

L/1271



BOUGAINVILLE COPPER LIMITED
ANNUAL REPORT 1974
and Notice of Meeting

BOUGAINVILLE COPPER LIMITED

Bougainville Copper Limited is a Papua New Guinea Company. It is listed on the Member Exchanges of the Australian Associated Stock Exchanges and the Stock Exchange Association of New Zealand.

LOCATION AND PRODUCTS

Panguna, in South-central Bougainville, is the centre of operations. Company employees are housed at Panguna and also at Arawa on the east coast of the island.

The Company's production operations, covering the mining and processing of ore at Panguna, continues on a 24 hour a day—3 shift basis. The concentrate produced containing mainly copper, but also gold and silver, is pumped 26 km to Anewa Bay on the east coast from where overseas shipments are made.

Notice of Meeting

THE ANNUAL GENERAL MEETING OF BOUGAINVILLE COPPER LIMITED WILL BE HELD AT 10.00 A.M. ON TUESDAY, 15TH APRIL, 1975 IN THE RECREATIONAL COMPLEX, PANGUNA, BOUGAINVILLE, P.N.G.

A SEPARATE NOTICE OF MEETING IS ENCLOSED. ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND.

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H R H. THE PRINCESS ANNE INSPECTS APPRENTICE TRAINING AT THE MINE TRAINING COLLEGE, PANGUNA, DURING THE VISIT BY MEMBERS OF THE ROYAL FAMILY TO BOUGAINVILLE.



DIRECTORS

F. F. ESPIE, O.B.E.
(CHAIRMAN)

R. W. BALLMER
(MANAGING DIRECTOR)

J. L. AUNA

R. H. CARNEGIE

B. E. FAIRFAX-ROSS, C.B.E.

J. T. GUNTHER, C.M.G., O.B.E.

J. T. RALPH

I. F. TARUA

SECRETARY

J. C. RENNIE

BOUGAINVILLE COPPER LIMITED

(Incorporated in Papua New Guinea)

REGISTERED OFFICE:
PANGUNA, BOUGAINVILLE, P.N.G.

SHARE REGISTERS:
MELBOURNE: 95 COLLINS STREET, MELBOURNE.
CANBERRA: 78 NORTHBOURNE AVENUE, CANBERRA CITY, A.C.T.
PANGUNA: PANGUNA, BOUGAINVILLE ISLAND,
PAPUA NEW GUINEA.
UNITED KINGDOM: C/O CENTRAL REGISTRATION LIMITED,
1 REDCLIFF STREET, BRISTOL.

STOCK EXCHANGES:
LISTED ON THE PRINCIPAL EXCHANGES IN ALL
AUSTRALIAN STATES AND NEW ZEALAND.

HIGHLIGHTS 1974

February

Her Majesty Queen Elizabeth II visited Bougainville with members of the Royal Family

March

First Annual General Meeting, as a Public Company, held at Panguna.

April

Final dividend of \$53 475 000 paid from 1973 earnings.
L.M.E. copper price reached a record \$1 400 per tonne.

September

Devaluation of Australian Dollar by 12% and abandonment of direct link with United States Dollar.

October

Heads of Agreement signed by P.N.G. Government and Company for variation of 1967 Bougainville Copper Agreement.
Largest shipment to date from Anewa Bay—28 657 wet tonnes of concentrate.

November

Interim dividend of \$26 737 500 paid from 1974 earnings.

December

Extraordinary General Meeting of Members ratified variations to the 1967 Agreement with the Government of Papua New Guinea.
Production of copper in concentrate a record 184 083 tonnes for year. Record shipments totalling 718 373 wet tonnes concentrate for year.
Consolidated net earnings for year: \$114 579 123.

CHAIRMAN'S STATEMENT



MR F. F. ESPIE, CHAIRMAN.

While 1974 was a year of consolidation and planned development for the Company, it was also one in which the Company was exposed to the results of marked deterioration in the world's major economies, rapidly escalating costs and copper price instability. In addition during 1974 the Bougainville Copper Agreement was amended in such a way as to substantially increase the benefits to be derived by the Papua New Guinea Government and consequently to reduce those for the shareholders.

In spite of all these problems, I am pleased to report that the net earnings for the twelve months, after provision for depreciation, amortisation, royalties and taxation payable to the Government of Papua New Guinea, was \$114 579 123. Of this, \$8 245 351 represented realised exchange gains.

Total sales for the year were 192 257 tonnes of copper, exceeding 1973 results. Except for 1 200 tonnes of copper resulting from previous toll treatment, this copper was contained in concentrates.

During 1974 the Government of Papua New Guinea requested the Company to renegotiate the Bougainville Copper Agreement which regulates the basis for the Company's operation in Papua New Guinea. After carefully considering the various alternatives directors agreed to this and later agreed to recommend results of the renegotiation to the shareholders at an Extraordinary General Meeting held on 10th December, 1974. Shareholders ratified the proposed amendments to the Agreement which became effective on the 23rd December, 1974 when the High Commissioner assented to the Act.

The revised Agreement provides for significant financial changes. The tax exempt period, originally scheduled to terminate on 1st April, 1975 was terminated from 1st January 1974. In addition the Company lost the benefit of accelerated depreciation

allowances and the 20% tax exemption for income earned from the production of copper.

Under the revised Agreement the Company also becomes liable to tax at a marginal rate of 70% when its taxable income exceeds a certain level. This level may change from year to year according to a formula which takes into account such items as capital additions, depreciation and changes in currency relationships. In addition the level may be changed by mutual agreement for other factors such as world inflation.

Dividends in respect of 1974 will total \$73 528 125 of which \$14 705 625 will be paid to the Papua New Guinea Government and the Investment Corporation of Papua New Guinea. The Papua New Guinea Government will also receive withholding tax amounting to approximately \$8.8 million on dividends paid to non-residents of Papua New Guinea. Tax payable to the Government in respect of 1974 operations amounts to \$66.5 million while royalty payments amount to \$3.5 million, making total disbursements to the Government and the Investment Corporation of \$93.5 million.

A surge in demand in the first part of the year carried the copper price to a record high of £stg. 1 400 per tonne by 1st April, 1974; but from that point the price began to fall. As excess stocks of refined copper accumulated, prices fell precipitously to a low of £stg. 529 per tonne on the last day of the year. Gold and silver prices improved over the year.

In the latter part of the year stocks of copper metal increased substantially in Japan. As a result, Japanese buyers requested suppliers to reduce deliveries of concentrates in December 1974 and January 1975. The Company agreed to the requested reduction of 15% for this period. The future position is uncertain but the possibility of reduced shipments over a longer period cannot be dismissed.

The Australian dollar was devalued by 12% on 25th September 1974 and at the same time its tie to the American dollar was severed. This change improved the Company's earnings position since sales receipts are received in United States dollars.

The Company realised exchange gains during 1974 when effecting repayment of some outstanding loans. The amount, while not as significant as 1973, is reflected in the Earnings Statement.

1974 was a year in which major world economies were severely strained by rampant inflation and a simultaneous severe downturn in economic activity. These economic problems, which gained strength during 1974, are continuing into 1975.

The uncertainties facing your Company in the immediate future are, to a large extent, shared by most companies. With the physical and human resources which the Company possesses we see no reason why these challenges cannot be met.

In August, 1974 Mr. M. Morauta, one of the two

nominees of the Government of Papua New Guinea, resigned as a director of the Company. He was replaced by Mr. I. F. Tarua. Also Dr. J. T. Gunther who joined the Board in 1972 and who now retires by rotation has decided for personal reasons not to seek re-election.

Your directors are most appreciative of the advice and assistance which Mr. Morauta and Dr. Gunther have given to them and to the Company during their terms as directors.

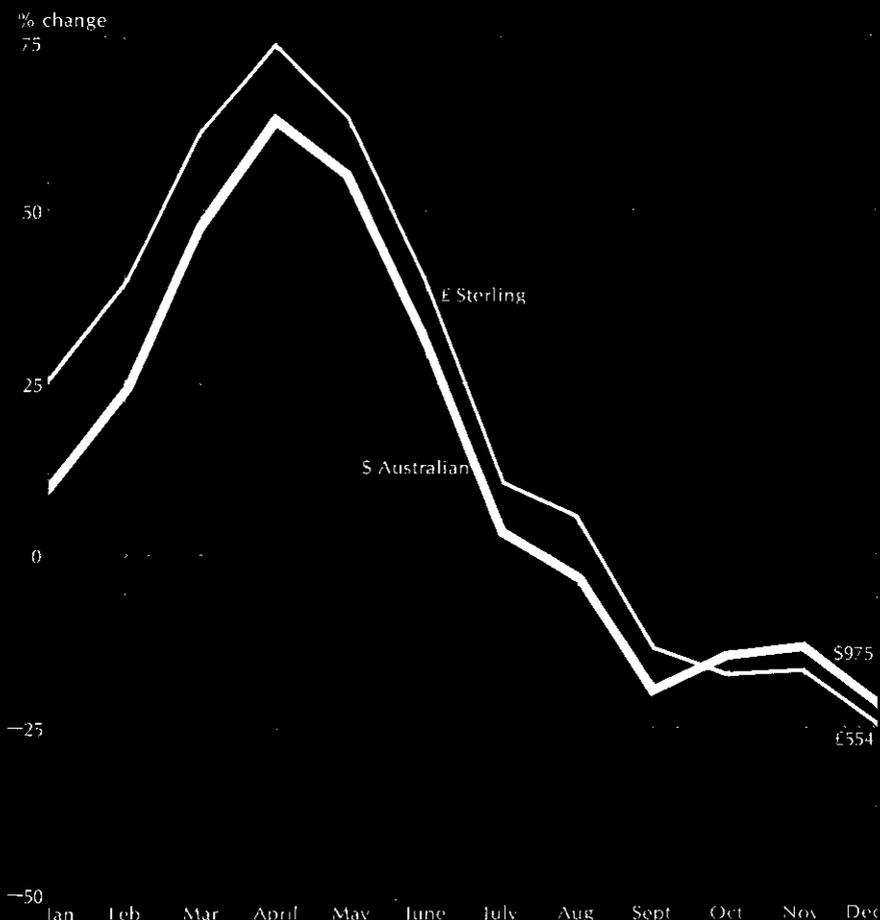
The progress made and the financial results of the Company during 1974 could not have been achieved without the enthusiasm and dedication displayed by all Company staff and employees. The directors express their sincere thanks for their untiring efforts over the past twelve months, realising all too well the significant contributions which have been made.



