

**BOUGAINVILLE
COPPER
LIMITED**

ANNUAL REPORT 2014



Background

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

In the 17 years prior to 1989, the mine produced concentrate containing three million tonnes of copper, 306 tonnes of gold and 784 tonnes of silver. The production had a value of K5.2 billion which represented approximately 44 per cent of Papua New Guinea's exports over that period. Contributions to the National Government in the form of taxes, duties and dividends were approximately 17 per cent of internally generated Papua New Guinea Government revenue during that time.

A total of K1,088 million was contributed to the National Government, which represented 62 per cent of the net cash generated by the project between 1972 and 1989. In addition, payments to the North Solomons Provincial Government and Panguna landowners, together with provisions made since 1990, amounted to K114 million. Further, Bougainville Copper's presence in the North Solomons Province had promoted the development of significant local business enterprises to provide goods and services required for the mining operation and for the residents of the province.

Bougainville Copper trained some 12,000 employees, including approximately 1,000 who completed full trade apprenticeships and some 400 who completed graduate and post graduate studies that resulted in considerable progress in the localisation of the company's employees and significantly added to the number of skilled workers elsewhere in the country's workforce.

The company has no employees. The activities of the company are managed on a contracted services basis by a small team of Rio Tinto PNG Limited staff based in Port Moresby.

Following the conclusion of the peace process, the company has re-engaged with the people of Bougainville and has been re-evaluating the development options.

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

Bougainville Copper on-line

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

Notice of meeting

The Annual General Meeting of Bougainville Copper will be held at 11am on Wednesday, 29 April 2015 at the Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea.

A separate Notice of Meeting is enclosed.

All shareholders are cordially invited to attend.

Directors

Peter Robert Taylor (chairman)

Adam James Burley

Robert Staley Burns

Dame Carol Anne Kidu

Sir Rabbie Langanai Namaliu

Secretaries

Paul Derek Coleman

Mark Wallace Hitchcock

Contents

Background	1
The year in brief	2
Chairman's statement and our year in review	3
Directors' report	7
Resource statement	9
Corporate governance statement	10
Financial statements	17
Independent audit report	31
Directors' declaration	32
Corporate information	33
Distribution of the benefits	35
Statistical summary	36

The year in brief

- In 2014 the Autonomous Bougainville Government passed legislation that increases uncertainty about the company's tenement situation.
- For the year ended 31 December 2014, an operating loss of K9.1 million and an impairment of K166.6 million resulted in an overall loss of K175.7 million. A full impairment in the value of all the mine assets of K197.9 million has been accounted for as a charge against income and as a reversal of the assets revaluation reserve of K31.3 million previously held within other comprehensive income. The impairment was raised because of the Bougainville Government's "interim mining act" and its impact on the company.
- Quality engagement with key stakeholders has been enhanced by regular meetings in Arawa.
- A Bel Kol ceremony with the company is at the advanced stages of planning and is expected to take place in Arawa during 2015.
- Several work programs were commenced but were deferred pending clarification of tenure.
- Towards the end of 2014, a court-sanctioned mediation regarding the tax dispute was scheduled but deferred by the Internal Revenue Commission (IRC).
- Rio Tinto announced in August 2014 that it was an appropriate time to review all options for its stake in Bougainville Copper.

		2014	2013
Investment income	(K'000)	4,944	9,932
Operating profit (loss)	(K'000)	(175,739)	6,778
Earnings per share	(toea)	(43.818)	1.690
Shareholders' funds	(K'000)	151,403	361,793
Return on shareholders' funds	(per cent)	(116.074)	1.873

Chairman's statement and our year in review – 2014

During the year the Autonomous Bougainville Government passed an "interim mining act" that seeks to cancel all of the company's tenements and replace them with an exploration licence covering the area of the special mining lease granted under Papua New Guinea National legislation. A follow up mining act is in draft form and, as currently drafted, substantially retains the position under the interim act.

Company representatives continue to engage with both governments to seek clarification of the company's rights and continue to explore legal options.

In light of the uncertainty, and with a view to preserve the company's rights, the company is taking steps to protect its priority should mining be approved at Panguna.

On a positive note President Momis has supported redevelopment of the mine, subject to community support, and has emphasised the new mining legislation was needed to address unregulated mining activity and was not aimed at discouraging the company.

The board remains resolute and is continuing to engage with governments, landholders and other stakeholders who have an interest in the potential redevelopment of the Panguna mine.

Significantly, a company representative re-established a presence at Arawa, thus opening up a constructive dialogue with a wider range of stakeholders. The response from Arawa residents has been largely positive and is an opportunity for the local community and the company to exchange views on their respective aspirations for the future.

A Bel Kol ceremony did not occur in 2014 with the company, but is at the advanced stages of planning and is expected to take place in Arawa during 2015. The board remains committed to the Bel Kol process and I will say more about Bel Kol later.

