



Health, Safety, Environment and Community 2016 Annual Report

Frontera...Striving for Zero Harm

FROM THE CHAIRMAN AND CEO

Throughout 2016, 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.

We consistently strive to conduct our business in a way that demonstrates a strong commitment to the health and safety of our employees, a responsible stewardship of the natural environment, and recognition for the importance of the communities in which we operate. The recent achievements and current goals outlined in this annual report speak directly to that commitment.

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 which is guided by our Health, Safety, Environment and Community Policy, originally adopted in 1999 with the latest revision in March 2012 (shown at right). The Policy is reviewed and updated as appropriate on an annual basis to reflect increasingly higher industry and company expectations and standards. 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 our policy objectives and to provide a platform for implementation of all of our HSE activities, FEGE developed a Health, Safety, and Environment Management System (HSEMS) in 2006 which is in alignment with global conventions. It serves as the foundation for the company's approach to managing health, safety, environment and community issues. During 2016, FEGE continued to improve the implementation of its HSEMS by having leadership teams review the progress of HSEMS implementation during the past year and to identify focus areas for improvement. In early 2013, we created a "Vision 2016" encapsulating the desired state of FEGE's HSEMS implementation by January 1, 2016. In 2013, we had also developed metrics that allow a quantitative evaluation of the implementation of the HSEMS. Reviews in 2016 by the Management Teams determined that we made significant progress toward our 2016 vision. They also showed steady improvement – 86% in progress of implementation of the HSEMS- since the review process commenced in 2007. Also, in early 2016 the management team created our Vision 2019.

OUR POLICY

We will conduct our business with respect and care for our employees, contractors, communities, and the environments in which we operate. Our vision is zero harm to people and the environment while creating value for our shareholders. Excellent safety, health, environment and community (HSEC) performance is an integral part of our business success and corporate responsibility.

To achieve our HSEC vision we commit to:

- Continually pursue the goal of Zero Harm to people and the environment
- Enable a working environment where diversity is valued and all people are always treated with respect
- Utilize the company health, safety, and environmental management system (HSEMS) as the foundation for managing all safety and environmental matters
- Embrace continuous improvement in our operations and management
- Establish performance targets as part of our business plans and periodically evaluate the progress of implementation of our HSEMS
- Foster an open dialogue with our stakeholders regarding our activities and performance
- Routinely report our performance and achievements to stakeholders
- Conduct all operations in conformance with Georgian Regulations and international best practices
- Practice environmental stewardship that supports and enhances the communities where we operate
- Benchmark our performance against industry leaders
- Provide the leadership and resources necessary to fulfill our commitments
- Establish a culture in which all employees, contractors, and partners value, share, and honor 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 programs designed to **prevent occupational illnesses** in 2016. 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 in the field. We contracted with doctors on our major construction and drilling locations to provide routine care for first aid, medical treatment, “ordinary” sickness and other routine health issues. We are pleased that in 2016, employees and contractors experienced **no occupational illnesses**.



SAFETY

Our goal continues to be “**zero harm**” to company employees and contract personnel. Frontera continued its exemplary safety performance in 2016 by working nearly 500,000 hours with ZERO

injuries. FEGL has now worked almost 9 years (since March 15, 2008) and over 4 1/2 million hours with only one recordable injury. We know how to operate safely and have programs and procedures to ensure safe operations. FEGL leadership has embraced

the HSEMS, specific business unit safety programs are executed, and all employees and contractors understand the importance of our commitment to zero harm. Monthly meetings are held at each business unit to stress the importance of safety and to provide updates on key aspects of the HSEMS. A workplace safety culture is being fostered that supports our Zero Harm slogan and our “no one gets hurt” principle. The safety statistics trend shows a dramatic reduction in the past ten years since the full implementation of the HSEMS and the commitment by FEGL managers to specific business unit safety action plans.

We are committed to continuing a record of safety excellence and marching toward our vision of Zero Harm. Toward that end, we established our 2016 safety theme of “The Journey Continues – Zero Injuries is Achievable in 2016”. We achieved that goal. We have now created our safety theme for 2017, “The Journey Continues – We can Achieve 2 million hours in 2017”. During 2016 we heightened safety awareness by continuing to provide signage at all field locations which show “days since last injury”. We have developed a scorecard, published monthly, which tracks both lagging and leading key performance indicators. The proactive STOP program has been implemented. Near misses are reported, and lessons learned are evaluated and communicated broadly. Driving safety is a leading cause of fatalities in our industry. We conduct routine driving safety meetings and training. In 2016 FEGL drove over 1.4 million km with zero incidents. We also continue to provide operational training, to conduct bridging document discussions with all contractors, to routinely review the status of all fire fighting equipment, to perform risk assessments on work to be conducted, and to maintain a sharp focus on our vision of “zero harm”.

Also in 2016 we continued to enhance our project front-end risk management process. We had conducted a Job Hazard Analysis (JHA) on the Mtsarekhevi gas pipeline project in 2012. The JHA identified potential risks/hazards associated with the project, identified the HSE mitigation measures designed into the project and risk ranked the potential outcomes. Additional safeguards were identified where necessary. In 2016 we used that model to create JHA templates for

2016 Safety Statistics (per 200,000 hours worked)

	FEGL		OGP	Average
	LTI	TRR	LTI	TRR
Company	0	0	0.05	0.18
Contractor	0	0	0.08	0.34
Combined	0	0	0.07	0.31





deep drilling and fracing operations. We conducted a JHA and compiled lessons learned for our fracing operations in 2016. In 2014 a Pre-startup safety review (PSSR) was conducted to ensure that all safety considerations and mitigation measures defined for the gas project and described in the JHA had been implemented. The JHA and PSSR were “firsts” for FEGL and will be used for major operations in the future. Also in 2016 we performed an evaluation of the past two years results of the STOP card program. Results were compiled and communicated to the Management team. Recommendations were made and are being implemented. Life Protection Rules were developed in 2014; posters and decals were published and training conducted in 2016.

