



Bougainville Copper Limited

Annual Report 1997

Bougainville Copper Limited

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

THE COMPANY

From 1972 until 1989 Bougainville Copper Limited operated a large open pit mine and processing facility at Panguna on Bougainville Island in the North Solomons Province of Papua New Guinea producing copper concentrate containing significant quantities of gold and silver. On 15 May, 1989 production was brought to a halt by militant activity, and it is not possible to forecast a date for recommencement of operations.

Since inception until cessation of operations on 15 May, 1989 the mine had produced concentrate containing 3 million tonnes of copper, 306 tonnes of gold and 784 tonnes of silver. The production had a value of K5.2 billion which represented approximately 44% of Papua New Guinea's exports through that period. Contributions to the National government in the form of taxes, duties and dividends were approximately 17% of internally generated Papua New Guinea government revenue over that period.

A total of K1 086 million has been contributed to the National government which represents 62% of the net cash generated by the project. In addition, payments to the North Solomons Provincial Government and Panguna landowners, together with provisions made since 1990, amount to K113 million. Further, the company's presence in the North Solomons Province had promoted the development of significant local business enterprises to provide goods and services required for the mining operation and for the residents of the province.

Company training programs for some 12 000 employees, including approximately 1 000 completing full trade apprenticeships and some 400 completing graduate and post graduate studies, had previously resulted in considerable progress in the localisation of the company's employees and also added significantly to the number of skilled workers elsewhere in the country's workforce. At the end of 1997, the company had no employees. The activities of the company are being managed on a contracted services basis by a small team of Rio Tinto Minerals (PNG) Pty Limited staff based in Port Moresby.

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

NOTICE OF MEETING

The Annual General Meeting of Bougainville Copper Limited will be held at 11.00 am on Wednesday, 25 March, 1998 at The Islander Travelodge, Waigani Drive, Port Moresby, Papua New Guinea. A separate Notice of Meeting is enclosed. All shareholders are cordially invited to attend.

DIRECTORS

B. L. Cusack (Chairman)
D. S. Karpin AM
R. B. Moaina CBE
M. A. Moramoro OBE
P. R. Taylor

SECRETARY

P. D. Coleman

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year in brief

- Mine remained closed.
- Access to Panguna mine still not possible.
- Extent of deterioration and destruction of assets still unknown.
- Slow progress on restoration of services to mainland Bougainville.
- Net profit K14 million.

	1997	1996
Concentrate production (tonnes)	-	-
Net sales revenue (K'000)	-	-
Interest earned (K'000)	6 130	9 937
Operating profit (K'000)	1 391	5 680
Earnings per share (toea)	0.35	1.42
Shareholders' funds (K'000)	255 922	254 531
Return on shareholders' funds (per cent)	0.5	2.2
Depreciation and amortisation (K'000)	-	-
Government royalties and taxation (K'000)	-	-
Number of employees at 31 December	-	-

chairman's statement

Of particular interest to the company is the encouraging move towards peace on Bougainville. Meetings in Burnham, New Zealand, have resulted in the signing of the "Burnham Truce" and the "Burnham Declaration" followed by the deployment on Bougainville of a multi-national "Truce Monitoring Group" (TMG). The recent talks held at Lincoln University, Christchurch, New Zealand, which were attended by the Prime Ministers of both Papua New Guinea and Solomon Islands, with a large delegation from all parties, have also provided hope that sustainable peace is possible. The TMG comprises unarmed military personnel from Australia, New Zealand, Vanuatu and Fiji. The New Zealand and Australian governments have pledged to continue financial and other support to maintain the momentum of the peace initiatives.

Notwithstanding the welcome and encouraging prognosis for peace on Bougainville and the company's commitment to the peace process, we remain cautious about an early return to Panguna. The first and paramount issue is a sustainable peace settlement. The company does not want to jeopardise the current peace initiatives by prematurely raising questions concerning the future of the Panguna mine. It is recognised that any return to production at Panguna will require agreement between the company and other stakeholders on the terms under which mining can be carried out.

