or subtropical environment.

**MAKING A DIFFERENCE THROUGH
INNOVATIVE ENGINEERING DESIGN
AND DELIVERY**



“We have worked in a condemned facility for many years. Today God has heard our prayer and He has delivered to us a very excellent facility, a state-of-the-art hospital that is better than many other hospitals in this country” – Reverend Hengebe Himugu, Evangelical Church of PNG.

ENGINEERING SERVICES



Fred Oala
Manager, Engineering Services

Prior to the start of 2012 most of OTDF's infrastructure projects were managed and coordinated by what was then the OTML Regional Engineering Department however OTML Management made Regional Engineering redundant as of the 31st December 2011. Regional Engineering's responsibilities were consequently transferred to the newly established Impact Projects Division (now called Engineering Services Division) of OTDF. Management quickly established, refined and improved operating procedures that have been constantly reviewed throughout 2012 to ensure an on-going responsiveness to the operational needs of OTDF and all associated stakeholders. The team also acts as a sub-contractor in delivering OTML Tax Credit Scheme projects as directed by the Provincial Government, OTML and the Department of National Planning and Monitoring.

Personnel

In late 2011 OTDF started recruiting well qualified personnel to form a strong engineering team that could effectively deliver impact projects to the communities of Western Province from February 2012. Engineering Services is now comprised of a seven person team made up of architects, builders, drafting officers and clerical personnel. Additional engineers and a Maintenance Supervisor will be recruited in 2013. The Division is also responsible for managing twelve contract personnel (labour hires) engaged for project supervision across Western Province; these personnel numbers fluctuate with projects as and when required.



One of eight villages that now has access to clean water following the completion of the Middle Fly bore water/hand pump project jointly funded by the Middle Fly Trust and PNGSDP at a total cost of K677,000

Projects

OTDF Engineering Services inherited all on-going construction projects from OTML Regional Engineering which included incomplete documentation of activities, poor contracts and dormant projects. These issues were corrected throughout 2012 with the division actively administering projects for Mine Villages, CMCA Development Trusts, OTML, PNGSDP, Special Support Grants and the Tax Credit Scheme.

Priority has been accorded to the reactivation of all major existing projects and to developing a more comprehensive and informative Engineering Services Request (ESR) template relevant to OTDF. All projects had to be reviewed and in some cases new contracts issued. Although 2012 presented significant challenges the team has been relentless in its efforts to get major projects back on track including near completion of the Balimo Hospital in the Middle Fly District worth K36 million. This is the largest ever Tax Credit Scheme project constructed on behalf of OTML and the State in Western Province.

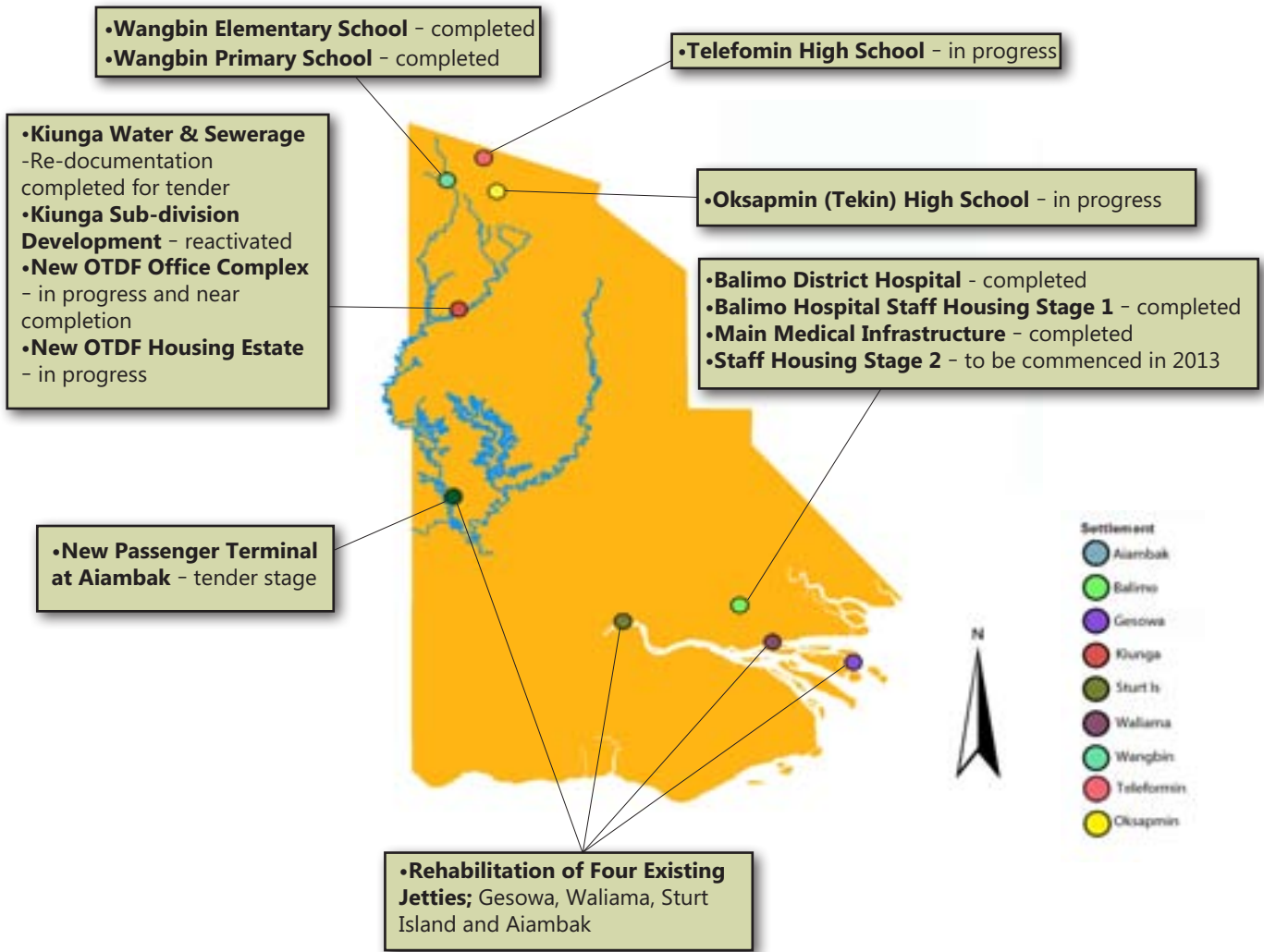


One of the wards at the newly constructed Balimo Hospital. The hospital has some of the most modern medical equipment in the country

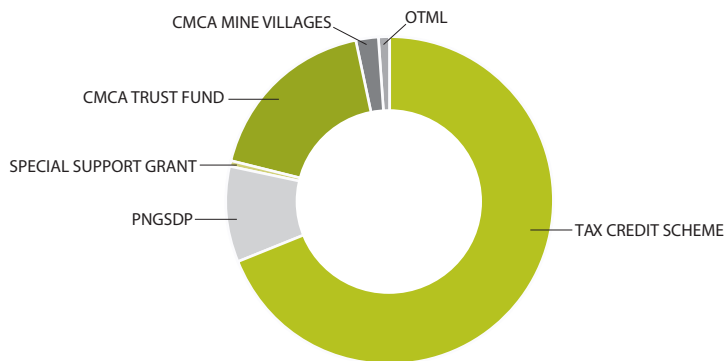
Current Projects Committed and in Implementation

- Oksapmin (Tekin) High School - K25,905,000
- Telefomin High School - K9,500,000
- Kiunga Water and Sewerage - K16,784,619
- Kiunga Sub-division Development - K32,300,000
- New OTDF Office Complex - K8,000,000
- New OTDF Housing Estate - Estimated K8,500,000
- South Fly Water Catchment - K16,600,000
- Wipim Education Inspector's House - K380,000
- New Passenger Terminal at Aiambak - K3,181,835
- Various HF Radio Projects in the South and Middle Fly Regions - K110,000

MAJOR PROJECTS



BREAK DOWN OF K142,871,176.08 IN INFRASTRUCTURE PROJECT FUNDING



	PGK	%
CMCA TRUST FUND	25,350,239.91	17.74
TAX CREDIT SCHEME	98,496,703.07	68.94
SPECIAL SUPPORT GRANT	900,000	0.63
PNGSDPL GRANT	13,633,541.99	9.54
OK TEDI MINING	1,230,497.61	0.86
CMCA MINE VILLAGE	3,260,193.50	2.28

TRUST ADMINISTRATION

A twin-engine propeller airplane is parked on a runway at sunset. The sky is filled with vibrant orange and yellow clouds, with the sun low on the horizon. The airplane is white with a red circular logo on the nose. The background shows a dark treeline and a clear sky.

“All the dust is now left behind. The plane is taking off. Let’s forget about the problems of the past. Yes we can learn from them but let us forget about the dust...with OTDF we are taking off” - Honourable Ati Wobiro, Western Province Governor.



UTILISING CMCA TRUST INVESTMENT FUNDS TO MAKE A DIFFERENCE THROUGH WISE INVESTMENTS AND SUSTAINABLE PROJECT DEVELOPMENT

TRUST ADMINISTRATION



Renagi Koiro
Trust Administrator

The role of Trust Administration is to manage both Trust Development and Investment funds as stipulated under the 2001 Community Mine Continuation Agreement (CMCA). These funds are paid by OTML annually into the eight regional Trust accounts.

The respective Trust regions are Dudi, Kiwaba, Manawete and Suki Fly Gogo in the South Fly, the Middle Fly and Nupmo, Tutuwe and Wai Tri in the North Fly; each being governed by a specific Trust Deed.

In 2012 the Trust Administration team conducted 32 quarterly trust meetings, a huge task in ensuring community governance which involves regional logistics, travel and accommodation for 76 people each quarter.

The Trust Administration collaborates with Regional Development officers to ensure that a project matrix and consequent guidelines are well understood by the Village Planning Committees (VPCs) through which all development projects originate. The Trust Administrator and the respective Boards of Trustees then ensure that the respective projects are aligned to the rules of the Trust Deeds and that development funds are only expended for those intended purposes.

Throughout 2012 the Trust Administration team facilitated a diverse range of projects from water supply to village housing; fisheries and agriculture (food security program); outboard motors and dinghies to motor vehicles; livelihood programs such as sewing, cooking and other household training to health and education. Health includes supporting emergency medical referrals while education includes secondary and tertiary sponsorships whereby funds are specifically set aside annually to fund these programmes. A prudent screening process is followed to approve both medical cases and sponsorship for the highest performing students.

The Trust team also facilitates and encourages the communities to venture into small-scale entrepreneurship such as tradestores, second hand clothing, tyre repair service, Public Motor Vehicle (PMV) business, stockfeed sales, sawmilling and business cooperatives.

Through their Trust Investment funds communities have been able to take ownership of major investments like residential and commercial properties, merchandising, shipping and aviation.

Achievements

In order to encourage and assist the CMCA communities to be involved in income generating opportunities a Business Development Officer was recruited in 2012. As a testament to that role the Trust team assisted in the establishment of Nupmo Holdings Limited, a registered business arm of Nupmo Development Foundation whose interests lie in an Agro Farming business in Kiunga.

The Trust boards also approved the purchase of ten outboard motors and two dinghies each for Middle Fly, Suki Fly Gogo, Manawete, Dudi and Kiwaba Trust regions to be located at OTDF's Regional Field Bases. These assets will be made readily available for trustee patrols, project site visits, village meetings, delivery of project materials, medical evacuations, addressing law and order issues, and to attend to other emergency community needs. A credible decision to collaborate and pool resources given previous trustees were each given outboard motors and dinghies that were often misused and never returned at the conclusion of their three year terms.

Education Assistance guidelines for all Trust regions were reviewed to encourage Western Province children to undertake cadetships on the new OTDF vessels under the management of V'Ships Asia. As such the Trust Administration began dialogue with the Training and Development Department of OTML to draft a guideline to implement this initiative. Other education support includes performance based incentives, training health and education workers and developing a Graduate Development Scheme for high achievers.

Challenges

A major challenge in 2012 was to facilitate the liquidation of Flood Plains Limited (Middle Fly business arm) on behalf of the Middle Fly Trust. Deloitte Touche Tohmatsu was appointed as the liquidator during the November Trust meeting.

As a way forward for the benefit of all the CMCA communities and mine villages the Trust Administration team hopes to assist the Ok Tedi Mine Impact Area Association (OTMIAA) with its second phase of funding to become a reputable organisation in 2013.

