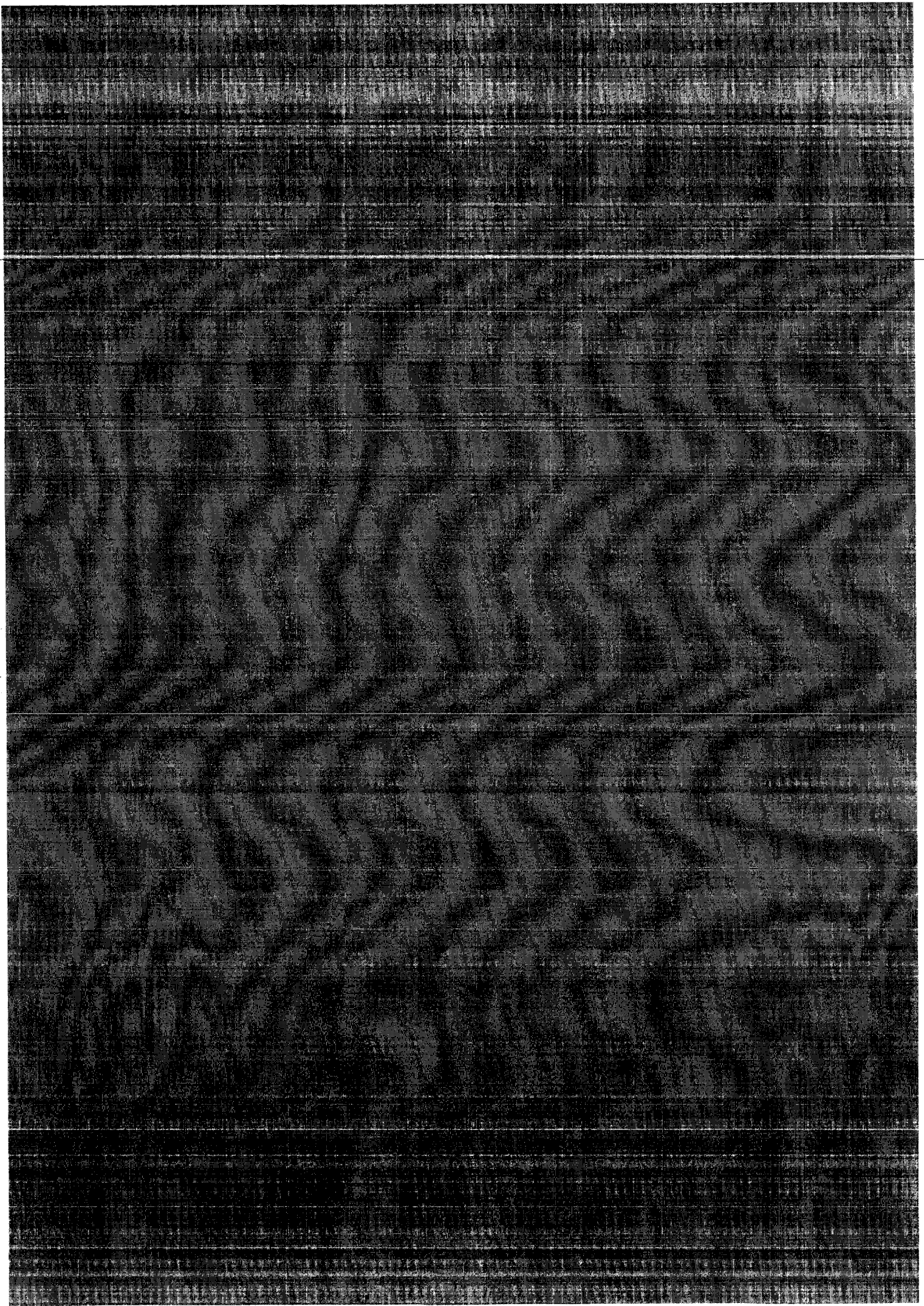




**BOUGAINVILLE COPPER**  
**LIMITED**  
**ANNUAL**  
**REPORT**  
**2005**



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# BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

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

## **The Company**

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

In the seventeen years before cessation of operations in 1989, the mine had produced concentrate containing 3 million tonnes of copper, 306 tonnes of gold and 784 tonnes of silver. The production had a value of K5.2 billion, which represented approximately 44% of Papua New Guinea's exports over that period. Contributions to the National Government in the form of taxes, duties and dividends were approximately 17% of internally generated Papua New Guinea Government revenue during that time.

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

Company training programs for some 12 000 employees, including approximately 1 000 completing full trade apprenticeships and some 400 completing graduate and post graduate studies, had previously resulted in considerable progress in the localisation of the company's employees and also added significantly to the number of skilled workers elsewhere in the country's work-force. At the end of 2005, the company had no employees. The activities of the company are managed on a contracted services basis by a small team of Rio Tinto Minerals (PNG) Limited staff based in Port Moresby.

Since the suspension of mining operations, the company has retained, in good standing, its mine lease and other leases on Bougainville.

Bougainville Copper Limited is owned 53.58% by Rio Tinto Limited. The Papua New Guinea government owns 19.06%, while public shareholders hold the remaining 27.36% of the share capital.

## **Bougainville Copper on the Web**

Information about Bougainville Copper is available on our website – [www.bougainvillecopper.com.pg](http://www.bougainvillecopper.com.pg) – and the annual report and other information may be downloaded from the site.

## **Notice of Meeting**

The Annual General Meeting of Bougainville Copper Limited will be held at 10.00am on the 2nd day of May, 2006 at the Crowne Plaza, Hunter Street, Port Moresby, Papua New Guinea.

A separate Notice of Meeting is enclosed.

All shareholders are cordially invited to attend.

## **Directors**

P. R. Taylor (Chairman)  
B. R. Alexander  
D. H. McLellan

## **Secretary**

P. D. Coleman

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**The Year in Brief**

		2005	2004
<ul style="list-style-type: none"> <li>• Mining operations suspended. Access to Panguna mine still not possible.</li> </ul>	Investment income	(K'000) <b>7 434</b>	7 403
<ul style="list-style-type: none"> <li>• Consolidation of investments into listed investment companies.</li> </ul>	Operating profit	(K'000) <b>116</b>	2 018
<ul style="list-style-type: none"> <li>• Tax dispute of substantial proportions remains unresolved.</li> </ul>	Earnings per share	(toea) <b>0.029</b>	0.50
<ul style="list-style-type: none"> <li>• Introduction of new accounting standards is reflected in net profit outcome.</li> </ul>	Shareholders' funds	(K'000) <b>340 566</b>	323 278
	Return on shareholders' funds	(per cent) <b>0.034</b>	0.60

## ***Chairman's Statement & Year in Review – 2005***

### ***Results***

During the year, the mine at Panguna remained inoperative and thus income relates to investment activities.

Net profit has been calculated in keeping with accounting standard IAS 39 – Financial Instruments (Recognition and Measurement) which commenced from 1 January 2005 and excludes unrealised gains on the mark to market of investments, which are now credited to the fair value reserve.

In the absence of IAS 39 the company would have declared a profit of K17.3 million compared with the prior year of K7.2 million.

Following the application of IAS 39 the net profit for the year ending 31 December 2005 was K0.1 million (AUD\$0.04 million) compared with the revised profit of K2.0 million (AUD\$0.8 million) for the previous year. The reduction in profit of K1.9 million is due to lower capital gains on investments sold of K1.2 million, exchange losses on bank accounts and cash on deposits in foreign currency of K1.6 million, due to the firming of the Kina relative to the Australian dollar, and higher expenses principally due to an additional K0.3 million for taxation and audit advice on the company's tax dispute. These were partly offset by higher dividend income of K1.4 million.

As a result of the accounting changes the K17.2 million gain on investments has been credited to shareholders' funds, which increased from K323 million to K340 million.

### ***Investment Strategy***

BCL's investment strategy remains moving out of cash investments in PNG where interest rates have dropped dramatically. Most of the company's liquid assets are now invested in Australian equities, predominantly in listed investment companies. The strong Australian equity market in the past year has resulted in a positive return in Australian dollar terms, much of the unrealised gain being of a capital nature. Capital gains are not currently taxable in PNG. This is important for BCL given the current tax dispute with the Internal Revenue Commission (IRC). It is intended to continue with this investment strategy in 2006.

### ***Tax Dispute***

Unfortunately this is the fourth year in which I have had to devote a section of my report to tax issues. The World Bank provided a loan to PNG to allow capacity building for the Government's mining sector. Some of those funds were used to carry out tax audits in the mining sector. Although BCL has been unable to mine at Panguna for over a decade it was 'selected' as the first resources company to be audited. The audit process took many months to complete and the company was required to spend considerable money and management time complying with the audit process. No monetary compensation was provided.

Suspension of mining activities in 1989 resulted in considerable losses to the company. In line with normal practice the company offset those losses against revenue as well as claiming depreciation of its remaining mine assets. Despite this approach being accepted by the IRC every year since the suspension of operations, the tax audit of 2003 resulted in reassessments being issued for 1998 – 2002 disallowing depreciation deductions and additional tax charges of K12.5 million and penalties of K34.8 million. The basis of the IRC's reassessment is that the company has no assets that can be depreciated.

