

Annual Report 1991

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BOUGAINVILLE  
COPPER  
LIMITED





## Bougainville Copper Limited – The Company

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

From 1972 until 1989 Bougainville Copper Limited operated a large open pit mine and processing facility at Panguna on Bougainville Island in the North Solomons Province of Papua New Guinea producing copper concentrate containing significant quantities of gold and silver. On 15 May, 1989 production was brought to a halt by militant activity, and it is not possible to forecast a date for re-commencement of operations. There have been no company employees on Bougainville Island since March 1990.

Since inception until cessation of operations on 15 May, 1989 the mine had produced concentrate containing 3.1 million tonnes of copper, 306 tonnes of gold and 783 tonnes of silver. The production had a value of K5.1 billion which represented approximately 44% of Papua New Guinea's exports over that period. During this time contributions to the government in the form of dividends, taxes and royalties totalled K1 078 million which represented approximately 17% of internally generated Papua New Guinea government revenue. Further, the company'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.

Company training programs had previously resulted in considerable progress in the localisation of the company's employees and also added significantly to the number of skilled workers elsewhere in the country's work force. At the end of 1991, the company employed 12 people, of whom 6 were citizens of Papua New Guinea, and continues to support 3 citizens of Papua New Guinea in tertiary studies.

Bougainville Copper Limited is owned 53.6% by CRA Limited. The Papua New Guinea government owns 19.1% while the remaining 27.3% of share capital is held by public shareholders.

### Notice of Meeting

The Annual General Meeting of Bougainville Copper Limited will be held at 4.30 p.m. on Monday, 13 April, 1992 at The Port Moresby Travelodge, Hunter St., Port Moresby, Papua New Guinea.

A separate Notice of Meeting is enclosed. All shareholders are cordially invited to attend.

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### Directors

D. S. Carruthers (Chairman)  
R. J. Cornelius  
J. J. Craig  
P. G. F. Henderson, A.C.  
I. R. Johnson  
R. B. Moaina  
M. R. Rayner  
M. P. Togolo  
D. C. Vernon

### (Secretary)

M. S. Koiri



## Year in Brief

- Mine remained closed.
- The "Honiara Declaration" signed on 23 January after meeting between PNG government and militant leaders.
- Net loss K313.2 million.
- Extent of deterioration and destruction of assets unknown.
- General provision of K350.0 million made for deterioration, damage and pilferage of mine assets.

		1991	1990
Concentrate production	(tonnes)	—	—
Net sales revenue	(K'000)	—	251
Net loss after tax	(K'000)	<b>(313 206)</b>	(14 585)
Earnings per share	(toea)	—	—
Shareholders' funds	(K'000)	<b>237 856</b>	551 062
Depreciation and amortisation	(K'000)	—	51 505
Government royalties and taxation	(K'000)	—	5 950
Number of employees at 31 December		<b>12</b>	23



## Chairman's Statement

Although limited government services and more peaceful conditions have been restored to a number of areas on Bougainville, continued militant activity around Panguna, Arawa and Kieta has prevented any return of company employees to BCL's area of operations. The Panguna mine remains idle and there has been no opportunity to inspect and assess damage to the company's facilities. The company recorded a loss, after extraordinary items of K313 million. The main extraordinary item was a provision of K350 million to recognise that, with the passage of time and the actions of militant elements on the island, deterioration of assets has undoubtedly taken place. Even if conditions allow a resumption of operations in due course, a major write-down of mine assets will eventually be required.

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 personnel is again possible. Accordingly, the 1991 provision may eventually prove to be above or below the sum which is necessary to reflect these losses.

With the passage of time, the estimated cost of resuming production inevitably escalates. Since the preparation of the 1990 accounts, further detailed reviews of recommissioning concepts and costs have been undertaken. These reviews indicate that even if political stability were restored immediately it would not be possible to resume production before 1994, and that while funding requirements cannot be forecast reliably, they could be in the range K300 million to K450 million.

The affairs of the company, including regular contact with the Papua New Guinea government, continue to be managed by CRA Minerals (PNG) Pty Limited.

Political stability, which remains the key element for a return of BCL to the island and a resumption of operations, has not yet been achieved, although some progress has been made.

The staged progress of reconciliation and rehabilitation initiated by the Honiara Declaration in January 1991 has progressed with the establishment of five interim authorities covering areas other than central Bougainville. The government's attempts to restore services in this

area have been frustrated by militant activists. Planned meetings between representatives of the Papua New Guinea government and Bougainville to review progress under the Honiara Declaration continue to be deferred.

The national government's commitment to achieving a settlement during 1992 is to be applauded. Success will require considerable energy, hard work and commitment from all concerned.

**D. S. Carruthers**

Chairman

10 February, 1992



## The Year in Review

### **Bougainville Crisis:**

The Panguna mine has not operated since 15 May, 1989, due to the crisis in the North Solomons Province and the activities of armed militants.

As previously reported, the activities of the company are being managed by a small team established in Port Moresby following the evacuation of all company personnel from Bougainville in early 1990.

Although some progress is being made, a solution to the problems in the North Solomons Province is proving elusive. On 23 January, 1991, the "Honiara Declaration of Peace, Reconciliation and Rehabilitation on Bougainville" was signed. Since then some government services have been restored and medical and other supplies are now reaching most of the North Solomons Province.

An important factor in this progress has been the formation of five interim authorities in which local leaders are prominent. These authorities are co-operating with the national government in bringing about a more normal way of life for the people they represent.

Unfortunately it has not been possible to establish the sixth and last interim authority for the area centred on Panguna where the remaining hard core elements of the BRA continue their opposition. They are under increasing pressure however, because of the improvements brought to the rest of the province.

Although there is now regular contact between representatives of the national government and the majority of the people of North Solomons Province, political problems including the matter of secession have not yet been resolved. Their resolution is required before mining operations can restart at Panguna. Critical factors would then be government and community aspirations, the condition of production equipment and the effort required to rehabilitate it, recruitment of a work force and the raising of funds possibly in the range of K300 million to K450 million.

### **Ore Reserves:**

The recoverable proved ore reserves at the end of 1991 remain unchanged from last year and are estimated at 496 million tonnes of average grade 0.42% copper and 0.55 grams per tonne gold.

Recovery of this ore will require mining an additional amount of measured mineral resource estimated to be 520 million tonnes at 0.22% copper and 0.18 grams per tonne gold. This material is suitable for upgrading by screening, yielding an estimated 195 million tonnes of mill feed averaging 0.34% copper and 0.28 grams per tonne gold.

Accordingly, total available mill feed at the end of 1991 is estimated at 691 million tonnes averaging 0.40% copper and 0.47 grams per tonne gold.

### **Finance:**

No borrowings were outstanding at year end. The K45 million loan facility provided by the two major shareholders, CRA Limited and the government of Papua New Guinea, expired on 1 December, 1991. No other lines of credit are in place.

Cash reserves at year end were K49.3 million. This amount does not include K2.7 million which may be required for landowners' compensation payments for 1990 and 1991. This is held in a separate interest bearing bank account and is reflected in the accounts of the company.

The condition of assets is not known. As explained in note 1(a) to the accounts a general provision of K350 million has been made for deterioration, damage or pilferage of mine assets. The accuracy of that provision cannot be established at this stage as lack of access to Bougainville prevents a first-hand assessment of the nature or extent of those losses.

If normal depreciation was charged the amount for 1991 would have been K50.1 million.

### **Capital Expenditure:**

All capital project work was either cancelled or suspended. A payment of K2.2 million was made in 1991 for work previously completed. Proceeds of K5.3 million were realised on disposal of non-current assets.

