

NIKO RESOURCES LTD

SAFETY, HEALTH, ENVIRONMENT AND SOCIAL RESPONSIBILITY 2010 – ANNUAL PERFORMANCE SUMMARY

This report summarizes Niko's activities and performance in regard to safety, health, environment and social responsibility for its worldwide operations in 2010.



COMMITMENT

Niko Resources Ltd. (Niko) is committed to the safety and health of our staff, contractors, and the communities affected by our operations. We strive to minimize our impacts on the environment, to demonstrate a high level of social responsibility, and to meet or exceed regulatory compliance.

SAFETY, HEALTH, ENVIRONMENT AND SOCIAL RESPONSIBILITY MANAGEMENT SYSTEM

Niko has been progressively implementing its Safety, Health, Environmental and Social Program (SHESP) over the past nine years. Coincident with this has been the education of its core field personnel and staffing of key positions to ensure effective implementation of relevant corporate policies, objectives and procedures.



Niko drilling supervisor and recipients of weekly safety awards, Kurdistan, Iraq.

The SHESR Management System is fully implemented in India and Bangladesh. The Hazira and Olpad facilities in India were initially *ISO 14001:2004 & OHSAS 18001:1999* certified in March 2008, and updated to *OHSAS 18001:2007* in March 2009. These facilities are scheduled to receive recertification in February 2011, valid for the subsequent three years.

Niko requires all our major contractors to have well established HSE management systems and associated planning documents. These are cross-checked against Niko's own management system. HSE bridging documents and SIMOP plans are developed, as appropriate.

GLOBAL ASSET AND ACTIVITY

Niko's areas of activity currently involve India, Trinidad, Indonesia, Iraq, Madagascar, Bangladesh and Pakistan.

India

Niko has 3 operated blocks (Hazira, Surat, Cauvery) and 3 non-operated blocks (KG-D6, NEC-OSN-97/2, MN-DWN-2003/1). Non-operated blocks are operated by Reliance Industries. The Hazira field includes 33 wells (12 offshore and 17 from Land-based Drilling Platform), gas and oil processing facility and an Oil Un-Loading Facility at Ankhleswar adjacent to ONGC CTF. The Hazira facility currently produces gas @ 700,000 scmd and oil @ 500 bopd. Gas is transported via pipeline and oil and condensate via truck transport.

GLOBAL ASSET AND ACTIVITY

India cont'd

The KG-D6 block operated by Reliance currently produces gas @ 51 mm scmd and oil & condensate @ 20,000 bopd. The facilities include offshore wells, FPSO and onshore terminal with gas processing plant. The MN-DWN-2003/1 block has been subject to geophysical investigation and is currently under study. No wells have been drilled at this point.

The Surat field has 11 producing wells and a gas plant currently processing gas @ 100,000 scmd. 4 wells were drilled in Cauvery; however, no production facilities are in place.

Iraq

Niko is currently drilling its first exploration well (QD-1) in Block 10, Kurdistan, Iraq. The rig has been contracted from Sakson Energy.

Trinidad

Offshore seismic survey commenced in Block 2 ab. EIA commenced for drilling in Block 2ab. EIA's commenced for seismic and drilling in Guayaguayare Block. Planned drilling programs commenced for Block 2ab and Guayaguayare. A full time HSE position was staffed with a local professional at year-end.

Bangladesh

Niko operates two gas fields (Feni, Chattak) and associated gas processing facilities and has a non-operating interest in Block-9 with Tullow. From November 2004 through Apr 2010, Feni has produced 3.48 bcm, as well as condensate. Feni is currently shut in and plant operation is suspended. No production has come from Chattak due to

unresolved matters arising from a blowout in 2005. Block-9 produces gas @ 4.2 mm scmd.

Madagascar

Bathymetric and multi-beam surveys and 3D offshore seismic survey complete in first half 2010, commenced seismic data proceeded through the second half of 2010.