In 1991 the company created a general provision of K350 million to cover the unknown reduction in the value of its non cash assets. This was necessitated by the inability of company representatives to access the assets to value them. Although

access is now available to some company infrastructure on Bougainville the Panguna area is still unavailable so a comprehensive revaluation of assets is still not possible. It is anticipated however there will be considerably more deterioration to equipment than was evident when the 1991 K350 million provision was made.

Since last year the prices for copper and gold have weakened considerably. We are currently updating studies based on various price and investment assumptions to assess the conditions necessary for economic mining. However without a full evaluation of the condition of the mine, equipment and associated infrastructure, it is not possible to forecast whether mining is feasible.

Twelve months ago the then Prime Minister, Sir Julius Chan, announced the appointment of a Judicial Committee of Inquiry presided over by Mr. Justice Andrews to inquire into what has become known as the "Sandline Affair". The company was not called to give evidence at the inquiry nor did Mr. Justice Andrews' published report make any finding that BCL or its major shareholder were in any way involved in arrangements with Sandline International. Indeed Mr. Justice Andrews found at paragraph 442 that "In relation to CRA/RTZ it should be said that their only involvement in all the matters raised in the enquiry is that they were approached to sell their shares in BCL."

A second Commission of inquiry headed by Mr. Justice Los was established following the election of a new PNG Government. That inquiry has not yet concluded.

The company recorded a profit of K14 million for the year. The profit is attributed to interest income. The relatively low interest rates during the year compared to the previous year explain why this year's profit is down on that of last year.

During the year Dr. Ian Gould resigned as a director and chairman of the company. The board of the company appointed me to replace Dr. Gould both as a director and chairman from August.

The end of 1997 saw the retirement of one of the company's longest serving directors, Mr. Peter Henderson. Mr. Henderson joined the board of the company in 1986. On behalf of Bougainville Copper Limited I would like to thank Mr. Henderson for his long and valuable contribution to the company and wish him well in his retirement.



B. L. Cusack
Chairman
28 January, 1998

the year in review

ADMINISTRATION:

The Chairman's Statement reviews the current Bougainville peace initiatives and the prospects for a company return to Bougainville.

The peace initiatives have already impacted on the company in terms of the level of administrative support required. The gradual return of services to Bougainville has increased commercial interest in a number of the company's facilities in and around Arawa and Loloho owned or controlled by the company. This increased activity coupled with the mine studies foreshadowed in the Chairman's Statement may require an increase in administrative support in the coming year.

Rio Tinto Minerals (PNG) Pty Limited (RTM) as agent for Rio Tinto Services Limited manages the day to day activities of the company under a service agreement first entered into in 1976. The original agreement envisaged an operating mine and in some respects is inappropriate under current circumstances. To accommodate the current circumstances the company and Rio Tinto Services Limited have entered into a variation agreement which provides that services will be provided on the basis of reimbursement of actual costs incurred.

A large volume of technical and commercial data was shipped from Bougainville when the company left the island. During the year that data has been assessed and catalogued so as to be easily and quickly accessed. The completion of this project should greatly assist the company to react quickly in a situation where its historical records are needed.

Currently the company has no employees, relying on RTM staff and contractors for necessary services.

FINANCE AND ASSETS:

The company is debt free and maintains no credit facilities. Its interest earnings on cash investment during the year were sufficient to meet its recurrent expenditure.

Cash reserves at year end were K63 million. In addition K18.6 million is held in a reserve account as a contingency for landowner compensation that may ultimately be required. These reserve amounts are reported separately in the accounts.

The company's main undertaking remains the Panguna mine and associated infrastructure. The current condition of the majority of these assets is unknown. In 1991 the decision was taken to make a general provision of K350 million to allow for future write-down of the value of these assets when their true value can be ascertained. This provision has not been increased since 1991 nor has depreciation been charged. These factors should be taken into account when reading the accounts and are more fully explained in notes 1(a). Safe access to company assets at Panguna is still not possible and the directors consider the current circumstances do not permit a more meaningful valuation of assets than that adopted last year.