Although the year had its challenges it did bring key parties together on a number of hard issues, such as a mining regime for Bougainville, mineral ownership, landowner representation, reconciliation and outstanding compensation.

The board and management of the company continue to seek opportunities in these challenges, and to maintain progress toward the vision of returning the company to profitable mining at Panguna.

In 2015, elections will be held for the next Bougainville

Government and in the term of that government a referendum on independence is due. These are critical events for the people of the Autonomous Region and the company and I believe the majority of voters understand that a choice between continued autonomy and full political independence hinges to a large extent on economic self-sufficiency, which a re-started Panguna would considerably assist.

After the Bougainville Government announced its new mining law Rio Tinto, the company's majority shareholder, announced a review of its position regarding its shareholding in the company. The review is still in progress.

I will go into more detail of Bougainville Copper's position as outlined above, after my report on other items of importance to the company and its shareholders which are recurrent, year on year.

Results

For the year ended 31 December 2014, an operating loss of K9.1 million and an impairment of K166.6 million resulted in an overall loss of K175.7 million. A full impairment in the value of all the mine assets of K197.9 million has been accounted for as a charge against income and as a reversal of the assets revaluation reserve of K31.3 million previously held within other comprehensive income. The impairment was raised because of the Bougainville Government's "interim mining act" and its impact on the company.

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

Investment Strategy

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

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

Taxation

The ongoing taxation dispute with the Internal Revenue Commission of PNG (IRC) made some progress toward resolution during the period. Toward the end of 2014, a

Chairman's statement and our year in review – continued

court-sanctioned mediation was scheduled but deferred by the IRC. It is hoped that mediation will take place in 2015 and will achieve a resolution of this long running dispute.

If not, the company will rely upon the accounting and legal advice it has received and test the issues in court.

Governance

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

The company has chosen to 'early adopt' the third edition of the ASX Principles (released in March 2014 by the ASX Corporate Governance Council) for the financial year ended 31 December 2014, one year before the mandatory adoption date.

Safety and Risk Management

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

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

Bougainville Copper Foundation

The company continued to support the work of the Bougainville Copper Foundation. This is an independent, "not-for-profit" company that has been funded by Bougainville Copper since its inception.

In 2014, as in previous years, the Foundation had more than 100 Bougainville students on scholarships. Many are continuing to be supported in 2015. The Foundation also undertakes special projects on a needs basis with the emphasis placed on education, peace and good

governance. The Foundation is proud of its achievements and those of its former scholars who are contributing to the development of Bougainville.

The Foundation continues to review its objectives and future direction. As mentioned, the Foundation is an independent body, and it is to be hoped that its range of activities will not be reduced by the factors that are now constraining some of Bougainville Copper's social and development programs.

I will now report on some other activities which have a bearing on the company's progress toward a return to profitable and sustainable mining.

Studies

During the period, there was limited work done to refine the previously published Order of Magnitude Study, which is aimed at giving the company guidance as to the most appropriate and cost-effective way to re-develop the Panguna mine. It is one of the board's major tools in evaluating options going forward.

The 2012 Order of Magnitude Study is based on many assumptions including commodity prices, market demand, investor risk, opportunity costs, security of tenure and others. In brief it describes a new mine at Panguna processing between 60 million and 90 million tonnes of ore per annum, over a mine life of 24 years, with a capital cost of US\$5.2 billion.

Many of the assumptions, including the size of the resource, the life of the mine, and start-up costs, may change significantly when the company gains access to the mine site and conducts a rigorous assessment of the assets.

Several other studies have been initiated by the company, in conjunction with the Bougainville Administration and the landowners, aimed at providing a clearer picture of the state of the environment in mine impacted areas, the needs of the population, training and employment readiness, as well as land ownership and social mapping. However, the company is not in a position to commit to further funding of these studies, while the tenement uncertainties prevail.

Among the projects the company has planned once access to mining-related areas is achieved, includes an early needs-assessment and the provision of water supplies, school upgrades and other local level improvements.

It is appropriate to report that funding to progress all studies and welfare programs will be limited until

Chairman's statement and our year in review – continued

uncertainties of tenure and the legislative regime are clarified, a responsibility which in the main rests with the National Government and the Government of the Autonomous Bougainville Region.

Joint Panguna Negotiations

The Joint Panguna Negotiation Coordination Committee (JPNCC) consisting of National Government and ABG representatives, together with landowner and company delegates, continues to be active in defining baseline studies and preparing to implement them.

The company maintains its membership of JPNCC and participates in its programs, which include dialogue with landowners and ex-combatants, and assisting them to become organised in their positions prior to commencement of formal negotiations.

