



# Health, Safety, Environment and Community 2007 Annual Report

*...Moving Towards Zero Harm*

## FROM THE CHAIRMAN AND CEO

At the core of Frontera's business is a firmly held commitment to the highest standards of excellence and responsibility in the areas of health, safety, environment and community.

The recent achievements and current goals outlined in this report for 2007 speak directly to our resolve for ensuring the health and safety of our employees, responsible stewardship of the natural environment and the importance of the communities in which we operate. We have achieved much in this area and are confident we can accomplish even more in the years ahead.

Steve C. Nicandros  
Chairman and CEO, Frontera Resources Corporation

## POLICY AND MANAGEMENT SYSTEM

Health and safety of our people and the protection of the environment in areas where we operate are core values of Frontera Resources Corporation and its Georgia-based business affiliate, Frontera Eastern Georgia Limited.

Therefore, we have established these principles as a key component of our company vision. The cornerstone of Frontera Eastern Georgia Limited's activities in the areas of health, safety, environment and community is our Health, Safety Environment and Community Policy, originally adopted in 1999 and revised in March 2006 (shown at right). Published in Georgian and English, the principles embodied in this policy guide all aspects of our company's operations and are posted at all company worksite and office locations.

In pursuit of the policy objectives, Frontera Eastern Georgia Limited has developed a Health, Safety and Environment Management System in alignment with global conventions that serves as the foundation for the company's approach to managing health, safety, environment and community issues. Among the areas incorporated into our management system and its implementing guidelines are waste management, environmental management, risk assessment, emergency response, medical services, camp hygiene and record keeping. Frontera Eastern Georgia Limited also actively engages its contractors and other partners through contractor management plans and health, safety and environment bridging documents to ensure alignment of expectations and procedures in pursuit of our policy.

### Our Policy

We will conduct our business with respect and care for our employees, contractors, communities, and the environments in which we operate. Our objective is to achieve zero harm to people and the environment while creating value for our shareholders. We believe that excellent safety, health, environment and community performance are an integral part of our business success and corporate responsibility. To achieve these objectives, we commit to:

- Continually pursue the goal of zero harm to people
- Enable a working environment where diversity is valued and all people are treated with respect
- Seek to minimize the environmental impact of our operations
- Utilize a management systems approach for safety and environmental matters
- Embrace continuous improvement in our operations and management
- Establish performance targets as part of our business plans and evaluate our achievements
- Foster an open dialogue with our stakeholders on our activities and performance
- Openly report our performance
- Conduct all operations in conformance with national requirements and international practices
- Practice environmental stewardship that enhances the communities where we operate
- Provide the leadership and resources necessary to fulfill our commitments
- Establish a culture in which all employees, contractors, and partners value and share this commitment

***"Our work is never so urgent or important that we cannot take time to do it safely."***



## ACTIVITIES AND PERFORMANCE

### Health

Our activities to **prevent occupational illnesses and injuries** increased in 2007. We hired doctors for our Mirzaani field operations and we increased the scope of our contractual arrangements with Medi Club Georgia in Tbilisi to accommodate Frontera Eastern Georgia Limited employees and our contractors if emergency medical evacuation is necessary. We also maintain Medi Club doctors on our drilling locations to provide routine care for first aid, medical treatment, “ordinary” sickness and other routine health issues. We are pleased that our performance in 2007 resulted in no occupational illnesses.

### Safety

Our goal is to have all of our company employees and our contract personnel go home safely every night. In 2007, Frontera Eastern Georgia Limited successfully achieved its objective of “**zero harm**” to company employees but, unfortunately, we experienced three contractor injuries; all three were broken ankles or feet as a result of an object falling on them. These people received full medical treatment and were back on the job within a few weeks.

	2007 Safety Statistics (per 200,000 hours worked)			
	FEGAL		OGP Average	
	LTI	TRR	LTI	TRR
Company	0	0	0.18	0.37
Contractor	3.00	3.00	0.21	0.65
Combined	1.11	1.11	0.20	0.58

The total Lost Time Incident (LTI) rate, including Frontera Eastern Georgia Limited contractors, was 1.11 and the Total Recordable Rate (TRR) was 3.00 (per 200,000 hours worked), shown above in comparison to the 2007 industry average from the International Oil and Gas Producer’s Association (OGP). We are committed to improving this performance in the year ahead by providing operational training, conducting bridging document discussions with contractors, performing risk assessments on work to be performed, and keeping attention focused on our vision of “zero harm to people.”

### Environment

Our vision is that the air, water and waste residuals generated by our operations result in “zero harm to the environment,” and Frontera Eastern Georgia Limited carefully tracks **air emissions and waste** generated from its operations. In 2007, one oil spill incident was recorded. It consisted of a small release of oil (about five barrels) that resulted from overpressure of a well being worked over. Oil and contaminated soil were removed and transported to the permitted Mirzaani waste management area. As a result of these remediation measures, no long term harm occurred. It is our policy that all significant incidents that are experienced are reported immediately to company management and appropriate authorities.