TRUST DEVELOPMENT PROJECTS

Each of the Trust Deeds is explicit in its powers as to the expenditure of village development funds for the purposes of improving the livelihood and lifestyle of our community partners. The Trust Administrator and the respective Boards of Trustees ensure that the development funds are used in accordance with the Trust Deeds and that these funds must not benefit individuals alone at the expense of the communities.

Following are some of the high impact projects approved at the respective Trust Board Meetings in 2012 and currently under implementation.

Livelihood Development

Large scale rubber and eaglewood nurseries are managed at strategic regional sites to enable the controlled supply of seedlings to interested farmers. Nurseries were established at Atkamba in the North Fly, Moian in the Middle Fly and Tapila in the South Fly. The Trusts have also partnered with PNGSDP and the National Fisheries Authority to investigate fisheries related income generating activities along the Fly River system in the South Fly.

Originating from the North Fly, rubber development has gradually expanded into both the Middle and South Fly regions. The Trusts commitment to rubber has resulted in the allocation of more than K750,000 for nursery development. Many communities now believe that farming and tapping rubber will be the most sustainable income earning cash crop after mine closure. Rubber nurseries will dramatically expand with increased funding assistance from the South Fly Trusts in 2013 (refer to more specific details in the Program Services Rubber report on page 47).



Implementation of the Middle and South Fly Water Catchment Project will see existing tanks repaired and new tanks installed in all South Fly delta villages

Middle and South Fly Water Supply

Due to rising sea levels causing contamination of water wells in the South Fly delta and poor water quality in existing wells across the Upper South Fly and Middle Fly regions the communities have opted for water tanks with catchments as an alternative water source. This resulted in a 65 village survey being conducted during which communities agreed to the installation of six water tanks with catchments in every village of the Dudi, Kiwaba and Manawete regions. A combination of bores and catchments were chosen in the Suki Fly Gogo region due to their higher land elevation.

Community Housing Projects

Housing is the priority agenda for all eight CMCA Trusts. The basic necessity of a family having a 'roof over their head' continues to be a major expenditure item. The Trust's consequently finance the capital purchase and operator training of mini Lucas sawmills and chainsaws. Sawmills enable communities to take ownership of timber milling from their own forest resources which is the most cost effective means of providing housing materials. Many of the 156 CMCA villages access their Village Development Funds to build better homes.



Residential duplex purchased by the Lower Ok Tedi Investment Company for the Wai Tri Trust

Business Opportunities

As a means of generating greater returns post mine closure a number of business opportunities including real estate properties, PMV operations and retail outlets have been purchased and are now operating across all regions. These include K410,883 to Hore Binkia Engineering by the Tutuwe Trust for financing a highway truck and associated equipment (sub contracted to OTML to operate between Kiunga and Tabubil) and a K738,894 residential duplex (rented by OTDF) purchased in Kiunga by the Lower Ok Tedi Investment Company for the Wai Tri Trust.

TRUST INVESTMENT

Guidelines for Trust Investment Projects

- *Investments must be made in accordance with the Trust Deeds*
- *Investments should be highly visible in Western Province and where possible contribute to the development of the CMCA people*
- *Investments must return a minimum 8% per annum on capital cost with agreed return conditions*
- *Income earned from investments will be accumulated through till mine closure at which time the funds will be equally distributed to all Trust Development accounts for future sustainable project delivery*

MV Fly Hope

Value- K6,898,442.71

Purpose- To provide safe and reliable transportation for our community partners living along the Fly River

Commencement of operation- April 2012 under the management of V'Ships Asia

Progress - Since the MV Fly Hope started operating it completed 14 voyages in 2012 transporting villagers and their cargoes between Daru and Kiunga and calling into river ports and the OTML Tax Credit Scheme funded jetties along the Fly River

Previous to this initiative taken by the communities there was no commercial means of transport along the Fly river. This is a first for Western Province



Series 400 Twin Otter Aircraft

Value - K33,935,098.11

Purpose- Two brand new series 400 Twin Otters are being leased to OTML. One aircraft will continue to service current regional airstrips down river while the second plane will service the Telefomin district of the Sandaun Province. These planes will be used to transport local OTML employees and contractor personnel to and from their homes as well as transport OTDF staff and associated Company employees such as North Fly Rubber Ltd throughout Western Province. A commitment has also been made to service urgent medivac requirements amongst our community partners

Commencement of operation - January 2013 under the management of Hevilift PNG

Projected return on investment to the CMCA communities over the 15 Year contract - K49,518,989.65

This investment by the CMCA communities replaces the former Twin Otter aircraft owned and operated by Hevilift PNG





MV Fly Explorer

Value - K5,502,757.33

Purpose-The MV Fly Explorer is a purpose built environment research vessel that is bare boat chartered to OTML to conduct riverine sampling of the Fly River and its tributaries. The vessel will also be utilised for bi-annual Community Relations awareness patrols

Commencement of operation -July 2012 under the management of V'Ships Asia

Projected return on investment to the CMCA communities over the 15 Year contract - K8,535,421.43

The Fly Explorer replaces the Tahua Chief, formerly owned and operated by Steamships Shipping



MV Fly Warrior

Value- K19,011,967.00

Purpose - The MV Fly Warrior is a custom built container vessel and bulk fuel carrier which can carry up to 72 containers or 1.2 million litres of diesel fuel. The vessel is designed to cater for OTML's operational requirements out of Port Moresby and also has the capacity to call into Australian Ports if and when required.

A key purpose of the vessel will also be the quarterly delivery of CMCA project materials direct onto jetties at Sturt Island in the South Fly and Aiambak in the Middle Fly

Commencement of operation - January 2013 under the management of V'Ships Asia

Projected return on investment to the CMCA communities over the 15 year contract- K29,489,790.23

The Fly Warrior will replace the Lahara Chief, formerly owned and operated by Steamships Shipping

In addition to the return on investment value the CMCA people will also retain the asset value of these planes and vessels, a significantly greater return than interest rates previously received on Trust Investment funds held solely in commercial bank accounts

CASE STUDY: MV FLY HOPE OPERATIONS

MV Fly Hope – An economic and social investment bringing hope and opportunity to the CMCA people.

The MV Fly Hope is a 34 meter commercial passenger vessel capable of carrying 150 passengers and freight. The vessel was custom built to provide a dedicated service to Fly River communities carrying people and their trading goods between Kiunga and Daru.

The MV Fly Hope was greeted with much jubilation and expectation when it arrived in April 2012 and went straight into service, completing fourteen voyages over the remainder of the year.

Careful analysis of passengers and freight transported to and from various ferry stops along the river has led to adjustments in the scheduling to provide more trips (two) between Kiunga and Obo for each trip to Daru and back in order to cater for demand (refer to passenger numbers and kilos of freight in the adjacent graphs). As future demand picks up in the South Fly scheduling will be readjusted accordingly.

For the south bound voyage, passengers boarding at Kiunga are mainly ticketed to Obo Station and

Suki with major freight items being personal freight, general trade store goods, agriculture (sago and coconuts) and fuel drums. The north bound voyage has passengers originating mainly from Suki, Obo Station, Aimbak and Bosset into Kiunga with large quantities of frozen freight (fish and prawns) and crocodile skins (in excess of eleven tonnes in 2012).

By the end of December word from the international shipping contract manager, V'Ships Asia was that; "we have fully utilised the vessels carrying capacity on its Middle Fly voyages to and from Kiunga".

The MV Fly Hope is indeed fulfilling the needs of the Fly River communities. A review after a full twelve months of operations will demonstrate how much the service has lived up to expectations and what are the lessons learned and opportunities the vessel can provide for the people of the CMCA Trusts regions and key stakeholders including the Fly River Provincial Government, OTDF, OTML and PNGSDP.



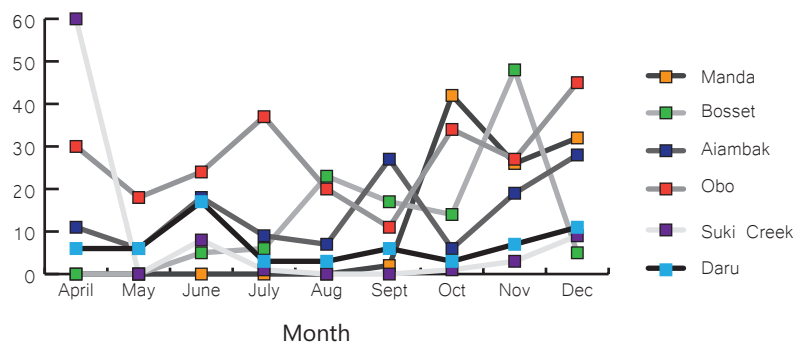
The MV Fly Hope on its way to Kiunga. The vessel has made travelling much safer and trading more cost effective for the communities living along the Fly River

Fly Hope 2012 Vessel Utilisation- Passengers and Freight

Passenger (Numbers)

Month	Daru	Suki Creek	Obo	Aimbak	Bosset	Manda
April	6	60	30	11	0	0
May	6	0	18	6	0	0
Jun	17	8	24	18	5	0
Jul	3	1	37	9	6	0
Aug	3	0	20	7	23	0
Sept	6	0	11	27	17	2
Oct	3	1	34	6	14	42
Nov	7	3	27	19	48	26
Dec	11	9	45	28	5	32

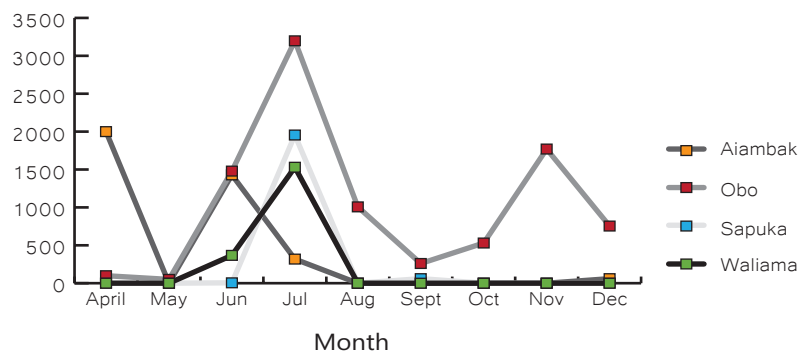
PAX Peak Period analysis (North Bound) by month on High Density Ports - Passenger No.s



Freight (Kg)

Month	Vallam	Sapuka	Obo	Aimbak
April	0	0	99	200
May	0	0	50	0
Jun	367	5	1479	1429
Jul	1530	1955	3198	318
Aug	0	0	1007	0
Sept	0	60	260	0
Oct	0	0	530	0
Nov	0	0	1770	0
Dec	0	0	754	60

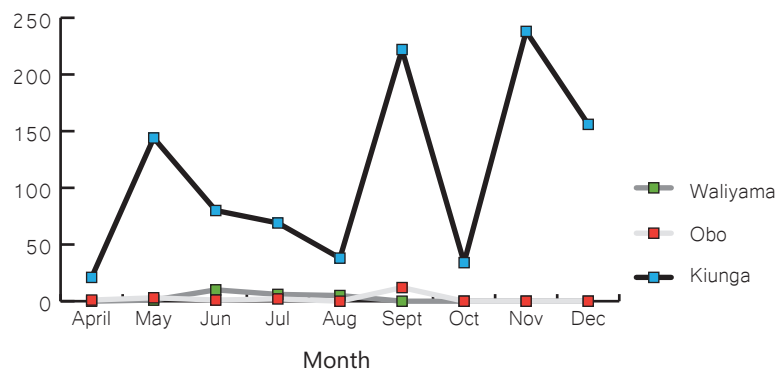
Kgs Peak Period analysis (North Bound) by month on High Density Ports - Freight (Kgs)



Passenger (Numbers)

Month	Kiunga	Obo	Waliyama
April	21	1	0
May	144	3	1
Jun	80	1	10
Jul	69	2	6
Aug	38	0	5
Sept	222	12	0
Oct	34	0	0
Nov	238	0	0
Dec	156	8	0

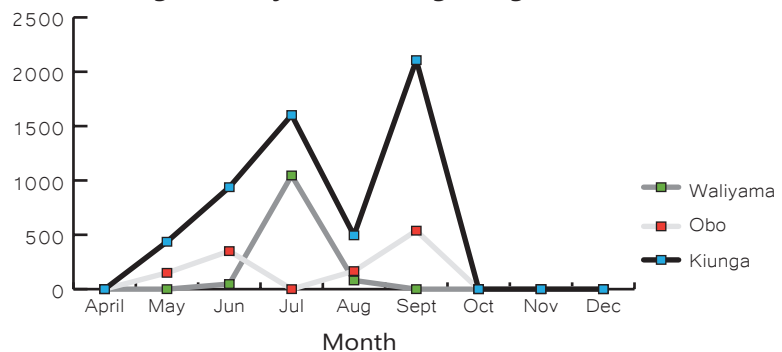
PAX Peak Period analysis (South Bound) by month on High Density Ports - Passenger No.s



