

B.O. 1625

Bougainville Copper Limited

1998

ANNUAL REPORT



Bougainville Copper Limited

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

THE COMPANY

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 recommencement of operations.

Since inception until cessation of operations on 15 May, 1989 the mine had produced concentrate containing 3 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% of Papua New Guinea's exports through that period. Contributions to the National Government in the form of taxes, duties and dividends were approximately 17% of internally generated Papua New Guinea Government revenue over that period.

A total of K1 086 million has been contributed to the National Government which represents 62% of the net cash generated by the project. In addition, payments to the North Solomons Provincial Government and Panguna landowners, together with provisions made since 1990, amount to K114 million. 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 for some 12 000 employees, including approximately 1 000 completing full trade apprenticeships and some 400 completing graduate and post graduate studies, 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 workforce. At the end of 1998, the company had no employees. The activities of the company are being managed on a contracted services basis by a small team of Rio Tinto Minerals (PNG) Limited staff based in Port Moresby.

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

NOTICE OF MEETING

The Annual General Meeting of Bougainville Copper Limited will be held at 10.00 am on Thursday, 18 March, 1999 at The Port Moresby Travelodge, Hunter Street, Port Moresby, Papua New Guinea. A separate Notice of Meeting is enclosed. All shareholders are cordially invited to attend.

DIRECTORS

B. L. Cusack (Chairman)
K. Aua
D. S. Karpin AM
D. H. McLellan
M. A. Moramoro OBE
P. R. Taylor

SECRETARY

P. D. Coleman

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Year in Brief

- Mine remained closed.
- Access to Panguna mine still not possible.
- Extent of deterioration and destruction of assets still unknown.
- Slow progress on restoration of services to mainland Bougainville.
- Net profit K77 million.

	1998	1997
Concentrate production (tonnes)	-	-
Net sales revenue (K'000)	-	-
Interest earned (K'000)	12 397	6 130
Operating profit (K'000)	7 696	1 391
Earnings per share (toea)	1.92	0.35
Shareholders' funds (K'000)	263 618	255 922
Return on shareholders' funds (per cent)	2.9	0.5
Depreciation and amortisation (K'000)	-	-
Government royalties and taxation (K'000)	-	-
Number of employees at 31 December	-	-

Chairman's Statement

The peace process on Bougainville continues to make slow progress. The successful meetings held in 1997 set the framework for peace and this year has seen a consolidation of this process. Although there is widespread support for peace from within PNG and the general Bougainvillean community, the situation remains fragile. Both the New Zealand and Australian Governments have continued to support the Papua New Guinea National Government and the people of Bougainville with reconstruction.

The truce monitoring group was replaced with a peace monitoring group at the end of April after a "permanent and irrevocable" ceasefire came into effect, and has been achieving its objectives of assisting in the process through facilitating meetings and disseminating information. The Australian Government has given a commitment to keep this presence for the near future, but has made it clear to both the National Government and the people of Bougainville that this style of assistance can not remain indefinitely. Bougainville Copper Limited (BCL) is still assisting the process by making available the use of its facilities at Loloho and in the Arawa area, and is also assisting with information and expertise to assist in reconstruction.

A positive and encouraging event has been the UN agreeing to deploy a small UN observer mission to Bougainville.

As reported last year, although signs for a sustained peace on Bougainville are promising, the company is aware of the need to be vigilant and patient and still believes that it may not gain access to the Panguna mine site area for some time. It has consistently maintained that sustainable peace is the most important

single issue for PNG, Bougainville and the company.

The board has continued to update studies on the social, economic and environmental conditions associated with the mine. Without access to the mine and mine site infrastructure, these studies remain incomplete. However, where access to assets is available, such as the power station at Loloho, predictions of considerable deterioration have been confirmed. If this situation is repeated at the mine site, little, if any, of the company's assets, will be suitable for renewed operations. Other factors which currently mitigate against a restart of economic operations at Panguna include the weak prices for copper and gold and the downturn in world demand. These factors require a cautious approach to values put on assets and provisions made for future write-downs and calculations of reserves based on historical data.

The second Commission of Inquiry into the so called "Sandline Affair" headed by Justice Los, concluded and published its report towards the end of 1998. As was the case for the first Judicial Committee of Inquiry presided over by Justice Andrews in 1997, neither BCL nor its majority shareholder were called to give evidence to the Los Commission of Inquiry. BCL did not seek leave to appear at the second Commission of Inquiry, and the Commission's report did not make any findings adverse to BCL or its major shareholder in relation to the Sandline affair. Indeed, there was no substantive mention of BCL or its major shareholder in the Sandline Commission's reports.

The company recorded a profit of K77 million for the year as a result of increased interest rates.

