

EL APPLICATION AREA | 37.8 sq km



ANNUAL REPORT

2018



BOUGAINVILLE
COPPER LIMITED

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BACKGROUND

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

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

A total of K1.1 billion was contributed to the National Government, which represented 62 per cent of the net cash generated by the project between 1972-1989. In addition, payments to the then North Solomons Provincial Government and Panguna landowners, together with provisions made since 1990, amounted to K114 million. Further, Bougainville Copper's presence in the North Solomons Province had promoted the development of significant local business enterprises, to provide goods and services required for the mining operation and for the residents of the province.

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

The Autonomous Bougainville Government (ABG) passed the Bougainville Mining Act 2015. This legislation challenges Bougainville Copper's previously established control of the mine assets and may amount to expropriation against the purposes of the National Government's Bougainville Copper Agreement Act (1967). Under the Bougainville Mining Act, the Special Mining Lease (SML) and Lease(s) for Mining Purposes, held by Bougainville Copper, were replaced by a two-year Exploration Licence (EL1) over the area of the SML. The Company applied for an extension of EL1 which the ABG refused in early 2018. Bougainville Copper commenced legal proceedings in the PNG National Court and has been granted leave to seek a Judicial Review of the renewal application process.

From 2016, the ABG and PNG Government have both held equal shares in Bougainville Copper of 36.4 per cent. More than 72.8 per cent of the company is owned by Papua New Guineans and Bougainvilleans. The remaining 27.2 per cent is held by public and institutional investors. Bougainville Copper is now an independently managed company and manages its own day to day activities.

NOTICE OF MEETING

The Annual General Meeting of Bougainville Copper.

When

11am on Thursday, 2nd May 2019

Where

Hilton Hotel,
Wards Road,
Port Moresby,
Papua New Guinea

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

DIRECTORS

Sir Melchior Pesa Togolo
(Chairman)

Sir Rabbie Langanai Namaliu

Dame Carol Anne Kidu

Sir Moi Avei

Peter Maxwell Graham

SECRETARY

Mark Wallace Hitchcock

BOUGAINVILLE COPPER ONLINE

Information about Bougainville Copper is available on our web site www.bcl.com.pg and Facebook page www.facebook.com/BougainvilleCopper.

The Annual Report and other information can be downloaded from the web site.

THE YEAR IN BRIEF

Bougainville Copper Limited was granted leave in the PNG National Court to seek a Judicial Review of the decision by the ABG not to grant an extension of its Exploration Licence (EL1) over the Panguna project area. This process remains ongoing. In addition, the ABG has proposed significant changes to Bougainville's mining laws that would adversely impact Bougainville Copper. The Company has maintained an active presence in Bougainville during 2018 with a committed team of project and liaison officers supporting and delivering community projects.

The following is a timeline of events of relevance to your Company.

- **On 6th February 2018**, the ABG announced an indefinite mining and exploration moratorium over the Panguna tenement area.
- **On 21st February 2018**, Sir Melchior Togolo accepts the board's nomination as Executive Chairman after the retirement of Robert Burns.
- **On 10th April 2018**, Bougainville Copper granted leave in PNG National Court to seek Judicial Review of refusal to grant extension of Exploration Licence (EL1).
- **On 18th May 2018**, legally appointed block agents supportive of Bougainville Copper, formed a landowner company in response to misrepresentations by others linked to the Special Mining Lease Osikaiyang Landowners Association (SMLOLA).
- **On 27th August 2018**, volleyball refereeing and coaching training was completed with more than thirty participants from the tenement area.
- **From 4-6th September 2018**, Bougainville Copper supported National Literacy Week activities with six primary schools over three days.
- **Over two days from 21-22nd September 2018**, Bougainville Copper participated in the annual Chocolate Festival held in Buka, with over three hundred persons visiting the stall regarding scholarships, shareholder enquiries and general enquiries. Branded merchandise was enthusiastically received by visitors to the stall.
- **In November 2018**, an office was established at Arawa in Central Bougainville.
- **In January 2019**, the Company assisted in conjunction with the ABG Department of Education for four hundred teachers to attend standards-based education training in the Kieta and Panguna districts to prepare teachers for changes to elementary schooling curriculum.
- **In late January 2019**, the ABG introduced three bills to parliament to change Bougainville mining laws.
- **In February 2019**, parliamentary debate on the three bills adjourned while the ABG Legislation Committee conducts community consultations. Parliamentary debate is expected to resume in June.
- **In February 2019**, vanilla farming field days commenced with more than 300 people benefiting from the training.
- **On 13th March 2019**, Bougainville Copper Chairman Sir Melchoir Togolo presented a company submission to the ABG Legislation Committee in Buka regarding the proposed bills to amend the mining laws.

EL1 TENURE AND JUDICIAL REVIEW

On 16th January 2018, Bougainville Copper received formal notice from the Autonomous Bougainville Government (ABG) Mining Registrar of the refusal to grant an extension of the terms of Exploration Licence EL1 (covering Special Mining Lease 1 at Panguna). Bougainville Copper commenced legal proceedings in the PNG National Court and was granted leave on 10th April 2018 for a Judicial Review of the renewal application process. A restraining order was granted against the ABG, from giving effect to or relying on the decision to refuse the extension of EL1. Panguna Minerals Limited, a company 50 per cent owned by SMLOLA and 50 per cent by Central Exploration Pty Ltd (a company 70 per cent owned by RTG Mining Inc) was joined to the proceedings on 22nd August 2018. Bougainville Copper's application for leave to appeal the joinder was dismissed on 7th March 2019. The Directors have requested the application for leave to appeal the joinder be listed before a full Supreme Court.

Bougainville Copper remains confident of its tenement position and believes the court proceedings will uphold our rights.

PROPOSED MINING LAW CHANGES

In late January of 2019, the ABG introduced three bills into Bougainville's Parliament that would result in significant changes to local mining laws if passed. The bills have been met with widespread opposition from resource owners and the community in general. The bills have been referred to the Bougainville Legislation Committee for community consultation and are expected to return to Parliament for debate in June 2019. On invitation the Chairman presented a company submission to the Legislation Committee on 13th March 2019 in Buka.

MINING RESERVE

On 23rd April 2018, the ABG designated a mining reserve (moratorium) over the Panguna mining area for an indefinite period. The mining reservation remains in place but does not apply to Bougainville Copper's EL1 which pre-dates the reservation.

LANDOWNER SUPPORT

Bougainville Copper continues to enjoy high levels of support from the wider community and in particular the Customary Land Agents from Panguna. The Company continues to support the Customary Land Agents with their legal challenge over the leadership of the Special Mining Lease Osikaiyang Landowners Association (SMLOLA) and with the formation of a landowner company, Panguna Developments Company Ltd (PDC). The Chairman of the PDC, whose members comprise of "legally appointed block agents and next of kin", has rejected the validity of the SMLOLA.

SMLOLA purportedly held an Annual General Meeting on 21st December 2018 to elect office holders. PDC land agents did not attend. The chairman of PDC also questioned the appropriateness of the SMLOLA election while the legal challenge was ongoing and when the ABG had insisted when imposing the mining reserve that parties do nothing to disturb the referendum process.

SMLOLA is afforded no status under the Bougainville Mining Act 2015 in representing the more than three hundred Customary Landowner Agents from the Panguna project area and it does not own Panguna mineral rights as asserted by the SMLOLA's so-named developer of choice.

COMMUNITY PROJECTS AND ENGAGEMENT

The Company maintained a strong presence in Bougainville during 2018 with a dedicated team of project and village liaison officers, who are based in Arawa and Panguna. They work across the project area supporting community initiatives. Bougainville Copper has opened an office in Arawa to complement the existing Buka office.

Bougainville Copper supported a range of important community events in Bougainville during 2018, including the official opening of Arawa District Hospital, Autonomous Region of Bougainville Day, the Bougainville Chocolate Festival and Literacy Week. It also provided funding to assist worthwhile health and education projects, along with vanilla production training, and made contributions towards sporting and cultural events.

BOARD

The composition of the board has remained unchanged since the Annual General Meeting held in May 2018, although requests were made to the ABG, which owns 36.4 per cent of the Company's shares, to recommend Bougainvillean appointments. In June, Executive Chairman Sir Melchior Togolo was awarded a Knighthood in the 2018 Queen's Birthday Honours List for his services to economic development, particularly in the mining and petroleum sectors and to the community.

ABG RELATIONS

During 2018 Bougainville Copper continued to engage with the ABG, albeit at a more limited level due to the ongoing Judicial Review proceedings. Interactions with senior Bougainville ministers and the President have also been made more challenging. There has, however, been some good levels of cooperation with ABG departments with respect to Bougainville Copper support for community projects. The Directors remain confident that Bougainville Copper presents the best value proposition to redevelop Panguna and recognises the importance of engagement with the ABG as 36.4 per cent shareholder. The transfer of the 17.4 per cent shareholding to the people of Bougainville, previously announced by the PNG Prime Minister, remains unresolved.

1990/91 LANDOWNER COMPENSATION

The payment of K14.6 million to 2,123 landowners through a comprehensive process agreed with the ABG and statutory landowners for compensation relating to March 1990 to March 1991 continues. More than 96 per cent of payments to the customary representatives have been paid. K1.36 million social inconvenience compensation remains outstanding until the legal challenge of the SMLOLA leadership dispute is resolved or when an alternative appropriate entity is identified.

SUMMARY OF RESULTS

		CONSOLIDATED		PARENT	
		2018	2017	2018	2017
Investment and other income	(K'000)	4,840	7,635	4,840	7,555
Operating loss after tax	(K'000)	(10,641)	(7,301)	(10,258)	(6,505)
Earnings per share	(toea)	(2.7)	(1.8)	(2.6)	(1.6)
Shareholders' funds	(K'000)	102,167	125,785	101,902	125,137
Return on shareholders' funds	(per cent)	(10.4)	(5.8)	(10.1)	(5.2)

CHAIRMAN'S STATEMENT AND THE YEAR IN REVIEW

OVERVIEW

Bougainville Copper faced further challenges in 2018 with continued uncertainty around Panguna tenure coinciding with Bougainville's ongoing preparations for the referendum on its political future.

In April, Bougainville Copper was successful in being granted leave in the PNG National Court to seek a Judicial Review of the ABG's decision to refuse an extension of our Exploration Licence (EL1) with the decision also stayed. Your Company maintains the application process was legally and procedurally flawed and was also undermined by others seeking to displace Bougainville Copper. The Judicial Review process remains ongoing and Bougainville Copper remains confident of our tenement position and believes the court proceedings will uphold our rights.

Creating further uncertainty, was the decision by the ABG in late January 2019, to introduce three bills into the Bougainville Parliament, with little consultation, which if passed would result in significant changes to Bougainville's mining laws. One of the bills seeks to amend the *Bougainville Mining Act 2015* and would allow a new special Bougainville entity, to be granted large-scale mining leases over all land in Bougainville not already subject to existing exploration licences or leases. The proposed bills were met with strong levels of widespread opposition, including from landowners who own the minerals under local law, community leaders, and some members of Parliament. The fact the bills resembled recent proposals put to the ABG by an outside businessman, whose company purportedly stands to gain if they are passed, raised further questions. Parliamentary debate was adjourned in February, to allow for consultation by the ABG Legislation Committee, with the possibility of a resumption of debate in June.

Regardless of these events, Bougainville Copper remains committed to supporting the Bougainville Peace Agreement and the task of further building unity in the lead up to the referendum.

The Company has continued its respectful and ethical community engagement and is pleased to retain strong support among the authorised Agents of Customary Landowners. A community investment program, which provides support for worthwhile projects in Central Bougainville, in areas such as education, health and sport also continues to be implemented in cooperation with ABG departments and others.

RESULTS

Company expenditure during 2018 continued to be concentrated on tenure issues, stakeholder engagements and delivery of small community projects in the Panguna project area.

The Bougainville Copper Foundation Limited (BCF) is a fully-owned subsidiary of Bougainville Copper Limited and its results and balance sheet are consolidated as at 31st December 2018.