Freight (Kg)

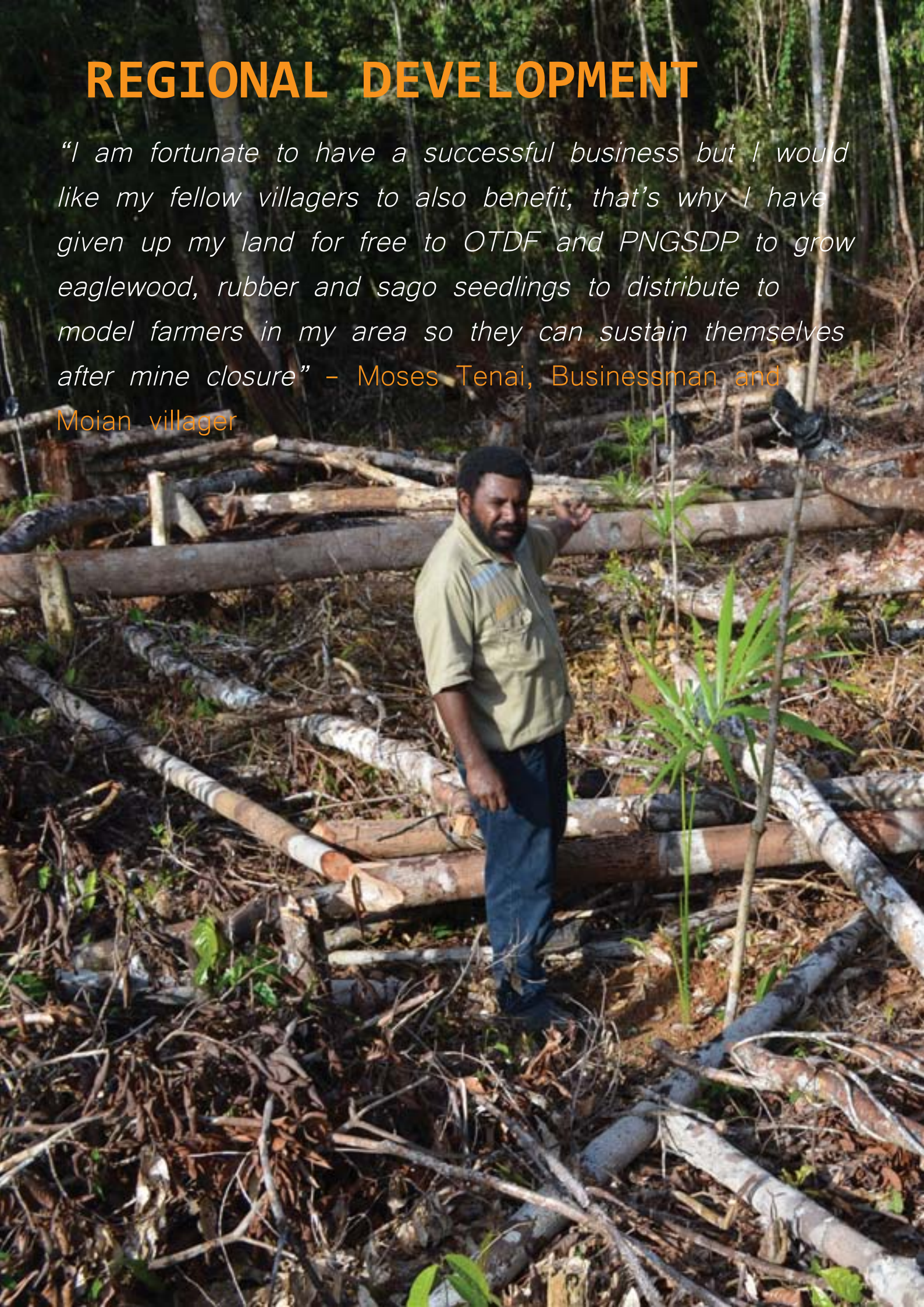
Month	Kiunga	Obo	Waliyama
April	0	0	0
May	436	150	0
Jun	938	350	47
Jul	1602	0	1046
Aug	495	166	80
Sept	2107	538	0
Oct	0	0	0
Nov	0	0	0
Dec	0	0	0

Kgs Peak Period analysis (South Bound) by month on High Density Ports - Freight (Kgs)



REGIONAL DEVELOPMENT

“I am fortunate to have a successful business but I would like my fellow villagers to also benefit, that’s why I have given up my land for free to OTDF and PNGSDP to grow eaglewood, rubber and sago seedlings to distribute to model farmers in my area so they can sustain themselves after mine closure” – Moses Tenai, Businessman and Moian villager





**MAKING A DIFFERENCE TO
LIVELIHOOD DEVELOPMENT
IN THE CMCA TRUST REGIONS**

REGIONAL DEVELOPMENT



Brian Ilsin
Executive Manager, Regional Development

The Regional Development Division incorporates three regional sections responsible for ensuring the CMCA communities are food secure as well as delivering on livelihood development projects and supporting the implementation of infrastructure and social services. Engagement with our communities has increased significantly since 2011 through the regional field bases and the respective regional officers now facilitate the delivery of a diverse range of projects into their designated Trust communities.

Twenty three of 31 officers (74%) are now living or actively engaged in the field and successfully served all 156 CMCA villages throughout 2012. This despite the vast and challenging working environment ranging from the low lands of the South Fly delta to the near inaccessible highlands of the North Fly. To achieve this safely with zero lost time injuries (LTI's) is a credit to their adherence to the safety policy and standards of the Company as well as greater cooperation amongst their regional colleagues and other OTDF teams.

Throughout 2012 Regional Development officers supported impact project feasibility studies and Engineering Services, attended quarterly Village Planning Committee and Regional Trust meetings,

assisted Women's Associations, provided logistic support to all OTDF teams conducting their respective regional projects and general advocacy on all Company plans, gathering community feedback and disseminating information accordingly.

All regions have achieved over 90% of their planned Yam Haus targets (refer to the Regional Development and Investment pillars on page 9). Notable highlights include staff occupying field bases on a fulltime basis, improvement in communication through mobile phones and VSATs, establishment of sub-regional field bases, significant increases in rubber and eaglewood development activities, an extension of livestock trials, supporting increased numbers of model farmers, expansion of inland aquaculture activities, construction of several elementary classrooms, delivery of multiple housing projects, beginning innovative projects such as aquaponics and floating gardens and the introduction of the Model Village concept.

Regional Development looks forward to even more engagement with our community partners in 2013 and delivering on their aspirations.



74% of Regional Development staff actively engaged in communities
974 days and or nights spent in villages

Providing safe and modern transportation

**1,792 people and 23 tonnes of cargo carried on
MV Fly Hope since its arrival in April**

Addressing poor housing standards in our communities

**K3.4 million committed to building semi
permanent houses throughout the CMCA**

61 farmers culture 34,000 fish in their ponds

K17,200 earned from farmed fish sales

Fish feed made from locally grown ingredients

7,000 kilograms distributed

177 hectares of small-holder rubber blocks cleared

230 CMCA farmers plant 74,000 points of rubber

15 hectares cleared for planting eaglewood

50 farmers plant 26,000 eaglewood seedlings

Increasing our presence in the communities

**Sub-regional field bases set up in Nakaku (Suki
Fly Gogo), Tapila (Dudi) and Waliyama (Manawete)**

NORTH FLY



Belden Dasa
Team Coordinator, North Fly

The North Fly Region has four tribes, six mine villages, 68 CMCA villages and a population over 28,000 being serviced by fourteen members of staff. Although the North Fly people have income earning opportunities created by the Ok Tedi Mine and road access to town markets at Tabubil and Kiunga there remains a considerable reliance on cash compensation payments.

Consequently the North Fly teams primary goal is to enable our community partners to be food secure and make realistic livelihood improvement decisions through economic development projects. To enable this, the North Fly team engaged directly with their community partners by spending 520 days and or nights in villages throughout 2012.

Food Security

Through improved engagement with North Fly communities it became evident that there is an animal protein deficiency in the diet of many of these people. To combat this officers conducted field/exposure trips, awareness and training in inland fish farming. This directly resulted in seven new model farmers successfully culturing fresh water fish as a combined source of food and cash generation.

In collaboration with the National Fisheries Authority and Provincial Fisheries, OTDF invested in the construction of a fresh water fish hatchery from which it is hoped greater numbers of native fish species will be reared for distribution and culture throughout the region. This facility is complemented by the local manufacture of fish feed at Samagos which saw over 7,000 kilograms of feed distributed to eleven farmers in 2012.

Currently in the region there are two active farmers breeding parent stock and supplying common carp and tilapia fingerlings to grow out farmers across the North Fly. In all 61 farmers stocked over 34,000

fish in their ponds throughout 2012. Seven of these farmers have harvested and sold near 2,100 fish to the general public and earned over K17,200.



Noah Dem, a model fish farmer at Kwiloknai village proudly showing the profits of his fish sales

For this growth to be sustainable OTDF recognises that the transfer of skills and knowledge to communities is of paramount importance, so interested Village Planning Committee members and 43 fish farmers were trained on fish farming skills and techniques including exposure trips, practical demonstrations and classroom theory.



Farmers awarded with Inland Fish Farming certificates at Sisimakam village



Fish farming exposure trip conducted with a model farmer at Kwiloknai village

Inland fish farming activities are expanding considerably throughout the North Fly and a fully incorporated fish farming Cooperative is planned for Migalsim Village in 2013. This Cooperative will allow collaboration amongst the mine villages to increase the economies of scale and addresses the constraints of fingerling supply and feed production commonly experienced by inland aquaculture in PNG.

Despite a challenging geographical environment which includes some of the highest rainfall on the planet the North Fly agriculture officers managed to germinate and distribute 900 sago seedlings from the sub-regional field base at Bige into the surrounding communities. Other seasonal crops such as banana, pawpaw, rice, cassava, African yam and NARI taro were also distributed from Tabubil and Samagos Agriculture Centres to various model farmers for multiplication.

To encourage the growing interest in dryland rice farming by Nupmo Trust farmers a rice milling machine was purchased and delivered to Boliwogam village. By years end 480 kilograms of rice had been milled for the communities own consumption with well over that volume expected to be harvested for milling in 2013.



Villagers at Boliwogam village displaying the rice they had milled from the new rice milling machine

Rubber and Eaglewood

As for the Middle and South Fly, the North Fly Trust regions forestry activity is firmly focused on rubber and eaglewood development.



Regional Rubber Nursery at Atkamba village in which rubber seeds were grown and hybrid clones budded

Supported by North Fly Rubber Ltd (NFRL) and smallholder farmer extension, regional Rubber Officers successfully reared near 80,000 points at Kungim village and distributed bud grafted seedlings to 86 farmers covering 73 hectares of field planted rubber.

A further 62,000 points were reared in a rubber nursery at Atkamba village and seedlings have since been bud grafted in preparation for field distribution in 2013.

Over 6,000 eaglewood seedlings were raised from seed at the Samagos nursery in Kiunga and distributed to 27 farmers throughout the region. This equated to a total of five hectares being planted in the field.

Livestock Programs

In an effort to meet growing interest in farming chickens the North Fly team has also conducted poultry feed research using locally grown crops and improved village based husbandry techniques with the Australian Centre for International Agriculture Research (ACIAR). One hundred and fifteen Australorp chickens have since been distributed to communities across ten villages (Kungim, Ambaga, Putmabin, Brimkamba, Kwiroknai, Hongas, Iowara Refugee Camp, Migalsim - mine village and Emmaus farm) for crossbreeding with village chickens.



From left OTDF Officers Miape Baupupu, Joe Ipo and Belden Dasa inspecting the cattle shipped in from Lae for the Gii Village Cattle project

As an extension of the Gii Village Cattle project established in 2011 the North Fly team facilitated the purchase and shipment of prime breeding cattle from Markham farms in Lae, Morobe Province. The five animals have settled well into their new holding paddocks (refer to the picture on page 34).