A matter that has concerned the directors is the decline in the value of the kina, particularly against the US\$ and A\$. By Government regulation, BCL is required to hold its cash reserves on-shore in kina. This requirement was put in place after the kina was floated in 1995. In US\$ and A\$ terms, the company has seen the value of its cash decrease. On the positive side, interest rates in PNG have generally been much more favourable than either US\$ or A\$ rates, and explained the improved profit relative to last year. Nonetheless the off-shore buying power of the company's reserves has deteriorated as a result of being required to hold funds in kina.

The directors continue to monitor investment and business opportunities and the associated risks.

During the year staff changes at the Department of Mineral Resources resulted in long term director Robin Moaina, the Papua New Guinea government representative on the board, resigning. Robin has been a director since 1988 and has provided valuable counsel and dedicated service over a very difficult period for the company. I wish Robin well for the future. The government nominated Mr Kuma Aua as its replacement director. Mr David McLellan was appointed a director during the year to replace Mr Peter Henderson who retired. I welcome both Kuma and David to the board.



B. L. Cusack
Chairman

18 January, 1999

The Year in Review

ADMINISTRATION:

The year has seen a marked escalation of issues related to the company's assets on Bougainville. The peace monitoring group is using company facilities at Lolohe, the company port. Company mobile machinery is being used to assist aid projects for road reconstruction and maintenance.

The peace monitoring group receives support from BCL for information and technical expertise in relation to port and Arawa town facilities.

Although the peace is holding, the general law and order situation has deteriorated. In an effort to address this situation the National Government is training and equipping an auxiliary police unit. This AusAid funded project has so far graduated 35 police. Effective law and order is essential for the resumption of normal commercial activity.

A major issue for the company during the year has been an escalation in the illegal trade of company owned "scrap" metal. A systematic destruction of plant and equipment has been the result. Not only has this activity resulted in additional costs for a mine restart it has also rendered useless equipment that could have been used in the reconstruction process. Legal proceedings aimed at the traders has been instituted and has been effective in stopping this illegal trade in company assets.

BCL's affairs are managed by Rio Tinto Minerals (PNG) Limited which maintains a small office in Port Moresby. BCL does not consider that at this stage in the peace process it should seek to establish a representative presence on Bougainville. Services provided by Rio Tinto Minerals to the company are on the basis of reimbursement of costs.

The large volume of commercial and technical documents shipped from Bougainville at the beginning of the crisis has now been incorporated in an easily accessible information management system. Further work continues on the data base.

Changes in company laws in PNG have required the company to prepare a Constitution to replace its Articles of

Association. The new Constitution will be presented to the Annual General Meeting. Australian Stock Exchange Listing Rules require BCL to be part of the "CHESS" electronic share registry which replaces traditional share certificates. All shareholders were sent explanatory information on the changes which were effective on the 27th November, 1998.

FINANCE AND ASSETS:

The company is debt free and maintains no credit facilities. Its interest earnings on cash investments during the year were sufficient to meet its recurrent expenditure and return a profit of K77 million.

Cash reserves at year end were K71.8 million. In addition K22.1 million is held in a reserve account as a contingency for compensation that may ultimately be required. This reserve amount is reported separately in the accounts.

The company's main undertaking remains the Panguna mine and associated infrastructure. The current condition of the Panguna assets is unknown although it is assumed considerable deterioration has occurred. In 1991 the decision was taken to make a general provision of K350 million to allow for future write-down of the value of assets when their true value can be ascertained. This provision has not been increased since 1991 nor has depreciation been charged. These factors should be taken into account when reading the accounts and are more fully explained in note I.(a). Safe access to company assets at Panguna is still not possible and the directors consider the current circumstances do not permit a more meaningful valuation of assets than that adopted last year.

Consumable goods held in storage in Brisbane and that part of a crushing unit stored outside Bougainville have been sold. This will save further storage costs of these deteriorating items.

ORE RESERVES:

No exploration or other work took place on ore reserve estimates during the year. The recoverable proved ore reserves therefore remain unchanged from the 1989

estimate of 496 million tonnes of average grade 0.42% copper and 0.55 grams per tonne gold.

An additional 520 million tonnes of 0.22% copper and 0.18 grams per tonne gold is recoverable and upgradable by screening. This will yield an additional 195 million tonnes mill feed averaging 0.34% copper and 0.28 grams per tonne gold.

The total mineable mill feed is estimated at 691 million tonnes averaging 0.40% copper and 0.47 grams per tonne gold.

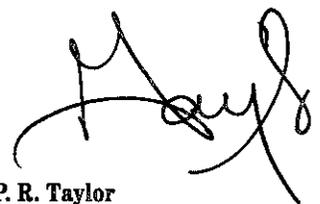
These 1989 estimates were made on an exchange rate of US\$1.17 to the kina and a copper and gold average price for the year of US\$1.29/lb. and US\$381/oz. respectively. This year's averages by comparison are US\$0.48, US\$0.75/lb. and US\$294/oz. and may not support the same level of ore reserves.

MARKETING:

Historically the company has a ready market for its concentrate product. The company maintains reviews of potential future markets. Reviews planned for the coming year will include an assessment of the market for copper/gold concentrates and the prevailing commercial terms for smelting and refining.

