



BOUGAINVILLE COPPER LIMITED

INCORPORATED IN PAPUA NEW GUINEA ARBN 007 497 869

P.O.BOX 1274, PORT MORESBY, PAPUA NEW GUINEA

TEL: (675) 321 2044 FAX: (675) 321 3634

Notice to ASX

28 March 2014

2013 Annual Report

Attached is the 2013 Annual Report which contains the full financial statements for 2013.

The Annual General meeting will be held at the Grand Papua Hotel in Port Moresby Papua New Guinea on the Tuesday 6th May, 2014 at 3.00 pm.

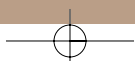
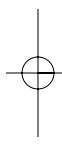
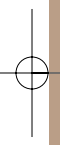
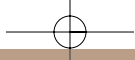
The Annual Report and notices of meeting will be mailed to shareholders and posted on the company's web site in due course.

PAUL D COLEMAN
Company Secretary



BOUGAINVILLE COPPER LIMITED

ANNUAL REPORT 2013



BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Incorporated in Papua New Guinea A.R.B.N. 007 497 869

Overview

From 1972 until 1989 when operations were suspended, Bougainville Copper Limited (Bougainville Copper or the company) operated a large open pit mine and processing facility at Panguna on Bougainville Island in the North Solomons Province of Papua New Guinea (PNG) producing copper concentrate containing significant quantities of gold and silver. On 15 May 1989 production was brought to a halt by militant activity.

In the 17 years prior to 1989, the mine produced concentrate containing three million tonnes of copper, 306 tonnes of gold and 784 tonnes of silver. The production had a value of K5.2 billion which represented approximately 44 per cent of Papua New Guinea's exports over that period. Contributions to the National Government in the form of taxes, duties and dividends were approximately 17 per cent of internally generated Papua New Guinea Government revenue during that time. A total of K1,088 million was contributed to the National Government, which represented 62 per cent of the net cash generated by the project between 1972-1989. In addition, payments to the North Solomons Provincial Government and Panguna landowners, together with provisions made since 1990, amounted to K114 million. Further, Bougainville Copper's presence in the North Solomons Province had promoted the development of significant local business enterprises to provide goods and services required for the mining operation and for the residents of the province.

Bougainville Copper trained some 12,000 employees, including approximately 1,000 completing full trade apprenticeships and some 400 completing graduate and post graduate studies that resulted in considerable progress in the localisation of the company's employees and significantly added to the number of skilled workers elsewhere in the country's workforce. At the end of 2013, the company had no employees. The activities of the company are managed on a contracted services basis by a small team of Rio Tinto PNG Limited staff based in Port Moresby.

Since the suspension of mining operations the company has retained, in good standing, its mine lease and other leases on Bougainville. The company's special mining lease lapsed through effluxion of time on 10 April 2011 and in accordance with the applicable legislation the company is entitled to a 21 year extension which has been applied for but not as yet granted.

Bougainville Copper is owned 53.83 per cent by Rio Tinto Limited. The Papua New Guinea Government owns 19.06 per cent, while public shareholders hold the remaining 27.11 per cent of the share capital.

Bougainville Copper on-line

Information about Bougainville Copper is available on our website – www.bougainvillecopper.com.pg. The Annual Report and other information can be downloaded from this location.

Notice of meeting

The Annual General Meeting of Bougainville Copper will be held at 2pm on Tuesday, 6 May 2014 at the Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea.

A separate Notice of Meeting is enclosed.

All shareholders are cordially invited to attend.

Directors

Peter Robert Taylor (chairman)
 Adam James Burley
 Robert Staley Burns
 Dame Carol Anne Kidu
 Sir Rabbie Langanai Namaliu

Secretary

Paul Derek Coleman

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The year in brief

Considerable progress has been made on a number of fronts in 2013, pointing to further likely gains in the coming year.

- The historic visit to previous no-go areas on mainland Bougainville by PNG Prime Minister Peter O'Neill, the first by a serving Prime Minister in fifteen years, has generated a wave of conciliatory sentiment among many stakeholder groupings previously unwilling to declare an end to long held hostilities.
- Bougainville Copper is encouraged by this new spirit of engagement, as the company enters a year in which planned reconciliation ceremonies should see it re-establishing an administrative presence at Arawa to launch and manage studies aimed at assessing bioremediation needs, community development programs, social mapping, asset revaluation and de-risking.
- Very positive achievements continue to accumulate regarding the technical aspects of re-start negotiations, thanks to the contributions of the Autonomous Bougainville Government (ABG) and National Government officers, leading landowner representatives, company management and other agencies, at regular technical committee meetings.
- The company is in closer dialogue with the National Government.
- ABG President Momis is steadfast in its commitment to achieving the consensus needed from all Bougainvilleans to allow us to make a return to mining at Panguna, and to share the benefits.
- The mine-affected landowners, while continuing a process of alignment, are absorbing with increased realism the size of the commitment which all parties to redevelopment must make, and are bringing themselves towards the cohesive position which will make meaningful negotiation possible.
- The two major shareholders, Rio Tinto and the State of Papua New Guinea, appear to be paying closer attention both to Bougainville, and to the financial and social value of the Panguna properties.
- The ongoing taxation dispute with the Internal Revenue Commission of PNG (IRC) made little formal progress towards resolution in the period, but there continues to be useful contact with the IRC, and higher level dialogue.
- Realised gains from the sale of investments was up on last year, and the overall value of the company's investments in securities has risen along with the positive market.

| | | 2013 | 2012 |
|-------------------------------|------------|----------------|---------|
| Investment income | (K'000) | 9,932 | 6,151 |
| Operating profit (loss) | (K'000) | 6,778 | (5,424) |
| Earnings per share | (toea) | 1.690 | (1.352) |
| Shareholders' funds | (K'000) | 361,793 | 334,661 |
| Return on shareholders' funds | (per cent) | 1.873 | (1.621) |

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Chairman's statement and our year in review – 2013

The best way to characterise the activities of the company over the 2013 reporting period is increased dialogue.

Very positive achievements continue to accumulate regarding social, political and technical preparations for potential Panguna re-start negotiations, thanks to the significant and collaborative contributions from the Autonomous Bougainville Government, the National Government, leading landowner representatives, company management and other agencies.

We are in closer dialogue with the National Government, as are other key stakeholders. The National Government has increased its direct involvement in Bougainville and in processes relating to the potential redevelopment of the Panguna mine.

The Government of President Momis is steadfast in its commitment to achieving the consensus needed from all Bougainvilleans to allow us to make a return to mining at Panguna, and to share the benefits.

In my judgement, the substantial majority of Bougainvilleans see clearly that any informed choice between continued autonomy and the approaching vote for independence can only be made in the climate of considerable economic self-sufficiency, such as can be provided by large projects including a re-started Panguna.

The mine-affected landowners, while continuing a process of alignment, are absorbing with increased realism the size of the commitment which all parties to redevelopment must make, and are bringing themselves towards the cohesive position which will make meaningful negotiation possible.

The two major shareholders, Rio Tinto Limited and the State of Papua New Guinea, appear to be paying closer attention both to Bougainville and to the financial and social value of the Panguna properties.

Your company is responding to these developments in a positive and consistent manner, by maintaining close dialogue with all stakeholders, increasing the flow of information, and investing time and money into preparatory studies that will form the basis of bankable pre-feasibility and feasibility studies when the time is appropriate.

May I also remind shareholders that periodic reports of significant developments that take place between annual meetings are reported by the company to the Australian Securities Exchange, and to our website.

I will go into more detail of these activities, after my report on other items of importance to the company and its shareholders that are recurrent, year on year.

Results

For the year ended December 31, 2013, a profit of K6.8 million was recorded, compared with a planned loss of K10.4 million. The result comes after a write-back of a provision of K8.2 million. In comparison, 2012 was a loss of K5.4 million.

Income was K5.3 million above budget mainly due to share disposal gains. Most expenses were generally within budget, although project costs were approximately K3.5 million under budget.

The tax dispute legal fees continue to be a drain on revenue.

Due to the relatively modest profit and the need to preserve cash for future development the company will not pay a dividend.

The company has sufficient funds to cover its recurrent expenditure under the two year plan and is debt free.

Investment Strategy

Bougainville Copper's liquid assets continue to be cash and Australian equities. The company's financial position is therefore linked to the performance of the Australian equities market, which is in a relatively strong position, both in the reporting period and going forward.

It is intended to continue with the current investment strategy, for as long as the investment committee deems this to be the best option, or until such time as equities need to be sold to fund mine planning and development.

It is expected that the size of the investment portfolio will be reduced as a result of the tax dispute, discussed in a moment, and will continue to reduce to meet future expenditure.

Importantly, the company has sufficient funds to carry it through to a pre-feasibility study in the medium term.

The market has been kept aware of the company's wish to raise development funds as and when the need arises.

Taxation

The ongoing taxation dispute with the Internal Revenue Commission of PNG made little formal progress towards resolution in the period, but there continues to be useful contact with the IRC. As I have previously reported, an

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Chairman's statement and our year in review – continued

earlier court-initiated mediation did not come to a final agreement, but has taken us closer, I believe, to an outcome.

It is possible that further mediation will produce a settlement. If not, the company will rely upon the accounting and legal advice it has received and test the issues in court.

At the same time, the company is in dialogue at a high political level seeking a resolution to this long running issue.

US court action

For a decade now I have been reporting on litigation involving a small group of Bougainvillean plaintiffs in the US Federal Court. The matter involves allegations over the way the mine was operated and matters that occurred on Bougainville after mining was suspended. Bougainville Copper was never a party to the litigation.

In June last year the US Circuit Court of Appeals finally dismissed this 13 year old action, relying on a precedent that limited the Alien Torte Statute to international law violations which occur in the United States.

This action, which sought to invite a foreign court to decide on local PNG matters, in the company's view sent a negative message about PNG and Bougainville and has not been helpful in attracting investors.

The board is pleased to see the matter dismissed.

Governance

Bougainville Copper has governance reporting obligations to the Australian Securities Exchange (ASX) and internally to Rio Tinto Limited. A statement on the company's compliance with the ASX Corporate Governance Principles and Recommendations is contained in this report. In addition the company complies with Rio Tinto's comprehensive range of policies including safety, environment, financial management and many other risk management matters.

Safety and risk management

Bougainville Copper is particularly safety conscious and has in place a comprehensive set of safety standards to ensure that it provides a safe working environment and that its employees and contractors comply with best practice safety procedures. The company complies with the requirements of the Rio Tinto safety policy.

Management of Bougainville Copper undertakes regular facilitated risk workshops. The aim of these exercises is to identify risks and opportunities for the company and allocate responsibility for each to a member of the management team. The company has also undergone a number of audits to ensure compliance with its own policies and those of Rio Tinto.

Bougainville Copper Foundation

Bougainville Copper is continuing to support the work of the Bougainville Copper Foundation. This is an independent, "not for profit" company, that has been funded by the company since its inception. This year, as in previous years, the Foundation has more than 100 Bougainville students on educational scholarships. It also undertakes "special projects" on a needs basis with the emphasis being on education, peace and good governance. The Foundation is proud of its achievements and those of its former scholars who are contributing to the development of Bougainville.

The Foundation is completing a high level review of its objectives and future direction.

I can now report on some other current events which have a bearing on this company's prospects and its progress towards a return to profitable sustainable mining.

Studies

I previously disclosed to shareholders an Order of Magnitude Study, which is an exercise aimed at giving us guidance as to the most effective and profitable way to redevelop the Panguna property. The Order of Magnitude Study, presented at the 2013 Annual General Meeting, is being continually re-visited and up-dated, and is one of the company's major tools in evaluating our options going forward.

In brief, it describes a possible new mine at Panguna processing between 60 million and 90 million tonnes of ore per annum, over a mine life of 24 years, with a capital cost of at least US\$5.2 billion.

The time line to start-up could be between five and seven years from the commencement of a pre-feasibility study, which is at least eighteen months away from commencement.

Many of the assumptions, including the size of the resource, the life of the mine, and the start-up cost, may vary significantly when the company has access to the

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Chairman's statement and our year in review – continued

mine site and conducts a rigorous assessment of the assets.

Several other joint government/company/landowner managed studies are being undertaken, some of them aimed at providing a clearer picture of the state of the environment in mine impacted areas, the needs of the population, as well as land ownership and social mapping. A commitment made by the company once access to mining related areas is achieved, is early provision of water supplies, school upgrades and other local level improvements.

The Joint Panguna Negotiation Coordination Committee (JPNCC) consisting of National Government and ABG, landowner and company representatives, is active in defining and preparing to implement the baseline studies.

Another responsibility of the JPNCC which is on the critical path to resumed access to the mine site and other areas, is the customary reconciliation process known as Bel Kol, an expression perhaps best translated as a cooling of the heart, or a lowering of the emotional temperature. This historic and sensitive ceremony, long discussed and unfortunately somewhat delayed by various factors, aims at bringing reconciliation between Bougainville Copper, landowners, ABG, ex-combatants and community leaders.

Bel Kol is proposed to be held at Arawa, and may be conducted during the month of May.

As a gesture of goodwill, the company will make a significant contribution, supported by Australia and other donors, towards vocational and training upgrades, village literacy programs and malaria mitigation.

After the Bel Kol ceremonies, in which company management will participate, three conflict memorials will be erected.

In return, Bougainville Copper has asked for open access to Panguna and the Special Mining Leases, assurances of safety, and a written invitation to establish an office in Arawa as a base for the field work, baseline studies and social mapping mentioned above, and for the recruitment of local people to participate in drilling and other evaluation and de-risking programs.

JPNCC has designed a training program, to be supported by the company, to prepare members of the "lost generation" for work opportunities.

