



Executive Office
Dakon Road
PO Box 1, Tabubil
Western Province
Papua New Guinea
Telephone (675) 6493320
Facsimile (675) 649 9312

8 January 2013

Sir Mekere Morauta
Chairman
Papua New Guinea Sustainable Development Limited
PO Box 1786
Port Moresby 121
National Capital District
Papua New Guinea

Dear Sir Mekere,

It is with regret that I submit my resignation as Papua New Guinea Sustainable Development Limited's (PNGSDP's) nominee Director of Ok Tedi Mining Limited and as Chairman of the company's Board of Directors. As my role as PNGSDP's nominee Director on the Board of Highlands Pacific Limited derives entirely from PNGSDP's interest in synergies with Ok Tedi, it is my intention to resign that role as soon as you are in a position to advise the company of succession arrangements.

When you became Chairman of PNGSDP on October 30, you asked me if I would continue as Chairman of Ok Tedi Mining Limited. I said that I would do so for the time being, to provide time for sound arrangements to be made for succession by an appropriately qualified and experienced Papua New Guinean.

In December we discussed the circumstances created by the Papua New Guinea Prime Minister's statement to the Parliament that I would not be allowed entry into Papua New Guinea until BHPBilliton had agreed to changes in the legal agreement between the Papua New Guinea Government and BHP that underpinned the continuation of the mine after BHP's departure and the establishment of PNGSDP. We noted that it is not within my power or that of the PNGSDP Board to secure BHP's agreement to changes that require its assent, and that BHP has expressed no interest in proposed changes beyond those approved by the PNGSDP Board and PNGSDP Members on 30 October. We also noted advice to us of statements by the Prime Minister to the Australian High Commissioner to Papua New Guinea and to the Papua New Guinea High Commissioner to Australia indicating that the Prime Minister's concerns were with BHPBilliton and not with me, and that the ban on my travel may be lifted at some time.

It is undesirable for development in Papua New Guinea that the Government's use of its immigration powers should be seen as having been effective in forcing changes in the Board of a major private company. For this reason, there was value

in allowing some time for the Prime Minister to lift the ban should he be of a mind to do so.

It is not possible for me to fulfil my responsibilities as Chairman of this large, complex mining company for an indefinite period while the Government is preventing me from travelling to PNG. While many routine Board matters can be managed through electronic communications, some important matters require face to face contact in Papua New Guinea between the Chairman and other members of the Board and senior members of the management team. Several such matters are due to come up for discussion over the next month or so, and it is important that a Chairman is in place who can guide discussion of those matters to wise decisions.

The first of these matters is approval of the proposals for the Mine Life Extension. The financial basis of the extension seems sound so long as costs come to be reduced as production declines, as discussed in my note on Long Term Efficiency at Ok Tedi. The environmental dimensions of Mine Life Extension have been subject to comprehensive conscientious work of high professional quality, but careful Board consideration must be given to the results of this work on environmental impact before the Ok Tedi Board can approve the project.

The second of these matters involves performance review, remuneration and succession arrangements for senior management personnel at Ok Tedi. There is a risk of dislocation in the management of the Ok Tedi company and mine if work on these matters is not initiated soon by a Chairman who is in a position to complete the process.

The third of these matters is engagement with X-Strata and Highlands Pacific in discussion of whether there is a basis for cooperation in development of ore bodies close to Ok Tedi in the adjacent Star Mountains and at Frieda River.

Given the urgency and high importance of these and some other matters, and the complexity of the Chairman's responsibilities in relation to them, it would not be wise to delay any longer the appointment of a Chairman who can conduct his or her responsibilities without the artificial constraints that have been placed upon me.

My resignation will be effective from close of business Friday 11 January.

While I am disappointed about the circumstances surrounding my resignation, I am pleased at the contribution that Ok Tedi has made to Papua New Guinea development over the past decade, and confident that under your leadership of the major shareholder, PNGSDP, this contribution will expand in the years ahead. I am especially pleased at developments in cooperation with the Western Province Government since the people of the Province elected a new Governor at the 2012 general election in Papua New Guinea. Under the new Governor, constraints that had been placed by the old Government on the involvement of PNGSDP and Ok Tedi Mining Limited in delivery of health and other services have been replaced by active cooperation and support from the Western Province Government. In

particular, the plans and ideas for health services that OTML and PNGSDP developed some years ago with other development partners can now be implemented through close cooperation with the Provincial Government.

With best wishes for the future at PNGSDP and Ok Tedi.

A handwritten signature in black ink, reading "Ross Garnaut". The signature is written in a cursive, flowing style.

Ross Garnaut
Chairman
Ok Tedi Mining Limited