F. F. ESPIE, Chairman.
6th February, 1975.

1974 MONTHLY AVERAGE COPPER PRICES AS PERCENTAGE CHANGES FROM 1973 AVERAGE PRICES IN £ STERLING AND \$ AUSTRALIAN

Average 1973 prices, £Stg.728, \$A1245. Derived from Monthly Average Official London Metal Exchange Daily Cash Copper Wirebar Quotations.



STATISTICAL SUMMARY

		1974	1973	1972*
ORE AND WASTE REMOVED	(millions of tonnes)	56.00	56.65	46.75
ORE MILLED	(millions of dry tonnes)	30.14	29.14	21.89
ORE GRADE—COPPER	(per cent)	0.70	0.73	0.76
—GOLD	(grams/tonne)	1.02	1.03	0.77
—SILVER	(grams/tonne)	2.12	1.99	2.06
CONCENTRATE PRODUCED	(dry tonnes)	640 818	650 172	438 115
CONTAINED COPPER PRODUCED	(tonnes)	184 083	182 890	123 961
CONCENTRATE GRADE—				
—COPPER	(per cent)	28.73	28.13	28.29
—GOLD	(grams/tonne)	32.0	31.6	27.25
—SILVER	(grams/tonne)	72.0	69.0	69.3
CONCENTRATE SHIPPED	(wet tonnes)	718 373	676 581	471 120
WORK FORCE AT 31ST DECEMBER (Papua New Guinea)—				
—OVERSEAS	(number)	980	929	971
—LOCAL	(number)	3 242	2 915	2 594
AVERAGE METAL PRICES				
—COPPER London Metal Exchange cash sellers price for electrolytic wire bars	(£Stg./tonne)	877.00	727.73	428.09
—GOLD Mean of London Gold Market	(US\$/oz.)	158.7	97.3	58.2
—SILVER Spot price, London Silver Market	(UK pence/oz.)	199.5	103.7	67.4
NUMBER OF SHAREHOLDERS AT 31ST DECEMBER		55 558	45 353	46 726**
ISSUED CAPITAL AT 31ST DECEMBER (\$'000)		133 687	133 687	130 000
CONSOLIDATED NET EARNINGS (\$'000)		114 579	158 411	27 679
DIVIDENDS IN RESPECT OF YEAR (\$'000)		73 528	80 212	11 000

NOTES:

*Full year figures; but commercial production commenced 1st April, 1972.

**1972 figure is for Bougainville Mining Limited.

REVIEW OF OPERATIONS



MR R. W. BALLMER, MANAGING DIRECTOR

Ore reserves: A modest drilling programme, started in late 1973, provided information needed for refining mining plans. There has been no increase in measured ore reserves which, at the end of the year, were approximately 870 million tonnes containing 0.47% copper and 0.53 grams of gold/tonne.

Production: In 1974 a total of 56 000 525 tonnes of ore and waste was removed from the mine. Of this 30 142 669 tonnes of ore were milled and from this, concentrates containing 184 083 tonnes of copper were produced. The statistics are set out in the table below:

PRODUCTION	Year Ended 31 Dec. '74	Year Ended 31 Dec. '73
Ore Milled (millions of dry tonnes)	30.14	29.14
Ore Grade:		
Copper (percent)	0.70	0.73
Gold—grams/tonne	1.02	1.03
Silver—grams/tonne	2.12	1.99
Concentrate Produced (dry tonnes)	640 818	650 172
Concentrate Grade:		
Copper (percent)	28.73	28.13
Gold—grams/tonne	32.0	31.6
Silver—grams/tonne	72.0	69.0

The mine and concentrator operated satisfactorily during the year. The benefit from a full year's operation of the ninth ball mill and improvements made to crushing and grinding circuits offset effects of mechanical and industrial delays. As plant operations improved, copper recovery and concentrate grade increased slightly despite a fall in head grade.

Mining operations were carried out for 365 days and were free of major problems; however, increased length of hauls tended to reduce overall mine production.

The concentrator operated for 361 days during the year. Both improved maintenance methods and computerised control of the grinding circuits are being studied as ways of minimising throughput problems associated with the processing of lower grade ores.

Marketing: Deliveries to buyers during the year reached record levels and absorbed all available production. Total sales for the year amounted to 192 257 tonnes of copper. Except for 1 200 tonnes of copper resulting from earlier toll treatment, this copper was contained in concentrates. Concentrate shipments also contained 21 274 kilograms of gold and 47 666 kilograms of silver.

The strong world demand experienced in the first part of the year was matched by production but by mid-year excess stocks began to accumulate, particularly in Japan. The strong demand at the beginning of the year pushed prices to a record high of £stg 1 400 per tonne on 1st April, 1974, but by year-end slackening in demand and the existence of excess stocks combined to force the price down to £529 per tonne.

In spite of the precipitous drop, high prices in the early part of the year resulted in an average price for the year of £877 per tonne compared with an average price of £728 per tonne for 1973. The average London gold market price for the year was \$US 158.7 per ounce compared with \$US 97.3 per ounce in 1973. The average price for silver during 1974 on the London silver market was 199.5 UK pence per ounce as compared with 103.7 UK pence per ounce in 1973. Sales receipts are received in United States dollars; therefore the 12% devaluation of the Australian dollar in the latter part of the year represented an improvement in prices when expressed in Australian dollars, the present currency of Papua New Guinea. Papua New Guinea will introduce its own currency, the Kina, in April 1975.

SHIPPING: During the year there were 33 shipments of concentrate from Anewa Bay carrying some 718 373 wet tonnes of concentrate. The largest shipment for the year, and to date, was 28 657 wet tonnes of concentrate for Hamburg.

As a result of the copper surplus which existed in Japan in the latter part of the year, suppliers were requested to reduce December and January shipments by 15%. The Company, as did most other Pacific Basin producers, agreed to this reduction.

Finance: In September the Australian dollar was devalued by 12% and its direct links with the United States dollar were severed. This was reflected in an improvement in the Company earnings for the year but reduced the amount standing to the credit of the Exchange Fluctuation account by \$12 188 731. At the end of 1974 the credit balance of this account stood at \$19 077 715. The repayment during this year of loans denominated in U.S. dollars resulted in realised exchange gains of \$8 245 351. Outstanding loans at the end of the year amounted to \$139 438 696.

Training and Education: Localisation of the Company workforce made further good progress during the year. The Company's high priority for its localisation programme is supported by a comprehensive training organisation. At the end of the year approximately 77% of the workforce were Papua New Guineans. During the year a record total of 1949 people received vocational training in a variety of categories; in addition some 322 apprentices in various crafts were in training.

Professional education opportunities have been further enlarged and there are now 62 Company scholarship holders at Papua New Guinea tertiary education centres. At year end there were 80 trainees at the certificate level preparing for supervisory appointments.

Environment: Constant monitoring of tailings waste disposal and plant effluents is carried out by the Company in consultation with Government representatives. Research work is being directed toward the revegetation of the dump and tailings areas.



R. W. BALLMER, Managing Director.
6th February, 1975.

POURING FUSED CONCENTRATE SAMPLE INTO MOULDS IN FIRE ASSAY FOR ESTIMATION OF GOLD AND SILVER CONTENT.



DIRECTORS' REPORT

To the Members:

Net earnings: The Company's consolidated net earnings for 1974 totalled \$114 579 123 after providing \$28 453 476 for depreciation and amortisation, \$3 486 961 for royalties and \$66 473 559 for income tax.

Capital: There was no change in the Company's capital structure during the year and at 31st December 1974 the paid up capital of the Company was \$133 687 500 representing 267 375 000 shares on issue to shareholders.

Exchange fluctuation: On 25th September 1974, the Australian dollar was devalued by 12 percent against the United States dollar. In addition it was announced that the previous tie with the United States dollar would be discontinued.

As a result of movements in currencies during the year, there has been a decrease in the unrealised exchange gain on United States dollar loans of \$A 12 188 731 at 31st December 1974. As exchange gains are realised, they are taken into earnings at the time of repayment of loans designated in United States dollars. Repayment of United States dollar loans in 1974 resulted in a realised exchange gain of \$A 8 245 351 which was transferred from the Exchange Fluctuation account to earnings.

