



Borgainville Copper
Limited

Annual Report 1990

BCCL

**CHAIRMAN'S
SUPPLEMENTARY
STATEMENT**

**AT ANNUAL GENERAL MEETING
15th April 1991**



BOUGAINVILLE COPPER LIMITED

(Incorporated in Papua New Guinea)

SAMPELA MOA TOKTOK BILONG SIAMAN

1991

Ol man na meri,

Welkam long dispela Anuol Generol Miting em i namba wanpela ten na eit miting bilong Bougainville Copper Limited taim em i kamap pablik kampani ikam inap nau, na em i namba tu taim long holim dispela miting long Pot Mosbi.

Ikam inap nau lusim taim Anuol Ripot i bin redi long igo aut long ol man na meri husat igat sea long kampani, rot igo long Bougainville em i stat long op liklik na sampela sevis i stat long igo long ailan. Dispela em i gutpela samting bikos igat bikpela laikim bilong marasin na medikol sevis. I no gat wokman or meri bilong kampani i go bek long ailan tasol kampani wantaim menesmen tim long Pot Mosbi em i toktok klostu wantaim nesinol gavman. Ol dispela toktok i karamapim kain samting olsem wanem halivim kampani inap long mekim long halivim bringim bek ol sevis long Bougainville. Faundesin bilong Bougainville Copper tu em bai givim halivim long marasin sapos rot i stret long dispela marasin igo kamap long ol pipol husat i laikim tru.

Ol dispela kain samting i soim gutpela sain long ol gutpela samting i kamap, tasol yumi mas lukluk gut bikos bai longpela taim yet inap bel-isi na sindaun bilong ol aspeles i stret long opim rot bilong kampani long go bek long ailan. Mipela tu i mas stap isi na wetim ol kain tok kros na trabel long Bougainville i pinis. Kampani em i toktok oltaim wantaim gavman long wanem kain samting i kamap long ailan na skelim lukluk bilong ol dispela kain samting long kampani.

Kampani tu i no inap long kisim insurens long karamapim bagarap long wok bisnis bilong em, tasol em i bin inap long kisim insurens long karamapim bagarap guria or giraun i buruk inap long mekim long olgeta samting na masin bilong wok i stap long ailan.

Ol wokman na meri tu ol i pinis wok wan wan, taim ol wok bilong ol i pinis. Long dispela taim igat wanpela ten na wan wokman na meri ol i stap aninit long kampani. Faivpela long ol dispela lain ol i wok wantaim ol arapela kampani insait long CRA. Kampani tu i lukautim foapela sumatin i wok long pinisim skul bilong ol.

Kandim bilong moni kampani igat nau long dispela taim inap long foapela ten na seven milion kina.

Ol man na meri husat igat sea long kampani ol i mas harim pinis ol toktok CRA i mekim long sea bilong em insait long BCL. CRA em i tok em i laik long holim pas sea bilong em long BCL tasol sapos dispela em i pasim rot long pinisim kraisis long Bougainville, CRA inap long lukluk long salim sea bilong em, tasol i mas igat gutpela kompensasin long ol dispela sea, ino long CRA tasol, long olgeta man na meri husat igat sea long kampani.

Olsem toksave ikam pinis long Anuol Ripot, Bob Cornelius i bin lusim wok olsem Menesing Dairekta bilong kampani.

Bob wantaim meri bilong em Elizabeth tupela i bin i stap long Bougainville long taim bilong kraisis. Strong na tingting bilong tupela i bin antap moa na mi laik tok long luksave long stap na halivim bilong tupela long bikpela taim bilong trabel.

Ol wok bilong kampani nau i stap long han bilong CRA Minerals (PNG) aninit long Ian Johnson husat i bin insait long Bod pastaim long Anuol Generol Miting long yia igo pinis.

Mi laik tok welkam long Mel Togolo long kam insait long Bod. Mel em i Generol Menesa long kampani bilong gavman em long Mineral Resources Development Company. Bipo yet Mel i bin holim wok long Not Solomons Provinsol gavman na em i bringim gutpela tingting na save long Bougainville i kam long Bod.

D.S. CARRUTHERS

Siaman

Namba 15 de bilong mun April, 1991

CHAIRMAN'S SUPPLEMENTARY STATEMENT

1991

Ladies and Gentlemen,

Welcome to this, the 18th Annual General Meeting of Bougainville Copper Limited since it became a publicly listed company, and the second AGM to be held in Port Moresby.

Since the compilation of the Annual Report to shareholders, conditions for access to Bougainville have been relaxed, and some services have started to flow to the island. This is a welcome development, as the need for medical services in particular is considerable. Although there has been no access so far by BCL employees to the island the company, through its management team in Port Moresby, is in close consultation with the government. This includes the role which would be appropriate for the company to play in assisting the restoration of services. In addition, the Bougainville Copper Foundation has offered to help with medical supplies, once it can be confident that their delivery to appropriate destinations can be assured.

These developments are encouraging, but I should caution that there appears to be a long way to go before the political and security conditions which would be necessary prerequisites for any return by the company to the island are in place. Continued patience on our part will be an essential ingredient in the resolution of the Bougainville problem. We continue to stay in close contact with the government regarding developments on the island, and their potential significance for the company.

Clearly the company cannot at this stage obtain normal material damage and business interruption insurance cover, but substantial cover for physical damage to property arising from natural perils (the principal one of which would be earthquakes) has been obtained.

The number of people employed by the company has continued to decline as administrative matters arising from the scaling down of activities have been dealt with. Currently there are eleven employees on the payroll, five of whom are seconded to other companies in the CRA Group. In addition, the company continues to support four students in completion of their studies.

At present the company's cash balance stands at approximately K47 million.

Shareholders will be aware of statements made in recent months by CRA in relation to its shareholding in BCL. CRA's preferred position has been to retain its interest in BCL, but that if a change of ownership is the final impediment to a political resolution of the Bougainville crisis, then CRA would be prepared to consider the disposal of its investment, provided the company was adequately compensated for the loss sustained and the interests of the public shareholders in BCL were adequately safeguarded.

As advised in the Annual Report, Bob Cornelius has relinquished the position of Managing Director of the company.

Bob, and his wife Elizabeth, remained in Bougainville throughout the crisis. Their wisdom, courage and commitment were exceptional, and I want to take this opportunity to pay tribute to them for their conduct, their example and their contribution during that most difficult period.

The company's affairs are currently managed by CRA Minerals (PNG), under the very capable leadership of Ian Johnson, who joined the BCL Board prior to the last Annual General Meeting.

I would also like to take this opportunity of welcoming Mel Togolo to the Board. Mel, who is General Manager of the government's Mineral Resources Development Company, previously had a distinguished career in the service of the North Solomons Provincial Government, and brings to the Board a considerable depth of knowledge and experience of Bougainville affairs.

D.S. CARRUTHERS

Chairman

15th April, 1991



Toktok Bilong Siaman

Kampani na ol wokman/meri ol i bin lusim Bougainville long stat bilong yia i go pinis na i kam inap nau, ol i no inap go bek long wanem trabel wantaim ol militens i stap yet.

Long taim i no gat wok kamapim kopa insait long yia, Kampani i bin soim lus-moni bihain long kandim bilong ol kain kain samting long akauns inap long wanpela ten na foa poin sikis milion kina (K14.6m). Ol kandim bilong ol bikpela kain kain samting em long sevenpela ten na sikis poin tri milion kina (K76.3m) long pinisim kot bilong insurens, faivpela ten na wan poin faiv milion kina (K51.5m) long daunim mak bilong moni long olgeta masin, haus na ol samting bilong wok bilong kampani, na tu tupela ten na eit poin seven milion kina (K28.7m) em kandim bilong ol samting i bin lus long bakstoa. Longpela toktok long ol dispela samting i kam bihain insait long Ripot.

Kampani i gat ol liklik lain wokman/meri i stap long Pot Mosbi na ol i wokim ol liklik hap wok long stap redi wetim taim bilong kirapim bek main. Mr Ian Johnson em Menesing Dairekta bilong CRA Minerals (PNG) Pty Limited i go pas long ol dispela lain na tu em i makim Bougainville Copper Limited long ol toktok wantaim gavman bilong Papua New Guinea long sindaun bilong kampani nau na long taim i kam.

Long mun Mas bilong yia i go pinis gavman i kisim bek ol soldia long Bougainville. Bihainim dispela ol militens i kisim ples na makim independens lusim Papua New Guinea. Dispela mak bilong independens i no kisim luksave long ol arapela kantri long wol. Gavman tu pasim olgeta sevis i go long Bougainville.

I kam inap nau i gat sampela gutpela samting i kamap long traim stretim bek birua long Bougainville. Pastaim tru wantaim pasim-tok bilong "Endeavour Accord" long mun Ogas na i no longtaim i go pinis long Jenuari tupela sait wantaim i bin sainim "Honiara Declaration".

Dispela pasim-tok long Honiara i gat tok olsem wok bilong stretim ples na sindaun bilong ol pipol long Bougainville bai kamap long ol wan wan taim. I gat bikpela wok moa bai kamap pastaim tru sapos ol wokman/meri bilong kampani inap go bek long ailan. Ol tok politiks tu i mas stret pastaim long kampani inap kirapim bek wok bilong em.

Bai kostim bikpela moni tru long kirapim bek main. Kandim bilong moni long kirapim bek main i no kilia tumas tasol olsem tok i stap insait long Not 1(a) bilong Akaunts insait long Ripot, dispela moni bai olsem namel long tupela hundred na faivpela ten milion kina (K250m) na tripela hundred na faivpela ten milion kina (K350m) sapos tok orait bilong main i kirapim bek i kamap insait long yia 1992. Dispela kain moni kampani i mas painim long kisim bek ol wokman/meri, sanapim bek ol masin bilong wok na olgeta kain samting long halivim kampani long wok kamapim kopa gen.

Long mun Julai long yia i go pinis, Menesing Dairekta Mr R J Cornelius i bin kisim narapela wok insait long CRA tasol em i stap memba long Bod bilong Bougainville Copper.

Luksave long Bob Cornelius olsem man i go pas long ol wokman/meri bilong kampani long taim bilong krais em i moamoa yet na bod i tok tenk yu long em i bin lukautim sait bilong kisim olgeta wokman/meri aut long Bougainville.

Mr M P Togolo i bin kamap memba long Bod long mun Novemba long yia 1990. Mr Togolo i bilong Bougainville na nau i holim wok olsem Senerol Menesa bilong Mineral Resources Development Company Pty Limited long Pot Mosbi. Long sampela taim i go pinis em i bin holim wok olsem bikpela kuskus bilong Not Solomons Provins. Mel i bringim gutpela save na tingting bilong em i kam long Bod.