For the year ended 31st December, 2018, the Group recorded a loss of K10.6 million compared to a loss of K7.3 million in the previous year. In 2017 income included K2.4 million realised gains on sales of investments. With the introduction of IFRS9, from 1st January 2018 realised gains for the year of K4.1 million are not recorded in the income statement but through a transfer to retained earnings in the Statements of Changes in Equity.

Bougainville Copper will not pay a dividend.

GOVERNANCE AND RISK MANAGEMENT

Bougainville Copper has governance reporting obligations to the Australian Securities Exchange (ASX). A statement on the Company's compliance with the ASX Corporate Governance Principles and Recommendations is contained within this report. In addition, the Company has developed and complies with a comprehensive set of charters and policies. These can be found on the Bougainville Copper web site.

The Company has a Remuneration and Nomination Committee.

The Board and the Audit and Risk Committee reviews the quality of risk assessments and monitors the actions arising to mitigate risk. Bougainville Copper places uncompromising emphasis on hazard identification, risk assessment and risk management. Company management undertakes regular risk assessments to identify both significant risks and opportunities facing the Company.

SAFETY

Bougainville Copper believes that a safe and healthy workforce is essential to the Company's success and sustainability, and is committed to achieving zero harm. It is paramount that work is only undertaken when it is deemed safe to do so. The Company for example adheres to a stringent travel approval process.

COMMUNITIES

Maintaining and building positive enduring relationships with project area landowners and their communities remained a key focus for the Company during 2018.

The Company expanded its footprint in Central Bougainville, with the establishment of an Arawa office in November of 2018 which followed the opening of the Buka office in 2017. The company has fourteen Bougainville based employees who proudly and enthusiastically engage in the Panguna Project. Village Liaison Officers and Project Officers provide a conduit to exchange accurate information within the community.

Bougainville Copper also supported various community initiatives in 2018, for example standards-based curriculum training for more than four hundred teachers in Panguna and Kieta Districts, training for vanilla bean growers to support the local export industry and training for volleyball coaches and referees.

BOUGAINVILLE

Bougainville is approaching a critical stage in its development as the referendum approaches. Notwithstanding recent events, the Company remains committed to maintaining cordial relations with the ABG. The Referendum date has been set as 12th October 2019. Any level of social disharmony presents a threat to the Bougainville Peace Agreement and this was cited by the ABG in its decision not to grant an extension of Bougainville Copper's Exploration Licence (EL1). There are community concerns that the proposed changes to mining laws will create unnecessary community divisions in the lead-up to the referendum.

Mineral development continues to be viewed as critical in moves towards economic self-reliance for Bougainville given the financial constraints on the ABG.

FINANCIAL ASSETS

Bougainville Copper's financial assets continue to be cash and Australian equities. Interest and dividends from these assets continue to partially fund the Company's ongoing activities. The investment strategy will be maintained through the coming year. Equities will only be sold when necessary to fund ongoing Company operations.

BOUGAINVILLE COPPER FOUNDATION

The Bougainville Copper Foundation (BCF) is a fully-owned subsidiary of Bougainville Copper and operates as a 'not-for-profit company' in supporting sponsorship for students.

Scholarships have been renewed for those 2018 recipients who reapplied for support to continue their studies in 2019. Due to the uncertainty surrounding the proposed changes to Bougainville's mining laws, BCF has deferred awarding any new scholarships for 2019. This will be reassessed once the situation is clearer.

MEDIA AND COMMUNICATIONS

Bougainville Copper remains actively engaged with mainstream media, and keeps the market informed with regular disclosures and statements that are published on both the Company and ASX web sites. (ASX:BOC)

Social media is also a popular source of information in Bougainville, and the Company launched a Facebook page in February 2019 to complement its web site.

BOARD

Since the last Annual General Meeting the Bougainville Copper Board has remained unchanged under the Executive Chairmanship of Sir Melchior Togolo. The Company has had discussions with the ABG regarding appointment recommendations. We have not received a reaction.

IN CONCLUSION AND THE YEAR AHEAD

Once again, Bougainville Copper looks to the year ahead with some sense of uncertainty due to unfolding political events in Bougainville and ongoing legal processes.

Despite these challenges, your Company will continue to act in the best interests of shareholders in terms of advancing the interests of Bougainville Copper. We will remain respectfully and constructively engaged with key stakeholders, including of course the ABG and project area landowners and will continue to be supportive of local communities.

As a Company we will further demonstrate that we are committed to promoting unity, and still have a great deal to offer in terms of contributing positively to Bougainville's future, by remaining the most viable option for Panguna's redevelopment.



Sir Melchior P Togolo
Executive Chairman

29th March 2019

DIRECTORS' REPORT

THE CURRENT DIRECTORS OF BOUGAINVILLE COPPER AT PRESENT ARE:

Sir Melchior Pesa Togolo CBE Kt

Appointed a Director from 20th October 2017 and as Chairman 21st February 2018.

Sir Melchior held several senior positions with Bougainville's former North Solomons Provincial Government between 1978 and 1990 including the role of Chief Secretary. Sir Melchior has almost twenty-five years in the minerals sector, and since 2006 has served as PNG Country Manager with Nautilus Minerals Inc. He served on the Bougainville Copper Board as an alternate member (1977-1980) and as a full Board Member between 1990 and 1993. He serves on the boards of several private companies. Sir Melchior was a founding member of the Business Council of Papua New Guinea and was President for six years. In 2004 he was awarded Commander of the British Empire for services to industry and commerce in PNG, and in June 2018 he was awarded a Knighthood for Services to Economic Development particularly in mining and petroleum. Sir Melchior holds masters' degrees in economics and geography.

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

Appointed a Director from March 2011.

Sir Rabbie served as Prime Minister of Papua New Guinea between 1988 and 1992 and was a former Speaker of the PNG National Parliament between 1994 and 1997. Sir Rabbie first served as Foreign Affairs and Trade Minister from 1982 to 1984 and again as Minister for Foreign Affairs and Immigration from 2002 to 2006, and then Minister for Treasury between 2006 and 2007. Sir Rabbie served as Ministers for Primary Industry 1984 to 1987, Senior Minister for State and Tourism 1998 and Petroleum and Energy 1998 to 1999. Sir Rabbie is Chairman and Non-Executive Director of Kina Asset Management Limited, Chairman and Executive Director of Kramer Ausenco, Non-Executive Director of Yandera Mining Limited, a subsidiary of Era Resources (formerly Marengo Mining) and Non-Executive Director of the Post Courier. Sir Rabbie has been the PNG Patron of YWAM Medical Ships since 2012 and is a Director. Sir Rabbie is a member of the PNG Institute of Directors and Chairman and Patron of several charitable organisations.

Dame Carol A Kidu Dr (Hon) DBE

Appointed a Director in April 2013.

Dame Carol retired from the Papua New Guinea Parliament in 2012 after fifteen years in politics. Dame Carol was the Minister for Community Development for nine years and finished her political career as Leader of the Opposition. Dame Carol focused on legislative and policy reform for social development. Dame Carol has been awarded five honorary doctorates (UNRE- Rabaul, UPNG, Queensland University, Deakin University and James Cook University). Dame Kidu is currently a member of the UNSG's Independent Accountability Panel (IAP) on Women, Children and Adolescents Health, SDGs.2030 and is the Founder and Patron of the Business and Professional Women's Club, the Sir Buri Kidu Heart Institute, and the Ginigoada Foundation. Since retirement from politics, she has developed the Tutu Beach Retreat and the Sir Buri Kidu Library/Learning Centre as on-going social enterprises.

Sir Moi Avei KCBE

Appointed a Director from 12th September 2016.

Sir Moi is a senior statesman of Papua New Guinea and former parliamentarian. He was Deputy Prime Minister from 2004 to 2006 and held ministerial portfolios including Higher Education, National Planning, Bougainville Affairs and Petroleum and Energy. He holds a Bachelor Degree from the University of Queensland, Australia. Sir Moi retired as Chairman of Kumul Mineral Holdings Limited in 2018. He is currently the Chairman OK Tedi Mining, Pacific International Hospital and PNG Water Limited. He is also a Director of LABA (SPI) Logistics Limited and SPI Joint Venture Limited. He is Chairman of several of landowner companies.

Peter Maxwell Graham CBE

Appointed a Director from 20th October 2017.

Mr Graham served as Managing Director of ExxonMobil PNG Limited from 2009 to 2015 and has over forty years' experience in senior technical and business leadership positions in the minerals, oil and gas sectors. He is currently Managing Director and Chief Executive Officer of OK Tedi Mining Limited, is an Independent Director and Chairman of Kumul Minerals Holdings Limited and served as Vice President of PNG Chamber of Mines and Petroleum from 2009 to 2011 and is a Director of Port Moresby General Hospital. In 2013 he was awarded Commander of the British Empire for services to the oil and gas industry and for Leadership in Community Development in PNG. He holds a Bachelor Degree in Chemical Engineering and a Masters Degree in Applied Science.

Robert S Burns

Robert Burns retired as Chairman and Managing Director on 21st February 2018, after twelve years as Director, inclusive of two years as Chairman.

THE DIRECTORS OF BOUGAINVILLE COPPER PRESENT THEIR REPORT ON THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31ST DECEMBER 2018.

FINANCIAL SUMMARY

For the year ended 31st December 2018, the Company recorded a consolidated loss of K10.6 million compared to K7.3 million in 2017. Income in 2017 included K2.4 million realised gains on sales on investments. With the introduction of IFRS9, realised gains from 1st January 2018 of K4.1 million were not recorded in the income statement, but were reported by a transfer to retained earnings in the Statements of Changes in Equity. Expenditure continued to be concentrated on tenure issues, stakeholder engagements, and delivery of small community projects. Income from interest and dividends was comparable with 2017.

ACTIVITIES

Bougainville Copper produced copper concentrate containing gold and silver from a mine at Panguna in Central Bougainville, Papua New Guinea, from 1972 until operations were suspended due to militant activity in May 1989. The Company now derives investment income, and is conducting activities in Bougainville in relation to the Exploration Licence it holds over the previous Panguna Special Mining Licence area. The Company acquired a fully owned subsidiary when it acquired the shares in Bougainville Copper Foundation Limited in November 2016.

NET EARNINGS

The net consolidated loss of Bougainville Copper for 2018 was K10.6 million (2017: K7.3 million).

TAXATION

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

SHARE CAPITAL

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

LONG TERM LOANS

The Company has no loans and no long-term lines of credit are in place.

DIVIDENDS

The Directors have not declared a dividend for 2018.

ACCOUNTING POLICIES

IFRS 9 Financial Instruments has been adopted effective from 1st January 2018, which resulted in changes in the recognition and measurement of financial assets. IFRS 9 replaces the provisions of IAS39.

On the date of the application of IFRS 9, Bougainville Copper classified its financial assets comprising of equity investments to be measured at fair value through other comprehensive income (OCI). Measurement of fair value gains or losses was recorded through OCI. On disposal of investments, cumulative gains and losses were previously reclassified from reserves to profit or loss in the Income Statement.

From 1st January 2018 cumulative gains and losses on disposal of equity investments are recorded by a transfer to retained earnings in the Statements of Changes in Equity.

DIRECTORS' INTERESTS

Directors' interests in the share capital of the Company and its related companies as at 29th March 2019 were:

Sir Melchior Pesa Togolo	No interests
Sir Rabbie L Namaliu Shares – Bougainville Copper Limited	1,000
Dame Carol A Kidu	No interests
Sir Moi Avei	No interests
Peter M Graham	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 5 to the financial statements.

DIRECTORS' REPORT CONTINUED

REMUNERATION OF EMPLOYEES

The Company has a Remuneration and Nomination Committee. The Managing Director conducted an Annual Performance Review of the Senior Executives. The outcome of those reviews and recommendations regarding salary reviews was reported to the Remuneration and Nomination Committee. Each Senior Executive was provided feedback on their performance. The Company has twenty full time employees.

REMUNERATION OF DIRECTORS

The amount of Directors' remuneration, including the value of benefits, received during the year is shown in note 15 to the financial statements.