COMING YEAR:

It is anticipated the greater level of activity experienced this year on Bougainville will continue in the coming year. It is planned to undertake a study on the future of BCL on Bougainville and alternative strategies for the company including the possibility of investing in ventures unassociated with the Panguna mine. The study will also consider issues associated with disposing of company assets on Bougainville. Any proposal to divest or change the company's major undertaking will be presented to shareholders for a decision.



P. R. Taylor
Executive Director
18 January, 1999

Directors' Report

The directors of Bougainville Copper Limited present their report on the audited financial statements of the company for the year ended 31 December, 1998.

REVIEW:

The Panguna mine has not operated since 15 May, 1989 due to the crisis on Bougainville and the activities of armed militants, and it has not been possible for company employees to return to the mine since their withdrawal early in 1990.

Following withdrawal of employees from the island, a small management team was established in Port Moresby. This team has now been incorporated into Rio Tinto Minerals (PNG) Limited (RTM), a wholly owned subsidiary of Rio Tinto Limited. The company has a service agreement with RTM.

Any re-opening of the mine will be conditional upon restoration of law and order and satisfactory economic conditions. The company maintains a watch on these factors.

DIRECTORS:

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

B. L. Cusack (Chairman)

Age 56 B Eng (Hons) M Eng Sci (Hons)
Extensive experience within the Rio Tinto Group since 1966 including Managing Director of Dampier Salt, Hismelt and Hamersley Iron. Currently Managing Director of Rio Tinto Australia. Appointed director of Bougainville Copper Limited August, 1997.

K. Aua Age 43 Bsc

Former First Assistant Secretary, Department of Foreign Affairs & Trade. Managerial roles in the private sector until joining the Department of Mining and Petroleum as Deputy Secretary in 1994. Appointed Secretary, Department of Mineral Resources in 1998. Appointed director of Bougainville Copper Limited October, 1998.

D. S. Karpin AM Age 56 B Com (Hons) MBA
Twenty-two years with CRA Group including BCL and Hamersley Iron. Managing Director of Argyle Diamond Mines from 1986 until appointed CRA Group Executive responsible for Economic Resources in October, 1992. Retired CRA Limited 1996.

Chairman of Australian Government's Industry Task Force on Leadership and Management Skills. Appointed director of Bougainville Copper Limited November, 1995.

D. H. McLellan Age 63

Extensive experience of commercial business in Papua New Guinea as former Managing Director of Burns Philp (PNG) Ltd. Former President of PNG Employers Federation. Former Chairman of Australian Executive Overseas Program Ltd. Appointed director of Bougainville Copper Limited July, 1998.

M. A. Moramoro OBE Age 46 B Com MSc

Former Vice Chancellor, PNG University of Technology 1983-90. Joined CRA Minerals (PNG) Pty Limited 1990 - General Manager Corporate Relations. Appointed Executive Director January, 1993 and Managing Director January, 1995. Resigned from Rio Tinto Minerals (PNG) Limited April, 1997 to join Chevron Niugini Limited. Appointed director of Bougainville Copper Limited April, 1993.

P. R. Taylor Age 52 BA BSc LLB LLM

Currently Executive Director Rio Tinto Minerals (PNG) Limited. Formerly General Manager Commercial CRA Exploration Pty Limited, CRA Projects and Corporate Counsel CRA Services Limited. Appointed director of Bougainville Copper Limited April, 1997.

ACTIVITIES:

Bougainville Copper Limited 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 has no subsidiaries. The company has effectively been inactive in 1998.

NET EARNINGS:

The net profit of Bougainville Copper Limited for 1998 was K7 696 433 (1997 K1 390 977).

TAXATION:

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

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:

No dividends have been declared in respect of 1998.

ACCOUNTING POLICIES:

There have been no changes made in the company's accounting policies during 1998.

MEETINGS OF DIRECTORS:

There were four full meetings of the company's directors held during the year ended 31 December, 1998, and the numbers of meetings attended by each director were:

B. L. Cusack	4
K. Aua (appointed 27/10/98)	1
D. S. Karpin	2
D. H. McLellan (appointed 21/7/98)	2
R. B. Moaina (resigned 17/4/98)	1
M. A. Moramoro	4
P. R. Taylor	4

DIRECTORS' INTERESTS:

Directors' interests in the share capital of the company and its related companies as at 18 January, 1999 were:

B. L. Cusack	150 BCL shares
	6 235 Rio Tinto Limited shares
K. Aua	No interests
D. S. Karpin	1 398 Rio Tinto Limited shares
	417 Rio Tinto plc shares
D. H. McLellan	No interests
M. A. Moramoro	No interests
P. R. Taylor	8 600 Rio Tinto Limited shares

INTEREST'S REGISTER:

There were no transactions recorded in the Interest's Register during the year, other than the directors' interests in the shares of the company as shown above.