### **Marketing:**

Concentrate buyers were briefed during the year and confirmed their interest in recommencing purchases of concentrates from BCL when it resumes operations at Panguna. Buyers continue to show a keen interest in developments on Bougainville.

### **Personnel:**

The total number of employees at the end of 1991 was 12, of whom 6 were citizens of Papua New Guinea. The corresponding figures at the end of 1990 were 23 and 10.

The company will continue to support 3 Papua New Guinea citizens for tertiary studies in 1992.

**I. R. Johnson**

Director

10 February, 1992



## Directors' Report

The directors of Bougainville Copper Limited present their report on the audited financial statements of the company and its subsidiary ("the group") for the year ended 31 December, 1991.

### Review:

With the crisis in Bougainville still unresolved, the Panguna mine did not operate during 1991 and the affairs of the company were managed by a small management group in Port Moresby.

Following signing of the Honiara Declaration on 23 January, 1991 there has been encouraging progress in the restoration of government services and the establishment of five interim authorities covering most parts of the North Solomons Province. Unfortunately, hard core militant elements, particularly in the central area around Panguna, continue to defy national government authority and hinder the process of restoration.

Access to the island by company personnel has not been possible since the withdrawal of all employees in early 1990.

It seems certain that considerable deterioration of mine assets will have occurred, because of their exposure to the elements and possible vandalism, pilferage and militant action. The extent of the necessary write-down cannot be reliably measured or estimated. At the same time, because the mine assets are not in use, normal depreciation charges, to reflect wear and tear from their utilisation in production, are not technically appropriate.

To allow for the future write-down of mine assets a general provision of K350 million has been provided in 1991 for deterioration, damage and pilferage. This provision may eventually prove to be above or below the amount which is necessary to reflect the loss of service potential of the assets.

Political stability needs to be re-established before BCL can responsibly contemplate resumption of mining operations. The company remains committed, subject to economic viability, to re-opening the mine when conditions on Bougainville permit.

### Directors:

The directors of Bougainville Copper Limited at the date of this report are:

**D. S. Carruthers** (Chairman)  
Age 61 B.Sc. Joined CRA in 1955. Extensive exploration and operational mining experience. CRA Group Executive since November 1984, appointed a Director of CRA in July 1989 and responsible for CRA's base metal and ferrous activities. Appointed Chairman of BCL July 1986. Also Chairman of Pasminco Limited.

**R. J. Cornelius** Age 59 B.Met.E., M.Eng.Sc. Joined CRA in 1958. Commenced BCL in 1982. General Manager - Concentrator until 1987. Managing Director 1987-90. Currently President of CRA Japan Limited.

**J. J. Craig** Age 43 F.C.A., Dipl. Bus. Stud. Sixteen years with CRA Group including four years BCL and three years RTZ. Currently Managing Director of CRA Finance Limited.

**P. G. F. Henderson, A.C.**  
Age 63 M.A. Oxon. Joined Australian Department of Foreign Affairs 1951. Ambassador to the Philippines 1973-74. Deputy Secretary 1976-79. Secretary 1979-84. Retired Commonwealth Public Service 1985.

**I. R. Johnson**, Age 51 B.Sc. (Hons.). Joined CRA in 1970. Extensive exploration and mining experience. Was Group Geologist of CRA Exploration until appointed Managing Director of CRA Minerals, Papua New Guinea, in February 1990.

**R. B. Moaina** Age 42 B.Sc. Chief Government Geologist, Geological Survey Division, PNG Department of Minerals and Energy since February 1986. Experience in mineral and petroleum industry.

**M. R. Rayner** Age 54 B.Sc. (Hons.). Thirty years with CRA Group. Appointed Managing Director Comalco 1978, and Chief Executive Officer 1979. CRA Group Executive since 1982. Currently Finance Director of CRA, Deputy Chairman Comalco Limited, Director Pasminco Limited and National Australia Bank Limited.

**M. P. Togolo** Age 45  
B.Econ. (UPNG), M.Ec. (Leeds), M.A. (Hawaii). Former Provincial Secretary with North Solomons Provincial Government. Extensive finance and administrative experience. Currently General Manager Mineral Resources Development Company Pty Limited.

**D. C. Vernon** Age 63  
Dip. Chem. Eng. Commenced CRA Group 1953 and Director of CRA 1979-86. Joined BCL in 1966; appointed General Manager 1973 and Managing Director 1975. Chairman of BCL from 1979 to July 1986. Patron of Australia-PNG Business Council.

### Activities:

Bougainville Copper Limited has produced copper concentrate containing gold and silver from a mine at Panguna, North Solomons Province, Papua New Guinea, since 1972. Operations ceased, due to militant activity, in May 1989. The company has one subsidiary, BCL (Hong Kong) Limited, which arranged shipping contracts on behalf of the company.

The group has effectively been inactive in 1991.

### Net Earnings:

The net loss of Bougainville Copper Limited and its subsidiary for 1991 totalled K313 206 000 after extraordinary items of K350 000 000 as a general provision for deterioration, damage and pilferage to mine assets and writing back K40 804 000 deferred income tax liability.

**Taxation:**

No future income tax benefits have been recognised in the accounts pending development of a clearer view of the timing of any recommencement of operations.

**Subsidiaries:**

BCL Services Pty. Ltd. did not operate in 1991 and its registration was cancelled (without loss) on 10 December, 1991. No dividends were paid by BCL (Hong Kong) Limited or BCL Services Pty. Ltd.

**Share Capital:**

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

**Long-Term Loans:**

As mentioned in Note 6 to the accounts a K45 million finance facility entered into with the two major shareholders expired on 1 December, 1991.

**Dividends:**

No dividends have been declared in respect of 1991.

**The Year in Review:**

The company has not operated during the year and a review of 1991 activities is set out in the section entitled "The Year in Review" in this annual report (page 4).

**Auditors:**

The retiring auditors, Coopers & Lybrand, being eligible, offer themselves for re-appointment.

**Statutory Information:**

In accordance with the provisions of Section 171 of the Companies Act (Chapter 146), the directors state that:

1. In their opinion, the results of the group's operations for the year have been materially affected by items of an abnormal character referred to above, details of which are mentioned in "The Year in Review" on page 4 in this annual report and in note 1(a) to the accounts.

2. The directors are of the opinion that the net current assets would realise at least the value at which they are shown in the accounts.

3. Apart from the abnormal occurrences stated in paragraph 1 above no other circumstances have arisen which render adherence to the method of valuation of assets or liabilities misleading or inappropriate with the proviso that if operations are unable successfully to recommence a substantial write-down of asset values will be necessary.

4. No contingent liabilities have arisen since the balance date of the group accounts, 31 December, 1991, until the date of this report, 10 February, 1992.

5. No contingent liabilities have become enforceable or are likely to become enforceable within twelve months from the date of this report which will materially affect the group in its ability to meet its obligations as and when they fall due. Attention is drawn to note 1(a) in notes to the accounts concerning costs to be incurred in recommencing operations.

**Additional Information:**

The directors also state that:

1. There were significant changes in the state of affairs of the group during the year as set out in this annual report.

2. The results of the operations of the company and the group during the financial year have been, in the opinion of the directors, substantially affected by events of a material and unusual nature as contained in this report, and as set out in the notes to the accounts.

3. Except as reported in this annual report, there were no matters or circumstances which have arisen since the end of the financial year and which significantly affected or may significantly affect:

- (i) the operations of the group
- (ii) the results of those operations or
- (iii) the state of affairs of the group in the financial year subsequent to 31 December, 1991.

4. The directors do not have an interest in any contract or proposed contract with the company, are not parties to any material contract involving directors' interests, and are not 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 including the amount of fixed salary derived from the company or from related parties.