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. 2016 saw ZERO spills or accidental releases to the environment.

FEGL demonstrated continued progress in 2016 in its **wellhead monitoring and remediation program**. Phase 1 began in Mirzaani in 2005; Phase expanded to FEGL Block 12 wide in late 2013. Results at year-end 2016 show work remains on 14 of the total Block 12 wide 255 well locations. An environmental management and action plan (EMP) was prepared in early 2016; actions were implemented. An updated EMP will be prepared for 2017 remediation actions. A goal will be established for the number of priority sites remaining at year end 2017. The program will continue until all sites are remediated to a minimal or zero effect level. Reports are published annually.

Waste management activities continue to achieve environmental impact minimization. Environmental Management Plans are prepared for any significant environmental improvement and/or remediation projects. Drilling mud pits are remediated and closed upon completion of drilling. All produced water from production operations is treated and contained; there is no discharge of any produced water.



2



COMMUNITY

FEGL enjoys a positive **reputation among landowners and within the communities** in which we operate. Prior to commencing operations, we hold discussions with local landowners and communities. In the year ahead, we will continue to interact with communities and landowners, and provide detailed information regarding our plans and performance for our operations in Block 12.

In addition to our communications with stakeholders, our company values its social commitments to the communities in which we operate. In this regard, Frontera has undertaken significant initiatives during past years aimed at improving the quality of life in Georgia.

We are also evaluating additional opportunities to enhance our working relationship in local communities where we have a significant presence.

GOVERNMENT AND NGOs

We believe it is important for us to maintain a dialogue and to cooperate with the **Georgian government and with interested Non-Governmental Organizations (NGOs)**. In 2016, FEGL applied for and received all required permits for operations from the State Agency for Oil and Gas (SAOG). In the year ahead, the company will continue its dialogue with SAOG regarding the status of its operations and ongoing HSE activities.

FEGL continues to interact with several leading NGOs in order to communicate current operations and HSE activities in Eastern Georgia and Block 12. In order to reach out to the broader NGO community in Georgia, FEGL provides information to CENN (Caucuses Environmental NGO Network), which reaches approximately 3,000 NGO organizations. Frontera has routinely met twice per year with the NGO community, to provide information, and to solicit feedback regarding operations, HSE activities, and performance. We will continue that practice.





2017 GOALS AND METRICS

In addition to the company’s overall goal of **“zero harm to people and the environment,”** we have established Key Performance Indicators (KPIs) for both lagging and leading metrics to measure and manage our performance.

Lagging indicators – FEGL seeks to achieve company, contractor, and combined safety performance at a minimum of better than the global exploration and production industry average as measured by IOGP, International Oil and Gas Producer’s Association.

Leading indicators – FEGL continues the implementation of its HSEMS. The assessments begun in 2007 of the degree of implementation of the HSEMS and development of a vision of “where we want to be” that were performed in 2016 gave us another milestone marker. In 2013 we established metrics that enable us to quantify our progress of implementation of the HSEMS. In early 2016, the FEGL “Vision 2019” was established; progress is tracked via the annual assessments by the Management team. HSEMS progress is routinely tracked, and a KPI score card is published in the monthly FEGL Management Report.

HSEMS and HSE Guidelines Review – FEGL conducted a comprehensive assessment of its’ HSEMS and its HSE Guidelines in 2016. That review identified a few gaps and necessary upgrades. Those revisions have been made. All Frontera HSE guidelines and procedures along with the HSEC Policy and HSEMS have been loaded onto a CD. The Table of Contents of that CD maybe found on our Frontera website.



FEEDBACK AND CONTACT

This is our 12th annual HSEC report. You can find additional information on Frontera’s and FEGL’s HSE 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. For further information please contact:

Maka Burjanadze, General Manager, HSE
(MBurjanadze@fronteraresources.com)
Terry L. Thoem, Vice President, HSE
(TThoem@fronteraresources.com)

ABOUT FRONTERA

Frontera Resources Corporation is an independent Houston, Texas, U.S.A. based international oil and gas exploration and production company whose strategy is to identify opportunities and operate in emerging markets in Eastern Europe and around the Black Sea. Frontera resources corporation shares are traded on the London Stock Exchange, AIM Market – symbol: FRR. For more information, please visit www.fronteraresources.com .

THE JOURNEY CONTINUES

**We can achieve
2 million hours in 2017**



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



ՑՈՒՆԵԼՎԵԼ ԵՐԿՆԱՅՑՆ ԶԻՆՎՈՐՈՅՆ

**ԲԶՅՆԵ ՑՈՒՆԵՆՈՆ: 2 ՑԻՆՈՒՄԵՆ ԼՆԱՄՈՒ
ՊՈՆԵՆ ԶՆՏԵՄԵՐ 2017 ԵՎԵԼ**



ԲԶՅՆԵ ԼՆՎՈՒՆԵՄՈՆ ՆԻՆՆՈՒՄԸ ՆԻՈՆ ՈՆՆՈՒ ԼՆՆԵՐԱՊՈՒ ԵՎ ՑԵՆՑՅՎՈՐՈՅՆԵՐ, ԴՈՑ ԶՅԻ ԶՆՎՈՒՄԵՐ ՉՆԱՊՈՒՄԵ

