



Health, Safety, Environment and Community 2017 Annual Report

Frontera...Striving for Zero Harm

FROM THE PRESIDENT AND CEO

Throughout 2017, 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 principles.

We consistently strive to conduct our business in a way that demonstrates a strong commitment to the health and safety of our employees and contractors, 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.

I am personally very proud of our employees and contractors commitment to our vision of Zero Harm.

Zaza Mamulaishvili
President 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 August 2017 (shown at right). The Policy is reviewed on an annual basis and updated as appropriate to reflect current situations. 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 order 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 2017, 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 2016, we created a "Vision 2019" encapsulating the desired state of FEGE's HSEMS implementation by January 1, 2019. In 2013, we had also developed metrics that allow a quantitative evaluation of the implementation of the HSEMS. Reviews in 2017 by the Management Teams determined that we made significant progress toward our 2019 vision. They showed steady improvement – 86% in progress of implementation of the HSEMS- since the review process commenced in 2007.

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 ongoing open dialogue with our stakeholders regarding our activities and performance
- Annually report our performance and achievements to stakeholders
- Conduct all operations in conformance with Georgian Regulations and international best practices
- Embrace environmental stewardship that supports and 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, share, and honor this commitment to our HSEC Policy

Zaza Mamulaishvili
President and Chief Executive Officer

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

August 2017



ACTIVITIES AND PERFORMANCE



HEALTH

We continued our programs designed to **prevent occupational illnesses** in 2017. Specifically, we continued our contractual arrangements with Medi-ClubGeorgia (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 2017, 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 2017 by working nearly 400,000 hours with ZERO injuries. FEGL has now worked almost 10 years (since March 15, 2008) and almost 5 million hours with only one recordable injury. We were able to celebrate a significant milestone on November 10 this year; we achieved **working 2 million hours injury free since our last incident in 2013**. We know how to operate safely and have programs and

procedures to ensure safe operations. FEGL leadership has embraced the HSEMS, specific 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 twelve 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 have established our 2018 safety theme of “We achieved 2 million hours but the journey continues in 2018”. We achieved the 2 million hours goal November 10 2017. We continue to heighten 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 2017 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 2017 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 deep drilling and fracing operations. We conducted a JHA and

2017 Safety Statistics (per 200,000 hours worked)				
	FEGL		IOGP	Average
	LTI	TRR	LTI	TRR
Company	0	0	0.06	0.16
Contractor	0	0	0.06	0.22
Combined	0	0	0.05	0.21





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 including the upcoming Taribani drilling operations in the future.

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 significant progress in 2016 in its **wellhead monitoring and remediation program**. Phase 1 began in Mirzaani in 2005; Phase 2 expanded to FEGL Block 12 wide in late 2013. Results at year-end 2017 show work remains on only one P1/P2 location out of the total Block 12 wide 255 well locations. An environmental management and action plan (EMP) was prepared in early 2017; actions were implemented. An updated EMP was prepared in August for 2017 remaining remediation actions. A goal was established and achieved of only one P1/P2 sites for the 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.



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.

Frontera started a medical counseling project in May 2017 and covered 3 regions in Georgia including Ozurgeti, Zemo Nikozi and Dedoplistskaro. Teams of medical professionals - pediatricians, cardiologists, endocrinologists, neurologists, gastroenterologists and surgeons conducted free medical screen-

ing and counseling of about 400 members of local communities. The screening included cardiogram and echocardiogram, blood sugar level testing, thyroid and abdominal ultrasound, as well as physical examination. Patients were provided with practical medical advice and prescriptions instrumental to treatment of various conditions. Frontera’s Medical Counseling Project plans to expand its scope of work throughout other regions of Georgia

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.

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 2017, 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.





2018 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 2017 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 2017. 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 13th 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:

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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.

We achieved 2 million hours but the Journey continues in 2018



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



ჩვენ მიღწევას 2 მილიონი საათი წინასწარ განვიხილეთ 2018 წელს მიზნობრივ სტრატეგიას განხორციელება



ჩვენი სამუშაოებს არასდროს არის ისეთი სასწრაფო და მნიშვნელოვანი, რომ ვერ შევძლოთ შესაფერისებლად