Research and Partnership Programs

The North Fly team continues to maintain dialogue with other development partners and stakeholders in research project opportunities, sourcing new crop varieties, learning new husbandry techniques and collaborating on field trials.

Some of the partnership commitments in 2012 included fish breeding programs in collaboration with the ACIAR, freshwater hatchery construction with the Western Provincial Department of Fisheries and National Fisheries Authority, collaboration on cattle farming with the North Fly Livestock Development Program, poultry feed trials with ACIAR and the National Agriculture Research Institute (NARI) and an innovative aquaponics trial with Aquasonic (the largest commercial aquaculture equipment distributor in NSW, Australia).

OTDF encourages and actively engages with communities in practical research projects with the prospect of income generation. Active participation will continue to be encouraged throughout 2013.

Housing Infrastructure

Housing infrastructure has continued to be a priority Trust project for many communities. In 2012 the North Fly team delivered K2,713,487 worth of building materials to 405 families to construct high covenant houses. Exceptional examples of entire communities working together to construct housing for every family member are close to being realised

at Ieran and Gresohore villages in the Lower Ok Tedi region.



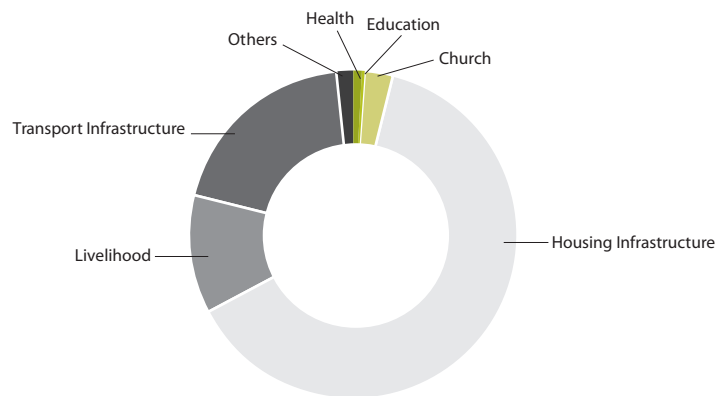
Some of the 35 houses being built at Gresohore village. This project is being funded through the Tutuwe Trust

In Ieran village alone all 42 family homes are nearing completion, even more remarkable considering the materials are either felled and cut by the community or flown in by helicopter.

Education Infrastructure

Improving literacy and getting all children back into elementary and primary school classrooms is a sectoral priority for OTDF. Consequently the North Fly team selected five villages (Kavorabip, Kawentkin, Timindesuk, Pampenai and Ambaga) across the region and supported the construction of permanent classrooms. Kavorabip (mine village) and Timindesuk (Tutuwe Trust) were completed before years end.

2012 Trust Development Projects worth K4,277,300 Approved for Implementation by the Nupmo, Tutuwe and Wai Tri Trusts



	PGK	%
Health	40,708	0.95
Education	18,300	0.42
Church	113,184	2.64
Housing Infrastructure	2,713,487	63.44
Livelihood	488,776	11.42
Transport Infrastructure	832,845	19.47
Others	70,000	1.63



Gii Cattle Farm, North Fly

MIDDLE FLY

The Middle Fly region has five tribes, eighteen villages and a population of near 20,000 to serve within a single Trust. Middle Fly officers continue to improve on the teams foremost goal of increasing village engagement to enable our community partners to make improved livelihood decisions through regional food security and economic development programs. That is, to increase food production and income generation at the household level. In all officers spent 146 days in the upper, middle and lower Middle Fly villages to achieve this.

The 2012 year saw the addition of fifteen new model farmers, now totalling 26. This increase is the direct result of continuous village by village visits and awareness on the importance of food security and livelihood development opportunities. The villages of Manda and Kuem have taken a holistic approach to developing their people by organising themselves to better engage with officers and work collaboratively as families. Utilising their Village Development Funds these villagers have created their own crop multiplication and distribution centres for the distribution of food crops sourced locally and from outside the Province.

The OTDF initiative to assist communities with trade and economic development with the delivery of the MV Fly Hope in April realised significant support from the Middle Fly people (refer to details of this support in the Fly Hope Case Study on pages 25 - 26). This has been complemented with agreement from the Middle Fly Trust board to manufacture eighteen fibre glass motorised canoes for each village to link with the ferry, enabling communities to bring their produce (cup lump rubber, food crops, crocodile skins, fresh water prawns, barramundi and the increasing wild tilapia harvest) to markets in Kiunga as well as ready access to essential services.



Taro destined for distribution to model farmers being grown at Aiambak Field Base

A total of ten out of the eighteen villages in the region are now utilising the ferry service. Middle Fly villages have been the major users in terms of passengers and freight with seven approved stop over points (carried over 11 tonnes in freight during 2012).



Tom Nami
Team Coordinator, Middle Fly

Rubber and Eaglewood

Identified as key economical forestry species accepted by the communities in the region, rubber and eaglewood production and distribution has continued to be supported.



Local businessman Moses Tenai has lent a portion of his land at Moian village to set up a distribution centre for eaglewood, rubber and sago

Native eaglewood varieties have been identified within the Middle Fly resulting in the establishment of three Seed Production Areas (SPA's) in each sub-region; Moian, Manda and Kasa villages being chosen for future seed collection (to date 1,955 plants have been collected). In collaboration with the PNGSDP forestry program a nursery with the capacity to produce 50,000 seedlings annually was constructed at Moian Village. From an initial trial of 10,000 seedlings a total of 1,176 were distributed to farmers and planted by the end of 2012.



Moian villagers clearing land to establish Seed Production Areas

Capacity Building

The Middle Fly team recognises the need to build the capacity of Village Planning Committees (VPC's) to thereby enable communities to become actively involved in all livelihood project planning and decision making processes. All eighteen Middle Fly villages were offered the opportunity to conduct VPC elections from which sixteen villages participated and elected eleven new Chairpersons.

Ten of these Chairmen then participated in Training Workshops facilitated by OTDF to enable them to better understand the CMCA agreement, OTDF operations and development principles, good governance and their respective project nomination roles and processes at the village level.



Village Planning Committee Training at Ambowap Lodge, Moian Village

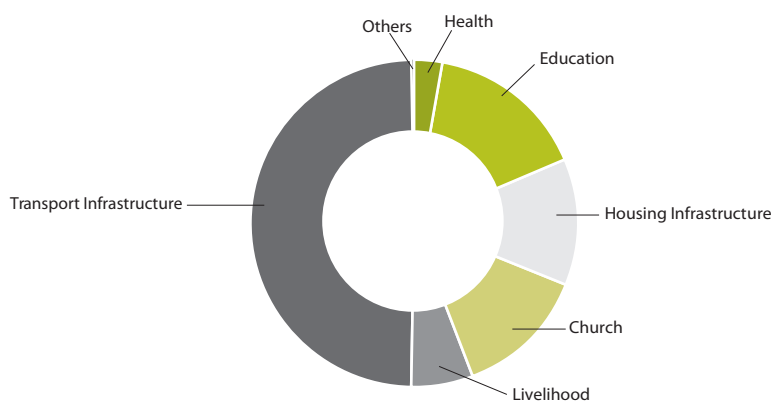
To further support the Middle Fly communities' capacity and self sustainability the Middle Fly team collaborated with PNGSDP to conduct a Financial Literacy pilot project through Moian, Mepu, Uluwas, Kaviananga, Bosset, Membok and Kuem villages. Under the CMCA, OTML makes annual cash payments to households which form a significant proportion of their total cash income. These payments are made by PNG Microfinance Ltd (PML) and the Bank South Pacific (BSP).

PML reported that 94% of these payments were immediately withdrawn in full and attribute this to the isolation of financial services, low savings rates and a lack of household financial literacy and related product awareness. Consequently, PNGSDP conceived this pilot project which was facilitated by OTDF to provide the people with a better understanding of how to save or spend their cash payments; to provide them with choices.

Nine selected community members undertook a Train the Trainer workshop for one week followed by training of community members in the selected villages. A total of 74 people were trained including 12 women. All involved openly appreciated the training and the relevance of its timing. Community trainers were praised for precisely delivering training in their local vernacular. People now realise the importance of saving and purchasing products that will help their families as a whole. This pilot project will be evaluated by PNGSDP with the intention of a widespread roll out in the Middle Fly and introduction to other regional Trusts in 2013.

The Middle Fly team is already planning for increased village by village engagement in 2013 to promote business development opportunities, to ensure the people are food secure and to facilitate continuous improvements in the communities livelihood development aspirations.

2012 Trust Development Projects worth K2,997,282 Approved for Implementation by the Middle Fly Trust



	PGK	%
Health	91,146	3.04
Education	466,841	15.57
Church	376,773	12.57
Housing Infrastructure	396,430	13.22
Livelihood	182,029	6.06
Transport Infrastructure	1,478,063	49.31
Others	6000	0.20

SOUTH FLY

Despite the vast spread of four Trusts separated by over 150 river miles, multiple tribes and 45,000 people, the South Fly team has managed to engage with our partner communities in every one of the 66 villages, established sub-regional field bases and better understands their needs. The total number of days officers spent in these villages was 308.

This report highlights the activities planned in accordance with the 2012 team targets to deliver on livelihood development, capacity building, infrastructure support, health, education and communications. Of particular note is the declaration of Kautru village in the Suki Fly Gogo region as the first CMCA Model Village announced in the village by the Chief Executive Officer in November. Through this initiative communities are better understanding the importance of not only becoming food secure and healthy but the importance of generating commerce and trading for long term self-sustainability.

Functional Sub-Regional Field Bases

To complement Sturt Island field base South Fly officers now occupy and work from fully functional sub-regional field bases at Tapila (support the Dudi and Kiwaba regions), Nakaku (Suki Fly Gogo region) and established a new location at Waliyama in the Manawete region. These bases now allow officers to engage with communities in the heart of the respective trust regions, improving contact time and logistics.



Muscovy ducks are now being bred at the Sturt Island Field Base

To meet the growing food security obligations that come with widespread engagement the South Fly team ordered sweet potato, corn, dryland rice, taro and cassava from the National Agriculture Research Institute (NARI) in Lae and distributed them across



Andy Maie
Team Coordinator, South Fly

all field bases for planting trials. Due to a prolonged dry season the results were variable across the sites yet 30 kilograms of viable corn seeds, 20 kilograms of mung beans and 130 NARI taro suckers were distributed to 35 farmers across the South Fly region.

The team has also expanded its livestock activities into the new field bases, building facilities for muscovy ducks and transferring stock from Sturt Island. The Suki Fly Gogo Trust community is particularly interested in duck husbandry and by year's end nine farmers had built duck rearing sheds for the distribution of 30 ducklings from parent stocks that were successfully bred and reared at Nakaku. Breeding adults were also transferred to Tapila.



Communities have been encouraged to venture into crocodile business as a means of income generation. Pictured here are crocodiles owned by a farmer at Nakaku village

The Sturt Island crocodile farming trials have stimulated interest from communities that used to have very basic animal holding facilities. Most of these had been abandoned due to a lack of any real understanding of rearing techniques resulting in poor animal growth and skin grades and difficulty collecting a consistent quality food supply at the time. Crocodile farming was also introduced to Nakaku once holding pens had been constructed with juvenile fresh and salt water crocodiles stocked. The Sturt Island and Nakaku trials have demonstrated that crocodile farming is a worthwhile, low cost venture utilising bush materials and improved animal welfare practices. At this point both fresh and saltwater animals are reared together however the saltwater crocodile skins attract higher prices so dedicated pens and additional saltwater animals will be stocked in 2013.

Rubber development continues to be a very important forestry activity with growing interest from the South Fly communities. Production for the

year was centred on a large nursery established at Tapila which produced 40,000 points of successfully bud grafted plants. These plants will be distributed to local farmers in 2013 who have already cleared and prepared their land.



Rubber seedlings being grown at the Tapila Field Base

Similar interest in growing eaglewood has seen 750 plants distributed from Nakaku field base to Suki Fly Gogo Trust farmers. At Tapila field base 110 seedlings have been transferred and successfully grown, none of these were distributed. Numbers are expected to grow beyond 10,000 new eaglewood plants in 2013.

Waliyama Village Chosen to be a Sub-Regional Field Base for the Manawete Region

Waliyama village has allocated a piece of land of approximately one hectare in area to the South Fly team to establish a sub-regional field base with a focus on developing a rubber nursery and planting a variety of food crops. The site has been cleared and fencing work is underway in preparation for the rubber seed fall and collection from established farmers in early 2013 to begin the nursery. There is growing interest in rubber development from the Manawete communities and by years end the Trust had approved a multi-million kina five-year South Fly Regional Rubber project co-funded with PNGSDP (refer to the regional rubber report on page 47 for further details).