DONATIONS

Bougainville Copper Limited does not make political donations. The Bougainville Copper Foundation continues to provide educational scholarships to Bougainvillean tertiary students. Bougainville Copper Limited provides funding and administrative support to the Foundation.

ENVIRONMENT

Mining operations of the Company were suspended in 1989, and the Company has not had sufficient access to its mine site to assess environmental circumstances. The Company is not aware of any liability being incurred under any environmental legislation.

ADDITIONAL INFORMATION

The Directors also state that:

1. There were no significant changes in the state of affairs of the Company during the year except as noted below.
2. The results of the Company during the financial year have not been, in the opinion of the Directors, substantially affected by events of a material and unusual nature other than contained in this report.
3. Except as reported in this Annual Report, there were no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:
 - (i) operations of the Company;
 - (ii) results of those operations; or
 - (iii) state of affairs of the Company in the financial year subsequent to 31st December 2018.

4. No Director has an interest in any contract or proposed contract with the Company, nor is any Director party to any material contract involving Directors' interests, or in receipt of any loans or benefits other than the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts and the amount of fixed salary derived from the Company or from a related corporation.
5. No options over shares of the Company have been granted by the Company during the financial year or since the end thereof; no shares of the Company were issued during the year or have been issued since the end thereof by virtue of the exercise of any option granted by the Company; and no options over shares of the Company are outstanding at the date of this report.

Signed on 29th March 2019 in accordance with a resolution of the Directors of Bougainville Copper Limited.



Sir Melchior P Togolo
Chairman



Sir Rabbie L Namaliu
Director

MINERAL RESOURCE STATEMENT

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

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

The 31st December 2018 Mineral Resource is unchanged from the 31st December 2017 Mineral Resource. Technical studies supporting the statement are unchanged and remain current. The potential economic viability of the project has been confirmed by a recent evaluation update.

Bougainville Copper Limited lodged an application for a five-year extension of EL1 with the Autonomous Bougainville Government Department of Mineral and Energy Resources (ABG-DoMER) in July 2016. A final decision on Bougainville Copper Limited's EL1 extension is yet to be made. The Bougainville Mining Act 2015 states that until a decision is made on an Exploration Licence extension application, the term of the Exploration Licence is deemed to be extended. Thus EL1 remains extant.

The Mineral Resource is reported as DFO (direct feed ore) above a 0.24 per cent copper cut-off grade and PCS (pre-concentrate screening) above cut off grades of 0.16 per cent to 0.20 per cent copper within a confining conceptual pit design based on conventional truck and shovel mining operations at 100 million tonnes per year and a potential 60 million tonnes per year processing rate.

PANGUNA MINERAL RESOURCE

	AS AT DECEMBER 31 ST 2017					AS AT DECEMBER 31 ST 2018				
	Tonnes (Mt)	Cu grade (%)	Au grade (g/t)	Cu (Mt)	Au (Moz)	Tonnes (Mt)	Cu grade (%)	Au grade (g/t)	Cu (Mt)	Au (Moz)
Resource										
Measured	0	-	-	-	-	0	-	-	-	-
Indicated	1,538	0.30	0.33	4.6	16.1	1,538	0.30	0.33	4.6	16.1
Inferred	300	0.3	0.4	0.7	3.2	300	0.3	0.4	0.7	3.2
Total	1,838	0.30	0.34	5.3	19.3	1,838	0.30	0.34	5.3	19.3

Competent Person Statement

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

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

CORPORATE GOVERNANCE STATEMENT

For the year ended 31st December 2018

This Corporate Governance Statement (CGS) is provided by the Directors of Bougainville Copper Limited, a company incorporated in Papua New Guinea A.R.B.N. 007 497 869 (Company) (ASX: BOC) pursuant to ASX Listing Rule 4.10.3 and reports against the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' 3rd Edition, including the eight principles and 29 specific recommendations included therein (Recommendations). This CGS was approved by a resolution of the Board of the Company dated 29th March 2019 and is effective as at 29th March 2019 and is in addition to and supplements the Company's Appendix 4G which is lodged with the ASX together with this CGS. The following describes how the Company complies with the eight principles of the Recommendations.

PRINCIPLE 1:

Lay solid foundations for management and oversight

The Company has adopted a Board Charter, which underpins the strategic guidance and effective management oversight provided by the Board. The Board Charter discloses specific responsibilities and functions of the Board and provides for the division of responsibility between the Board and Management by formal delegation and a system of Board reserved powers. The Company is an independently managed Papua New Guinea company with its key management comprising of a General Manager/Company Secretary and a Community Relations Consultant under employment and consultancy services agreements. The Company has four Senior Project Officers, of which three are permanently based in Bougainville. The Company scaled up resources in 2017 to manage the anticipated transition to a more active operational status. The Chairman of the Board also acts as the Managing Director. The management team reports directly to the Chairman of the Board acting in the role of Managing Director.

The Board reviews the Board Charter on an annual basis. The Board Charter is available at www.bcl.com.pg/charters-important-documents/. The roles and responsibilities of the Board, the Company's Chairman, individual Directors and Management are outlined in various sections of this CGS and in the Company's Board Charter, specifically the first paragraph of the Company's Board Charter:

- (i) Board – The role of the Board is to determine on behalf of shareholders the strategic direction of the Company, regularly review the appropriateness of it and oversee its implementation.
- (ii) Management – It is not the role of the Board to manage the Company itself but rather to monitor the management and performance of the business.

The Board is responsible for setting and reviewing the strategy and business plans of the Company, and for monitoring the performance of the Company against these plans. The Directors also monitor compliance with policies prescribed by the Board in areas such as Code of Conduct, Workplace Health and Safety, Environment, Business Integrity, Internal Control and Risk Management. These policies are designed to ensure that the Company complies with the regulatory requirements governing its operations. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include those matters particularised in the Company's Board Charter. Management is separately responsible for the ongoing management of the Company in accordance with the strategy and business plans approved by the Board as outlined in the Company's Board Charter.

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

The Company undertakes such checks as it considers appropriate in order to verify a person's character, experience, education and background prior to their appointment or re-appointment as a Director, or putting them forward to shareholders as a candidate for election or re-election as a Director.

The Company has a Remuneration and Nomination Committee. The Remuneration and Nomination Committee reviews Director competencies, Board succession planning and Director selection and nominations, which are all carried out in accordance with the Remuneration and Nomination Committee Charter. The Remuneration and Nomination Committee Charter is available at www.bcl.com.pg/charters-important-documents/.

The members of the Remuneration and Nomination Committee are Sir Rabbie L Namaliu (Chairman), Dame Carol A Kidu, and Sir Moi Avei. The Company Secretary is available to attend meetings. All members of the Remuneration and Nomination Committee display strong business acumen.

The Company provides shareholders with all material information in its possession relevant to its decision on whether to elect or re-elect a Director as part of the information circular for each Annual General Meeting of the Company.

Prior to the nomination of a prospective Director for election or re-election, the Board obtains from the prospective candidate:

- details of other commitments of the candidate and an indication of time involved; and
- an acknowledgement to the Company that the candidate will have sufficient time to fulfil the responsibilities as a Director.

When a candidate stands for election or re-election as a Director, the following information is provided to shareholders on the Company's web site and within the Company's Annual Report on page 8 to enable shareholders to make an informed decision in relation to that vote:

- biographical details, including relevant qualifications and experience and the skills the candidate will bring to the Board;
- details of any other material directorships currently held by the candidate;
- details of any relationship between the candidate and the Company, and the candidate and the Directors of the Company;
- if the candidate is standing for re-election the term of office currently served by the Director; and
- any other particulars required by law.

At the time of joining the Company, Directors and Senior Executives are provided with and enter into written agreements setting out the terms of their appointment.

- (i) Directors – are provided with and enter into letters of appointment outlining their duties and responsibilities.
- (ii) Senior Executives – The Company retains the services of management under contracts of employment and consultants under consultancy services agreements.

The Company Secretary is accountable directly to the Board through the Chairman of the Board. Responsibilities of the Company Secretary include providing advice and support to the Board and its committees, managing the day to day governance of the Company and assisting with all matters to do with the proper functioning of the Board. The Company Secretary has a direct line of communication with each Director. The appointment of the Company Secretary is approved by resolution of the Board.

The Board has adopted a Diversity and Inclusion Policy, which outlines the Company's commitment to ensuring a diverse mix of talent and skills amongst its Directors, Officers and employees to enhance the Company's financial performance. The Diversity and Inclusion Policy details the Board's commitment to engaging Directors, contracting management and employees with the best mix of qualifications, skills and experience to develop a cohesive team to achieve business success regardless of gender, age or cultural background.

The Diversity and Inclusion Policy is available at www.bcl.com.pg/company-policies/. The Board recognises the importance of diversity to corporate success and considers diversity when appointing people to the Board or contracting their services.

Given the size of the Board, the limited operational status of the Company and the challenging labour market in Papua New Guinea, the Board considers that it is not practical to set measurable objectives for achieving gender diversity as

recommended by Recommendation 1.5(c). Furthermore, whilst gender diversity is important, the priority for the Company when recruiting is the diversity of experience, background and nationality. As the Company's operations develop, it will consider adopting and setting measurable objectives for achieving gender diversity.

- 1) In terms of the representation of women in the organisation, the Company has one female Director, Dame Carol A Kidu and five (5) of the twenty (20) full time employees are female.
- 2) The Company is not a 'relevant employer' under the Workplace Gender Equality Act 2012 (Cth) because it is not a registered higher education provider or an employer of 100 or more employees in Australia.

The Board has a practice of annual self-assessment. The process of evaluation and self-assessment takes the form of a questionnaire completed by each of the directors. Following collation, the results and the adequacy and appropriateness of the self-assessment process are considered and discussed by the Directors at the next Board Meeting, and follow-up actions will be determined. The Chairman of the Board is responsible for performing the collation and review of individual Directors' responses and presents the results to the Board for discussion and action. In 2018, the Board performed its annual evaluation in accordance with the process described above, which:

- considered the performance of the directors and the Board and the adequacy of the Board's structures and processes, including the Board Charter;
- considered goals and objectives of the Board for the upcoming year; and
- considered whether any improvements or changes to the Board structures and processes, including the Board Charter, Audit and Risk Committee Charter, and Remuneration and Nomination Committee Charter were necessary or desirable.

The last review of self-assessment by the Board was concluded in February 2019.

The Senior Executives of the Company have employment contracts or consultancy service agreements that clearly set out the roles and responsibilities, and the Company's expectations in terms of performance. The Chairman of the Board in the capacity as Managing Director conducts an Annual Performance Review of the Senior Executives in accordance to the documented expectations and prepares a report on the outcome of those reviews and recommendations regarding salary reviews, to the Remuneration and Nomination Committee. Each Senior Executive is provided with feedback on their performance and if required a development plan is agreed to support and align the ongoing contribution of that Senior Executive to the needs of the business. Performance reviews for the Senior Executives were conducted during the reporting period in accordance with the process described above.

CORPORATE GOVERNANCE STATEMENT CONTINUED

PRINCIPLE 2:

Structure the board to add value

The Company has a Remuneration and Nomination Committee. The Remuneration and Nomination Committee reviews Board succession planning, oversees the selection, appointment and re-appointment of Directors to the Board, in accordance with the Remuneration and Nomination Committee Charter. Where appointments are for Senior Executives, the Remuneration and Nomination Committee will make recommendations to the Board.

The Remuneration and Nomination Committee has adopted a formal charter which sets out the role and terms of reference of the Remuneration and Nomination Committee and the charter is reviewed regularly. The Remuneration and Nomination Committee Charter is available at www.bcl.com.pg/charters-important-documents/.

The Remuneration and Nomination Committee held four scheduled meetings in 2018, and the attendance details of the 2018 meeting of the Remuneration and Nomination Committee are set out in the table below.