Installing BOP, QD-1 well site, Kurdistan, Iraq, 2010.

Indonesia

Seismic surveys completed in 8 offshore blocks. Seismic evaluations are underway. A full time HSE position is being staffed in the 1st quarter 2011. Preliminary drilling plans in preparation.

Pakistan

Activity currently involves evaluation of seismic data. Planning has commenced for the 2012 drilling program.



Niko Malagasy marine mammal observers on 2010 Grand Prix seismic survey.



Spinner dolphins, Madagascar, January 2010

SAFETY, HEALTH, ENVIRONMENT AND SOCIAL PROGRAM PERSONNEL

By the end of 2010, Niko employed or contracted a total of 28 HSE employees. Where no full time HSE position has been staffed, Niko's Corporate Manager SHESP assumes responsibility until activity levels warrant permanent staffing. A full time HSE position in Indonesia will be staffed during the 1st Quarter of 2011.

Dedicated Safety, Health, Environment & Social Program Personnel as of December 31, 2010

Corporate	India	Bangladesh	Iraq	Madagascar	Trinidad	Indonesia	Pakistan
1	21	1	4	0*	1	0	0

* The Resident Manager of Niko Resources in Madagascar acted as Resident HSE manager (overseen by the Niko SHESR Corporate manager) during the seismic campaign following the requirement of the Government to have a residing HSE manager responsible.

EMPLOYMENT OF NATIONALS

As of December 31, 2010 Niko employed a total of 438 staff and or internal contractors outside Canada. Of these 399, (91%) are nationals.

Employment of Nationals as of December 31, 2010^a

	India	Bangladesh	Iraq	Madagascar	Trinidad	Indonesia	Pakistan
Nationals	295	23	20	3	9	48	1
Expats	2	0	21	0	1	15	0
Total	297	23	41	3	10	63	1

a. Tally's based on the location in which the personnel are normally located.



GENDER EMPLOYMENT

Women currently comprise 12% of Niko's combined workforce of 465. Positions held by women in the Niko workforce include senior technical and administrative functions,

Employment by Gender as of December 31, 2010^a

	Corporate	India	Bangladesh	Iraq	Madagascar	Trinidad	Indonesia	Pakistan
Males	20	279	21	40	2	6	41	1
Females	7	18	2	1	1	4	22	0
Total	27	297	23	41	3	10	63	1

a. Tally's based on the location in which the personnel are normally located.

REPORTABLE INCIDENTS – 2010

No significant safety or environmental incidents were experienced by Niko employees in 2010. To date no fatalities have occurred on Niko projects in over 15 years of operations.

	Corporate	India ^(a)	Bangladesh	Iraq	Madagascar	Trinidad	Indonesia
Total Person Hours Worked	51,840	970453	67085	72714	20971	12,180	120,960
Lost Time Incidents	0	0	1	0	0	0	0
Spills/Pollution Events	0	0	0	0	0	0	0
Property Damage	0	0	0	0	0	0	0
Near Misses	0	36	0	0	0	0	0

- a. Since 2004, Total 4.85 million hours worked without LTI (for Hazira - 3.25 million hrs & for Surat - 1.6 million hrs). Six Years of Incident Free working for India Operations. Third party drilling contractor in Iraq experienced 6 reportable incidents during 2010, none involving LTI's or significant environmental damage. During the Madagascar seismic program one reportable incident (fire) occurred on a seismic vessel. In Trinidad on medical treatment case and two property damage incidents occurred on the contracted seismic vessel.

SHE SR MS AUDITS /INSPECTIONS– 2010

Niko routinely conducts or otherwise arranges periodic inspections of all its operations as proscribed under its Safety, Health, Environment and Social Responsibility Management System. In 2010 a total of 752 Inspections were variously carried out by Niko or Third party consultants.