BCL has taken expert advice and on the basis of that advice lodged formal objections to the amended assessments. The company has given notice to the PNG Government that it elects to have the dispute arbitrated pursuant to the Bougainville Copper Agreement which at law it is entitled to do. Notwithstanding the outcome of an arbitration or the applicability of the depreciation deductions, BCL considers the proposed application of penalties to be totally incongruous and wrong in the above circumstances. Irrespective of the proposed arbitration the IRC has issued banks in PNG with notice that any BCL funds held by them be paid to the IRC. The company is challenging the enforceability of these notices and pending a determination has been required to pay all the cash it holds in PNG into a Court fund. The company is currently relying on Rio Tinto to fund its day to day expenses in PNG.

### ***Dividend Policy***

A combination of the low net profit and likely higher than usual expenses resulting from the tax dispute means the company will not be paying a dividend for 2005.

## **Chairman's Statement & Year in Review – 2005**

### ***Renegotiation of the Bougainville Copper Agreement (BCA)***

There are many unresolved issues between the Government and the company resulting from suspension of mining operations, tax being just one of them. The company has proposed to Government that all the outstanding issues, including claims by the company against the Government, be the subject of talks aimed at avoiding the need for protracted and expensive arbitration and litigation. I am pleased to report that the Government has agreed to a review of the BCA. The Autonomous Government on Bougainville has been invited to join the negotiations. I hope these negotiations will lead to the resolution of all outstanding issues between the parties and will clarify BCL's options for the future of its Bougainville assets.

### ***Bougainville***

With the election of the Autonomous Government the company has moved quickly to open dialogue with the elected leaders. Demand for copper and gold remains strong so if Bougainville does decide there is a place in its economy for exploration and mining now is a good time to attract investment. The Board is keeping its options open and does not dismiss the possibility that alone or with partners it will mount an exploration program on Bougainville if the necessary consents are received.

In anticipation of the exploration moratorium being lifted and encouragement from both the National and Autonomous Governments the company has commissioned a report on possible exploration targets within its licence areas.

In addition to the special mining lease covering the mine and infrastructure the company holds the only granted exploration licences on Bougainville. Based on exploration that took place prior to the moratorium and an airborne survey carried out by the German Government in 1985 a number of areas of Bougainville are known to be prospective.

### ***Litigation***

The company is not a party to the class action litigation involving a group of Bougainville plaintiffs in the US Federal Court. Nonetheless the litigation creates uncertainty that the company cannot ignore. I have previously reported that at the court of first instance the case was dismissed in its entirety. The plaintiffs appealed and the matter was subsequently heard by three Federal Court of Appeals judges. A decision of the Appeal Court has not yet been given even though it is now well over a year since the last hearing and five years since the action was commenced. BCL will continue to monitor the matter.

A separate claim against the company concerning landowner compensation is still pending.

### ***Corporate Governance***

There is a global trend toward stricter compliance by listed companies with a range of corporate governance measures. BCL has governance reporting obligations to the Australian Stock Exchange (ASX) and internally to Rio Tinto Limited its parent company.

This is the third year in which BCL has reported against ASX governance guidelines. As the name suggests these are 'guidelines' rather than mandatory rules. A statement on BCL compliance with the guidelines is contained in this report. In addition BCL has responded to the Rio Tinto governance questionnaire which incorporates the Group's comprehensive range of policy including safety, environment, financial management and many other risk management matters.

### ***Safety***

The Rio Tinto Group is particularly safety conscious and has in place comprehensive requirements to ensure its employees and contractors comply with best practice safety procedures. BCL complies with the requirements of the Rio Tinto safety policy.

### ***Year Ahead***

As I have stated elsewhere I am optimistic about the negotiations agreed with the PNG Government and Bougainville leaders. I hope the talks will resolve a number of outstanding issues resulting from previous mining and the suspension of mining operations. BCL has made it known that it is willing to participate in talks aimed at allowing all parties to concentrate on the future rather than dwelling on the past.

There is a clear revival of interest in mineral exploration world wide, driven by the demand for metals to fuel China's rapid growth. PNG, Bougainville and the company are well placed to take advantage of this upturn in the resources sector. They need to work together now to develop a strategy that is mutually beneficial. BCL will be doing what it can to ensure the opportunities are not missed.

### ***Directors' Election***

I am pleased that Mr. Rob Burns joined the Board at the beginning of 2006. Mr. Burns is a Rio Tinto executive

and has vast technical experience in mining. He knows Bougainville and PNG well having worked at Panguna for many years. Mr. Burns has had an ongoing association with BCL and has provided it with technical support in recent years.

The company's constitution requires that one third of the directors retire annually by rotation. This year Mr Bruce Alexander, retires and offers himself for re-election. Any board appointed director is required to stand for election at the next annual general meeting if that director wishes to continue on the board. Mr. Rob Burns is an appointed director and therefore retires at this meeting. Mr. Burns offers himself for re-election. I support the election of Mr. Alexander and Mr. Burns.



***Peter R Taylor***

Chairman & Managing Director.

27 February 2006

## Directors' Report

The Directors of Bougainville Copper Limited present their report on the audited financial statements of the company for the year ended 31 December 2005.

### Review:

Operating profit for 2005 declined by K1.9 million due to –

- Lower capital gains on investments sold of K1.2 million.
- Exchange losses on bank accounts and deposits held in Australian currency of K1.6 million resulting from the stronger Kina.
- Higher expenses principally relating to an additional K0.3 million for taxation and audit advice on the company's tax dispute.
- Partly offset by higher dividend income of K1.4 million.

The Board's strategic goal for an investment portfolio which generates sufficient cash flow to cover annual operating costs, with prospects of a steady capital gain, was realised in 2005 with capital gains of K17.2 million being added to shareholders' funds.

### Directors:

The directors of Bougainville Copper Limited at balance date are:

#### P. R. Taylor

Age 59 BA BSc LLB LLM

Lawyer formerly in private practice. Within the Rio Tinto Group formerly Company Secretary Bougainville Copper Limited, General Manager Commercial CRA Exploration Pty Limited, CRA Projects and General Corporate Counsel CRA Services Limited. Appointed director of Bougainville Copper Limited April 1997 and Managing Director March 2000. Appointed Chairman 21 October 2003. Currently Chairman of Australian Business Volunteers and Vice President of the Australia Papua New Guinea Business Council.

#### B. R. Alexander

Age 63 FAIB FAICD

Forty years with Westpac Banking Corporation including five years as Chief Executive, Pacific Regional Banking and Chairman, Westpac Bank (PNG) Limited (1994-1999). Former President, Australia PNG Business Council. Former Chairman, AESOP Business Volunteers and Hunter Olive Co-operative Limited. Director Delhi Petroleum Pty Limited. Appointed director of Bougainville Copper Limited May 1999.

#### D. H. McLellan

Age 70

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

**Activities:** Bougainville Copper Limited has produced copper concentrate containing gold and silver from a mine at Panguna, Bougainville, Papua New Guinea, from 1972 until operations were suspended due to militant activity, in May 1989. The company now derives investment income. The company has no subsidiaries.

**Net Earnings:** The net profit of Bougainville Copper Limited for 2005 was K115 514 (2004 was K2 018 526).

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

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

**Long Term Loans:** The company has no loans and no lines of credit are in place.

**Dividends:** The Directors have not declared a dividend for 2005.

**Accounting Policies:** There have been no changes made in the company's accounting policies during 2005 except for those as a result of the introduction of IAS 39-Financial Instruments (Recognition and Measurement). The company previously recognised the unrealised gains and losses on available-for-sale financial assets in the income statement. As a result of IAS 39, the unrealised gains and losses on available-for-sale financial assets are recorded in the Fair value reserve. The 2005 result would have been K17.3 million if the company did not apply IAS 39. Retrospective adjustments have been passed onto the 2004 comparatives for IAS 39.



**Directors' Interests:** Directors' interests in the share capital of the company and its related companies as at 27 February 2006 were:

P R Taylor	
600	Shares - Rio Tinto Limited
4 056	Conditional shares awarded under the Mining Companies Comparative Plan - Rio Tinto Limited.
1 875	Options - Rio Tinto Share Savings Plan
12 475	Options - Rio Tinto Share Option Plan
B R Alexander	No interests
D H McLellan	No interests

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

**Auditors:** The retiring auditors, PricewaterhouseCoopers, being eligible, offer themselves for re-appointment. Details of amounts paid to the auditors for audit and other services are shown in note 2 to the financial statements.

**Remuneration of Employees:** The company had no employees during the year.

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

**Donations:** The company made no donations during the year. The company does not make donations to political parties. The Bougainville Copper Foundation continues to provide educational and other support. BCL provides administrative support to the Foundation.

**Environment:** Mining operations of the company ceased in 1989 and it has been denied access to its mine site because of civil disorder since that year. The company is not aware of any liability being incurred under any environmental legislation.