DIRECTOR	MEETINGS ATTENDED	MEETINGS WHILST IN OFFICE
Sir Rabbie L Namaliu (Committee Chairman)	Four	Four
Dame Carol A Kidu	Two	Four
Sir Moi Avei	Four	Four

The Board determines the procedure for the selection and appointment of new Directors and the re-election of incumbents in accordance with the Company's Constitution and having regard to the ability of the individual to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

Qualification for Board membership is related to the mix of skills and knowledge that the Board considers will best serve the interests of the Company and all of its shareholders. The Board seeks a mix of skills suitable for a Papua New Guinea Bougainville based resources company. The mix of skills comprised in the current Board, and that the Board would look to maintain, and build on, includes:

- mining and production industry expertise;
- expertise in management and governance;
- high level of business acumen;
- technical expertise;
- ability to think and plan strategically;

- relevant team oriented behavioural characteristics (such as effective communicators and listeners); and
- Papua New Guinea and Bougainville cultural, community, social and political knowledge and expertise.

The mix of skills of the current Board is set out in the Company's annual report on page 8.

The Board consists of five Directors, of which Sir Rabbie L Namaliu, Dame Carol A Kidu, Sir Moi Avei, and Peter M Graham are independent Non-Executive Directors. Sir Melchior P Togolo was appointed to the position of Chairman and Managing Director on 21st February 2018 upon the retirement of Robert Burns. Each of the four Independent Directors are not in any other relationship with the Company which would affect their independent status, nor involved in the management of the Company and are not substantial shareholders of the Company.

The Directors were appointed to the Board as follows:

Sir Melchior Pesa Togolo	20 th October 2017
Sir Rabbie Langanai Namaliu	2 nd March 2011
Dame Carol Anne Kidu	9 th August 2012
Sir Moi Avei	12 th September 2016
Mr Peter Maxwell Graham	20 th October 2017
Mr Robert Staley Burns	3 rd January 2006 (retired 21 st February 2018)

Directors appointed by the Board are required by the Company's Constitution to submit themselves for election for a further three years, by shareholders at the Annual General Meeting following their appointment.

Directors are subject to retirement by rotation at least every three years in accordance with the Company's Constitution, but may offer themselves for re-election anytime in the ensuing three years. There is no share ownership qualification for appointment as a Director.

The majority of the Board are Independent Directors. For the purposes of determining a Directors independence, the Board considers the following factors:

- whether within the last three years the Director or a close family member is or has been:
 - employed in an executive capacity or part of the executive management of the Company or any of its child entities (if applicable), or
 - a Partner, Director or Senior Employee of a provider of material professional services to the Company or any of its child entities (if applicable); whether the Director or a close family member is, or is associated with, a substantial shareholder (a shareholder with more than 5 per cent of the voting shares) of the Company;

- whether the Director or a close family member has a material contractual relationship with the Company or any of its child entities (if applicable) other than as a Director, the Director's cross directorships or significant links with or involvement in other companies;
- the Director's length of service on the Board; and
- whether within the last three years the director or a close family member has had, either directly or indirectly and whether as principal, employee or consultant, a material (more than 2 per cent of the Company's or the counterparty's consolidated gross revenue per annum) business relationship with the Company or any of its child entities (if applicable), whether as an auditor, professional adviser, supplier or customer, or associated with someone with such a relationship.

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

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

All related party transactions, have been determined by the independent directors to be in the best interest of the Company.

The Directors can seek independent professional advice, at the Company's expense, in furtherance of their duties. The Board has adopted a procedure for Directors wishing to seek such advice to do so by arrangement with the Company Secretary.

Sir Melchior P Togolo was appointed Chairman and Managing Director on 21st February 2018. The Company does not have a CEO. Mr Robert Burns retired as a Director, Chairman and Managing Director on 21st February 2018.

The Board considers that its existing practices in having the Chairman fulfil the role of Managing Director is satisfactory to allow the Company to properly fulfil its responsibilities effectively and is appropriate given the size of the Board, the Company's current ownership structure and the limited operational status of the Company's operations. The Board will continue to monitor and review the Managing Director role and will appoint a CEO where operationally desirable and strategically appropriate.

Directors receive formal appointment letters setting out, amongst other things, the expectations of their appointment. Incoming Directors receive an induction to ensure they have a working knowledge of the Company, the political climate of the

region in which its assets are situated, its culture and values and the metal mining industry. All Directors are expected to maintain the skills required to effectively discharge their obligations to the Company and are provided with resources to help develop and maintain their skills and knowledge. Directors are encouraged to pursue and participate in appropriate continuing education and professional development opportunities so as to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Directors are provided with Board papers prepared by management prior to each Board meeting. These papers include an update from Company management, financial information and other strategy related documents. The Directors also receive ongoing briefings on developments in accounting standards.

PRINCIPLE 3:

Act ethically and responsibly

The Company has a Code of Conduct which applies to all Directors, Officers, Employees, Consultants and Contractors. The Code of Conduct promotes business practices to maintain the Company's integrity and reflects the Company's commitment to ethical and responsible decision-making. It is a meaningful statement of the Company's core values and is promoted as such across the Company, and reinforced by proper training and proportionate disciplinary action if it is breached. The Company's Directors, Senior Executives, Employees, Consultants and Contractors are required to comply with this policy when dealing with each other, shareholders, customers and the broader community. All consultants and contractors are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Papua New Guinea and in every other country in which the Company engages in business.

Other policies, codes and charters adopted by the Company which provide a framework for decisions and actions in relation to Ethical Conduct in employment include:

- Audit and Risk Committee Charter;
- Remuneration and Nomination Committee Charter; and
- Business Integrity Policy.

The Code of Conduct is available online at www.bcl.com.pg/Company-Policies/ and a copy of each policy, code and charter is available in the investors page on the Company's web site www.bcl.com.pg.

CORPORATE GOVERNANCE STATEMENT CONTINUED

PRINCIPLE 4:

Safeguard integrity in corporate reporting

The Company has an Audit and Risk Committee, which is appointed by the Board and is comprised of three Directors. The Audit and Risk Committee provides the transparency, focus and independent judgement needed to oversee the Company's corporate reporting progress. The present members of the Audit and Risk Committee are, Managing Director Sir Melchior P Togolo and two independent Non-Executive Directors, Peter Graham (Committee Chairman) and Sir Moi Avei. The Company Secretary and external auditors are available to attend meetings. All members of the Audit and Risk Committee are financially literate.

Two of the three Directors are Non-Executive Independent Directors being Peter Graham (Committee Chairman) and Sir Moi Avei. The Company considers that the majority of the Audit and Risk Committee are Independent Directors and that this is satisfactory to allow the Audit and Risk Committee to properly fulfil its responsibilities effectively and is appropriate given the Company's current ownership structure and the limited operational status of the Company's operations. The Company will continue to monitor and review the Audit and Risk Committee's membership and will appoint committee members where operationally desirable and strategically appropriate.

The Audit and Risk Committee has adopted a formal charter which sets out the role and terms of reference of the Audit and Risk Committee and is reviewed regularly. The Audit and Risk Committee Charter is available at www.bcl.com.pg/charters-important-documents/, and includes information on the requirements for selecting an external auditor.

The qualifications and experience of the Committee Members is outlined in the Directors' Report on page 8 of the 2018 Annual Report.

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

The Audit and Risk Committee advises the Board of any matters that might have a significant impact on the financial condition of the Company and has the authority to investigate any matters within the terms of reference, having full access to the information and resources of the Company to fulfil its function. Related party transactions are considered by the Audit and Risk Committee. The Audit and Risk Committee reviews compliance with the Papua New Guinea Companies Act 1997, Corporations Act 2001 (Cth), where appropriate, and the requirements of the ASX and other regulatory requirements.

The Audit and Risk Committee held four scheduled meetings in 2018, and attendance details of the 2018 meetings of the Audit and Risk Committee are set out in the table below.

DIRECTOR	MEETINGS ATTENDED	MEETINGS WHILST IN OFFICE
Peter Graham (Chairman)	Four	Four
Sir Moi Avei	Three	Three
Sir Melchior P Togolo	Four	Four
Robert Burns (Chairman retired)	One	One

Any work conducted by the external auditor, other than the statutory audit, is approved by the Audit and Risk Committee.

As a foreign registered company in Australia, the Company is not required to comply with section 295A of the Corporations Act 2001 (Cth) with respect to declarations in relation to financial statements by the CEO and CFO. However, the Board ensures that it receives the appropriate declarations and assurances including a declaration from the Chairman of the Board and the Company Secretary that accounts have been reviewed and, in their opinion:

- the financial records of the Company for the financial year ended 31st December 2018 have been properly maintained; and
- the financial statements for the financial year ended 31st December 2018 comply with the appropriate accounting standards; and
- the financial statements and notes give a true and fair view of the financial position and performance of the Company and are based on a sound system of risk management and internal control.

The Company's external auditor, PwC, attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Shareholders may submit written questions regarding the auditor's report to the auditors via the Company prior to the Annual General Meeting, and these questions and answers are made available at the Annual General Meeting.

PRINCIPLE 5:

Make timely and balanced disclosure

The Company makes full and immediate disclosure of material information to its shareholders and the market in accordance with its disclosure obligations under the ASX Listing Rules. In particular, to ensure that trading in its securities takes place in an informed market, the Company has adopted a Disclosure and Communications Policy, which is designed to

ensure compliance with the ASX Listing Rules on continuous disclosure and to ensure accountability at a Senior Executive Level for compliance and factual presentation of the Company's financial position. Established reporting systems are in place to ensure compliance with ASX requirements. The Disclosure and Communications Policy is available at www.bcl.com.pg/company-policies/.

PRINCIPLE 6:

Respect the rights of security holders

The Company recognises the importance of effective communication with shareholders and the general investment community. Apart from the Company's compliance with its continuous disclosure obligations, the Company keeps investors informed of its corporate governance, financial performance, strategy and prospects via releases to the market via the ASX, the Company's web site www.bcl.com.pg, information mailed and emailed to shareholders and general meetings of the Company. The information provided is balanced and understandable.

This Communications Program gives shareholders ready access to information and is contained within the Company's policies titled "Code of Conduct Policy" and "Disclosure and Communications Policy". The policies are available on the Company's web site at <http://www.bcl.com.pg/company-policies/>.

The Communications Program above includes an Investor Relations Program to facilitate two-way communication with investors. The Company allows shareholders to send communications electronically to the Company via the Company web site www.bcl.com.pg/contact/ and its security registry as detailed on www.bcl.com.pg/share-registrar.

The Company also encourages shareholders to attend the Company's Annual General Meeting and to ask questions of the Board and the auditor and/or to submit questions in writing in advance. At each Annual General Meeting the Board also ensures that:

- a representative of the Company's auditors is in attendance to respond directly to questions on audit related matters;
- information about the current developments is provided at the meeting, to make it easy for shareholders to participate and ask questions; and
- the Chairman of the Board of Directors presents an address to the Annual General Meeting of current developments.

The Company encourages shareholders to communicate via the Company's web site www.bcl.com.pg/contact/, Facebook www.facebook.com/BougainvilleCopper/ and by telephone. Additionally, details of ASX announcements and Company reports are made available via the Company's web site and are distributed to interested parties via email if requested.

The Company's share registry also engages with shareholders

electronically. Shareholders can contact the Company's registrar, Computershare Investor Services Pty Ltd, to access their personal information and shareholdings. Contact details are on the Company's web site. The share registrar also distributes statutory documents to shareholders such as Annual Reports and Financial Statements.

PRINCIPLE 7:

Recognise and manage risk

The Company does not have a separate risk committee as recommended by the ASX principals, but does combine the function within the Audit and Risk Committee responsibilities. Please refer to *Principle 4: Safeguard Integrity of Corporate Reporting* for information regarding the composition and operation of the Audit and Risk Committee.

The Company has in place policies and procedures, including a risk identification and management framework (described below), which are continually being developed and updated to help manage material business risks. These policies and procedures have been adopted by the Board, with primary oversight by the Audit and Risk Committee, to ensure that potential business risks are identified and appropriate action is taken. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the Board with primary oversight from the Audit and Risk Committee. The Audit and Risk Committee Charter is available on the Company web site www.bcl.com.pg/charters-important-documents/.