Long dispela taim, ol dairekta i ting olsem bai gutpela long lukluk bek long ol sampela samting kampani i bin mekim long halivim divelopmen bilong Papua New Guinea. Liklik toktok em mipela kolim "Halivim bilong BCL" i stap insait long Ripot bilong dispela yia.

D. S. Carruthers

Siaman

Namba tuel de bilong mun
Februari, 1991.



Halivim Bilong BCL

Long taim ol opis na masin bilong kampani, i bin bagarap long han bilong ol militens na kraisis long Bougainville i kirap long pinis bilong yia 1988, ol kain kain man na meri ol i rait na mekim tok long ol samting nabaut long wok bilong kampani.

Long planti yia tru Bougainville Copper (BCL) i kisim luksave olsem wanpela lain i go pas long wok bilong maining insait long kantri we i gat nupela developmen. Agrimen or pasim-tok wantaim gavman we kampani i mekim wok bilong em, i bin sanap olsem kain agrimen ol planti lain nabaut bilong maining i laik long bihainim.

I gat planti kain tok kros long ol wok bilong kampani, tasol long skelim ol dispela kain toktok yumi mas lukluk bek long ol sampela gutpela samting i kamap long stap bilong kampani insait long dispela kantri.

BCL i bin sanapim kain wok bilong em we bikpela moni i go long halivim nupela independen kantri bilong Papua New Guinea (PNG). Long yia 1972 i go inap long yia 1988 wok bilong kampani i bin kamapim ol dispela samting hia:

- wanpela ten na seven pesen (17%) long moni i kamap insait long PNG;
- foapela ten na faiv pesen (45%) long moni i kamap long salim ol kain kain samting arasait long kantri;
- wanpela ten na tu pesen (12%) long skel bilong ol samting i wok kamap insait long kantri;

na tu, sikispela ten na sikis pesen (66%) long olgeta moni i kamap long wok bilong kampani i bin go long moni bilong gavman.

I no bin gat toktok i kamap long ol arapela gutpela samting kampani i bin mekim long wok bilong em.

BCL i bin givim wok long ol planti man na meri long PNG we painim-wok i bikpela problem. Main long Panguna i bin ron long planti ol bikpela masin tasol planti ol wokman/meri tu i wok long ol dispela masin. Long yia 1988 klostu olgeta wokman/meri i bin bilong PNG. Ol liklik lain kam long ol arapela kantri. BCL i bin namba wan main long PNG, olsem na kampani i bin kisim ol wokman/meri long olgeta hap long PNG. Em i main bilong PNG. I bin gat bikpela luksave long kisim ol pipol bilong Bougainville na tripela ten faiv pesen (35%) long ol wokman/meri bilong kampani i bilong Not Solomons. Kandim bilong ol wokman/meri long BCL i bin moa long tripela tausen (3000) na dispela i mekim kampani i bikpela long olgeta kampani long maining indastri.

Long yia 1972 i kam inap nau kampani em i bin:

- spendim wanpela ten na tu pesen (12%) long ol moni em i lusim long baim ol wokman/meri i go long trenim na skulim ol wokman/meri;
- givim kos long wanpela ten na tu tausen (12,000) wokman/meri;
- halivim ol wokman/meri kisim wanpela ten na seven tausen (17,000) setifiket long skul long main na arasait long main;
- trenim wan tausen na wan handret na tripela ten (1130) tredsmen.

Planti ol dispela lain wokman/meri husat kisim skul long han bilong kampani i bin lusim kampani. Sampela i go long wokim bisnis bilong ol yet na sampela ol i painim wok wantaim ol arapela kampani o long pablik sevis. Planti long ol kisim wok wantaim ol pupela maining kampani nau i stat long ol arapela provins. Ol dispela lain husat stap bek wantaim BCL, kampani i halivim ol long skul moa na antapim save bilong ol long kisim bikpela wok moa. Taim main pas ol PNG wokman/meri bilong kampani i bin gat kandim olsem:

- wan handret pesen (100%) long ol lain wokim wok i gat liklik o nogat trening;
 - sikispela ten pesen (60%) long ol wok supavaisa na tredsmen;
 - tupela ten na faiv pesen (25%) long ol lain i gat trening long kolis na Univesiti o wok olsem menesa.
- Long traim na halivim ol PNG wokman/meri long kisim ol bikpela wok insait long kampani, BCL i bin baim skul na lukautim foa handret man na meri long bikpela skul hia long PNG na Australia. Taim main i pas, kampani i bin go het yet long lukautim tupela ten foa PNG man na meri husat i skul ovasis. Sampela long ol dispela lain i pinisim skul bilong ol, tasol kampani i lukautim yet ol lain i no pinisim skul bilong ol. Kampani tu i lukautim ol sampela lain long PNG i wok long pinisim skul bilong ol.

Kain trening long BCL i bin halivim lokolaisesin long go het kuik taim na dispela i bin nupela samting tru long ol maining prosek long kantri we i gat nupela developmen. Long pinis bilong yia 1973, bihain long wanpela ten eit mun tasol long stat bilong prodaksen, sevenpela ten sikis pesen (76%) long ol wokman/meri i bin bilong Papua New Guinea. Long ol yia i go pinis dispela kandim i bin stap long eitpela ten pesen (80%) na long yia 1989 i go antap long eitpela ten na tri pesen (83%). I bin gat tu ol arapela liklik bisnis nabaut i gat olgeta wokman/meri bilong Papua New Guinea kisim kontrak long kampani na dispela i soim lokolaisesin i bin bikpela moa lusim ol namba i soim.

Wei BCL i lukautim ol wokman/meri bilong em long kain samting olsem haus bihainim wok bilong man o meri insait long kampani i bin antap tru long stat bilong kampani. Long taim kampani i wok, BCL i bin soim rot na pasin bilong lukautim ol wokman/meri long ol arapela wankain bikpela kampani long PNG.

Main na ol wok em i kirapim i bin mekim Not Solomons i rits provins long skel bilong PNG. Sindaun bilong ol pipol i antap moa long ol arapela provins. Wanpela hat wok bilong gavman long bringim bek sevis long ol pipol em long putim bek kain sindaun i stap bipo long kraisis. Not Solomons i bin senis long stap olsem wanpela distrik nating bilong Teritori bilong

Papua New Guinea long ol yia bilong 1960, na i go kamap olsem provins i gat bikpela moni long ol yia bilong 1980. Long dispela kain samting em i namba tu bihain long Nesinol Kapitot distrik. Planti long ol dispela developmen i kamap long moni i kam long main. Ol arapela samting olsem rot BCL i halivim long wokim i stretim wei long ol pipol bilong ples long kam long taun na salim ol kaikai, kopra or kakau.

Not Solomons provinsol gavman i bin go pas olsem i strongpela, na wokim gut wok bringim sevis long ol pipol. Bikpela hap long ol moni provinsol gavman kisim long givim ol dispela sevis i kam long ol royolti na takis BCL i peim. Kandim bilong dispela i olsem foapela ten pesen (40%) long olgeta moni provinsol gavman i kamapim long yia 1988.

Wanpela ripot Not Solomons provinsol gavman i mekim long yia 1982 i soim olsem halivim ekonomi bilong Not Solomons provins kisim i antap moa bikos tupela ten na faiv pesen (25%) bilong olgeta moni kamap i stap bek insait long provins na foapela ten na faiv pesen (45%) i go long ol arapela hap long PNG.

Long yia 1980, moni provinsol gavman kamapim i gro antap long wanpela ten na faiv pesen (15%) long wanpela yia bikos ol kain, kain bisnis husat i kisim wok long BCL ol tu i baim takis moni. Long yia 1988 tupela handret bisnis ol i kontrak long BCL. Long dispela yia yet, moni bilong ol wok i go long ol PNG kampani inap long tripela ten milion kina (K30m) na tenpela long dispela milion (K10m) go long ol kampani bilong ol pipol bilong Bougainville na wan milion (K1m) go long ol bisnis bilong ol papa bilong giraun.

BCL i bin opim rot long ol bisnis bilong ol man na meri bilong PNG long givim ol kain sevis olsem transpot, sekiuriti, wokim ol haus na tu salim ol kaikai bilong gaden i go long kampani. Not Solomons Provinsol gavman i luksave long dispela kain rot bilong kirapim bisnis na i wokim bisnis, planti wantaim sampela arapela lain long ol bisnis olsem ronim balus, lukautim ples kaikai bilong ol BCL wokman/meri, woksop bilong stil or ain na tu bisnis bilong wokim kambang bilong konsentreta long main.

I bin gat samting olsem foapela tausen (4000) man na meri ol i wok long ol bisnis i kisim kontrak long BCL. Long kandim olgeta i bin gat olsem tripela ten tausen (30000) pipol i painim moni long oraitim sindaun bilong ol long ol wok main long Panguna i kirapim.

Wok bilong maining i bin mekim bikpela senis long sindaun bilong ol faiv tausen (5000) pipol husat i papa bilong giraun ol i stap insait long lis kampani i kisim long wok bilong main. Mak bilong giraun em wok bilong main i karamapim i olsem poin faiv pesen (0.5%) long olgeta giraun long ailan bilong Bougainville. Tasol long stretim sindaun bilong ol dispela pipol, kampani i baim samting olsem tupela ten na foa milion kina (K24m) long kompensasin ol lain inap iusim long kirapim ol liklik wok bisnis long sapatim ol pipol bilong ol na provins long go het.

Long yia 1988 i bin gat wanpela lukluk long painim aut wanem kain moni ol main insait long PNG i baim olsem kompensasin long ol papa bilong giraun. Lukluk i bin soim olsem olgeta main i baim moni antap moa long skel gavman i makim. Long olgeta main, BCL i baim antap moa long ol arapela. Long nau tu, kampani i wok long putim moni bilong kompensasin long wanpela akaunt bai kampani i baim sapos olgeta samting i stret bek long Ailan.

BCL i bin halivim gut komiuniti long Papua New Guinea. Em i givim moni long statim Bougainville Copper Faundesin na givim halivim long Faundesin long wokim ol kain wok insait long Papua New Guinea olsem:

- givim moni halivim long ol skul na wok saiens, na long ol arapela lain em wok bilong ol long halivim olgeta pipol;
- halivim ol lain bilong Papua New Guinea long wok komes na ol sevis indastri;
- givim sevis bilong helt, skul na welfe;
- halivim long givim trening na skul long Komes, wok didiman na ol arapela kain wok.

Wanpela Eksekutiv Komiti em i gat planti memba i bilong Papua New Guinea i lukautim ol wok bilong Faundesin. Long dispela komiti i gat tu ol memba i makim nesinol gavman, provinsol gavman, komiuniti bilong Not Solomons na kampani.

Long taim nesinol gavman i kam aut long Bougainville long stat bilong yia 1990, klinik bilong Faundesin i stap op long givim sevis long ol sik man na meri long Arawa. Dispela sevis i kamap long strong bilong ol dokta na nes i stap long Bougainville.