The Company held part of its cash balances in United States dollars at the time of the devaluation. These balances were revalued and resulted in a gain of \$A1 304 846 which has been credited to 1974 earnings.

Loans: Loan repayments totalling \$36 903 589 were made during the year. At 31st December 1974, outstanding loans, totalling \$A 139 438 696 were as follows:—

• Credit Agreement	
Seven year loans	\$US 67 400 000 (\$A 50 791 258)
• Japanese Cash Loan Agreement	\$US 22 000 000 (\$A 16 578 749)
• Japanese Equipment Loan Agreement	\$US 16 349 486 (\$A 12 320 636)
• Eximbank Loan Agreement	\$US 42 700 000 (\$A 32 177 846)
• Deferred payment arrangements with Australian suppliers (guaranteed by Export Payments Insurance Corporation)	\$A 17 194 126
• Papua New Guinea Banking Corporation Housing Loan (This loan was transferred from the Commonwealth Savings Bank of Australia during 1974).	\$A 10 376 081

All loans with the exception of the Papua New Guinea Banking Corporation Housing Loan, deferred payment arrangements with Australian suppliers and overdraft facilities, are secured by a charge over shares held by Conzinc Riotinto of Australia Limited, the Government of Papua New Guinea and the Investment Corporation of Papua New Guinea. Shares directly held by the public in the Company are not encumbered.

Dividends: An interim dividend of 10 cents per share was declared on 9th September and paid on 1st November 1974.

A final dividend of 17.5 cents per share was declared payable on 3rd April, 1975. Withholding tax will be deducted from dividends paid to non-Papua New Guinea shareholders. This dividend will bring the total dividend in respect of 1974 earnings to 27.5 cents per share.

Directors: In accordance with Article 94 of the Company's Articles of Association, Dr. J. T. Gunther, C.M.G., O.B.E., and Mr. J. L. Auna retire. Mr. Auna being eligible, offers himself for re-election. In accordance with Article 85 of the Company's Articles of Association, Mr. J. F. Tarua, who was appointed to the Board on 13th August 1974, holds office until the conclusion of the Annual General Meeting, and being eligible, offers himself for re-election.

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

Statutory: In accordance with the provisions of Section 162 of the Companies Act 1963, as amended to date, the directors state that in their opinion:

1. The results of the Company's operations in the year under review have not been materially affected by items of an abnormal character except as mentioned in this report.
2. No circumstances have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
3. No contingent liabilities have arisen since the balance date of the accounts, 31st December 1974, and the date of this report, 6th February 1975.
4. No contingent liability has become enforceable or is likely to become enforceable within twelve months from the date of this report which will materially affect the Company in its ability to meet its obligations as and when they fall due.

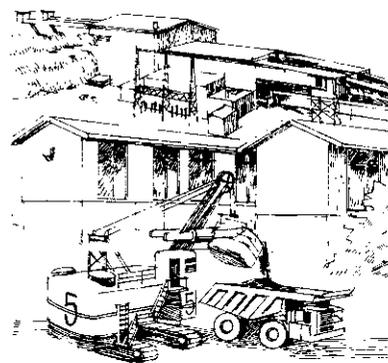
For and on behalf of the Board,



F. F. ESPIE, Chairman.
6th February, 1975.

SIMPLIFIED BALANCE SHEET

WHAT WE OWN (ASSETS)	\$ Million
MINE LEASES, TREATMENT PLANT, HOUSING, POWER STATION, PORT FACILITIES, ETC.	352.3
COPPER CONCENTRATE IN STORAGE AWAITING SHIPMENT AND STORES ON HAND	24.4
MONEY HELD BY BANKS ON DEPOSIT AND IN CASH	129.7
AMOUNTS OWED TO YOUR COMPANY MAINLY FOR COPPER CONCENTRATES RECENTLY SHIPPED	51.5
	557.9



LESS WHAT WE OWE (LIABILITIES)	
LONG TERM LOAN BORROWINGS TO BE REPAID AFTER 1975	121.1
SHORT TERM OVERDRAFT	5.0
LOAN BORROWINGS TO BE REPAID DURING 1975	18.3
AMOUNTS OWING TO SUPPLIERS AND OTHERS FOR GOODS AND SERVICES	12.6
MONEY SET ASIDE FOR PAYMENT OF DIVIDENDS TO THE COMPANY'S SHAREHOLDERS	46.8
MONEY SET ASIDE FOR PAYMENT OF INCOME TAX	66.6
	270.4



AMOUNT REMAINING	287.5
THIS AMOUNT (\$287.5 MILLION) IS RETAINED TO FINANCE OPERATIONS OF THE BUSINESS AND REPRESENTS:	
CONTRIBUTIONS BY THE COMPANY'S SHAREHOLDERS	133.7
PROFITS WHICH DIRECTORS CURRENTLY INTEND TO RETAIN IN THE BUSINESS	134.7
THE GAIN (BASED ON PRESENT EXCHANGE RATES AND NOT YET REALISED) ON FUTURE UNITED STATES LOAN REPAYMENTS. THIS GAIN RESULTS FROM THE INCREASE IN THE VALUE OF THE AUSTRALIAN DOLLAR COMPARED WITH THE UNITED STATES DOLLAR	19.1

BOUGAINVILLE COPPER LIMITED
AND SUBSIDIARY COMPANY

STATEMENTS OF EARNINGS

YEAR ENDED 31ST DECEMBER, 1974

	NOTES	CONSOLIDATED		BOUGAINVILLE COPPER LIMITED	
		1974 \$000	1973 \$000	1974 \$000	1973 \$000
NET SALES REVENUE		279 825	249 048	279 825	249 048
Other Income		13 900	3 331	13 890	2 925
		293 725	252 379	293 715	251 973
<i>Less:</i>					
Cost of sales, financing and other costs		88 977	79 598	88 975	79 442
Depreciation and Amortisation	3	28 453	24 831	28 453	24 831
Royalties		3 487	3 118	3 487	3 118
		120 917	107 547	120 915	107 391
		172 808	144 832	172 800	144 582
<i>Add:</i>					
Exchange gains realised on loan repayments		8 245	13 828	8 245	13 828
EARNINGS (BEFORE TAXATION)	2	181 053	158 660	181 045	158 410
Taxation— Current	8	66 474	107	66 470	—
— Dividend withholding		—	143	—	—
		66 474	250	66 470	—
CONSOLIDATED NET EARNINGS		114 579	158 410	114 575	158 410
<i>Plus:</i>					
Unappropriated earnings brought forward		93 689	16 679	93 689	16 679
Prior year tax adjustment		6	—	—	—
		208 274	175 089	208 264	175 089
<i>Less: Dividends</i>					
— Stock		—	1 188	—	1 188
— Interim paid		26 737	26 737	26 737	26 737
— Final payable		46 791	53 475	46 791	53 475
		73 528	81 400	73 528	81 400
UNAPPROPRIATED EARNINGS CARRIED FORWARD		134 746	93 689	134 736	93 689

This Statement of Earnings should be read in conjunction with the explanatory notes accompanying these accounts.

BOUGAINVILLE COPPER LIMITED
AND SUBSIDIARY COMPANY

BALANCE SHEETS

AT 31ST DECEMBER, 1974

	NOTES	CONSOLIDATED		BOUGAINVILLE COPPER LIMITED	
		1974 \$000	1973 \$000	1974 \$000	1973 \$000
CAPITAL AND RESERVES					
CAPITAL					
Authorised	9	<u>135 000</u>	135 000	<u>135 000</u>	135 000
Paid up		<u>133 688</u>	133 688	<u>133 688</u>	133 688
REVENUE RESERVES					
Unappropriated Earnings	10	<u>134 746</u>	93 689	<u>134 736</u>	93 689
Total Capital and Reserves		<u>268 434</u>	227 377	<u>268 424</u>	227 377
EXCHANGE FLUCTUATION					
	11	<u>19 078</u>	39 512	<u>19 078</u>	39 512
LIABILITIES					
MATURING LATER THAN ONE YEAR:					
Loans	12	<u>121 122</u>	127 368	<u>121 122</u>	127 368
Provisions	13	<u>746</u>	177	<u>746</u>	177
		<u>121 868</u>	127 545	<u>121 868</u>	127 545
CURRENT					
Bank Overdraft		<u>4 976</u>	2 681	<u>4 976</u>	2 681
Loan Instalments	12	<u>18 316</u>	36 785	<u>18 316</u>	36 785
Creditors	14	<u>11 859</u>	14 669	<u>11 858</u>	14 669
Income Tax		<u>66 571</u>	143	<u>66 470</u>	—
Dividend payable		<u>46 791</u>	53 475	<u>46 791</u>	53 475
		<u>148 513</u>	107 753	<u>148 411</u>	107 610
Contingent and Commitments	20	—	—	—	—
TOTAL FUNDS		<u>557 893</u>	502 187	<u>557 781</u>	502 044
These Funds are represented by:					
ASSETS					
PROPERTY, PLANT AND EQUIPMENT					
	15	<u>352 225</u>	371 665	<u>352 225</u>	371 665
INVESTMENTS					
	16	<u>83</u>	83	<u>83</u>	83
CURRENT					
Cash and bank balances		<u>342</u>	68	<u>341</u>	65
Short term deposits and loans		<u>129 333</u>	68 018	<u>129 223</u>	67 878
Debtors	17	<u>51 500</u>	45 351	<u>51 499</u>	45 351
Stocks and Stores	18	<u>24 410</u>	17 002	<u>24 410</u>	17 002
		<u>205 585</u>	130 439	<u>205 473</u>	130 296
TOTAL ASSETS		<u>557 893</u>	502 187	<u>557 781</u>	502 044

The notes attached hereto form part of these accounts and are to be read in conjunction herewith.