5. No options over shares of the company or its subsidiary have been granted by the company or its subsidiary during the financial year or since the end thereof; no shares of the company or its subsidiary 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 or its subsidiary; and no options over shares of the company or its subsidiary are outstanding at the date of this report.

Signed this 10th day of February, 1992 in accordance with a resolution of the directors of Bougainville Copper Limited.

**D. S. Carruthers**  
Chairman

**I. R. Johnson**  
Director



## Funds Statements

year ended 31 December, 1991  
Bougainville Copper Limited

	Consolidated		Bougainville Copper Limited	
	1991 K'000	1990 K'000	1991 K'000	1990 K'000
<b>Sources of Funds</b>				
Loss from operations before tax	(4 010)	(4 734)	(3 988)	(4 903)
Add items not using funds				
Loss/(Surplus) on disposal of non-current assets	1 332	(371)	1 332	97
Other items not using funds	213	1 216	418	2 185
Funds from operations	(2 465)	(3 889)	(2 238)	(2 621)
Loan drawdowns	—	32 376	—	32 376
Extraordinary item				
Insurance litigation settlement	—	76 299	—	76 299
	(2 465)	104 786	(2 238)	106 054
Proceeds on disposal of non-current assets	5 253	2 478	5 253	1 004
<b>Total sources of funds:</b>	<b>2 788</b>	<b>107 264</b>	<b>3 015</b>	<b>107 058</b>
<b>Applications of Funds</b>				
Retiring debt				
Loan repayments	—	32 602	—	32 602
Acquiring non-current assets				
Property, plant and equipment	2 219	3 584	2 219	3 584
Income tax payment	—	20	—	20
Long service leave payments	43	6 134	43	6 134
<b>Total applications of funds:</b>	<b>2 262</b>	<b>42 340</b>	<b>2 262</b>	<b>42 340</b>
<b>Increase/(Decrease) in working capital for the year</b>	<b>526</b>	<b>64 924</b>	<b>753</b>	<b>64 718</b>
<b>Movements in working capital</b>				
Bank balances and short-term deposits	(276)	37 726	(144)	37 617
Debtors for sale of concentrate	—	(1 071)	—	(1 071)
Other debtors	2 329	(2 725)	2 431	(2 817)
Creditors	(1 527)	30 994	(1 534)	30 989
<b>Increase/(Decrease) in working capital for the year</b>	<b>526</b>	<b>64 924</b>	<b>753</b>	<b>64 718</b>



## Statements of Earnings

year ended 31 December, 1991  
Bougainville Copper Limited

	Notes	Consolidated		Bougainville Copper Limited	
		1991 K'000	1990 K'000	1991 K'000	1990 K'000
<b>Income</b>					
Net sales revenue		–	251	–	251
Other income (net)		<b>3 364</b>	3 677	<b>3 364</b>	3 677
		<b>3 364</b>	3 928	<b>3 364</b>	3 928
<b>Costs and expenses</b>					
General and administration expenses		<b>7 439</b>	7 580	<b>7 417</b>	7 749
Government royalties		–	3	–	3
Interest		–	577	–	577
		<b>7 439</b>	8 160	<b>7 417</b>	8 329
Net exchange gain/(loss)	5	<b>65</b>	(502)	<b>65</b>	(502)
<b>Loss before taxation</b>	2	<b>(4 010)</b>	(4 734)	<b>(3 988)</b>	(4 903)
Income tax expense/(credit) attributable to operating loss	3	–	(3 992)	–	(3 992)
<b>Operating loss after income tax</b>		<b>(4 010)</b>	(742)	<b>(3 988)</b>	(911)
Extraordinary items	4	–	(3 904)	–	(3 734)
Provision for deterioration, damage and pilferage to mine assets	4	<b>(350 000)</b>	–	<b>(350 000)</b>	–
Deferred income tax liability written back	4	<b>40 804</b>	–	<b>40 804</b>	–
Income tax credit/(expense) attributable to extraordinary items	4	–	(9 939)	–	(9 939)
<b>Extraordinary items after income tax</b>	4	<b>(309 196)</b>	(13 843)	<b>(309 196)</b>	(13 673)
<b>Operating loss and extraordinary items after income tax</b>	2	<b>(313 206)</b>	(14 585)	<b>(313 184)</b>	(14 584)
Retained earnings brought forward		<b>118 723</b>	133 308	<b>118 711</b>	133 295
<b>Retained earnings/(losses) carried forward</b>		<b>(194 483)</b>	118 723	<b>(194 473)</b>	118 711

All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The notes commencing on page 10 form part of these accounts and are to be read in conjunction with them.



## Balance Sheets

at 31 December, 1991  
Bougainville Copper Limited

	Notes	Consolidated		Bougainville Copper Limited	
		1991 K'000	1990 K'000	1991 K'000	1990 K'000
<b>Funds employed by the group:</b>					
<b>Shareholders' funds</b>					
Paid up capital	12	401 063	401 063	401 063	401 063
Asset revaluation reserve	10	31 276	31 276	31 276	31 276
Retained earnings		(194 483)	118 723	(194 473)	118 711
		<b>237 856</b>	551 062	<b>237 866</b>	551 050
<b>Non-current liabilities</b>					
Income tax	3	6 759	6 759	6 759	6 759
Deferred income tax liability	4	—	40 804	—	40 804
Provision for long service leave		75	133	75	133
		<b>6 834</b>	47 696	<b>6 834</b>	47 696
<b>Current liabilities</b>					
Creditors	7	11 006	9 494	11 004	9 490
Income tax		2 329	2 314	2 329	2 309
		<b>13 335</b>	11 808	<b>13 333</b>	11 799
<b>Total funds</b>		<b>258 025</b>	610 566	<b>258 033</b>	610 545
<b>These funds are represented by:</b>					
<b>Non-current assets</b>					
Investments	8	—	—	—	205
Mine assets	9	201 495	556 089	201 495	556 089
		<b>201 495</b>	556 089	<b>201 495</b>	556 294
<b>Current assets</b>					
Bank balances and short-term deposits		49 347	49 623	49 345	49 489
Other debtors	11	7 183	4 854	7 193	4 762
		<b>56 530</b>	54 477	<b>56 538</b>	54 251
<b>Total assets</b>		<b>258 025</b>	610 566	<b>258 033</b>	610 545

Details of commitments and contingent liabilities and assets are shown in notes 14 and 15.

All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The notes commencing on page 10 form part of these accounts and are to be read in conjunction with them.



## Notes to the Accounts

These notes form part of the 1991 accounts and consolidated accounts of Bougainville Copper Limited and should be read in conjunction with them.

### 1.(a) Basis of Preparation

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 considerable 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 Panguna mine assets. It seems certain that considerable deterioration of the mine assets will have occurred in 1990 and 1991 because of this lack of care and maintenance, their exposure to the elements, and possible 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. At the same time, because the mine assets are not in use, normal depreciation charges, to reflect wear and tear from their utilisation in production, are not technically appropriate.

Nevertheless, with the passage of time, it is clear that a major write-down of mine assets will be required. To allow for this future write-down, the directors have made a general provision 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 the likely costs of repair. Rather, the reduction in carrying value should be seen as a broad estimate of the total service potential likely to have been lost to the operation in respect of the whole inventory of mine 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 personnel is again possible. Accordingly, the 1991 provision may eventually prove to be above or below the sum which 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, despite the current cessation of operations.

Considerable future funding will be required to recommence operations, principally for the recruitment and training of the work force, restoration of facilities, recommissioning or replacement of mine assets and re-establishment of working capital. These funding requirements cannot be forecast accurately, but could be in the range of K300 to K450 million if access becomes available by early 1993. Expenditures would be brought to account when incurred, in accordance with generally accepted accounting principles. Some would be capitalised, but a significant proportion would be treated as expense. The source of this funding would be addressed at the appropriate time.