Ol planti man na meri ol i toktok long ol problem na ol samting nogut em bikpela main inap long wokim, tasol i no gat planti toktok long ol gutpela samting main inap long mekim. Ol lain i go pas long Not Solomons i gat bikpela wok long mekim kamap kain developmen i stap bipo taim kraisis i no kamap yet. Sapos nogat, ol sindaun bilong ol pipol long Provins long skul na helt sevis bai stap daunbilo long sindaun bilong bipo. Main i bin givim strong long ekonomi bilong Not Solomons insait long tupela ten yia na em inap long strongim gen.

Save gut long Bougainville na long wok long ronim main insait long wanpela ten na seven yia i go pinis em i bikpela samting i no stap insait long ol namba long Akaunts bilong wanem kain kampani. Tasol ol dispela kain samting, wankain olsem ol masin na olgeta samting bilong main, bai ol i lus o bagarap long ol taim i kam. I gutpela long lukluk bilong olgeta man na meri, long stat nau long kirapim bek ekonomi long provins nogut ol wankain gutpela samting em hatwok i sanapim bai lus o bagarap olgeta.



Bougainville Copper Limited

The Company

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

Since inception until cessation of operations on 15 May, 1989 the mine had produced concentrate containing 3.1 million tonnes of copper, 306 tonnes of gold and 783 tonnes of silver. The production had a value of K5.1 billion which represented approximately 44% of Papua New Guinea's exports over that period.

During this time contributions to the government in the form of dividends, taxes and royalties totalled K1 078 million which represented approximately 17% of internally generated Papua New Guinea government revenue. Further, the company's presence in the North Solomons Province had promoted the development of significant local business enterprises to provide goods and services required for the mining operation and for the residents of the province.

Company training programs had previously resulted in considerable progress in the localisation of the company's employees and also added significantly to the number of skilled workers elsewhere in the country's workforce. At the end of 1990, the company employed 23 people, of whom 10 were citizens of Papua New Guinea, and continues to support 11 citizens of Papua New Guinea in tertiary studies.

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

Year in Brief

- Mine remained closed.
- Major retrenchment program commenced 7 January.
- Care and maintenance contracts let to local firms in February.
- No company employees on Bougainville from 24 March.
- All PNG defence force and police leave Bougainville in March.
- Insurance litigation settlement K76.3 million received in April.
- Care and maintenance contracts inoperable after May.
- Power generation ceased in June.
- Peace meeting between PNG government and secessionist leaders in August.
- PNG defence force on Buka Island in September.
- Net loss K14.6 million.
- Extent of deterioration and destruction of assets unknown.

		1990	1989
Concentrate production	(tonnes)	—	224 645
containing copper	(tonnes)	—	68 717
gold	(kilograms)	—	6 977
silver	(kilograms)	—	20 494
Net sales revenue	(K'000)	251	222 923
Net earnings/(loss) after tax	(K'000)	(14 585)	(20 611)
Earnings per share	(toea)	—	—
Shareholders' funds	(K'000)	551 062	565 647
Return on shareholders' funds	(per cent)	—	—
Gross dividends	(K'000)	—	—
per one kina share	(toea)	—	—
Depreciation and amortisation	(K'000)	51 505	47 309
Government royalties and taxation	(K'000)	5 950	28 492
Number of employees at 31 December		23	2 317

Notice of Meeting

The Annual General Meeting of Bougainville Copper Limited will be held at 4.30 p.m. on Monday, 15 April, 1991 at The Port Moresby Travelodge, Hunter St., Port Moresby, Papua New Guinea.

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

Directors

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

Contents

Introduction & Management	1
Year in Brief	1
Chairman's Statement	2
Year in Review	3
Directors' Report & Financial Statements	4-13
Declarations	14
Corporate Information	15
Statistical Summary	16-17
The BCL Contribution	18-19
Distribution of the Benefits	20

Officers

J. L. Auna
(General Manager – Corporate Relations)
M. S. Koiri
(Secretary)



Chairman's Statement

As a result of continued violence by armed militants on Bougainville, it has not been possible for company employees to return to the island since their withdrawal early last year.

With no operations possible during the year, the company recorded a loss, after extraordinary items, of K14.6 million. The main extraordinary items before tax were receipt of K76.3 million on settlement of insurance litigation, provision of K51.5 million for depreciation and write-off of K28.7 million against the value of stores. These items are mentioned in more detail later in the report.

Liaison with the Papua New Guinea government, and the limited amount of planning for an eventual resumption of operations which can be carried out in the present circumstances are handled by a small management team in Port Moresby under the leadership of Ian Johnson, Managing Director of CRA Minerals (PNG) Pty Limited.

In March last year, the government withdrew its security forces from Bougainville. The armed militants assumed control and subsequently declared independence from Papua New Guinea. This declaration failed to gain any international recognition and a blockade of the island was imposed by the government.

Since then there have been some encouraging signs of progress towards reconciliation, firstly with the "Endeavour Accord" discussions in August, and more recently with the signing of the "Honiara Declaration" in January this year.

The "Honiara Declaration" envisages that movement towards peace, reconciliation and rehabilitation will proceed in stages. Much needs to be done before it will be possible for company personnel to return safely to the island. In particular, the resumption of operations is dependent on political stability being re-established.

Funding requirements to recommence operations will be considerable. They cannot be forecast accurately, but, as referred to in note 1(a) to the accounts, could be in the range of K250 to K350 million if operations recommenced in 1992. These funds would be required to re-establish the workforce, restore facilities and to rebuild working capital.

In July the Managing Director, Mr. R. J. Cornelius, was re-assigned to other duties with the CRA Group, but remains on the Board of Bougainville Copper. Bob Cornelius' leadership during the crisis was exceptional, his calm and resolute approach being a critical element in the safe withdrawal of employees from the island.

Mr. M. P. Togolo joined the Board in November 1990. Mel Togolo is from Bougainville and is currently General Manager of the Mineral Resources Development Company Pty. Limited in Port Moresby. He is a past Provincial Secretary in the North Solomons Province and brings a wealth of judgment and experience to the board.

At this time, directors thought that it might be useful to review some of the contributions which the company has made in Papua New Guinea. To this effect, a short account — "The BCL Contribution" — has been included at the end of this year's report.

D. S. Carruthers

Chairman
12 February, 1991



The Year in Review

Bougainville Crisis:

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

By early 1990 the law and order situation was such that the company decided that it was unsafe for company employees to remain on the island. A major retrenchment program commenced on the 7 January, 1990 and the withdrawal from the island was completed by 24 March, 1990. A small management group was established in Port Moresby. Arrangements were made with local Bougainvillean contractor groups for the care and surveillance of the company's assets on the island. This arrangement proved most difficult and ceased on 1 June, 1990 when the company's Loloho power station ceased operations, due to lack of fuel.

The Papua New Guinea security forces withdrew from the island in early March leaving the militants in control on Bougainville. A unilateral declaration of independence on Bougainville on 17 May, 1990 was immediately rejected by the national government and failed to gain any international recognition. It led to the shutdown by the national government of all telecommunications with Bougainville and the imposition of a blockade which was lifted on 3 January, 1991. Following talks between representatives of Bougainville and the national government an accord was signed on 5 August, 1990 under which the national government undertook to re-establish services in Bougainville and the Bougainville representatives agreed to defer declarations on the island's political status. Subsequent attempts by the national government to land supplies on Bougainville failed when the militants demanded control of their distribution. In September following a request from local representatives, national government personnel returned to Buka, just north of the main island, and services are being restored there.

On 23 January, 1991 national government and Bougainville representatives signed the "Honiara Declaration of Peace, Reconciliation and Rehabilitation on Bougainville". The declaration agreed to a program for the restoration of normal government services to the island but deferred consideration of its political status.

A political settlement is clearly a prerequisite for a resumption of operations at the Panguna mine.

In the absence of reliable communications and access to Bougainville, the company cannot make an accurate assessment of the condition and extent of deterioration of plant and equipment on the island.

Ore Reserves:

The recoverable proved ore reserves at the end of 1990 remain unchanged from last year and are estimated at 496 million tonnes of average grade 0.42% copper and 0.55 grams per tonne gold.

The recovery of this ore will require the mining of an additional amount of measured mineral resource which is estimated at 520 million tonnes 0.22% copper and 0.18 grams per tonne gold.

This material is suitable for upgrading by screening, yielding an estimated 195 million tonnes of mill feed averaging 0.34% copper and 0.28 grams per tonne gold.

Accordingly, total available mill feed at the end of 1990 is estimated at 691 million tonnes averaging 0.40% copper and 0.47 grams per tonne gold.

Finance:

In April 1990 the company received K76.3 million (A\$102.5 million) from its insurers, in settlement of litigation arising from claims for material damage and business interruption losses under the 1988/89 insurance policy. This allowed the repayment of all funds drawn down on the K45 million loan facility provided by the two major shareholders, CRA Limited and the Papua New Guinea government. Under the present agreement this facility will remain in place until December 1991. No other lines of credit are in place.

Cash reserves at the end of 1990 were K49.6 million. Significant expenditures were incurred as a result of the retrenchment programs and costs associated with the withdrawal from the island in the first half of the year. An amount of K1.5 million for 1990 landowners' compensation payments has been transferred into a separate interest bearing bank account and therefore is not included in the accounts of the company.

The value of inventory and stores stocks was considered at year end and as a result K28.7 million was written off. Estimated useable stores of K10.2 million, mainly still on Bougainville, have been left in the books.

The condition of assets is not known and as explained in note 1(a) to the accounts, normal depreciation and amortisation charges have been provided as a substitute for any required charge for deterioration, damage and pilferage. The amount provided for 1990 was K51.5 million.

Capital Expenditure:

All capital project work was either cancelled or suspended in 1989, however K3.6 million was paid in 1990 for completed work.

Marketing:

Concentrate buyers have been briefed throughout the year and have confirmed their desire to recommence purchase of concentrate when operations resume. Buyers have shown a keen interest in developments on the island.

Personnel:

The total number of employees at the end of 1990 was 23 (1989 - 2317) including 10 (1989 - 1987) citizens of Papua New Guinea.

The company will continue to support 11 Papua New Guinea citizens for tertiary studies in 1991.

I. R. Johnson
Director
12 February, 1991



Directors' Report

The directors of Bougainville Copper Limited present their report on the audited financial statements of the company and its subsidiaries ("the group") for the year ended 31 December, 1990.

Disruption to Operations:

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

Following withdrawal of employees from the island, a small management team was established in Port Moresby under the leadership of Ian Johnson, the Managing Director of CRA Minerals (PNG) Pty Limited. This group maintains close liaison with the government in relation to Bougainville matters.