The board took the decision during the year to dispose of a quantity of consumable goods held in storage in Brisbane and that part of a crushing unit stored outside Bougainville. The historical cost of storing these items, some of which had no commercial value due to deterioration, in most cases

exceeded their value. An amount of K0.5 million was realised.

ORE RESERVES:

No exploration or other work took place on ore reserve estimates during the year. The recoverable proved ore reserves therefore remain unchanged from the 1989 estimate of 496 million tonnes of average grade 0.42% copper and 0.55 grams per tonne gold.

An additional 520 million tonnes of 0.22% copper and 0.18 grams per tonne gold is recoverable and upgradable by screening. This will yield an additional 195 million tonnes mill feed averaging 0.34% copper and 0.28 grams per tonne gold.

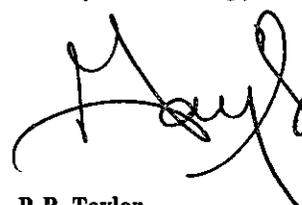
The total mineable mill feed is estimated at 691 million tonnes averaging 0.40% copper and 0.47 grams per tonne gold.

MARKETING:

Historically the company has found a ready market for its concentrate product. The company maintains contact with former customers and potential future customers. Studies planned for the coming year will include an assessment of the market for copper/gold concentrates and the prevailing commercial terms for smelting and refining.

COMING YEAR:

The Bougainville peace process is encouraging for the company and it anticipates a much greater level of activity in the coming year.



P. R. Taylor
Executive Director
28 January, 1998

directors' report

The directors of Bougainville Copper Limited present their report on the audited financial statements of the company for the year ended 31 December, 1997.

REVIEW:

The Panguna mine has not operated since 15 May, 1989 due to the crisis on Bougainville and the activities of armed militants, and it has not been possible for company employees to return to the mine since their withdrawal early in 1990.

Following withdrawal of employees from the island, a small management team was established in Port Moresby. This team has now been incorporated into Rio Tinto Minerals (PNG) Pty Limited (RTM), a wholly owned subsidiary of Rio Tinto Limited. The company has a service agreement with RTM.

Restoration of services is continuing in all areas of Bougainville other than the area centred on Panguna. It is not possible to estimate when these services will extend to the whole island.

Subject to economic viability, the company remains committed to re-opening the mine when conditions on the island permit it to do so, but the longer the mine remains inoperable, the greater will be the cost of restoration and resumption of operations. The company is watching developments closely.

DIRECTORS:

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

B. L. Cusack (Chairman)

Age 55 B Eng (Hons) M Eng Sci (Hons)

Extensive experience within the Rio Tinto Group since 1966 including Managing Director of Dampier Salt, Hismelt and Hamersley Iron. Currently Managing Director of Rio Tinto Australia. Appointed director of Bougainville Copper Limited August 1997.

D. S. Karpin AM Age 55 B Com (Hons) MBA
Twenty-two years with CRA Group including BCL and Hamersley Iron. Managing Director of Argyle Diamond Mines from 1986 until

appointed CRA Group Executive responsible for Economic Resources in October, 1992.

Retired CRA Limited 1996.

Chairman of Australian Government's Industry Task Force on Leadership and Management Skills. Appointed director of Bougainville Copper Limited November, 1995.

R. B. Moaina CBE Age 48 BSc

Chief Government Geologist, Geological Survey Division, PNG Department of Minerals and Energy from February, 1986 until appointed Secretary in November, 1993.

Extensive experience in government administration of the mineral and petroleum industry. Appointed director of Bougainville Copper Limited February, 1988.

M. A. Moramoro OBE Age 45 B Com MSc

Former Vice Chancellor, PNG University of Technology 1983-90. Joined CRA Minerals (PNG) Pty Limited 1990 - General Manager Corporate Relations. Appointed Executive Director January, 1993 and Managing Director January, 1995. Resigned from Rio Tinto Minerals (PNG) Pty Limited April 1997 to join Chevron Niugini Pty Limited. Appointed director of Bougainville Copper Limited April, 1993.