Since the preparation of the 1990 accounts and development of the estimate of cost for recommissioning during 1992 included in note 1(a) to those accounts, further detailed reviews of recommissioning concepts and costs have been undertaken. The current estimates of funding requirements are based on these reviews and recognise that it is unlikely to be possible to resume production before 1994. Whilst they assume no major damage to production facilities through vandalism or militant action, they do allow for the increased level of deterioration likely because of the prolonged closure, and for anticipated vandalism to and pilferage from infrastructure and accommodation facilities.

The directors note that the economic viability of resumed operations would depend upon a number of factors which they cannot accurately predict at present, including the cost of recommissioning, likely future operating costs, government and community requirements, funding arrangements and the economic outlook at the time. However, subject to the economic viability the directors intend that, when conditions on Bougainville permit, the company will resume and continue operations, although it is not possible at present to determine when this might be achieved or the degree of damage and deterioration to assets which might have occurred during the period of suspension of operations.

### 1.(b) Accounting Policies

The principal accounting policies adopted in the preparation of the group accounts are stated to assist in a general understanding of the financial statements. It should be noted that the principal policies set out below are applicable only because of the basis of accounting adopted for the reasons set out above.

The policies generally comply with Australian Accounting Standards and conform in all material respects with the International Accounting Standards which have been adopted in Papua New Guinea. They are consistent with those adopted in the previous period unless otherwise stated.

#### Cost Convention:

The results of operations and the financial position of the company are accounted for under the historical cost convention, except that they reflect the revaluation in 1980 of certain major items of property, plant and equipment.

#### Depreciation and Amortisation:

During normal production operations, depreciation and amortisation are determined by dividing the written down value of assets by their remaining useful life or the estimated remaining life of the mine whichever is the lesser. Depreciation commences in the month following commissioning ready for use. However in 1991 no allowance for normal depreciation has been included; rather, a general provision of K350 million has been made for deterioration, damage or pilferage of mine assets although 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. In 1990, because of this factor, a normal charge for depreciation and amortisation of K51.5 million was made in the absence of any more realistic measure of these losses. In both 1991 and 1990, these charges have been classified as extraordinary items. If normal depreciation had been charged for 1991 the amount would have been K50.1 million.

#### Employee Entitlements:

The amounts expected to be paid to employees for their pro-rata entitlements to long service, annual leave and sick leave, are accrued annually at current pay rates.

#### Exploration, Research and Development Expenditure:

Expenditure on exploration within the mining lease and on research and development is normally written off or provided for as incurred. No expenditure was incurred in 1991. Exploration has not been undertaken outside the mining lease.

## Notes to the Accounts

### 1.(b) Accounting Policies (continued)

#### Repairs and Maintenance:

Expenditure on repairs and maintenance during normal production is charged against income as incurred.

#### Valuation of Stocks and Stores:

During normal production operations stores are valued at weighted average cost, excluding transportation costs, less a provision for obsolete stores, while concentrate stocks are valued at the lower of direct production costs or net realisable value. Cost includes direct materials, services and overheads, but excludes depreciation and indirect overheads. In 1991 due to the uncertainty of the condition and value of stores, the remaining book value of K10 million has been grouped with non-current mine assets against which a general provision of K350 million has been made as referred to in note 1(a).

#### Net Sales Revenue:

During normal operations sales are recognised when the risk passes from the seller which is at the time when the concentrate enters the ship's hold. The final sales value can only be determined from weights, assays, prices and treatment charges applying after a shipment has arrived at its destination. Estimates based on world metal prices ruling up to year end are used for those shipments not due for final valuation until the following year. In addition, the estimated results of forward contracts existing at year end in relation to concentrates shipped are reflected in sales revenue. Variations in revenue arising from final pricing and out-turn adjustments are recognised in the following year. Sales revenue in 1990 represents such adjustments in respect of shipments made in 1989, the final shipment year. Unrealised gains and losses on forward metal sales, not related to shipments, are included in earnings.

#### Taxation:

Tax effect accounting procedures are followed. Any current liability for income tax is based on estimated taxable income for the year. The components of this taxable income can differ from those which make up the earnings before tax for the year and these differences are either permanent differences or timing differences. Permanent differences are disclosed in note 3. Timing differences arise because some items of revenue and expenditure are recognised for tax purposes during periods which differ from the periods in which they are included in earnings before tax. The tax effect of these timing differences is classified as either deferred income tax liability or future income tax benefit in the balance sheets. Future income tax benefits are not recognised unless their realisation is virtually certain. Future income tax benefits therefore have not been recognised pending the development of a clearer view of the timing of recommencement of operations.

Deferred tax liabilities and future income tax benefits are generally disclosed separately as the periods in which the originating timing differences reverse often differ. Where, however, it is believed that these differences will reverse in the same future period, the liability and benefit are offset against each other and only the net liability or benefit, as the case may be, is disclosed.

In preparing these accounts, it is considered that the liability of K40.8 million, brought forward from 1990, is unlikely to crystallise until such time as the benefit of future income tax benefits is realised. For the reasons stated above future income tax benefits have not been recognised in these accounts and in these circumstances it is not considered appropriate to continue to maintain a deferred tax liability in the balance sheet. Accordingly the deferred tax liability has been written off in these accounts as an extraordinary item and has reduced the amount of the future income tax benefit not brought to account.

#### Foreign Currency:

Monetary assets and liabilities in foreign currencies are translated into Papua New Guinea currency at the rates of exchange ruling at balance date. All other overseas transactions are translated at the rates of exchange applying when they occurred. Exchange gains and losses on overseas borrowings are recognised as they occur to reflect the full effect of exchange rate movements. Other monetary gains and losses are also recognised as they occur. Gains and losses on hedges (excluding hedges relating to specific commitments) are included in earnings for the period during which the exchange rate movements occurred.

#### Subsidiary:

The company has one wholly owned subsidiary, BCL (Hong Kong) Limited, incorporated in Hong Kong, was used to arrange shipping contracts on behalf of the company, but is now inoperative. This company has been consolidated in accordance with conventional consolidation principles. BCL Services Pty. Ltd., incorporated in Australia, has not operated in 1991 and its registration was cancelled (without loss) on 10 December, 1991.

Consolidated		Bougainville Copper Limited	
1991	1990	1991	1990
K'000	K'000	K'000	K'000

### 2. Earnings before taxation

Earnings before taxation have been determined after allowing for the following income and expense items:

Income:				
Interest on short-term deposits	3 364	3 677	3 364	3 677
Expenses:				
Interest — on long-term loans and standby facilities	—	465	—	465
— other	—	112	—	112
Provision for doubtful debts in respect of other debtors	225	163	225	163
Bad debts in respect of other debtors	50	352	50	352
Loss/(profit) on disposal and retirement of fixed assets	1 332	(371)	1 332	97
Directors' fees (note 13)	36	27	36	27
Auditors' remuneration — auditing the accounts	11	30	10	30
— other services	1	7	1	7
(The auditors have received no other benefits)				