**Additional Information:** The directors also state that:

1. There were no significant changes in the state of affairs of the company during the year. The tax issue remains unresolved.
2. The results of the company during the financial year have not been, in the opinion of the directors, substantially affected by events of a material and unusual nature other than contained in this report, and as set out in the notes to the accounts.
3. Except as reported in this annual report, there were no matters or circumstances have arisen since the end of the financial year and which significantly affected or may significantly affect:
  - (i) the operations of the company
  - (ii) the results of those operations or
  - (iii) the state of affairs of the company in the financial year subsequent to 31 December 2005.
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 have been granted by the company during the financial year or since the end thereof; no shares of the company were issued during the year or have been issued since the end thereof by virtue of the exercise of any option granted by the company; and no options over shares of the company are outstanding at the date of this report.

Signed this 27th day of February 2006 in accordance with a resolution of the directors of Bougainville Copper Limited.

**P R Taylor**

Chairman and Managing Director

**D H McLellan**

Director

## **Corporate Governance Statement**

For the financial year ended 31 December 2005

### **Governance Overview**

The Board is responsible to ensure that Bougainville Copper Limited (BCL) is managed in a way that meets the objectives of all its shareholders, while paying proper regard to the interests of external stakeholders. This statement outlines the main corporate governance practices that were followed during the financial year ended 31 December 2005. The Directors are committed to high standards of corporate governance. The recommendations of the ASX Corporate Governance Council ("Council") on corporate governance practices have been considered by the Board. The Directors concluded that the corporate governance structures and processes in place at BCL are substantially in compliance with the Council's recommendations. In some areas, minor changes were required which have been concluded or are in the process of implementation.

The Board has noted that the Council described corporate governance as "the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimized. There is no single model of good corporate governance. What constitutes good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet those circumstances".

The Directors are aware of the valuable contribution made to the company by its major shareholder Rio Tinto Limited ("RTL") in terms of policies and practices. Notwithstanding this, the Directors acknowledge that they must, and do, act in the best interests of all shareholders.

### **Board Responsibilities & Charter**

The Board has instituted a Charter and will review its suitability on an annual basis.

In carrying out its responsibilities and powers, the Board at all times recognises its over-riding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Company's shareholders and employees and the community.

The Directors approve strategy and business plans and monitor the performance of the Company against these plans. The Directors also monitor compliance with

policies prescribed by the Board in areas such as health and safety, environment, business ethics, internal control and risk management. These policies are designed to ensure that Bougainville Copper Limited meets or exceeds the regulatory requirements governing its operations.

The Board is aware that related party transactions must be considered carefully and these are vetted by the independent Directors on the Audit Committee. Directors associated with the relevant related party do not vote on transactions involving the related party.

In addition to the matters expressly required to be approved by the Board by law, the powers specifically reserved for the Board are:

- (a) the confirmation of the appointment of the Managing Director;
- (b) all matters in excess of discretions that it may have delegated to the Managing Director; and;
- (c) approval of each of the following:
  - (i) the acquisition, divestments or establishment of any significant business assets;
  - (ii) changes to the discretion delegated from the Board;
  - (iii) business strategy and the annual operating plan;
  - (iv) changes to the capital and operating approval limits of the Managing Director;
  - (v) the annual report and full-year/half-year results;
  - (vi) interim and final dividends payable;
  - (vii) significant changes in accounting policies or practices;
  - (viii) auditor remuneration and recommendations for appointment or removal of auditors; and
  - (ix) proposed business ventures not in the ordinary course of the Company's business.

The Company's formalisation and disclosure of the functions reserved to the Board and those delegated to management are consistent with recommendation 1.1 of the Council.

### **Board Composition**

During the reporting period the Board of Directors of Bougainville Copper Limited consisted of four directors up to May 2005 and three directors thereafter. Mr. Taylor is a current executive of Rio Tinto. RTL holds a 53.58% interest in the share capital of BCL. Mr Kuma Aua is an employee of the Papua New Guinea Government, which holds a 19.06% interest in BCL, he was a director until he resigned on 11 May 2005.

Details of the Directors, their qualifications and experience are set out on page 6.

Qualification for Board membership is related to the mix of skills and knowledge that the Board considers will best serve the interests of BCL and all of its shareholders. Decisions relating to appointment of Directors are made by the full Board. Directors appointed by the Board are required by BCL's Constitution to submit themselves for election by shareholders at the Annual General Meeting following their appointment. There is no share ownership qualification for appointment as a Director. The Board has not established a nomination committee. The Board recognises that this is not compliant with recommendation 2.4 of the Council, but considers that existing practices are satisfactory.

Directors are subject to retirement by rotation in accordance with BCL's Constitution, but may offer themselves for re-election. The person holding the position of Managing Director is not subject to retirement by rotation while holding that position.

### **Independence**

The Board of Directors consists of a majority of "independent" Directors. In compliance with recommendation 2.1 of the Council.

The Directors believe that it is appropriate for Mr. Taylor to have the dual responsibility of Chairman and Managing Director. Whilst this is not compliant with recommendation 2.2 of the Council, the Board considers that Rio Tinto's 53.58% shareholding warrants this appointment, and given the respective roles of Managing Director and Chairman have been codified with authority levels set for each position to ensure the combined roles do not result in unfettered power being held by a single member of the Board.

### **Audit Committee**

The Audit Committee is appointed by the Board and comprises two non-executive Directors both of whom are independent. Mr David McLellan is the Chairman of the Audit Committee. The Board has approved a formal Charter for this committee.

The Committee provides a formal structure for reviewing BCL's financial statements, accounting policies, control systems, risk management practices and liaising with the external and internal auditors.

The Committee advises the Board of any matters that might have a significant impact on the financial condition of Bougainville Copper Limited and has the authority to investigate any matters within the terms of reference, having full access to the information and resources of Bougainville Copper Limited to fulfil its function. Related party transactions are considered by the Audit Committee.

The Committee reviews compliance with PNG law, BCL being a PNG registered company, and the requirements of the Australian Stock Exchange and other regulatory requirements.

Attendance details of the 2005 meetings of the Audit Committee are set out in the table below.

<b>Director</b>	<b>Meetings Attended</b>	<b>Meetings Whilst in Office</b>
D McLellan (Chairman)	4	4
B Alexander	4	4

Any work to be conducted by the external auditor other than the audit is approved by the Audit Committee.

Among the Committee's responsibilities is the review of the adequacy of existing internal and external audit arrangements, accounting policies, financial reporting and procedures, risk management, taxation and the oversight of compliance with internal control systems and regulatory requirement.

The Committee seeks to ensure that the Board is made aware of any matters that might have a significant impact on the financial condition or affairs of the Company.

The financial reporting practices and the composition of the Audit Committee complies with recommendations 4.1, 4.2, 4.3 and 4.4 of the Council.

## Corporate Governance Statement – continued

### Risk Identification & Management

Bougainville Copper Limited has in place a range of policies and procedures to manage the risks associated with its operating activities. These policies have been adopted by the Board to ensure that potential business risks are identified and appropriate action taken. The management of risk is an integral part of the responsibility of both the Board and Management and is carried out through an integrated risk management assurance process. BCL benefits from the knowledge, policies and practices adopted by Rio Tinto to manage its diverse business activities covering a variety of commodities and operation locations.

The Board has in place a number of systems to identify and manage risk. These include:

- the identification and regular review of all of the significant business risks facing the Company;
- the provision of information by Management to the Board, on a periodic basis, as to the status of any plans, controls, policies and/or procedures to manage the significant business risks;
- guidelines for ensuring that capital expenditure and revenue commitments exceeding certain approved limits are placed before the Board for approval;
- limits and controls for all financial exposures.
- a regulatory compliance program; and
- safety, health and environment policies which are supported by a set of standards and management systems which recognise the Company's commitment to achieving high standards of performance in all its activities in these areas.

The Board, having reviewed and adopted them as appropriate for the Company, acknowledges that BCL has agreed to comply with all relevant Rio Tinto health, safety and environment policies and believes there are considerable advantages.

These policies and procedures satisfy recommendation 7.1 of the Council.

The Managing Director and the Rio Tinto Chief Financial Officer responsible for BCL state in writing to the Board that: "the financial reporting and operational results are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board". This process satisfies recommendation 7.2 of the Council.

### Board Meetings

The Board normally has four scheduled meetings per year and may meet at other times to deal with urgent issues. In 2005 there were four meetings of the Board and the attendance details for Directors are set out in the table below.

Director	Meetings Attended	Meetings Whilst in Office
B Alexander	4	4
K Aua	2	2*
D McLeilian	4	4
P Taylor	4	4

\* Mr Kuma Aua resigned as a director on 11 May 2005.

### Independent Professional Advice

Directors may seek independent professional advice, both individually and collectively at BCL's expense. Directors are required to give prior notice to the Chairman of their intention to seek independent professional advice and provide the names of any professional advisers they propose to instruct together with a brief summary of the subject matter. Any advice obtained by a Director must be made available to the other Directors.

### Remuneration

BCL has no employees of its own. The Company's day to day management is conducted pursuant to the Service Agreement with Rio Tinto Services Limited. Remuneration of senior executives providing management services to BCL under the Agreement is administered by Rio Tinto in conformance with Rio Tinto senior management remuneration systems.