Within its own work program, the company is

conducting or commissioning several studies which will ensure a rapid up-scaling of activity as and when our boots are back on the ground. These programs aim at firming up many of the early assumptions of the Order of Magnitude Study, including resource quality, tailings options, status of company assets, logistics, safety, security and others.

Dialogue

Throughout the year, company management has maintained a healthy engagement with a wide range of Bougainvillean interest groups, through regular meetings at Buka with landowners, ABG agencies, ex-combatants, women's groups and other stakeholders

Of all the significant events that took place on Bougainville in the period, none resonated more strongly with the ABG and the various Bougainville communities than the visit of Prime Minister Peter O'Neill in January of this year.

The visit was highly symbolic, being the first visit to Bougainville by a PNG Prime Minister since the visit by Sir William Skate during the Bougainville crisis in the 1990's. O'Neill visited Buka, Buin, Siwai, Panguna and Arawa during his visit, and despite some reported rumblings, met with very few objectors to his visit.

The Prime Minister promised National Government support for a number of projects including the re-opening of Aropa airport within three months.

Both Prime Minister O'Neill and President Momis committed to the ongoing implementation of the Bougainville Peace Agreement and developing closer relations between the two governments.

I believe that this highly publicised and widely witnessed event will provide impetus to the Bougainville Copper Bel Kol process, and all that is planned to follow.

Autonomous Bougainville Government

The relationship between President John Momis, his government, and the board and management of Bougainville Copper remains cordial and engaged, including the invitation for company representatives to pursue reconciliation and establish the office at Arawa.

President Momis maintains his strong support for the re-opening of the mine.

The momentum which has produced landowner elections, public forums and an increased focus on the

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Chairman's statement and our year in review – continued

re-start agenda is in considerable part due to the efforts of the President and members of his cabinet, together with the commendable efforts of an increasingly capable Bougainville public service, and the contribution of senior aid-funded advisors.

Mining powers

The ABG team is dealing with the local response to aspects of its draft Bougainville Mining Act. This is of significance to the company and its future investment plans.

Mining powers continue to remain in the control of the National Government.

The Bougainville Copper Agreement is an act of the PNG National Parliament, and as such can only be modified or repealed by the National Parliament.

However, it is recognised by all stakeholders including Bougainville Copper that the Agreement was drawn up in times and circumstances that differ from those prevailing today, and that significant changes need to be made to accommodate the views, rights and aspirations of all stakeholders including the landowners and the people of Bougainville.

There is widespread agreement today that Bougainville's economic future needs mining if it is to be able to fund services for the people from its own resources, as well as address future opportunities for economic and social development.

However, as we have previously made clear, Bougainville Copper cannot re-commence mining at Panguna unless all parties: the landowners, the Autonomous Bougainville Government, the National Government of PNG, and the company, are acting in close accord, now and into the future.

The regulatory regime

Funding and sovereign risk assurance for the project will require a united effort by all stakeholders. There will need to be a fair and stable regulatory regime that gives investors the confidence needed to commit to a project that will cost in excess of US\$5 billion.

The company's position

The company's contribution to this united effort includes the Order of Magnitude Study, which I mentioned before. This study gives all stakeholders some information on which to base their positions. It includes resource estimates and risk assessments.

The next technical work, a pre-feasibility study on reopening the mine, will be very expensive, so certainty is needed that a workable mining regime and conditions will be put in place before funds can be committed.

There are changes to the board of directors of the company to be dealt with at the upcoming Annual General Meeting.

Jean-Sebastien Jacques has retired following his appointment as CEO of the Rio Tinto Copper group. Another Rio Tinto executive, Mr Adam Burley, has now been appointed to fill a casual vacancy to the board and will be required to stand for election at the Annual General Meeting.

In conclusion, let me assure you that the vision to return to active exploration and profitable sustainable mining remains, and, I am pleased to say, with the active and growing support from national and local Bougainville stakeholders to whom I have earlier referred.

This company faces the coming year with enthusiasm for the tasks ahead, including the establishment of an office in Arawa, and anticipates good progress toward the vision of reopening the mine.

We have many initiatives in place, we believe we are ready to go, we are engaged with the ABG, the landowners and all other stakeholders, and we anticipate the implementation of several new activities in this coming year, particularly if the much desired Bel Kol process comes to fruition soon, and we are able to resume a presence at Arawa through the opening of our office.



Peter R Taylor

Chairman & Managing Director.
25 February 2014

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Directors' report

The directors of Bougainville Copper present their report on the audited financial statements of the company for the year ended 31 December 2013.

Review: The net profit for 2013 of K6.8 million compares to a loss of K5.4 million in 2012. Income from interest and realised capital gains on the disposal of investments were above budget, with administration and project costs being under budget and a K8.2 million write-back of a provision.

Directors: The current directors of Bougainville Copper at present are:

Adam J Burley BSc MSc

Appointed a director in October 2013.

Adam Burley joined Rio Tinto in 2000 as an exploration geologist and has worked in various leadership roles throughout Africa, Europe and North America. Adam is currently general manager for growth and innovation, Rio Tinto copper group. Adam has broad based experience across multiple commodities and has led projects through exploration, project development and execution, and divestment. Adam has also held corporate and strategic roles including executive assistant to the Rio Tinto chief executive.

Immediately before his current appointment, Adam held the position of president and CEO of the recently divested Rio Tinto Eagle Mine, a nickel copper mine located in Michigan USA.

Robert S Burns FRMIT (Primary Metallurgy) FAusIMM
Appointed a director in January 2006.

Robert Burns is a former employee of the Rio Tinto Group. His 40 years experience in operational and technical roles include seven years with the company. Robert's Rio Tinto roles include senior project manager Resource Developments, general manager Wimmera Industrial Minerals, general manager Kelian Equatorial Mining, managing director Northparkes/Peak Mines, general manager Improving Performance Together Team, chairman Northparkes Mines Joint Venture and chief advisor Technology and Innovation. Robert Burns retired from the Rio Tinto Group effective 31 July 2009. He is a trustee of the AusIMM Education Endowment Fund.

Dame Carol Kidu DBE

Appointed a director in April 2013.

Dame Carol retired from the Papua New Guinea parliament in 2012 after 15 years in politics. Dame Carol was the Minister for Community Development for 9

years and finished her political career as leader of the opposition. Dame Carol focused on legislative and policy reform for social development on a human rights based approach to development, with a focus on marginalised and/or vulnerable populations. Dame Carol established the parliamentary committee on HIV in 2003 and the Papua New Guinea parliamentary group on population and development in 2008.

Dame Kidu is on the board of the Commonwealth of Learning, the International Advisory Board of the Cairns Institute, James Cook University and is a non-resident Fellow of the Lowy Institute. She was a member of the United Nations Pacific Commission on AIDS and also of the Global Commission on HIV and the Law.

Sir Rabbie L Namaliu GCL CSM KCMG BA MA HON.LLD
Appointed a director from March 2011.

Sir Rabbie served as Prime Minister of Papua New Guinea between 1988 and 1992 and former Speaker of the National Parliament between 1994 and 1997. Sir Rabbie is a non-executive director of Marengo Mining Limited and Kina Securities Limited and chairman of Kina Asset Management Limited and Kramer Ausenco joint venture.

Peter R Taylor BA BSc LLB LLM FAICD
Appointed chairman in October 2003.

Peter Taylor was formerly with a major Australian law firm and admitted to practise law in PNG and Australia. Peter's last 27 years with the Rio Tinto Group include the roles of General Corporate Counsel, Rio Tinto Exploration general manager Commercial, Commercial advisor to RTZ and general manager Commercial Business Development. Currently Peter is a director of several Rio Tinto Group companies including Rio Tinto Marine and Energy Resources Australia. Community and business affiliations include former chairman of international development agency Australian Business Volunteers and currently president of the Australia Papua New Guinea Business Council.

Peter was appointed a director of Bougainville Copper in April 1997 and managing director in March 2000.

Activities: Bougainville Copper has produced copper concentrate containing gold and silver from a mine at Panguna, Bougainville, Papua New Guinea, from 1972 until operations were suspended due to militant activity, in May 1989. The company now derives investment income. The company has no subsidiaries.

Net earnings: The net profit of Bougainville Copper for 2013 was K6.8 million (2012: loss K5.4 million).

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Directors' report – continued

Taxation: No future income tax benefits have been recognised in the accounts.

Share capital: There was no change in the company's capital structure during the year.

Long term loans: The company has no loans and no lines of credit are in place.

Dividends: The directors have not declared a dividend for 2013.

Accounting policies: There have been no changes made in the company's accounting policies during 2013.

Directors' interests: Directors' interests in the share capital of the company and its related companies as at 25 February 2014 were:

| | |
|---|--------------|
| Adam J Burley | No interests |
| Robert S Burns | |
| Shares – Rio Tinto Limited | 531 |
| Dame Carol Kidu | No interests |
| Sir Rabbie L Namaliu | |
| Shares – Bougainville Copper Limited | 1,000 |
| Peter R Taylor | |
| Shares – Rio Tinto Limited | 31,248 |
| Conditional shares awarded under the Mining Companies Comparative Plan– Rio Tinto Limited | 10,216 |
| Options – Rio Tinto Share Option Plan | 9,393 |

Interests register: There were no transactions recorded in the Interests register during the year, other than the directors' interests in the shares of the company as shown above.

Auditors: The retiring auditors, PricewaterCoopers, being eligible, offer themselves for re-appointment. Details of amounts paid to the auditors for audit and other services are shown in Note 2 to the financial statements.

Remuneration of employees: The company had no employees during the year. All administrative services were provided by Rio Tinto PNG Limited on an at cost basis.

Remuneration of directors: The amount of directors' remuneration, including the value of benefits, received during the year is shown in Note 12 to the financial statements.

Donations: Bougainville Copper made no donations during the year. The company does not make donations

to political parties. The Bougainville Copper Foundation continues to provide educational and other support. Bougainville Copper provides administrative support to the Foundation.


Environment: Mining operations of the company were suspended in 1989 and the company has been denied access to its mine site to assess environmental circumstances. The company is not aware of any liability being incurred under any environmental legislation.

Additional information: The directors also state that:

1. There were no significant changes in the state of affairs of the company during the year except as noted below.
2. The results of the company during the financial year have not been, in the opinion of the directors, substantially affected by events of a material and unusual nature other than contained in this report.
3. Except as reported in this Annual Report, there were no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:
 - (i) operations of the company
 - (ii) results of those operations or
 - (iii) state of affairs of the company in the financial year subsequent to 31 December 2013.
4. No director has an interest in any contract or proposed contract with the company, nor is any director party to any material contract involving directors' interests, or in receipt of any loans or benefits other than the aggregate amount of emoluments received or due and receivable by directors shown in the accounts and the amount of fixed salary derived from the company or from a related corporation.
5. No options over shares of the company have been granted by the company during the financial year or since the end thereof; no shares of the company were issued during the year or have been issued since the end thereof by virtue of the exercise of any option granted by the company; and no options over shares of the company are outstanding at the date of this report.

Signed on 25 February 2014 in accordance with a resolution of the directors of Bougainville Copper.


Peter R Taylor
 Chairman and managing director


Robert S Burns
 Director

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Resource statement

In 2012, Bougainville Copper prepared an OMS (order of magnitude study) to evaluate the technical and financial viability of re-opening the Panguna mine. As part of the OMS a revised Mineral Resource was estimated in accordance with the JORC code (2004). The 2012 Mineral Resource was estimated using geological, mine planning and production data archived in 1989. The archived data sets (including 80,778m of diamond drilling, 4700m of underground sampling and production blast hole sampling) were reviewed and validated by Rio Tinto and ex Bougainville Copper staff.

During the operating period the geological block model underestimated the copper production by approximately five per cent. This low bias was principally attributed to the drill spacing being too wide to sufficiently sample relatively narrow high grade zones within the ore body, and to material lost during the diamond drilling process. Although the bias has been identified, at this stage no upgrade has been applied to the remaining resource. No additional geological data was collected from the deposit as part of the 2012 OMS, although potential remediation, redevelopment, mining and processing assumptions were all updated.

The 2013 Minerals Resource is a restatement of 31 December 2012 figures after reconfirmation of the economic viability.

Technical studies supporting the statements remain current and the previously published JORC Table 1 fact sheet outlining additional technical assumptions supporting this resource statement can be found on the company website at www.bougainvillecopper.com.pg.

| Resource | Tonnes (Mt) | Cu (g%) | Au (g/t) | Cu (Mt) | Au (Moz) |
|--------------|-------------|-------------|-------------|------------|-------------|
| Measured | 0 | 0.00 | 0.00 | 0 | 0 |
| | 0 | 0.00 | 0.00 | 0 | 0 |
| Indicated | 1538 | 0.30 | 0.33 | 4.6 | 16.1 |
| | 1538 | 0.30 | 0.33 | 4.6 | 16.1 |
| Inferred | 300 | 0.3 | 0.4 | 0.7 | 3.2 |
| | 300 | 0.3 | 0.4 | 0.7 | 3.2 |
| Total | 1838 | 0.30 | 0.34 | 5.3 | 19.3 |
| | 1838 | 0.30 | 0.34 | 5.3 | 19.3 |

As at 31 December 2013

As at 31 December 2012

The Mineral Resource is quoted as DFO (direct feed ore) above a 0.24 per cent copper cut off grade and PCS (pre-concentrate screening) above cut off grades of 0.16 per cent to 0.20 per cent copper within a confining

conceptual pit design based on conventional truck and shovel mining and a potential 60 million tonnes a year processing rate.

A fact sheet outlining additional technical assumptions supporting this resource statement can be found on the company web site at www.bougainvillecopper.com.pg.