INDIA			
Second and Third Party/Statutory Audit viz. DNV/DGH/OISD/BVQI/DGMS	9		
Internal/ Site Specific Audits as per SHEMS /ISO & OHSAS Standard Requirement.	7		
PTW Audit	162		
Safety Walk Through	15		
Vehicle Inspections	153		
Fire Extinguishers, fire hose hoses, fire pumps, re hydrants, (monthly).	12		
Oil Tanker Inspection	68		
Water Tank Inspection	27		
Contractor Safety	40	Pipeline Inspection	6
Level 1 SHE MS Inspection	32	House Keeping Inspection including office premise	25
Level 2 SHE MS Inspections	3	MADAGASCAR	
Level 3 SHE MS Inspection	2	Seismic Vessel HSE Inspections	2
Heavy equipment inspections	153	Office Inspection	1
		Close-out 3 rd party, geophysical Environmental Audit	1



Niko India Staff celebrates 3 million hours worked without a Lost Time Incident, August 2010.

India cont'd

SHERS MS Audits/ Inspections cont'd		BANGLADESH	
IRAQ			
QD-1 Well Site HSE inspections	3	Feni plant inspections (level 1,2,3)	3
Rig Inspections	1	Chattak plant and site inspection	8
Suli Office Complex inspections	2		
Monthly Fire Extinguisher Checks	12		
INDONESIA		TRINIDAD	
		No Audits / Inspections	
Seismic vessel HSE Inspections		CANADA	
Office HSE Inspections (weekly) (informal)		No Audits / Inspections	



On site HSE inspection LBDP, Hazira, India.



Construction equipment at QD-1, Kurdistan, Iraq 2010

SHERS MS TRAINING AND RELATED INITIATIVES - 2010

SHERS MS related training in 2010 was undertaken across most Niko areas of operation though was most active in India and Iraq where active production and drilling programs are being undertaken.

India	
STATUTORY	
Fire Fighting Training	84
First Aid training both Basic & Advanced	90
Confined Space	51
Use of Life Raft	38
Emergency Siren & Evacuation Procedure	94
MSDS	27
Emergency Response	80
Search & Rescue	30
AED Use Training	63
NIKO SHERS MS REQUIREMENTS	
OJT training	42



H2S drill Iraq, 2010

SHESR MS TRAINING and Related Initiatives – 2010 India cont'd

HSE Inductions	1061	Internal Audit	16
Waste Management including Hazardous Waste Storage, Handling & Disposal as per new legislation	66	Electrical Safety including Lock out tag out, safety stand by	23
		Scaffolding	53
PTW Procedure	111	Material handling	68
Legislation and Statutory Compliance	11	Pigging	17
Defensive Driving Training	90	Group Risk Assessment & Environmental Aspect Analysis	63
Asset Integrity Management	15	ETP operation training	37
JSA	76	Operation Maintenance & Trouble Shooting of Gas Engines at Greaves Cotton Ltd.-Pune	2
Legal update & Compliance	30		
Security Alerts for Threats & Terrorist Attack	35	Team Behavior Management (E)	1
		Online Dew point & H2O Measurement (E)	10
Advance First Aid Training –St .John Ambulance (E)	45	Indian Congress on Quality, Environment , Energy & Safety Management System (E)	1
OHSAS 18001/2007 Lead Auditor Training (E)	4	Mock drills were conducted for Olpad (12) and Hazira (Offshore-50+19 Onshore).	81
Certificate course in Basic Fire Prevention and Fire Fighting.(E)	1		

Note: (E) = External training



Advanced First Aid Training, India 2010.