Notes to the Accounts

	Consolidated		Bougainville Copper Limited	
	1991	1990	1991	1990
	K'000	K'000	K'000	K'000
<b>3. Taxation</b>				
(a) Taxation on earnings for the year comprises:				
Future	—	(1 622)	—	(1 622)
Adjustments relating to previous years:				
Current	—	(2 370)	—	(2 370)
Income tax expense/(credit) on operating profit/(loss) for the year	—	(3 992)	—	(3 992)
Income tax relating to extraordinary items (note 4):				
Future	—	9 939	—	9 939
	—	5 947	—	5 947
(b) The following reconciliation discloses the items which caused the charge for income tax in the statements of earnings to vary from the income tax prima facie payable on reported earnings:				
Operating loss before taxation	<b>(4 010)</b>	(4 734)	<b>(3 988)</b>	(4 903)
Prima facie income tax @ 35%	<b>(1 404)</b>	(1 657)	<b>(1 396)</b>	(1 716)
Permanent differences				
— net losses not deductible	—	35	—	94
— adjustments relating to previous years	—	(2 370)	—	(2 370)
	<b>(1 404)</b>	(3 992)	<b>(1 396)</b>	(3 992)
Future income tax benefits not brought to account	<b>1 404</b>	11 720	<b>1 396</b>	11 720
Transfer of those future income tax benefits not brought to account to extraordinary items	—	(11 720)	—	(11 720)
Income tax credit	—	(3 992)	—	(3 992)
Extraordinary items before taxation	<b>(350 000)</b>	(3 904)	<b>(350 000)</b>	(3 734)
Prima facie income tax @ 35%	<b>(122 500)</b>	(1 366)	<b>(122 500)</b>	(1 307)
Permanent differences				
— non-allowable depreciation	—	3 945	—	3 945
— extraordinary income not deductible/(assessable) (note 3(c))	<b>38 870</b>	(26 705)	<b>38 870</b>	(26 705)
Write back of prior year deferred tax liability (note 3 (d))	<b>40 804</b>	—	<b>40 804</b>	—
Future income tax benefits not brought to account:				
— operating result (as above)	—	11 720	—	11 720
— extraordinary items	<b>41 294</b>	22 345	<b>41 294</b>	22 286
Adjustment relating to prior year	<b>1 532</b>	—	<b>1 532</b>	—
Income tax expense	—	9 939	—	9 939

(c) The written down value of mine assets before provision, of K551.5 million, contains an unamortised balance of asset revaluation of K111.1 million. To the extent that the current provision for deterioration, damage and pilferage becomes deductible for taxation purposes, the future amount of the write-down relating to this revaluation increment will be permanently disallowed as a tax deduction. The tax effect of this potential future permanent difference is K38.87 million.

(d) Deferred tax liabilities and future income tax benefits are generally disclosed separately as the periods in which the originating timing differences reverse often differ. Where, however, it is believed that these differences will reverse in the same future period, the liability and benefit are offset against each other and only the net liability or benefit, as the case may be, is disclosed. In preparing these accounts, it is considered that the liability of K40.8 million, brought forward from 1990, is unlikely to crystallise until such time as the benefit of future income tax benefits is realised. For the reasons stated in note 3(f) future income tax benefits have not been recognised in these accounts and in these circumstances it is not considered appropriate to continue to maintain a deferred tax liability in the balance sheet. Accordingly the deferred tax liability has been written off in these accounts as an extraordinary item and has reduced the amount of the future income tax benefit not brought to account.

(e) An agreement between the Independent State of Papua New Guinea and CRA Limited provides for the deferral of income tax payable in respect of the 1989 year until certain criteria have been met following successful recommencement of operations.

(f) Future income tax benefits not brought to account total K76 763 000 (1990 K34 065 000).

This benefit for tax losses will only be obtained if:

- (i) the group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the group continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the group in realising the benefit from the deductions for the losses.

Notes to the Accounts

	Consolidated		Bougainville Copper Limited	
	1991 K'000	1990 K'000	1991 K'000	1990 K'000
<b>4. Extraordinary items</b>				
Mine assets provision (see note 9)	<b>350 000</b>	—	<b>350 000</b>	—
Less income tax effect	<b>(83 630)</b>	—	<b>(83 630)</b>	—
	<b>266 370</b>	—	<b>266 370</b>	—
Deferred income tax liability written back	<b>(40 804)</b>	—	<b>(40 804)</b>	—
Depreciation (income tax effect K14 082 000)	—	37 423	—	37 253
Stores write-off (income tax effect K10 044 000)	—	18 654	—	18 654
Insurance litigation settlement (income tax effect K nil)	—	(76 299)	—	(76 299)
Future income tax benefits not brought to account	<b>83 630</b>	34 065	<b>83 630</b>	34 065
	<b>309 196</b>	13 843	<b>309 196</b>	13 673

As referred to in note 1(a) to the accounts, it seems certain that considerable deterioration of the mine assets will have occurred. 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.

In 1991 a general provision has been made for the indeterminate level of deterioration, damage and pilferage of the mine assets which might have occurred, and the deferred income tax liability previously provided has been written back as an extraordinary item. As referred to in note 1(b) no normal depreciation charge has been made in these accounts due to the cessation of operations and the general provision for deterioration, damage and pilferage that has been made in these accounts. Normal depreciation and an estimate of the loss on stores were made as a substitute for such losses in 1990.

**5. Exchange fluctuation**

(a) The net exchange gain/(loss) reflected in earnings arose from:

Overseas borrowings	—	(227)	—	(227)
Overseas cash balances	<b>52</b>	(102)	<b>52</b>	(102)
Other	<b>13</b>	(173)	<b>13</b>	(173)
Net exchange gain/(loss)	<b>65</b>	(502)	<b>65</b>	(502)

(b) Foreign currency amounts included in current assets and current liabilities that are not effectively hedged are:

Current assets: kina equivalent of US dollars	<b>46 425</b>	43 598	<b>46 423</b>	43 598
kina equivalent of Australian dollars	<b>2 003</b>	1 516	<b>2 003</b>	1 516
Current liabilities: kina equivalent of US dollars	<b>660</b>	904	<b>658</b>	904
kina equivalent of Australian dollars	<b>457</b>	945	<b>457</b>	945

No foreign currency amounts are included in non-current assets and non-current liabilities.

**6. Loans**

No long-term loan facilities are in place.

The agreement that the company had entered into with the Independent State of Papua New Guinea and CRA Limited, under which these shareholders would provide additional finance to the company to a maximum of K45 million for two years expired on 1 December, 1991.

**7. Creditors**

Landowners' compensation	<b>2 696</b>	—	<b>2 696</b>	—
Trade creditors	<b>7 899</b>	9 158	<b>7 897</b>	9 154
Other creditors	<b>139</b>	132	<b>139</b>	132
Related corporations	<b>272</b>	204	<b>272</b>	204
	<b>11 006</b>	9 494	<b>11 004</b>	9 490

Landowners' compensation is transferred each quarter into a separate interest bearing bank account and is now shown in the accounts of the company with an offset amount in Other Debtors (note 11). Landowners' compensation at 31 December, 1990 was K1.466 million.