Competent person statement

The information presented in this release relates to Mineral Resources determined for the Panguna project, and contains details of mineralisation that has a reasonable prospect of being economically extracted in the future, but which is not yet classified as Proved or Probable Ore Reserves. This material is defined as a Mineral Resource under the JORC code (2012). Estimates of such material are based largely on geological information with only preliminary consideration of mining, economic and other factors. While in the judgement of the competent person there are realistic expectations that all or part of the Mineral Resources will eventually become Proved or Probable Ore Reserves, there is no guarantee that this will occur as the result depends on further technical and economic studies and prevailing economic conditions in the future.

The information in this statement that relates to mineral resources is based on information compiled by Mr Perry Collier and Mr Gerald Clark who are members of the Australasian Institute of Mining and Metallurgy. Mr Collier is a full-time employee of Rio Tinto and Mr Clark is an independent geological consultant. Mr Collier and Mr Clark have experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they have undertaken to qualify as a competent person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves'. Mr Collier and Mr Clark both consent to the inclusion in the press release of the matters based on their information in the form and context in which it appears.

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Corporate governance statement

For the year ended 31 December 2013

Overview

The board of Bougainville Copper Limited (board) considers high standards of corporate governance critical to business integrity and performance and to maximising the overall long term return to shareholders. The board is committed to ensuring that a relevant, efficient and effective corporate governance framework is maintained.

A description of the corporate governance structures and practices in place at Bougainville Copper Limited (company) is set out below. The board endorses the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations second edition with 2010 Amendments (ASX Principles) and unless otherwise stated, complies with the ASX Principles.

As detailed below, to support its corporate governance framework, the company has adopted a number of the policies of the Rio Tinto Group (Rio Tinto) as Rio Tinto Limited is a substantial shareholder of the company holding 53.83 per cent of the shares. Given the size of the company, its non-operational status and ownership structure, it is practical for the company to adopt certain Rio Tinto policies, which reflect Rio Tinto's extensive presence in the global mining industry. Further, the company does not have any employees and instead contracts a management team, including the services of Peter Taylor, from Rio Tinto as chief executive officer, under a service agreement. The board annually reviews these adopted policies to ensure they are still relevant to the company and if required, will make adjustments as to how these policies apply to the company. The Rio Tinto policies adopted by the board can be accessed at the corporate governance section of Rio Tinto's website at: www.riotinto.com.

These policies are:-

- The way we work (Code of Conduct)
- Human right guidance
- Business integrity guidance
- Our key relationships
- Compliance guidance
- Corporate governance guidance
- Risk policy and standard
- Anti trust Policy and Guidance

The board's responsibility for laying the foundations for management and oversight

The board is responsible for setting and reviewing the strategy and business plans of the company, and monitoring the performance of the company against these plans. The directors also monitor compliance with policies prescribed by the board in areas such as workplace health and safety, environment, business ethics, internal control and risk management. These policies are designed to ensure that the company complies with the regulatory requirements governing its operations.

In carrying out its responsibilities and powers, the board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the company's shareholders and all other stakeholders.

The board has adopted a charter which underpins the strategic guidance and effective management oversight provided by the board, and defines the division of responsibility between board and management by formal delegation and a system of board reserve powers. The board reviews the board charter on an annual basis. The board's charter is available on the company's website at: www.bougainvillecopper.com.pg

The board is structured to add value

The board consists of four non-executive directors and one executive director. The chairman is Peter R Taylor who is also managing director and an executive of Rio Tinto. Adam J Burley is a senior Rio Tinto executive and a non-executive of the company. Robert S Burns, Sir Rabbie L Namaliu and Dame Carol A Kidu are independent non-executive directors.

Qualification for board membership is related to the mix of skills and knowledge that the board considers will best serve the interests of the company and all of its shareholders.

Details of the directors, their skills, experience and expertise relevant to their position as a director are shown on page 7.

Chairman and managing director

Peter Taylor is both the chief executive officer of the company and chairman of the board. This is a departure from the ASX Principles as the chairman of the board is

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Corporate governance statement – continued

not an independent director and the role of chief executive officer and chairman of the board are filled by the same individual.

The company has not followed the recommendation in the ASX Principles of having an independent chairman, as the board considers that Peter, while not an independent director, can exercise independence when performing his role as chairman of the board and can commit time to performing that role. The board believes that Peter is able to facilitate a collaborative board and constructive relationships between the board and management. Further, the majority of board members are independent directors.

The company has not followed the recommendation in the ASX Principles of having a separate chief executive officer and chairman of the board, as the board has set and codified the authority levels for the respective roles of chairman and chief executive officer such that the combined roles do not result in unfettered power being held by a single member of the board. Further, given that the company is not operational and cash flow is limited, the board considers that good governance is not adversely affected by the roles of chairman of the board and chief executive officer being performed by the same person.

The company contracts the services of Peter as chief executive officer of the company under a service agreement with Rio Tinto. The difficult labour market in Papua New Guinea makes it hard to attract executives with the right background, skill and experience. Given Peter's extensive experience in the mining sector and in management, the board considers that he has the suitable skills and experience to be an effective chief executive officer for the company.

The chief executive officer's performance is subject to review in accordance with Rio Tinto's performance evaluation system as described in the 2013 annual report of the Rio Tinto Group.

Peter's performance as chief executive officer was reviewed during 2013 by Rio Tinto in accordance with its performance evaluation system. The board reviews Peter's performance as a director when the board conducts its annual self-assessment which is discussed later.

The company does not employ or contract any other senior executives.

Board meetings

The board held four scheduled meetings during 2013, and did not meet for any unscheduled meetings. The

board meeting attendance details for directors are set out below.

| Director | Meetings attended | Meetings whilst in office |
|---|-------------------|---------------------------|
| Adam J Burley (appointed 31 October 2013) | - | - |
| Robert S Burns | 4 | 4 |
| Jean-Sebastien Jacques (retired 9 April 2013) | 1 | 2 |
| Dame Carol A Kidu (appointed 7 April 2013) | 3 | 3 |
| Craig J Kinnell (appointed 7 May 2013 retired 8 November 2013) | - | 2 |
| Sir Rabbie L Namaliu | 4 | 4 |
| Peter R Taylor | 4 | 4 |
| Ian J Williams (retired 8 April 2013) | 2 | 2 |

Particulars of directors' interests in shares and options

The particulars of the directors' interests in shares in the company and related bodies corporate as at 25 February 2014 are set out on page 8.

Each of the directors has given a general notice in accordance with PNG Companies Act 1997 (and consistent with the Corporations Act 2001 (Cth) (Corporations Act)) stating that he is an officer and/or member of certain specified corporations and, as such, is to be regarded as having an interest in any contract which may be made between the company and those corporations.

Independence of directors

Robert Burns, Carol Kidu and Rabbie Namaliu are independent non-executive directors and are not in any other relationship with the company affecting their independent status.

For the purposes of determining director independence, the board considers the following factors:

- whether within the last three years the director or a close family member has:
 - been a part of the executive management of the company,
 - been employed in a senior position with Rio Tinto, or
 - received additional remuneration from the company or Rio Tinto;
- whether the director or a close family member is, or is associated with, a substantial shareholder (more than 5

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Corporate governance statement – continued

per cent of the voting shares) in the company or in Rio Tinto;

- the director's cross directorships or significant links with or involvement in other companies;
- the director's length of service on the board; and
- whether within the last three years the director or a close family member has had, either directly or indirectly and whether as principal, employee or consultant, a material (more than 2 per cent of the company's or the counterparty's consolidated gross revenue per annum) business relationship with the company or with Rio Tinto, whether as an auditor, professional adviser, supplier, or customer.

All directors are required to, and do, bring independent judgment to bear on board decisions and act in accordance with their statutory duties of good faith and proper purpose, and in the interests of all shareholders.

Contracts in the ordinary course of business that exist between the company and a company in which a director has declared an interest, are reviewed for materiality to both the company and the other party to the contract.

All related party transactions, including those with Rio Tinto, have been determined by the independent directors to be in the interests of the company.

The directors can seek independent professional advice, at the company's expense, in furtherance of their duties. The board has adopted a procedure for directors wishing to seek such advice to do so by arrangement with the company secretary.

Selection and appointment of board members

The company does not have a nomination committee as recommended by the ASX Principles. The board considers that its existing practices in reviewing director competencies, board succession planning, board performance evaluation and director selection and nomination, carried out in accordance with the board charter, are satisfactory and are appropriate given the size of the board, the company's current ownership structure and the non-operational status of the company's operations.

The board oversees the appointment and induction process for directors and the selection, appointment and succession planning process of the company's executive management. The appropriate skill mix, personal

qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the board determines the selection criteria based on the required skills.

Directors appointed by the board are required by the company's constitution to submit themselves for election by shareholders at the annual general meeting following their appointment. Directors, other than the managing director, are subject to retirement by rotation at least every three years in accordance with the constitution, but may offer themselves for re-election. There is no share ownership qualification for appointment as a director. The appointment of Dame Carol Kidu to the board in 2013, however, is a major step towards achieving gender diversity for the board.

The board will continue to monitor and review the director selection process over the coming year with appropriate actions implemented where operationally desirable and strategically appropriate.

Director's access to information

Directors receive formal appointment letters setting out, amongst other things, the expectations of their appointment.

Incoming directors receive an induction to ensure they have a working knowledge of the company, the political climate of the region in which its assets are situated, its culture and values and the metal mining industry.

Directors are provided with board papers prepared by management prior to each board meeting. These papers include an update from the managing director, financial information and other strategy related documents.

Evaluating performance of the board

The board has a policy and practice of annual self assessment.

In 2013 the board performed its annual evaluation which:

- considered the performance of the directors and the board and the adequacy of the board's structures and processes, including the board charter;
- set out goals and objectives of the board for the upcoming year; and
- considered whether any improvements or changes to the board structures and processes, including the board charter and audit committee charter, were necessary or desirable.

The process of evaluation and self-assessment took the

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Corporate governance statement – continued

form of a questionnaire completed by each of the directors. Following collation, the results and the adequacy and appropriateness of the self-assessment process were considered and discussed by the directors at the next board meeting, and follow-up actions were determined.

Code of conduct

The board charter requires that the board complies with the Rio Tinto code of conduct – *The way we work*. It is available online at www.riotinto.com/documents/The_way_we_work.pdf. *The way we work* promotes practices to maintain the company's integrity and reflects the company's commitment to ethical and responsible decision-making. The company's consultants and contractors are required to comply with this policy. All employees and contractors are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Papua New Guinea and in every other country in which the company engages in business.

The company has also adopted Rio Tinto's confidential whistleblower program known as '*Speak-Out*'. Employees are encouraged to report any concerns, including any suspicion of violation of financial reporting or environmental procedures, through an independent third party and without fear of recrimination. A process has been established for the investigation of any matters reported.

Diversity

The board is committed to engaging directors and contracting management with the best mix of qualifications, skills and experience to develop a cohesive team to achieve business success regardless of gender, age or cultural background. The board has not adopted a formal diversity policy as recommended by the ASX Principles as it follows the Rio Tinto Diversity and Inclusion Policy, which is available at www.riotinto.com in the corporate governance section. The board recognises the importance of diversity to corporate success and considers diversity when appointing people to the board or contracting their services.

Given the size of the board, the non-operational status of the company and the challenging labour market in Papua New Guinea, the board considers that it is not practical to set measurable objectives for achieving gender

diversity as recommended by the ASX Principles. Further, while gender diversity is important, the priority for the company when recruiting is diversity of experience, background and nationality.

In terms of the representation of women in the organisation, the company has one female director and fifty per cent of the staff contracted from Rio Tinto under a service agreement (as the company has no employees) are women.

Safeguarding the integrity in financial reporting

The audit committee is appointed by the board and comprises of three non-executive, independent directors. The present members of the audit committee are Robert Burns (chairman), Dame Carol Kidu and Sir Rabbie Namaliu. The company secretary and external auditors are available to attend meetings. All members of the audit committee are financially literate.

The audit committee has adopted a formal charter which sets out the role and terms of reference of the audit committee and is reviewed regularly. The audit committee charter is available at the corporate governance section on the company's website, and includes information on the requirements for selecting an external auditor.

The committee provides a formal structure for reviewing the company's financial statements, accounting policies, control systems, risk management practices and taxation issues, and for liaison with the external and internal auditors. The committee also reviews the adequacy of internal and external audit arrangements.

The committee advises the board of any matters that might have a significant impact on the financial condition of the company and has the authority to investigate any matters within the terms of reference, having full access to the information and resources of the company to fulfil its function. Related party transactions are considered by the audit committee including where they relate to Rio Tinto. The committee reviews compliance with the Papua New Guinea Companies Act 1997, Corporations Act, where appropriate, and the requirements of the ASX and other regulatory requirements.

The audit committee held four scheduled meetings during 2013, and attendance details of the 2013 meetings of the audit committee are set out in the table below. The names and qualifications of the members are set out in the Directors' report on page 7.

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Corporate governance statement – continued

| Director | Meetings attended | Meetings whilst in office |
|---|--------------------------|----------------------------------|
| Robert S Burns (chairman - appointed 8 April 2013) | 2 | 2 |
| Dame Carol A Kidu (appointed 7 April 2013) | 3 | 3 |
| Sir Rabbie L Namaliu | 4 | 4 |
| Ian J Williams (chairman - retired 8 April 2013) | 2 | 2 |

Any work conducted by the external auditor other than the statutory audit is approved by the audit committee.

Making timely and balanced disclosure

The company makes full and immediate disclosure of material information to its shareholders and the market in accordance with its disclosure obligations under the ASX Listing Rules. In particular, to ensure that trading in its securities takes place in an informed market, the company has adopted Rio Tinto's continuous disclosure standards, which form part of Rio Tinto's corporate governance standards, is available at the corporate governance section of Rio Tinto's website at: www.riotinto.com.