Some progress towards reconciliation came in August with the signing of the "Endeavour Accord". Although the agreement broke down, restoration of services commenced on Buka Island. The "Honiara Declaration" signed on 23 January this year, reaffirms the desire for a peaceful settlement and a return to normality on the island.

The re-opening of the mine is dependent on political stability being re-established on Bougainville. Discussion of this issue was deferred at the Honiara talks. The company remains committed to re-opening the mine when conditions on the island permit it to do so, but the longer the mine remains inoperable, the greater will be the cost of restoration and resumption of operations. The company is monitoring progress through consultations with the government.

Directors:

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

D. S. Carruthers (Chairman)
Age 60 B.Sc. Joined CRA in 1955. Extensive exploration and operational mining experience. CRA Group Executive since November 1984, appointed a Director of CRA in July 1989 and responsible for CRA's base metal and ferrous activities. Appointed Chairman of BCL July 1986. Also Chairman of Pasmenco Limited.

R. J. Cornelius Age 58 B.Met.E., M.Eng.Sc. Joined CRA in 1958. Commenced BCL in 1982. General Manager - Concentrator until 1987. Managing Director 1987-90. Currently Vice-President Staff Development Project CRA.

J. J. Craig Age 42 F.C.A., Dipl. Bus. Stud. Fifteen years with CRA Group including four years BCL and three years RTZ. Currently Managing Director CRA Finance Limited.

P. G. F. Henderson, A.C.
Age 62 M.A. Oxon. Joined Australian Department of Foreign Affairs 1951. Ambassador to the Philippines 1973-74. Deputy Secretary 1976-79. Secretary 1979-84. Retired Commonwealth Public Service 1985.

I. R. Johnson, Age 50 B.Sc. (Hons.). Joined CRA in 1970. Extensive exploration experience. Was Group Geologist of CRA Exploration until appointed Managing Director of CRA Minerals, Papua New Guinea, in February 1990.

R. B. Moaina Age 41 B.Sc. Chief Government Geologist, Geological Survey Division, PNG Department of Minerals and Energy since February 1986. Experience in mineral and petroleum industry.

M. R. Rayner Age 53 B.Sc. (Hons.). Twenty-nine years with CRA Group. Appointed Managing Director Comalco 1978, and Chief Executive Officer 1979. CRA Group Executive since 1982. Currently Finance Director CRA, Deputy Chairman Comalco, Director Pasmenco and National Australia Bank.

M. P. Togolo Age 44

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

D. C. Vernon Age 62

Dip. Chem. Eng. Commenced CRA Group 1953 and Director of CRA 1979-86. Joined BCL in 1966; appointed General Manager 1973 and Managing Director 1975. Chairman of BCL from 1979 to July 1986. Patron of Australia-PNG Business Co-operation Committee.

Activities:

Bougainville Copper Limited has produced copper concentrate containing gold and silver from a mine at Panguna, North Solomons Province, Papua New Guinea, since 1972. Operations ceased, due to militant activity, in May 1989.

The company has two subsidiaries. BCL (Hong Kong) Limited arranged shipping contracts on behalf of the company. BCL Services Pty Ltd leased an aircraft to the company until it was sold in June 1990.

The group has effectively been inactive in 1990.

Net Earnings:

The net loss of Bougainville Copper Limited and its subsidiaries for 1990 totalled K14 585 000 after providing K3 000 for royalties, K5 947 000 for income tax and K80 203 000 for extraordinary expense items which were offset by receipt of the insurance litigation settlement of K76 299 000 resulting in net extraordinary items before tax of K3 904 000.

Taxation:

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

Subsidiaries:

No dividends were paid by BCL (Hong Kong) Limited or BCL Services Pty. Ltd.

Share Capital:

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

Long Term Loans:

As mentioned in Note 6 to the accounts a K45 million finance facility was entered into with the two major shareholders on 1 December, 1989.

Dividends:

No dividends have been declared in respect of 1990.

The Year in Review:

The company has not operated during the year and a review of 1990 activities is set out in the section entitled "The Year in Review" in this annual report (page 3).

Auditors:

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

Statutory Information:

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

1. In their opinion, the results of the group's operations in the year under review have been materially affected by items of an abnormal character referred to above, details of which are mentioned in "The Year in Review" on page 3 in this annual report and in note 1(a) to the accounts.

2. For the reasons stated in the notes to the accounts, the directors are uncertain that the current assets would realise at least the value at which they are shown in the accounts.

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

4. No contingent liabilities have arisen since the balance date of the group accounts, 31 December, 1990, until the date of this report, 12 February, 1991.

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

Additional Information:

The directors also state that:

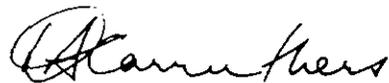
1. There were significant changes in the state of affairs of the group during the year as set out in this annual report.
2. The results of the operations of the company and the group during the financial year have been, in the opinion of the directors, substantially affected by events of a material and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

3. Save as reported in this annual report, there were no matters or circumstances which have arisen since the end of the financial year and which significantly affected or may significantly affect:
(i) the operations of the group
(ii) the results of those operations or
(iii) the state of affairs of the group in the financial year subsequent to 31 December, 1990.

4. The directors do not have an interest in any contract or proposed contract with the company, are not parties to any material contract involving directors' interests, and are not in receipt of any loans or benefits other than the aggregate amount of emoluments received or due and receivable by directors shown in the accounts and the amount of fixed salary derived from the company or from a related corporation.

5. No options over shares of the company or its subsidiaries have been granted by the company or its subsidiaries during the financial year or since the end thereof; no shares of the company or its subsidiaries were issued during the year or have been issued since the end thereof by virtue of the exercise of any option granted by the company or its subsidiaries; and no options over shares of the company or its subsidiaries are outstanding at the date of this report.

Signed this 12th day of February, 1991 in accordance with a resolution of the directors of Bougainville Copper Limited.



D. S. Carruthers
Chairman



I. R. Johnson
Director



Statements of Earnings

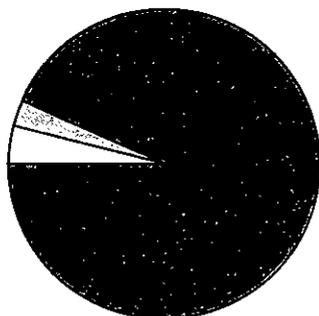
year ended 31 December, 1990
Bougainville Copper Limited

	Notes	Consolidated		Bougainville Copper Limited	
		1990 K'000	1989 K'000	1990 K'000	1989 K'000
Income					
Net sales revenue		251	222 923	251	222 923
Other income (net)		3 677	8 679	3 677	8 679
		3 928	231 602	3 928	231 602
Costs and expenses					
Costs of sales, general and administration expenses		7 580	152 687	7 749	153 026
Depreciation and amortisation	1	—	47 309	—	46 971
Government royalties		3	2 759	3	2 759
Interest		577	154	577	154
		8 160	202 909	8 329	202 910
Net exchange gain/(loss)	5	(502)	2 547	(502)	2 547
Earnings/(loss) before taxation	2	(4 734)	31 240	(4 903)	31 239
Income tax expense/(credit) attributable to operating profit	3	(3 992)	34 120	(3 992)	34 116
Operating profit/(loss) after income tax		(742)	(2 880)	(911)	(2 877)
Extraordinary items	4	(3 904)	(26 118)	(3 734)	(26 118)
Income tax credit/(expense) attributable to extraordinary items	4	(9 939)	8 387	(9 939)	8 387
Extraordinary items after income tax	4	(13 843)	(17 731)	(13 673)	(17 731)
Operating profit/(loss) and extraordinary items after income tax	2	(14 585)	(20 611)	(14 584)	(20 608)
Retained earnings brought forward		133 308	153 919	133 295	153 903
Retained earnings carried forward		118 723	133 308	118 711	133 295

All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The notes commencing on page 9 form part of these accounts and are to be read in conjunction with them.

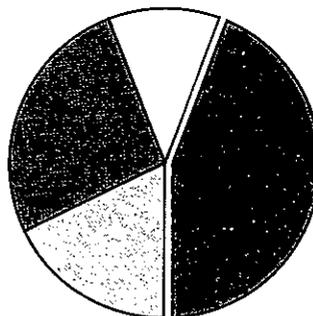
Simplified Earnings Statement

Sales & other income K3.9m.



Copper
 Gold
 Silver & other

Distribution K3.9m.



Taxation & royalties K5.9m.
 Cost of sales & other expenses K8.7m.
 Extraordinary items K3.9m.
 Net loss (K14.6m).



Balance Sheets

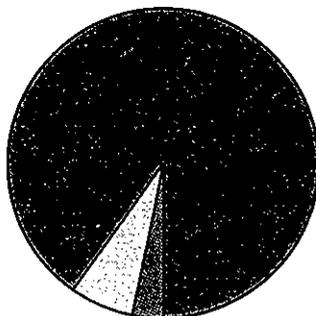
at 31 December, 1990
Bougainville Copper Limited

	Notes	Consolidated		Bougainville Copper Limited	
		1990 K'000	1989 K'000	1990 K'000	1989 K'000
Funds employed by the group:					
Shareholders' funds					
Paid up capital	12	401 063	401 063	401 063	401 063
Asset revaluation reserve		31 276	31 276	31 276	31 276
Retained earnings		118 723	133 308	118 711	133 295
		551 062	565 647	551 050	565 634
Non-current liabilities					
Income tax	3	6 759	7 088	6 759	7 088
Deferred income tax liability	3	40 804	42 589	40 804	42 589
Provision for long service leave		133	7 263	133	7 265
		47 696	56 940	47 696	56 942
Current liabilities					
Creditors	7	9 494	38 426	9 490	38 418
Income tax		2 314	4 376	2 309	4 370
		11 808	42 802	11 799	42 788
Total funds		610 566	665 389	610 545	665 364
These funds are represented by:					
Non-current assets					
Future income tax benefit	3	—	10 102	—	10 102
Investments	8	—	—	205	963
Property, plant and equipment	9	545 858	595 811	545 858	594 848
		545 858	605 913	546 063	605 913
Current assets					
Bank balances and short term deposits		49 623	11 897	49 489	11 872
Debtors for sale of concentrate		—	1 071	—	1 071
Other debtors	10	4 854	7 579	4 762	7 579
Stocks and stores	11	10 231	38 929	10 231	38 929
		64 708	59 476	64 482	59 451
Total assets		610 566	665 389	610 545	665 364

Details of commitments and contingent liabilities and assets are shown in notes 15 and 16.
All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted.
The notes commencing on page 9 form part of these accounts and are to be read in conjunction with them.

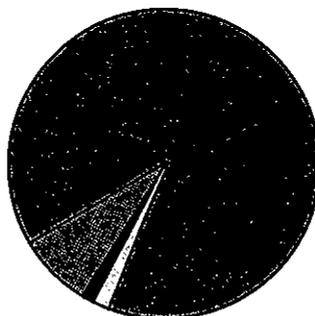
Simplified Balance Sheet

Total funds K610.6m.