The JPNCC has established a Multi-Party Trust Fund, which includes funding assistance from Bougainville Copper. The fund will conduct the tendering and awarding of baseline studies contracts to ensure transparency and credibility with all parties.

Senior PNG statesman Sir Peter Barter accepted chairmanship of the Multi-Party Trust Fund, and stated his view "there can be no meaningful autonomy without a viable economy."

Throughout the year, company management maintained a fruitful dialogue with a wide range of Bougainvillean interest groups, through regular meetings at Buka and now Arawa, with landowners, ex-combatants, women's groups, ABG agencies, aid donors and other stakeholders. Listening is a key component of this work.

Bel Kol

A task of the ABG events committee is organising the customary ceremony known as Bel Kol, which has been described as a cooling of the heart, or a lowering of the emotional temperature. This historic and sensitive ceremony has been in planning for some time. Its aim is to restore relationships between the company, landowners, ABG, ex-combatants and community leaders.

Significant progress was made toward the end of 2014 when a company representative travelled to Arawa in Central Bougainville to discuss re-opening a Bougainville Copper office in this pivotal location.

The company is a member of the Bel Kol committee since November 2014.

Bel Kol is now proposed for 2015.

Events on Bougainville

As a follow up to commitments made by PNG Prime Minister Peter O'Neill during his visit in January 2014, the full-service airport at Aropa in Central Bougainville, closed by the crisis 25 years ago, was re-opened toward the end of the year.

Greatly increasing access to commercial air services, this event resonated strongly with the people of Central and South Bougainville, whose lands surround Panguna, and appeared to symbolise a more committed relationship between the National Government and the Autonomous Region.

Access for local residents and company representatives directly to Central Bougainville has both practical and symbolic significance. Aropa airport was one of many first class social and commercial facilities enjoyed by the people of Bougainville during the prosperous times of Bougainville Copper's previous operations, a point not lost during celebrations.

Although there is continuing growth in commercial activity throughout Bougainville, the Autonomous Region is still very dependent on funding from the National Government and aid donors, a further reminder of the benefits that would flow from a major mining project.

Australia's Foreign Affairs Minister Julie Bishop added to this sense of normalisation with a recent visit to the Autonomous Region.

Preparations for elections to the Parliament of the Autonomous Bougainville Region are gathering pace, with polling scheduled for June 2015.

President John Momis has announced his intention to stand for election for a further term of five years.

A recent review and re-structure of the Bougainville Public Service administration is seen as a significant achievement.

The relationship between President Momis, his Government and the company remains engaged and cordial.

In conclusion

The true intent and the practical effect of the transitional mining legislation (passed) and the substantive mining legislation (draft) is yet to be fully understood.

The company's priority is a secure tenement position.

It is important that the long-term mining regime for Bougainville is settled so the company can factor these terms into its redevelopment planning.

Chairman's statement and our year in review – continued

A pre-feasibility study on reopening the mine, if approved, will require significant investment, so certainty is needed that a workable mining regime and conditions will be put in place before committing substantial funds.

The company cannot re-commence mining at Panguna unless all parties – the Landowners, the Autonomous Bougainville Government, the National Government of PNG, and Bougainville Copper – are acting in close accord, now and into the future.

Funding and sovereign risk assurance for the project will require a united effort. Investors also need a fair and stable regulatory regime that gives them the confidence to commit to a project that may cost in excess of US\$5 billion.

For your further information, reports and commentary on company activities are regularly reported to the Australian

Securities Exchange and associated media, and can also be accessed on our website.

In conclusion, let me assure you that the vision to return to active exploration and profitable, sustainable mining remains, with the active support of many local stakeholders.

This company accepts the challenges posed by the events of the year just passed, and faces the coming year with enthusiasm for opportunities that should arise. We anticipate further steady progress toward our vision of reopening the mine.



Peter R Taylor

Chairman & Managing Director.
20 February 2015

Directors' report

The directors of Bougainville Copper present their report on the audited financial statements of the company for the year ended 31 December 2014.

Review: For the year ended 31 December 2014, an operating loss of K9.1 million and an impairment of K166.6 million resulted in an overall loss of K175.7 million. A full impairment in the value of all the mine assets of K198 million has been accounted for as a charge against income and as a reversal of the assets revaluation reserve of K31 million previously held within other comprehensive income. The impairment was raised because of the Bougainville Government's "interim mining act" and its impact on the company.

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

Adam J Burley M Geol (Hons)

Appointed a director in October 2013.

Adam Burley joined Rio Tinto in 2000 as an exploration geologist and has worked in various leadership roles throughout Africa, Europe and North America. Adam is currently general manager for growth and innovation, Rio Tinto copper group. Adam has broad based experience across multiple commodities and has led projects through exploration, project development and execution, and divestment. Adam has also held corporate and strategic roles including executive assistant to the Rio Tinto chief executive. Immediately before his current appointment, Adam held the position of president and CEO of the divested Rio Tinto Eagle Mine, a nickel copper mine located in Michigan USA.