The board annually reviews Rio Tinto's continuous disclosure standards to ensure it adequately addresses the issues facing the company. Established reporting systems are also in place to ensure compliance.

Respecting the rights of shareholders

The company recognises the importance of effective communication with shareholders and the general investment community. Apart from the company's compliance with its continuous disclosure obligations, the company takes steps to ensure that its shareholders and other stakeholders are kept informed through:

- communicating effectively with shareholders through releases to the market via the ASX, the company's website, information mailed and emailed to shareholders and general meetings of the company;
- giving shareholders ready access to balanced and understandable information about the company and its strategy;
- providing information about the current developments at the annual general meeting and making it easy for shareholders to participate and ask questions;
- having the company's auditor, PricewaterhouseCoopers, attend the annual general meeting and available to answer shareholder questions

about the conduct of the audit and the preparation and content of the auditor's report;

- providing shareholders a mechanism to submit written questions regarding the auditors report to the auditors via the company prior to the annual general meeting, and making available these questions and answers at the annual general meeting.

Purchase and sale of the company's securities

The company has adopted the "Rules for dealing in securities of BCL, its subsidiary and associated companies" (BCL Rules For Dealing) which reinforces to all directors of the company the prohibition against insider trading. This share trading policy is available on the company's website www.bougainvillecopper.com.pg. The BCL Rules For Dealing require that for all dealings in the company's securities:

- Directors must advise the chairman of the board in writing, and receive approval in writing from the chairman, if they intend to purchase or sell securities in the company. In regard to his own dealings, the chairman is required to notify the chairman of the audit committee; and
- No dealings in securities of the company may take place in the period from the end of any relevant financial period to the trading day following announcement of the company's annual results or half year results.

Rio Tinto's share trading policy, "Rules for dealing in securities of Rio Tinto, its subsidiary and associated companies" (Rio Tinto Rules For Dealing) applies to the company's chief executive officer and employees of Rio Tinto who are contracted to the company. Participation in Rio Tinto's long term incentive plans which involve the issue of Rio Tinto securities is subject to and conditional upon compliance with the Rio Tinto Rules For Dealing. The Rio Tinto Rules For Dealing also contain a prohibition on hedging or limiting the exposure to economic risk in relation to securities issued under Rio Tinto long term incentive plans.

Recognising and managing risk

The company has in place a range of policies and procedures to manage the risks associated with its operating activities. These policies and procedures have been adopted by the board, with primary oversight by the audit committee, to ensure that potential business risks are identified and appropriate action taken.

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Corporate governance statement – continued

A summary of the company's risk identification and management policies is set out below:

1. The company benefits from Rio Tinto's knowledge, policies and practices on risk management and corporate assurance developed to manage its diverse business activities covering a variety of commodities and operational locations. In 2008 the company formally adopted Rio Tinto "Risk Policy and Standard", which can be accessed on Rio Tinto website www.riotinto.com
2. The audit committee biannually receives a report from management and conducts a risk evaluation to identify and review of all of the business risks facing the company.
3. Management provide an annual certificate of compliance to the board and provide periodic reports and information confirming the status and effectiveness of the plans, controls, policies and procedures implemented to manage business risks.
4. Board approval is required before capital expenditure and revenue commitments exceed certain approved levels.
5. A detailed internal control questionnaire process covering all of the company's material business risks is conducted annually.
6. A regulatory compliance program.
7. Safety, health and environmental policies which are supported by a set of standards and management systems which recognise the company's commitment to achieving high standards of performance in all its activities in these areas.
8. In 2010 a formal risk analysis involving the board and management was facilitated by a professional facilitator specialising in risk issues. This analysis resulted in an updating of the company's risk register.
9. In 2012 and 2013 senior management conducted risk workshops. The outcomes were reviewed by the board and audit committee.

In 2013, management provided reports to the board (through the audit committee) relating to the effectiveness of the internal controls and the management of the material business risk. In addition, the board monitors the company's material business risks on an ongoing basis.

The chief executive officer has provided a declaration to the board, in accordance with section 295A of the Corporations Act, that:

- the financial records of the company for the financial year ending 31 December 2013 have been properly maintained in accordance with section 286 of the Corporations Act;
- the financial statements, and the notes referred to in section 259(3)(b) of the Corporations Act, for the financial year ended 31 December 2013 comply with the accounting standards; and
- the financial statements and notes for the financial year give a true and fair view and are based on a sound system of risk management and internal controls.

Remunerating fairly and responsibly

The company does not have a remuneration committee or remuneration policy as recommended by the ASX Principles. The company has not followed this recommendation as the board does not believe a separate remuneration committee or policy would benefit the company and its shareholders given the company has a small board, does not have any employees and is not operational. Further, the company's shareholders vote on and approve the limits within which the board can set non-executive director remuneration.

In determining non-executive director remuneration, the maximum limit for directors' remuneration is determined by shareholders in a general meeting. Within that limit the remuneration of directors is generally determined by the board after taking into account data on market remuneration levels. At the 2008 annual general meeting, the shareholders approved an increase in directors' fees to A\$55,000 and an additional A\$10,000 per annum for directors that are members of the audit committee. Directors are not entitled to retirement benefits. Prior to Robert Burns' retirement from Rio Tinto on 31 July 2009, his directors' fees were paid directly to Rio Tinto. Peter Taylor, the managing director does not receive directors' fees.

The company does not have any employees as the company's management team, including the services of Peter Taylor, chief executive officer, is provided by Rio Tinto under a service agreement.

The remuneration of the chief executive officer and staff contracted from Rio Tinto is governed by the compensation policies applied by Rio Tinto and discussed in its annual report, which is available at www.riotinto.com. The board annually reviews the service agreement with Rio Tinto to ensure that consideration under the service agreement is fair and appropriate.

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Statement of comprehensive income

| <i>Bougainville Copper Limited year ended 31 December 2013</i> | Notes | 2013 K'000 | 2012 K'000 |
|--|-------|-----------------------------|---------------|
| Income | | | |
| Interest | | 832 | 820 |
| Realised gain on disposal of investments | | 4,647 | 657 |
| Exchange gains | 5 | 494 | - |
| Dividends | | 3,959 | 4,674 |
| | | 9,932 | 6,151 |
| Cost and expenses | | | |
| Operating expenses | 2 | (3,154) | (11,348) |
| Exchange losses | 5 | - | (227) |
| | | (3,154) | (11,575) |
| | | 6,778 | (5,424) |
| Profit (loss) before tax | | | |
| Income tax | 4 | - | - |
| Profit (loss) after tax | | | |
| | | 6,778 | (5,424) |
| Other comprehensive income | | | |
| Item that may be subsequently reclassified to profit or loss: | | | |
| Increase (decrease) in fair value of available for sale financial assets | 11 | 20,354 | 17,586 |
| Total comprehensive income (loss) for the year | | 27,132 | 12,162 |
| Basic and diluted earnings per share (toea) | | 1.69 | (1.35) |

Statement of changes in equity

| | Share capital K'000 | Asset revaluation reserve K'000 | Fair value reserve K'000 | Accumulated losses K'000 | Total K'000 |
|---|---------------------------|--|-----------------------------------|--------------------------------|----------------|
| Brought forward at 01.01.12 | 401,063 | 31,276 | 2,267 | (112,107) | 322,499 |
| Loss for the year | - | - | - | (5,424) | (5,424) |
| Other comprehensive income (loss) for the year | - | - | 17,586 | - | 17,586 |
| Balance at 31.12.12 | 401,063 | 31,276 | 19,853 | (117,531) | 334,661 |
| Profit for the year | - | - | - | 6,778 | 6,778 |
| Other comprehensive income (loss) for the year | - | - | 20,354 | - | 20,354 |
| Balance at 31.12.13 | 401,063 | 31,276 | 40,207 | (110,753) | 361,793 |

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand Kina has been adopted. The notes on pages 19 to 30 form part of these accounts and are to be read in conjunction with them.

 BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Balance sheet

Bougainville Copper Limited at 31 December 2013

| | Notes | 2013 K'000 | 2012 K'000 |
|--|-------|----------------|----------------|
| Funds employed: | | | |
| Shareholders' funds | | | |
| Share capital | 10 | 401,063 | 401,063 |
| Asset revaluation reserve | 8 | 31,276 | 31,276 |
| Fair value reserve | 11 | 40,207 | 19,853 |
| Accumulated losses | | (110,753) | (117,531) |
| | | 361,793 | 334,661 |
| Non-current liabilities | | | |
| Provisions | 6(b) | 13,913 | 22,073 |
| Other payables | 6(b) | 4,517 | 4,517 |
| Income tax | 4(b) | 6,759 | 6,759 |
| | | 25,189 | 33,349 |
| Current liabilities | | | |
| Trade payables | 6(a) | 3,720 | 4,301 |
| Total funds | | 390,702 | 372,311 |
| These funds are represented by: | | | |
| Non-current assets | | | |
| Available for sale financial assets | 3 | 105,396 | 99,895 |
| Other receivables | 9(b) | 3,909 | 3,909 |
| Mine assets | 7 | 197,894 | 197,894 |
| | | 307,199 | 301,698 |
| Current assets | | | |
| Cash and cash equivalents | | 13,553 | 1,387 |
| Other receivables | 9(a) | 69,950 | 69,226 |
| | | 83,503 | 70,613 |
| Total assets | | 390,702 | 372,311 |

Details of contingent liabilities and assets are shown in note 13. All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The notes on pages 19 to 30 form part of these accounts and are to be read in conjunction with them.

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Statement of cash flows

| <i>Bougainville Copper Limited year ended 31 December 2013</i> | 2013 K'000 | 2012 K'000 |
|--|-----------------------------|---------------|
| <i>Cash flows from operating activities</i> | | |
| Payments to suppliers | (11,970) | (18,270) |
| Interest received | 183 | 122 |
| Dividends received | 3,959 | 4,674 |
| Net operating cash flows | (7,828) | (13,474) |
| <i>Cash flows from investing activities</i> | | |
| Proceeds from available for sale financial assets | 19,500 | 8,594 |
| Net investing cash flows | 19,500 | 8,594 |
| <i>Net increase/(decrease) in cash and cash equivalents</i> | | |
| Net cash flow | 11,672 | (4,880) |
| Cash and cash equivalents at beginning of year | 1,387 | 6,494 |
| Effect of exchange rate changes on cash and cash equivalents | 494 | (227) |
| Cash and cash equivalents at end of year | 13,553 | 1,387 |

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand Kina has been adopted. The notes on pages 19 to 30 form part of these accounts and are to be read in conjunction with them.

For, and on behalf of, the board.



Peter R Taylor

Chairman & managing director
25 February 2014



Robert S Burns

Director

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Notes to accounts

These notes form part of the 2013 financial statements of Bougainville Copper Limited and should be read in conjunction with them.

The principal accounting policies applied in the preparation of these financial statements are set out below. Accounting policies relevant to mining operations are not presented due to mining operations having ceased in 1989. These policies have been consistently applied to all years presented, unless otherwise stated. These financial statements were authorised for issue in accordance with a directors' resolution on 25 February 2014.

1.(a) Basis of preparation

The financial statements of Bougainville Copper have been prepared in accordance with International Financial Reporting Standards (IFRS) and the PNG Companies Act 1997. The financial statements have been prepared under the historical cost convention, as modified by revaluation of available for sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the accounting policy note on significant risks and uncertainties.

Standards, amendments and interpretations to existing standards that are not yet effective have not been early adopted by the company.

1.(b) Accounting policies

Mine assets:

Mine assets were originally stated at cost or directors valuation and subsequently depreciated and amortised at rates considered appropriate by the company.

As a consequence of suspension of mining activities in 1989, an impairment loss of K350 million was made for deterioration, damage or pilferage of company assets on Bougainville. The accuracy of that provision cannot be proved because the lack of access to Bougainville prevents a detailed assessment of the nature or extent of those losses. No depreciation charge or increase to the impairment loss has been made since 1991. The directors consider that any further review of the impairment loss at this time would be completely arbitrary because of the continuing lack of access to the mine.

Taxation:

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Foreign currency translation:

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in PNG Kina, which is the company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and translation at year end exchange rates of monetary assets and liabilities determined in foreign currencies are recognised in determining profit.

Provisions:

Provisions for compensation, rehabilitation and stabilisation are recognised when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Notes to accounts – continued

These notes form part of the 2013 financial statements of Bougainville Copper Limited and should be read in conjunction with them.

the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Investments:

(i) Available for sale financial assets

Investments in marketable equity securities (shares in other corporations) are classified as “available for sale financial assets”. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale; these are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available for sale investments are subsequently carried at fair value. Changes in the fair value of available for sale investments are recognised as a separate component of equity until the investment is sold, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in determining profit. For investments that are actively traded in organised financial markets, fair value is determined by reference to the Australian Securities Exchange quoted market bid prices at the close of business on the balance sheet date.

(ii) Held to maturity financial assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These are measured at cost with accrued interest included in other receivables.

Impairment of investments:

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset or group of financial assets is impaired and impairment

losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at cost

For loans and receivables, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(ii) Assets classified as available for sale

If there is objective evidence of impairment for available for sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the statement of comprehensive income, is removed from equity and recognised in the statement of comprehensive income.

Impairment losses on equity instruments that were recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income in a subsequent period.

If the fair value of a debt instrument classified as available for sale increases in a subsequent period and

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the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

Impairment testing on receivables and other assets is described below.

Cash and cash equivalents:

Cash and cash equivalents comprises cash on hand, deposits held at call with banks, and bank deposits and treasury bills with original maturities of three months or less.

Other receivables:

Other receivables are recognised initially at fair value, less provision for impairment. They are presented as current assets unless collection is not expected for more than twelve months after the reporting date.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probably that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expense. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expense in the statement of comprehensive income.