The Board considers that application of Rio Tinto's Remuneration Policy complies with recommendations 9.1, 9.3 and 9.4 of the Council. The Board does not consider it necessary to establish a Remuneration Committee as proposed by the Council (Recommendation 9.2) given the size of the Board and any remuneration matters are dealt with at Board level.

The maximum limit for Directors' remuneration is determined by shareholders in a General Meeting. Within that allowance the remuneration of Directors is generally determined by the full Board after taking into account data on market remuneration levels. During 2005 there was no increase in Directors remuneration, other than for members of the Audit Committee who were paid a nominal fee from 1 July 2005. Neither the

Managing Director nor the PNG Government nominated director receives directors' fees.

Details of Directors' remuneration and superannuation are set out in the financial statements.

There are no executive based share schemes provided by BCL.

### ***Purchase and Sale of Company Securities***

BCL complies with the Rio Tinto policy that reinforces to all directors and officers the prohibition against insider trading. The Share Trading Policy is available for inspection on Rio Tinto's website in compliance with recommendation 3.2 of the Council.

Under the policy:

- Directors and senior managers must advise the Chairman if they intend to purchase securities in the Company or any other company with which BCL is conducting business. In regard to his own dealings the Chairman is required to notify the full Board.
- No dealings in securities by directors and officers of the Company may take place during the period two months immediately preceding the announcement of the Company's annual results or half year results.

### ***Particulars of Directors' Interests in Shares and Options***

The particulars of the Directors' interests in shares in the Company and related bodies corporate as at 31 December 2005 are set out on page 7.

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

### ***Performance Self-Assessment***

The Board will undertake an annual performance evaluation (self-assessment) that:

- compares the requirements of the Charter with the performance of the Board;
- sets out goals and objectives or changes to this Charter deemed necessary or desirable

The performance evaluation will be conducted in a manner that the Board deems appropriate and any issues of relevance will be disclosed on the Company's website.

The Company's formalisation of this process is consistent with recommendation 8.1 of the Council.

### ***Code of Conduct***

BCL has adopted Rio Tinto's Code of Conduct and statement of business practice, *The Way We Work*. (conforms with recommendation 10.1)

All employees of Rio Tinto providing services to BCL are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations applicable to the Company. These employees are required to comply with Rio Tinto's statement of business practice – *The Way We Work* and as a consequence, BCL conforms to recommendation 3.1 of the Council.

Rio Tinto policy applies to all staff and Directors at BCL in relation to disclosure and trading in Rio Tinto and BCL shares. (conforms with recommendation 3.2)

Rio Tinto has a confidential whistleblower program known as "Speak-Out". Employees of Rio Tinto engaged in BCL business are encouraged to report any unethical or illegal practices through this process.

### ***Public Statements & Disclosure Matters***

BCL makes full and timely disclosures to its shareholders and the market in accordance with its legal and regulatory obligations. Established systems are in place to ensure compliance. The Managing Director and Company Secretary are responsible for such disclosures. The Company's policies and procedures comply with recommendation 5.1 of the Council.

### ***Shareholder Communication***

The Board informs shareholders and others of all major developments and complies with its continuous disclosure requirements. Any material information is announced to the Stock Exchange in accordance with the Listing Rules. The Company has established a web site with links to relevant company information. This is in accordance with recommendation 6.1 of the Council.

In compliance with recommendation 6.2 of the Council, the external auditor attends the annual general meeting to answer shareholder questions.

**BOUGAINVILLE COPPER LIMITED ANNUAL REPORT**

**Income Statement**

<i>Bougainville Copper Limited year ended 31 December 2005</i>		<b>2005</b>	2004
	Notes	<b>K'000</b>	K'000
<b>Income</b>			
Interest		<b>966</b>	1 086
Realised gain on disposal of investments		<b>1 069</b>	2 296
Dividends		<b>5 399</b>	4 021
		<b>7 434</b>	7 403
<b>Costs and expenses</b>			
General and administration expenses	2	<b>(7 318)</b>	(5 385)
<b>Operating profit</b>			
Income tax	4	<b>116</b>	2 018
		<b>-</b>	-
<b>Operating profit after tax</b>			
Earnings per share (toea)		<b>116</b>	2 018
		<b>0.029</b>	0.50

**Statement of Movements in Equity**

	Paid up capital	Asset revaluation reserve	Fair value reserve	Accumulated losses	Total
	K'000	K'000	K'000	K'000	K'000
Brought forward at 01.01.04	401 063	31 276	-	(124 544)	307 795
Operating profit – 2004	-	-	-	2 018	2 018
Fair value gains – 2004	-	-	13 465	-	13 465
Balance at 31.12.04	401 063	31 276	13 465	(122 526)	323 278
Operating profit – 2005	-	-	-	116	116
Fair value gains – 2005	-	-	17 172	-	17 172
	<b>401 063</b>	<b>31 276</b>	<b>30 637</b>	<b>(122 410)</b>	<b>340 566</b>

*All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The notes on pages 15 to 21 form part of these accounts and are to be read in conjunction with them.*

**BOUGAINVILLE COPPER LIMITED ANNUAL REPORT**

**Balance Sheet**

<i>Bougainville Copper Limited at 31 December 2005</i>		<b>2005</b>	<b>2004</b>
	Notes	<b>K'000</b>	<b>K'000</b>
<b>Funds employed:</b>			
<b>Shareholders' Funds</b>			
Ordinary shares	10	<b>401 063</b>	401 063
Asset revaluation reserve	8	<b>31 276</b>	31 276
Fair value reserve	11	<b>30 637</b>	13 465
Accumulated losses		<b>(122 410)</b>	(122 526)
		<b>340 566</b>	<b>323 278</b>
<b>Non-Current Liabilities</b>			
Provisions	6(b)	<b>22 073</b>	22 073
Other payables	6(b)	<b>4 810</b>	4 518
Income tax	4(b)	<b>6 759</b>	6 759
		<b>33 642</b>	<b>33 350</b>
<b>Current Liabilities</b>			
Trade payables	6(a)	<b>1 205</b>	1 125
<b>Total Funds</b>		<b>375 413</b>	<b>357 753</b>
<b>These funds are represented by:</b>			
<b>Non-Current Assets</b>			
Available-for-sale financial assets	3	<b>139 976</b>	128 223
Other receivables	9(b)	<b>3 909</b>	3 909
Mine assets	7	<b>197 894</b>	197 894
		<b>341 779</b>	<b>330 026</b>
<b>Current Assets</b>			
Cash and cash equivalents		<b>847</b>	23 155
Held-to-maturity financial assets		<b>15 295</b>	-
Other receivables	9(a)	<b>17 492</b>	4 572
		<b>33 634</b>	<b>27 727</b>
<b>Total Assets</b>		<b>375 413</b>	<b>357 753</b>

*Details of contingent liabilities and assets are shown in note 13. All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The notes on pages 15 to 21 form part of these accounts and are to be read in conjunction with them.*

## Statement of Cash Flows

<i>Bougainville Copper Limited year ended 31 December 2005</i>	<b>2005</b>	2004
	<b>K'000</b>	K'000
<b><i>Cash flows from operating activities</i></b>		
Payments to suppliers	(6 390)	(5 061)
Monies paid to the Supreme Court	(12 991)	-
Interest received	1 030	1 038
Dividends received	5 399	4 021
Net operating cash flows	<b>(12 952)</b>	(2)
<b><i>Cash flows from investing activities</i></b>		
Payments for purchase of shares in non-related entities	(16 223)	(10 769)
Proceeds from sale of shares in non-related entities	6 491	11 315
Net investing cash flows	<b>(9 732)</b>	546
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>		
Net cash flow	<b>(22 684)</b>	544
Cash and cash equivalents at beginning of year	<b>23 155</b>	22 976
Effect of exchange rate changes on cash and cash equivalents	<b>376</b>	(365)
Cash and cash equivalents at end of year	<b>847</b>	23 155

*All amounts are expressed in Papua New Guinea kina.  
Rounding to the nearest thousand kina has been adopted.  
The notes on pages 15 to 21 form part of these accounts  
and are to be read in conjunction with them.*

For, and on behalf of, the board.



**P R Taylor**  
Chairman &  
Managing Director



**D H McLellan**  
Director

27th February 2006



## Notes to Accounts

These notes form part of the 2005 accounts of Bougainville Copper Limited and should be read in conjunction with them.

The principal accounting policies applied in the preparation of these financial statements are set out below. Accounting policies relevant to mining operations are not presented due to mining operations having ceased in 1991. These policies have been consistently applied to all years presented, unless otherwise stated.

### 1.(a) Basis of Preparation

The financial statements of Bougainville Copper Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the PNG Companies Act 1997. The financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the accounting policy note on significant risks and uncertainties.

### 1.(b) Accounting Policies

#### Mine Assets:

Following cessation of mining activities in 1991 a impairment loss of K350 million was made for deterioration, damage or pilferage of company assets on Bougainville. The accuracy of that provision cannot be proved because of the lack of access to Bougainville prevents a detailed assessment of the nature or extent of those losses. No depreciation charge or increase to the impairment loss has been made since 1991. The Directors consider that any further review of the impairment loss at this time would be completely arbitrary because of the continuing lack of access to the mine.