Kautru Declared the Pioneer Model Village

The people of Kautru village have demonstrated a genuine desire to be self sustainable and to create economic opportunities for future generations, a very humble aspiration from a happy community. Located in the Suki Fly Gogo Trust region Kautru has been declared the first model village throughout the CMCA, an innovative concept expected to fast track the improved wellbeing of our partner communities. Model villages will be food secure, benefit from

health care, have a functional elementary school, active village court system, livelihood development program, capacity building and have trading and consequent income earning opportunities.

Led by an active youth group the Kautru community have been supported by the South Fly team to begin a large scale deer farming trial believed to be a first in PNG. The Village Planning Committee chairman approached the Regional Agriculture Officer to assist them set up the project. OTDF further supported the project by bringing a deer farming expert from Australia into the village to provide professional project advice on infrastructure, husbandry techniques and venison quality control at slaughtering.

Work has started on the holding yards and fencing with posts cut from the surrounding bushland for the main perimeter fence and mesh wire and supporting infrastructure have been ordered. A large stag (male deer - see below) and several does (female deer) have been collected and a breeding program has already been started in temporary holding pens with all four does successfully impregnated.



Villagers at Kautru are excited about being the first to trial deer farming in PNG



Australian deer expert Tim Hansen speaking to Kautru villagers during his inspection of the recently built stock yards

CMCA Trust Projects

To assist each of the VPC Chairmen in all 66 village communities with the appraisal of Trust project submissions is a very important task for officers. Our community partners need guidance to come up with more sustainable projects that benefit the entire village and not just individuals, to make submissions expanding on livelihood development, catchment water, women’s resource centres and classrooms rather than continual outboard motor and dinghy purchases.

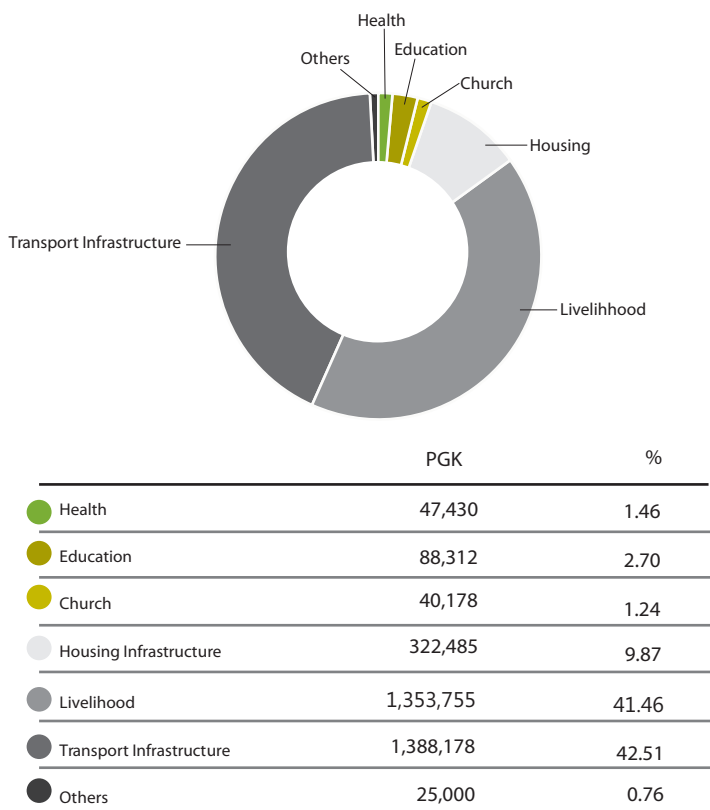
Supporting business opportunities and taking advantage of the MV Fly Hope has been encouraged and a shining example has arisen in Ken Sala, a young man from Waliyama village in the Manawete region. Ken has established a small wholesale business purchasing locally grown food items from farmers in the region then transports them on the vessel to Kiunga to resell to business houses and the general public. Selling principally root crops, banana, coconuts, deer meat and fish, Ken has quickly realised there is the potential to develop this initiative into a bigger venture including expansion into the Tabubil market. Ken has established markets in Kiunga and transported 1,600 kilograms of produce over several trips from which he earned over K21,000.

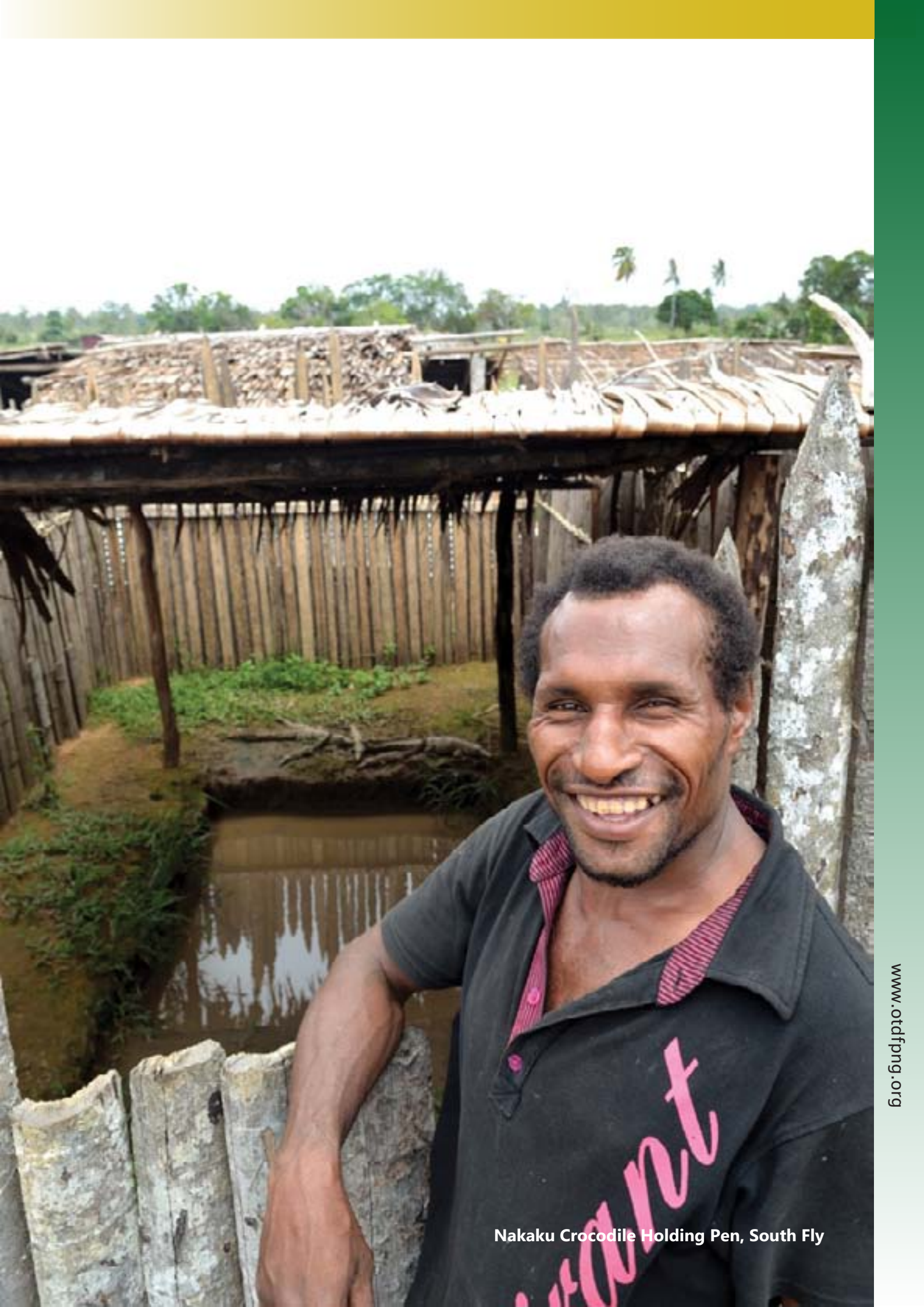


The South Fly team looks forward to the challenge of supporting regularly inundated villages like Maduduwo (picture above) in the Manawete Trust region with relocation and improved health services

The South Fly team is determined to demonstrate a real difference is being made at the village level throughout all South Fly Trusts in 2013 by moving permanently into sub-regional field bases and making closer connections with the people.

2012 Trust Development Projects worth K3,265,338 Approved for Implementation by the Suki Fly Gogo, Manawete, Kiwaba and Dudi Trusts





Nakaku Crocodile Holding Pen, South Fly

SUPPORT SERVICES

“With this skill that I have now, I can sew clothes and sell them to support my family and most importantly, pay for my children’s school fees.” – Monica Jack, Nupmo Trust region





**MAKING A DIFFERENCE
THROUGH COMMUNITY
CAPACITY BUILDING
AND SUPPORTING OTDF
OPERATIONS**

Mine Villages Sewing Training, Wangbin Village, North Fly

SUPPORT SERVICES



Alison Tammy
Executive Manager, Support Services

The Support Services Division provides key support mechanisms for OTDF's operational activities including community engagement and project delivery by the Regional Development teams.

Support Services includes two core functions: Program Services incorporating Community Development, Technical Project Support and regional Rubber and Forestry teams; and Corporate Services incorporating all Finance Administration, Information Services, Human Resources and Procurement Logistics and Asset Management functions.

The Division underwent various functional changes throughout 2012 to strengthen support across the Company in light of rapidly growing community project numbers and impact project feasibility studies, increased regional engagement and internal expansion. By years end the Division comprised of 44 permanent staff and five labour hires of which eighteen (41%) are directly engaged in community based field work.

The Corporate Services team improved operational policies and financial governance functions, continued to manage MV Sepura operations, ensured staff welfare and safety without a lost time injury being recorded and successfully facilitated an unqualified financial audit with Pricewaterhouse Coopers for the 2012 calendar year. However it became apparent that the Finance Administration team required a change in direction and increased support to manage the growing number of projects, demands of regional service providers and donor funded project accountability. Consequently the Board approved the recruitment of an Executive Manager Finance and Logistics position and the introduction of multi functional Attache accounting software to run independent accounts, payroll and project functions from 2013.

Human Resources supported the introduction of a new Staff Retention scheme, successfully recruited fourteen new hires and coordinated Staff Training and Development.

Program Services continued to provide technical project support to OTDF across several impact projects, trust functions, regional development and community development including the Women and Children's Capacity Building project.

Notable highlights included coordination of five Western Province People's Dividend Trust Fund sponsored feasibility studies, investigative work into the South Fly Water Catchment Project, Middle Fly Central Processing Unit for sustainable forestry, completion of Middle Fly VPC Chairman's training, installation of Bio-gas Digesters at the Aiambak and Tapila field bases, facilitated the PNGSDP funded Financial Literacy Training pilot and successfully administered the election of Women Executives for the respective CMCA Women's Associations.

Program Services played a part in supporting projects worth in excess of K33 million and looks forward to continued implementation of these projects along with new opportunities in 2013 to really make a positive difference to the lives of our partner communities.



A girl from Moian Village in the Middle Fly region dressed in her traditional attire

Staff wellbeing and safety achieved
ZERO Lost Time Injuries

Eleven sewing trainings conducted
124 women trained

Seven basic computer skills trainings conducted
98 villagers trained

Financial Literacy Training conducted in the Middle Fly
74 community leaders trained

Community Development Officers increase village engagement
75% of designated communities covered

Women's Resource Centres to be built in Bige and Aiambak
K2.4 million to build women's capacity

K16.6 million South Fly Water Catchment Project approved
49 villages set to receive clean water

K1 million worth of lucas sawmills and chain saws delivered
47 operators trained

Two Regional Nurseries developed
86,000 points of budded rubber plants grown

Innovative ideas to convert human waste to energy
Bio-gas digesters constructed at Aiambak
and Tapila field bases

PROGRAM SERVICES - COMMUNITY DEVELOPMENT

The OTDF Community Development team underwent major internal changes through 2012 that were compounded by the termination of the then Project Manager of the CMCA Women's Capacity Building Project (CBP). This resulted in the Team Leader Community Development (CD) taking on caretaker management responsibilities for the project in an effort to maintain a focus on the Team's two principle operational areas:

1. To support the Women and Children's CBP and;
2. Planning and delivering on livelihood development training and social awareness

Despite these constraints Community Development Officers (CDO's) still set foot in 75% of the villages in their respective regions throughout 2012. Officers supported the Women and Children's CBP, WPPDTF project feasibility study trips and a wide array of community training and awareness engagements.