Joint Niko – Shell fire drill near facilities at Hazria, 2010

INDIA 2010 - Other HSE Records & Promotional Activities

- No Major Non- Conformities and Legal Non Compliance to applicable legal & statutory standards.
- All Operating Assets have valid CCA and other statutory permission for operation.
- One Year SHEMS implementation targets well achieved as per the planning.
- All reviews including Aspect & Risk Register, Legal Register, Manuals and OCPs, as per yearly schedule.
- Best Safety Performer rewards and Incident Safety rewards given to helpers, Security and Operators.
- Safety Promotional activities like Quiz completion, poster competition held at local level on HSE topics.
- DGMS Safety Surat wing was inaugurated and Niko extended support in event organization

SHER MS TRAINING and Related Initiatives – 2010 Cont'd

INDIA 2010 – Occupational Health Highlights

- Celebration for the Occupational Health Day July 9, 2010. Dr. Ashutosh Shah (Apple Hospital Plastic Surgeon), presentation on prevention of health hazards & Injuries.
- Employee Health Card distributed to all employees. Employees counselled on managing good health. Occupational Health Survey completed for Hazira and Olpad assets.
- Conducted *No Tobacco Day* Awareness Program.
- Bio Medical waste (including expired medicines) disposed as per *Bio-Medical Wastes (Management and Handling) Rules, 1998, Amendment Rule 2003* to Surat Municipal Corporation authorised agency.
- Routine inspection of water carboys done for all drinking water consignments. Quarterly analysis for drinking water done to monitor its potability.
- Health Challenge Program at Hazira and Olpad.
- Pest control activity twice / month.
- National Safety Week Days Celebrated from 25th Feb 2010 to 4th Mar 2010. Prize awarded in various competitions for employees at Hazira and Olpad assets. eg. PTW preparation, Safety quiz, Safety play, Safety speech, Contractor Audit, Tool box talk etc for Hazira and Olpad assets
- National Fire Services Day Celebration. Activities included Fire & Safety Equipments Demonstration & fire hose drill competition on 16th April.



Niko India staff participating in Health Challenge events, 2010

MADAGASCAR	Participants	INDONESIA	Participants
Basic Offshore Safety Training	3	Defensive driving course – drivers	4
On-site Marine Mammal Observer training	2	Two Emergency Drills: Fire and Bomb Threat in conjunction with the building management.	All



Malagasay staff being given marine mammal Observer Training, Madagascar, January 2010.



Niko Indonesia employee indoor football team, 2010

SHESR MS TRAINING and Related Initiatives – 2010 cont'd			
<u>IRAQ</u>	Participants	<u>IRAQ cont'd</u>	Participants
H2S Emergency Response Drills (weekly) QD-1 Day and night shift	All	Weekly safety awards program (well site)	All
		Weekly safety awards program (well site)	All
Daily Safety Meeting QD-1	All	Modifications to security deployment and purchase of additional HSE equipment.	
Security Incident Response Action - QD1 Drill (for well site and camp personnel)	All	<u>TRINIDAD</u>	
		HSE Inductions - Staff briefed/trained on building emergency measures and introduced to the Office HSE Manual.	10
HSS Inductions for all Niko Expatriates on arrival	All	<u>BANGLADESH</u>	
		No Training Provided	
HSE Inductions QD-1	All	<u>CANADA</u>	
Contractor Fire Drills (weekly) QD-1 Camp	All	No Training Provided	

SUSTAINABILITY INITIATIVES

As part of it's overall corporate policy, Niko encourages activities which reduce our impacts and promote more sustainable resource use. Programs undertaken in 2010 are summarized below.

INDIA

- Waste segregation and disposal (including Bio Medical waste) is being carried out on monthly basis and sent to GPCB approved waste disposal agencies. Annual hazardous waste report finalized and send to GPCB in new forma.
- As a part of extending Green belt development out side Niko premises, plantation was done at Hazira School.
- Oil spill dispersant and spill kit mobilisation done to offshore facility in Sep 10.
- Internship training was provided for a B-Tech student (safety and fire) from Cochin University of Science & Technology.
- 300Kg of waste paper have been sent to recycler
- 5293 lit of used oil was sent for recycling.



Niko organized public beach clean-up at Hazira, 2010.