NOTES FORMING PART OF THE 1974 ACCOUNTS

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

1. ACCOUNTING POLICIES

In general accounting policies and practices have been adopted which follow the joint recommendation of the principal Australian Professional Accounting Bodies.

In particular some of the practices used are:

FIXED ASSETS

Mine Property, Buildings, Plant, Machinery and Equipment are valued at historical cost less accumulated depreciation and amortisation.

DEPRECIATION AND AMORTISATION

Buildings and Plant depreciation using the straightline method is provided, at not less than allowable taxation rates, based on estimated useful life of the various assets.

New buildings and plant are depreciated from the commencement of the month following their completion or installation.

Generally the assets are fully depreciated over the shorter of economic life or twenty years.

Mine Property is being amortised over the twenty year period commencing 1st April, 1972 on a straightline basis.

STOCK VALUATIONS

Concentrate stocks are valued at cost which is lower than net realisable value. Cost includes direct and indirect labour, materials and services but excludes depreciation and overheads except those directly related to production activities.

Other stocks and stores are valued at the lower of cost or net realisable value.

CURRENCY CONVERSION

Current assets, current liabilities and long term loans in foreign currencies are converted to Papua New Guinea currency (\$ Australia) at the rates of exchange ruling at balance date. All other amounts in foreign currencies have been converted at the rates of exchange at the dates of the relevant transactions.

Unrealised gains on overseas loans are held in Exchange Fluctuation Account and transferred to earnings as and when gains are made on repayment of loans.

MAINTENANCE AND REPAIRS

Maintenance, repair costs and minor renewals are charged against income as incurred.

Some maintenance occurs over a cycle of more than one accounting period. Accordingly provisions are made for deferred maintenance which are reviewed annually.

CONSOLIDATED		BOUGAINVILLE COPPER LIMITED	
1974	1973	1974	1973
\$000	\$000	\$000	\$000

2. EARNINGS (BEFORE TAXATION)

Earnings (before taxation) have been determined after allowing for:

DEDUCTIONS WHICH INCLUDE—

P.N.G. royalties	3 487	3 118	3 487	3 118
Depreciation and amortisation (Note 3)	28 453	24 831	28 453	24 831
Interest paid/payable (Note 4)	13 205	17 493	13 205	17 493
Deferred maintenance and other provisions (Note 13)	917	18	917	18
Grants and donations (Note 5)	43	3 002	43	3 002
Bad and doubtful debts (Note 6)	7	41	7	41
Auditors' remuneration (Note 7)	85	45	85	36
Directors' emoluments (Note 19)	4	4	4	4
Loss on disposal of non-current assets	24	—	24	—

ADDITIONS WHICH INCLUDE—

Interest on short term deposits	12 752	3 331	12 731	2 925
Gain on overseas cash balances (Note 11)	1 159	(1 064)	1 159	(1 064)
Exchange gains realised on loan repayments (Note 11)	8 245	13 828	8 245	13 828
Profit on disposal of non-current assets	119	—	119	—

3. DEPRECIATION AND AMORTISATION

The amount charged against earnings comprised:

Depreciation on: buildings	9 365	8 667	9 365	8 667
plant, machinery and equipment	15 983	13 069	15 983	13 069
Amortisation of Mine Property	3 105	3 095	3 105	3 095
	<u>28 453</u>	<u>24 831</u>	<u>28 453</u>	<u>24 831</u>

	CONSOLIDATED		BOUGAINVILLE COPPER LIMITED	
	1974 \$000	1973 \$000	1974 \$000	1973 \$000
4. INTEREST PAID/PAYABLE				
Long term loans	13 070	17 495	13 070	17 495
Bank overdrafts	135	112	135	112
	<u>13 205</u>	<u>17 607</u>	<u>13 205</u>	<u>17 607</u>
Less capitalised	—	114	—	114
	<u>13 205</u>	<u>17 493</u>	<u>13 205</u>	<u>17 493</u>

No interest was paid or is payable to related companies of Bougainville Copper Limited.

5. GRANTS AND DONATIONS				
Grant to Panguna Development Foundation	—	2 959	—	2 959
Other grants and donations	43	43	43	43
	<u>43</u>	<u>3 002</u>	<u>43</u>	<u>3 002</u>

6. BAD AND DOUBTFUL DEBTS				
Bad debts written off against earnings comprised:				
Trade debtors	—	—	—	—
Other debtors	—	2	—	2
Amounts set aside during the year for doubtful debts were in respect of:				
Trade debtors	—	—	—	—
Other debtors	7	39	7	39
	<u>7</u>	<u>41</u>	<u>7</u>	<u>41</u>

In addition an amount of \$19 792 in respect of other debtors was written off the Provision for Doubtful Debts.

7. AUDITORS' REMUNERATION				
Amounts paid/payable to Auditors for:				
Auditing the accounts	61	33	61	32
Other services	24	12	24	4
	<u>85</u>	<u>45</u>	<u>85</u>	<u>36</u>

No other benefits were received by the Auditors.

8. TAXATION				
Amounts provided/paid for				
Income Tax—P.N.G.	66 470	—	66 470	—
— Australia	4	107	—	—
P.N.G. withholding tax	—	143	—	—
	<u>66 474</u>	<u>250</u>	<u>66 470</u>	<u>—</u>

Under the terms of the Mining Agreement (as amended) earnings to 31st December, 1973 of Bougainville Copper Limited were exempt from liability for income tax.

As from 1st January, 1974 under the revised Agreement, the Company also became liable to tax at a marginal rate of 70% when its taxable income exceeds a certain level. This level may change from year to year according to a formula which takes into account such items as capital additions, depreciation and changes in currency relationships.

In addition the level may be changed by mutual agreement for other factors such as world inflation.

9. CAPITAL	
The authorised capital of \$135 000 000 is made up of 270 000 000 ordinary shares of 50 cents each.	
At 31st December, 1974 the paid up capital of the Company was \$133 687 500 represented by 267 375 000 ordinary shares of 50 cents each fully paid.	
No change in authorised or paid up capital occurred during 1974.	

	CONSOLIDATED		BOUGAINVILLE COPPER LIMITED	
	1974 \$000	1973 \$000	1974 \$000	1973 \$000
10. REVENUE RESERVES				
Unappropriated earnings:				
1st January	93 689	16 679	93 689	16 679
Net earnings for year	114 579	158 410	114 575	158 410
	<u>208 268</u>	<u>175 089</u>	<u>208 264</u>	<u>175 089</u>
Prior year adjustment	6	—	—	—
	<u>208 274</u>	<u>175 089</u>	<u>208 264</u>	<u>175 089</u>
Dividends paid/payable	73 528	81 400	73 528	81 400
31st December	<u>134 746</u>	<u>93 689</u>	<u>134 736</u>	<u>93 689</u>

The earnings of Bougainville Copper Limited are not wholly available for payment to shareholders due to restrictions imposed on the payment of dividends under the terms of the Credit Agreement dated 28th July, 1969 (as amended).

11. EXCHANGE FLUCTUATION

Due to currency realignments a gain of \$1 158 781 on conversion of overseas cash balances to Australian dollars was realised (1973 loss \$1 063 890).

Exchange fluctuation gains relating to long term loan repayment obligations are:

Unrealised 1st January	39 512	24 173	39 512	24 173
Changes due to currency realignments during the year	(12 189)	29 167	(12 189)	29 167
	<u>27 323</u>	<u>53 340</u>	<u>27 323</u>	<u>53 340</u>
Gains realised on loan repayments during the year	8 245	13 828	8 245	13 828
Unrealised 31st December	<u>19 078</u>	<u>39 512</u>	<u>19 078</u>	<u>39 512</u>

12. LONG TERM LOANS

(a) Repayments due later than one year:

Secured	106 199	110 174	106 199	110 174
Unsecured	14 923	17 194	14 923	17 194
	<u>121 122</u>	<u>127 368</u>	<u>121 122</u>	<u>127 368</u>

(b) Repayments due within one year:

Secured	16 045	34 556	16 045	34 556
Unsecured	2 271	2 229	2 271	2 229
	<u>18 316</u>	<u>36 785</u>	<u>18 316</u>	<u>36 785</u>

TOTAL OBLIGATIONS OUTSTANDING

	<u>139 438</u>	<u>164 153</u>	<u>139 438</u>	<u>164 153</u>
--	----------------	----------------	----------------	----------------

Total obligations at 31st December were in respect of borrowings as follows:

BANK LOANS (secured other than by debentures)

	Repayable				
Credit Agreement:					
Seven year loans	1978	50 791	45 311	50 791	45 311
Intermediate term loans (1)	—	—	20 168	—	20 168
Other Bank loans:					
Eximbank loans	1975-1978	32 178	36 907	32 178	36 907
Housing loan (2)	1975-1978	10 376	12 500	10 376	12 500
Total Bank loans		<u>93 345</u>	<u>114 886</u>	<u>93 345</u>	<u>114 886</u>
OTHER SECURED LOANS:					
Japanese cash loans	1975-1979	16 579	17 479	16 579	17 479
Japanese equipment loans	1975-1982	12 320	12 365	12 320	12 365
Total Secured loans (3)		<u>122 244</u>	<u>144 730</u>	<u>122 244</u>	<u>144 730</u>
UNSECURED LOANS					
Australian Equipment (4)	1975-1982	17 194	19 423	17 194	19 423
		<u>139 438</u>	<u>164 153</u>	<u>139 438</u>	<u>164 153</u>

LONG TERM LOANS (Continued)

(1) The Intermediate loans were subject to certain provisions relating to prepayments. During 1974 an amount of \$US19 100 000 (1973 \$US31 700 000) was voluntarily prepaid one year in advance with the result that this loan was fully repaid on 3rd July, 1974.