Robert S Burns FRMIT (Primary Metallurgy) FAusIMM MAICD

Appointed a director in January 2006.

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

Dame Carol Kidu DBE

Appointed a director in April 2013.

Dame Carol retired from the Papua New Guinea

parliament in 2012 after 15 years in politics. Dame Carol was the Minister for Community Development for 9 years and finished her political career as leader of the opposition. Dame Carol focused on legislative and policy reform for social development on a human rights based approach to development, with a focus on marginalised and/or vulnerable populations. Dame Carol established the parliamentary committee on HIV in 2003 and the Papua New Guinea parliamentary group on population and development in 2008. Dame Carol was previously on the board of the Commonwealth of Learning, the International Advisory Board of the Cairns Institute, James Cook University and is a non-resident Fellow of the Lowy Institute. She is a member of the ICPD Global High Level Taskforce and Pacific Institute on Public Policy.

Sir Rabbie L Namaliu GCL CSM KCMG BA MA HON.LLD

Appointed a director from March 2011.

Sir Rabbie served as prime minister of Papua New Guinea between 1988 and 1992 and was a former speaker of the national parliament between 1994 and 1997. Sir Rabbie is chairman and non-executive director of Kina Securities Limited, Kramer Ausenco joint venture and Kina Asset Management Limited. Sir Rabbie is a non-executive director of InterOil Corporation, Marengo Mining Limited and the Post Courier. Sir Rabbie is a member of the PNG Institute of Directors.

Peter R Taylor BA BSc LLB LLM FAICD

Appointed chairman in October 2003.

Peter Taylor was formerly with a major Australian law firm and admitted to practise law in PNG and Australia. Peter's last 28 years with the Rio Tinto Group include the roles of General Corporate Counsel, Rio Tinto Exploration general manager Commercial, Commercial advisor to RTZ and general manager Commercial Business Development. Currently Peter is a director of several Rio Tinto Group companies including Rio Tinto Marine and Energy Resources Australia. Community and business affiliations include former chairman of international development agency Australian Business Volunteers and immediate past president of the Australia Papua New Guinea Business Council. Peter was appointed a director of Bougainville Copper in April 1997 and managing director in March 2000.

Activities: Bougainville Copper has produced copper concentrate containing gold and silver from a mine at Panguna, Bougainville, Papua New Guinea, from 1972 until operations were suspended due to militant activity, in May 1989. The company now derives investment

Directors' report – continued

income. The company has no subsidiaries.

Net earnings: The net loss of Bougainville Copper for 2014 was K175.7 million (2013: profit K6.8 million).

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

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

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

Dividends: The directors have not declared a dividend for 2014.

Accounting policies: There have been no changes made in the company's accounting policies during 2014.

Directors' interests: Directors' interests in the share capital of the company and its related companies as at 20 February 2015 were:

Adam J Burley	No interests
Robert S Burns	
Shares – Rio Tinto Limited	531
Dame Carol Kidu	No interests
Sir Rabbie L Namaliu	
Shares – Bougainville Copper Limited	1,000
Peter R Taylor	
Shares – Rio Tinto Limited	37,389
Conditional shares awarded under the Mining Companies Comparative Plan– Rio Tinto Limited	10,888
Options – Rio Tinto Share Option Plan	5,502

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

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

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

Donations: Bougainville Copper made no political donations during the year. The Bougainville Copper

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

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

Additional information: The directors also state that:

1. There were no significant changes in the state of affairs of the company during the year except as noted below.
2. The results of the company during the financial year have not been, in the opinion of the directors, substantially affected by events of a material and unusual nature other than contained in this report.
3. Except as reported in this Annual Report, there were no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:
 - (i) operations of the company
 - (ii) results of those operations or
 - (iii) state of affairs of the company in the financial year subsequent to 31 December 2014.
4. No director has an interest in any contract or proposed contract with the company, nor is any director party to any material contract involving directors' interests, or in receipt of any loans or benefits other than the aggregate amount of emoluments received or due and receivable by directors shown in the accounts and the amount of fixed salary derived from the company or from a related corporation.
5. No options over shares of the company have been granted by the company during the financial year or since the end thereof; no shares of the company were issued during the year or have been issued since the end thereof by virtue of the exercise of any option granted by the company; and no options over shares of the company are outstanding at the date of this report.

Signed on 20 February 2015 in accordance with a resolution of the directors of Bougainville Copper.



Peter R Taylor

Chairman and managing director



Robert S Burns

Director

Resource statement

In 2012, Bougainville Copper prepared an OMS (order of magnitude study) to evaluate the technical and financial viability of re-opening the Panguna mine. As part of the OMS a revised Mineral Resource was reported in accordance with the JORC code (2012). The 2012 Mineral Resource was estimated using geological, mine planning and production data archived in 1989. The archived data sets (including 80,778m of diamond drilling, 4,700m of underground sampling and production blast hole sampling) were reviewed and validated by Rio Tinto and ex Bougainville Copper staff.