A summary of the Company's Risk Identification and Management Policies are set out below:

- the Company benefits from a Risk Management Policy, formally adopted by the Board, which can be accessed at www.bcl.com.pg/company-policies/, as well as practices on risk management and corporate assurance developed to manage the Company's business activities;
- the Audit and Risk Committee receives at least bi-annually, a report from management to identify and review all of the business risks facing the Company. The Audit and Risk Committee report the findings to the Board;
- Management provide an Annual Certificate of Compliance to the Board and provides periodic reports and information confirming the status and effectiveness of the plans, controls, policies and procedures implemented to manage business risks. The Chairman of the Board and the Company Secretary endorses the certificate;
- Board approval is required before capital expenditure and revenue commitments exceed certain approved levels, as outlined in the Authority Levels and Internal Controls Policy, which is available at www.bcl.com.pg/company-policies/;

CORPORATE GOVERNANCE STATEMENT CONTINUED

- the Company has in place a regulatory compliance program;
- safety, health, community and environmental policies are in place, with appropriate management systems which recognise the Company's commitment to achieving high standards of performance in all its activities in these areas; and
- a formal risk analysis involving Senior Management is facilitated at least annually which includes consultants specialising in risk management. The Company's risk register is updated and outcomes are reviewed by the Audit and Risk Committee and the Board.

Management provides reports to the Board (through the Audit and Risk Committee) relating to the effectiveness of the internal controls, and the management of material business risk. In addition, the Board monitors the Company's material business risks on an ongoing basis.

The Company does not maintain an internal audit function. The Company has limited operations and is of a size that does not warrant an internal audit function. The Audit and Risk Committee regularly review the level of segregation, particularly in relation to processes and procedures concerning matters such as payment authorisations and limits of authority, and awareness and compliance with the Authority Levels, and Internal Controls Policy. The Board and the Audit and Risk Committee maintains oversight of organisational risks including financial risks. The Audit and Risk Committee is responsible for reviewing and improving the Company's risk management framework and internal control processes.

The Company, as an inactive mining and production Company, faces risks in its activities, including economic, regulatory, environmental and social sustainability risks, which may materially impact the Company's ability to create or preserve value for shareholders over the short, medium or long term. The Company manages these risks by having in place a number of risk identification and management policies, as well as a Communities Policy, which are all available at www.bcl.com.pg/company-policies/.

PRINCIPLE 8:

Remunerate fairly and responsibly

The Company does not have a separate Remuneration Committee as recommended by the recommendations, but does combine the function within the Remuneration and Nomination Committee's responsibilities. Please refer to *Principle 2: Structure the Board to add value*, for information regarding the composition and operation of the Remuneration and Nomination Committee.

The maximum limit for Directors' remuneration is determined by shareholders in a General Meeting. Within that limit the remuneration of Directors is generally determined by the Board after taking into account data on market remuneration levels. At the 2009 Annual General Meeting, the shareholders approved an increase in Non-Executive Directors' fees to

A\$55,000, Non-Executive Chairman fees to A\$110,000 and an additional A\$10,000 per annum for Directors that are members of a Board committee. Directors are not entitled to retirement benefits.

The Company has twenty (20) full time employees as part of the Company's team. Remuneration is governed by a Remuneration Policy, available at www.bcl.com.pg/company-policies/

The Company has adopted a Rules for Dealing in Bougainville Copper Limited Securities Policy, which reinforces the prohibition against insider trading to all Directors of the Company. The Rules for Dealing in Bougainville Copper Limited Securities Policy require that for all dealings in the Company's securities:

- Directors and Employees must advise the Chairman of the Board in writing, and receive approval in writing from the Chairman of the Board, if they intend to purchase or sell securities in the Company. In regard to his own dealings, the Chairman of the Board is required to notify the Chairman of the Audit and Risk Committee; and
- no dealings in securities of the Company may take place in the period from the end of any relevant financial period to the trading day following announcement of the Company's annual results or half year results.

The rules for Dealing in Bougainville Copper Limited Securities Policy is available at www.bcl.com.pg/company-policies/.

FINANCIAL STATEMENTS

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STATEMENTS OF COMPREHENSIVE INCOME

Bougainville Copper Limited for the year ended 31st December 2018

		CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
	NOTES				
Income					
Interest		2	28	2	28
Dividends		4,838	5,210	4,838	5,130
Other Income	4	-	2,397	-	2,397
		4,840	7,635	4,840	7,555
Cost and expenses					
Operating expenses	5	(15,298)	(14,834)	(14,915)	(13,958)
Exchange loss	8	(183)	(102)	(183)	(102)
		(15,481)	(14,936)	(15,098)	(14,060)
Loss before tax		(10,641)	(7,301)	(10,258)	(6,505)
Income tax	7	-	-	-	-
Loss after tax		(10,641)	(7,301)	(10,258)	(6,505)
Other comprehensive income (loss)					
Items that may not be subsequently reclassified to profit or loss (no tax effect):					
Changes in the fair value of financial assets	14	(12,977)	19,679	(12,977)	19,679
Total other comprehensive income (loss)		(12,977)	19,679	(12,977)	19,679
Total comprehensive income (loss) for the year		(23,618)	12,378	(23,235)	13,174
Basic and diluted earnings per share (toea)		(2.65)	(1.82)	-	-

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand Kina has been adopted. The notes on pages 24 to 39 form part of these accounts and are to be read in conjunction with them.

STATEMENTS OF CHANGES IN EQUITY

Bougainville Copper Limited for the year ended 31st December 2018

	SHARE CAPITAL	FAIR VALUE RESERVE	ACCUMULATED LOSSES	TOTAL
CONSOLIDATED	K'000	K'000	K'000	K'000
Brought forward at 01.01.17	401,063	40,486	(328,142)	113,407
Loss for the year	-	-	(7,301)	(7,301)
Other comprehensive income for the year		19,679	-	19,679
Balance at 31.12.17	401,063	60,165	(335,443)	125,785
Loss for the year	-	-	(10,641)	(10,641)
Other comprehensive loss for the year	-	(12,977)	-	(12,977)
Transfer to retained earning on sale of investments	-	(4,123)	4,123	-
Balance at 31.12.18	401,063	43,065	(341,961)	102,167

	SHARE CAPITAL	FAIR VALUE RESERVE	ACCUMULATED LOSSES	TOTAL
PARENT	K'000	K'000	K'000	K'000
Brought forward at 01.01.17	401,063	38,627	(324,355)	115,335
Loss for the year	-	-	(5,231)	(5,231)
Other comprehensive income for the year	-	1,859	-	1,859
Balance at 31.12.17	401,063	40,486	(329,586)	111,963
Loss for the year	-	-	(10,258)	(10,258)
Other comprehensive loss for the year	-	(12,977)	-	(12,977)
Transfer to retained earning on sale of investments	-	(4,123)	4,123	-
Balance at 31.12.18	401,063	43,065	(342,226)	101,902

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand Kina has been adopted. The notes on pages 24 to 39 form part of these accounts and are to be read in conjunction with them.

BALANCE SHEETS

Bougainville Copper Limited at 31st December 2018

		CONSOLIDATED	CONSOLIDATED	PARENT	PARENT
		2018	2017	2018	2017
	NOTES	K'000	K'000	K'000	K'000
FUNDS EMPLOYED:					
Shareholders' funds					
Share capital	13	401,063	401,063	401,063	401,063
Fair value reserve	14	43,065	60,165	43,065	60,165
Accumulated losses		(341,961)	(335,443)	(342,226)	(336,091)
		102,167	125,785	101,902	125,137
Non-current liabilities					
Provisions	9 (d)	135	132	135	132
Other payables	9 (b)	194	194	194	194
Income tax	7 (b)	6,759	6,759	6,759	6,759
		7,088	7,085	7,088	7,085
Current liabilities					
Provisions	9 (c)	1,952	2,269	1,952	2,269
Trade payables	9 (a)	1,421	1,418	1,408	1,418
		3,373	3,687	3,360	3,687
Total liabilities		10,461	10,772	10,448	10,772
Total funds		112,628	136,557	112,350	135,909
THESE FUNDS ARE REPRESENTED BY:					
Non-current assets					
Investments	6	98,736	119,027	97,636	117,927
Mine assets	10	-	-	-	-
Plant and Equipment	11	1,098	1,553	1,098	1,553
Other receivables	12 (b)	829	829	1,663	1,377
		100,663	121,409	100,397	120,857
Current assets					
Cash and cash equivalents		1,145	2,512	1,133	2,416
Other receivables	12 (a)	820	636	820	636
Investments	6	10,000	12,000	10,000	12,000
		11,965	15,148	11,953	15,052
Total assets		112,628	136,557	112,350	135,909

For, and on behalf of, the Board.



Sir Melchior P Togolo
Chairman

29th March 2019



Sir Rabbie L Namaliu
Director

Details of contingent liabilities and assets are shown in note 16. All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand Kina has been adopted. The notes on pages 24 to 39 form part of these accounts and are to be read in conjunction with them.

STATEMENTS OF CASH FLOW

Bougainville Copper Limited for the year ended 31st December 2018

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
Cash flows from operating activities				
Payments to suppliers	(15,212)	(26,709)	(15,128)	(26,108)
Interest received	2	26	2	26
Dividends received	4,838	5,210	4,838	5,130
Net operating cash out flows	(10,372)	(21,473)	(10,288)	(20,952)
Cash flows from investing activities				
Purchases of plant and equipment	(126)	(721)	(126)	(721)
Sale of available for sale financial assets	9,314	5,526	9,314	5,526
Net investing cash in flows	9,188	4,805	9,188	4,805
Net decrease in cash and cash equivalents	(1,184)	(16,668)	(1,100)	(16,147)
Cash and cash equivalents at beginning of year	2,512	19,283	2,416	18,666
Effect of exchange rate changes on cash and cash equivalents	(183)	(103)	(183)	(103)
Cash and cash equivalents at end of year	1,145	2,512	1,133	2,416

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand Kina has been adopted. The notes on pages 24 to 39 form part of these accounts and are to be read in conjunction with them.

NOTES TO ACCOUNTS

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 1989. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements were authorised for issue in accordance with a Directors' resolution on 29th March 2018.

1. (A) BASIS OF PREPARATION

The financial statements of Bougainville Copper 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 investments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

New standards, amendments and interpretations to existing standards that have been adopted by the Company during the year and those that have not been early adopted are disclosed in 1.(D) and 1. (E).

1. (B) ACCOUNTING POLICIES

Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provided evidence of an impairment of the transferred asset. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Mine assets

Mine assets were originally stated at cost or Directors valuation and subsequently depreciated and amortised at rates considered appropriate by the Company.

The Company ceased depreciating the mine assets from 1991 onwards. Subsequent impairment losses were recognised where the carrying value of the mine assets exceeded their recoverable amounts.

Plant and Equipment

The cost of purchased plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Plant and equipment are stated at cost less accumulated depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognised. All other repairs and maintenance are charged against income during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Depreciation is charged on a straight-line basis, so as to write-off the cost of the property and equipment to their residual value over their expected economic useful lives. The estimated economic lives are as follows:

Leasehold improvements	3 years
Motor vehicles	2-4 years
Office furniture and equipment	2-10 years

Taxation

The income tax expense or revenue for the period, is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities, and their carrying amounts in the financial statements.

Deferred tax assets are recognised for deductible temporary differences, and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 determining profit.

Provisions

Provision for compensation is recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that 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.

Financial Assets

Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired. The company classifies its financial assets as investments, cash and cash equivalents and other assets.

Classification and subsequent measurement

From 1st January 2018, the Company has applied IFRS 9 and classifies its financial assets as follows:

(i) Equity instruments

Equity instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company's management has elected, at initial recognition, to irrevocably designate an equity investment through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Previous accounting policy for equity instruments

Investments in marketable equity 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 twelve 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. Changes in the fair value of 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 determining profit. For investments that are actively traded in organised financial markets, fair value is determined by reference to the Australian Securities Exchange quoted market bid prices at the close of business on the balance sheet date.

Impairment

If there is objective evidence of impairment for equity instruments, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the statement of comprehensive income, is removed from equity and recognised in the statement of comprehensive income.