(2) The Housing Loan is secured by an equitable charge over certain of Bougainville Copper's housing leases in Arawa Township. Interest rate for this loan is 8% per annum. This loan was originally advanced by the Commonwealth Savings Bank of Australia which transferred its assets and liabilities in Papua New Guinea on 22nd April, 1974 to The Papua New Guinea Banking Corporation under legislation passed in the Australian Parliament.

(3) Except for the Housing Loan, the secured loans are repayable in U.S. dollars and are secured by a charge over 194 000 676 shares in Bougainville Copper Limited owned by Conzinc Riotinto of Australia Limited, the Papua New Guinea Government, and the Investment Corporation of Papua New Guinea. Interest rates on these loans during 1974 varied between 6% and 13.25%.

(4) Bougainville Copper entered into deferred payment arrangements with Australian suppliers of goods and services relating to the construction phase. Annual interest rates on these loans vary from 7.25% to 7.75%.

	Balance 1973	Charge against earnings	Disburse- ments and transfers	Balance 1974
CONSOLIDATED AND BOUGAINVILLE COPPER LIMITED				
13. PROVISIONS	\$000	\$000	\$000	\$000
Long service leave	177	68	1	246
Deferred maintenance	—	500	—	500
Development expenditure	—	349	—	349
	<u>177</u>	<u>917</u>	<u>1</u>	<u>1 095</u>
Less: Transfer against development expenditure incurred	—			349
	<u>177</u>			<u>746</u>

No portion of these provisions has been classified as current. Some part of the amounts provided may be utilised within the next year, but this cannot be determined with any substantial degree of accuracy.

	CONSOLIDATED		BOUGAINVILLE COPPER LIMITED	
	1974	1973	1974	1973
	\$000	\$000	\$000	\$000
14. CREDITORS				
Related corporations				
Holding company	7	30	7	30
Other	880	3 183	880	3 183
Trade creditors and bills payable	1 973	4 911	1 973	4 911
Other current liabilities				
Secured	1 438	3 533	1 438	3 533
Unsecured	7 561	3 012	7 560	3 012
	<u>11 859</u>	<u>14 669</u>	<u>11 858</u>	<u>14 669</u>

15. PROPERTY, PLANT AND EQUIPMENT				
Mine Property (at cost)	62 121	62 073	62 121	62 073
Less amortisation	8 529	5 424	8 529	5 424
	<u>53 592</u>	<u>56 649</u>	<u>53 592</u>	<u>56 649</u>
Leasehold land and buildings (at cost)	179 737	178 088	179 737	178 088
Less depreciation	23 123	14 467	23 123	14 467
	<u>156 614</u>	<u>163 621</u>	<u>156 614</u>	<u>163 621</u>
Plant, machinery and equipment (at cost)	173 007	169 253	173 007	169 253
Less depreciation	32 825	18 387	32 825	18 387
	<u>140 182</u>	<u>150 866</u>	<u>140 182</u>	<u>150 866</u>
Capital works in progress	1 837	529	1 837	529
	<u>352 225</u>	<u>371 665</u>	<u>352 225</u>	<u>371 665</u>

	CONSOLIDATED		BOUGAINVILLE COPPER LIMITED	
	1974 \$000	1973 \$000	1974 \$000	1973 \$000
16. INVESTMENTS				
RELATED COMPANIES—shares not listed on a Stock Exchange at cost				
Subsidiary Company	—	—	—	—
Other	38	38	38	38
	<u>38</u>	<u>38</u>	<u>38</u>	<u>38</u>
OTHER COMPANIES—shares not listed on a Stock Exchange at cost				
	45	45	45	45
	<u>83</u>	<u>83</u>	<u>83</u>	<u>83</u>

Bougainville Mining Limited, incorporated in the Australian Capital Territory and having an issued capital of 200 ordinary shares of 50 cents each fully paid, is a wholly owned subsidiary of Bougainville Copper Limited. The contribution made by Bougainville Mining Limited to 1974 consolidated net earnings was \$4 350 (1973 nil).

17. DEBTORS

Related Companies:				
Subsidiary Company	—	—	—	1
Other	1 279	1 134	1 279	1 134
Trade debtors	45 763	42 383	45 763	42 383
Other debtors and payments in advance	4 484	1 873	4 483	1 872
Less provision for doubtful debts	26	39	26	39
	<u>4 458</u>	<u>1 834</u>	<u>4 457</u>	<u>1 833</u>
	<u>51 500</u>	<u>45 351</u>	<u>51 499</u>	<u>45 351</u>

18. STOCKS AND STORES

Unshipped Concentrate	465	2 504	465	2 504
Other Stocks and Stores	23 945	14 498	23 945	14 498
	<u>24 410</u>	<u>17 002</u>	<u>24 410</u>	<u>17 002</u>

	1974		1973
	Company	Related	Company
	Corporations	Corporations	Corporations
	\$000	\$000	\$000

19. DIRECTORS' EMOLUMENTS

The total of emoluments received or due and receivable (whether from the Company or from a related corporation) by:—

(a) Directors of the Company engaged in the full-time employment of the Company or its related corporations (including all bonuses and commissions received or receivable by them as employees, but not including the amount received or receivable by them by way of fixed salary as employees) was	—	—	—	6
and (b) Other Directors of the Company was	4	—	4	—

20. COMMITMENTS FOR CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

The approximate commitments for the purchase of land, buildings, plant and equipment not reflected in the Balance Sheet amount to \$5 501 000 (1973 \$3 410 000)

The Company has contingent obligations attaching to the terms of:

(a) the Credit Agreement dated 28th July, 1969 (as amended),

and,

(b) the Amending Agreement as referred to in the Mining (Bougainville Copper Agreement) (Amendment) Act 1974, however no circumstance has yet arisen to suggest that an enforceable claim has or is likely to arise in respect of these obligations.

Except for the foregoing neither the Company nor its subsidiary, Bougainville Mining Limited, has contingent liabilities which are material in nature and/or amount.

21. ULTIMATE HOLDING COMPANY

The ultimate holding Company is The Rio Tinto-Zinc Corporation Limited (incorporated in England).

DECLARATIONS

STATEMENT BY DIRECTORS

In the opinion of the Directors of Bougainville Copper Limited the accompanying statement of earnings is drawn up so as to give a true and fair view of the results of the business of the Company for the period covered by the statement and the accompanying balance sheet is drawn up so as to exhibit a true and fair view of the state of affairs of the Company at the end of that period.

Signed at Panguna this 6th day of February, 1975.

On behalf of the Board
 F. F. ESPIE, R. W. BALLMER
 Directors

DECLARATION BY SECRETARY

I, John Campbell Rennie, Secretary of Bougainville Copper Limited, do solemnly and sincerely declare that the accompanying balance sheet and statement of earnings of the Company are, to the best of my knowledge and belief correct.

And I make this solemn declaration by virtue of the Oaths, Affirmations and Statutory Declarations Act 1962, as amended to date, conscientiously believing the statements contained herein to be true in every particular.

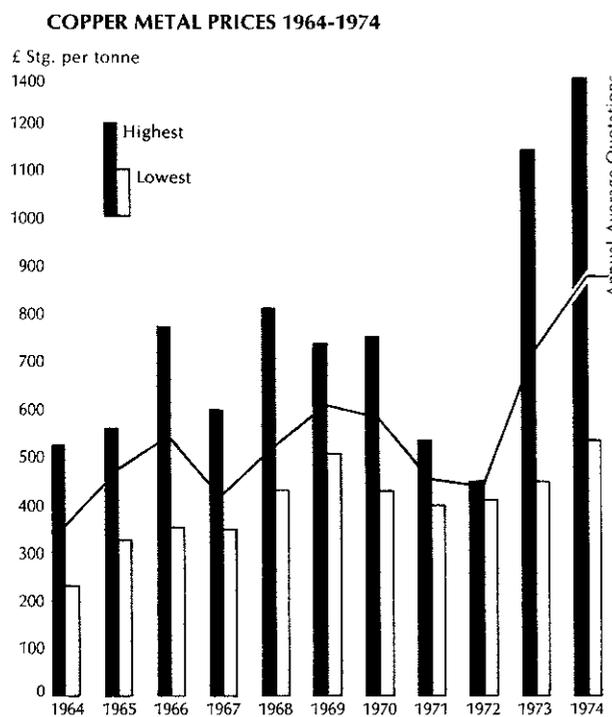
Declared at Panguna this 6th day of February, 1975.