- Shareholders' funds K551.1m.
- Creditors & current income tax K18.7m.
- Income tax deferred K40.8m.

Total assets K610.6m.



- Property, plant & equipment K545.9m.
- Stocks & stores K10.2m.
- Amount owed by debtors K4.9m.
- Cash at bank K49.6m.



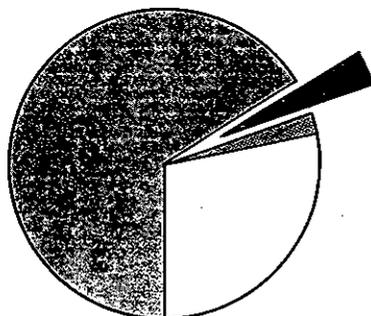
Funds Statements

year ended 31 December, 1990
Bougainville Copper Limited

	Consolidated		Bougainville Copper Limited	
	1990 K'000	1989 K'000	1990 K'000	1989 K'000
Sources of Funds				
Earnings/(Loss) from operations before tax	(4 734)	31 240	(4 903)	31 239
Add items not using funds				
Depreciation and amortisation	—	47 309	—	46 971
Loss/(Surplus) on disposal of non-current assets	(371)	(51)	97	(51)
Other items not using funds	1 216	1 555	2 185	1 497
Funds from operations	(3 889)	80 053	(2 621)	79 656
Loan drawdowns	32 376		32 376	
Extraordinary item				
Insurance litigation settlement	76 299	—	76 299	—
	104 786	80 053	106 054	79 656
Proceeds on disposal of non-current assets	2 478	201	1 004	201
Total sources of funds:	107 264	80 254	107 058	79 857
Applications of Funds				
Extraordinary items involving an outflow of funds	—	23 962	—	23 962
Distribution to shareholders				
Dividend payment	—	60 159	—	60 159
Retiring debt				
Loan repayments	32 602	1 382	32 602	1 382
Acquiring non-current assets				
Property, plant and equipment	3 584	73 290	3 584	73 290
Income tax payment	20	91 799	20	91 803
Long service leave payments	6 134	4 664	6 134	4 664
Total applications of funds:	42 340	255 256	42 340	255 260
Increase/(Decrease) in working capital for the year	64 924	(175 002)	64 718	(175 403)
Movements in working capital				
Bank balances and short term deposits	37 726	(62 225)	37 617	(62 233)
Debtors for sale of concentrate	(1 071)	(106 163)	(1 071)	(106 163)
Other debtors	(2 725)	(6 342)	(2 817)	(6 740)
Stocks and stores	—	(15 916)	—	(15 916)
Creditors	30 994	15 644	30 989	15 649
Increase/(Decrease) in working capital for the year	64 924	(175 002)	64 718	(175 403)

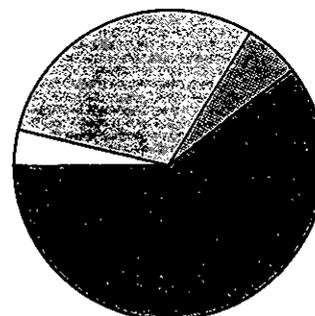
Simplified Funds Statement

Source of Funds



- From operations (K3.9m).
- ▨ Disposal of non-current assets K2.5m.
- Loan drawdowns K32.4m.
- ▩ Extraordinary items K76.3m.

Application of Funds



- Acquiring non-current assets K3.6m.
- ▩ Retiring debt K32.6m.
- ▨ Long service leave K6.2m.
- Increase in working capital K64.9m.



Notes to the Accounts

These notes form part of the 1990 accounts and consolidated accounts of Bougainville Copper Limited and should be read in conjunction with them.

1.(a) Basis of Preparation

Mine production was suspended on 15 May, 1989 because of attacks on employees. Following repeated instances of damage to mine facilities and the power line and further attacks on employees, it became necessary to evacuate all remaining company personnel from Bougainville early in 1990.

There continues to be considerable uncertainty surrounding the future of the Panguna mine. Since the withdrawal of company personnel from Bougainville was completed on 24 March, 1990, there has been no care and maintenance of the company's Panguna mine assets. It seems certain that considerable deterioration of the mine assets will have occurred in 1990 because of this lack of care and maintenance, their exposure to the elements, and possible vandalism, pilferage and militant action. However, as access to the mine site has not been possible, the extent of the necessary write-downs is not capable of reliable measurement or estimation. At the same time, because the mine assets are not in use, normal depreciation charges, to reflect wear and tear from their utilisation in production, are not technically appropriate.

Nevertheless, in the absence of any more realistic measure, normal depreciation and amortisation charges have continued to be provided in 1990, as a substitute for any required charge for deterioration, damage and pilferage. In addition, a write-off has been made of the estimated loss of stores which is expected to have occurred in 1990. These provisions for depreciation, amortisation and loss of stores have been classified as extraordinary items in 1990.

These extraordinary items, which total K80.2 million before tax, may eventually prove to be insufficient to reflect the losses they are meant to cover. Further write-downs, if needed, and their magnitude, can only be established when access to the mine site by appropriate company personnel is again possible.

Considerable future funding will be required to recommence operations, principally for the recruitment and training of the workforce, restoration of facilities, recommissioning or replacement of mine assets and re-establishment of working capital. These funding requirements cannot be forecast accurately, but could be in the range of K250 to K350 million if operations recommenced during 1992. Expenditures will be brought to account when incurred, in accordance with generally accepted accounting principles. Some will be capitalised, but a significant proportion will be treated as expense. The source of this funding will be addressed at the appropriate time.

Since the preparation of the 1989 accounts and development of the estimate of cost for recommissioning on 1 January, 1991 included in note 1(a) to those accounts, further, detailed reviews of recommissioning concepts and costs have been undertaken. The current estimates of funding requirements are based on these reviews and recognise that it is unlikely to be possible to resume production before 1992. Whilst they assume no major damage to production facilities through vandalism or militant action, they do allow for the increased level of deterioration likely because of the prolonged closure, and for anticipated vandalism to and pilferage from infrastructure and accommodation facilities.

The directors intend that, when conditions on Bougainville permit, the company will resume and continue operations, although it is not possible at present to determine when this might be achieved or the degree of damage and deterioration to assets which might have occurred during the period of suspension of operations. Whilst it is therefore not possible to determine adequately what value should be placed on the company's assets on Bougainville at the end of 1990, directors do not consider either a full write-off or a major provision or write-down of the Panguna mine assets, in addition to that described above, to be appropriate.

For the foregoing reasons, the company's assets have been included at their current book value, after normal depreciation and amortisation provisions for 1990 but, with no reliable estimate being available, a comprehensive provision has not been made for the indeterminate level of deterioration, damage and pilferage of the mine assets which might have occurred in 1990. The directors believe that in the absence of reliable information and the lack of a more suitable alternative, this is the only appropriate basis to use, despite the current cessation of operations.

With the exception of any need for a further provision for deterioration, damage and pilferage of mine assets, directors have taken steps to ensure all known material losses and liabilities have been brought to account.

1.(b) Accounting Policies

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

Apart from the lack of a comprehensive provision for deterioration of fixed assets, as noted above, the policies generally comply with Australian Accounting Standards and conform in all material respects with the International Accounting Standards which have been adopted in Papua New Guinea. They are consistent with those adopted in the previous period unless otherwise stated.

Cost Convention:

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

Depreciation and Amortisation:

In 1989, when the company was still in occupation of the Panguna mine, depreciation and amortisation continued during the period that mine operations were suspended.

No provision for deterioration, damage or pilferage of assets has been made in 1990 because the lack of access to Bougainville prevents any assessment of their nature or extent. As a substitute for such a provision, a normal charge for depreciation and amortisation has been made in 1990 and classified as an extraordinary item.

During normal production operations, depreciation and amortisation are determined by dividing the written down value of assets by their remaining useful life or the estimated remaining life of the mine whichever is the lesser. Depreciation commences in the month following commissioning ready for use.

Employee Entitlements:

The amounts expected to be paid to employees for their pro-rata entitlements to long service, annual leave and sick leave, are accrued annually at current pay rates. As a result of the deterioration in conditions in Bougainville during 1989, additional entitlements were provided in 1989 to employees for annual leave, leave fares and redundancy. Additional costs associated with the retrenchment programme as a direct result of the mine closure were provided for at the end of 1989 and classified as extraordinary items.

1.(b) Accounting Policies (continued)**Exploration, Research and Development Expenditure:**

Expenditure on exploration within the mining lease and on research and development is normally written off or provided for as incurred. No expenditure was incurred in 1990. Exploration has not been undertaken outside the mining lease.

Repairs and Maintenance:

Expenditure on repairs and maintenance during normal production is charged against income as incurred. Those costs which were connected with the attacks on company facilities referred to above were classified as extraordinary items in 1989.

Valuation of Stocks and Stores:

Stores are valued at weighted average cost, excluding transportation costs less a provision for obsolete stores. In 1990 a write-off has been made in respect of deterioration and pilferage of stores which, as explained above, has been classified as an extraordinary item. Concentrate stocks are valued at the lower of direct production cost or net realisable value. Cost includes direct materials, services and overheads, but excludes depreciation and indirect overheads.

Net Sales Revenue:

Sales are recognised when the risk passes from the seller which is at the time when the concentrate enters the ship's hold. The final sales value can only be determined from weights, assays, prices and treatment charges applying after a shipment has arrived at its destination. Estimates based on world metal prices ruling up to year end are used for those shipments not due for final valuation until the following year. In addition, the estimated results of forward contracts existing at year end in relation to concentrates shipped are reflected in sales revenue. Variations in revenue arising from final pricing and out-turn adjustments are recognised in the following year. Sales revenue in 1990 represents such adjustments in respect of shipments made in 1989, as no shipments took place in 1990. Unrealised gains and losses on forward metal sales, not related to shipments, are included in earnings.

Taxation:

Tax effect accounting procedures are followed. Any current liability for income tax is based on estimated taxable income for the year. The components of this taxable income can differ from those which make up the earnings before tax for the year and these differences are either permanent differences or timing differences. Permanent differences are disclosed in note 3. Timing differences arise because some items of revenue and expenditure are recognised for tax purposes during periods which differ from the periods in which they are included in earnings before tax. The tax effect of these timing differences is classified as either deferred income tax liability or future income tax benefit in the balance sheets. Future income tax benefits are not recognised unless their realisation is virtually certain. Future income tax benefits therefore have not been recognised in the 1990 accounts pending the development of a clearer view of the timing of recommencement of operations, and so have been treated as extraordinary items.