Two central locations at Mirzaani and Taribani were prepared for **storage and treatment of waste** in 2007. Approved by both the National Agency for Regulation of Oil and Gas (NAOG) and the Ministry of Environment (MOE) of Georgia, these facilities consist of land treatment, temporary liquid waste storage, inert waste disposal and ground water monitoring. In addition, a third phase of Frontera Eastern Georgia Limited’s **ongoing hydrology program**, initiated in 2005, was carried out during the summer of 2007, with more than 300 locations sampled for water quality. Reports are provided to the Georgian NAOG.





## Community

Frontera Eastern Georgia Limited's **reputation among landowners and communities** in Georgia remains very good. Prior to commencing operations, we conduct conversations with affected landowners and communities. In July, we conducted a public meeting in the Qedebi area to inform the community about our planned drilling operations at the Lloyd #1 well within the Basin Edge Play Unit. In the year ahead, we will continue to interact with communities and landowners, providing detailed information regarding planned seismic operations in the Western portion of Block 12.



In addition to communications with stakeholders, social commitment to communities in which we operate is part of our company's values. In that regard, Frontera has undertaken two significant initiatives aimed at improving the **quality of and access to health care in Georgia**. In response to an expressed need from the Gudushauri Medical Center in Tbilisi, Frontera joined an initiative to address the high infant mortality rate in rural Georgia, which today stands at approximately 60 deaths per 1,000 live births, or six times that of the industrialized world. As part of this effort, Frontera has provided a specially equipped mobile medical unit that allows teams of medical professionals to reach out and provide care to expectant mothers in the Dedoplistskaro region of eastern Georgia. The

Gudushauri Medical Center team supervising this unit received additional training at the University of Texas Medical School in Houston, Texas, U.S.A. The mobile unit currently services 13 villages, allowing the medical team to triage pregnancies, provide guidance for women with normal pregnancies and facilitate continuing care for high-risk groups.

In addition, Frontera worked with MedShare International, a major nonprofit organization, to arrange for the donation and shipment of more than six tons of **medical supplies and equipment** to Dedoplistskaro Regional Hospital. These supplies — including items such as hospital beds, syringes and other medical equipment — have significantly upgraded the facilities at the hospital and will directly benefit the local communities it serves.



## Government and NGOs

We believe it is important for us to cooperate with the Georgian government and with interested Non-Governmental Organizations (NGOs). In 2007, Frontera Eastern Georgia Limited applied for and received all required permits for seismic and drilling operations from NAOG, and an environmental impact assessment was prepared for its Lloyd #1 drilling operations at the Basin Edge Play Unit. In the year ahead, the company will continue its dialogue with NAOG regarding the status of its operations and activities, and will continue providing notifications of any incidents.

Frontera Eastern Georgia Limited met with several leading NGOs in July. In order to reach out to the broad NGO community in Georgia, this session was publicized via the Caucasus Environmental NGO Network, reaching about 3,000 NGO organizations. These sessions seek to inform the NGO community about the status of the company's activities in Eastern Georgia and Block 12. We will continue to routinely meet with the NGO community, providing information and receiving feedback regarding our operations, activities and performance.



## 2008 GOALS AND METRICS

In addition to the company’s overall goal of “**zero harm to people and the environment,**” we have established lagging and leading metrics for future measurement of our performance.

**Lagging indicators** – Frontera Eastern Georgia Limited seeks to achieve company, contractor, and combined safety performance equal to or better than the global exploration and production industry average as measured by OGP, the International Oil and Gas Producer’s Association (shown at right).

	<i>LTI</i>	<i>TRR</i>
<b>Company</b>	0.18	0.37
<b>Contractor</b>	0.21	0.65
<b>Combined</b>	0.20	0.58
<i>Per 200,000 hours worked</i>		

**Leading indicators** – Frontera Eastern Georgia Limited will continue the implementation of its Health, Safety and Environment Management System, and a self-assessment of the degree of implementation will be performed in Houston and Tbilisi in 2008. Focus areas for improvement were identified for each of the Company’s five business units and detailed action plans were developed. Implementation will be tracked to conclusion over the next two years. Audits on contractor operations will continue with corrective actions tracked to completion. Training programs and operational guidelines will continue to be developed and implemented.

## FEEDBACK AND CONTACT

We encourage feedback about this report and our activities and performance in the areas of health, safety, environment and community. Please contact:

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## ABOUT FRONTERA

Frontera Resources Corporation ([www.fronteraresources.com](http://www.fronteraresources.com)) is an independent, international oil and gas exploration and production company that seeks opportunities in known hydrocarbon-bearing basins around the world where historical geopolitical or economic situations have caused significant oil and gas plays to be overlooked or underdeveloped. Frontera’s strategy is currently focused on pursuing a Greater Black Sea initiative, with a primary focus on its core operations in the country of Georgia. Founded in 1996 and headquartered in Houston, Texas (U.S.A.), Frontera is led by a management team and board of directors recognized for their extensive expertise and experience in the international oil and gas business, related service industries, finance and geopolitics.