**8. Investments**

Advances to subsidiary companies	—	—	—	205
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## Notes to the Accounts

	Consolidated		Bougainville Copper Limited	
	1991 K'000	1990 K'000	1991 K'000	1990 K'000
<b>9. Mine assets</b>				
(a) Mine development and buildings				
– at directors' 1980 valuation	<b>292 300</b>	292 300	<b>292 300</b>	292 300
Less accumulated depreciation	<b>159 721</b>	159 721	<b>159 721</b>	159 721
	<b>132 579</b>	132 579	<b>132 579</b>	132 579
– at cost	<b>102 988</b>	102 988	<b>102 988</b>	102 988
Less accumulated depreciation	<b>38 664</b>	38 664	<b>38 664</b>	38 664
	<b>64 324</b>	64 324	<b>64 324</b>	64 324
Net mine development and buildings	<b>196 903</b>	196 903	<b>196 903</b>	196 903
(b) Plant, machinery & equipment				
– at directors' 1980 valuation	<b>245 177</b>	245 177	<b>245 177</b>	245 177
Less accumulated depreciation	<b>148 866</b>	148 866	<b>148 866</b>	148 866
	<b>96 311</b>	96 311	<b>96 311</b>	96 311
– at cost	<b>304 546</b>	304 652	<b>304 546</b>	304 652
Less accumulated depreciation	<b>104 728</b>	104 809	<b>104 728</b>	104 809
	<b>199 818</b>	199 843	<b>199 818</b>	199 843
Net plant, machinery & equipment	<b>296 129</b>	296 154	<b>296 129</b>	296 154
(c) Mine property				
– at cost	<b>62 121</b>	62 121	<b>62 121</b>	62 121
Less accumulated amortisation	<b>46 204</b>	46 204	<b>46 204</b>	46 204
Net mine property	<b>15 917</b>	15 917	<b>15 917</b>	15 917
(d) Capitalised works in progress				
– at cost	<b>32 543</b>	36 884	<b>32 543</b>	36 884
Total property, plant & equipment – at cost or valuation	<b>1 039 675</b>	1 044 122	<b>1 039 675</b>	1 044 122
Less accumulated depreciation/amortisation	<b>498 183</b>	498 264	<b>498 183</b>	498 264
Net book value	<b>541 492</b>	545 858	<b>541 492</b>	545 858
Stores	<b>10 003</b>	10 231	<b>10 003</b>	10 231
Total mine assets	<b>551 495</b>	556 089	<b>551 495</b>	556 089
Less general provision for deterioration, damage and pilferage since the withdrawal of company personnel	<b>350 000</b>	–	<b>350 000</b>	–
Net value	<b>201 495</b>	556 089	<b>201 495</b>	556 089

The basis of valuation of these assets are set out in note 1(b) of the accounts and attention is drawn to note 1(a) titled "Basis of Preparation".

**10. Asset revaluation reserve**

Asset revaluation reserve	<b>31 276</b>	31 276	<b>31 276</b>	31 276
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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. In preparing these accounts a general provision for deterioration, damage and pilferage of K350 million has been made for the reasons set out in note 1(a). This provision does not represent a revaluation of mine assets and in accordance with generally accepted accounting principles no adjustment has been made to the residual asset revaluation reserve.

**11. Other debtors**

Landowners' compensation on interest bearing deposit	<b>2 696</b>	–	<b>2 696</b>	–
Other debtors and payments in advance	<b>5 072</b>	5 214	<b>5 082</b>	5 122
Provision for doubtful debts	<b>(585)</b>	(360)	<b>(585)</b>	(360)
	<b>7 183</b>	4 854	<b>7 193</b>	4 762

Landowners' compensation not separately disclosed in the accounts of the company in 1990 was K1.466 million (see note 7).

**12. Capital**

The authorised capital of K425 000 000 consists of 425 000 000 ordinary shares of one kina each. The issued capital of the company is 401 062 500 ordinary shares of one kina each, fully paid. No change in authorised or issued capital occurred during 1991.

**13. Directors' emoluments**

The total of the emoluments received, or due and receivable (whether from the company or from related parties) by:

(a) Directors of the company engaged in the full-time employment of the company or its related parties (including all bonuses and commissions received or receivable by them as employees), was

	1991		1990	
	Company K'000	Related Corporations K'000	Company K'000	Related Corporations K'000
(a) Directors of the company engaged in the full-time employment of the company or its related parties (including all bonuses and commissions received or receivable by them as employees), was	—	1 246	—	1 063
(b) Directors of the company not engaged in the full-time employment of the company or its related parties (Additional director appointed late 1990)	36	9	27	16

No commissions for subscribing for, or agreeing to procure subscriptions for any shares in or debentures of the company or any related corporations, were received or are due and receivable by any director.

Consolidated		Bougainville Copper Limited	
1990 K'000	1989 K'000	1990 K'000	1989 K'000

**14. Commitments**

Approved capital expenditure

Committed — projects commenced

—	968	—	968
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Those commitments at the end of 1989 which were not settled in 1990 have been cancelled at no significant cost to the company.

Operating lease commitments not reflected in the financial statements

779	1 034	779	1 034
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The 1990 figures were incorrectly shown as K42 000 in last year's accounts and have been amended to K1 034 000 as shown above.

**15. Contingent liabilities and assets**

Bougainville Copper Limited is contractually obliged to reimburse Shell Papua New Guinea Pty Limited for any retail sales tax payable by Shell on petroleum products sold to the company. A claim for retail sales tax amounting to approximately K4 663 000 has been lodged by the North Solomons Provincial government. However, the validity of the tax is being disputed by both Shell Papua New Guinea Pty Limited and the company.

As part of the initiatives developed in conjunction with the government of Papua New Guinea in an attempt to resolve the current situation in Bougainville, the company has made commitments of approximately K34 million over 5 years, for additional benefits to be provided by it to lease area landowners and the North Solomons Province, conditional upon the mine successfully recommencing operations and returning to profitability.

The directors do not expect the company to suffer any material loss as a result of the cancellation of purchase orders for either revenue or capital contracts.

**16. Mining tenements**

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

**17. Holding company**

The holding company is CRA Limited (incorporated in Australia).

**18. Segmental Information**

The company did not trade during the year. Its only assets represent the Panguna mine and associated facilities on Bougainville Island, Papua New Guinea and limited plant and equipment in storage in Australia.

**19. Related party transactions**

Transactions with directors are disclosed in note 13.

The company has paid management fees to CRA Limited and CRA Minerals (PNG) Pty Ltd during the year amounting to K673 000 and K335 000 respectively.

With the exception of the above neither the company nor its subsidiary entered into any other transactions with related parties.



## Declarations

### Statement by Directors

The accounts of the company have been prepared using the basis of valuation described in note 1 to the accounts. 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, despite the current cessation of operations. The general provision made may eventually prove to be above or below the sum which is necessary to reflect the actual losses which will have occurred. For these reasons the directors are unable to determine if the carrying value of the assets included in the accounts is properly stated.

Accordingly, the directors are unable to form an opinion whether or not the accompanying statements of earnings and fund statements give a true and fair view of the results of the business of the company and its subsidiary for the period covered by the statements or that the accompanying balance sheets exhibit a true and fair view of the state of affairs of the company and its subsidiary at the end of that period.

Signed at Port Moresby on this 10th day of February, 1992.

On behalf of the Board

D. S. CARRUTHERS

Chairman.

I. R. JOHNSON

Director.

### Declaration by Secretary

I, Moses Samboro Koiri, Secretary of Bougainville Copper Limited, do solemnly and sincerely declare that for the reasons stated by the directors of the company in note 1 to the accounts, the accompanying balance sheets, statements of earnings and funds statements of the company and its subsidiary have been prepared on the basis described in that note and on this basis are to the best of my knowledge and belief, correct, and I make this solemn declaration by virtue of the Oaths, Affirmations and Statutory Declarations Act (Chapter 317), conscientiously believing that the statements contained herein to be true in every particular.

Declared at Port Moresby this 10th day of February, 1992.

M. S. KOIRI

Secretary.

Before me:

A. G. CORREN

Commissioner for Oaths.

### Auditors' Report to the Members of Bougainville Copper Limited

1. We have audited the balance sheets, statements of earnings and the funds statements (the accounts) set out on pages 7 to 15 in accordance with generally accepted auditing standards.

2. These accounts have been prepared with the inclusion of the company's assets at their 1 January, 1991 book value, with a separate general provision of K350 million having been made for the value of the indeterminate level of deterioration, damage and pilferage of mine assets which is expected to have occurred in the period since the withdrawal of company personnel from Bougainville in early 1990. As explained in note 1(a) to the accounts, it is not possible, at present, to determine when the company will resume operations at the Panguna mine on Bougainville Island, or to measure or estimate reliably the extent of deterioration, damage and pilferage of mine assets.