Foreign Currency:

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

Subsidiaries:

The company has two wholly owned subsidiaries. BCL (Hong Kong) Limited, incorporated in Hong Kong, was used to arrange shipping contracts on behalf of the company, but is now inoperative, as is BCL Services Pty Ltd, incorporated in Australia. These companies have been consolidated in accordance with conventional consolidation principles.

Settlement of Insurance Litigation

As explained in the notes to the 1989 accounts, claims were instituted by the company against its insurers for material damage and business interruption losses incurred in 1989. On 22 February, 1990 the company and the insurers reached agreement in principle to settle the litigation in respect of those claims on payment of A\$102.5 million (K76.3 million) to the company on or before 5 April, 1990, with the parties bearing their own legal costs.

That sum was received by the company and brought to account as income when received in 1990. Because of its materiality and its relationship to costs and losses incurred in 1989, that sum has been classified as an extraordinary item in 1990.

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

2. Earnings before taxation

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

Income:				
Interest on short term deposits	3 677	8 679	3 677	8 679
Expenses:				
Interest — on long term loans and standby facilities	465	35	465	35
— other	112	119	112	119
Provision for doubtful debts in respect of other debtors	163	197	163	197
Bad debts in respect of other debtors	352	8	352	8
Depreciation (Notes 1(a) and 4)				
— on buildings	—	18 575	—	18 575
— on plant, machinery and equipment	—	26 964	—	26 626
Amortisation (Notes 1(a) and 4)				
— of mine property	—	1 770	—	1 770
Loss/(profit) on disposal and retirement of fixed assets	(371)	(51)	97	(51)
Research and development expenditure	—	416	—	416
Directors' emoluments (Note 13)	27	24	27	24
Auditors' remuneration — auditing the accounts	30	177	30	175
— other services	7	24	7	24

(The auditors have received no other benefits)

Notes to the Accounts

	Consolidated		Bougainville Copper Limited	
	1990 K'000	1989 K'000	1990 K'000	1989 K'000
3. Taxation				
(a) Taxation on earnings for the year comprises:				
Current	—	11 904	—	11 900
Future	(1 622)	3 286	(1 622)	3 286
	(1 622)	15 190	(1 622)	15 186
Adjustments relating to previous years:				
Current	(2 370)	(642)	(2 370)	(642)
Future	—	19 572	—	19 572
Income tax expense/(credit) on operating profit/(loss) for the year	(3 992)	34 120	(3 992)	34 116
Income tax relating to extraordinary items (Note 4):				
Current	—	(4 590)	—	(4 590)
Future	9 939	(3 797)	9 939	(3 797)
	5 947	25 733	5 947	25 729

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

Operating profit/(loss) before taxation	(4 734)	31 240	(4 903)	31 239
Prima facie income tax at 35%	(1 657)	10 934	(1 716)	10 934
Permanent differences				
— non-allowable depreciation	—	4 480	—	4 480
— net losses/(gains) not deductible/(assessable)	35	(224)	94	(228)
— adjustments relating to previous years	(2 370)	18 930	(2 370)	18 930
	(3 992)	34 120	(3 992)	34 116
Future income tax benefits not brought to account	11 720	—	11 720	—
Transfer of those future income tax benefits not brought to account to extraordinary items	(11 720)	—	(11 720)	—
Income tax expense/(credit)	(3 992)	34 120	(3 992)	34 116
Extraordinary items before taxation	(3 904)	(26 118)	(3 734)	(26 118)
Prima facie income tax at 35%	(1 366)	(9 141)	(1 307)	(9 141)
Permanent differences				
— non-allowable depreciation	3 945	—	3 945	—
— extraordinary income not assessable	(26 705)	—	(26 705)	—
— future income tax benefits not brought to account:				
operating result (as above)	11 720	—	11 720	—
extraordinary items	22 345	—	22 286	—
— losses not deductible	—	754	—	754
Income tax expense/(credit)	9 939	(8 387)	9 939	(8 387)

(c) The loan facility referred to in note 6 provides for deferral of income tax payable in respect of the 1989 year until certain criteria have been met following successful recommencement of operations.

4. Extraordinary Items

Depreciation (income tax effect K14 082 000)	37 423	—	37 253	—
Stores write-off (income tax effect K10 044 000)	18 654	—	18 654	—
Insurance litigation settlement (income tax effect K nil)	(76 299)	—	(76 299)	—
Future income tax benefits not brought to account	34 065	—	34 065	—
Repairs to company property (income tax effect K2 746 000)	—	5 100	—	5 100
Personnel costs including redundancy, extra travel and extra leave (income tax effect K5 641 000)	—	10 475	—	10 475
Investment write-down — Bougainville Limestone Mining Pty Ltd (income tax effect K nil)	—	2 156	—	2 156
	13 843	17 731	13 673	17 731

As referred to in note 1 (a) to the accounts, it seems certain that considerable deterioration of the mine assets will have occurred in 1990. However, as access to the mine site has not been possible, the extent of the necessary write-downs is not capable of reliable measurement or estimation. Normal depreciation and an estimate of the loss on stores have been made as a substitute for such losses in 1990.

In 1989 direct costs associated with repairing the damage to company property and the additional personnel costs associated with this disruption were written off as extraordinary items.

The insurance litigation settlement of K76.3 million received on 5 April, 1990, resulting from legal proceedings initiated by the company against the insurers under the 1988/89 policy in respect of the company's claims for material damage and business interruption losses, has been brought to account as an extraordinary item.

Notes to the Accounts

	Consolidated		Bougainville Copper Limited	
	1990	1989	1990	1989
	K'000	K'000	K'000	K'000
5. Exchange fluctuation				
(a) The net exchange gain/(loss) reflected in earnings arose from:				
Realised gain on hedges previously carried forward	—	158	—	158
Overseas borrowings	(227)	(33)	(227)	(33)
Overseas cash balances	(102)	(623)	(102)	(623)
Dividend payments	—	484	—	484
Foreign currency receivables	—	2 277	—	2 277
Stores and services purchasing variances	—	669	—	669
Other	(173)	(385)	(173)	(385)
Net exchange gain/(loss)	(502)	2 547	(502)	2 547
(b) Foreign currency amounts included in current assets and current liabilities that are not effectively hedged are:				
Current assets: kina equivalent of US dollars	43 598	4 320	43 598	4 320
kina equivalent of Australian dollars	1 516	1 873	1 516	1 873
Current liabilities: kina equivalent of US dollars	904	—	904	—
kina equivalent of Australian dollars	945	601	945	601
No foreign currency amounts are included in non-current assets and non-current liabilities.				
6. Loans				
No long term loan facilities are in place.				
The company has entered into an agreement with the Independent State of Papua New Guinea and CRA Limited, under which these shareholders will provide additional finance to the company to a maximum of K45 million for two years. Drawdowns were made between 16 January, 1990 and 7 March, 1990 and the outstanding amounts were repaid in full on 6 April, 1990. This facility was unutilised at 31 December, 1990 and expires on 1 December, 1991. Interest on these loans accrues until repayment. Any repayment of loan principal or interest has first priority over any surplus cash generated after recommencement of operations, or from the proceeds of any asset sales. This facility is unsecured.				
7. Creditors				
Trade creditors	9 158	18 415	9 154	18 407
Other creditors	132	19 334	132	19 334
Related corporations	204	677	204	677
	9 494	38 426	9 490	38 418
8. Investments				
Advances to subsidiary companies	—	—	205	963
9. Property, plant and equipment				
(a) Mine development and buildings				
— at directors' 1980 valuation	292 300	292 300	292 300	292 300
Less accumulated depreciation	159 721	147 125	159 721	147 125
	132 579	145 175	132 579	145 175
— at cost	102 988	100 150	102 988	100 150
Less accumulated depreciation	38 664	33 209	38 664	33 209
	64 324	66 941	64 324	66 941
Net mine development and buildings	196 903	212 116	196 903	212 116
(b) Plant, machinery & equipment				
— at directors' 1980 valuation	245 177	245 177	245 177	245 177
Less accumulated depreciation	148 866	140 352	148 866	140 352
	96 311	104 825	96 311	104 825
— at cost	304 652	232 070	304 652	230 263
Less accumulated depreciation	104 809	82 953	104 809	82 109
	199 843	149 117	199 843	148 154
Net plant, machinery & equipment	296 154	253 942	296 154	252 979
(c) Mine property				
— at cost	62 121	62 121	62 121	62 121
Less accumulated amortisation	46 204	44 434	46 204	44 434
Net mine property	15 917	17 687	15 917	17 687
(d) Capitalised works in progress				
— at cost	36 884	112 066	36 884	112 066
Total property, plant & equipment — at cost or valuation	1 044 122	1 043 884	1 044 122	1 042 077
Less accumulated depreciation/amortisation	498 264	448 073	498 264	447 229
Net book value	545 858	595 811	545 858	594 848

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

Notes to the Accounts

	Consolidated		Bougainville Copper Limited	
	1990 K'000	1989 K'000	1990 K'000	1989 K'000
10. Other debtors				
Other debtors and payments in advance	5 214	7 776	5 122	7 776
Provision for doubtful debts	(360)	(197)	(360)	(197)
	4 854	7 579	4 762	7 579
11. Stocks and stores				
Stores	10 231	40 429	10 231	40 429
Provision for stores obsolescence	—	(1 500)	—	(1 500)
	10 231	38 929	10 231	38 929

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

12. Capital

The authorised capital of K425 000 000 consists of 425 000 000 ordinary shares of one kina each. The issued capital of the company is 401 062 500 ordinary shares of one kina each, fully paid. No change in authorised or issued capital occurred during 1990.

13. Directors' emoluments

	1990		1989	
	Company K'000	Related Corporations K'000	Company K'000	Related Corporations K'000
The total of the emoluments received, or due and receivable (whether from the company or from related corporations) 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	—	—	—	—
(b) other directors of the company, was	27	—	24	—

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

	Consolidated		Bougainville Copper Limited	
	1990 K'000	1989 K'000	1990 K'000	1989 K'000
14. Commitments				
Approved capital expenditure				
(a) Committed — projects commenced	968	32 682	968	32 682
(b) Uncommitted — projects not commenced	—	42 856	—	42 856
	968	75 538	968	75 538

Those commitments at the end of 1989 which were not settled in 1990 have been cancelled at no significant cost to the company. Operating lease commitments not reflected in the financial statements

15. Contingent liabilities and assets

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

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

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

16. Mining tenements

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

17. Holding company

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



Declarations

Statement by Directors

The accounts of the company have been prepared using the basis of valuation described in note 1 to the accounts. If the mine is re-opened by the company within a reasonable time, continued use of that method of valuation would be appropriate. However, if the company is ultimately unable to recommence operations successfully a major reduction in the value of the company's assets as disclosed in the accounts would be necessary. For these reasons the directors are unable to determine if the carrying value of the assets is or is not included in the accounts on an appropriate basis of valuation.

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

Signed at Port Moresby on this 12th day of February, 1991.