P. R. Taylor Age 51 BA BSc LLB LLM

Currently Executive Director Rio Tinto Minerals (PNG) Pty Limited. Formerly General Manager Commercial CRA Exploration Pty Limited, CRA Projects and Corporate Counsel CRA Services Limited. Appointed director of Bougainville Copper Limited April, 1997.

ACTIVITIES:

Bougainville Copper Limited has produced copper concentrate containing gold and silver from a mine at Panguna, Bougainville, Papua New Guinea, from 1972 until operations were suspended due to militant activity in May, 1989. The company has no subsidiaries. The company has effectively been inactive in 1997.

NET EARNINGS:

The net profit of Bougainville Copper Limited for 1997 was K1 390 977.

TAXATION:

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

SHARE CAPITAL:

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

LONG TERM LOANS:

The company has no loans and no lines of credit are in place.

DIVIDENDS:

No dividends have been declared in respect of 1997.

MEETINGS OF DIRECTORS:

There were five full meetings of the company's directors held during the year ended 31 December, 1997, and the numbers of meetings attended by each director were:

B. L. Cusack (appointed 29/8/97)	1
D. S. Karpin	5
I. G. Gould (appointed 29/4/97 resigned 28/8/97)	1
G. J. Bujtor (resigned 10/2/97)	1
J. J. Craig (resigned 29/4/97)	2
P. G. F. Henderson (resigned 31/12/97)	5
J. C. A. Leslie (resigned 29/4/97)	2
R. B. Moaina	2
M. A. Moramoro	5
P. R. Taylor (appointed 29/4/97)	2

DIRECTORS' INTERESTS:

Directors' interests in the share capital of the company and its related companies as at 28 January, 1998 were:

B. L. Cusack	150 BCL shares 6 235 Rio Tinto Limited shares
D. S. Karpin	1 398 Rio Tinto Limited shares 417 Rio Tinto plc shares
R. B. Moaina	No interests
M. A. Moramoro	No interests
P. R. Taylor	8 600 Rio Tinto Limited shares

THE YEAR IN REVIEW:

The company has not operated during the year and a review of 1997 activities is set out in the section entitled "The Year in Review", in this annual report (page 4).

AUDITORS:

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

STATUTORY INFORMATION:

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

1. In their opinion, the results of the company's operations for the year have been materially affected by items of an abnormal character referred to in "The Year in Review" on page 4 in this annual report and in note 1. (a) to the accounts.

2. The directors are of the opinion that the net current assets would realise at least the value at which they are shown in the accounts.

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

4. No contingent liabilities have arisen since the balance date of the accounts, 31 December, 1997 until the date of this report, 28 January, 1998.

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

ADDITIONAL INFORMATION:

The directors also state that:

1. There were no significant changes in the state of affairs of the company during the year as set out in this annual report.

2. The results of the operations of the company during the financial year have been, in the opinion of the directors, substantially

affected by events of a material and unusual nature as contained in this report, and as set out in the notes to the accounts.

3. Except as reported in this annual report, there were no matters or circumstances which have arisen since the end of the financial year and which significantly affected or may significantly affect:

- (i) the operations of the company
- (ii) the results of those operations or
- (iii) the state of affairs of the company in the financial year subsequent to 31 December, 1997.

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

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

6. While the company remains inactive the directors do not believe it necessary to have an audit committee of the Board of Directors.

7. In the exercise of their duties as your directors, the Bougainville Copper Board is committed to observing the highest standards of corporate governance and ethical standards. The Board has the responsibility to set the strategic direction of the company, review the financial performance, monitor achievement against objectives, review the financial performance, monitor achievement against objectives, review the management of business risk and report to the shareholders.

8. There are currently two directors who are full-time employees of the Rio Tinto Group and three independent non-executive directors (one of whom is the Papua New Guinea government's representative). The Board seeks to maintain an appropriate blend of qualifications, skills and experience of directors commensurate with the size and

activities of the company. The Board elects the Managing Director whilst one-third of all other directors, in accordance with the company's Articles of Association, retire at every annual general meeting, and may be eligible for re-election. The Chairman has the responsibility for overseeing the nomination of all directors and for the review of the Board's membership, in conjunction with all the Board members.

