



Health, Safety, Environment and Community 2008 Annual Report

...Moving Towards Zero Harm

FROM THE PRESIDENT AND CEO

Throughout 2008, Frontera's firmly held commitment to the highest standards of excellence and responsibility in the areas of health, safety, environment and community has remained at the core of our business.

The recent achievements and current goals outlined in this annual report speak directly to our resolve to 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

HSEC POLICY AND HSEMS

People's health and safety and the protection of the environment in areas where we operate are core values of Frontera Resources Corporation and its Georgia-based subsidiary, Frontera Eastern Georgia Limited ("FEGE"). These principles are a key component of our company vision through our Health, Safety, Environment and Community Policy, originally adopted in 1999 and revised in March 2006 (shown at right). Published in Georgian and English, this policy guides all aspects of our company's operations and is posted at all company worksite and office locations.

In pursuit of the policy objectives, FEGE has developed a Health, Safety and Environment Management System (HSEMS) in alignment with global conventions that serves as the foundation for the company's approach to managing health, safety, environment and community issues. During 2008, FEGE enhanced the implementation of its HSEMS and Guidelines by developing detailed action plans for each of its business units. These two-year plans will be regularly reviewed by leadership to ensure effective implementation and improvement. FEGE also actively engages its contractors and other partners through contractor management plans and health, safety and environment bridging documents in order to ensure the 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



We continued our activities to **prevent occupational illnesses and injuries** in 2008. Specifically, we continued our contractual arrangements with MediClubGeorgia (MCG) in Tbilisi to accommodate FEGL employees and our contractors if emergency medical evacuation is necessary. In addition, first aid and CPR training were provided by MCG doctors to FEGL employees, and we maintained MCG doctors on our drilling locations to provide routine care for first aid, medical treatment, “ordinary” sickness and other routine health issues. We also had MCG perform medical examinations to ensure fitness and capability of all of our drivers. We are pleased that in 2008, employees and

contractors experienced no occupational illnesses.

Safety

Our goal continues to be **“zero harm” to company employees and contract personnel** and in 2008, FEGL achieved significant improvement in contractor performance. Unfortunately, we experienced our first employee injury in more than two years. A welder suffered minor burns during operations in the Shallow Fields Production Unit. He received treatment and was back on the job in a couple of days. We experienced only one significant contractor injury (compared to three in 2007), a broken foot to a service employee in our Basin Edge Play Unit. Three of our employees and contractors experienced dog bites, each of which is counted as a recordable injury. None were serious. The total Lost Time Incident (LTI) rate, including contractors, was 0.42, and the Total Recordable Rate (TRR) was 1.04 (per 200,000 hours worked). 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.”

	2008 Safety Statistics (per 200,000 hours worked)			
	FEGL LTI	TRR	OGP Average	
	LTI	TRR	LTI	TRR
Company	0.4	0.8	0.18	0.37
Contractor	0.43	1.30	0.21	0.65
Combined	0.42	1.04	0.20	0.58

Environment

Our vision is that the air, water and waste residuals generated by our operations result in “zero harm” to the environment. To this end, FEGL tracks **air emissions and waste** generated from its operations. We submitted a comprehensive air emissions inventory report to Georgia’s National Agency for Oil and Gas (NAOG) in 2008. During the year, one oil spill incident was recorded consisting of a small release of oil (about three barrels) that resulted from overpressure of a well being worked over.

Significant waste management activities were conducted in 2008 at the Taribani Field Unit. Six waste pits associated with historical drilling operations were closed and cleaned up. Details are provided at www.fronteraresources.com.

In addition, a fourth phase of FEGL’s **ongoing hydrogeology program**, initiated in 2005, was carried out during the summer of 2008 with more than 300 locations sampled for water quality. Reports were provided to NAOG. Details are available at www.fronteraresources.com.





Community

FEGL enjoys a positive **reputation among landowners and communities** in Georgia. Prior to commencing operations, we hold discussions with affected landowners and communities. In the year ahead, we will continue to interact with communities and landowners, and provide detailed information regarding operations in 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 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 continued its joint program with the Georgian Government 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. Now in its second year, the program features a mobile unit which allows teams of medical professionals to reach out and provide care to expectant mothers in the Dedoplistskaro region of eastern Georgia. The mobile unit made multiple trips to the Dedoplistskaro region and 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. It also made a trip to the Samgori region to conduct examinations on pregnant women in five communities.



FEGL also provided humanitarian aid (both monetary and in-kind donations) to individuals displaced as a result of Russia's invasion of Georgia in August 2008.

Government and NGOs

We believe it is important for us to cooperate with the **Georgian government and with interested Non-Governmental Organizations** (NGOs). In 2008, FEGL applied for and received all required permits for operations from the NAOG. A total of 19 permits were received from NAOG during 2008. 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.

FEGL met with several leading NGOs in May 2008 to describe current operations and HSE activities in eastern Georgia and Block 12. In order to reach out to the broader NGO community in Georgia, this session was publicized via CENN (Caucuses Environmental NGO Network), reaching about 3,000 NGO organizations. We will continue to routinely meet with the NGO community, providing information and receiving feedback regarding our operations, activities and performance.



2009 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.

	LTI	TRR
Company	0.11	0.48
Contractor	0.14	0.55
Combined	0.13	0.53

Per 200,000 hours worked

Lagging indicators – FEGL 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).

Leading indicators – FEGL will continue the implementation of its HSEMS and HSE Guidelines. The self-assessment of the degree of implementation of the HSEMS that was performed in 2008 resulted in the creation of Detailed Action Plans for each business unit. These plans will be regularly reviewed by leadership. Implementation will be tracked to conclusion during 2009 and a second set of priority areas will be selected at year-end for work during the 2010-11 period. Audits on contractor operations will continue with corrective actions tracked to completion, and training programs and operational guidelines will continue to be developed and implemented.

FEEDBACK AND CONTACT

You can find additional information on FEGL's initiatives at www.fronteraresources.com. 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) 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.