Impairment of other assets:

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying

amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Revenue recognition:

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

1.(c) Critical accounting estimates and assumptions

(i) Carrying value of mine assets

Mine production was suspended on 15 May 1989 because of attacks on employees. Following repeated instances of damage to mine facilities and the power line and further attacks on employees, it became necessary to evacuate all remaining company personnel from Bougainville early in 1990. There continues to be uncertainty surrounding the future of the Panguna mine. Since the withdrawal of company personnel from Bougainville was completed on 24 March 1990, there has been no care and maintenance of the company's assets. Considerable deterioration of the assets has likely occurred in the intervening period, because of this lack of care and maintenance, their exposure to the elements, vandalism, pilferage and militant action. However, as access to the mine site has not been possible, the extent of the necessary write-downs is not capable of reliable measurement or estimation.

With the passage of time, it became clear that a major write-down of assets from their pre-closure levels would be required. To allow for this future write-down, the directors made an impairment loss in 1991 for deterioration, damage and pilferage of K350 million, with this sum being classified as an extraordinary item.

The exact quantum of this provision should not be viewed as a precise calculation reflecting an accurate estimate of the present value of losses or likely costs of repair. Rather, the reduction in carrying value should be seen as a broad estimate of the total service potential

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likely to have been lost to the operation in respect of the whole inventory of assets carried in the books.

While directors have made this provision in good faith based on the limited information available to them, it must be recognised that the actual extent of the necessary write-downs can only be established when access to the mine site by appropriate company representatives is again possible. Accordingly, the 1991 provision may eventually prove to be above or below the sum that is necessary to reflect these losses. The directors believe that in the absence of reliable information and the lack of a more suitable alternative, this is the only appropriate basis to use.

(ii) Income taxes

Refer to notes 9 and 13 for information regarding the company's ongoing tax dispute with the IRC.

1.(d) Rounding of amounts

All amounts have been rounded off to the nearest K'000, unless otherwise stated.

1.(e) Capital risk management

Bougainville Copper's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

1.(f) Changes in accounting standards

(i) Standards, amendments and interpretations effective in 2013

The following new standards and amendments were applicable for the first time during the accounting period beginning 1 January 2013:

- Amendment to IAS 1, 'Financial statement presentation' (effective 1 July 2012) regarding other comprehensive income requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This has not effected the measurement of any items recognised in the balance sheet or profit and loss in the current period.

- Amendments to IAS 19, 'Employee benefits' (effective 1 January 2013) require the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. The entity does not have a defined benefit pension scheme.
- IFRS 13, 'Fair value measurement' (effective 1 January 2013) aims to improve the consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. Because of the inherent difficulties in measuring fair value of mine assets, there has been no change arising from this standard.
- Amendment to IFRS 7, 'Financial instruments: Disclosures' on offsetting financial assets and financial liabilities (effective 1 January 2013) enhance current offsetting disclosures. There has been no impact from this amendment.
- Amendment to IFRS 1, 'First time adoption', on government loans (effective 1 January 2013) is not relevant to the entity.
- Annual improvements 2011 (effective 1 January 2013) include minor changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. There have been no adjustments as a result of applying the revised rules.

(ii) Standards, amendments and interpretations issued but not effective in 2013 or adopted early

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2014 or later periods, but the entity has not early adopted them:

- IFRS 9, 'Financial Instruments' (effective date is open) is the first phase of replacing IAS 39, 'Financial Instrument' with a standard that is less complex and principles based. The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not expected to change the entity's existing accounting

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policy for its financial assets and liabilities. IASB has also amended IFRS 9 to allow entities to early adopt the requirement to recognise in OCI the changes in fair value attributable to changes in an entity's own credit risk (from financial liabilities that are designated under the fair value option). This can be applied without having to adopt the remainder of IFRS 9.

- Narrow scope amendments to IAS 36 "Impairment of assets" (effective 1 January 2014) address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. As discussed elsewhere, the company has insufficient information to address this matter.
- Amendments to IAS 32, "Financial Instrument: Presentation" (effective 1 January 2014). These amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance Sheet.
- Amendment to IAS 39, Financial instruments: Recognition and measurement, amendment in relation to "novation of derivatives" (effective 1 January 2014). The company has no such arrangements.
- IFRIC 21 "Levies". This is an interpretation to IAS 37, "provisions, contingent liabilities and contingent assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have present obligation as a result of past event (known as obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Annual improvements 2012 (effective 1 July 2014) makes minor changes to IFRS 2, IFRS3, IFRS 8, IFRS 13, IAS 16, IAS 37 and IAS 39.
- Annual improvements 2013 (effective 1 July 2014) makes minor changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

The entity has conducted investigations and does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the entity.

1(g) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

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| <i>Bougainville Copper Limited year ended 31 December 2013</i> | 2013 K'000 | 2012 K'000 |
|--|-----------------------------|---------------|
| 2. Operating expenses | | |
| Remuneration of directors (note 12) | 1,404 | 1,718 |
| Auditors' remuneration - auditing and financial statements | 115 | 108 |
| - taxation services | 51 | 79 |
| Share registry costs | 364 | 353 |
| Insurance | 155 | 150 |
| Management fees – related party (note 17) | 4,397 | 3,057 |
| Legal fees – IRC tax case | 368 | 802 |
| Provision written back (note 6(b)) | (8,160) | - |
| Order of magnitude costs | 344 | 2,733 |
| Social, technical and environmental studies | 1,715 | - |
| Communication and media costs | 693 | - |
| Corporate subscriptions | 137 | 140 |
| Goods and services tax | 559 | 434 |
| Other operating expenses | 1,012 | 1,774 |
| | 3,154 | 11,348 |

3. Available for sale financial assets

Non-current

| | | |
|--|-----------------|---------|
| At fair value | | |
| Opening cost balance | 99,895 | 90,246 |
| Movement in fair value reserve | 25,001 | 18,243 |
| Disposal of available for sale financial assets | (19,500) | (8,594) |
| Closing balance | 105,396 | 99,895 |
| Original cost when purchased | | |
| Opening cost balance | 80,042 | 87,979 |
| Cost of available for sale financial assets disposed | (14,853) | (7,937) |
| | 65,189 | 80,042 |
| Fair value reserve year end balance | 40,207 | 19,853 |
| Closing fair value balance | 105,396 | 99,895 |

Available for sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

4. Taxation

(a) The following reconciliation discloses the items which caused the charge for income tax in the income statement to vary from the income tax prima facie payable on reported earnings:

| | | |
|--|----------------|---------|
| Operating profit/(loss) before taxation | 6,778 | (5,424) |
| Prima facie income tax @ 30 per cent | 2,033 | (1,627) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income | (4,185) | (390) |
| Potential tax benefit not recognised | 2,152 | 2,017 |
| Income tax expense/(credit) | - | - |

(b) An agreement between the Independent State of Papua New Guinea and Rio Tinto provides for the deferral of income tax payable of K6,759,000 in respect of the 1989 year until certain criteria have been met following successful commencement of operations.

(c) The future income tax benefit relating to tax losses has not been brought to account because their realisation is not probable. Available tax losses carried forward amount to K133,138,267 (2012: K125,965,574).

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| <i>Bougainville Copper Limited year ended 31 December 2013</i> | 2013 | 2012 |
|---|----------------|--------|
| | K'000 | K'000 |
| 5. Exchange fluctuation | | |
| (a) The net exchange gain/(loss) reflected in earnings arising from financial assets: | | |
| Gain/(loss) | 494 | (227) |
| | 494 | (227) |
| (b) Foreign currency amounts included in current assets, non-current assets, current liabilities and non-current liabilities that are not effectively hedged are: | | |
| Current assets | 13,394 | 1,096 |
| Non-current assets | 105,396 | 99,895 |
| Current liabilities | 16 | 15 |
| Non-current liabilities | - | - |
| Kina equivalent of Australian dollars | | |

6. Liabilities**Trade payables**

| | | |
|--------------------------------|--------------|-------|
| (a) Current | | |
| Trade creditors | 16 | 15 |
| Related corporations (note 17) | 3,704 | 4,286 |
| | 3,720 | 4,301 |
| (b) Non-current | | |
| Other payables | 4,517 | 4,517 |

Payables that have been carried forward since the suspension of mining operations have been classified as non-current liabilities, as the directors consider they are unlikely to be settled within the following year.

Provisions

| | | |
|---|----------------|--------|
| Provision for compensation | | |
| Opening balance | 22,073 | 22,073 |
| Provision raised and recognised during the year | - | - |
| Provision written back | (8,160) | - |
| Closing balance | 13,913 | 22,073 |

The company has provided for compensation to landowner groups affected by the company's mine operations, based on known obligations.

Provision had previously been made for rehabilitation and stabilisation costs for which the company has no current legal or constructive obligation based on its latest review. Accordingly, the provision balance has been adjusted in the current year.

For the reason set out in Note 1 (b), obligations, if any, in relation to other compensation, rehabilitation and stabilisation connected to the mine operations can only be established once access to the mine is regained, a detailed assessment is conducted and agreement is reached with the State and other relevant parties as to what might be required. In the absence of such information, the company and its management are unable to quantify what the provision might be.

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| <i>Bougainville Copper Limited year ended 31 December 2013</i> | 2013 K'000 | 2012 K'000 |
|--|-----------------------|---------------|
| 7. Mine assets | | |
| (a) Mine development and buildings | | |
| - at directors' 1980 valuation | 292,165 | 292,165 |
| - Less accumulated depreciation | 159,721 | 159,721 |
| | 132,444 | 132,444 |
| - at cost | 102,988 | 102,988 |
| Less accumulated depreciation | 38,664 | 38,664 |
| | 64,324 | 64,324 |
| Net mine development and buildings | 196,768 | 196,768 |
| (b) Plant, machinery & equipment | | |
| - at directors' 1980 valuation | 245,177 | 245,177 |
| - Less accumulated depreciation | 148,866 | 148,866 |
| | 96,311 | 96,311 |
| - at cost | 304,486 | 304,486 |
| Less accumulated depreciation | 104,703 | 104,703 |
| | 199,783 | 199,783 |
| Net plant, machinery & equipment | 296,094 | 296,094 |
| (c) Mine property | | |
| - at cost | 62,121 | 62,121 |
| Less accumulated amortisation | 46,204 | 46,204 |
| Net mine property | 15,917 | 15,917 |
| (d) Capitalised works in progress – at cost | 29,112 | 29,112 |
| Total property, plant & equipment | | |
| - at cost or valuation | 1,036,049 | 1,036,049 |
| Less accumulated depreciation/amortisation | 498,158 | 498,158 |
| Net book value | 537,891 | 537,891 |
| Stores | 10,003 | 10,003 |
| Total mine assets | 547,894 | 547,894 |
| Less impairment loss | 350,000 | 350,000 |
| Net book value | 197,894 | 197,894 |
| Reconciliation of movement in net book value | | |
| Net book value at beginning of year | 197,894 | 197,894 |
| Additions | - | - |
| Disposals | - | - |
| Net book value at end of year | 197,894 | 197,894 |

The basis of valuation of these assets is set out in note 1(b) of the accounts and attention is drawn to note 1(a) titled "Basis of Preparation". Due to the loss of complete historical information following the suspension of mining operations it is not possible to reliably estimate the carrying amount that would have been included had mine assets been carried at original cost less accumulated depreciation.

8. Asset revaluation reserve

| | | |
|---------------------------|---------------|--------|
| Asset revaluation reserve | 31,276 | 31,276 |
|---------------------------|---------------|--------|

In 1980 mine assets were revalued by K300 million. A majority of the reserve created by this revaluation was distributed to shareholders by way of bonus shares leaving a residual amount as shown in this note that has been carried forward.

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Bougainville Copper Limited year ended 31 December 2013

| | 2013 | 2012 |
|---|---------------|---------|
| | K'000 | K'000 |
| 9. Other receivables | | |
| (a) Current | | |
| Sundry receivables | 133 | 59 |
| Interest receivable on monies paid to the Supreme Court | 3,579 | 2,929 |
| Monies paid to the Supreme Court & IRC | 61,833 | 61,833 |
| Withholding tax receivable | 4,405 | 4,405 |
| | 69,950 | 69,226 |
| (b) Non-current | | |
| Other receivables | 7,136 | 7,136 |
| Provision for doubtful debts | (3,227) | (3,227) |
| | 3,909 | 3,909 |

Receivables that have been carried forward since the suspension of mining operations have been classified as non-current assets, as the directors consider they are unlikely to be settled within the following year. A significant proportion of these other receivables are receivable from State owned entities, and are considered subject to offset on settlement against amounts owing to State owned entities included in other payables (Note 6(b)). Long outstanding receivables that are no longer considered collectable have been written off.

The PNG Internal Revenue Commission (IRC) has disallowed Bougainville Copper's claimed tax depreciation on its Bougainville assets on the grounds that Bougainville Copper lost/surrendered control of its assets in 1990, and therefore the assets should have been totally depreciated in that year and that the availability of depreciation to offset against Bougainville Copper's investment income has lapsed through the passage of time. The IRC has issued assessments on that basis. Bougainville Copper's objections to the assessments were rejected by the IRC and Bougainville Copper has appealed to the National Court. A hearing date is yet to be set. Our advisors and senior Australian counsel have advised there are good arguments in support of Bougainville Copper on this matter and the company has a better than average chance of succeeding against the IRC.

Bougainville Copper has paid, in previous years, sums totaling K61.8 million to the IRC or the Supreme Court pending resolution of the substantive tax appeals. Including interest the amount now totals K65.4 million (2012: K64.7 million).