J. C. RENNIE
 Secretary
 Before me:
 MARY R. SMITH
 Justice of the Peace

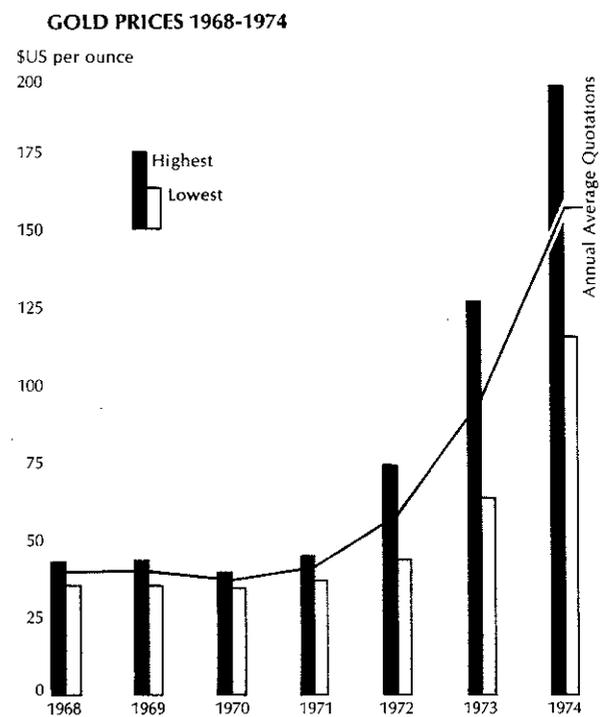
REPORT OF THE AUDITORS TO THE MEMBERS

In our opinion, the balance sheets and statements of earnings set out on pages 10 to 16 are properly drawn up in accordance with the provisions of the Companies Act 1963, as amended to date, so as to give a true and fair view of the state of affairs and the profits of the Company and of the Group. The accounting and other records, including registers, of the Company examined by us have, in our opinion, been properly kept in accordance with the provisions of the Act.

COOPERS & LYBRAND
 Chartered Accountants
 MELBOURNE. 10th February, 1975

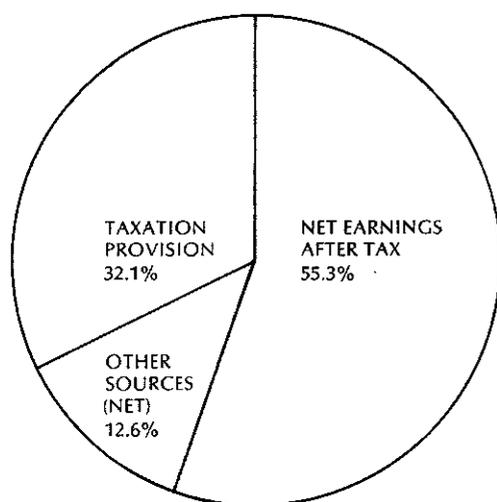


Annual Range and Annual Average Quotation of Official London Metal Exchange Daily Cash Copper Wirebar Quotations. (Source: London Metal Exchange.)



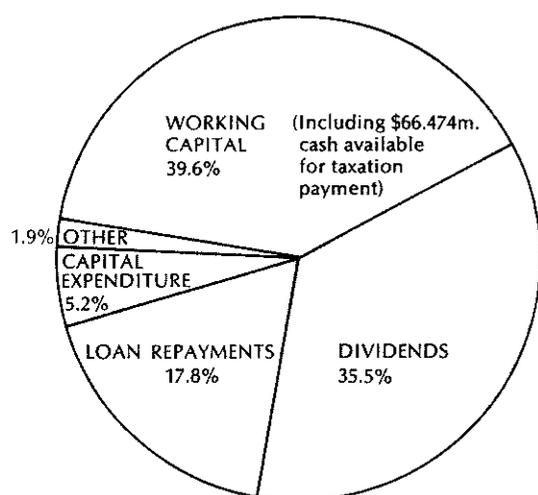
Annual Range and Annual Average of Mean Price for Fine Gold on London Gold Market. (Source: Sharps Pixley and Company Limited, London.)

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS



1974

1973 \$000	SOURCE OF FUNDS	1974 \$000
158 411	Consolidated Net Earnings	114 579
	Charges against earnings not requiring current outlays:	
107	— Income Tax	66 474
24 831	— Depreciation	28 453
(13 828)	— Exchange gains on loans	(8 245)
3 118	— Royalty provided	3 487
18	— Other	474
	Long Term Borrowings	—
	Issue of Shares	—
	Miscellaneous	1 912
191 434		207 134



1974

1973 \$000	APPLICATION OF FUNDS	1974 \$000
26 737	Dividends— Interim	26 737
53 475	— Final	46 791
	Stock Dividend	—
	Royalty Paid	3 759
68 002	Repayment of Long Term Borrowings	36 904
17 916	Expenditure on Fixed Assets	10 830
	Income Tax Paid—	
51	Bougainville Mining Limited	40
21 209	Increase in Working Capital	82 073
191 434		207 134

ALLOCATION OF NET CASH GENERATED

NET CASH GENERATED

Net cash generated by the business (before payment of royalty and taxation but after spending for new plant).

P.N.G.

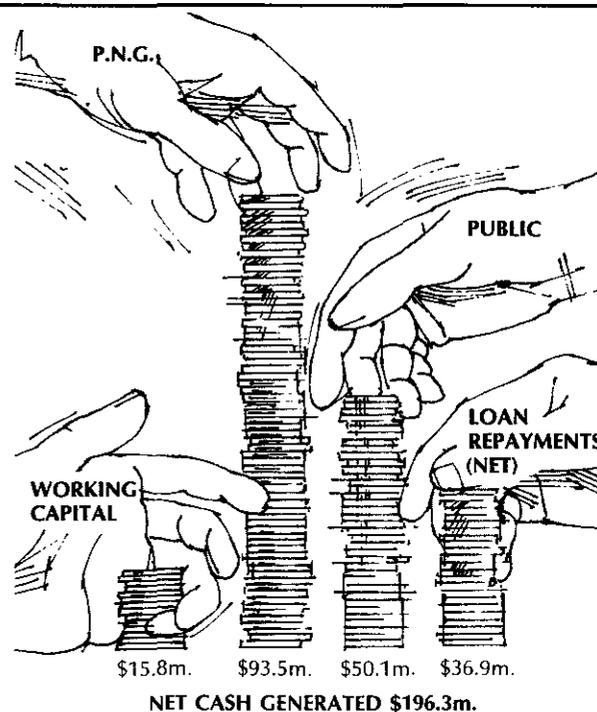
P.N.G. Government and Investment Corporation—dividends, royalty, taxation and withholding tax.

PUBLIC

Public dividends after withholding tax.

	\$ millions	
	1974	1973
NET CASH GENERATED	196.3	154.9
P.N.G.	93.5	28.5
Public	50.1	54.7
Loan Repayments (net)	36.9	53.1
Working Capital	15.8	18.6
	196.3	154.9

Complete details of Bougainville Copper's Source and Application of funds are shown on page 18.



BOUGAINVILLE COPPER LIMITED SHAREHOLDINGS

The distribution of holdings of the issued shares in the Company at 31st January 1975 was:

0-1000 shares	46 282
1001-5000 shares	7 924
5001-10000 shares	853
10001 shares and over	667
	55 726