Community Engagement

Community Development officers were actively involved in widespread community engagement despite the challenges presented in 2012. Officers linked in with the respective Regional Development teams to attend Village Planning Committee meetings to provide guidance and support for any community development related projects raised. An example was the coordination of the successful Financial Literacy Training program in the Middle Fly with both Regional Development and PNGSDP.

All members of the CD team underwent Health Promotion Training facilitated through partnership with the North Fly Health Development Services Program. CDO's were trained in areas of the Healthy Village concept, role modelling, prevention messages for cholera, tuberculosis, malaria, HIV and AIDS, sexually transmitted infections, improved water and sanitation, maternal and child health as well as safe motherhood. The CDO's are now capable of delivering these social awareness messages throughout the CMCA.

Women and Children's Capacity Building Project

The Women and Children's CBP experienced multiple challenges in 2012 which necessitated direct intervention by senior management. This culminated in the recruitment of a new Team Leader late in the year to complement the new Team Leader for Community Development who are now working together to deliver the project objectives.

Despite these challenges the project was still able to deliver on some key administration and capacity building objectives, conduct training and gained approval for Trust projects under the CBP banner. The most important of these being the registration of all nine Women's Associations with the

Investment Promotion Authority, women President elections and subsequent holding of Annual General Meetings.

Additionally, the CMCA women collaborated to host a very successful Arts and Craft show that was held during the nations independence celebrations (Hamamas week) in Tabubil. The Star Mountains Women's Association (SMWA) collaborated with the women from all eight Trust regions to make, send up and showcase their handicrafts such as baskets, mats, brooms and carvings which created great interest and were all sold during the week. The SMWA is planning for a bigger and better display of CMCA handicrafts in 2013.

The Project Consultative Committee which is made up of PNGSDP, OTDF and three representatives from the North Fly, Middle Fly and South Fly regions convened on two occasions. This committee is set up to report on the progress of the CBP implementation and the financial status of the project as per the Project Funding Agreement. Progress achieved in 2012 is highlighted in the following table.

Training	Regions	No. of trainings/ meetings
Computer Training	Kiwaba, Suki Fly Gogo, Middle Fly, Waitri, Tututwe, Nupmo and Mine villages	7
Association Registration	All 8 regions	8
Sewing Skills Training	Mine villages, Nupmo, Tutuwe and Waitri	11
Women Leadership Training	All 8 regions	3
Sewing Skills Training of trainers	Mine villages, Nupmo, Tutuwe and Waitri	4
Annual general meetings	All 8 regions	9

The project also procured nine new laptops and cameras for the respective Associations to record and capture all training developments. In all a total of 294 women attended formal leadership, computer and sewing skills training in 2012.



The first ever Arts and Craft Show in Tabubil brought together a spectacular display of various artefacts and handicrafts made by women from around Western Province



CMCA Women's Association leaders in a meeting with the CEO and the Women and Children's Project team



Women of the North Fly region being trained how to sew bilums



To help women become self reliant a total of fourteen sewing trainings were conducted for women in the Mine villages, Nupmo, Tutuwe and Wai Tri Trust regions



Ninety eight participants in the Kiwaba, Suki Fly Gogo, Middle Fly, Wai Tri, Tutuwe, Nupmo and Mine villages were trained in basic computer program use

PROGRAM SERVICES - RUBBER

The regional rubber program focus in 2012 was twofold, facilitating subsidised logistic support to North Fly Rubber Limited (NFRL) and acquiring project funding from CMCA Trusts and Village Development Funds for the implementation of Rubber Projects.

Collaborative efforts with the Regional Development teams and NFRL to assist in getting rubber development established was invaluable. Support included the provision of project materials, logistics and technical human resources. This support is very important given NFRL is the only regulated industry buying and selling rubber for the benefit of 10,448 registered growers in the Western Province. The project beneficiaries throughout the CMCA are also acknowledged for their efforts in actively pursuing rubber development and contributing to an industry that is supporting approximately 8,000 hectares of planted rubber trees.



A factory worker at NFRL showing an export rubber block before it is packed and exported. Western Province is the leading rubber exporter in the country



South Fly Rubber Nursery Supervisor Kawon Akan advising a rubber grower in Sapuka Village No. 2 (Suki Fly Gogo Trust) how to plant distributed Bare Budded Stumps out in the field

Supporting North Fly Rubber

The OTDF Rubber program facilitated subsidised logistical support to NFRL through OTDF and OTML in accordance with the existing tripartite agreement (three year Memorandum of Agreement executed by all parties in January 2011).

Actual achievements included shipping support for the export of 32 containers of processed PNGCR10 Rubber and a further 28 containers of general cargo for NFRL projects from Port Moresby on OTML vessels. Additionally, OTDF facilitated the booking and flying of 86 NFRL officers throughout Western Province on the Hevilift charter and supplied 60,000 litres of diesel fuel to the NFRL cup lump rubber collection vessel (MV Kuku). This enabled 769 tonnes of cup lump to be purchased and transported to the Kiunga factory. OTDF and OTML facilitated subsidies to NFRL was valued at an estimated K540,000 in 2012.

Supporting CMCA Rubber Expansion

The regional rubber officer implemented a number of rubber nursery development projects for the production of high yielding rubber clones to be distributed to interested farmers. Funding approvals were granted from the Wai Tri Trust (nurseries established in Atkamba and Kungim villages) in the North Fly and OTDF in the South Fly (nursery established at the Tapila field base to generate interest in planting rubber amongst the Manawete and Dudi people). Throughout the CMCA corridor 177 hectares of hybrid rubber plants were distributed and planted involving over 100 families.

The direct benefits realised by our partner communities in implementing the rubber nursery projects include:

1. Growing interest by farmers in the Wai Tri Trust and South Fly CMCA region
2. Three officers with technical skills in rubber nursery and field husbandry practices employed full time to manage day to day activities
3. CMCA communities now appreciate the existence of the rubber projects and its long term financial benefits; more and more farmers want to be involved

Rubber Development has historically been well adopted by non-CMCA communities who have no other means of income however our CMCA communities now realise that rubber will support them and their children's futures beyond Ok Tedi mine closure. OTDF is paving the way forward, encouraging farmers, providing access to market and stimulating the clearing of old block latex harvest (active involvement from the Bosset, Kukuzaba, Membok, Karemgo, Moian, Suki, Wasua

and Baidowa people) and the establishment of new hybrid rubber clones within the CMCA corridor.

Further impacts have been seen in the Middle Fly villages of Levame and Kasa as a consequence of inclusion in the Lake Murray Rubber Project funded by PNGSDP. These villages have made great progress and are further stimulating the interest of the CMCA communities to become involved in the industry. This will expand considerably once the Aiambak to Lake Murray road begins construction in 2013.

Rubber Development Set to Expand in the South Fly

A five-year major impact project to significantly expand South Fly rubber production worth K3,690,000 co-funded by PNGSDP and the Suki Fly Gogo, Manawete and Dudi Trusts was approved for implementation in late 2012. With initial interest and project conception generated by the respective Village Planning Committee's this small-holder driven project aims to deliver 1,200 hectares of planting materials to over 1,000 participating farmers by the end of 2017. In 2013 a large



A budded rubber plant begins to grow; most rubber farmers clear blocks of 0.5 hectares in size and plant an average of 225 rubber plants

nursery will be established at Tapila to produce the first 300 hectares of planting materials.

This rapidly expanding rubber program across all Trust regions along with growing interest from communities has set the foundations for an exciting year ahead.



Picture: Rubber Ground Nursery at Aiambak Field base-Middle Fly. Bud sticks containing hybrid material was harvested from Suki and Kiunga to bud graft onto four to six month old root stock . After budding is complete the seedlings are extracted by manually uprooting the rootstock and trimming off each plant at one to two centimetres above the bud patch at an angle of 45 degrees. Wax is then painted on to each wound above the bud patch to reduce excessive water loss and to prevent fungal disease. This final planting material is then called a BBS (Bare Budded Stump) which is wrapped in bundles of 50 and distributed to growers who have cleared their land for planting.

PROGRAM SERVICES - FORESTRY

The OTDF Forest Program is tasked with supporting the improvement of Western Province communities' livelihood through the sustainable development of their forestry resources. The objective is to promote and enable sustainable and equitable forestry development and investment opportunities that will improve the socio-economic wellbeing of the CMCA communities.

In 2012, significant efforts were made in key areas of program support demonstrating progress towards delivery of genuine forestry development opportunities. These opportunities ranged from large scale commercial investigations to household forestry including the promotion of agroforestry, teak trials and extensive sawmill training.

Commercial Forestry

In 2011 an opportunity to establish a Centralised Processing Unit (CPU) was enthusiastically supported by communities within the East Awin Extension Reserve of the Middle Fly. This resulted in a Joint Venture agreement in 2012 between OTDF and PNGSDP's forestry subsidiary Cloudy Bay Ltd to conduct a CPU Project Feasibility Study. PNGSDP provided a K3 million budget, Cloudy Bay engaged appropriate consultants and OTDF facilitated all on ground logistic support and community liaison. OTDF and Cloudy Bay have since completed the first stage of the feasibility study which investigated satellite imagery, resource mapping, on ground forest resource inventory and end product market opportunities for treated timber and kit homes. Two extensive field trips were facilitated by OTDF in July and December to conduct awareness and the forest resource inventory of the East Awin reserve.



Measuring the circumference of a hardwood tree trunk in the East Awin Reserve, Middle Fly

A complete CPU feasibility report is expected by June 2013 which will provide the basis for any further feasibility analysis and whether or not this project opportunity will progress to implementation.

Community Forestry Support

Community based forestry development initiatives remain the key focus of program support and technical assistance, advocacy and training continues to be provided. Given improved housing remains a key development priority for many CMCA communities the regional forestry officer facilitated the delivery of new Trust approved walk-about sawmills, chainsaw products, fuel and associated training. The respective Trusts are assisting communities to better utilise their own forest resources to build affordable, higher covenant houses (refer to the North Fly report on page 33) as well as generate income generating opportunities.

Eight new Lucas Sawmills were delivered to Kwem, Walawam, Niosiski, Bige, Kokonda, Yuluwas, Mipan and Sialowa villages in September bringing the total number of sawmills and Husquvarna chainsaws delivered since late 2011 to fourteen with a combined value in excess of K1 million. Recognising the importance of pre-start and equipment maintenance training, OTDF facilitated the necessary training of 47 operators across the eight villages by Farmset Ltd (product supplier). Proper training in both tree felling and timber milling is conditional before any communities can begin operating.



A trainer from Farmset Ltd conducting basic sawmill maintenance training at Bosset village, Middle Fly

Eaglewood has become a focus species of the CMCA's forestry development. Communities have embraced the long term financial benefits that growing eaglewood promises; noting that artificial inoculation technology to foster the production of 'agarwood' can only be applied to mature trees after six years of growth. The Forestry Officer has supported an increase in the production of eaglewood germplasm and the consequent expansion of small-holder plantings throughout the CMCA regions in 2012.

In all, 41 eaglewood grow out plots were established by small-holders who raised 14,000 planted seedlings from which eight plots were set as Seed

Production Areas (SPA's). The SPA's are expected to begin seeding in four to five years providing a sustainable, more consistent supply of cost effective local seeds for CMCA farmers (seeds are currently imported at considerable expense from Vietnam with the sourcing and regulatory assistance of PNGSDP). To meet the emerging interest shown by farmers the North Fly alone has collected sufficient seeds to raise 20,000 seedlings for distribution in 2013.



Model Farmer Awox Popoa standing beside one of his teak trees at Komovai village, Middle Fly

The OTDF Forestry Program is particularly interested in maximising productivity of land cleared by model farmers and is conducting several agroforestry trials via the establishment of regional project models. A one hectare pilot plot was consequently established at Nakaku village in the South Fly with 450 stumps planted. A leading example of stakeholder interest in this initiative is Model Farmer Awox Papoa who has intercropped over 100 teak trees with koroko bananas in his agroforestry plot at Komovai Village, Middle Fly. Popoa's hard work and success on this project over the last two years has very much influenced support of his family members who now live on site to support him.