Bougainville Copper believes that its position is supportable and the amounts paid, together with the related accrued interest, are recoverable. Meanwhile the substantive appeal against the tax assessment is pending. In the event the IRC is successful, the impact would be a write off of monies paid to date to the IRC/Supreme Court and accrued interest and recognition of any other liability arising from the Court's decision which may result in a significant loss to Bougainville Copper. In the event Bougainville Copper is successful, the impact would be a return of the monies paid to the IRC/Supreme Court together with accrued interest which are carried as current receivables by Bougainville Copper.

Except as is noted there were no significant changes in the state of affairs of the company during the year.

10. Ordinary shares

The issued capital of the company is 401,062,500 ordinary shares fully paid. No change in issued capital occurred during 2013.

11. Fair value reserve

| | 2013 | 2012 |
|---|---------------|--------|
| | K'000 | K'000 |
| Fair value reserve | 40,207 | 19,853 |
| This reserve records movements for available for sale financial assets to fair value. Refer note 1(b)(iii) and note 18(g) for calculations of 'fair value'. | | |
| Opening balance | 19,853 | 2,267 |
| Movement | 25,001 | 18,243 |
| Fair value realised through disposal | (4,647) | (657) |
| Net movement | 20,354 | 17,586 |
| Closing balance | 40,207 | 19,853 |

12. Remuneration of directors

Directors' remuneration, including the value of benefits, received during the year is as follows:

| | | |
|--|--------------|-------|
| Robert S Burns | 136 | 116 |
| Dame Carol A Kidu (appointed 7 April 2013) | 104 | - |
| John E Leahy (retired 1 May 2012) | - | 147 |
| Sir Rabbie L Namaliu | 142 | 136 |
| Peter R Taylor* | 985 | 1,283 |
| Ian J Williams (retired 8 April 2013) | 37 | 136 |
| | 1,404 | 1,718 |

* Peter R Taylor is the managing director and is employed by the Rio Tinto Group which pays his salary and entitlements. A portion of the benefits are re-charged under the Management Services Agreement. The amount indicated in the above table is the proportion of the remuneration benefits which have been re-charged to the company.

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Bougainville Copper Limited year ended 31 December 2013

13. Contingent liabilities and assets

Bougainville Copper is defendant to an action commenced in the National Court by two plaintiffs seeking declarations that they are the lawful representatives of the mine site and the tailings disposal area landowners and that the Mining Warden is the proper judicial officer to determine what, if any, compensation is due to landowners for the period since the suspension of mining operations. The company has made a provision in its accounts to cover an award of landowner compensation.

The Internal Revenue Commission conducted an audit over several months as reported in 2003's annual report. The audit covered the period from 1990 to 2002 inclusive. The Internal Revenue Commission has issued amended assessments claiming additional tax and penalties arising out of the audit. Bougainville Copper's tax returns for those and all other years were prepared on the considered view of the appropriate tax law. Bougainville Copper believes its view of the law is correct and accordingly no provision has been recognised for these amounts (refer Note 9). Bougainville Copper has paid a sum of K61.8 million to the National Court on behalf of the IRC to cover all outstanding monetary claims by the IRC which is subject to their return to Bougainville Copper in the event that the assessments are not upheld by the courts. The company has received expert advice on the matter including that of senior Australian legal counsel. The company has lodged formal objections and will strenuously defend the claim, as a result this payment is held as an asset by Bougainville Copper.

14. Mining tenements

The company holds 100 per cent interest in leases: 1, B9, B6, B8, B7, B2, B10, B3; and prospecting authorities: 1, 2, 3, 4, 5, 6, 7A and 7B on Bougainville Island.

15. Parent entities

The holding company is Rio Tinto Limited (incorporated in Australia), which at 31 December 2013 owns 53.8 per cent (2012: 53.8 per cent) of the issued ordinary shares of Bougainville Copper Limited.

Transactions undertaken with the related parties are disclosed at note 17.

16. Segmental information

The company carried on investment activities during the year. Its assets are the Panguna mine and associated facilities on Bougainville Island, Papua New Guinea, cash and equities listed on the Australian Securities Exchange.

17. Related party transactions

Transactions with directors are disclosed in note 12.

In 2013 the company paid fees of K4,396,565 (2012: K3,056,668) for the provision of office space, staff and related services to Rio Tinto PNG Limited and K256,150 (2012: K1,342,774) for order of magnitude and technical studies to Rio Tinto Technology.

The following amounts remained outstanding and payable at the balance date:

| | 2013 | 2012 |
|-----------------------|--------------|-------|
| | K'000 | K'000 |
| Rio Tinto PNG Limited | 3,704 | 4,286 |
| Total | 3,704 | 4,286 |

With the exception of the above the company did not enter into any other transactions with related parties.

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Bougainville Copper Limited year ended 31 December 2013

18. Financial instruments

The company's financial instruments include cash and cash equivalents, equity investments, receivables and accounts payable.

The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, price and interest rate risks in respect of investment portfolios to determine market risk.

The company holds the following financial assets and liabilities:

| | 2013 K'000 | 2012 K'000 |
|-------------------------------------|---------------|---------------|
| Cash and cash equivalents | 13,553 | 1,387 |
| Other receivables | 73,859 | 73,135 |
| Available for sale financial assets | 105,396 | 99,895 |
| Trade payables | (3,720) | (4,301) |
| Other payables and Income Tax | (11,276) | (11,276) |

(a) Financial risk management

Bougainville Copper's activities expose it to a variety of financial risks, including the effects of changes in market prices, foreign currency exchange rates and interest rates. The company monitors these financial risks and seeks to minimize the potential adverse effects on the financial performance of the company. The company does not use any derivative financial instruments to hedge these exposures.

(b) Foreign exchange risk

Bougainville Copper undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currencies arise. It is not the company's policy to hedge these foreign currency risks. Details of exchange fluctuations and foreign currency amounts are shown in note 5.

With all other variables held constant, the Bougainville Copper's exposure to this risk is measured by sensitivity analysis, as follows:

| Available for sale financial assets | K'000 |
|--|----------------|
| Carrying amount at the balance date | <u>105,396</u> |
| Change in carrying amount of 'available for sale financial assets' and fair value reserve: | |
| Had PNG Kina weakened by 10 per cent against the Australian dollar: Increase in carrying amount and fair value reserve by: | 11,711 |
| Had PNG Kina appreciated by 10 per cent against the Australian dollar: Decrease in carrying amount and fair value reserve by: | 9,581 |

(c) Price risk

A large amount of the company's assets are held in shares of "Listed Investment Companies" (see note 3) listed on the Australian Securities Exchange. The value of these shares is subject to market conditions and the fluctuation in AUD / PGK exchange rate.

With all other variables held constant, Bougainville Copper's exposure to this risk is measured by sensitivity analysis, as follows:

| Available for sale financial assets | K'000 |
|--|----------------|
| Carrying amount at the balance date | <u>105,396</u> |
| Change in carrying amount of 'available for sale financial assets' and fair value reserve: | |
| Had the share price increased by 10 per cent: Increased in carrying amount and fair value reserve by: | 10,540 |
| Had the share price decreased by 10 per cent: Decrease in carrying amount and fair value reserve by: | 10,540 |

(d) Interest rate risk

Bougainville Copper no longer holds 'held to maturity financial assets' at variable rates, which expose the company to cash flow interest rate risk.

(e) Credit risk

Bougainville Copper has no significant concentrations of net credit risk.

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Bougainville Copper Limited year ended 31 December 2013

(f) Liquidity risk

Bougainville Copper aims to prudently manage liquidity risk by maintaining sufficient cash and other liquid assets or the availability of funding through uncommitted credit facilities. The company currently has no available credit facilities.

(g) Fair value estimation

Bougainville Copper is not in a position to determine the fair values of its previous mining operations receivables and payables due to the significant uncertainties arising from the suspension of mining operations. The face value of bank balances and short term liquid investments are assumed to approximate their fair values. Equity investments are carried at their fair value, being market price.

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Independent auditor's report to the shareholders of Bougainville Copper Limited***Report on the financial statements***

We have audited the accompanying financial statements of Bougainville Copper Limited (the company), which comprise the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of these financial statements such that they give a true and fair view in accordance with generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

The financial statements of the company for the year-ended 31 December 2013 have been prepared with the inclusion of the company's mine assets at their 31 December 1991 book value of K198 million. This book value is net of a separate general impairment loss provision of K350 million having been made in 1991 for the value of the indeterminate level of deterioration, damage and pilferage of assets which has occurred in the period since the withdrawal of company personnel from Bougainville in 1990. As explained in notes 1(b) and 1(c) to the financial statements, there continues to be considerable uncertainty surrounding the future of the

Panguna mine, and the extent of deterioration, damage and pilferage of the company's assets on Bougainville.

While the directors have made the impairment provision in good faith based on the limited information available to them, the actual extent of the necessary write-downs can only be established when access to the mine site by appropriate company representatives is again possible or when a reliable market price for the Panguna mine assets can be determined.

In our opinion, providing for the probable impairment loss from deterioration, damage or pilferage is the appropriate accounting treatment for the actual impairment which will have occurred in the period to 31 December 2013. However as the actual extent of such impairment cannot presently be established, the recoverable amount of the company's assets on Bougainville is not capable of reliable measurement or estimation. Accordingly the impairment provision may eventually prove to be above or below the sum which is necessary to reflect this impairment. In the absence of all the necessary information and explanations we require, and for the reasons set out above, we are unable to form an opinion as to whether or not the impairment provision against the carrying amount of mine assets of K350 million is adequate or not and therefore whether the carrying value of the mine assets is properly stated. The mine assets are not being depreciated which is a departure from International Financial Reporting Standards.

The financial statements reflect a provision of K13.9 million for compensation for which the company may be liable. The company may have other compensation, mine rehabilitation and stabilisation obligations. For the same reasons as set out above in relation to mine assets, the company's actual liability for these costs is subject to significant uncertainty, and we are unable to form an opinion as to whether the provision is fairly stated.

The values attributed to the mine assets and the liabilities for compensation, rehabilitation and stabilisation are significant or potentially significant to the financial statements and are of fundamental importance to the presentation of the financial statements. In view of the significance of these matters we are unable to form an opinion as to whether or not the financial statements give a true and fair view of the financial position of the company as at 31 December 2013 and of its performance for the year ended on that date.

 BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Independent auditor's report to the shareholders of Bougainville Copper Limited - continued

Disclaimer of opinion

In our opinion, because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion on the financial statements.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2013:

1. with the exception of the matters described above we have obtained all the information and explanations that we have required;
2. in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records; and
3. we have no relationship with, or interests in, the company other than in our capacities as auditor and tax advisors. These services have not impaired our independence as auditor of the company.

Restriction on distribution or use

This report is made solely to the company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the company and the company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed

PricewaterhouseCoopers

PricewaterhouseCoopers



Grant E Burns
Engagement Leader



Stephen C Beach
Partner

Registered under the Accountants Registration Act 1996
Port Moresby, 21 March 2014

Directors' declaration

Directors' declaration Bougainville Copper Limited

In the directors' opinion:

- (a) the financial statements and notes set out on pages 16 to 30 are in accordance with the *PNG Companies Act 1997*, including:
 - (i) complying with Accounting Standards, the Companies Act 1997 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Director: Peter R Taylor



Director: Adam J Burley



Director: Robert S Burns



Director: Carol A Kidu



Director: Rabbie L Namaliu

Signed on 25 February 2014.

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Corporate information

Bougainville Copper Limited

(Incorporated in Papua New Guinea)

Registered office:

6th Floor, Pacific Place,
Cnr Champion Parade & Musgrave Street,
Port Moresby, Papua New Guinea
Telephone: +(675) 3092800
Facsimile: +(675) 3213634
E-mail: info@bcl.com
Website: www.bougainvillecopper.com.pg

Principal registered office in australia:

Bougainville Copper Limited
A.R.B.N. 007 497 869
Level 33, 120 Collins Street, Melbourne, VIC 3000
Telephone: +(613) 92833333
Facsimile: +(613) 92833707

Share registers:

c/o Kina Securities Limited
2nd Floor, Deloitte Tower, Douglas Street
Port Moresby
Papua New Guinea
Telephone: +(675) 308 7000
Facsimile: +(675) 308 7001
E-mail: kina@kina.com.pg
Postal address: P O Box 1141 Port Moresby,
Papua New Guinea

c/o Computershare Registry Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, VIC 3067 Australia.
Telephone: 1300 805 0505 (in Australia)
+(613) 9415 4000 (outside Australia)
Facsimile: +(613) 9743 2500
Postal Address: GPO Box 2975 EE
Melbourne, VIC 3001
E-mail: web.queries@computershare.com.au
Website: www.computershare.com

Stock exchanges:

Listed with the Australian Securities Exchange Limited

Auditors:

PricewaterhouseCoopers
P O Box 484
Port Moresby, Papua New Guinea

Bankers:

Commonwealth Bank of Australia
Bank South Pacific

Solicitors:

Allens Arthur Robinson
Gadens Lawyers

Twenty largest shareholders

The twenty largest shareholders as at 25 February 2014 and the number of shares held by each were:

| Name and Registered Address | Shares | % of Issued Shares |
|--|--------------------|--------------------|
| 1 Rio Tinto Limited Melbourne VIC | 215,920,089 | 53.83 |
| 2 The Independent State of Papua New Guinea | 76,430,809 | 19.06 |
| 3 J P Morgan Nominees Australia Limited Melbourne VIC | 57,358,681 | 14.30 |
| 4 National Nominees Limited Melbourne VIC | 7,057,845 | 1.76 |
| 5 Citicorp Nominees Pty Limited Melbourne VIC | 5,342,662 | 1.33 |
| 6 HSBC Custody Nominees (Australia) Limited Sydney NSW | 4,331,196 | 1.08 |
| 7 Franz Heinrich Bulli NSW | 1,700,000 | 0.42 |
| 8 Pershing Australia Nominees Pty Limited Sydney NSW | 1,382,495 | 0.34 |
| 9 Klaus Kuettner Germany | 1,151,799 | 0.29 |
| 10 Westco Nominees Limited Singapore | 900,000 | 0.22 |
| 11 Bell Potter Nominees Limited Melbourne VIC | 611,724 | 0.15 |
| 12 ABN Amro Clearing Sydney Nominees Sydney NSW | 528,602 | 0.13 |
| 13 The Noble Hope for Construction Pty Ltd Condell Park NSW | 500,000 | 0.12 |
| 14 Garry Raymond Churchill Clifton Beach QLD | 435,000 | 0.11 |
| 15 Daniel Ronald Watson Glenside SA | 400,000 | 0.10 |
| 16 Anthony Patrick Cahill Ascot Vale VIC | 378,000 | 0.09 |
| 17 Deep Valley Pty Limited Stamford QLD | 377,000 | 0.09 |
| 18 Richard Sallie Nedlands WA | 358,581 | 0.09 |
| 19 Sumithra Rambukwella Ranaweera Colombo, Sri Lanka | 312,500 | 0.09 |
| 20 Geok Loo Goh Singapore | 300,000 | 0.07 |
| | 375,776,983 | 93.66 |

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Corporate information – continued

Distribution of shares

As at 25 February 2014: The issued shares of the company were 401,062,500 fully paid shares, each carrying one voting right. The number of shareholders was 15,346.