Impairment losses on equity instruments that were recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income in a subsequent period.

If the fair value of a debt instrument classified as available for sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

(ii) 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.

(iii) Other receivables

Other receivables are recognised initially at fair value, less provision for impairment. They are presented as current assets unless collection is not expected for more than twelve months after the reporting date.

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan and failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of other receivables

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expense. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expense in the statement of comprehensive income.

Impairment of other assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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.

1. (C) ROUNDING OF AMOUNTS

All amounts have been rounded off to the nearest K'000, unless otherwise stated.

1. (D) STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN THE YEAR ENDED 31ST DECEMBER 2018

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1st January 2018.

- IFRS 9, 'Financial Instruments' replaced the guidance in IAS 39 with a standard that is less complex and principles based. The new standard simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. IFRS 9's new impairment model is a move away from IAS 39's incurred credit loss approach to an expected credit loss model.

Refer to note 3 for further details of the impact of IFRS 9 on the company's accounting policies and 2018 financial statements.

- IFRS 15 'Revenue from contracts with customers' replaces IAS 11 and IAS 18. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The entity now adopts a new 5-step process for the recognition of revenue:
 1. identify contracts with customers,
 2. identify the separate performance obligations,
 3. determine the transaction price of the contract,
 4. allocate the transaction price to each of the separate performance obligations, and
 5. recognise the revenue as each performance obligation is satisfied.

The Company assessed that IFRS 15 has not resulted in a significant impact to the Company's operation and policies.

- Annual improvements 2014 – 2016 makes minor changes to IFRS 1 on first-time adoption of IFRS and IAS 28 regarding measuring an associate or joint venture at fair value.
- IFRIC 22, 'Foreign currency transactions and advance consideration' addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made.

The adoption of the above amendments did not have any significant impact on the current period or any prior period.

1. (E) STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST DECEMBER 2018 OR ADOPTED EARLY

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1st January 2019 or later periods, but the entity has not early adopted them:

- IFRS 16, 'Leases' (effective 1st January 2019) replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed. IFRS 16 now requires a lessee to recognise a lease liability, representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Amendment to IFRS 9 on prepayment features with negative compensation (effective 1st January 2019). This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.
- IFRIC 23, 'Uncertainty over income tax treatments' (effective 1st January 2019) clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax positions. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.
- Annual improvements 2015 – 2017 (effective 1st January 2019). These amendments include minor changes to:
 - IFRS 3 'Business combination' – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11 'Joint arrangements' – a company does not remeasure its previously held interest in a joint operation when it obtains control of the business.
 - IAS 12 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23 "Borrowing costs" – a company treats as part of general borrowings any borrowings originally made to develop an asset when the asset is ready for its intended use or sale.

- Amendments to IFRS 3 – definition of a business (effective 1st January 2020). This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- Amendments to IAS 1 and IAS 8 on the definition of 'material' (effective 1st January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.

The entity has conducted initial investigations and does not consider that standards that are not yet effective will have a material impact on the entity in the current or future reporting periods and on foreseeable transactions.

1. (F) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

1. (G) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

1. (H) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board has been identified as being the chief operating decision maker.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

(i) Mine assets

Mine production was suspended on 15th May 1989 because of attacks on employees. Following repeated instances of damage to mine facilities, the power supply lines and further attacks on employees, it became necessary to evacuate all remaining Company personnel from Bougainville in early 1990. Since the withdrawal of Company personnel from Bougainville, which was completed on 24th March 1990, there has been no care and maintenance of the Company's assets. Considerable deterioration of the assets has likely 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 sufficient access to the mine site had not been possible, the extent of the necessary write-downs was not capable of reliable measurement or estimation.

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

During 2014, the Autonomous Bougainville Government passed the Bougainville Mining (Transitional Arrangement) Act 2014 (Transitional Act) which was replaced by the Bougainville Mining Act 2015 (The Act) on 1st April 2015. This legislation seeks to challenge the Company's control of the mine assets and may reflect an expropriation of assets for the purpose of the Bougainville Copper Act. In 2014 the Board impaired in full the carrying value of the mine assets. K167 million was charged against income and a reversal of K31 million in the revaluation reserve.

The Act converted the Special Mining Lease held by the Company to an Exploration Licence (EL1) for a period of two years from the date of the Transitional Act. In July 2016 the Company applied to extend the EL1. The ABG commenced the processing of the application in October 2017 and on 16th January 2018 issued a Notice of Refusal to grant the renewal of the application for the following reasons:

1. The required majority consent of the landowners was not evident during the Mining Wardens hearing and shows Bougainville Copper does not have the social licence to operate the mine.
2. The reopening of the Panguna Mine is a divisive issue, and has the potential to adversely affect the ABG's preparation for the conduct of the referendum given that it was Bougainville Copper's past operation of Panguna Mine that ignited the Bougainville Crisis which resulted in the loss of about 20,000 lives. Hence, it is in Bougainville's best interest to maintain peace and unity.

The Company commenced an action in the National Court of Papua New Guinea seeking leave for a Judicial Review of the renewal application process. Leave was granted on 10th April 2018. A restraining order was granted against the defendants, the ABG, from giving effect to or relying on the decision to refuse the application by Bougainville Copper for extension of EL1.

Panguna Minerals Limited, a company 50 per cent owned by SMLOLA and 50 per cent by Central Exploration Pty Ltd (a company 70 per cent owned by RTG Mining Inc) was joined to the proceedings on 22nd August 2018. An application by Bougainville Copper for leave to appeal the joinder decision was dismissed on 7th March 2019 by a single judge. The Board of Directors has requested the application for leave to appeal the joinder be listed before a full Supreme Court.

Bougainville Copper remains confident of our tenement position and believe the Judicial Review proceedings will uphold our rights.

Bougainville Copper, while adhering to the requirements of the Bougainville Mining Act 2015, also recognizes and maintains the tenements in accordance with the PNG National legislation and the Bougainville Copper Agreement.

The Directors of the Company continue to take all possible steps to protect and optimise tenure in Bougainville.

3. CHANGE IN ACCOUNTING POLICIES

FRS 9 TRANSITIONAL IMPACT EFFECTIVE 1ST JANUARY 2018

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1st January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition, were recognised in the opening retained earnings of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes to accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in the notes below.

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1st January 2018 for the Company are compared as follows:

CONSOLIDATED	IAS 39		IFRS 9	
	MEASUREMENT CATEGORY	CARRYING AMOUNT K'000	MEASUREMENT CATEGORY	CARRYING AMOUNT K'000
Financial Assets				
Cash and cash equivalents	Amortised cost	2,512	Amortised cost	2,512
Investment securities	FVOCI (Available for sale)	131,027	FVOCI	131,027
PARENT				
	IAS 39		IFRS 9	
	MEASUREMENT CATEGORY	CARRYING AMOUNT K'000	MEASUREMENT CATEGORY	CARRYING AMOUNT K'000
Financial Assets				
Cash and cash equivalents	Amortised cost	2,416	Amortised cost	2,416
Investment securities	FVOCI (Available for sale)	129,927	FVOCI	129,927

There were no changes to the classification and measurement of financial liabilities.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

Refer to the table above for the reclassification of financial assets from IAS 39 to IFRS 9. There were no re-measurements of financial assets.

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Company.

Designation of equity instruments at FVOCI

The Company irrevocably designate investments of K131.0 million and K 129.9 million at FVOCI as permitted by IFRS 9. These securities were previously classified as available for sale. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

There were no other changes related to classification of financial assets.

NOTES TO ACCOUNTS CONTINUED

4. OTHER INCOME

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
Net gain on disposal of available for sale financial assets	-	2,397	-	2,397
Total other income	-	2,397	-	2,397

From the 1st January 2018 with the introduction of IFRS 9, gains or losses recognised from the sale of investments are reclassified from reserves to retained earnings in the statements of changes in equity and are not recorded as other income.

5. OPERATING EXPENSES

	CONSOLIDATED 2017 K'000	CONSOLIDATED 2016 K'000	PARENT 2017 K'000	PARENT 2016 K'000
Remuneration of directors (note 14)	1,753	1,975	1,753	1,975
Board meetings	236	250	236	250
Auditors' remuneration				
- annual report and financial statements audit	110	107	110	107
- half year review	34	33	34	33
- taxation and consulting services	26	75	26	75
Share registry costs	331	237	331	237
Insurance	196	184	196	184
Legal fees	1,759	384	1,759	384
Document cataloguing	256	296	256	296
Order of magnitude costs	397	41	397	41
Social, technical and environmental studies	1,854	2,955	1,854	2,955
Community projects	575	79	575	79
Communication and media costs	351	399	351	399
Education scholarships	383	876	-	-
Corporate subscriptions	79	179	79	179
Administrative costs	4,453	4,661	4,453	4,661
Depreciation on administration assets	580	421	580	421
Other operating expenses	1,925	1,682	1,925	1,682
	15,298	14,834	14,915	13,958

6. INVESTMENTS

At fair value	CONSOLIDATED	CONSOLIDATED	PARENT	PARENT
	2018	2017	2018	2017
	K'000	K'000	K'000	K'000
Opening balance	131,027	114,477	129,927	113,377
Movement in fair value reserve	(17,100)	19,679	(17,100)	19,679
Disposal of investments	(5,191)	(3,129)	(5,191)	(3,129)
Additions to investments	-	-	-	-
Acquisition of subsidiary	-	-	-	-
Closing balance	108,736	131,027	107,636	129,927
Original cost when purchased				
Opening cost balance	70,862	73,991	69,762	72,891
Disposal of investments	(5,191)	(3,129)	(5,191)	(3,129)
Additions to investments	-	-	-	-
Acquisition of subsidiary	-	-	-	-
	65,671	70,862	64,571	69,762
Fair value reserve year end balance	43,065	60,165	43,065	60,165
Closing fair value balance	108,736	131,027	107,636	129,927
Investments are classified as follows:				
Current	10,000	12,000	10,000	12,000
Non-current	98,736	119,027	97,636	117,927
	108,736	131,027	107,636	129,927

Investment assets held by the Company consist of ASX listed shares, and therefore have no fixed maturity date or coupon rate.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are categorised as level 1 within the fair value hierarchy. The company has not recognised any financial assets categorised within level 2 or level 3 fair value hierarchy.

The investment held by the subsidiary represents an investment in unlisted units held in the Pacific Balanced Fund.

The financial statements of the Pacific Balanced Fund or similar data for the 2018 Financial Year were not readily available to allow for the management to determine the fair valuation at balance date. The units are not traded. The carrying amount as disclosed above was determined based on an historic buy-back price of K2.75 per unit.

NOTES TO ACCOUNTS CONTINUED

7. 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:

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
Operating profit/(loss) before taxation	(10,641)	(7,301)	(10,258)	(6,505)
Prima facie income tax @ 30 per cent	(3,192)	(2,190)	(3,077)	(1,952)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(24)	(4,419)	(24)	(4,419)
Potential tax benefit not recognised	3,216	6,609	3,101	6,371
Income tax expense/(credit)	-	-	-	-

(b) An agreement between the Independent State of Papua New Guinea and Rio Tinto provides for the deferral of income tax payable of K6,759,000 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 K79,580,195 (2017 K69,244,173)

8. EXCHANGE FLUCTUATION

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
(a) Exchange gain/(loss) reflected in earnings arising from financial assets:	(183)	(102)	(183)	(102)
Gain/(loss)	(183)	(102)	(183)	(102)

(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	10,333	13,105	10,333	13,105
Non-current assets	97,636	117,927	97,636	117,927
Current liabilities	461	331	461	331

Kina equivalent of Australian dollars

9. LIABILITIES	CONSOLIDATED	CONSOLIDATED	PARENT	PARENT
	2018	2017	2018	2017
	K'000	K'000	K'000	K'000
Trade Payables				
(a) Current				
Trade creditors	1,421	1,418	1,409	1,418
(b) Non current				
Other payables	194	194	194	194
Provisions (excluding impairment)				
(c) Current				
Compensation*	1,771	2,059	1,771	2,059
Employee entitlements	181	210	181	210
	1,952	2,269	1,952	2,269
(d) Non Current				
Employee entitlements	25	22	25	22
Make good provision - premises lease	110	110	110	110
	135	132	135	132
(e) Movements in provisions	COMPENSATION	EMPLOYEE ENTITLEMENTS	MAKE GOOD PROVISION PREMISES LEASE	
	K'000	K'000	K'000	
Opening balance	2,059	232	110	
Provisions recognised during the year	-	164	-	
Amounts used during year	(288)	(190)	-	
Closing balance	1,771	206	110	

* The Company has provided for March 1990 to March 1991 compensation to Landowner groups affected by the Company's former mine operations, based on known obligations. The Company has classified the provision as current as it has commenced the payment program.