3. While the 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 personnel is again possible.

4. In our opinion, providing for the probable loss from deterioration, damage or pilferage is the appropriate accounting treatment for the actual losses which will have occurred in 1990 and 1991. However, as the actual extent of such losses can only be established after the company regains access to the mine site, we recognise that, at present, those losses are not capable of reliable measurement or estimation, either by directors or by us. Accordingly the provision made by directors in 1991 may eventually prove to be above or below the sum which is necessary to reflect these losses.

5. If the company is ultimately unable to recommence operations successfully at the Panguna mine, in our opinion, the company's mine assets, as disclosed in the accounts, would need to be written off, less any amounts which may be recovered by sale or compensation.

6. In the absence of all the necessary information and explanations we require, (because both we and the directors have been unable to obtain access to Bougainville Island) and for the reasons set out above, we are unable to form an opinion as to whether or not the provision against the net book value of mine assets of K350 million is adequate or not. Accordingly we are unable to form an opinion as to whether or not the carrying value of the mine assets, as disclosed in these accounts, is properly stated.

7. These assets which represent 78% of the book value of total assets and 85% of the book value of net tangible assets are of fundamental importance to the presentation of the accounts. In view of the uncertainty over the quantum of the general provision that has been made against these assets, as set out above, we are unable to form an opinion as to whether or not the accounts and group accounts give a true and fair view of the state of affairs of the company and the group as at 31 December, 1991 and the results for the year ended on that date.

8. In our opinion, except that the records of mine assets may not be a reliable reflection of the existence and value of those assets on Bougainville Island, the remaining accounting and other records, including registers, examined by us have been properly kept in accordance with the Companies Act (Chapter 146).

COOPERS & LYBRAND

by P. A. Atwood

Registered under the Accountants Registration Act (Chapter 89),

Port Moresby,

on this 10th day of February, 1992.



## Corporate Information

### Twenty largest shareholders

The twenty largest shareholders as at 10 February, 1992 and the number of shares held by each were:

Name and Registered Address	Shares	% of issued shares
1 CRA Limited Melbourne Vic	210 788 514	52.56
2 The Independent State of Papua New Guinea	76 430 809	19.06
3 Indosuez Nominees Pty Ltd Melbourne Vic	21 572 140	5.38
4 Citicorp Nominees Pty Limited Melbourne Vic	21 406 987	5.34
5 ANZ Nominees Limited Melbourne Vic	14 170 373	3.53
6 National Nominees Limited Melbourne Vic	6 295 252	1.57
7 Pandal Nominees Pty Limited Australia Square NSW	5 148 836	1.28
8 CRA Base Metals Pty Limited Melbourne Vic	4 099 452	1.02
9 Bank of New South Wales Nominees Pty Limited Sydney NSW	4 027 800	1.00
10 Bougainville Copper Foundation Port Moresby PNG	3 600 000	0.90
11 Public Officers Superannuation Board Boroko PNG	2 561 500	0.64
12 ISMG Nominees Pty Ltd Melbourne Vic	2 120 064	0.53
13 MLC Life Limited North Sydney NSW	2 050 500	0.51
14 Chase Manhattan Nominees Limited Sydney NSW	1 992 300	0.50
15 City of Bradford Metropolitan Council Bradford UK	836 000	0.21
16 Barclays Australia Custodian Services Limited Sydney NSW	555 790	0.14
17 Mr Lawrence Neville Lancelot Platt Kingsgrove NSW	550 000	0.14
18 State Superannuation Board of Victoria Sydney NSW	511 900	0.13
19 Westpac Custodian Nominees Limited Sydney NSW	444 033	0.11
20 ISIT Nominees Pty Ltd Melbourne Vic	330 000	0.08
	<u>379 492 250</u>	<u>94.63</u>

### Distribution of shares

As at 10 February, 1992:

The issued shares of the company were 401 062 500 fully paid one kina shares, each carrying one voting right. The number of shareholders was 19 982.

The distribution of holdings of the issued shares was:

	Number of shares	% of issued shares
1- 1 000 shares	16 403	82.09
1 001- 5 000 shares	3 002	15.02
5 001-10 000 shares	339	1.70
10 001 shares and over	238	1.19
Total shareholders	<u>19 982</u>	<u>100.00</u>

There were 13 713 holdings of shares (68.63%) numbering less than 500 shares which do not form a marketable parcel.

94.63% of the total issued shares were held by or on behalf of the 20 largest shareholders.

The substantial shareholders were: CRA Limited and its wholly-owned subsidiary CRA Base Metals Pty Limited — 214 887 966 shares (53.58%); The RTZ Corporation PLC has an interest in the same shares through its wholly-owned subsidiaries' (Tinto Holdings Australia Pty. Limited, Melbourne, Vic., R.T.Z. Australian Holdings Limited, RTZ Pacific Holdings Limited and RTZ International Holdings Limited, all of London, UK) interests in CRA Limited and CRA Base Metals Pty. Limited; The Independent State of Papua New Guinea — 76 430 809 shares (19.06%).

### Directors' interests

Directors' interests in the share capital of the company and its related companies as at 10 February, 1992 were:

D. S. Carruthers	828 CRA Shares 50 000 CRA (A) options 1 000 CRA (B) options
R. J. Cornelius	2 088 CRA shares 194 Comalco shares 22 500 CRA (A) options 1 800 CRA (B) options
J. J. Craig	22 500 CRA (A) options 1 000 CRA (B) options
P. G. F. Henderson, A.C.	No interests
I. R. Johnson	30 000 CRA (A) options 1 800 CRA (B) options
R. B. Moaina	No interests
M. R. Rayner	525 CRA shares 65 Comalco shares 50 000 CRA (A) options 1 800 CRA (B) options
M. P. Togolo	360 BCL shares
D. C. Vernon	No interests

Abbreviations:  
BCL — Bougainville Copper Limited  
CRA — CRA Limited  
CRA (A) — Options to acquire CRA shares allocated pursuant to the Senior Executive Share Plan 1987 and 1990.  
CRA (B) — Options to acquire CRA shares allocated pursuant to the CRA Group Employee Participation Schemes 1987 and 1990  
Comalco — Comalco Limited

### Bougainville Copper Limited (Incorporated in Papua New Guinea)

#### Registered Office:

1st Floor,  
Mogoru Motu Building,  
Champion Parade,  
Port Moresby,  
Papua New Guinea.  
Telephone 212 044  
Telex NE22129  
Facsimile 213 634

#### Principal Registered Office in Australia:

Bougainville Copper Limited  
Australian Registered Body Number  
007 497 869  
Level 31, 55 Collins Street,  
Melbourne, Vic. 3000.  
Telephone (03) 658 3333  
Telex AA30108  
Facsimile (03) 658 3707

#### Share Registers:

c/o KPMG Peat Marwick,  
161 Collins Street,  
Melbourne, Vic. 3000.  
Telephone (03) 288 5555.

#### Postal Address:

G.P.O. Box 2975EE  
Melbourne, Vic. 3001.

A.C.T.: c/o KPMG Peat Marwick,  
80 Northbourne Avenue,  
Canberra City 2601, A.C.T.

P.N.G.: P.O. Box 1274, Port Moresby,  
Papua New Guinea.

#### Stock Exchange:

Listed with the Australian Stock  
Exchange Limited.

#### Auditors:

Coopers & Lybrand.

#### Bankers:

Commonwealth Bank of Australia.  
Papua New Guinea Banking  
Corporation.

#### Solicitors:

Arthur Robinson & Hedderwicks.  
Gadens Ridgeway.