The distribution of holdings of the issued shares was:

| | | % |
|--------------------------|--------|--------|
| 1 - 1,000 shares | 12,834 | 83.70 |
| 1,001 - 5,000 shares | 1,706 | 11.12 |
| 5,001 - 10,000 shares | 383 | 2.42 |
| 10,001 - shares and over | 423 | 2.76 |
| | <hr/> | <hr/> |
| Total shareholders | 15,346 | 100.00 |

There were 12,526 holdings of shares (81.62 per cent) which do not form a marketable parcel.

93.66 per cent of the total issued shares were held by or on behalf of the twenty largest shareholders.

The substantial shareholders were:

Rio Tinto Limited, its wholly owned subsidiary Rio Tinto Base Metals Pty Limited and RTZ Limited 215 920 089 shares (53.83 per cent); Rio Tinto plc has an interest in the same shares through its wholly-owned subsidiaries' (Tinto Holdings Australia Pty Limited, Melbourne, Vic., Rio Tinto Australian Holdings Limited, Rio Tinto Pacific Holdings Limited and Rio Tinto International Holdings Limited, all of London, UK) interests in Rio Tinto Limited and Rio Tinto Base Metals Pty Limited; The Independent State of Papua New Guinea 76 430 809 shares (19.06 per cent).

Applicable jurisdiction

The company is incorporated in Papua New Guinea and is not generally subject to Australian Corporations Law including, in particular, Chapter 6 of the Australian Corporation Law dealing with the acquisition of shares (including substantial shareholdings and take-overs), but is instead subject to the provisions of the Papua New Guinea Companies Act 1997 and Securities Act 1998.

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Distribution of the benefits

Bougainville Copper Limited year ended 31 December 2013

| | 2013 | K million 1972-2012 |
|--|-------------|--------------------------------|
| <i>PNG Government</i> | | |
| Corporate income tax* | - | 514.2 |
| Additional profits tax* | - | 72.6 |
| Group tax (PAYE) | - | 122.2 |
| Customs duty | - | 104.1 |
| Miscellaneous | - | 10.1 |
| Dividends* | - | 167.4 |
| Dividend WHT* | - | 97.6 |
| | - | 1,088.2 |
| <i>North Solomons Provincial Government</i> | | |
| Royalties (95% to NSPG) | - | 61.4 |
| Non Renewable Resources Fund | - | 1.8 |
| Other taxes | - | 12.0 |
| | - | 75.2 |
| <i>Landowners</i> | | |
| Royalties (5% to Landowners) | - | 3.2 |
| Compensation | - | 35.0 |
| | - | 38.2 |
| <i>Non-Government Shareholders</i> | | |
| Dividends net of Dividend WHT* | - | 582.1 |
| <i>Employees</i> | | |
| Wages (less PAYE) | - | 575.6 |
| Total | - | 2,359.3 |

Not included in the above table are the benefits received by the providers of goods and services to Bougainville Copper Limited. A company survey in 1989 revealed that there were approximately 200 Bougainville based business enterprises dependent largely upon Bougainville Copper Limited's operation. These enterprises employed in excess of 4,000 people prior to the suspension of mining operations.

**These amounts relate to the referable year (i.e. the year in which the amount became due) and hence the cash effect on the PNG economy has a delayed impact.*

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Statistical Summary

| FINANCIAL | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|--|--------|---------|---------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Earnings (K million) | | | | | | | | | | | | | | | | | | | |
| Net sales revenue and other income***** | 9.4 | 6.2 | 8.2 | 12.1 | 16.7 | 9.0 | 8.3 | 7.9 | 7.4 | 16.1 | 11.7 | 13.0 | 19.6 | 18.3 | 12.4 | 6.1 | 10.7 | 5.5 | 2.2 |
| Operating and other expenses**** | 3.1 | 11.4 | 10.5 | 8.9 | 8.0 | 9.2 | 4.9 | 4.4 | 5.0 | 4.7 | 4.1 | 4.6 | 3.8 | 4.8 | 5.2 | 4.8 | 5.0 | 4.9 | 3.6 |
| Depreciation***** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Earnings/(loss) before taxation and exchange gains | 6.3 | (5.2) | (2.3) | 3.2 | 5.8 | (0.2) | 3.4 | 3.5 | 2.4 | 11.4 | 7.6 | 8.4 | 15.8 | 13.5 | 7.2 | 1.4 | 5.7 | 0.6 | (1.4) |
| Exchange gains/(losses) | 0.5 | (0.2) | (1.4) | (0.4) | 2.9 | (4.6) | 0.2 | 0.2 | (0.4) | 3.1 | 0.3 | - | 0.4 | 0.5 | - | - | - | 6.6 | 9.2 |
| Earnings/(loss) before taxation | 6.8 | (5.4) | (3.7) | 2.8 | 8.7 | (4.8) | 3.6 | 3.7 | 2.0 | 14.5 | 7.9 | 8.4 | 15.8 | 13.9 | 7.7 | 1.4 | 5.7 | 7.2 | 7.8 |
| Income tax | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Additional profits tax | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net earnings/(loss) | 6.8 | (5.4) | (3.7) | 2.8 | 8.7 | (4.8) | 3.6 | 3.7 | 2.0 | 14.5 | 7.9 | 8.4 | 15.8 | 13.9 | 7.7 | 1.4 | 5.7 | 7.2 | 7.8 |
| Dividends paid | - | - | - | - | - | - | - | - | - | - | 8.0 | - | - | - | - | - | - | - | - |
| Earnings/(losses) retained | 6.8 | (5.4) | (3.7) | 2.8 | 8.7 | (4.8) | 3.6 | 3.7 | 2.0 | 14.5 | (0.1) | 8.4 | 15.8 | 13.9 | 7.7 | 1.4 | 5.7 | 7.2 | 7.8 |
| Balance Sheet (K million) | | | | | | | | | | | | | | | | | | | |
| Property, plant & equipment | 197.9 | 197.9 | 197.9 | 197.9 | 197.9 | 197.9 | 197.9 | 197.9 | 197.9 | 197.9 | 197.9 | 197.9 | 197.9 | 197.9 | 198.6 | 200.1 | 200.6 | 200.7 | 200.7 |
| Investments and loans | 105.4 | 99.9 | 90.2 | 128.8 | 145.7 | 98.8 | 204.7 | 176.6 | 128.2 | 121.2 | 18.9 | 3.1 | - | - | - | - | - | - | - |
| Current and other non-current assets | 87.4 | 74.5 | 79.0 | 74.7 | 58.1 | 31.1 | 36.1 | 38.7 | 31.7 | 31.4 | 119.4 | 135.4 | 131.0 | 114.4 | 100.7 | 87.7 | 85.4 | 76.0 | 65.6 |
| Total assets | 390.7 | 372.3 | 367.1 | 401.4 | 401.7 | 327.8 | 438.7 | 413.2 | 357.8 | 350.5 | 336.2 | 336.4 | 328.9 | 312.3 | 299.3 | 287.8 | 286.0 | 276.7 | 266.3 |
| Shareholders' funds | 361.8 | 334.7 | 322.5 | 364.7 | 365.5 | 293.3 | 404.0 | 378.2 | 323.3 | 316.1 | 301.6 | 301.8 | 293.3 | 277.5 | 263.6 | 255.9 | 254.5 | 248.8 | 241.6 |
| Exchange fluctuation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Long term liabilities | 25.2 | 33.4 | 33.4 | 33.4 | 33.4 | 33.4 | 33.6 | 33.7 | 33.4 | 33.4 | 33.4 | 33.4 | 33.4 | 33.5 | 35.3 | 6.8 | 6.8 | 6.8 | 6.8 |
| Current liabilities | 3.7 | 4.2 | 11.2 | 3.3 | 2.8 | 1.1 | 1.1 | 1.3 | 1.1 | 1.0 | 1.2 | 1.2 | 2.2 | 1.3 | 0.4 | 25.1 | 24.7 | 21.1 | 17.9 |
| Funds employed | 390.7 | 372.3 | 367.1 | 401.4 | 401.7 | 327.8 | 438.7 | 413.2 | 357.8 | 350.5 | 336.2 | 336.4 | 328.9 | 312.3 | 299.3 | 287.8 | 286.0 | 276.7 | 266.3 |
| PRODUCTION / SALES | | | | | | | | | | | | | | | | | | | |
| Mined | | | | | | | | | | | | | | | | | | | |
| Ore and waste removed (millions of tonnes) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ore milled (millions of tonnes) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ore grade | | | | | | | | | | | | | | | | | | | |
| Copper (per cent) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gold (grams/tonne) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Produced | | | | | | | | | | | | | | | | | | | |
| Concentrate (thousands of dry tonnes) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Contained copper (thousands of dry tonnes) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Concentrate grade | | | | | | | | | | | | | | | | | | | |
| Copper (per cent) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gold (grams/tonne) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Silver (grams/tonne) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Shipped | | | | | | | | | | | | | | | | | | | |
| Total concentrate (thousands of dry tonnes) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Destination: | | | | | | | | | | | | | | | | | | | |
| Japan (per cent) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Asian (per cent) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Europe (per cent) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| All Other (per cent) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Values | | | | | | | | | | | | | | | | | | | |
| Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Contribution by: | | | | | | | | | | | | | | | | | | | |
| Copper (per cent) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gold (per cent) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| OTHER | | | | | | | | | | | | | | | | | | | |
| US\$/Kina exchange rate | .4429 | .4906 | .4309 | .3881 | .3821 | .3747 | 0.3636 | 0.3344 | 0.33 | 0.30 | 0.25 | 0.26 | 0.36 | 0.39 | 0.48 | 0.69 | 0.76 | 0.79 | 1.01 |
| Average metal prices | | | | | | | | | | | | | | | | | | | |
| LME copper (US\$/lb) | 332.2 | 360.7 | 342.6 | 339.7 | 231.9 | 319.5 | 323.66 | 305.50 | 130.01 | 79.95 | 70.65 | 66.2 | 82.1 | 71.4 | 75.2 | 105.6 | 104.0 | 133.1 | 105.0 |
| London gold market (US\$/oz) | 1 411 | 1 667 | 1 575 | 1 222 | 970 | 872 | 691.00 | 602.00 | 409.55 | 363.89 | 310.14 | 276.5 | 280.0 | 280.0 | 294.0 | 335.3 | 387.0 | 384.5 | 384.0 |
| Return on shareholders' funds (per cent) | 1.873 | (1.621) | (1.139) | 0.772 | 2.380 | (1.632) | 0.888 | 0.967 | 0.60 | 4.6 | 2.6 | 2.8 | 5.4 | 5.0 | 2.9 | 0.5 | 2.2 | 2.9 | 3.2 |
| Earnings per share*** (toea) | 1.690 | (1.352) | (0.916) | 0.702 | 2.169 | (1.19) | 0.895 | 0.912 | 0.50 | 3.61 | 1.96 | 2.10 | 3.93 | 3.5 | 1.9 | 0.3 | 1.4 | 1.8 | 1.9 |
| Dividends per fully paid share*** (par value K1)(toea) | - | - | - | - | - | - | - | - | - | 2 | - | - | - | - | - | - | - | - | - |
| Number of shares issued at end of year (millions) | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 |
| Number of shareholders at end of year | 15 346 | 15 394 | 15 463 | 15 534 | 15 468 | 15 495 | 15 504 | 15 698 | 16 072 | 16 374 | 16 519 | 16 812 | 17 021 | 17 260 | 18 183 | 18 182 | 18 041 | 18 452 | 18 765 |
| Debt/equity ratio | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Workforce at end of year | | | | | | | | | | | | | | | | | | | |
| Overseas | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| National | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

Notes: Bonus dividends of 4.0 and 6.7 toea per fully paid share were made in 1979 and 1980 respectively and have been included in dividend figures for those years.
*Full year figures: but commercial production commenced 1 April, 1972. **1972 figure is for Bougainville Mining Limited.