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

The 2014 Mineral Resource is a restatement of the 31 December 2013 figures after reconfirmation of economic viability. Technical studies supporting the statement remain current and an updated JORC Table 1 fact sheet outlining additional technical assumptions supporting this resource statement can be found on the company web site at www.bcl.com.pg

The Mineral Resource is quoted as DFO (direct feed ore) above a 0.24 per cent copper cut off grade and PCS (pre-concentrate screening) above cut off grades of 0.16 per cent to 0.20 per cent copper within a confining conceptual pit design based on conventional truck and shovel mining and a potential 60 million tonnes a year processing rate.

Panguna Mineral Resource Update

	As at 31 December 2013					As at 31 December 2014				
	Tonnes (Mt)	Cu grade (%)	Au grade (g/t)	Cu (Mt)	Au (Moz)	Tonnes (Mt)	Cu grade (%)	Au grade (g/t)	Cu (Mt)	Au (Moz)
Resource										
Measured	0	0.00	0.00	0	0	0	0.00	0.00	0	0
Indicated	1,538	0.30	0.33	4.6	16.1	1,538	0.30	0.33	4.6	16.1
Inferred	300	0.30	0.40	0.7	3.2	300	0.30	0.40	0.7	3.2
Total	1,838	0.30	0.34	5.3	19.3	1,838	0.30	0.34	5.3	19.3

Competent person statement

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

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

Corporate governance statement

For the year ended 31 December 2014

Overview

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

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

The company has chosen to 'early adopt' the third edition of the ASX Principles (released in March 2014 by the ASX Corporate Governance Council) for the financial year ended 31 December 2014, one year before the mandatory adoption date. As part of this early adoption, the company has commenced a review of the policies generally.

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

These policies are:-

- *The way we work* (Code of Conduct)
- Human rights policy
- Business integrity standard
- Corporate governance guidance
- Risk policy and standard

- Antitrust standards and guidance notes
- Diversity and inclusion policy
- Environment policy
- Health policy
- Communities policy
- Sustainable Development policy
- Safety policy

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

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

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

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

The company secretary is accountable directly to the board through the Chairman. Responsibilities of the company secretary include providing advice and support to the board and its committees, to manage the day to day governance of the company and assisting with all matters to do with the proper functioning of the board.

The board is structured to add value

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

Corporate governance statement – continued

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

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

Chairman and managing director

Peter Taylor is both the chief executive officer of the company and chairman of the board. This is a departure from the ASX Principles as the chairman of the board is not an independent director and the role of chief executive officer and chairman of the board are filled by the same individual.

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

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

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

The chief executive officer's performance is subject to review in accordance with Rio Tinto's performance evaluation system as described in the 2014 Annual report of the Rio Tinto Group.

Peter's performance as chief executive officer was reviewed during 2014 by Rio Tinto in accordance with its performance evaluation system. The board reviews Peter's performance as a director when the board conducts its annual self-assessment which is discussed later.

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

Board meetings

The board held four scheduled meetings during 2014, and did not meet for any unscheduled meetings. The board meeting attendance details for directors are set out below.

Director	Meetings attended	Meetings whilst in office
Adam J Burley	3	4
Robert S Burns	4	4
Dame Carol A Kidu	4	4
Sir Rabbie L Namaliu	4	4
Peter R Taylor	4	4

Particulars of directors' interests in shares and options

The particulars of the directors' interests in shares in the company and related bodies corporate as at 20 February 2015 are set out on page 8.

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

Independence of directors

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

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

- whether within the last three years the director or a close family member has:
 - been a part of the executive management of the company,
 - been employed in a senior position with Rio Tinto,
 - received additional remuneration from the company or Rio Tinto, or

Corporate governance statement – continued

- been a partner, director or senior provider of material professional services to the company;
- whether the director or a close family member is, or is associated with, a substantial shareholder (more than 5 per cent of the voting shares) in the company or in Rio Tinto;
- the director's cross directorships or significant links with or involvement in other companies;
- the director's length of service on the board; and
- whether within the last three years the director or a close family member has had, either directly or indirectly and whether as principal, employee or consultant, a material (more than 2 per cent of the company's or the counterparty's consolidated gross revenue per annum) business relationship with the company or with Rio Tinto, whether as an auditor, professional adviser, supplier, or customer.

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

For any contracts which may exist or be entered into from time to time in the ordinary course of business between the company and a company in which a director has declared an interest, will be reviewed for materiality to both the company and the other party to the contract.