THE YEAR IN REVIEW:

The company has not operated during the year and a review of 1998 activities is set out in the section entitled "The Year in Review", in this annual report (page 4).

AUDITORS:

The retiring auditors, PricewaterhouseCoopers, 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:

There were no employees during the year.

REMUNERATION OF DIRECTORS:

The amount of directors' remuneration, including the value of benefits, received during the year is shown in note 11 to the financial statements.

DONATIONS:

The company did not make donations during the year.

ADDITIONAL INFORMATION:

The directors also state that:

1. There were no significant changes in the state of affairs of the company during the year as set out in this annual report.

2. The results of the operations of the company 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, no matters or circumstances have arisen since the end of the financial year which

significantly affected or may significantly affect:

- (i) the operations of the company
- (ii) the results of those operations or
- (iii) the state of affairs of the company in the financial year subsequent to 31 December, 1998.

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 remuneration 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.

6. While the company remains inactive the directors do not believe it necessary to have an audit committee of the Board of Directors.

7. In the exercise of their duties as your directors, the Bougainville Copper Limited Board is committed to observing the highest standards of corporate governance and ethical standards. The Board has the responsibility to set the strategic direction of the company, review the financial performance, monitor achievement against objectives, review the management of business risk and report to the shareholders.

8. There are currently two directors who are full-time employees of the Rio Tinto Group and four independent non-executive directors (one of whom is the Papua New Guinea government's representative). The Board seeks to maintain an appropriate blend of

qualifications, skills and experience of directors commensurate with the size and activities of the company. The Board elects the Managing Director whilst one-third of all other directors, in accordance with the company's Articles of Association, retire at every annual general meeting, and may be eligible for re-election. The Chairman has the responsibility for overseeing the nomination of all directors and for the review of the Board's membership, in conjunction with all the Board members.

9. The directors shall be paid out of funds of the company by way of remuneration for their services as directors such sum (not exceeding A\$100,000 in total per annum) as the directors may from time to time determine.

10. The company is committed to the management of risks to protect the environment, company assets, earnings and reputation.

11. In exercising their duties as directors, the Board and individual members of it can seek independent professional advice at the company's expense. Requests for the provision of such advice are directed to the Chairman.

12. The company follows a continuous disclosure policy, making announcements to the Australian Stock Exchange when it becomes aware of information which might materially affect the price of its shares.

Signed this 18th day of January, 1999 in accordance with a resolution of the directors of Bougainville Copper Limited.



B. L. Cusack Chairman



M. A. Moramoro Director

Statement of Cash Flows

Bougainville Copper Limited
year ended 31 December, 1998

	1998 K'000	1997 K'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	(4 910)	(4 824)
Interest received	11 289	5 991
Income tax paid	-	(2 329)
Net operating cash flows	6 379	(1 162)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	1988	20
Purchase of fixed assets	(6)	-
Net investing cash flows	1982	20
NET INCREASE/(DECREASE) IN CASH HELD		
Net cash flow	8 361	(1 142)
Cash at beginning of year	62 981	64 078
Effect of exchange rate changes on cash held	481	45
Cash at end of year	71 823	62 981

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.

For, and on behalf of, the board.



B. L. Cusack
Chairman



M. A. Moramoro
Director

18 January, 1999.

Statement of Earnings

Bougainville Copper Limited
year ended 31 December, 1998

	Notes	1998 K'000	1997 K'000
INCOME			
Interest.....		12 397	6 130
Net exchange gain.....	4	481	45
		12 878	6 175
COSTS AND EXPENSES			
General and administration expenses.....		(5 182)	(4 784)
OPERATING PROFIT	2	7 696	1 391
Income tax.....	3	-	-
OPERATING PROFIT AFTER TAX		7 696	1 391
Retained losses brought forward.....		(176 417)	(177 808)
RETAINED LOSSES CARRIED FORWARD		(168 721)	(176 417)

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 Sheet

Bougainville Copper Limited
at 31 December, 1998

	Notes	1998 K'000	1997 K'000
FUNDS EMPLOYED:			
SHAREHOLDERS' FUNDS			
Paid up capital	10	401 063	401 063
Asset revaluation reserve	8	31 276	31 276
Retained losses		(168 721)	(176 417)
		263 618	255 922
NON-CURRENT LIABILITIES			
Income tax	3	6 759	6 759
CURRENT LIABILITIES			
Creditors	6	28 896	25 137
TOTAL FUNDS		299 273	287 818
THESE FUNDS ARE REPRESENTED BY:			
NON-CURRENT ASSETS			
Mine assets	7	198 569	200 069
CURRENT ASSETS			
Bank balances and short term deposits		71 823	62 981
Other debtors	9	28 881	24 768
TOTAL ASSETS		100 704	87 749
		299 273	287 818

Details of contingent liabilities and assets are shown in note 12.