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

| 1993 | 1992 | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 | 1985 | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972* |
|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1.7 | 2.2 | 3.3 | 80.2 | 231.6 | 493.4 | 415.4 | 342.7 | 317.6 | 310.9 | 392.9 | 283.2 | 296.4 | 338.7 | 343.1 | 225.1 | 205.3 | 208.9 | 193.1 | 292.6 | 252.4 | 95.9 |
| 4.1 | 5.1 | 316.6 | 36.8 | 181.7 | 244.8 | 227.5 | 223.7 | 221.5 | 234.8 | 228.1 | 207.2 | 210.8 | 174.8 | 144.1 | 125.0 | 126.8 | 117.5 | 107.2 | 92.5 | 81.8 | 53.3 |
| - | - | - | 51.5 | 47.3 | 43.9 | 49.4 | 47.3 | 47.6 | 46.5 | 47.0 | 44.2 | 43.3 | 43.8 | 40.7 | 40.4 | 36.2 | 31.1 | 29.6 | 28.5 | 24.8 | 14.5 |
| (2.4) | (2.9) | (313.3) | (8.1) | 2.6 | 204.7 | 138.5 | 71.7 | 48.5 | 29.6 | 117.8 | 31.8 | 42.3 | 120.1 | 158.3 | 59.7 | 42.3 | 60.3 | 56.3 | 171.6 | 145.8 | 28.1 |
| (0.3) | 1.5 | 0.1 | (0.5) | 2.5 | (2.9) | 2.6 | 2.3 | (1.4) | (2.8) | (16.3) | (3.3) | 1.1 | 2.6 | 3.5 | 10.3 | (0.1) | 1.3 | 2.3 | 9.5 | 12.9 | (0.4) |
| (2.7) | (1.4) | (313.2) | (8.6) | 5.1 | 201.8 | 141.1 | 74.0 | 47.1 | 26.8 | 101.5 | 28.5 | 43.4 | 122.7 | 161.8 | 70.0 | 42.2 | 61.6 | 58.6 | 181.1 | 158.7 | 27.7 |
| - | - | - | 6.0 | 25.7 | 70.0 | 50.6 | 28.7 | 19.0 | 15.2 | 46.9 | 17.3 | 20.6 | 39.6 | 57.5 | 22.0 | 13.7 | 20.3 | 12.4 | 49.1 | 0.3 | - |
| - | - | - | - | - | 23.2 | - | - | - | - | - | - | - | 11.6 | 20.4 | - | - | - | - | 17.4 | - | - |
| (2.7) | (1.4) | (313.2) | (14.6) | (20.6) | 108.6 | 90.5 | 45.3 | 28.1 | 11.6 | 54.6 | 11.2 | 22.8 | 71.5 | 83.9 | 48.0 | 28.5 | 41.3 | 46.2 | 114.6 | 158.4 | 27.7 |
| - | - | - | - | - | 108.3 | 92.2 | 44.1 | 28.1 | 16.0 | 52.1 | 10.0 | 20.1 | 80.2 | 106.9 | 40.1 | 21.4 | 26.7 | 26.7 | 73.5 | 81.4 | 11.0 |
| (2.7) | (1.4) | (313.2) | (14.6) | (20.6) | 0.3 | (1.7) | 1.2 | - | (4.4) | 2.5 | 1.2 | 2.7 | (8.7) | (23.0) | 7.9 | 7.1 | 14.6 | 19.5 | 41.1 | 77.0 | 16.7 |
| 200.8 | 201.4 | 201.5 | 545.9 | 595.8 | 570.0 | 527.8 | 550.1 | 558.5 | 576.2 | 594.9 | 622.8 | 611.2 | 610.8 | 325.4 | 340.1 | 352.2 | 350.4 | 346.0 | 352.2 | 371.7 | 378.7 |
| - | - | - | - | - | 2.2 | 0.7 | 0.7 | 0.2 | 0.2 | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | - |
| 56.2 | 56.8 | 56.5 | 64.7 | 59.5 | 250.1 | 260.3 | 190.1 | 160.4 | 152.9 | 185.3 | 155.9 | 148.7 | 148.4 | 201.0 | 125.8 | 137.1 | 136.0 | 129.5 | 205.6 | 130.4 | 73.9 |
| 257.0 | 258.2 | 258.0 | 610.6 | 655.3 | 822.3 | 788.8 | 740.9 | 719.1 | 729.3 | 780.5 | 778.8 | 760.0 | 759.3 | 526.5 | 466.0 | 489.4 | 486.5 | 475.6 | 557.9 | 502.2 | 452.6 |
| 233.8 | 236.4 | 237.9 | 551.1 | 565.6 | 586.2 | 586.0 | 587.7 | 586.5 | 586.5 | 590.9 | 588.4 | 587.2 | 584.5 | 294.5 | 317.5 | 309.7 | 302.5 | 287.9 | 268.4 | 227.4 | 146.7 |
| - | - | - | - | - | 0.2 | 0.3 | (3.2) | (5.9) | (5.3) | (4.7) | (5.4) | 1.5 | 5.1 | 5.4 | 9.0 | 14.6 | 9.0 | 11.5 | 19.1 | 39.5 | 24.2 |
| 6.8 | 6.8 | 6.8 | 47.7 | 46.9 | 23.7 | 24.8 | 48.1 | 52.4 | 52.5 | 51.6 | 125.6 | 80.1 | 25.7 | 36.2 | 42.1 | 53.3 | 101.7 | 106.8 | 121.1 | 127.5 | 204.0 |
| 16.4 | 15.0 | 13.3 | 11.8 | 42.8 | 212.2 | 177.7 | 108.3 | 86.1 | 95.6 | 142.7 | 70.2 | 91.2 | 144.0 | 190.4 | 97.4 | 111.8 | 73.3 | 69.4 | 149.3 | 107.8 | 77.7 |
| 257.0 | 258.2 | 258.0 | 610.6 | 655.3 | 822.3 | 788.8 | 740.9 | 719.1 | 729.3 | 780.5 | 778.8 | 760.0 | 759.3 | 526.5 | 466.0 | 489.4 | 486.5 | 475.6 | 557.9 | 502.2 | 452.6 |
| - | - | - | - | 33.27 | 89.78 | 83.53 | 79.16 | 73.62 | 74.40 | 81.00 | 76.22 | 77.56 | 79.76 | 75.97 | 79.05 | 70.79 | 58.54 | 56.40 | 56.00 | 56.65 | 46.75 |
| - | - | - | - | 18.52 | 47.69 | 48.20 | 47.89 | 50.07 | 46.52 | 47.73 | 41.74 | 37.53 | 37.62 | 36.17 | 38.12 | 34.11 | 31.21 | 31.08 | 30.14 | 29.14 | 21.89 |
| - | - | - | - | 0.44 | 0.41 | 0.41 | 0.42 | 0.42 | 0.42 | 0.46 | 0.47 | 0.51 | 0.46 | 0.55 | 0.60 | 0.61 | 0.64 | 0.64 | 0.70 | 0.73 | 0.76 |
| - | - | - | - | 0.50 | 0.41 | 0.43 | 0.48 | 0.42 | 0.48 | 0.55 | 0.60 | 0.59 | 0.50 | 0.75 | 0.82 | 0.90 | 0.87 | 0.80 | 1.02 | 1.03 | 0.77 |
| - | - | - | - | 224.6 | 552.0 | 585.5 | 586.6 | 581.8 | 542.3 | 636.9 | 598.6 | 576.4 | 510.4 | 584.7 | 658.6 | 615.6 | 596.8 | 596.0 | 640.8 | 650.2 | 438.1 |
| - | - | - | - | 68.7 | 166.0 | 178.2 | 178.6 | 175.0 | 164.4 | 183.2 | 170.0 | 165.4 | 146.8 | 170.8 | 198.6 | 182.3 | 176.5 | 172.5 | 184.1 | 182.9 | 124.0 |
| - | - | - | - | 30.1 | 30.1 | 30.4 | 30.5 | 30.1 | 30.3 | 28.8 | 28.4 | 28.7 | 28.8 | 29.2 | 30.2 | 29.6 | 29.6 | 28.9 | 28.7 | 28.1 | 28.3 |
| - | - | - | - | 31.0 | 25.1 | 25.8 | 27.9 | 24.7 | 28.9 | 28.3 | 29.3 | 29.2 | 27.5 | 33.7 | 35.5 | 36.3 | 33.9 | 30.5 | 32.0 | 31.6 | 27.3 |
| - | - | - | - | 91.2 | 87.7 | 86.4 | 85.9 | 79.3 | 81.9 | 74.4 | 72.1 | 73.5 | 72.2 | 76.3 | 79.8 | 77.0 | 76.1 | 71.0 | 72.3 | 69.0 | 69.3 |
| - | - | - | - | 250.8 | 570.8 | 567.6 | 589.4 | 560.0 | 550.8 | 636.1 | 599.6 | 596.2 | 494.4 | 586.5 | 640.9 | 614.8 | 605.8 | 587.0 | 665.8 | 625.2 | 434.4 |
| - | - | - | - | 40.2 | 45.4 | 32.6 | 43.2 | 44.1 | 51.9 | 47.0 | 46.6 | 49.8 | 54.5 | 56.0 | 51.0 | 54.8 | 42.3 | 42.7 | 51.5 | 54.8 | 48.1 |
| - | - | - | - | 34.3 | 23.4 | 33.5 | 15.4 | 15.7 | 12.3 | 11.0 | 6.6 | 3.3 | 4.1 | 3.7 | 3.2 | 1.6 | 1.7 | 1.7 | 0.0 | 0.0 | 0.0 |
| - | - | - | - | 25.5 | 27.7 | 33.9 | 41.4 | 40.2 | 35.8 | 42.0 | 45.1 | 45.4 | 41.4 | 40.3 | 42.0 | 39.9 | 46.5 | 53.8 | 41.9 | 37.8 | 49.4 |
| - | - | - | - | 0.0 | 3.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.7 | 1.5 | 0.0 | 0.0 | 3.8 | 3.7 | 9.5 | 1.8 | 6.6 | 7.4 | 2.5 |
| - | - | - | 0.3 | 260.0 | 561.0 | 489.4 | 417.9 | 381.3 | 373.4 | 454.6 | 343.6 | 355.2 | 386.3 | 407.0 | 294.5 | 266.3 | 260.3 | 219.4 | 307.4 | 270.8 | 118.8 |
| - | - | - | 61 | 68 | 68 | 60 | 54 | 61 | 53 | 52 | 51 | 54 | 51 | 60 | 64 | 66 | 74 | 69 | 74 | 83 | 83 |
| - | - | - | 38 | 31 | 30 | 38 | 44 | 37 | 45 | 46 | 47 | 44 | 46 | 37 | 34 | 32 | 24 | 29 | 25 | 16 | 16 |
| 1.02 | 1.04 | 1.05 | 1.05 | 1.17 | 1.16 | 1.10 | 1.03 | 1.00 | 1.11 | 1.19 | 1.35 | 1.48 | 1.50 | 1.41 | 1.42 | 1.27 | 1.26 | 1.31 | 1.43 | 1.42 | 1.19 |
| 87.0 | 103.0 | 106.0 | 119.8 | 129.0 | 117.9 | 81.0 | 62.3 | 64.3 | 62.4 | 71.9 | 67.1 | 79.0 | 99.2 | 89.8 | 61.9 | 59.3 | 63.6 | 55.9 | 93.3 | 80.9 | 48.6 |
| 360.0 | 344.0 | 362.2 | 382.8 | 381.0 | 436.8 | 446.7 | 367.9 | 317.3 | 360.8 | 423.5 | 375.6 | 459.9 | 614.7 | 304.7 | 193.5 | 147.8 | 124.8 | 160.9 | 158.7 | 97.3 | 58.2 |
| - | - | - | - | - | 18.5 | 15.4 | 7.7 | 4.8 | 2.0 | 9.3 | 1.9 | 3.9 | 12.2 | 28.5 | 15.1 | 9.2 | 13.7 | 16.0 | 42.7 | 69.7 | 18.9 |
| - | - | - | - | - | 27.1 | 22.6 | 11.3 | 7.0 | 2.9 | 13.6 | 2.8 | 5.7 | 17.8 | 20.9 | 12.0 | 7.1 | 10.3 | 11.5 | 28.6 | 39.5 | 6.9 |
| - | - | - | - | - | 27.0 | 23.0 | 11.0 | 7.0 | 4.0 | 13.0 | 2.5 | 5.0 | 20.0 | 26.7 | 10.0 | 5.3 | 6.7 | 6.7 | 18.3 | 20.0 | 2.7 |
| 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 401 | 267 | 267 | 267 | 267 | 267 | 267 | 260* |
| 19 189 | 19 851 | 19 982 | 20 532 | 21 287 | 21 966 | 22 650 | 24 680 | 27 117 | 30 435 | 32 834 | 36 486 | 38 027 | 38 326 | 38 750 | 40 935 | 43 820 | 50 082 | 54 129 | 55 558 | 45 353 | 46 726 |
| - | - | - | - | - | .002/1 | .004/1 | 0.05/1 | 0.06/1 | 0.09/1 | 0.10/1 | 0.20/1 | 0.17/1 | 0.05/1 | 0.15/1 | 0.19/1 | 0.37/1 | 0.40/1 | 0.44/1 | 0.52/1 | 0.72/1 | 0.62/1 |
| - | 1 | 6 | 13 | 330 | 610 | 699 | 706 | 704 | 749 | 751 | 756 | 801 | 877 | 851 | 855 | 853 | 858 | 942 | 980 | 929 | 971 |
| - | 1 | 6 | 10 | 1 987 | 2 950 | 3 025 | 2 993 | 2 948 | 2 987 | 3 058 | 3 174 | 3 377 | 3 416 | 3 314 | 3 243 | 3 063 | 2 989 | 3 094 | 3 242 | 2 915 | 2 594 |

***1972 to 1979 figures are after adjustment for the 1980 capital reconstruction

****1989, 1990 and 1991 include extraordinary items of K26.1 million, K28.7 million and K309.2 million respectively

*****1990 includes extraordinary items of K76.3 million for insurance litigation settlement and K51.5 million for depreciation.