#### 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

temporary differences. Permanent differences are disclosed in note 4. Temporary differences arise because the tax base of some assets and liabilities is different from their accounts carrying value. The tax effect of these temporary differences is classified as either deferred income tax liability or future income tax benefit in the balance sheet. Future income tax benefits are not recognised unless their realisation is probable. Future income tax benefits therefore have not been recognised pending the development of a clearer view of the timing of recommencement of operations.

#### Foreign Currency Translation:

##### (i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in PNG Kina, which is the Company's functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and translation at year-end exchange rates of monetary assets and liabilities determined in foreign currencies are recognised in the income statement.

#### Provisions:

Provisions for compensation, rehabilitation and stabilisation are recognised when the company has a present legal or constructive obligation as a result of past events; it is more likely than not than an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

#### Investments:

##### (i) Available-for-sale financial assets

Investments in marketable securities (shares in other corporations) are classified as "available-for-sale financial assets". Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investments for less

than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale investments are subsequently carried at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

(ii) **Held-to-maturity financial assets**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These are measured at cost with accrued interest included in other receivables.

**Cash and Cash Equivalents:**

Cash and cash equivalents comprises cash on hand, deposits held at call with banks, and bank deposits and treasury bills with original maturities of three months or less.

**Revenue Recognition:**

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

**Significant Risks and Uncertainties**

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

There continues to be considerable uncertainty surrounding the future of the Panguna mine. Since the withdrawal of company personnel from Bougainville was completed on 24 March 1990, there has been no care and maintenance of the company's assets. Considerable deterioration of the assets has occurred in the intervening period, because of this lack of care and maintenance, their exposure to the elements, 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.

With the passage of time, it is clear that a major write-down of assets from their pre-closure levels will be required. To allow for this future write-down, the directors made a impairment loss in 1991 for deterioration, damage and pilferage of K350 million, with this sum being classified as an extraordinary item.

The exact quantum of this provision should not be viewed as a precise calculation reflecting an accurate estimate of the present value of losses or likely costs of repair. Rather, the reduction in carrying value should be seen as a broad estimate of the total service potential likely to have been lost to the operation in respect of the whole inventory of assets carried in the books.

While directors have made this provision in good faith based on the limited information available to them, it must be recognised that the actual extent of the necessary write-downs can only be established when access to the mine site by appropriate company representatives is again possible. Accordingly, the 1991 provision may eventually prove to be above or below the sum that is necessary to reflect these losses. The directors believe that in the absence of reliable information and the lack of a more suitable alternative, this is the only appropriate basis to use.

**Comparatives**

The company previously recognised the unrealised gains and losses on available-for-sale financial assets in the income statement. As a result of changes to IAS 39- Financial Instruments (Recognition and Measurement), the unrealised gains and loss on available-for-sale financial assets in 2005 are recorded in the Fair value reserve. Retrospective adjustments have been passed onto the 2004 comparatives.

**BOUGAINVILLE COPPER LIMITED ANNUAL REPORT**

<i>Bougainville Copper Limited year ended 31 December 2005</i>	<b>2005</b>	2004
	<b>K'000</b>	K'000
<b>2. General and administrative expenses</b>		
Remuneration of Directors (Note 12)	<b>1 080</b>	886
Auditors' remuneration - auditing the accounts	<b>30</b>	18
- taxation services	<b>116</b>	149
(The auditors have received no other benefits)		
Insurance	<b>159</b>	99
Management fees – related party (Note 17)	<b>1 849</b>	1 669
Exchange losses (Note 5)	<b>1 559</b>	365
Other general and administrative expenses	<b>2 525</b>	2 199
	<b>7 318</b>	5 385

**3. Available-for-sale financial assets**

Non-current		
At fair value		
Shares-listed	<b>139 976</b>	128 223
	<b>139 976</b>	128 223

Available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

**4. Taxation**

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

Operating profit before taxation	<b>116</b>	2 018
Prima facie income tax @ 30%	<b>35</b>	605
Future tax benefit now recognised	<b>(35)</b>	(605)
Income tax expense	<b>-</b>	-

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

- (c) The future income tax benefit relating to tax losses has not been brought to account because their realisation is not probable.

Available tax losses carried forward amount to K109 621 070 (2004: K109 622 139).

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

<i>Bougainville Copper Limited year ended 31 December 2005</i>	<b>2005</b>	2004
	<b>K'000</b>	K'000

**5. Exchange Fluctuation**

(a) The net exchange gain/(loss) reflected in earnings arose from:		
Overseas cash balances	<b>(1 559)</b>	(365)
(b) Foreign currency amounts included in current assets, non-current assets, current liabilities and non-current liabilities that are not effectively hedged are:		
Current assets:		
Kina equivalent of Australian dollars	<b>16 204</b>	8 257
Non-current assets:		
Kina equivalent of Australian dollars	<b>138 868</b>	123 000
Current liabilities:		
Kina equivalent of Australian dollars	<b>14</b>	5
Non-current liabilities:		
Kina equivalent of Australian dollars	<b>292</b>	-

**6. Liabilities**

Trade payables

(a) Current		
Provision for care and maintenance	<b>830</b>	830
Trade creditors	<b>15</b>	43
Related corporations	<b>360</b>	252
	<b>1 205</b>	1 125
(b) Non-current		
Other payables	<b>4 810</b>	4 518

*Payables that have been carried forward since the suspension of mining operations have been classified as non-current liabilities, as the directors consider they are unlikely to be settled within the following year. Aged trade payables that are no longer considered payable have been written back.*

Provision for compensation, rehabilitation and stabilisation	<b>22 073</b>	22 073
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*The Company has a provision for compensation, rehabilitation and stabilisation for which it may be liable as a consequence of cessation of operations. The directors consider that the provision held of K22.07 million is adequate to cover claims for which the Company may be liable.*

**BOUGAINVILLE COPPER LIMITED ANNUAL REPORT**

<i>Bougainville Copper Limited year ended 31 December 2005</i>	<b>2005 K'000</b>	<b>2004 K'000</b>
<b>7. Mine Assets</b>		
(a) Mine development and buildings	<b>292 165</b>	292 165
- at directors' 1980 valuation	<b>159 721</b>	159 721
- Less accumulated depreciation	<b>132 444</b>	132 444
- at cost	<b>102 988</b>	102 988
Less accumulated depreciation	<b>38 664</b>	38 664
	<b>64 324</b>	64 324
Net mine development and buildings	<b>196 768</b>	196 768
(b) Plant, machinery & equipment	<b>245 177</b>	245 177
- at directors' 1980 valuation	<b>148 866</b>	148 866
Less accumulated depreciation	<b>96 311</b>	96 311
- at cost	<b>304 486</b>	304 486
Less accumulated depreciation	<b>104 703</b>	104 703
	<b>199 783</b>	199 783
Net plant, machinery & equipment	<b>296 094</b>	296 094
(c) Mine property	<b>62 121</b>	62 121
- at cost	<b>46 204</b>	46 204
Less accumulated amortisation	<b>15 917</b>	15 917
Net mine property	<b>15 917</b>	15 917
(d) Capitalised works in progress	<b>29 112</b>	29 112
- at cost	<b>29 112</b>	29 112
Total property, plant & equipment	<b>1 036 049</b>	1 036 049
- at cost or valuation	<b>498 158</b>	498 158
Less accumulated depreciation/amortisation	<b>537 891</b>	537 891
Net book value	<b>10 003</b>	10 003
Stores	<b>547 894</b>	547 894
Total mine assets	<b>350 000</b>	350 000
Less impairment loss	<b>197 894</b>	197 894
Net book value	<b>197 894</b>	197 894
Reconciliation of Movement in Net Book Value.		
Net Book Value at beginning of year	<b>197 894</b>	197 894
Additions	-	-
Disposals	-	-
Net Book Value at end of year	<b>197 894</b>	197 894

*The basis of valuation of these assets is set out in note 1(b) of the accounts and attention is drawn to note 1(a) titled "Basis of Preparation". Due to the loss of complete historical information following the suspension of mining operations it is not possible to reliably estimate the carrying amount that would have been included had mine assets been carried at original cost less accumulated depreciation.*

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

<i>Bougainville Copper Limited year ended 31 December 2005</i>	<b>2005</b>	2004
	<b>K'000</b>	K'000

### 8. Asset Revaluation Reserve

Asset revaluation reserve	<b>31 276</b>	31 276
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In 1980 mine assets were revalued by K300 million. A majority of the reserve created by this revaluation was distributed to shareholders by way of bonus shares leaving a residual amount as shown in this note that has been carried forward.