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 Accounts

These notes form part of the 1998 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 assets. Considerable deterioration of the assets has occurred in the intervening period, 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 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 assets from their pre-closure levels will be required. To allow for this future write-down, the directors 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 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 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 would be required to recommence operations, principally for the recruitment and training of the work-force, restoration of facilities, recommissioning or replacement of assets and re-establishment of working capital.

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.

The directors note that the economic viability of resumed operations would depend upon a number of factors which they cannot accurately predict, including the cost of recommissioning, likely future operating costs, government and community requirements, funding arrangements, the market and economic outlook at the time. 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 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 was included; rather, a general provision of K350 million was made for deterioration, damage or pilferage of assets although the accuracy of that provision cannot be proved, because the lack of access to the mine prevents a detailed assessment of the nature or extent of those losses. No depreciation charge or increase to the general provision has been made since 1991. The directors consider that any further review of the general provision at this time would be completely arbitrary because of the continuing lack of access to the mine.

EMPLOYEE ENTITLEMENTS:

During normal operations 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 1998. Exploration has not been undertaken outside the mining lease.

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 was grouped with non-current mine assets against which a general provision of K350 million was 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. Unrealised gains and losses on forward metal sales, not related to shipments, are included in earnings. There has been no sales revenue since 1990.

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 sheet. 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.

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.

Bougainville Copper Limited	1998	1997
year ended 31 December, 1998	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.....	12 397	6 130
Net exchange gain.....	481	45

Expenses:

Provision for doubtful debts in respect of other debtors.....	420	377
Remuneration of Directors (Note.11).....	65	89
Auditors' remuneration - auditing the accounts	9	9
- other services	8	17

(The auditors have received no other benefits)

Bougainville Copper Limited year ended 31 December, 1998	1998 K'000	1997 K'000
---	---------------	---------------

3. TAXATION

(a) 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 profit before taxation.....	7 696	1 391
Prima facie income tax @ 35%.....	2 694	487
Non-taxable interest.....	(2 694)	(487)
Income tax expense.....	-	-

(b) An agreement between the Independent State of Papua New Guinea and Rio Tinto 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.

(c) Future income tax benefits relating to tax losses not brought to account total K129 902 000 (1997 K129 902 000). This benefit for tax losses will only be obtained if:

- (i) the company 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 company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

4. EXCHANGE FLUCTUATION

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

Overseas cash balances.....	481	45
Net exchange gain.....	481	45

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

Current assets: kina equivalent of US dollars.....	1 239	640
kina equivalent of Australian dollars.....	164	9
Current liabilities: kina equivalent of US dollars.....	322	-
kina equivalent of Australian dollars.....	32	102

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

5. LOANS

No long term loan facilities are in place.

6. CREDITORS

Landowners' compensation.....	22 073	18 609
Trade creditors.....	6 765	6 471
Other creditors.....	26	26
Related corporations.....	32	31
	28 896	25 137

Landowners' compensation for which the company may be liable is transferred each quarter into a separate interest bearing bank account and shown in the accounts of the company with an offset amount in Other Debtors (note 9).

Bougainville Copper Limited year ended 31 December, 1998	1998 K'000	1997 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
	<u>132 444</u>	<u>132 444</u>
- at cost.....	102 988	102 988
Less accumulated depreciation.....	38 664	38 664
	<u>64 324</u>	<u>64 324</u>
Net mine development and buildings.....	<u>196 768</u>	<u>196 768</u>
(b) Plant, machinery & equipment		
- at directors' 1980 valuation.....	245 177	245 177
Less accumulated depreciation.....	148 866	148 866
	<u>96 311</u>	<u>96 311</u>
- at cost.....	304 486	304 480
Less accumulated depreciation.....	104 703	104 703
	<u>199 783</u>	<u>199 777</u>
Net plant, machinery & equipment.....	<u>296 094</u>	<u>296 088</u>
(c) Mine Property		
- at cost.....	62 121	62 121
Less accumulated amortisation.....	46 204	46 204
Net mine property.....	<u>15 917</u>	<u>15 917</u>
(d) Capitalised works in progress		
- at cost.....	29 787	31 293
Total property, plant & equipment		
- at cost or valuation.....	1 036 724	1 038 224
Less accumulated depreciation/amortisation.....	498 158	498 158
Net book value.....	<u>538 566</u>	<u>540 066</u>
Stores.....	10 003	10 003
Total mine assets.....	<u>548 569</u>	<u>550 069</u>
Less general provision for deterioration, damage and pilferage since the withdrawal of company personnel.....	350 000	350 000
Net book value.....	<u>198 569</u>	<u>200 069</u>
Reconciliation of Movement in Net Book Value:		
Net Book Value at beginning of year.....	200 069	200 571
Additions.....	6	-
Disposals.....	1 506	502
Net Book Value at end of year.....	<u>198 569</u>	<u>200 069</u>
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". Due to the loss of complete historical information following the closure of the mine 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.		
9. OTHER DEBTORS		
Landowners' compensation on interest bearing deposit.....	22 073	18 609
Other debtors.....	9 545	8 476
Provision for doubtful debts.....	(2 737)	(2 317)
	<u>28 881</u>	<u>24 768</u>
Landowners' compensation for which the company may be liable is transferred each quarter into a separate interest bearing bank account and shown in the accounts of the company with an offset amount in Creditors (note 6).		