SUSTAINABILITY INITIATIVES – India cont'd

- Planned 25% saving through switch from diesel to CNG vehicles.
- NIKO & CAIRN Energy India Pty Limited agreed to sign an MOU to share resources in the event of an oil spill from their operations in the locality.
- Commission, Govt. of Gujarat to plant 200 hectare mangrove habitat. (* depends on the additional drilling success of HAZIRA Field).
- 10 % reduction in average paper consumption during last 3 months. All internal communications are through electronic media only.
- Reduction in chemical consumption in ETP after treatability study and saved Rs. 350000/ per year as well as reduced hazardous waste(ETP Sludge) generation by 12%.
- Reduced fuel consumption by 10 % by vehicle pooling.
- Reduction of hazardous used oil generation by 233 liters in a year comparing to preceding year.
- Have been maintaining a Power factor of 0.96-0.97 with a targeted saving of energy to the tune of 10 lakhs rupees in a year.
- Mass plantation at Olpad (200 saplings) & Hazira (500 saplings) facility on World Environment Day.
- Reduction in PET bottle usage through obtaining 20 liters reusable drinking water bottles in exchange for 1 lit. bottles.
- Used lead/lithium batteries and sold back to the suppliers for reuse and disposal.
- Continued review and implementation of energy audit recommendations."



Niko employees in India planting trees during World Environment Day, 2010.



Niko India Chief HSE Adviser participating in state environment initiative, 2010.

IRAQ

- Extensive use of compact fluorescent bulbs in main office complex.
- Use of tree farm copy paper.
- Active energy conservation program (eg. Lights, AC load).
- Gathering of wood cut from location construction for use by local schools, mosques, villages, and clinics for heating.

TRINIDAD

- Active energy conservation program (eg. Lights, Other electric appliances).
- Discussions and participation with Government on National Oil Spill initiatives.

CANADA

- Recycling (plastics, papers, tins, toner cartridges, batteries, bottles etc).
- Active energy conservation program (eg. Lights, AC load).
- Use of recycled copy paper.
- Elimination of quarterly mail-out which has saved approximately 50,000 sheets of paper per year.

BANGLADESH

- No new initiatives.

COMMUNITY PROGRAMS

Niko periodically undertakes broader, good-neighbour initiatives intended to promote improved conditions in local communities. Programs undertaken in 2010 are summarized below.

INDIA

- 60 villagers trained for Mangrove plantation under community under the mangrove plantation project.
- Pulse Polio camp was organized on 10th Jan and 7th Feb 2010. 242 children of Hazira village vaccinated.
- Organized community swine flue awareness presentations.
- World Environment week celebration, June 2010. Held various competitions involving students eg. speech, drawing, poster, essay and quiz at Hazira Asset. On 5th Jun 10 closing ceremony with prize distribution and plantation held in the presence of Asset Head, Chief Advisor HSE, Principal of Secondary School Hazira, IM and HSE Manager.



Community Swine Flue Awareness presentaiton organized by Niko India.



Consultation and information sharing with coastal fishing community in Madagascar, 2010.

MADAGASCAR

- Extensive community information and liaison work with coastal communities throughout three month offshore seismic program.

TRINIDAD

- Public hearings were undertaken to identify concerns of stakeholders in the work programs for Guayaguayare and Block 2ab.

IRAQ

- Drilled water well for local community adjacent to drilling location; first time village had a well
- Built toilet facilities for women (teachers and students) at local high school in Qara Dagh. Previously there were not toilets for women at the school.
- Provided computer for Mayor's office in Qara Dagh for conducting local government activities
- Hired student from management program at local university for summer experience.
- Hosted 70 junior and senior geology students from Sulaymaniyah University at the rig site for exposure to drilling operations.
- Distributed meat from Eid ceremonies and well spudding ceremonies to poor families in the Qara Dagh area.
- Provided phone cards for key village persons to keep us informed of any unusual happenings in the area as well as for community benefit.
- Gathering of wood cut from location construction for use by local schools, mosques, villages, and clinics for heating.