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

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

Selection and appointment of board members

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

The board oversees the appointment and induction process for directors and the selection, appointment and succession planning process of the company's executive management. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the board determines the selection criteria based on the required skills.

The mix of skills comprised in the current board, and that the board would look to maintain, and build on, includes:

- mining and production industry expertise;
- expertise in management and governance;
- high level of business acumen;
- technical expertise;
- ability to think strategically;
- relevant team oriented behavioural characteristics (such as effective communicators and listeners); and
- Papua New Guinea cultural, community, social and political awareness expertise.

The company undertakes such checks as it considers appropriate in order to verify a director's character, experience, education and background prior to their appointment, or putting them forward to shareholders as a candidate for election. The company ensures that it provides shareholders with all material information in its possession relevant to its decision on whether to elect or re-elect a director.

At the time of joining the company, directors and senior executives are provided with written agreements setting out the terms of their appointment.

Directors appointed by the board are required by the company's constitution to submit themselves for election for a further three years, by shareholders at the annual general meeting following their appointment. Directors, other than the managing director, are subject to retirement by rotation at least every three years in accordance with the constitution, but may offer themselves for re-election. There is no share ownership qualification for appointment as a director.

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

Director's access to information

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

Corporate governance statement – continued

Incoming directors receive an induction to ensure they have a working knowledge of the company, the political climate of the region in which its assets are situated, its culture and values and the metal mining industry. All directors are expected to maintain the skills required to effectively discharge their obligations to the company. Directors are encouraged to pursue and participate in appropriate continuing education and professional development opportunities so as to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

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

Evaluating performance of the board

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

In 2014 the board performed its annual evaluation which:

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

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

Code of conduct

The board charter requires that the board complies with the Rio Tinto code of conduct – *The way we work*. It is available online at www.riotinto.com/documents/The_way_we_work.pdf. *The way we work* promotes practices to maintain the company's integrity and reflects the company's commitment to ethical and responsible decision-making. The company's consultants and contractors are required to comply with this policy. All employees and contractors are required to maintain high standards of ethical

behaviour in the execution of their duties and comply with all applicable laws and regulations in Papua New Guinea and in every other country in which the company engages in business.

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

Diversity

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

Given the size of the board, the non-operational status of the company and the challenging labour market in Papua New Guinea, the board considers that it is not practical to set measurable objectives for achieving gender diversity as recommended by the ASX Principles. Further, while gender diversity is important, the priority for the company when recruiting is diversity of experience, background and nationality.

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

Safeguarding the integrity in financial reporting

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

Corporate governance statement – continued

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

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

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

The audit committee held four scheduled meetings during 2014, and attendance details of the 2014 meetings of the audit committee are set out in the table below. The names and qualifications of the members are set out in the Directors' report on page 7.

Director	Meetings attended	Meetings whilst in office
Robert S Burns (chairman)	4	4
Dame Carol A Kidu	4	4
Sir Rabbie L Namaliu	4	4

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

Making timely and balanced disclosure

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

Established reporting systems are in place to ensure compliance with ASX requirements.

Respecting the rights of shareholders

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

- communicating effectively with shareholders through releases to the market via the ASX, the company's website, information mailed and emailed to shareholders and general meetings of the company;
- allowing shareholders to send communications to the company and its security registry electronically;
- giving shareholders ready access to balanced and understandable information about the company and its strategy;
- providing information about the current developments at the annual general meeting and making it easy for shareholders to participate and ask questions;
- having the company's auditor, PricewaterhouseCoopers, attend the annual general meeting and available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report;
- providing shareholders a mechanism to submit written questions regarding the auditor's report to the auditors via the company prior to the annual general meeting, and making available these questions and answers at the annual general meeting.

Purchase and sale of the company's securities

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

The BCL Rules For Dealing require that for all dealings in the company's securities:

- directors must advise the chairman of the board in writing, and receive approval in writing from the chairman, if they intend to purchase or sell securities in the company. In regard to his own dealings, the chairman is required to notify the chairman of the audit committee; and
- no dealings in securities of the company may take

Corporate governance statement – continued

place in the period from the end of any relevant financial period to the trading day following announcement of the company's annual results or half year results.

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

Recognising and managing risk

The company, as a dormant mining and production company, faces risks in its activities, including economic, environmental and social sustainability risks, which may materially impact the company's ability to create or preserve value for shareholders over the short, medium or long term.

While the company does not have a separate risk committee (as recommended by the ASX Principles), the company does have in place policies and procedures, including a risk identification and management framework (described below), which are continually being developed and updated to help manage these risks. These policies and procedures have been adopted by the board, with primary oversight by the audit committee, to ensure that potential business risks are identified and appropriate action taken.