## Statistical Summary

	1991	1990	1989	1988	1987	1986	1985
<b>Financial</b>							
<b>Earnings (K million)</b>							
Net sales revenue and other income*****	3.3	80.2	231.6	493.4	415.4	342.7	317.6
Operating and other expenses****	316.6	36.8	181.7	244.8	227.5	223.7	221.5
Depreciation*****	—	51.5	47.3	43.9	49.4	47.3	47.6
Earnings/(loss) before taxation and exchange gains	(313.3)	(8.1)	2.6	204.7	138.5	71.7	48.5
Exchange gains/(losses)	0.1	(0.5)	2.5	(2.9)	5.7	2.3	(1.4)
Earnings/(loss) before taxation	(313.2)	(8.6)	5.1	201.8	144.2	74.0	47.1
Taxation	—	6.0	25.7	93.2	50.6	28.7	19.0
Net earnings/(loss)	(313.2)	(14.6)	(20.6)	108.6	93.6	45.3	28.1
Dividends	—	—	—	108.3	92.2	44.1	28.1
Earnings retained	(313.2)	(14.6)	(20.6)	0.3	(1.8)	1.2	—
<b>Balance sheet (K million)</b>							
Property, plant and equipment	201.5	545.9	595.8	570.0	527.8	550.1	558.5
Investments and loans	—	—	—	2.2	0.7	0.7	0.2
Current assets	56.5	64.7	59.5	250.1	260.3	190.1	160.4
Total assets	258.0	610.6	655.3	822.3	788.8	740.9	719.1
Shareholders' funds	237.9	551.1	565.6	586.2	586.0	587.7	586.5
Exchange fluctuation	—	—	—	0.2	0.3	(3.2)	(5.9)
Long-term liabilities	6.8	47.7	46.9	23.7	24.8	48.1	52.4
Current liabilities	13.3	11.8	42.8	212.2	177.7	108.3	86.1
Funds employed	258.0	610.6	655.3	822.3	788.8	740.9	719.1
<b>Production/Sales</b>							
<b>Mined</b>							
Ore and waste removed (millions of tonnes)	—	—	33.27	89.78	83.53	79.16	73.62
Ore milled (millions of tonnes)	—	—	18.52	47.69	48.20	47.89	50.07
Ore grade							
Copper (per cent)	—	—	0.44	0.41	0.41	0.42	0.42
Gold (grams/tonne)	—	—	0.50	0.41	0.43	0.48	0.42
<b>Produced</b>							
Concentrate (thousands of dry tonnes)	—	—	224.6	552.0	585.5	586.6	581.8
Contained copper (thousands of dry tonnes)	—	—	68.7	166.0	178.2	178.6	175.0
Concentrate grade							
Copper (per cent)	—	—	30.1	30.1	30.4	30.5	30.1
Gold (grams/tonne)	—	—	31.0	25.1	25.8	27.9	24.7
Silver (grams/tonne)	—	—	91.2	87.7	86.4	85.9	79.3
<b>Shipped</b>							
Total concentrate (thousands of dry tonnes)	—	—	250.8	570.8	567.6	589.4	560.0
Destination:							
Japan (per cent)	—	—	40.2	45.4	32.6	43.2	44.1
Other Asian (per cent)	—	—	34.3	23.4	33.5	15.4	15.7
Europe (per cent)	—	—	25.5	27.7	33.9	41.4	40.2
All Other (per cent)	—	—	0.0	3.5	0.0	0.0	0.0
<b>Values</b>							
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	—	0.3	260.0	561.0	489.4	417.9	381.3
Contribution by:							
Copper (per cent)	—	61	68	68	60	54	61
Gold (per cent)	—	38	31	30	38	44	37
<b>Other</b>							
US\$/Kina exchange rate	1.05	1.05	1.17	1.16	1.10	1.03	1.00
Average metal prices							
LME copper (US\$/lb)	106.0	119.8	129.0	117.9	81.0	62.3	64.3
London gold market (US\$/oz)	362.2	382.8	381.0	436.8	446.7	367.9	317.3
Return on shareholders' funds (per cent)	—	—	—	18.5	16.0	7.7	4.8
Earnings per share*** (toea)	—	—	—	27.1	23.3	11.3	7.0
Dividends per fully paid share*** (par value K1.00) (toea)	—	—	—	27.0	23.0	11.0	7.0
Number of shares issued at end of year (millions)	401	401	401	401	401	401	401
Number of shareholders at end of year	19 982	20 532	21 287	21 966	22 650	24 680	27 117
Debt/equity ratio	—	—	—	.002/1	.004/1	0.05/1	0.06/1
Work force at end of year							
Overseas	6	13	330	610	699	706	704
National	6	10	1 987	2 950	3 025	2 993	2 948

**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 the dividend figures for those years.

\* Full year figures, but commercial production commenced 1 April, 1972

\*\* 1972 figure is for Bougainville Mining Limited

\*\*\* 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

1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972*
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
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
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
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
(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)
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
15.2	46.9	17.3	20.6	51.2	77.9	22.0	13.7	20.3	12.4	66.5	0.3	-
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
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
(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
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
0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-
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
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
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
(5.3)	(4.7)	1.5	1.5	5.1	5.4	9.0	14.6	9.0	11.5	19.1	39.5	24.2
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
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
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
74.4	81.00	76.22	77.56	79.76	75.97	79.05	70.79	58.54	56.40	56.00	56.65	46.75
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
0.42	0.46	0.47	0.51	0.46	0.55	0.60	0.61	0.64	0.64	0.70	0.73	0.76
0.48	0.55	0.60	0.59	0.50	0.75	0.82	0.90	0.87	0.80	1.02	1.03	0.77
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
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
30.3	28.8	28.4	28.7	28.8	29.2	30.2	29.6	29.6	28.9	28.7	28.1	28.3
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
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
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
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
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
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	0.0	1.7	1.5	0.0	0.0	3.8	3.7	9.5	1.8	6.6	7.4	2.5
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
53	52	51	54	51	60	64	66	74	69	74	83	83
45	46	47	44	46	37	34	32	24	29	25	16	16
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
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
360.8	423.5	375.6	459.9	614.7	304.7	193.5	147.8	124.8	160.9	158.7	97.3	58.2
2.0	9.3	1.9	3.9	16.3	27.4	15.3	9.3	14.0	16.6	46.2	84.1	18.9
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
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	267	267	267	267	267	267	267	260**
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
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
749	751	756	801	877	851	855	853	858	942	980	929	971
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



## Distribution of the Benefits

	1991	K million 1990	1972-1991
<b>PNG Government</b>			
Corporate income tax*	—	5.3	586.8
Group tax (PAYE)	0.1	1.7	122.1
Customs duty	—	—	104.1
Miscellaneous	—	—	10.1
Dividends*	—	—	165.9
Dividend WHT*	—	—	96.5
	<b>0.1</b>	<b>7.0</b>	<b>1 085.5</b>
<b>NSP Government</b>			
Royalties (95% to NSPG)	—	—	61.4
Non Renewable Resources Fund	—	—	1.8
Other taxes	—	—	12.0
	—	—	<b>75.2</b>
<b>Landowners</b>			
Royalties (5% to Landowners)	—	—	3.2
Compensation	1.2	1.5	23.7
	<b>1.2</b>	<b>1.5</b>	<b>26.9</b>
<b>Non-Government Shareholders</b>			
Dividends net of Dividend WHT*	—	—	576.7
<b>Employees</b>			
Wages (less PAYE)	0.3	5.9	575.2
<b>Total</b>	<b>1.6</b>	<b>14.4</b>	<b>2 339.5</b>

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

\*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.

**Annual Report 1991**

**BOUGAINVILLE  
COPPER  
LIMITED**