Dr Tony Page of ACIAR demonstrating to farmers how to prune eaglewood trees during an extension training session at Briompenai Village, North Fly

Research and Extension Support

OTDF in collaboration with ACIAR has worked on investigating commercial opportunities for teak and eaglewood as potential plantation timber for future development in Western Province. This included the delivery of a training workshop by the ACIAR for eleven eaglewood farmers. The OTDF Forestry Program values the undivided support of our community partners, the FRPG, PNGSDP, ACIAR and other related service providers in ensuring positive livelihood development outcomes for the CMCA people. This will continue to be strengthened in 2013.

Songo Smeknai tending to eaglewood seedlings at the Samagos Field Base nursery, North Fly. In 2012 a total of 6,000 seedlings were raised and distributed to 30 smallholder farmers in the Nupmo, Tutuwe and Waitri Trust regions



MEDIA AND PUBLIC RELATIONS

Reporting directly to the Chief Executive Officer the recruitment of a Group Public Relations (PR) Officer in June significantly helped in lifting the OTDF's development profile.

As the Company continues to grow rapidly and engages with partners and delivers on a wide array of new developments the need for ethical and objective reporting became apparent. The Group PR Officer handles all matters relating to media (print, radio and television) and further looks at avenues which can provide the necessary publicity to lift the Company's profile and tell our story.

In 2012 OTDF also took on the challenge of designing and going live to the world with a website (www.otdfpng.org) in September. Our website not only showcases real stories and community development achievements but enables philanthropic donations in kind, either by the provision of resources or by direct financial contributions. In taking OTDF beyond Western Province and Papua New Guinea the Company also created a page on one of the fastest growing social network sites in the world, Facebook which can be linked through the OTDF website (www.facebook.com/otdfpng).

Since its creation the OTDF fan base has grown to over 600 'I like' followers in less than six months with

expectations that this number will grow significantly once the final, expanded phase of the website goes live by the second quarter of 2013. Facebook further widens our connection with the general public and a register of queries is maintained to ensure all external questions are answered. A big thanks to our followers and further thanks to the various media organisations throughout PNG and abroad that have enabled OTDF to have a significant increase in positive coverage throughout the year.

Moving forward, the Company plans to further boost its profile by publishing a regular quarterly newsletter which will showcase the Company's projects and programs as well as provide updates on other key activities. Furthermore, a weekly radio awareness program in partnership with the OTML-run Radio Fly station will commence in 2013.

By utilising radio, OTDF aims to keep our partner communities well informed about ongoing activities. As many of these communities are geographically isolated it is paramount that the Company maintains close communication with the CMCA people by constantly updating and informing them on projects and programs through radio.



EMTV Resource PNG Crew interviewing a Kautru Villager. Such activities are facilitated and supported by OTDF Public Relations to further promote the activities of the Company in regards to its mission and values

New Twin Otter

A NEW aircraft belonging to the people associated with the operations of the Ok Tedi mine touched down in Western last Tuesday.

Facilitated by Ok Tedi Development Foundation Ltd (OTDF), this brand new series 400 Twin Otter is the second aircraft purchased on behalf of the 156 village beneficiaries of the Ok Tedi Community Mine Continuation Agreement (CMCA) benefits package.



The new Twin Otter landing at Alambak airstrip in the Middle Fly last Tuesday.

The aircraft was bought at a total cost of US\$7.4 million with the funding for purchasing the aircraft coming from the CMCA trust investment funds.

Accompanying the aircraft were 18 villagers from the Middle Fly communities.

Wigbin told those who gathered at Alambak that his government was fully committed to working with OTDF and OTML in

ending at the district level, at the village level, and in organisations like OTML, OTDF, PNGSDF and of course at the political level.

"I'm excited because

per annum for the aircraft with the Ok Tedi mine life extended," he said.

"This will generate a valuable income source for the people's future development."

A Alambak village elder



business

If you have business story to tell, text or call us on 2017028, or email business@pnp.com.pg



MV LARSON from Shell based in South Fly Elementary moored at the new MV Fly Warrior vessel on Saturday. The vessel will help bring the product materials from Port Moresby to their job sites at a faster rate. Picture by OTDF Public Relations.

Villagers welcome MV Fly Warrior

By ANICLA WRAGALE

The arrival of the new MV Fly Warrior vessel at Alambak in the Middle Fly region during one of her stopovers.

When Construction Agreement (MCA) was signed in 2001, the Ok Tedi Development Foundation (OTDF) set up the MV Fly Warrior as a means to transport materials to the remote sites of the Ok Tedi mine. The vessel was built in Malaysia and is the largest vessel in the Middle Fly region.

The MV Fly Warrior is a 1000-tonne vessel with a capacity to carry 1000 tonnes of cargo. It is the largest vessel in the Middle Fly region and is used to transport materials to the remote sites of the Ok Tedi mine.

The vessel will help bring the product materials from Port Moresby to their job sites at a faster rate. Picture by OTDF Public Relations.

PAPUA NEW GUINEA
Post-Courier
Since 1999 No. 11, 102 Monday, January 7, 2013 Port Moresby edition K1, Lev 1, 10

Family claims cop brutality Page 4

Enga leads in education Page 8

Warrior launched

OTDF on behalf of the CMCA



Villagers ink K16m water deal

The Ok Tedi Development Foundation (OTDF) has signed a K16 million water supply agreement with the Ok Tedi Development Foundation (OTDF) on behalf of the CMCA.

The agreement is for a 10-year period and will provide water to the communities in the Middle Fly region.

The deal is a landmark agreement for the region and will improve the quality of life for the villagers.

The agreement was signed by the representatives of the OTDF and the villagers.

OTDF boosts transport infrastructure

By ANICLA WRAGALE

The Ok Tedi Development Foundation (OTDF) has announced a new initiative to boost transport infrastructure in the Middle Fly region.

The initiative involves the construction of new roads and bridges to improve access to the remote sites of the Ok Tedi mine.

The project is expected to be completed by the end of 2013 and will benefit the communities in the region.

The OTDF is committed to improving the infrastructure in the Middle Fly region to support the development of the communities.

Fly Warrior launched

The MV Fly Warrior is the largest vessel in the Middle Fly region and is used to transport materials to the remote sites of the Ok Tedi mine.



Representatives from OTML and OTDF together with the chairman from the West region and Sarawak Shipways management and staff with the new MV Fly Warrior in the background.

The vessel was designed by Shipstech in Singapore and will be operated by V Ships, the world's largest shipping fleet manager.

The MV Fly Warrior will carry up to 12 containers and 1.2 million litres of fuel.

The vessel is expected to be launched in the next few weeks.

The MV Fly Warrior is a 1000-tonne vessel with a capacity to carry 1000 tonnes of cargo. It is the largest vessel in the Middle Fly region and is used to transport materials to the remote sites of the Ok Tedi mine.

The vessel will be used to transport materials to the remote sites of the Ok Tedi mine.

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By River men welcoming the Fly Hope into Alambak in the Middle Fly region during one of her stopovers.

New vessel to boost economy

The arrival of the passenger vessel MV Fly Hope last week in the Western province will boost economic activities and provide a quicker alternative to river transportation for

People of South Fly gathered at the village of Waiwama while those from the Middle Fly held a colourful welcome ceremony for the ship as it was led into the Alambak station a traditional

time, women had faced difficulties trying to travel to markets to sell their produce as well as bring their sick children to urban health centres in Dera and Kiunga.

"We the women of



WESTERN Province Governor Al Wabara being welcomed at Alambak after arriving from the new aircraft. Picture by OTDF Public Relations.

New aircraft for Ok Tedi Development Foundation

A NEW aircraft belonging to the people associated with the operations of the Ok Tedi mine touched down in Western last Tuesday.

The aircraft was bought at a total cost of US\$7.4 million with the funding for purchasing the aircraft coming from the CMCA trust investment funds.

Facilitated by Ok Tedi Development Foundation Ltd (OTDF), this brand new series 400 Twin Otter is the second aircraft purchased on behalf of the 156 village beneficiaries of the Ok Tedi Community Mine Continuation Agreement (CMCA) benefits package.

The aircraft will help bring the product materials from Port Moresby to their job sites at a faster rate. Picture by OTDF Public Relations.

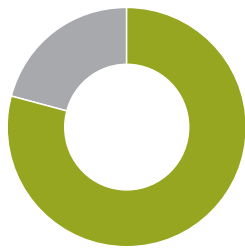


OTDF officers from left to right: Ellina Kelekai, Hisau Malira, Maxine Siwi and Shirley Tegory

CORPORATE SERVICES - HUMAN RESOURCES

In anticipation of rapid growth across the Company in terms of the increase in project activity and community engagement and the consequent increase in staffing numbers OTDF recruited an experienced Team Leader for Human Resources. The Team Leader has worked closely with senior management to implement all human resource needs required to complement the rapid growth of the Company over 2012. These included staff recruitment, training, incentives and new policies and procedures. At years end there were 77 permanent staff on contract with the Company.

PERMANENT STAFF



	Employees	%
Female	16	20.77
Male	61	79.23
Total	77	

BODY HIRES



	Contractor	%
SHR	5	17.85
TKI	10	35.71
JDA	13	46.42
Total	28	

Staff Recruitment and Turnover

There were fourteen members of staff recruited throughout 2012. Included were five new positions; Chief Operating Officer, Chief Program Officer, Occupational Health and Safety Officer, Business Development Officer and a group Contracts Officer. These new positions reflect the expansion of OTDF operations.

1. Chief Operating Officer
2. Chief Program Officer
3. Team Leader Human Resources
4. Team Leader Project Support
5. Team Leader Community Development
6. Team Leader Women and Children's CBP
7. Business Development Officer
8. Community Development Officer North Fly
9. Logistics Officer - South Fly
10. Group Public Relations Officer
11. Trust Education Officer
12. Trust Project Officer
13. Occupational Health and Safety Officer
14. Group Contracts Officer

Only four employees resigned in 2012 and the Company remains committed to ensuring staff safety and wellbeing. OTDF prides itself on being an employer of choice.

Incentives

Key staff retention incentives offered by OTDF include;

1. Staff received a mean CPI increase of 5.25%
2. Performance Bonus of up to 20% of base salary paid annually and rated in accordance with achieving quarterly work plan targets
3. A Retention Incentive of 10% of base salary for staff leaving the Company after completing two full years of employ and 15% for those completing three full years to be paid to employees as a lump sum (approved by the Board for implementation from 2013)
4. Mobile phone cards worth K20.00 are paid to each employee every month
5. Staff are entitled to school fee subsidies for up to three dependents and enjoy reimbursement of medical expenses up to a value of K2,000 annually

Training and Development

Training and Development is essential for staff capacity building. Over 2012 OTDF spent K99,180 in external course fees for staff and K12,000 for internal courses. The Team Leader Human Resources has created a Training Needs Analysis based on staff performance appraisals which will be implemented in 2013.

Policies and Procedures

The Human Resources team is continuously looking to write up new and improve existing Policies and Procedures. Staff are being regularly reminded to read, understand and follow all Company policies to ensure their safety and to instil greater cooperation. New policies adopted in 2012 included a Code of Conduct and an updated Safety Policy.

CORPORATE SERVICES - PROCUREMENT & LOGISTICS

The Procurement, Logistics and Asset Management (PLAM) team provides logistical support to all OTDF Divisions, plays a critical role in CMCA Trust approved project delivery and manages the Company asset and disposals registers. PLAM provides Kiunga and Port Moresby based support in ordering of materials and the logistics of delivery to the relevant project sites throughout the Western Province. PLAM coordinates the maintenance of OTDF assets including vehicles, dinghies and outboard motors. Due to the escalation in approved projects and consequent operational requirements staff numbers have increased to five permanent staff and six contractors compared with three permanent staff and three contractors in 2011.

A significant achievement of the PLAM team has been the reduction in a large backlog of outstanding CMCA projects. By years end there was only 15% of projects yet to be delivered from 2011.

Supporting delivery of project materials to the CMCA Trusts is the primary role of the PLAM team. Of all active orders delivered 75% are CMCA projects while OTDF operations constitute the remaining 25%. The total value of Trust orders delivered during 2012 was over K4 million.



The PLAM team makes sure project materials and other essential cargo that supports OTDF operations are delivered safely

Support to OTDF operations is centred around supporting field orientated activities with field base and equipment repairs and the delivery of rations and fuel. Fuel alone to keep generators, vehicles and outboard motors operational is a considerable task; allocations in 2012 exceeded the previous year's total by 20% due to increased project activities. Equipment installation support included the Tax Credit Scheme projects, Samagos aquaponics trial and Aiambak and Tapila biogas expansion while direct support to field activities included the East Awin Forestry and South Fly village

relocation feasibility studies. PLAM also administers the Company's largest operating contracts; hire of the MV Sepura from Collins Shipping to conduct communications and logistics down river and Hi Lift in Port Moresby, a freight consolidation and forwarding agent.