9. The directors shall be paid out of funds of the company by way of remuneration for their services as directors such sum (not exceeding K100,000 in total per annum) as the directors may from time to time determine.

10. The company is committed to the management of risks to protect the environment, company assets, earnings and reputation.

11. In exercising their duties as directors, the Board and individual members of it can seek independent professional advice at the company's expense. Requests for the provision of such advice are directed to the Chairman.

12. The company follows a continuous disclosure policy, making announcements to the Australian Stock Exchange when it becomes aware of information which might materially affect the price of its shares.

Signed this 28th day of January, 1998
in accordance with a resolution of the directors of Bougainville Copper Limited.



B. L. Cusack Chairman



M. A. Moramoro Director

statement of cash flows

Bougainville Copper Limited
year ended 31 December, 1997

	1997 K'000	1996 K'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	(4 824)	(4 863)
Interest received	5 991	9 534
Other income	-	711
Income tax paid	(2 329)	-
Net operating cash flows	(1 162)	5 382
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	20	111
Net investing cash flows	20	111
NET INCREASE/(DECREASE) IN CASH HELD		
Net cash flow	(1 142)	5 493
Cash at beginning of year	64 078	58 559
Effect of exchange rate changes on cash held	45	26
Cash at end of year	62 981	64 078

All amounts are expressed in Papua New Guinea kina.

Rounding to the nearest thousand kina has been adopted.

The notes commencing on page 10 form part of these accounts
and are to be read in conjunction with them.

statement of earnings

Bougainville Copper Limited
year ended 31 December, 1997

	Notes	1997 K'000	1996 K'000
INCOME			
Interest.....		6 130	9 937
Other Income.....		-	711
Net exchange gain.....	4	45	26
		6 175	10 674
COST AND EXPENSES			
General and administration expenses.....		(4 784)	(4 994)
OPERATING PROFIT.....			
	2	1 391	5 680
Income tax.....	3	-	-
OPERATING PROFIT AFTER TAX.....			
		1 391	5 680
Retained losses brought forward.....		(177 808)	(183 488)
RETAINED LOSSES CARRIED FORWARD.....			
		(176 417)	(177 808)

All amounts are expressed in Papua New Guinea kina.

Rounding to the nearest thousand kina has been adopted.

The notes commencing on page 10 form part of these accounts
and are to be read in conjunction with them.

balance sheet

Bougainville Copper Limited
at 31 December, 1997

	Notes	1997 K'000	1996 K'000
FUNDS EMPLOYED:			
SHAREHOLDERS' FUNDS			
Paid up capital	10	401 063	401 063
Asset revaluation reserve	8	31 276	31 276
Retained losses		(176 417)	(177 808)
		255 922	254 531
NON-CURRENT LIABILITIES			
Income tax	3	6 759	6 759
CURRENT LIABILITIES			
Creditors	6	25 137	22 395
Income tax		-	2 329
		25 137	24 724
TOTAL FUNDS		287 818	286 014
THESE FUNDS ARE REPRESENTED BY:			
NON-CURRENT ASSETS			
Mine assets	7	200 069	200 571
CURRENT ASSETS			
Bank balances and short term deposits		62 981	64 078
Other debtors	9	24 768	21 365
		87 749	85 443
TOTAL ASSETS		287 818	286 014

Details of contingent liabilities and assets are shown in note 12.

All amounts are expressed in Papua New Guinea kina.

Rounding to the nearest thousand kina has been adopted.

The notes commencing on page 10 form part of these accounts
and are to be read in conjunction with them.

notes to accounts

These notes form part of the 1997 accounts of Bougainville Copper Limited and should be read in conjunction with them.

1. (a) BASIS OF PREPARATION

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

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

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

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

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

Considerable future funding would be required to recommence operations, principally for the recruitment and training of the work-force, restoration of facilities, recommissioning or replacement of assets and re-establishment of working capital.