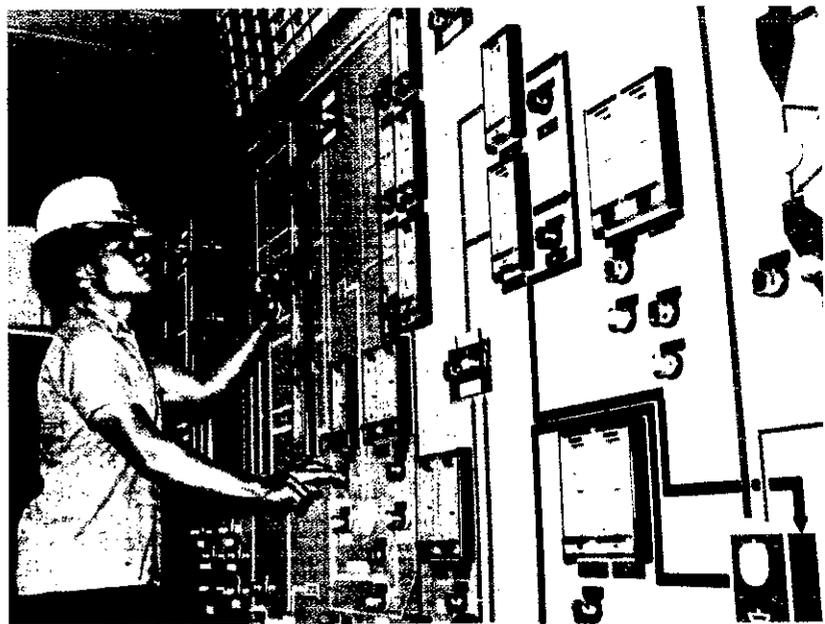
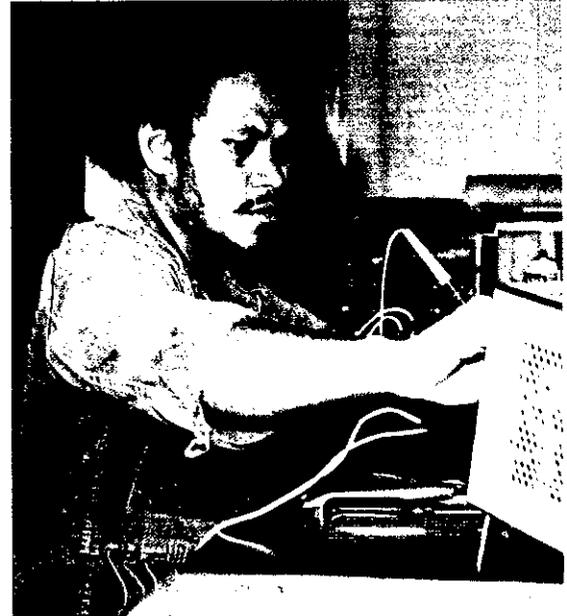
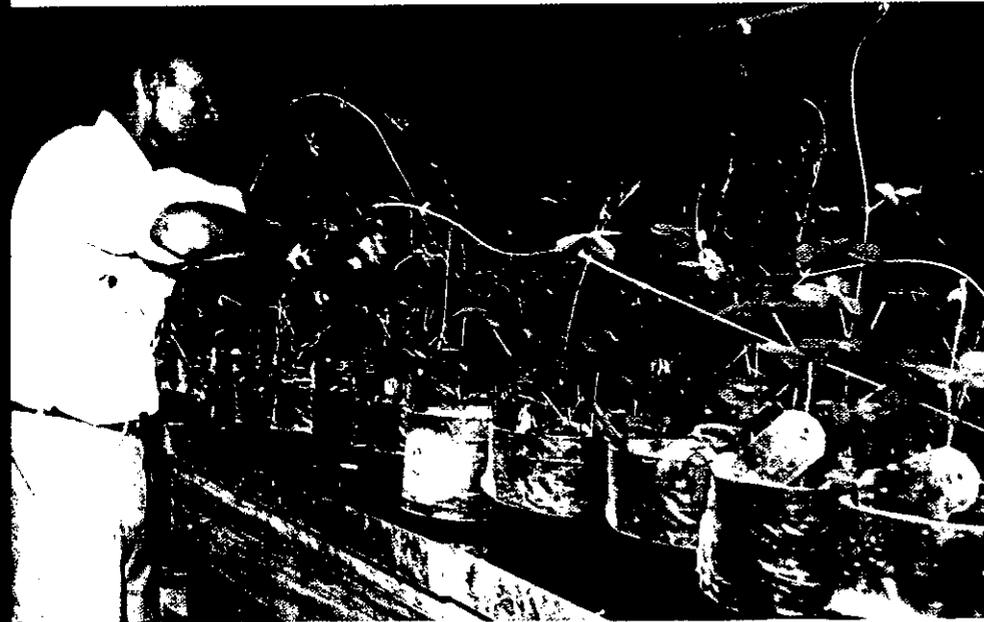
Substantial shareholders at 31st January 1975 were:

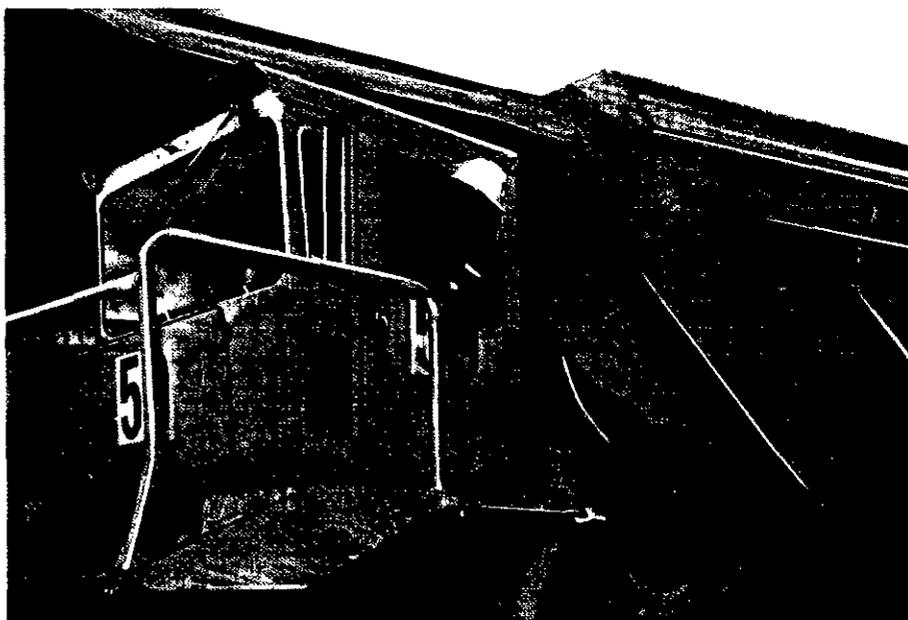
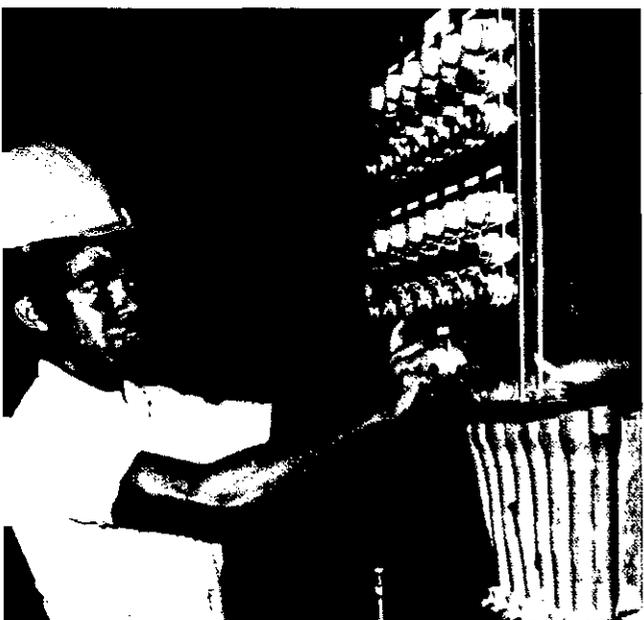
The Rio Tinto-Zinc Corporation Limited	} 143 258 644 shares
R.T.Z. Australian Holdings Limited	
C.R.A. Holdings Pty. Limited	
Conzinc Riotinto of Australia Limited	
C.R.A. Base Metals Pty. Limited	
Papua New Guinea Government	} 53 475 000 shares
Investment Corporation of Papua New Guinea	

79.15% of the total issued shares were held by the 20 largest shareholders of the Company at 31st January 1975.

OL PIPAL

There are over 3,000 Papua New Guineans employed by Bougainville Copper. From haul truck drivers to storemen, from fitters and turners to accountants, their jobs cover a wide range of technical and commercial duties. People make a company, and the local Bougainville Copper workforce can be proud of the progress achieved to date. Their contribution to the success of the Company has been significant. The operation on Bougainville has provided unique opportunities for the people of Papua New Guinea to play a major role in the development of the country.





BOUGAINVILLE COPPER IN THE P.N.G. ECONOMY

The Bougainville Copper operation is the largest industrial undertaking in Papua New Guinea and the most significant non-Government contributor to the economy.

The 1967 Agreement between the Government of Papua New Guinea and the Company anticipated that the operation would bring significant benefits to the country in respect of:

“revenues from royalties and other forms of taxation, overseas trade balances, the economic and social development of the people through employment opportunities, training in new skills, purchase of local supplies, community development, improved communications and the extension of education and health services”.

Bougainville Copper Limited in seven years of operating under the original 1967 Ordinance, not only fully met the spirit of the Agreement, but also took other steps to expand the actual benefits flowing to the economy.

Bougainville Copper believes that the revised Agreement concluded in 1974 with the Papua New Guinea Government provides a satisfactory basis on which the Company can continue to contribute significantly to the national economy.

OVERSEAS TRADE

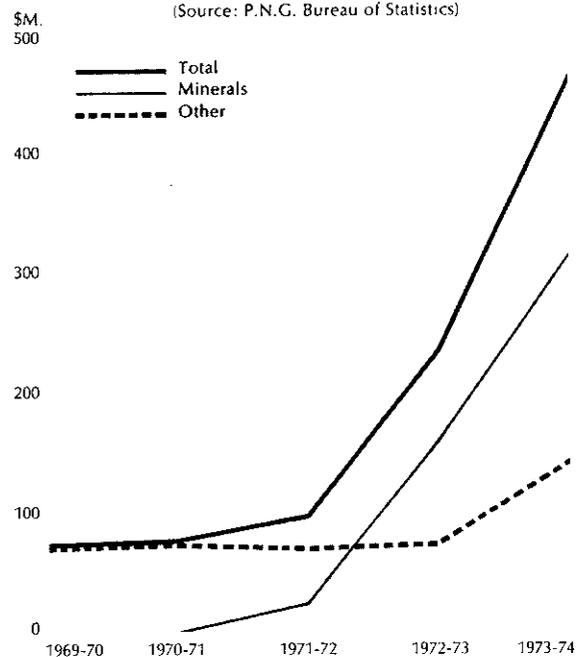
Until 1971-72 Papua New Guinea's main exports were coffee beans, copra, cocoa beans, timber, fish and rubber. In 1965-66, when exploration of the Panguna orebody was in its early stages, total Papua New Guinea exports were \$50 million compared with imports of \$110 million, giving a trade deficit of \$60 million.