NOTES TO ACCOUNTS CONTINUED

10. MINE ASSETS

The company has previously capitalised mine assets of:

	K'000
Mine development and building	395,153
Plant machinery and equipment	549,663
Mine property	62,121
Capitalised work in progress	29,112
Total	1,036,049

Mine assets were fully depreciated or impaired in previous financial years.

During 2014, the Autonomous Bougainville Government passed the Bougainville Mining (Transitional Arrangement) Act 2014 (Transitional Act) which was replaced by the Bougainville Mining Act 2015 (The Act) on 1st April 2015. This legislation seeks to challenge the Company's control of the mine assets and may reflect an expropriation of assets for the purpose of the Bougainville Copper Act.

The Act converted the Special Mining Lease held by the Company to an Exploration Licence (EL1) for a period of two years from the date of the Transitional Act. In July 2016 the Company applied to extend the EL1. The ABG commenced the processing of the application in October 2017 and on 16th January 2018 issued a Notice of Refusal to grant the renewal of the application. The Company commenced legal proceedings in the PNG National Court and was granted leave on 10th April 2018 for a Judicial Review of the renewal application process. A restraining order was granted against the ABG, from giving effect to or relying on the decision to refuse the extension of EL1. So long as the restraining order is in place and, until a determination is made on that decision-making process, Bougainville Copper holds rights over EL1.

Bougainville Copper Limited, while adhering to the requirements of the Bougainville Mining Act 2015, also recognises and maintains the tenements in accordance with the PNG National legislation and the Bougainville Copper Agreement.

The Directors of the Company continue to take all possible steps to protect and optimise tenure in Bougainville.

11. PLANT AND EQUIPMENT

	LEASEHOLD ASSETS K'000	MOTOR VEHICLES K'000	OFFICE FURNITURE AND EQUIPMENT K'000	CONSTRUCTION IN PROGRESS K'000	TOTAL K'000
At 31st December 2016					
Cost	800	315	396	564	2,075
Accumulated depreciation	(333)	(95)	(94)		(522)
Net book value	467	220	302	564	1,553
Year ended 31st December 2017					
Opening net book amount	467	220	302	564	1,553
Additions	-	-	108	19	127
Transfers	565	-	-	(565)	-
Disposals	-	-	(2)	-	(2)
Depreciation charge	(408)	(81)	(91)	-	(580)
Closing net book value	624	139	317	18	1,098
At 31st December 2017					
Cost	1,365	315	502	18	2,200
Accumulated depreciation	(741)	(176)	(185)	-	(1,102)
Net book value	624	139	317	18	1,098

12. OTHER RECEIVABLES

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
(a) Current				
Sundry receivables	20	8	20	8
Deposits and bonds	89	67	89	67
Prepayments	538	420	538	420
Goods and services tax receivable	173	141	173	141
	820	636	820	636
(b) Non Current				
Withholding tax receivable	829	829	511	511
Related party receivables (Note 18)	-	-	1,152	866
	829	829	1,663	1,377

Withholding tax receivable will be offset against future tax payable.

NOTES TO ACCOUNTS CONTINUED

13. ORDINARY SHARES

The issued capital of the Company is 401,062,500 ordinary shares fully paid. No change in issued capital occurred during 2018.

14. FAIR VALUE RESERVE

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
Fair value reserve	43,065	60,165	43,065	60,165
This reserve records movements for Investment assets to fair value.				
Refer note 1 (b) and note 20(g) for calculations for 'fair value'.				
Opening balance	60,165	40,486	60,165	40,486
Movement	(12,977)	22,076	(12,977)	22,076
Fair value realised through disposal	(4,123)	(2,397)	(4,123)	(2,397)
Net movement	(17,100)	19,679	(17,100)	19,679
Closing balance	43,065	60,165	43,065	60,165

15. REMUNERATION OF DIRECTORS

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

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
Sir Melchior P Togolo ¹	904	50	904	50
Sir Rabbie L Namaliu ²	162	159	162	159
Dame Carol A Kidu ²	162	159	162	159
Sir Moi Avei ³	313	270	313	270
Peter M Graham ⁴	162	32	162	32
Robert S Burns ⁵	50	1,305	50	1305
	1,753	1,975	1,753	1,975

¹ Short term benefits paid as Chairman K275,000, audit and risk committee fee of K25,000 and K604,000 as Managing Director, (2017- from 15th November 2017, Director K10,000, incoming Chairman K35,000 and Audit and Risk Committee K5,000). No other long-term benefits, post-employment benefits, termination benefits or share based payments are payable to the Directors.

² Short term benefits paid to the Directors comprise of a Base Director fee of K137,000 and Remuneration and Nomination Committee fees of K25,000, (2017- Director K135,000, Audit and Risk Committee K21,000 to 14th November 2017 and Remuneration and Nomination Committee K3,000 from 15th November 2017). No other long-term benefits, post-employment benefits, termination benefits or share based payments are payable to the Directors.

³ Short term benefits paid to Sir Moi Avei comprised of a Base Director fee of K137,000, Audit and Risk Committee fee of K25,000, Remuneration and Nomination Committee fees of K19,000 from 22nd May 2018 and an additional contract for Governmental discussions of K132,000 (2017- Director K135,000, Audit and Risk Committee K21,000 to 14th November 2017, Remuneration and Nomination Committee K3,000 from 15th November 2017 and additional contract fees K111,000). No other long term-benefits, post-employment benefits, termination benefits or share based payments are payable to the Directors.

⁴ Short term benefits paid to the Directors comprise of a Base Director Fee of K137,000 and Audit and Risk Committee fees of K25,000, (2017 Director from 20th October 2017 fee K27,000 and Audit and Risk Committee K5,000). No other long-term benefits, post-employment benefits, termination benefits or share based payments are payable to the Directors.

⁵ Rob Burns retired as Chairman and Managing Director on 21st February 2018. Short term benefits paid as Chairman K46,000 and Audit and Risk Committee fees of K4,000, (2017- Chairman fee K270,000, Audit and Risk Committee K25,000 and K1,010,000 as Managing Director from 1st July 2016). No other long-term benefits, post-employment benefits, termination benefits or share based payments are payable to the Directors.

16. CONTINGENT LIABILITIES AND ASSETS

Bougainville Copper was 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. A deed of release was executed by the two plaintiffs agreeing to the payment of statutory compensation for the 1990 year of operation including interest. The Company has made a provision in its accounts to cover the Landowner compensation. The proceedings in the National Court were concluded when a Notice of Discontinuance was filed and endorsed in the Buka National Court on 9th June 2016 and served on each plaintiff. Compensation payments commenced in February 2017.

A further claim has been made from another mine affected Landowner group. Discussions continue with the Land group to determine the amount, if any, of statutory compensation that may be due. No provision has been made for any liability that may arise from this further claim.

17. MINING TENEMENTS

Under the Mining Act of the Independent State of Papua New Guinea, the Company holds 100 per cent interest in leases: SML1, LMP B9, B6, B8, B7, B2, B10, B3; and prospecting authorities: Exploration Licenses 1, 2, 3, 4, 5, 6, 7A and 7B on Bougainville Island.

During 2014, the Autonomous Bougainville Government (ABG) passed the Bougainville Mining (Transitional Arrangement) Act 2014 (Transitional Act) which was replaced by the Bougainville Mining Act 2015 (The Act) on 1st April 2015. This legislation seeks to challenge the Company's control of the mine assets and may reflect an expropriation of assets for the purpose of the Bougainville Copper Act.

The Act converted the Special Mining Lease held by the Company to an Exploration Licence (EL1) for a period of two years from the date of the Transitional Act. In July 2016 the Company applied to extend the EL1. The ABG commenced the processing of the application in October 2017 and on 16th January 2018 issued a Notice of Refusal to grant the renewal of the application for the following reasons:

1. The required majority consent of the landowners was not evident during the Mining Wardens hearing and shows Bougainville Copper does not have the social licence to operate the mine.
2. The reopening of the Panguna Mine is a divisive issue and has the potential to adversely affect the ABG's preparation for the conduct of the referendum given that it was Bougainville Copper's past operation of Panguna Mine that ignited the Bougainville Crisis which resulted in the loss of about 20,000 lives. Hence, it is in Bougainville's best interest to maintain peace and unity.

The Company commenced legal proceedings in the PNG National Court and was granted leave on 10th April 2018 for a Judicial Review of the renewal application process. A restraining order was granted against the ABG, from giving effect to or relying on the decision to refuse the extension of EL1. So long as the interim restraining order is in place and, until a determination is made on that decision-making process, Bougainville Copper still holds rights over EL1.

Bougainville Copper Limited, while adhering to the requirements of the Bougainville Mining Act 2015, also recognises and maintains the tenements in accordance with the PNG National Legislation and the Bougainville Copper Agreement.

The Directors of the Company continue to take all possible steps to protect and optimise tenure in Bougainville.

18. SEGMENTAL INFORMATION

The Company carried on investment activities during the year. Its assets are primarily cash and equities listed on the Australian Securities Exchange.

19. RELATED PARTY TRANSACTIONS

Transactions with Directors are disclosed in note 15.

The Company acquired 100 per cent of the issued share capital of Bougainville Copper Foundation (BCF) Limited on 24th November 2016. BCF has limited liquid assets and its activities are supported by the parent company a loan account

The following amounts remained outstanding and receivable at the balance date:

	CONSOLIDATED	CONSOLIDATED	PARENT	PARENT
	2018	2017	2018	2017
	K'000	K'000	K'000	K'000
Bougainville Copper Foundation	-	-	1,153	866

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

NOTES TO ACCOUNTS CONTINUED

20. FINANCIAL INSTRUMENTS

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

The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, price and interest rate risks in respect of investment portfolios to determine market risk.

The Company holds the following financial assets and liabilities:

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
Cash and cash equivalents	1,145	2,512	1,133	2,416
Other receivables	1,649	1,465	2,483	2,012
Investments	108,738	131,027	107,636	129,927
Trade payables	(1,421)	(1,418)	(1,408)	(1,418)
Other payables and income tax	(6,953)	(6,953)	(6,953)	(6,953)

(a) Financial risk management

Bougainville Copper'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

Bougainville Copper 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 8.

With all other variables held constant, Bougainville Copper's exposure to this risk is measured by sensitivity analysis, as follows:

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
Investments				
Carrying amount at the balance date	107,636	129,927	107,636	129,927

Change in carrying amount of 'investments' and fair value reserve:

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
Had PNG Kina weakened by 10 per cent against the Australian dollar:				
Increase in carrying amount and fair value reserve by:	11,960	14,436	11,960	14,436
Had PNG Kina appreciated by 10 per cent against the Australian dollar:				
Decrease in carrying amount and fair value reserve by:	9,785	11,812	9,785	11,812

(c) Price risk

A large amount of the Company's assets is held in shares of "Listed Investment Companies" (see note 6) listed on the Australian Securities Exchange. The value of these shares is subject to market conditions and the fluctuation in AUD / PGK exchange rate.