10. 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 1998. The company has an extension to 31 March, 1999 from re-registering under the new Companies Act 1997.

11. REMUNERATION OF DIRECTORS

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

	1998 K'000	1997 K'000
B. L. Cusack.....	-	-
K. Aua.....	-	-
D. S. Karpin.....	26	14
D. H. McLellan.....	13	-
R. B. Moaina.....	-	-
M. A. Moramoro.....	26	15
P. R. Taylor.....	-	-

12. CONTINGENT LIABILITIES AND ASSETS

Bougainville Copper Limited is contractually obliged to reimburse Shell Papua New Guinea 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 Limited and the company.

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.

As at 31 December 1998, there did not exist any contingent liabilities for termination benefits under service agreements with directors or persons who take part in the management of the company.

13. MINING TENEMENTS

The company holds 100% 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.

14. HOLDING COMPANY

The holding company is Rio Tinto Limited (incorporated in Australia).

15. 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 the United States of America.

16. RELATED PARTY TRANSACTIONS

Transactions with directors are disclosed in note 11.

In 1998 the company paid fees of K73 381 (1997 K60 700) to Rio Tinto Financial Services Limited for managing investment funds and K859 500 (1997 K970 430) to Rio Tinto Minerals (PNG) Limited for the provision of office space, staff and related services.

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

17. FINANCIAL INSTRUMENTS

(a) Foreign Exchange

The Company undertakes transactions in foreign currencies from time to time and holds bank balances denominated in foreign currencies. Exposures to foreign currency fluctuations arise from these activities. Details of exchange fluctuations and foreign currency amounts are shown in note 4.

(b) Credit Risk

There are no significant concentrations of net credit risk.

(c) Fair Values

The Company is not in a position to determine the fair values of its receivables and payables due to the significant uncertainties arising from the closure of the mine.

Independent Audit Report

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BOUGAINVILLE COPPER LIMITED

Scope

We have audited the financial statements of Bougainville Copper Limited set out on pages 7 to 15. These financial statements comprise the balance sheet as at 31 December, 1998 and the related statements of income and cash flows for the year then ended. This information is stated in accordance with the accounting policies described in Note 1 to the financial statements.

These financial statements are the responsibility of the company's directors. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our firm provides taxation services to the company.

Qualified Audit Opinion

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 in 1991 for the value of the indeterminate level of deterioration, damage and pilferage of 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 assets.

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.

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 the period to 31 December, 1998. 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.

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.

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.

These assets which represent 66% of the book value of total assets and 75% 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 give a true and fair view of the state of affairs of the company as at 31 December, 1998 and the results for the year ended on that date.

In our opinion, except that the records of mine assets may not be a reflection of the existence and value of those assets on Bougainville Island, proper accounting records have been kept by the company as far as appears from our examination of those records.

Our audit was completed on 18 January, 1999 and our qualified opinion is expressed as at that date.

PricewaterhouseCoopers
by S. C. Beach
Registered under the Accountants Registration Act (1996)
Port Moresby,
on this 18th day of January, 1999.

Corporate Information

BOUGAINVILLE COPPER LIMITED

(Incorporated in Papua New Guinea)

Registered Office:

6th Floor, Pacific Place,
Cnr Champion Parade and Musgrave Street,
Port Moresby
Papua New Guinea
Telephone: 3212044
Facsimile: 3213634

Principal Registered Office in Australia:

Bougainville Copper Limited
A.R.B.N. 007 497 869
Level 33, 55 Collins Street, Melbourne, Vic. 3000.
Telephone: (03) 9283 3333
Facsimile: (03) 9283 3707

Share Registers:

c/o Deloitte Touche Tohmatsu
8th Floor, Pacific Place,
Cnr Champion Parade and Musgrave Street,
Port Moresby
Papua New Guinea
Telephone: 321 1911
Facsimile: 321 1389

Postal Address:

PO Box 112 Port Moresby.

c/o Computershare Registry Services Pty Ltd
Level 12, 565 Bourke Street, Melbourne, Vic. 3000.
Telephone: (03) 9611 5711
Facsimile: (03) 9611 5710

Postal Address:

GPO Box 2975EE Melbourne, Vic. 3001

Stock Exchanges:

Listed with the Australian Stock Exchange Limited

Auditors:

PricewaterhouseCoopers
PO Box 484
Port Moresby
Papua New Guinea

Bankers:

Commonwealth Bank of Australia
Papua New Guinea Banking Corporation
Bank of New York

Solicitors:

Arthur Robinson & Hedderwicks
Gadens Lawyers

TWENTY LARGEST SHAREHOLDERS

The twenty largest shareholders as at 18 January, 1999 and the number of shares held by each were:

Name and Registered Address	Shares	% of Issued Shares
1 Rio Tinto Limited Melbourne Vic	214 887 966	53.58
2 The Independent State of Papua New Guinea	76 430 809	19.06
3 Citicorp Nominees Pty Limited Melbourne Vic	24 945 995	6.22
4 ANZ Nominees Limited Melbourne Vic	23 544 926	5.87
5 Westpac Custodian Nominees Limited Sydney NSW	8 853 364	2.21
6 Chase Manhattan Nominees Limited Sydney NSW	5 234 089	1.31
7 HKBA Nominees Limited Sydney NSW	3 804 331	0.95
8 Bougainville Copper Foundation Port Moresby PNG	3 600 000	0.90
9 National Nominees Limited Melbourne Vic	3 150 167	0.79
10 Public Officers Superannuation Fund Board Port Moresby PNG	2 561 500	0.64
11 James West Brisbane Qld	1 529 511	0.38
12 Ayersland Pty Limited North Ryde NSW	1 019 728	0.25
13 Ronald James Kelly Broadbeach Qld	1 000 000	0.25
14 Carstock Nominees Pty Limited Melbourne Vic	850 000	0.21
15 Franz Heinrich Rast Bulli NSW	802 986	0.20
16 Deep Valley Pty Limited Virginia Qld	377 000	0.09
17 S M George Pty Limited Brisbane Qld	300 000	0.07
18 Customer Company Inc. New York USA	281 968	0.07
19 Merrill Lynch (Australia) Nominees Pty Limited Sydney NSW	261 888	0.07
20 Walter Alteri Printing (Aust) Pty Limited Brighton Vic	255 037	0.06
	<u>373 691 265</u>	<u>93.18</u>

DISTRIBUTION OF SHARES

As at 18 January, 1999: 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 18 183.

The distribution of holdings of the issued shares was:

	Number of Shares	%
1 - 1 000 shares	14 707	80.88
1 001 - 5 000 shares	2 500	13.75
5 001 - 10 000 shares	516	2.84
10 001 - shares and over	460	2.53
Total shareholders	<u>18 183</u>	<u>100.00</u>

There were 16 404 holdings of shares (90.23%) which do not form a marketable parcel.

93.18% of the total issued shares were held by or on behalf of the largest 20 shareholders.

The substantial shareholders were:

Rio Tinto Limited and its wholly-owned subsidiary Rio Tinto Base Metals Pty Limited 214 887 966 shares (53.58%); 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%).

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 1997.

DIRECTORS' INTERESTS

Directors' interests in the share capital of the company and its related companies as at 18 January, 1999 were:

B. L. Cusack	150 BCL shares 6 235 Rio Tinto Limited shares
K. Aua	No interests
D. S. Karpin	1 398 Rio Tinto Limited shares 417 Rio Tinto plc shares
D. L. McLellan	No interests
M. A. Moramoro	No interests
P. R. Taylor	8 600 Rio Tinto Limited shares