### 9. Other Receivables

(a) Current		
Sundry receivables	63	70
Interest receivable	33	97
Monies paid to the Supreme Court	12 991	-
Withholding tax receivable	4 405	4 405
	<b>17 492</b>	<b>4 572</b>
(b) Non-current		
Other receivables	7 136	7 136
Provision for doubtful debts	<b>(3 227)</b>	<b>(3 227)</b>
	<b>3 909</b>	<b>3 909</b>

*Receivables that have been carried forward since the suspension of mining operations have been classified as non-current assets, as the directors consider they are unlikely to be settled within the following year. A significant proportion of these other receivables are receivable by State owned entities, and are considered subject to offset on settlement against amounts owing to the State owned entities included in other payables (Note 6(b)). Long outstanding receivables that are no longer considered collectable have been written off.*

*The PNG Internal Revenue Commission (IRC) has disallowed BCL's claimed tax depreciation on its Bougainville Assets on the ground that BCL lost/surrendered control of its assets in 1990, and therefore the assets should have been totally depreciated in that year and that the availability of that depreciation to offset against BCL's investment income has now lapsed through passage of time. The IRC has issued assessments on that basis. BCL's objections to the assessments were rejected by the IRC and BCL has appealed to the National Court. The outcome is unknown; our advisors and Senior Australian Counsel state that BCL has very good arguments in this matter and have a better than average chance of succeeding against the IRC. The IRC has meanwhile issued garnishee notices under the Income Tax Act to all the PNG banks requiring them to pay any funds held by them for BCL to the IRC. BCL obtained an injunction preventing the execution of the garnishee but this injunction has since been dismissed. BCL is appealing the dismissal of the injunction to the Supreme Court. The Supreme Court heard the appeal, but has not handed down its decision, and ordered that the funds being sought by the IRC be deposited with that Court pending its decision.*

### 10. Ordinary Shares

The issued capital of the company is 401 062 500 ordinary shares fully paid. No change in issued capital occurred during 2005.

### 11. Fair Value Reserve

	<b>2005</b>	2004
	<b>K'000</b>	K'000
Fair value reserve	<b>30 637</b>	13 465

This reserve records movements for available-for-sale financial assets to fair value.

### 12. Remuneration of Directors

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

B R Alexander	81	73
K Aua *	-	-
D H McLellan	81	73
M A Moramoro **	176	73
P R Taylor ***	742	667
	<b>1 080</b>	<b>886</b>

\* Mr Kuma Aua resigned on 11 May 2005.

\*\* Dr Moramoro passed away on 24 November 2004. Retirement benefits paid in 2005.

\*\*\* Mr Taylor is the Managing Director and is employed by the Rio Tinto Group which pays his salary and entitlements. A portion of the benefits are re-charged under the Management Services Agreement. The amount indicated in the above table is the proportion of the remuneration benefits which have been re-charged to the company.

*Bougainville Copper Limited year ended 31 December 2005*

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### **13. Contingent liabilities and assets**

Bougainville Copper Limited is defendant to an action commenced in the National Court by two plaintiffs seeking declarations that they are the lawful representatives of the mine site and the tailings disposal area landowners and that the Mining Warden is the proper judicial officer to determine what, if any, compensation is due to landowners for the period since the suspension of mining operations. The company has made a provision in its accounts to cover an award of landowner compensation.

The Internal Revenue Commission conducted an audit over several months as reported in 2003's annual report. The audit covered the period from 1990 to 2002 inclusive. The Internal Revenue Commission has issued amended assessments claiming additional tax of K12.5 million and penalties of K34.8 million arising out of the audit. BCL's tax returns for those and all other years were prepared on BCL's considered view of the appropriate tax law. BCL believes its view of the law is correct. The company has received expert advice on the matter including that of senior Australian legal counsel. The company has lodged formal objections and will strenuously defend the claim.

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.

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### **14. Mining Tenements**

The company holds 100% interest in leases: 1, B9, B6, B8, B7, B2, B10, B3; and prospecting authorities: 1, 2, 3, 4, 5, 6, 7A and 7B on Bougainville Island.

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### **15. Holding company**

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

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### **16. Segmental Information**

The company carried on investment activities during the year. Its assets are the Panguna mine and associated facilities on Bougainville Island, Papua New Guinea, cash and equities listed on the Australian Stock Exchange.

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### **17. Related Party Transactions**

Transactions with directors are disclosed in note 12.

In 2005 the company paid fees of K10 177 (2004: K14 520) to Rio Tinto Services Limited for managing investment funds and K1 839 244 (2004: K1 654 091) to Rio Tinto Minerals (PNG) Limited for the provision of office space, staff and related services.

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

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### **18. Financial Instruments**

The company's financial instruments include cash and cash equivalents, equity investments, receivables and accounts payable.

#### **(a) Financial risk management**

The company's activities expose it to a variety of financial risks, including the effects of changes in market prices, foreign currency exchange rates and interest rates. The company monitors these financial risks and seeks to minimize the potential adverse effects on the financial performance of the company. The company does not use any derivative financial instruments to hedge these exposures.

#### **(b) Foreign exchange risk**

The company undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currencies arise. It is not the company's policy to hedge these foreign currency risks. Details of exchange fluctuations and foreign currency amounts are shown in note 5.

#### **(c) Credit risk**

The company has no significant concentrations of net credit risk.

#### **(d) Liquidity risk**

The company aims to prudently manage liquidity risk by maintaining sufficient cash and other liquid assets or the availability of funding through uncommitted credit facilities.

#### **(e) Fair value estimation**

The company is not in a position to determine the fair values of its receivables and payables due to the significant uncertainties arising from the suspension of mining operations. The face value of bank balances and short term liquid investments are assumed to approximate their fair values. Equity investments are carried at their fair value, being market price.

## **Independent Audit Report**

*Independent Audit Report to the Members of Bougainville Copper Limited*

### **Qualified audit opinion**

Because of the existence of the limitation in the scope of our work and the fundamental uncertainties, including the matters described in the qualification paragraphs below, and the effects of such adjustments, if any, as might have been determined to be necessary had the uncertainties not existed:

- (a) we have not obtained all the information and explanations that we have required, and
- (b) we are unable to, and do not express, an opinion as to whether the financial report of Bougainville Copper Limited:
  - (i) gives a true and fair view of the financial position of Bougainville Copper Limited as at 31 December 2005 and its performance for the year then ended; and
  - (ii) is presented in accordance with the Companies Act 1997, International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea.

In our opinion proper accounting records have been kept by the company as far as appears from our examination of those records.

This opinion must be read in conjunction with the qualification paragraphs below and the rest of our audit report.

### **Qualification**

The financial report of Bougainville Copper Limited for the year ended 31 December 2005 has been prepared with the inclusion of the Company's mine assets at their 1 January 1991 book value, with a separate impairment loss of K350 million having been made in 1991 for the value of the indeterminate level of deterioration, damage and pilferage of assets which has occurred in the period since the withdrawal of company personnel from Bougainville in 1990. As explained in note 1(a) to the accounts, there continues to be considerable uncertainty surrounding the future of the Panguna mine, and the extent of deterioration, damage and pilferage of the Company's assets on Bougainville. While the directors have made this impairment provision in good faith based on the limited information available to them, it must be recognised that the actual extent of the necessary write-downs can only be

established when access to the mine site by appropriate Company representatives is again possible or when a reliable market price for the Panguna assets can be determined.

In our opinion, providing for the probable impairment loss from deterioration, damage or pilferage is the appropriate accounting treatment for the actual impairment which will have occurred in the period to 31 December 2005. However, as the actual extent of such impairment can only be established after the Company regains access to the mine site or a reliable market price can be determined, we recognise that, at present, the recoverable amount of the company's assets on Bougainville is not capable of reliable measurement or estimation. Accordingly the impairment provision made by directors in 1991 may eventually prove to be above or below the sum which is necessary to reflect this impairment. In the absence of all the necessary information and explanations we require, and for the reasons set out above, we are unable to form an opinion as to whether or not the impairment provision against the carrying amount of mine assets of K350 million is adequate or not. Accordingly we are unable to form an opinion as to whether or not the carrying value of the mine assets, as disclosed in these accounts, is properly stated.

The directors have established a provision of K22.1 million for compensation, rehabilitation and stabilisation for which the company may be liable. The Company's actual liability for these costs is subject to significant uncertainty, and we are unable to form an opinion as to whether the provision is fairly stated.

The mine assets, which represent 53% of the book value of total assets and 58% of the book value of net tangible assets, and the liability for compensation, rehabilitation and stabilisation, are of fundamental importance to the presentation of the accounts. In view of the significant uncertainty over the carrying amount of the mine assets and the liability for compensation, rehabilitation and stabilisation as set out above, we are unable to form an opinion as to whether or not the financial report gives a true and fair view of the financial position of the Company as at 31 December 2005 and its performance for the year ended on that date.



## **Scope**

### *The financial report and directors' responsibility*

The financial report comprises the balance sheet, income statement, statement of movements in equity, statement of cash flows, and the accompanying notes to the financial statements for Bougainville Copper Limited (the company) for the year ended 31 December 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Companies Act 1997. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### *Audit approach*

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with International Standards on Auditing, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Companies Act 1997, International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

We read the other information in the Annual Report to determine whether it contained any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

## ***Independence***

In conducting our audit, we followed applicable independence requirements of the Certified Practising Accountants Papua New Guinea and the Companies Act 1997.