With all other variables held constant, Bougainville Copper's exposure to this risk is measured by sensitivity analysis, as follows:

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
Investments				
Carrying amount at the balance date	107,636	129,927	107,636	129,927

(20. FINANCIAL INSTRUMENTS CONTINUED)

Change in carrying amount of 'investments' and fair value reserve:

	CONSOLIDATED 2018 K'000	CONSOLIDATED 2017 K'000	PARENT 2018 K'000	PARENT 2017 K'000
Had the share price increased by 10 per cent:				
Increased in carrying amount and fair value reserve by:	10,764	12,993	10,764	12,993
Had the share price decreased by 10 per cent:				
Decrease in carrying amount and fair value reserve by:	10,764	12,993	10,764	12,993

(d) Interest rate risk

Bougainville Copper no longer holds 'held to maturity financial assets' at variable rates, which would expose the Company to cash flow interest rate risk.

(e) Credit risk

Bougainville Copper has no significant concentrations of net credit risk. The Company manages the credit risk of cash and cash equivalents held with banks and financial institutions by maintaining deposits with more than one bank or financial institutions. The minimum credit rating for the banks or financial institutions is B+.

(f) Liquidity risk

Bougainville Copper aims to prudently manage liquidity risk by maintaining sufficient cash and other liquid assets or the availability of funding through uncommitted credit facilities. The Company currently has no available credit facilities.

(g) Fair value estimation

Bougainville Copper is not in a position to determine the fair values of its previous mining operations 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.

(h) Capital risk management

Bougainville Copper's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION BOUGAINVILLE COPPER LIMITED

In the Directors' opinion

- (a) the financial statements and notes set out on pages 20 to 39 are in accordance with the PNG Companies Act 1997, including:
- (i) complying with Accounting Standards, the Companies Act 1997 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 31st December 2018 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Sir Melchior P Togolo
Director



Sir Rabbie L Namaliu
Director



Dame Carol A Kidu
Director



Sir Moi Avei
Director



Peter M Graham
Director

Signed on 29th March 2019.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Bougainville Copper Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

OUR QUALIFIED OPINION

We have audited the financial statements of Bougainville Copper Limited (the Company), which comprise the balance sheets as at 31 December 2018, the statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2018 or from time to time during the financial year.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and their financial performance and cash flows for the year then ended.

BASIS FOR QUALIFIED OPINION

Qualification

The Company's subsidiary holds an investment in an unlisted investment fund with a carrying value of K1.1 million at 31 December 2018. Management have not been provided with audited financial statements of the investee at 31 December 2018 and there is currently no active market for the sale of units in the investment fund. As a result, we have been unable to satisfy ourselves as to the valuation of K1.1 million of the investments recognised in the consolidated balance sheet at 31 December 2018.

Our audit

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of taxation and other non-audit services. The provision of these other services has not impaired our independence as auditor of the Company and the Group.

OUR AUDIT APPROACH

An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Company and the Group, their accounting processes and controls and the industries in which they operate.



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MATERIALITY	AUDIT SCOPE	KEY AUDIT MATTERS
<ul style="list-style-type: none"> For the purpose of our audit of the Group we used overall group materiality of K1,021,670 which represents 1% of the Group's net assets. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole. We chose Group net assets because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark. We selected 1% based on our professional judgement noting that it is also within the range of commonly acceptable related thresholds. 	<ul style="list-style-type: none"> We (PwC Papua New Guinea) conducted audit work over all the subsidiaries which comprise the Group consolidation. All subsidiaries of the Group are incorporated and operating in Papua New Guinea and audited by PwC Papua New Guinea. Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the matter referred to in the <i>Basis for qualified opinion</i> section and the following key audit matter to the Audit and Risk Committee: <ul style="list-style-type: none"> Accounting for / disclosure of impact of the implementation of the Bougainville Mining Act 2015. This matter is further described in the <i>Key audit matters</i> section of our report.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matter described below to be a key matter to be communicated in our report.

Further, commentary on the outcomes of the particular audit procedures is made in that context.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY MATTER
<p>Accounting for/ disclosure of impact of the implementation of the Bougainville Mining Act 2015</p> <p><i>(Refer to notes 2(i), 10 and 17 of the financial statements)</i></p> <p>Legislation passed in 2014 and 2015 by the Autonomous Bougainville Government (ABG) has challenged the company's control of the Panguna mine assets.</p> <p>The Special Mining Lease held by the company was converted to an exploration licence. In January 2018 the company's application to renew the exploration licence was refused by the ABG. The company commenced an action in the National Court of Papua New Guinea and was granted leave in April 2018 for a Judicial Review of the renewal application process.</p> <p>These events continue uncertainty around the future of exploration and mining operations at the Panguna mine and surroundings which impacts accounting for mine assets and related disclosures.</p>	<p>Our consideration and testing of the uncertainty of future exploration and mining operations has included:</p> <ul style="list-style-type: none"> Confirming the mine assets remain fully depreciated or impaired, consistent with the accounting treatment in the prior financial year. Reviewing correspondence and information the company has issued and received in relation to assessment of the impact of the relevant legislation, and compliance with the relevant legislation. Reviewing the Director's assessment of the impact of the relevant legislative requirements and ongoing implications. Reviewing the adequacy of financial statement disclosures in relation to the matter.

INDEPENDENT AUDITOR'S REPORT CONTINUED

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible, on behalf of the company, for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2018:

- With the exception of the matter described in the *Basis for qualified opinion* section, we have obtained all the information and explanations that we have required;
- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

WHO WE REPORT TO

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



PricewaterhouseCoopers



Christopher Hansor
Partner

Registered under the Accountants Act 1996
Port Moresby
29 March 2019

CORPORATE INFORMATION

Bougainville Copper Limited

(Incorporated in Papua New Guinea 1-1895)

Registered office:

5th Floor, BSP Haus,
Harbour City, Konedobu,
Port Moresby, Papua New Guinea
Telephone: + (675) 309 2800
Postal Address: P O Box 1274, Port Moresby, Papua New Guinea
Email: info@bcl.com.pg
Facebook: www.facebook.com/BougainvilleCopper
Web site: www.bcl.com.pg

Principal registered office in Australia:

Bougainville Copper Limited
A.R.B.N. 007 497 869
Level 11, 307 Queen Street, Brisbane, QLD 4001
Telephone: + (61) 7 3218 3900
Facsimile: + (61) 7 3218 3901

Share register:

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067 Australia.
Telephone: 1300 805 0505 (in Australia)
+ (61) 3 9415 4000 (outside Australia)
Facsimile: + (61) 3 9743 2500
Postal Address: GPO Box 2975 Melbourne, VIC 3001
E-mail: web.queries@computershare.com.au
Web site: www.computershare.com

Stock exchanges:

Listed with the Australian Securities Exchange Limited (ASX: BOC)

Auditors:

PricewaterhouseCoopers
P O Box 484
Port Moresby, Papua New Guinea

Bankers:

Commonwealth Bank of Australia
Bank South Pacific

Solicitors:

Dentons

TWENTY LARGEST SHAREHOLDERS

The twenty largest shareholders as at 28th March 2019 and the number of shares held by each were:

NAME AND REGISTERED ADDRESS	SHARES	% OF ISSUED SHARES
1. BOUGAINVILLE MINERALS LTD BUKA, AUTONOMOUS REGION OF BOUGAINVILLE, PAPUA NEW GUINEA	146,175,449	36.45
2. THE INDEPENDENT STATE OF PAPUA NEW GUINEA WARDS STRIP, WAIGANI PAPUA NEW GUINEA	76,430,809	19.06
3. EDA MINERALS LIMITED PORT MORESBY, NATIONAL CAPITAL, DISTRICT PAPUA NEW GUINEA	69,744,640	17.39
4. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED MELBOURNE, VICTORIA, AUSTRALIA	59,344,776	14.80
5. CITICORP NOMINEES PTY LIMITED MELBOURNE VICTORIA, AUSTRALIA	6,389,402	1.59
6. NATIONAL NOMINEES LIMITED MELBOURNE, VICTORIA, AUSTRALIA	3,769,877	0.94
7. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED SYDNEY, NEW SOUTH WALES, AUSTRALIA	3,485,732	0.87
8. KLAUS KUETTNER BERLIN, GERMANY	1,151,799	0.29
9. MRS JABINDERJIT KAUR PIARA SINGH KUALA LUMPUR, MALAYSIA	900,000	0.22
10. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED SYDNEY, NEW SOUTH WALES, AUSTRALIA	821,824	0.20
11. BNP PARIBAS NOMS PTY LTD <DRP> SYDNEY, NEW SOUTH WALES, AUSTRALIA	664,737	0.17
12. FRANCISROSE PTY LTD <RASTYS SUPER FUND A/C> SHELL COVE NEW SOUTH WALES, AUSTRALIA	600,000	0.15
13. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> SYDNEY, NEW SOUTH WALES, AUSTRALIA	578,030	0.14
14. NATIONAL NOMINEES LIMITED <DB A/C> MELBOURNE, VICTORIA, AUSTRALIA	566,669	0.14
15. EVEREST ASTROLOGY PTY LTD <EVELYNS S/F A/C> HUONBROOK, NEW SOUTH WALES, AUSTRALIA	566,668	0.14
16. ANLYN'S INVESTMENTS PTY LTD <ANLYNS SUPER FUND A/C> BULLI, NEW SOUTH WALES, AUSTRALIA	566,666	0.14
17. RIMIKA NOMINEES PTY LTD <CHALMERS UNIT ACCOUNT> SYDNEY, NEW SOUTH WALES, AUSTRALIA	533,253	0.13
18. MR GERNOT GUNTHER PROCHASKA + MRS STELLA SING WAH PROCHASKA YEUNG NORTH RYDE, NEW SOUTH WALES, AUSTRALIA	500,000	0.12
19. MR GARRY RAYMOND CHURCHILL <MINTEK CHURCHILL S/F A/C> CLIFTON BEACH, QUEENSLAND, AUSTRALIA	498,389	0.12
20. MR MALCOLM MCCOLL MELBOURNE, VICTORIA, AUSTRALIA	491,720	0.12
	373,780,440	93.18

CORPORATE INFORMATION CONTINUED

DISTRIBUTION OF SHARES

As of 28th March 2019 the issued shares of the Company were 401,062,500 fully paid shares, each carrying one voting right. The number of shareholders was 14,909.

	NUMBER	%
1 - 1,000 shares	12,520	0.60
1,001 - 5,000 shares	1,543	0.93
5,001 - 10,000 shares	355	0.71
10,001 shares and over	385	97.76
Total shareholders	14,803	100.00

There were 13,732 holdings of shares (92.76 per cent) which do not form a marketable parcel.

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

The substantial shareholders were:

The Independent State of Papua New Guinea with 76,430,809 shares held in their own name and 69,744,640 held by Eda Minerals Limited, totaling 36.4 per cent. The Autonomous Bougainville Government holds 146,175,449 shares through Bougainville Minerals Ltd, totaling 36.4 per cent.

APPLICABLE JURISDICTION

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

DISTRIBUTION OF THE BENEFITS

Bougainville Copper Limited year ended 31 st December 2018	2018	K MILLION 1972-2017
PNG Government		
Corporate income tax *	-	541.2
Additional profits tax *	-	72.6
Group tax (PAYE)	1.5	124.8
Customs duty	-	104.1
Miscellaneous	-	14.5
Dividends *	-	167.4
Dividend WHT *	-	97.6
Good and Services tax Refundable or offset	(0.4)	(0.4)
	1.1	1,121.80
North Solomons Provincial Government		
Royalties (95% to NSPG)	-	61.4
Non Renewable Resources Fund	-	1.8
Other taxes	-	12.0
	-	75.2
Landowners		
Royalties (5% to Landowners)	-	3.2
Compensation	0.3	47.5
	0.3	50.7
Non-Government Shareholders		
Dividends net of Dividend WHT*	-	582.1
Employees		
Wages (less PAYE)	1.3	575.9
Total	2.7	2,405.7

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.

NOTES



**BOUGAINVILLE
COPPER LIMITED**

POSTAL ADDRESS

PO Box 1274
Port Moresby, NCD

PORT MORESBY OFFICE

Level 5 BSP Haus
Harbour City, Port Moresby, NCD
Papua New Guinea

CONTACT NUMBER

Telephone: +(675) 309 2800
Facsimile: +(675) 309 2898