Expenditures would be brought to account when incurred, in accordance with generally accepted accounting principles. Some would be capitalised, but a significant proportion would be treated as expense. The source of this funding would be addressed at the appropriate time.

The directors note that the economic viability of resumed operations would depend upon a number of factors which they cannot accurately predict, including the cost of recommissioning, likely future operating costs, government and community requirements, funding arrangements, the market and economic outlook at the time. However, subject to the economic viability, the directors intend that, when conditions on Bougainville permit, the company will resume and continue operations. It is not possible at present to determine when this might be achieved or the degree of damage and deterioration to assets which might have occurred during the period of suspension of operations.

1. (b) ACCOUNTING POLICIES

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

The policies generally comply with Australian Accounting Standards and conform in all material respects with the International Accounting Standards which have been adopted in Papua New Guinea. They are consistent with those adopted in the previous period unless otherwise stated.

COST CONVENTION:

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

DEPRECIATION AND AMORTISATION:

During normal production operations, depreciation and amortisation are determined by dividing the written down value of assets by their remaining useful life or the estimated remaining life of the mine whichever is the less. Depreciation commences in the month following commissioning ready for use. However in 1991 no allowance for normal depreciation was included; rather, a general provision of K350 million was made for deterioration, damage or pilferage of assets although the accuracy of that provision cannot be proved, because the lack of access to the mine prevents a detailed assessment of the nature or extent of those losses. No depreciation charge or increase to the general provision has been made since 1991. The directors consider that any further review of the general provision at this time would be completely arbitrary because of the continuing lack of access to the mine.

EMPLOYEE ENTITLEMENTS:

During normal operations the amounts expected to be paid to employees for their pro-rata entitlements to long service, annual leave and sick leave, are accrued annually at current pay rates.

EXPLORATION, RESEARCH AND DEVELOPMENT EXPENDITURE:

Expenditure on exploration within the mining lease and on research and development is normally written off or provided for as incurred. No expenditure was incurred in 1997. Exploration has not been undertaken outside the mining lease.

REPAIRS AND MAINTENANCE:

Expenditure on repairs and maintenance during normal production is charged against income as incurred.

VALUATION OF STOCKS AND STORES:

During normal production operations stores are valued at weighted average cost, excluding transportation costs, less a provision for obsolete stores, while concentrate stocks are valued at the lower of direct production costs or net realisable value. Cost includes direct materials, services and overheads, but excludes depreciation and indirect overheads. In 1991 due to the uncertainty of the condition and value of stores, the remaining book value of K10 million was grouped with non-current mine assets against which a general provision of K350 million was made as referred to in note 1. (a).

NET SALES REVENUE:

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

TAXATION:

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

FOREIGN CURRENCY:

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

Bougainville Copper Limited	1997	1996
year ended 31 December, 1997	K'000	K'000

2. EARNINGS BEFORE TAXATION

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

Income:

Interest on short term deposits.....	6 130	9 937
Net exchange gain.....	45	26
Other income.....	-	711

Expenses:

Provision for doubtful debts in respect of other debtors.....	377	343
Directors' emoluments (Note 11).....	89	12
Auditors' remuneration - auditing the accounts.....	9	8
- other services.....	17	2

(The auditors have received no other benefits)

Bougainville Copper Limited	1997	1996
year ended 31 December, 1997	K'000	K'000

3. TAXATION

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

Operating profit before taxation.....	1 391	5 680
Prima facie income tax @ 35%.....	487	1 988
Non-taxable interest.....	(487)	(1 988)
Income tax expense.....	-	-

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

(c) Future income tax benefits relating to tax losses not brought to account total K129 902 000 (1996 K129 902 000). This benefit for tax losses will only be obtained if:

- (i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

4. EXCHANGE FLUCTUATION

(a) The net exchange gain reflected in earnings arose from:

Overseas cash balances.....	45	26
Net exchange gain.....	45	26

(b) Foreign currency amounts included in current assets and current liabilities that are not effectively hedged are:

Current assets: kina equivalent of US dollars.....	640	822
kina equivalent of Australian dollars.....	9	321
Current liabilities: kina equivalent of US dollars.....	-	-
kina equivalent of Australian dollars.....	102	31

No foreign currency amounts are included in non-current assets and non-current liabilities.