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

1. The company benefits from Rio Tinto's knowledge, policies and practices on risk management and corporate assurance developed to manage its diverse business activities covering a variety of commodities and operational locations. In 2008 the company formally adopted Rio Tinto "Risk Policy and Standard", which can be accessed on Rio Tinto website www.riotinto.com
2. The audit committee biannually receives a report from management and conducts a risk evaluation to identify and review of all of the business risks facing the company.
3. Management provide an annual certificate of compliance to the board and provide periodic reports

and information confirming the status and effectiveness of the plans, controls, policies and procedures implemented to manage business risks.

4. Board approval is required before capital expenditure and revenue commitments exceed certain approved levels.
5. A regulatory compliance program.
6. Safety, health and environmental policies which are supported by a set of standards and management systems which recognise the company's commitment to achieving high standards of performance in all its activities in these areas.
7. A formal risk analysis involving the senior management was facilitated by a professional facilitator specialising in risk issues. This analysis resulted in an updating of the company's risk register. The outcomes were reviewed by the board and audit committee.

In the reporting period, the Audit Committee undertook a review of the company's risk management framework.

In 2014, management provided reports to the board (through the audit committee) relating to the effectiveness of the internal controls and the management of the material business risk. In addition, the board monitors the company's material business risks on an ongoing basis.

The chief executive officer has provided a declaration to the board that:

- the financial records of the company for the financial year ending 31 December 2014 have been properly maintained;
- the financial statements for the financial year ended 31 December 2014 comply with the accounting standards; and
- the financial statements and notes for the financial year are based on a sound system of risk management and internal controls.

Remunerating fairly and responsibly

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

In determining non-executive director remuneration, the

Corporate governance statement – continued

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

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

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

Approved by the board and current as at 20 February 2015.

Statement of comprehensive income

Income

Cost and expenses

Profit (loss) before tax

Profit (loss) after tax

Other comprehensive income (loss)

Total other comprehensive income (loss)

Total comprehensive income (loss) for the year

Statement of changes in equity

Statement of cash flows

Cash flows from operating activities

Cash flows from investing activities

Net increase/(decrease) in cash and cash equivalents



Notes to accounts

1.(a) Basis of preparation

Taxation:

1.(b) Accounting policies

Mine assets:

Foreign currency translation:

Notes to accounts – continued

Provisions:

Impairment of investments:

Investments:

Notes to accounts – continued

Impairment of other assets:

Cash and cash equivalents:

Revenue recognition:

Other receivables:

1.(c) Critical accounting estimates and assumptions

Notes to accounts – continued

1.(f) New and amended standards adopted by the company

1.(g) New standards and interpretations not yet adopted by the company

1.(h) Earnings per share

1.(d) Rounding of amounts

1.(e) Capital risk management

2. Operating expenses

3. Available for sale financial assets

4. Taxation

5. Exchange fluctuation

6. Liabilities

8. Asset revaluation reserve

9. Other receivables

10. Ordinary shares

11. Fair value reserve

12. Remuneration of directors

13. Contingent liabilities and assets

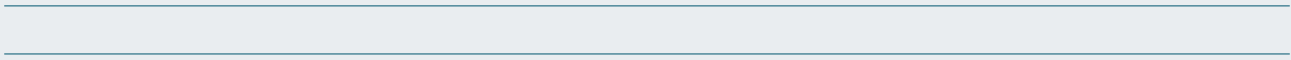
14. Mining tenements

15. Parent entities

16. Segmental information

17. Related party transactions

18. Financial instruments





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

Report on the financial statements

We have audited the accompanying financial statements of Bougainville Copper Limited (the Company), which comprise the balance sheet as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Because of the matter described in the basis for disclaimer

of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial performance.

Basis for disclaimer of opinion on the financial performance

The financial statements of the Company for the year ended 31 December 2013 included a disclaimer of opinion as we were unable to determine whether the impairment provision in relation to the mine assets was adequate and the carrying value of the mine assets was properly stated at that time. In addition, the mine assets had not been depreciated for the period from the closure of the mine, which was a departure from International Financial Reporting Standards.

For the reasons set out in notes 1 (c) and 7 of the financial statements the mine assets were impaired to a nil value during the 2014 financial year. As the opening balances for mine assets enter into the determination of the financial performance for the year ended 31 December 2014 we were unable to determine whether any adjustments might have been necessary in respect of expenses for impairment recognised during the year and the loss for the year reported in the statement of comprehensive income.

Disclaimer of opinion on the financial performance

In our opinion, because of the significance of the matter described in the basis for disclaimer of opinion on the financial performance paragraph above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial performance for the year ended 31 December 2014.

Opinion on the financial position and cash flows

In our opinion, the accompanying financial statements:

- 1 comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- 2 give a true and fair view of the financial position of the Company as at 31 December 2014, and its cash flows for the year then ended.