On behalf of the Board
D. S. CARRUTHERS
Chairman.
I. R. JOHNSON
Director.

Declaration by Secretary

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

Declared at Port Moresby this 12th day of February, 1991.

M. S. KOIRI
Secretary.
Before me:
A. G. CORREN
Commissioner for Oaths.

Auditors' Report to the Members of Bougainville Copper Limited

1. We have audited the balance sheets, statements of earnings and the funds statements (the accounts) set out on pages 6 to 13 in accordance with generally accepted auditing standards.

2. These accounts have been prepared with the inclusion of the company's assets at their current book value, without any separate provision having been made for the indeterminate level of deterioration, damage and pilferage of mine assets which is expected to have occurred in 1990. As explained in note 1(a) to the accounts, it is not possible, at present, to determine when the company will resume operations at the Panguna mine on Bougainville Island, or to measure or estimate reliably the extent of deterioration, damage and pilferage of mine assets.

3. In the absence of reliable information on these matters, directors believe there is no suitable alternative to retaining the company's assets at their current book values, pending the recommencement of operations at the mine. In arriving at those current book values, directors have continued to provide normal depreciation on property, plant and equipment as a substitute for any required write-off for deterioration, damage and pilferage, and have also written off estimated losses on stores.

4. In our opinion, the provision for normal depreciation is not an appropriate alternative for the provision which needs to be made for actual losses due to the deterioration, damage and pilferage of mine assets in 1990. However, as the actual extent of such losses can only be established after the company regains access to the mine site, we recognise that, at present, those losses are not capable of reliable measurement or estimation, either by directors or by us, and so the provision made by directors in 1990 may, or may not, be adequate for this purpose.

5. If the Panguna mine is re-opened by the company within a reasonable time, it would be appropriate, in our opinion, to include the company's mine assets in the accounts at their book value at the date of withdrawal of company personnel from Bougainville early in 1990, less a write-off to reflect the deterioration, damage and pilferage of those assets which has occurred since that date.

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

7. For the reasons set out above we are unable to form an opinion as to whether or not property, plant and equipment of K546 million and stores of K10 million are included in the accounts on an appropriate basis of valuation. In the absence of all the necessary information and explanations we require (because both we and the directors have been unable to obtain access to Bougainville Island), we are unable to express an opinion on what their carrying value should be at 31 December, 1990.

8. These assets (which represent 90% of the book value of total assets and exceed the book value of net tangible assets) are of such fundamental importance to the presentation of the accounts, that we are consequently unable to form an opinion as to whether or not the accounts and group accounts give a true and fair view of the state of affairs of the company and the group as at 31 December, 1990 and the results for the year ended on that date.

9. In our opinion, except that the records of property, plant and equipment and of stores, are unlikely to be a reliable reflection of the existence and value of those assets on Bougainville Island, the remaining accounting and other records, including registers, examined by us have been properly kept in accordance with the Companies Act (Chapter 146).

COOPERS & LYBRAND
by P. A. Atwood
Registered under the Accountants
Registration Act (Chapter 89),
Port Moresby,
on this 12th day of February, 1991.



Corporate Information

Twenty largest shareholders

The twenty largest shareholders as at 12 February, 1991 and the number of shares held by each were:

Name and Registered Address	Shares	% of issued shares
1 CRA Limited Melbourne Vic	210 788 514	52.56
2 The Independent State of Papua New Guinea	76 430 809	19.06
3 ANZ Nominees Limited Melbourne Vic	20 134 123	5.02
4 Citicorp Nominees Pty Limited Melbourne Vic	17 840 093	4.45
5 ISNY Nominees Pty Limited Melbourne Vic	12 541 393	3.13
6 National Nominees Limited Melbourne Vic	7 893 771	1.97
7 Pental Nominees Pty Limited Australia Square NSW	4 969 983	1.24
8 MLC Life Limited North Sydney NSW	4 367 200	1.09
9 CRA Base Metals Pty Limited Melbourne Vic	4 099 452	1.02
10 Bank of New South Wales Nominees Pty Limited Sydney NSW	3 851 537	0.96
11 Bougainville Copper Foundation Panguna PNG	3 600 000	0.90
12 Indosuez Nominees Pty Limited Melbourne Vic	2 753 004	0.68
13 Public Officers Superannuation Board Boroko PNG	2 561 500	0.64
14 ISMG Nominees Pty Limited Melbourne Vic	2 297 364	0.57
15 Chase AMP Nominees Limited Sydney NSW	1 992 300	0.50
16 City of Bradford Metropolitan Council Bradford UK	696 000	0.17
17 Barclays Australia Custodian Services Limited Sydney NSW	375 980	0.09
18 The State Authorities Superannuation Board Melbourne Vic	341 300	0.08
19 ICIANZ Pension Fund Securities Limited Melbourne Vic	324 175	0.08
20 Accident Compensation Commission Melbourne Vic	316 100	0.08
	<u>378,174,598</u>	<u>94.29</u>

Distribution of shares

As at 12 February, 1991:

The issued shares of the company were 401 062 500 fully paid one kina shares, each carrying one voting right. The number of shareholders was 20 532.

The distribution of holdings of the issued shares was:

	Shares	%
1- 1 000 shares	16 725	81.46
1 001- 5 000 shares	3 170	15.44
5 001-10 000 shares	384	1.87
10 001 shares and over	253	1.23
Total shareholders	<u>20 532</u>	<u>100.00</u>

There were 13 882 holdings of shares (67.61%) numbering less than 500 shares which do not form a marketable parcel.

94.29% of the total issued shares were held by or on behalf of the 20 largest shareholders.

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

Directors' interests

Directors' interests in the share capital of the company and its related companies as at 12 February, 1991 were:

D. S. Carruthers	828 CRA Shares
	70 000 CRA (A) options
	1 000 CRA (B) options
R. J. Cornelius	2 088 CRA shares
	194 Comalco shares
	22 500 CRA (A) options
	1 800 CRA (B) options
J. J. Craig	22 500 CRA (A) options
	1 000 CRA (B) options
P. G. F. Henderson, A.C.	No interests
I. R. Johnson	30 000 CRA (A) options
	1 800 CRA (B) options
R. B. Moaina	No interests
M. R. Rayner	525 CRA shares
	65 Comalco shares
	50 000 CRA (A) options
	1 800 CRA (B) options
M. P. Togolo	360 BCL shares
D. C. Vernon	No interests

Abbreviations:

BCL — Bougainville Copper Limited

CRA — CRA Limited

CRA (A) — Options to acquire CRA shares allocated pursuant to the Senior Executive Share Plan 1987 and 1990.

CRA (B) — Options to acquire CRA shares allocated pursuant to the CRA Group Employee Participation Schemes 1987 and 1990.

Comalco — Comalco Limited

Bougainville Copper Limited

(Incorporated in Papua New Guinea)

Registered Office:

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

Principal Registered Office in Australia:

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

Share Registers:

c/o KPMG Peat Marwick,
80 Collins Street,
Melbourne, Vic. 3000.
Telephone (03) 640 5555.

Postal Address:

G.P.O. Box 2291U,
Melbourne, Vic. 3001.

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

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

Stock Exchanges:

Listed with the Australian Stock Exchange Limited and the New Zealand Stock Exchange.

Auditors:

Coopers & Lybrand.

Bankers:

Commonwealth Bank of Australia.
Papua New Guinea Banking Corporation.

Solicitors:

Arthur Robinson & Hedderwicks.
Gadens Ridgeway.



Statistical Summary

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

Notes:
 * Bonus dividends of 4.0 and 6.7 toea per fully paid share were made in 1979 and 1980 respectively and have been included in the dividend figures for those years.
 ** Full year figures; but commercial production commenced 1 April, 1972
 *** 1972 figure is for Bougainville Mining Limited
 **** 1972 to 1979 figures are after adjustment for the 1980 capital reconstruction
 ***** 1989 and 1990 include extraordinary items of K26.1 million and K28.7 million respectively
 ***** 1990 includes extraordinary items of K76.3 million for insurance litigation settlement and K51.5 million for depreciation.