**PricewaterhouseCoopers**

**by J.C. Seeto**

**Registered under the Accountants Registration Act  
(1996) Port Moresby,**

**on this 27th day of February, 2006**

## Corporate Information

### Bougainville Copper Limited

(Incorporated in Papua New Guinea)

#### Registered Office:

6th Floor, Pacific Place,  
Cnr Champion Parade & Musgrave Street,  
Port Moresby, Papua New Guinea  
Telephone: +(675) 3092800  
Facsimile: +(675) 3213634  
E-mail: [info@bcl.com](mailto:info@bcl.com)  
Website: [www.bougainvillecopper.com.pg](http://www.bougainvillecopper.com.pg)

#### Principal Registered Office in Australia:

Bougainville Copper Limited  
A.R.B.N. 007 497 869  
Level 33, 55 Collins Street, Melbourne, VIC 3000  
Telephone: +(613) 92833333  
Facsimile: +(613) 92833707

#### Share Registers:

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

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

#### Stock Exchanges:

Listed with the Australian Stock Exchange Limited

#### Auditors:

PricewaterhouseCoopers  
P O Box 484  
Port Moresby, Papua New Guinea

#### Bankers:

Commonwealth Bank of Australia  
Papua New Guinea Banking Corporation

#### Solicitors:

Allens, Arthur Robinson  
Gadens Lawyers

### Twenty largest shareholders

The twenty largest shareholders as at 27 February 2006 and the number of shares held by each were:

Name and Registered Address	Shares	% of Issued Shares
1. Rio Tinto Limited Melbourne VIC	214 887 966	53.58
2. The independent State of Papua New Guinea	76 430 809	19.06
3. ANZ Nominees Limited Melbourne VIC	36 829 347	9.18
4. Citicorp Nominees Pty Limited Melbourne VIC	27 831 875	6.94
5. National Nominees Limited Melbourne VIC	7 816 956	1.95
6. Westpac Custodian Nominees Limited Sydney NSW	5 196 937	1.30
7. J P Morgan Nominees Australia Limited Sydney NSW	2 028 163	0.51
8. Franz Heinrich Rast Bulli NSW	1 657 440	0.41
9. James West Auckland New Zealand	1 529 511	0.38
10. HSBC Custody Nominees (Australia) Limited Sydney NSW	1 204 260	0.30
11. Bell Potter Nominees Pty Limited Melbourne VIC	900 000	0.22
12. Est Dr Thomas John Beresford Whealers Hill VIC	821 765	0.20
13. Deep Investments Pty Limited Pymble NSW	629 343	0.16
14. Mr Donald Ranaweera MBE Colombo, Sri Lanka	625 000	0.15
15. Mr Anthony Patrick Cahill Ascot Vale VIC	477 130	0.12
16. Merrill Lynch Australia Nominees Pty Limited Melbourne VIC	385 388	0.10
17. Deep Valley Pty Limited Virginia QLD	377 000	0.09
18. The Abdelmalek Family Pty Ltd Condell Park NSW	350 000	0.09
19. The Noble Hope for Construction Pty Ltd Condell Park NSW	300 000	0.07
20. Customer Company INC New York USA	281 968	0.07
	<b>380 560 858</b>	<b>94.88</b>

## Corporate Information

### Distribution of shares

As at 27 February 2006: 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 15 892.

The distribution of holdings of the issued shares was:

		%
1 - 1 000 shares	13 305	83.72
1 001 - 5 000 shares	1 895	11.93
5 001 -10 000 shares	368	2.31
10 001 - shares and over	324	2.04
Total Shareholders	<u>15 892</u>	<u>100.00</u>

There were 12 419 holdings of shares (78.15%) which do not form a marketable parcel.

94.88% of the total issued shares were held by or on behalf of the twenty largest shareholders.

The substantial shareholders were:

Rio Tinto Limited and its wholly-owned subsidiary Rio Tinto Base Metals Pty Limited 214 887 966 shares (53.58%); Rio Tinto plc has an interest in the same shares through its wholly-owned subsidiaries' (Tinto Holdings Australia Pty Limited, Melbourne, Vic., Rio Tinto Australian Holdings Limited, Rio Tinto Pacific Holdings Limited and Rio Tinto International Holdings Limited, all of London, UK) interests in Rio Tinto Limited and Rio Tinto Base Metals Pty Limited; The Independent State of Papua New Guinea 76 430 809 shares (19.06%).

### Applicable Jurisdiction

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

## BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

## Statistical Summary

FINANCIAL	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
<b>Earnings (K million)</b>															
Net sales revenue and other income*****	7.4	7.4	16.1	11.7	13.0	19.6	18.3	12.4	6.1	10.7	5.5	2.2	1.7	2.2	3.3
Operating and other expenses****	5.7	5.0	4.7	4.1	4.6	3.8	4.8	5.2	4.8	5.0	4.9	3.6	4.1	5.1	316.6
Depreciation*****	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings/(loss) before taxation and exchange gains	1.7	2.4	11.4	7.6	8.4	15.8	13.5	7.2	1.4	5.7	0.6	(1.4)	(2.4)	(2.9)	(313.3)
Exchange gains/(losses)	(1.6)	(0.4)	3.1	0.3	-	-	0.4	0.5	-	-	6.6	9.2	(0.3)	1.5	0.1
Earnings/(loss) before taxation	0.1	2.0	14.5	7.9	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional profits tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net earnings/(loss)	0.1	2.0	14.5	7.9	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)
Dividends paid	-	-	-	8.0	-	-	-	-	-	-	-	-	-	-	-
Earnings/(losses) retained	0.1	2.0	14.5	(0.1)	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)
<b>Balance Sheet (K million)</b>															
Property, plant & equipment	197.9	197.9	197.9	197.9	197.9	197.9	197.9	198.6	200.1	200.6	200.7	200.7	200.8	201.4	201.5
Investments and loans	140.0	128.2	121.2	18.9	3.1	-	-	-	-	-	-	-	-	-	-
Current and other non-current assets	37.5	31.7	31.4	119.4	135.4	131.0	114.4	100.7	87.7	85.4	76.0	65.6	56.2	56.8	56.5
Total assets	375.4	357.8	350.5	336.2	336.4	328.9	312.3	299.3	287.8	286.0	276.7	266.3	257.0	258.2	258.0
Shareholders' funds	340.6	323.3	316.1	301.6	301.8	293.3	277.5	263.6	255.9	254.5	248.8	241.6	233.8	236.4	237.9
Exchange fluctuation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term liabilities	33.6	33.4	33.4	33.4	33.4	33.4	33.5	35.3	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Current liabilities	1.2	1.1	1.0	1.2	1.2	2.2	1.3	0.4	25.1	24.7	21.1	17.9	16.4	15.0	13.3
Funds employed	375.4	357.8	350.5	336.2	336.4	328.9	312.3	299.3	287.8	286.0	276.7	266.3	257.0	258.2	258.0
<b>PRODUCTION / SALES</b>															
<b>Mined</b>															
Ore and waste removed (millions of tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ore milled (millions of tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ore grade															
Copper (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gold (grams/tonne)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Produced</b>															
Concentrate (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contained copper (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Concentrate grade															
Copper (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gold (grams/tonne)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Silver (grams/tonne)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Shipped</b>															
Total concentrate (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Destination:															
Japan (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asian (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
All Other (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Values</b>															
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution by:															
Copper (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gold (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>OTHER</b>															
US\$/Kina exchange rate	0.3185	0.33	0.30	0.25	0.26	0.36	0.39	0.48	0.69	0.76	0.79	1.01	1.02	1.04	1.05
Average metal prices															
LME copper (US\$/lb)	166.99	130.01	79.95	70.65	66.2	82.1	71.4	75.2	105.6	104.0	133.1	105.0	87.0	103.0	106.0
London gold market (US\$/oz)	445.05	409.55	363.89	310.14	276.5	280.0	280.0	294.0	335.3	387.0	384.5	384.0	360.0	344.0	362.2
Return on shareholders' funds (per cent)	0.034	0.60	4.6	2.6	2.8	5.4	5.0	2.9	0.5	2.2	2.9	3.2	-	-	-
Earnings per share*** (toea)	0.029	0.50	3.61	1.96	2.10	3.93	3.5	1.9	0.3	1.4	1.8	1.9	-	-	-
Dividends per fully paid share*** (par value K1.00) (toea)	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-
Number of shares issued at end of year (millions)	401	401	401	401	401	401	401	401	401	401	401	401	401	401	401
Number of shareholders at end of year	15 892	16 072	16 374	16 519	16 812	17 021	17 260	18 183	18 182	18 041	18 452	18 765	19 189	19 851	19 982
Debt/equity ratio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workforce at end of year															
Overseas	-	-	-	-	-	-	-	-	-	-	-	-	-	1	6
National	-	-	-	-	-	-	-	-	-	-	-	-	-	1	6

Notes: Bonus dividends of 4.0 and 6.7 toea per fully paid share were made in 1979 and 1980 respectively and have been included in dividend figures for those years.