By 1973-74, just over two years after Bougainville Copper began commercial production, this situation had swung to a trade surplus of \$257 million. Exports for the year of \$466 million were nine times the 1965-66 level and six times the level of 1970-71, the period prior to the Company beginning operations. Bougainville Copper accounted for about two-thirds of this \$466 million.

The accompanying charts illustrate the change that has occurred in Papua New Guinea's external trade in recent years. Bougainville Copper will continue to contribute strongly to national exports throughout the life of the mine.

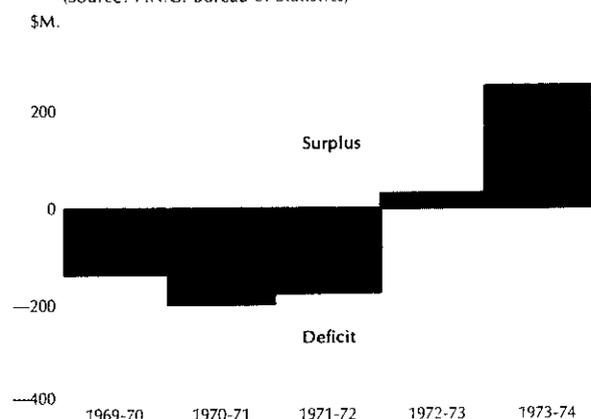
PAPUA NEW GUINEA MERCHANDISE EXPORTS

(Source: P.N.G. Bureau of Statistics)



PAPUA NEW GUINEA BALANCE OF TRADE

(Source: P.N.G. Bureau of Statistics)



REVENUE

Revenue accruing directly to Papua New Guinea from Bougainville Copper Limited to the end of 1974 exceeds \$140 million.

While the bulk of this relates to the 1974 year when income tax became payable, the total includes revenues generated before 1974 of some \$44 million, an amount which approximates the Papua New Guinea Government's outlay on education, housing, health, communications and similar facilities provided for the mining project in Bougainville. The operation thus paid its way in that period and, at the same time, long-term loans of \$70 million were repaid to international bankers whose participation assisted in making the mine possible. A further \$37 million of loan repayments were made in 1974.

Although the annual figure will vary with Company income which itself varies with metal prices it is clear that Government revenues and, through them, national progress will be considerably strengthened by Bougainville Copper's contribution.

INFRASTRUCTURE

Of the \$400 million outlaid to bring the Bougainville Copper mine into production, \$145 million or 36 cents in the dollar was spent by the Company on infrastructure.

The new port-mine road now forms the nucleus of a road system in Bougainville which allows inland villagers and their produce direct access to the coast.

The \$45 million power station supplies the coastal towns of Kieta and Arawa with electricity cheaper than would otherwise be possible. The Company port at Anewa Bay caters for deepwater vessels.

Township construction accounted for \$50 million initially, and another \$12 million has been spent since on further high standard housing, recreational and civic facilities at Panguna and Arawa.

The Papua New Guinea Government co-operated strongly in the provision of infrastructure including modern hospital facilities, schools and housing as well as postal, telecommunications and police services. The joint Government-Company town of Arawa symbolises this co-operation.

The mining operation created the economic environment for improved public services and the benefits remain not only in the services and utilities themselves but in their role in the social development of the community.

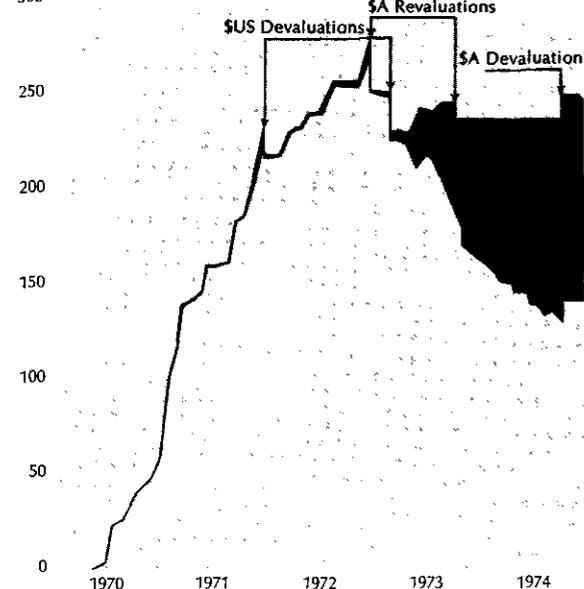
DIRECT PAYMENTS ACCRUING TO P.N.G. GOVERNMENT FROM BOUGAINVILLE COPPER

	\$ million			
	Construction Era to 31.3.72	Remainder 1972	1973	1974
Royalty	—	1.2	3.1	3.5
Lease Rents	0.2	0.1	0.2	0.2
Customs & Levies	1.7	0.8	2.6	2.4
Employee Tax	1.3	1.3	2.4	3.0
Income Tax	—	—	—	66.5
Dividend	—	2.2	16.0	14.7
Withholding Tax	—	1.3	9.6	8.8
	3.2	6.9	33.9	99.1

LOAN MOVEMENTS 1970-1974

This graph shows the movements in the Company's term loans including the effects of currency re-alignments. These re-alignments have affected the Australian dollar valuation of these loans which were borrowed predominantly in U.S. dollars. The upper line shows the progressive value of loan drawdowns adjusted for currency re-alignments. The black section shows loan repayments, and the lower line the amount of outstanding

\$Am borrowings in Australian dollars.



EMPLOYMENT AND TRAINING

Employment and training of Papua New Guineans, ranking among Bougainville Copper's highest priorities, offer opportunities over numerous fields, many of them new to Papua New Guinea. The Company's contribution in these areas has resulted in rapid localisation of the workforce and to a real strengthening of standards and skills in Papua New Guinea. In 1971 two out of three employees were Papua New Guineans. Today the proportion is approaching four out of five.

The training achievements would have required considerable effort even in an industrialised country. In Papua New Guinea they have been made against many difficulties, including lack of a recognised industrial background, a different educational base, sensitive cross-cultural relationships and rapid social and political change. The Company placed special emphasis on employment and training from the start of the project. From 1967 to 1974 expenditure on training has exceeded \$10 million and in this period nearly 7,000 Papua New Guineans have been trained in vocational subjects ranging from university degree courses and technical training to apprenticeships and operator training.

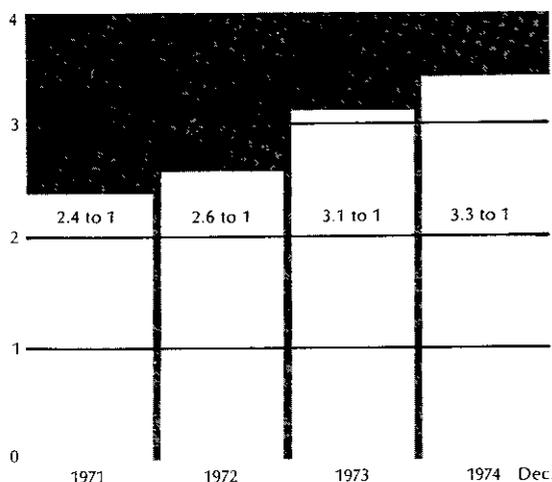
The success of the employment and training policies is an effective measure of the inter-dependence of natural mineral resources and human resources. Without the aptitude and effort of its Papua New Guinea employees Bougainville Copper's contribution to the country would have been much less.

BOUGAINVILLE COPPER TRAINING ATTAINMENTS

1. OUTPUT	1970	1971	1972	1973	1974	Total
						to Date
Vocational:—	467	1006	1678	1535	1949	6635
Equipment Operators	359	655	950	1207	1345	4516
Plant Operators	81	125	339	100	300	945
Maintenance	2	173	188	120	253	736
Administrative	25	48	192	100	36	401
Professional	—	5	6	6	14	31
Sub-Professional	—	—	3	2	1	6

2. IN STREAM	1970	1971	1972	1973	1974	At end of
						1974
Scholarships	77	95	91	117	145	
Apprenticeships	126	158	241	323	322	
Line Training	—	100	200	250	330	

BOUGAINVILLE COPPER WORKFORCE RATIO: LOCAL/OVERSEAS



COMMUNITY DEVELOPMENT

In addition to its overall contribution, Bougainville Copper also contributes strongly to community development on Bougainville where the impact of its operations is largest. These non-mining activities range from maintaining good communications with villages, assisting local people develop small businesses, purchasing significant quantities of local produce and developing larger business enterprises for ownership participation by Bougainvilleans (through the Panguna Development Foundation Limited). An example of the latter category is Arawa Enterprises Limited, operator of the successful Arawa department store which recently offered 60% of its shares for public subscription by Bougainvilleans. Other similar ventures are being developed.

The Company's stimulus to the local cash economy—including its compensation payments to villagers—has increased local investment funds available for commercial pursuits.

BELOW: TRAINEES TAKE A BREAK IN THE COURTYARD OF THE MODERN MINE TRAINING COLLEGE, PANGUNA.
 BOTTOM: PART OF THE PIG FARM AT THE COMMUNITY RELATIONS DEPARTMENT'S TOKAIAN AGRICULTURE RESEARCH STATION, BOUGAINVILLE.