The MV Sepura loading CMCA project cargo at the Kiunga wharf

OTDF physical asset maintenance activities were centred around mobile assets and the ongoing repair and maintenance of infrastructure across all OTDF sites. The PLAM team completed a Fixed Asset audit in late 2011 then reviewed costs and useful life of the respective assets and justified the disposal of old, costly assets in the second quarter of 2012.

The PLAM team also introduced measures to improve inventory storage. The first stage of which saw an upgrade of existing sheds in Kiunga, Aiambak and Sturt Island and the procurement of six 20 foot shipping containers for dry storage at key regional sites. A second stage will see the construction of wharf site sheds and fencing at Aiambak and Sturt Island from 2013.

In 2013 the PLAM will be improving systems and processes thereby increasing efficiency and timeliness in the support provided to OTDF teams for CMCA project work in Western Province.



Resheeting at the OTDF Trust Yard site, Kiunga

CORPORATE SERVICES - FINANCE

Ensuring that all financial processes have the required level of corporate governance and the prudent management of all funds under OTDF control are the key roles of the Finance team. Finance continues to reinforce and emphasise to all employees, service providers and stakeholders the need to comply with all due processes and procedures. A number of new policies were introduced in 2012, these included the more timely payment of casuals and contractors, petty cash, refined staff advances and improved governance for all expenditures. Since the engagement of a Chief Operating Officer (COO) all OTDF expenditure is now approved by either the CEO or the COO.

The Finance team is responsible for the Company's compliance to the Generally Accepted Accounting Principles (GAAP), Company Law and all required PNG statutory regulations. Most important of these was again achieving an unqualified financial audit from Pricewaterhouse Coopers for the 2012 financial year (refer to the auditors opinion and financial statements following from page 57).

OTDF continues to expand and is implementing a growing number of projects for a range of stakeholders and donors with a responsibility to ensure transparent financial accountability. The Company has consequently restructured Corporate Services to create a dedicated Finance and Logistics Executive Manager position. Under this new structure the Executive Manager Finance and Logistics will oversee all aspects of financial administration, Procurement Logistics and Asset Management and Trust Administration teams.



OTDF Chief Operating Officer Geoffrey Fahey taking the Finance team through the Attaché' structure that will be introduced in 2013

OTDF currently uses the Ellipse Accounting system that was inherited from OTML however, for a smaller development orientated Company this complex financial software is neither user friendly nor timely for detailed project by project reporting.

Management has decided to move to the Attaché financial system which will allow for easier reconciliation of project expenditure which will result in significant improvements in the timing of report generation for each project. This is particularly important for project management across each CMCA Trust, Mine Villages, the Western Province Peoples Dividend Trust Fund and PNGSDP, the Tax Credit Scheme and Special Support Grants (SSG) for OTML as well as internal operational funds. Attaché will include payroll functions and direct procurement which will aid in speeding up the current accounts payable process.

The complete transition to Attaché' is planned for the second quarter of 2013 after which project reports will be a normal part of the Company's monthly reporting responsibility to stakeholders and donors.

In 2013 OTDF will be developing a comprehensive Finance and Accounting manual that will clearly detail processes and procedures that OTDF has adopted in managing projects and funds on behalf of the communities and development program funders.



Team Leader Finance Benjamin Kerua presenting a cheque to Ela Motors Tabubil General Manager Geoff Philips for the purchase of dinghies for the CMCA communities



Independent Auditor's Report

to the shareholders of Ok Tedi Development Foundation Limited

Report on the financial statements

We have audited the accompanying financial statements of Ok Tedi Development Foundation Limited (the Company), which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement 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.

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'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'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.

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 as at 31 December 2012, and its financial performance and cash flows for the year then ended.



Independent Auditor's Report Ok Tedi Development Foundation Limited

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2012:

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. We have no relationship with, or interests in, the Company other than in our capacities as auditor and tax advisor. These services have not impaired our independence as auditor of the Company.

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
26 April 2013

OK TEDI DEVELOPMENT FOUNDATION LIMITED
ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS
For the Year Ended 31 December 2012

The Directors have pleasure in submitting the financial statements of the Company for the year ended 31 December 2012.

Principal Activities

The Company's principal activity is to pursue the promotion of sustainable social improvement and economic activity in the Western Province and Telefomin District in the Sandaun Province for the well being of persons resident in these provinces.

Financial Results

The foundation made a profit/(loss) of PGK Nil (2011: PGK Nil) for the year ended 31 December 2012.

The Company is a not-for-profit foundation and all project and operating expenses are fully covered from grants, OTML contributions and other donor funding.

The accompanying financial statements for the year ended 31 December 2012 are in the opinion of the Directors, drawn up so as to give a true and fair view of the state of affairs of the Foundation and of its results and cash flow for the year.

Directors

The directors as at the balance date were:

Mr N Parker (appointed 06/04/2011)
Mr M Werror (appointed 30/11/2010)
Mr L Avosa (appointed 23/02/09)
Ms N James (appointed 25/05/09)

The Company Secretary as at balance date was:

Currently vacant

Disclosures

Ok Tedi Development Foundation Limited (OTDF) is a Papua New Guinea incorporated company with its registered office situated at 1 Dakon Road, Tabubil, Western Province. OTDF was established pursuant to the Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001 ("the Ninth Supplemental Agreement").

OTDF's share capital comprises 4 shares. 1 share was transferred to PNG Sustainable Development Program Limited on the 20 February 2009 and Ok Tedi Mining Limited (OTML) is currently holding onto the 3 remaining shares. Before mine closure and after consultation with the Department of Mining and the Department of National Planning and Monitoring, OTML is under an obligation to transfer its remaining shares to three reputable organisations engaged in development activities in PNG consistent with the objects of OTDF. If OTML does not transfer its remaining three shares prior to mine closure, OTDF must be wound up.

The principal place of business is at 1 Dakon Road, Tabubil, Western Province, Papua New Guinea.

Other Disclosures

The Board has received the agreement of all Shareholders for the annual report not to include the disclosures required by section 212 (1)(f) and (g), of the Companies Act 1997.

Signed for, and on behalf of, the Board on 19 April 2013.


.....
Nigel Parker – Director


.....
Lalatute Avosa – Director

OK TEDI DEVELOPMENT FOUNDATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2012

Note		2012 Kina	2011 Kina
Income			
		3,396	6,713
		26,309,371	15,040,328
		26,139,941	9,262,866
		12,242,951	6,922,495
		<u>64,695,659</u>	<u>31,232,402</u>
Less: Expenses			
	3	(38,078,470)	(21,649,002)
	8	(26,139,941)	(9,262,866)
		(432,117)	-
		(45,131)	(302,539)
			(17,995)
		<u>(64,695,659)</u>	<u>(31,232,402)</u>
		-	-
		-	-
		-	-
		-	-
		<u>-</u>	<u>-</u>

OK TEDI DEVELOPMENT FOUNDATION LIMITED
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2012

	Ordinary Shares Kina	Retained Earnings Kina	Total Kina
Balance at 31 December 2010	4	(36,115)	(36,111)
Net profit for the year	-	-	-
Balance at 31 December 2011	4	(36,115)	(36,111)
Net profit for the year	-	-	-
Balance at 31 December 2012	4	(36,115)	(36,111)

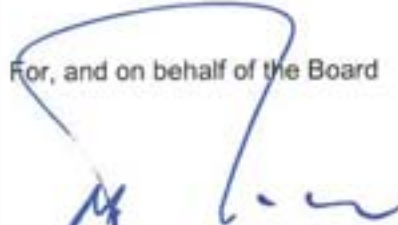
OK TEDI DEVELOPMENT FOUNDATION LIMITED
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2012


	2012 Kina	2011 Kina
CASH FLOW FROM OPERATING ACTIVITIES:		
Gross interest income received	3,396	6,713
District grants & disaster relief donations	154,496,235	12,383,442
OTML contribution	26,309,371	15,040,326
District rehabilitation / rebuilding project / operating costs	(45,683,840)	(25,924,806)
Bank charges	(45,131)	(17,995)
Net Cash Generated From Operating Activities	<u>135,080,031</u>	<u>1,487,680</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(390,061)	(831,428)
Loss on disposal of assets	32,015	-
Net Cash Used In Investing Activities	<u>(356,046)</u>	<u>(831,428)</u>
Net increase in cash	134,721,985	656,252
Cash at beginning of the year	8,917,684	8,261,432
CASH AT END OF THE YEAR (Note 4)	<u>143,639,669</u>	<u>8,917,684</u>
Reconciliation of net profit/(loss) to net cash generated from operating activities:		
Net profit/(loss) for the year	-	-
Add back non cash and non-operating item:		
Depreciation of property, plant and equipment	432,117	302,539
Movements in working capital:		
(Increase)/decrease in receivables/others	3,788,157	(1,235,233)
Increase in trade/deposits payable	130,859,757	2,420,374
Net Cash Generated From Operating Activities	<u>135,080,031</u>	<u>1,487,680</u>

OK TEDI DEVELOPMENT FOUNDATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Note	2012 Kina	2011 Kina
CURRENT ASSETS:			
Cash	4	143,639,669	8,917,684
Receivables	5	1,553,146	5,341,303
Total Current Assets		<u>145,192,815</u>	<u>14,258,987</u>
NON CURRENT ASSETS			
Property, Plant and Equipment	6	1,105,848	1,179,921
Total Assets		<u>146,298,663</u>	<u>15,438,908</u>
CURRENT LIABILITIES:			
Trade Payables	7	4,918,411	2,414,950
Project Funds Payable	8	141,416,363	13,060,069
Total Liabilities		<u>146,334,774</u>	<u>15,475,019</u>
Net Assets		<u>(36,111)</u>	<u>(36,111)</u>
SHAREHOLDERS' EQUITY:			
Share Capital	9	4	4
Retained Profits/(Loss)		(36,115)	(36,115)
Net Profit/(Loss) for the year		-	-
Total Shareholders' Equity		<u>(36,111)</u>	<u>(36,111)</u>

For, and on behalf of the Board


 Nigel Parker – Director


 Lalatute Avosa – Director


 Date

19th April 2013

CMCA Information

Mine Villages	Village and Population No.	Region
Atemkit	1	North Fly
Kavorabip	1	North Fly
Bultem	1	North Fly
Finalbin	1	North Fly
Migalsimbip	1	North Fly
Wangbin	1	North Fly
Sub Total Mine Villages	6	
Trusts		
Nupmo Development Trust	18	North Fly
Tutuwe Development Trust	29	North Fly
Wai Tri Development Trust	19	North Fly
Middle Fly Development Foundation Trust	18	Middle Fly
Suki Fly Development Trust	16	South Fly
Manawete Development Trust	20	South Fly
Kiwaba Development Trust	14	South Fly
Dudi Development Trust	16	South Fly
Sub Total Trust Villages	150	
Total CMCA Villages	156	

Village Profiles conducted in 2010 by OTDF	151	
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CMCA Population estimate (Source: Annual Population Update Report 2012, OTML)	110,667	
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Western Province Population estimate (Source: The Australian National University, 2012)	180,455	
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OTDF Corporate Information

Board Members		Associate Directors	
Mr Nigel Parker	Chairman, OTML	Ms Bala Tedumo	Women and Children Representative
Mr Musje Werror	Director, OTML	Mr Richard Zumoi	Middle Fly
Mr Shadrach Himata	Director, Government of PNG	Mr Harry Wakina	South Fly
Mr Lalatute Avosa	Director, PNGSDP	Mr Michael Gen	North Fly

Executive Management Team		Permanent Staff No.	
Mr Ian Middleton	Chief Executive Officer		Female 16
Mr Geoffrey Fahey	Chief Operating Officer		Male 61
Dr Miok Komolong	Chief Program Officer		Total 77
Ms Alison Tammy	Executive Manager Support Services		
Mr Brian Ilsin	Executive Manager Regional Development		

Field Bases	
Tabubil Agriculture Center, Samagos Agriculture Center, Aiambak, Obo, Sturt Island, Waliyama, Nakaku and Tapila	

	Legal Services	Accounting Services	Auditors
OTDF	Allens Linklaters	Sinton Spence Chartered Accountants	Pricewaterhouse Coopers
Trusts	O'Briens Lawyers	Internal Administration	Deloitte Touche Tohmatsu



CONTACT US

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