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

\*\* 1972 figure is for Bougainville Mining Limited

**BOUGAINVILLE COPPER LIMITED ANNUAL REPORT**

1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972*
80.2	231.6	493.4	415.4	342.7	317.6	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
36.8	181.7	244.8	227.5	223.7	221.5	234.8	228.1	207.2	210.8	174.8	144.1	125.0	126.8	117.5	107.2	92.5	81.8	53.3
51.5	47.3	43.9	49.4	47.3	47.6	46.5	47.0	44.2	43.3	43.8	40.7	40.4	36.2	31.1	29.6	28.5	24.8	14.5
(8.1)	2.6	204.7	138.5	71.7	48.5	29.6	117.8	31.8	42.3	120.1	158.3	59.7	42.3	60.3	56.3	171.6	145.8	28.1
(0.5)	2.5	(2.9)	2.6	2.3	(1.4)	(2.8)	(16.3)	(3.3)	1.1	2.6	3.5	10.3	(0.1)	1.3	2.3	9.5	12.9	(0.4)
(8.6)	5.1	201.8	141.1	74.0	47.1	26.8	101.5	28.5	43.4	122.7	161.8	70.0	42.2	61.6	58.6	181.1	158.7	27.7
6.0	25.7	70.0	50.6	28.7	19.0	15.2	46.9	17.3	20.6	39.6	57.5	22.0	13.7	20.3	12.4	49.1	0.3	-
-	-	23.2	-	-	-	-	-	-	-	11.6	20.4	-	-	-	-	17.4	-	-
(14.6)	(20.6)	108.6	90.5	45.3	28.1	11.6	54.6	11.2	22.8	71.5	83.9	48.0	28.5	41.3	46.2	114.6	158.4	27.7
-	-	108.3	92.2	44.1	28.1	16.0	52.1	10.0	20.1	80.2	106.9	40.1	21.4	26.7	26.7	73.5	81.4	11.0
(14.6)	(20.6)	0.3	(1.7)	1.2	-	(4.4)	2.5	1.2	2.7	(8.7)	(23.0)	7.9	7.1	14.6	19.5	41.1	77.0	16.7
545.9	595.8	570.0	527.8	550.1	558.5	576.2	594.9	622.8	611.2	610.8	325.4	340.1	352.2	350.4	346.0	352.2	371.7	378.7
-	-	2.2	0.7	0.7	0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-
64.7	59.5	250.1	260.3	190.1	160.4	152.9	185.3	155.9	148.7	148.4	201.0	125.8	137.1	136.0	129.5	205.6	130.4	73.9
610.6	655.3	822.3	788.8	740.9	719.1	729.3	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
551.1	565.6	586.2	586.0	587.7	586.5	586.5	590.9	588.4	587.2	584.5	294.5	317.5	309.7	302.5	287.9	268.4	227.4	146.7
-	-	0.2	0.3	(3.2)	(5.9)	(5.3)	(4.7)	(5.4)	1.5	5.1	5.4	9.0	14.6	9.0	11.5	19.1	39.5	24.2
47.7	46.9	23.7	24.8	48.1	52.4	52.5	51.6	125.6	80.1	25.7	36.2	42.1	53.3	101.7	106.8	121.1	127.5	204.0
11.8	42.8	212.2	177.7	108.3	86.1	95.6	142.7	70.2	91.2	144.0	190.4	97.4	111.8	73.3	69.4	149.3	107.8	77.7
610.6	655.3	822.3	788.8	740.9	719.1	729.3	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
-	33.27	89.78	83.53	79.16	73.62	74.40	81.00	76.22	77.56	79.76	75.97	79.05	70.79	58.54	56.40	56.00	56.65	46.75
-	18.52	47.69	48.20	47.89	50.07	46.52	47.73	41.74	37.53	37.62	36.17	38.12	34.11	31.21	31.08	30.14	29.14	21.89
-	0.44	0.41	0.41	0.42	0.42	0.42	0.46	0.47	0.51	0.46	0.55	0.60	0.61	0.64	0.64	0.70	0.73	0.76
-	0.50	0.41	0.43	0.48	0.42	0.48	0.55	0.60	0.59	0.50	0.75	0.82	0.90	0.87	0.80	1.02	1.03	0.77
-	224.6	552.0	585.5	586.6	581.8	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
-	68.7	166.0	178.2	178.6	175.0	164.4	183.2	170.0	165.4	146.8	170.8	198.6	182.3	176.5	172.5	184.1	182.9	124.0
-	30.1	30.1	30.4	30.5	30.1	30.3	28.8	28.4	28.7	28.8	29.2	30.2	29.6	29.6	28.9	28.7	28.1	28.3
-	31.0	25.1	25.8	27.9	24.7	28.9	28.3	29.3	29.2	27.5	33.7	35.5	36.3	33.9	30.5	32.0	31.6	27.3
-	91.2	87.7	86.4	85.9	79.3	81.9	74.4	72.1	73.5	72.2	76.3	79.8	77.0	76.1	71.0	72.3	69.0	69.3
-	250.8	570.8	567.6	589.4	560.0	550.8	636.1	599.6	596.2	494.4	586.5	640.9	614.8	605.8	587.0	665.8	625.2	434.4
-	40.2	45.4	32.6	43.2	44.1	51.9	47.0	46.6	49.8	54.5	56.0	51.0	54.8	42.3	42.7	51.5	54.8	48.1
-	34.3	23.4	33.5	15.4	15.7	12.3	11.0	6.6	3.3	4.1	3.7	3.2	1.6	1.7	1.7	0.0	0.0	0.0
-	25.5	27.7	33.9	41.4	40.2	35.8	42.0	45.1	45.4	41.4	40.3	42.0	39.9	46.5	53.8	41.9	37.8	49.4
-	0.0	3.5	0.0	0.0	0.0	0.0	0.0	1.7	1.5	0.0	0.0	3.8	3.7	9.5	1.8	6.6	7.4	2.5
0.3	260.0	561.0	489.4	417.9	381.3	373.4	454.6	343.6	355.2	386.3	407.0	294.5	266.3	260.3	219.4	307.4	270.8	118.8
61	68	68	60	54	61	53	52	51	54	51	60	64	66	74	69	74	83	83
38	31	30	38	44	37	45	46	47	44	46	37	34	32	24	29	25	16	16
1.05	1.17	1.16	1.10	1.03	1.00	1.11	1.19	1.35	1.48	1.50	1.41	1.42	1.27	1.26	1.31	1.43	1.42	1.19
119.8	129.0	117.9	81.0	62.3	64.3	62.4	71.9	67.1	79.0	99.2	89.8	61.9	59.3	63.6	55.9	93.3	80.9	48.6
382.8	381.0	436.8	446.7	367.9	317.3	360.8	423.5	375.6	459.9	614.7	304.7	193.5	147.8	124.8	160.9	158.7	97.3	58.2
-	-	18.5	15.4	7.7	4.8	2.0	9.3	1.9	3.9	12.2	28.5	15.1	9.2	13.7	16.0	42.7	69.7	18.9
-	-	27.1	22.6	11.3	7.0	2.9	13.6	2.8	5.7	17.8	20.9	12.0	7.1	10.3	11.5	28.6	39.5	6.9
-	-	27.0	23.0	11.0	7.0	4.0	13.0	2.5	5.0	20.0	26.7	10.0	5.3	6.7	6.7	18.3	20.0	2.7
401	401	401	401	401	401	401	401	401	401	401	267	267	267	267	267	267	267	260**
20 532	21 287	21 966	22 650	24 680	27 117	30 435	32 834	36 486	38 027	38 326	38 750	40 935	43 820	50 082	54 129	55 558	45 353	46 726
-	-	.002/1	.004/1	.005/1	.006/1	.009/1	.010/1	.020/1	.017/1	.005/1	.015/1	.019/1	.037/1	.040/1	.044/1	.052/1	.072/1	.062/1
13	330	610	699	706	704	749	751	756	801	877	851	855	853	858	942	980	929	971
10	1 987	2 950	3 025	2 993	2 948	2 987	3 058	3 174	3 377	3 416	3 314	3 243	3 063	2 989	3 094	3 242	2 915	2 594

\*\*\*1972 to 1979 figures are after adjustment for the 1980 capital reconstruction

\*\*\*\*1989, 1990 and 1991 include extraordinary items of K26.1 million, K28.7 million and K309.2 million respectively

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

**Distribution of the Benefits**

<i>Bougainville Copper Limited year ended 31 December 2005</i>		<b>K million</b>
	<b>2005</b>	<b>1972-2005</b>
<b>PNG Government</b>		
Corporate income tax*	-	514.2
Additional profits tax*	-	72.6
Group tax (PAYE)	-	122.2
Customs duty	-	104.1
Miscellaneous	-	10.1
Dividends*	-	167.4
Dividend WHT*	-	97.6
	-	1 088.2
<b>North Solomons Provincial Government</b>		
Royalties (95% to NSPG)	-	61.4
Non Renewable Resources Fund	-	1.8
Other taxes	-	12.0
	-	75.2
<b>Landowners</b>		
Royalties (5% to Landowners)	-	3.2
Compensation	-	35.0
	-	38.2
<b>Non-Government Shareholders</b>		
Dividends net of Dividend WHT*	-	582.1
<b>Employees</b>		
Wages (less PAYE)	-	575.6
Total	-	2 359.3

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

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