Statistical Summary

FINANCIAL	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Earnings (K million)										
Net sales revenue and other income*****	12.4	6.1	107	5.5	2.2	1.7	2.2	3.3	80.2	231.6
Operating and other expenses****	5.2	4.8	5.0	4.9	3.6	4.1	5.1	316.6	36.8	181.7
Depreciation*****	-	-	-	-	-	-	-	-	51.5	47.3
Earnings/(loss) before taxation and exchange gains	7.7	1.4	5.7	0.6	(1.4)	(2.4)	(2.9)	(313.3)	(8.1)	2.6
Exchange gains/(losses)	0.5	-	-	6.6	9.2	(0.3)	1.5	0.1	(0.5)	2.5
Earnings/(loss) before taxation	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)	(8.6)	5.1
Income tax	-	-	-	-	-	-	-	-	6.0	25.7
Additional profits tax	-	-	-	-	-	-	-	-	-	-
Net earnings/(loss)	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)	(14.6)	(20.6)
Dividends	-	-	-	-	-	-	-	-	-	-
Earnings/(losses) retained	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)	(14.6)	(20.6)
Balance sheet (K million)										
Property, plant and equipment	198.6	200.1	200.6	200.7	200.7	200.8	201.4	201.5	545.9	595.8
Investments and loans	-	-	-	-	-	-	-	-	-	-
Current assets	100.7	87.7	85.4	76.0	65.6	56.2	66.8	56.5	64.7	59.5
Total assets	299.3	287.8	286.0	276.7	266.3	257.0	258.2	258.0	610.6	655.3
Shareholders' funds	263.6	255.9	254.5	248.8	241.6	233.8	236.4	237.9	551.1	565.6
Exchange fluctuation	-	-	-	-	-	-	-	-	-	-
Long term liabilities	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	47.7	46.9
Current liabilities	28.9	25.1	24.7	21.1	17.9	16.4	15.0	13.3	11.8	42.8
Funds employed	299.3	287.8	286.0	276.7	266.3	257.0	258.2	258.0	610.6	655.3
PRODUCTION/SALES										
Mined										
Ore and waste removed (millions of tonnes)	-	-	-	-	-	-	-	-	-	33.27
Ore milled (millions of tonnes)	-	-	-	-	-	-	-	-	-	18.52
Ore grade										
Copper (per cent)	-	-	-	-	-	-	-	-	-	0.44
Gold (grams/tonne)	-	-	-	-	-	-	-	-	-	0.50
Produced										
Concentrate (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	224.6
Contained copper (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	68.7
Concentrate grade										
Copper (per cent)	-	-	-	-	-	-	-	-	-	30.1
Gold (grams/tonne)	-	-	-	-	-	-	-	-	-	31.0
Silver (grams/tonne)	-	-	-	-	-	-	-	-	-	91.2
Shipped										
Total concentrate (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	250.8
Destination:										
Japan (per cent)	-	-	-	-	-	-	-	-	-	40.2
Other Asian (per cent)	-	-	-	-	-	-	-	-	-	34.3
Europe (per cent)	-	-	-	-	-	-	-	-	-	25.5
All Other (per cent)	-	-	-	-	-	-	-	-	-	0.0
Values										
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	-	-	-	-	-	-	-	-	0.3	260.0
Contribution by:										
Copper (per cent)	-	-	-	-	-	-	-	-	61	68
Gold (per cent)	-	-	-	-	-	-	-	-	38	31
OTHER										
US\$/Kina exchange rate	0.48	0.69	0.76	0.79	1.01	1.02	1.04	1.05	1.05	1.17
Average metal prices										
LME copper (US\$/lb)	75.2	105.6	104.0	133.1	105.0	87.0	103.0	106.0	119.8	129.0
London gold market (US\$/oz)	294.0	335.3	387.0	384.5	384.0	360.0	344.0	362.2	382.8	381.0
Return on shareholders' funds (per cent)	2.9	0.5	2.2	2.9	3.2	-	-	-	-	-
Earnings per share*** (toea)	1.9	0.3	1.4	1.8	1.9	-	-	-	-	-
Dividends per fully paid share*** (par value K1.00) (toea)	-	-	-	-	-	-	-	-	-	-
Number of shares issued at end of year (millions)	401	401	401	401	401	401	401	401	401	401
Number of shareholders at end of year	18 183	18 182	18 041	18 452	18 765	19 189	19 851	19 982	20 532	21 287
Debt/equity ratio	-	-	-	-	-	-	-	-	-	-
Work force at end of year										
Overseas	-	-	-	-	-	-	1	6	13	330
National	-	-	-	-	-	-	1	6	10	1 987

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

1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972*
493.4	415.4	342.7	317.6	310.9	392.9	293.2	296.4	338.7	343.1	225.1	205.3	208.9	193.1	292.6	252.4	95.9
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
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
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
(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)
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
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	-	-
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
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
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	-
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
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
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	148.7
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
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
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
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
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
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
0.41	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
0.41	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
552.0	585.5	586.6	581.8	542.3	636.9	598.6	575.4	510.4	584.7	658.6	615.6	596.8	596.0	640.8	650.2	438.1
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	30.4	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
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
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
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
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
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
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
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
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
68	60	54	61	53	52	51	54	51	60	64	66	74	69	74	83	83
30	38	44	37	45	46	47	44	46	37	34	32	24	29	25	16	16
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
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
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	267	267	267	267	267	267	267	260**
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	.005/1	.006/1	.009/1	.010/1	.020/1	.017/1	.005/1	.015/1	.019/1	.037/1	.040/1	.044/1	.052/1	.072/1	.062/1
610	699	706	704	749	751	756	801	877	851	855	853	858	942	980	929	971
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, K287 million and K309.2 million respectively

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

Distribution of the Benefits

Bougainville Copper Limited
year ended 31 December, 1998

	K million		
	1998	1997	1972-1998
PNG GOVERNMENT			
Corporate income tax *	-	-	514.2
Additional profits tax *	-	-	72.6
Group tax (PAYE)	-	-	122.2
Customs duty	-	-	104.1
Miscellaneous	-	-	10.1
Dividends *	-	-	165.9
Dividend WHT *	-	-	96.5
	-	-	1 085.6
NSP GOVERNMENT			
Royalties (95% to NSPG)	-	-	61.4
Non Renewable Resources Fund	-	-	1.8
Other taxes	-	-	12.0
	-	-	75.2
LANDOWNERS			
Royalties (5% to Landowners)	-	-	3.2
Compensation	1.4	14	35.0
	1.4	14	38.2
NON-GOVERNMENT SHAREHOLDERS			
Dividends net of Dividend WHT *	-	-	576.7
EMPLOYEES			
Wages (less PAYE)	-	-	575.6
TOTAL	1.4	14	2351.3

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.