1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972*
310.9	392.9	283.2	296.4	338.7	343.1	225.1	205.3	208.9	193.1	292.6	252.4	95.9
234.8	228.1	207.2	210.8	174.8	144.1	125.0	126.8	117.5	107.2	92.5	81.8	53.3
46.5	47.0	44.2	43.3	43.8	40.7	40.4	36.2	31.1	29.6	28.5	24.8	14.5
29.6	117.8	31.8	42.3	120.1	158.3	59.7	42.3	60.3	56.3	171.6	145.8	28.1
[2.8]	[16.3]	[3.3]	1.1	2.6	3.5	10.3	[0.1]	1.3	2.3	9.5	12.9	[0.4]
26.8	101.5	28.5	43.4	122.7	161.8	70.0	42.2	61.6	58.6	181.1	158.7	27.7
15.2	46.9	17.3	20.6	51.2	77.9	22.0	13.7	20.3	12.4	66.5	0.3	-
11.6	54.6	11.2	22.8	71.5	83.9	48.0	28.5	41.3	46.2	114.6	158.4	27.7
16.0	52.1	10.0	20.1	64.2	80.2	40.1	21.4	26.7	26.7	73.5	81.4	11.0
[4.4]	2.5	1.2	2.7	7.3	3.7	7.9	7.1	14.6	19.5	41.1	77.0	16.7
576.2	594.9	622.8	611.2	610.8	325.4	340.1	352.2	350.4	346.0	352.2	371.7	378.7
0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-
152.9	185.3	155.9	148.7	148.4	201.0	125.8	137.1	136.0	129.5	205.6	130.4	73.9
729.3	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
586.5	590.9	588.4	587.2	584.5	294.5	317.5	309.7	302.5	287.9	268.4	227.4	146.7
[5.3]	[4.7]	1.5	1.5	5.1	5.4	9.0	14.6	9.0	11.5	19.1	39.5	24.2
52.5	51.6	125.6	80.1	25.7	36.2	42.1	53.3	101.7	106.8	121.1	127.5	204.0
95.6	142.7	70.2	91.2	144.0	190.4	97.4	111.8	73.3	69.4	149.3	107.8	77.7
729.3	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
74.4	81.00	76.22	77.56	79.76	75.97	79.05	70.79	58.54	56.40	56.00	56.65	46.75
46.52	47.73	41.74	37.53	37.62	36.17	38.12	34.11	31.21	31.08	30.14	29.14	21.89
0.42	0.46	0.47	0.51	0.46	0.55	0.60	0.61	0.64	0.64	0.70	0.73	0.76
0.48	0.55	0.60	0.59	0.50	0.75	0.82	0.90	0.87	0.80	1.02	1.03	0.77
542.3	636.9	598.6	576.4	510.4	584.7	658.6	615.6	596.8	596.0	640.8	650.2	438.1
164.4	183.2	170.0	165.4	146.8	170.8	198.6	182.3	176.5	172.5	184.1	182.9	124.0
30.3	28.8	28.4	28.7	28.8	29.2	30.2	29.6	29.6	28.9	28.7	28.1	28.3
28.9	28.3	29.3	29.2	27.5	33.7	35.5	36.3	33.9	30.5	32.0	31.6	27.3
81.9	74.4	72.1	73.5	72.2	76.3	79.8	77.0	76.1	71.0	72.3	69.0	69.3
550.8	636.1	599.6	596.2	494.4	586.5	640.9	614.8	605.8	587.0	665.8	625.2	434.4
51.9	47.0	46.6	49.8	54.5	56.0	51.0	54.8	42.3	42.7	51.5	54.8	48.1
12.3	11.0	6.6	3.3	4.1	3.7	3.2	1.6	1.7	1.7	0.0	0.0	0.0
35.8	42.0	45.1	45.4	41.4	40.3	42.0	39.9	46.5	53.8	41.9	37.8	49.4
0.0	0.0	1.7	1.5	0.0	0.0	3.8	3.7	9.5	1.8	6.6	7.4	2.5
373.4	454.6	343.6	355.2	386.3	407.0	294.5	266.3	260.3	219.4	307.4	270.8	118.8
53	52	51	54	51	60	64	66	74	69	74	83	83
45	46	47	44	46	37	34	32	24	29	25	16	16
1.11	1.19	1.35	1.48	1.50	1.41	1.42	1.27	1.26	1.31	1.43	1.42	1.19
62.4	71.9	67.1	79.0	99.2	89.8	61.9	59.3	63.6	55.9	93.3	80.9	48.6
360.8	423.5	375.6	459.9	614.7	304.7	193.5	147.8	124.8	160.9	158.7	97.3	58.2
2.0	9.3	1.9	3.9	16.3	27.4	15.3	9.3	14.0	16.6	46.2	84.1	18.9
2.9	13.6	2.8	5.7	17.8	20.9	12.0	7.1	10.3	11.5	28.6	39.5	6.9
4.0	13.0	2.5	5.0	20.0	26.7	10.0	5.3	6.7	6.7	18.3	20.0	2.7
401	401	401	401	401	267	267	267	267	267	267	267	260**
30 435	32 834	36 486	38 027	38 326	38 750	40 935	43 820	50 082	54 129	55 558	45 353	46 726
0.09/1	0.10/1	0.20/1	0.17/1	0.05/1	0.15/1	0.19/1	0.37/1	0.40/1	0.44/1	0.52/1	0.72/1	0.62/1
749	751	756	801	877	851	855	853	858	942	980	929	971
2 987	3 058	3 174	3 377	3 416	3 314	3 243	3 063	2 989	3 094	3 242	2 915	2 594



The BCL Contribution

Since the Bougainville crisis started in late 1988 with attacks on Bougainville Copper's property, much has been written and said of a critical nature about the company's activities.

For many years Bougainville Copper (BCL) was widely regarded as having set new standards of conduct for a mining operation in an underdeveloped country, and the agreement with the government under which it operated was regarded as something of a model for such situations.

Not unexpectedly there have been criticisms of the company's activities, but it is useful to review some of the positive contributions which the company made.

BCL established a highly efficient operation (itself a valuable example to set in any developing country) which made a major financial contribution to the emerging Independent State of Papua New Guinea (PNG). As has been well publicised, from 1972 to 1988 it provided:

- 17% of PNG's internally generated revenue;
- 45% of its export income;
- 12% of its gross domestic product;

with 66% of all cash generated being paid into government revenue.

Less well publicised have been many of the other benefits of the mining operation.

BCL provided many jobs in PNG, where unemployment is a major problem. The Panguna mine was a capital intensive operation but, nevertheless, a major employer of PNG citizens. In 1988 more than 4 out of 5 in its workforce were recruited in PNG. As the first major resource development in the country,

BCL was encouraged to employ people from throughout PNG. It was a national mine. (It was a mine for the nation.) There was still a strong focus on the Bougainvilleans with 35% of the workforce from the North Solomons. BCL employed more than 3000 people making it by far the biggest single employer in the industry.

BCL made outstanding commitment to providing thorough training for all national employees from the commencement of the operation. About one hundred full time training personnel were employed in the Mine Training College and associated facilities and these are generally considered to be the best of their kind in PNG.

Since 1972 the company has:

- spent 12% of its payroll costs on training and employee education;
- provided courses for 12,000 employees;
- helped employees to gain 17,000 certificates for on and off site study;
- trained 1,130 tradesmen.

As anticipated many of those who completed training eventually left the company's employment. Some set up their own businesses, others found a ready market for their qualifications in other companies or in the public service. Many provided a valuable core of experienced personnel for resource projects that have since started up in other provinces. Those who stayed with BCL were encouraged to build on their basic training and to accept greater responsibility. When the mine closed, PNG citizens comprised:

- 100% of unskilled and semi skilled employees
- 60% of supervisory and trades employees
- 25% of professional and managerial employees

In order to encourage Papua New Guineans to fill professional and managerial positions, BCL has

sponsored 400 postgraduate and undergraduate students at higher education institutions in PNG and Australia. It maintained its support for the 24 Papua New Guineans studying overseas when the mine closed. Some of these have since graduated, or completed the theoretical component of their courses, but the company continues to sponsor the remainder, as well as those completing courses at PNG tertiary institutions.

The rapid localisation of the BCL workforce which occurred as a result of the company's extensive training program was, at the time, unique in the annals of mining enterprises in developing nations. By late 1973, only 18 months after commencing production, 76% of employees were Papua New Guineans. Over the years the proportion of national employees averaged about 80%, and by 1989 had increased to 83%. In addition, a number of service activities staffed entirely by citizens were spun off as private businesses, so that in reality the degree of effective "localisation" was higher than the statistics suggested.

BCL's provision of facilities, and its scrupulous adherence to non-discriminatory policies in areas such as housing, set an exceptionally high standard from the start of the operation. Throughout its life BCL set the standards for employment conditions in other large PNG resource projects.

The mining operation made the North Solomons a rich province by PNG standards. One problem facing a government needing to restore the standard of living of the island's inhabitants is that they enjoyed a standard superior to most other provinces. From being an economically backward district of the Territory of Papua New Guinea in the 1960's, the North Solomons became the second wealthiest province in the 1980's, exceeded only by the National Capital District. Much of

this growth sprang not only from the income generated by the mine, but also from provision of infrastructure by BCL, particularly roads, which led to a rapid increase in land devoted to cash cropping.

Among provincial governments in PNG the North Solomons was considered to be possibly the most progressive and well run. Its ability to provide services to the inhabitants of the North Solomons rested partly upon the royalties and taxes paid by BCL, which made up over 40% of provincial government revenue in 1988.

An independent report commissioned by the North Solomons Provincial government in 1982 indicated that the economic benefit to the North Solomons Province was substantially more than this with 25% of the wealth generated staying in the province, and 45% going to the rest of PNG.

In the 1980s provincial government revenue grew at about 15% per annum largely because businesses dependent on BCL provided it with an expanding tax base. In 1988 two hundred businesses provided services to BCL. In that year for example, K30 million worth of work was awarded to national companies, of which K10 million went to Bougainvillean companies and K1 million to landowners' enterprises.

BCL actively encouraged nationally owned businesses to provide a number of services such as transport, security, building, and the supply of garden produce. The North Solomons Provincial government saw that there were opportunities for larger, more complex businesses — many run in partnership with non-Bougainvilleans — and incorporated the Bougainville Development Corporation to develop such opportunities. Companies were formed to promote a provincial commuter air service, a steel fabrication operation, a catering service, a furniture

manufacturing business and a lime processing plant.

At a conservative estimate, 4000 people were employed in businesses mainly dependent on BCL contracts. In all, about 30,000 depended directly or indirectly for their livelihoods on the Panguna mine.

The impact of the mining operation has undoubtedly been most severe on the 5000 local people who live on land within the company leases — particularly those who have rights to the 0.5% of the island directly affected by the mining operation. Nevertheless, some of the K24 million paid out under a series of comprehensive compensation agreements has provided the seed money for local enterprises that must evolve if the province is to meet the expectations of its very rapidly growing population.

A comparison of compensation rates carried out in 1988 showed that all the major PNG mines paid rates well in excess of statutory requirements. BCL rates have been, however, consistently the highest. The company has continued to set aside those compensation payments and has placed them in a separate interest bearing account pending restoration of normal conditions on the island.

BCL has contributed substantially to the local community. It provided the original funding, and substantial subsequent funds, for the Bougainville Copper Foundation, so that the foundation could, within Papua New Guinea:

- make grants and donations for charitable, public, scientific, educational and artistic purposes;
- assist and promote participation by Papua New Guineans in commerce, services and industry;
- provide medical, educational and welfare services; and
- assist in the provision of training in professional, commercial, agricultural and industrial skills.

The activities of the foundation are administered by an executive committee (of which majority membership must be Papua New Guinea citizens) — including representatives from national and provincial governments, the North Solomons community and the company.

Since the withdrawal of the national government presence from Bougainville in early 1990, the foundation's medical clinic has continued to operate as the only medical facility in Arawa — a great tribute to its medical and nursing staff.

The problems that a large mine can cause have been searchingly discussed, but the benefits that its presence brings have been under reported. The task of providing a stable economic base for the development of the North Solomons Province must eventually be faced, unless the people are prepared to accept a marked drop in their standards of living, education and health services. The mine has powered the province's economy for nearly two decades and it can do so again.

The knowledge and experience gained over the past 17 years of operation — and the lessons learned — are priceless assets which do not appear on any balance sheet. Like the physical assets of the mine, however, they will deteriorate over time. It is in everybody's interest to commence the difficult task of reconstructing the province's economy before those assets are further diminished.



Distribution of the Benefits

	1990	K million 1989	1972-1990
PNG Government			
Corporate income tax*	5.3	25.7	586.8
Group tax (PAYE)	1.7	7.6	122.0
Customs duty	-	12.7	104.1
Miscellaneous	-	0.9	10.1
Dividends*	-	-	165.9
Dividend WHT*	-	-	96.5
	7.0	46.9	1 085.4
NSP Government			
Royalties (95% to NSPG)	-	2.7	61.4
Non Renewable Resources Fund	-	0.1	1.8
Other taxes	-	1.0	12.0
	-	3.8	75.2
Landowners			
Royalties (5% to Landowners)	-	0.1	3.2
Compensation	1.5	2.1	22.5
	1.5	2.2	25.7
Non-Government Shareholders			
Dividends net of Dividend WHT*	-	-	576.7
Employees			
Wages (less PAYE)	5.9	40.1	574.9
Total	14.4	93.0	2 337.9

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

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