Emphasis of matter

We draw attention to Notes 1(c) and 7 of the financial statements which describe the continued significant uncertainty surrounding the future of the Panguna mine and related assets particularly in relation to the Company's rights to those assets. While these assets have

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

been impaired to a nil value they continue to be recorded as assets of the Company until the position regarding rights to the assets is clarified to the satisfaction of the Board. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2014:

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

Restriction on distribution or use

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



PricewaterhouseCoopers



Grant E Burns
Engagement Leader



Stephen C Beach
Partner

Registered under the Accountants Registration Act 1996
Port Moresby, 20 February 2015

**PricewaterhouseCoopers, 6th Floor Credit House,
Cuthbertson Street**

PO Box 484, Port Moresby, Papua New Guinea

Directors' declaration

Directors' declaration Bougainville Copper Limited

In the directors' opinion:

- (a) the financial statements and notes set out on pages 17 to 30 are in accordance with the *PNG Companies Act 1997*, including:
 - (i) complying with Accounting Standards, the Companies Act 1997 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Director: Peter R Taylor



Director: Adam J Burley



Director: Robert S Burns



Director: Carol A Kidu



Director: Rabbie L Namaliu

Signed on 20 February 2015.

Corporate information

Bougainville Copper Limited

(Incorporated in Papua New Guinea)

Registered office:

5th Floor, BSP Haus,
Harbour City,
Port Moresby, Papua New Guinea
Telephone: +(675) 3092800
Facsimile: +(675) 3092898
E-mail: info@bcl.com
Website: www.bcl.com.pg

Principal registered office in australia:

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

Share registers:

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

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

Stock exchanges:

Listed with the Australian Securities Exchange Limited

Auditors:

PricewaterhouseCoopers
P O Box 484
Port Moresby, Papua New Guinea

Bankers:

Commonwealth Bank of Australia
Bank South Pacific

Solicitors:

Allens Arthur Robinson
Gadens Lawyers

Twenty largest shareholders

The twenty largest shareholders as at 20 February 2015 and the number of shares held by each were:

Name and Registered Address	Shares	% of Issued Shares
1 Rio Tinto Limited Melbourne VIC	215,920,089	53.83
2 The Independent State of Papua New Guinea	76,430,809	19.06
3 J P Morgan Nominees Australia Limited Melbourne VIC	56,399,190	14.06
4 National Nominees Limited Melbourne VIC	7,975,433	1.99
5 Citicorp Nominees Pty Limited Melbourne VIC	6,032,320	1.50
6 HSBC Custody Nominees (Australia) Limited Sydney NSW	2,818,732	0.70
7 Pershing Australia Nominees Pty Limited Sydney NSW	1,795,000	0.45
8 Franz Heinrich Rast Shell Cove NSW	1,700,000	0.42
9 Klaus Kuettner Germany	1,151,799	0.29
10 Jabinderjit Singh Kuala Lumpur	900,000	0.22
11 BNP Paribas Nominees Pty Limited Royal Exchange NSW	650,990	0.16
12 ABN Amro Clearing Sydney Nominees Pty Limited Sydney NSW	578,075	0.14
13 The Noble Hope for Construction Pty Limited Condell Park NSW	450,000	0.11
14 Garry Raymond Churchill Clifton Beach QLD	448,000	0.11
15 Kaye Claude Laun Fig Tree Pocket QLD	447,000	0.11
16 Belmark Investments Pty Limited Glenside SA	400,000	0.10
17 Deep Valley Pty Limited Samford QLD	380,336	0.09
18 Anthony Patrick Cahill Ascot Vale VIC	370,000	0.09
19 Richard Sallie Nedlands WA	361,581	0.09
20 Sumithra Rambukwella Ranaweera Colombo, Sri Lanka	312,500	0.08
	375,511,854	93.60

Corporate information – continued

Distribution of shares

As at 20 February 2015: The issued shares of the company were 401,062,500 fully paid shares, each carrying one voting right. The number of shareholders was 15,212.

The distribution of holdings of the issued shares was:

			%
1	- 1,000 shares	12,757	83.86
1,001	- 5,000 shares	1,665	10.95
5,001	-10,000 shares	374	2.46
10,001	- shares and over	416	2.73
		<hr/>	<hr/>
Total shareholders		15,212	100.00

There were 13,700 holdings of shares (90.06 per cent) which do not form a marketable parcel.

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

The substantial shareholders were:

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

Applicable jurisdiction

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

Distribution of the benefits

<i>Bougainville Copper Limited year ended 31 December 2014</i>	2014	K million 1972-2013
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*	-	167.4
Dividend WHT*	-	97.6
	-	1,088.2
North Solomons Provincial 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	-	35.0
	-	38.2
Non-Government Shareholders		
Dividends net of Dividend WHT*	-	582.1
Employees		
Wages (less PAYE)	-	575.6
Total	-	2,359.3

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

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