5. LOANS

No long term loan facilities are in place.

6. CREDITORS

Landowners' compensation.....	18 609	15 845
Trade creditors.....	6 471	6 493
Other creditors.....	26	26
Related corporations.....	31	31
	25 137	22 395

Landowners' compensation for which the company may be liable is transferred each quarter into a separate interest bearing bank account and shown in the accounts of the company with an offset amount in Other Debtors (note 9).

Bougainville Copper Limited	1997	1996
year ended 31 December, 1997	K'000	K'000

7. MINE ASSETS

(a) Mine development and buildings.		
- at directors' 1980 valuation.....	292 165	292 165
Less accumulated depreciation.....	159 721	159 721
	<u>132 444</u>	<u>132 444</u>
- at cost.....	102 988	102 988
Less accumulated depreciation.....	38 664	38 664
	<u>64 324</u>	<u>64 324</u>
Net mine development and buildings.....	<u>196 768</u>	<u>196 768</u>
(b) Plant, machinery & equipment		
- at directors' 1980 valuation.....	245 177	245 177
Less accumulated depreciation.....	148 866	148 866
	<u>96 311</u>	<u>96 311</u>
- at cost.....	304 480	304 480
Less accumulated depreciation.....	104 703	104 703
	<u>199 777</u>	<u>199 777</u>
Net plant, machinery & equipment.....	<u>296 088</u>	<u>296 088</u>
(c) Mine Property		
- at cost.....	62 121	62 121
Less accumulated amortisation.....	46 204	46 204
Net mine property.....	<u>15 917</u>	<u>15 917</u>
(d) Capitalised works in progress		
- at cost.....	31 293	31 795
Total property, plant & equipment		
- at cost or valuation.....	1 038 224	1 038 726
Less accumulated depreciation/amortisation.....	498 158	498 158
Net book value.....	<u>540 066</u>	<u>540 568</u>
Stores.....	10 003	10 003
Total mine assets.....	<u>550 069</u>	<u>550 571</u>
Less general provision for deterioration, damage and pilferage since the withdrawal of company personnel.....	350 000	350 000
Net book value.....	<u>200 069</u>	<u>200 571</u>

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

8. ASSET REVALUATION RESERVE

Asset Revaluation Reserve.....	31 276	31 276
--------------------------------	--------	--------

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

9. OTHER DEBTORS

Landowners' compensation on interest bearing deposit.....	18 609	15 845
Other debtors.....	8 476	7 459
Provision for doubtful debts.....	(2 317)	(1 939)
	<u>24 768</u>	<u>21 365</u>

Landowners' compensation for which the company may be liable is transferred each quarter into a separate interest bearing bank account and shown in the accounts of the company with an offset amount in Creditors (note 6).

10. CAPITAL

The authorised capital of K425 000 000 consists of 425 000 000 ordinary shares of one kina each. The issued capital of the company is 401 062 500 ordinary shares of one kina each, fully paid. No change in authorised or issued capital occurred during 1997.

11. DIRECTORS' EMOLUMENTS

The total of the emoluments received, or due and receivable (whether from the company or from related parties) by:	1997		1996	
	Company K'000	Related Corporation K'000	Company K'000	Related Corporation K'000
(a) Directors of the company engaged in the full-time employment of the company or its related parties (including all bonuses and commissions received or receivable by them as employees), was	-	1 299	-	3 570
(b) Directors of the company not engaged in the full-time employment of the company or its related parties.	89	-	12	-

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

12. CONTINGENT LIABILITIES AND ASSETS

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

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

As at 31 December 1997, there did not exist any contingent liabilities for termination benefits under service agreements with directors or persons who take part in the management of the company.

13. MINING TENEMENTS

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

14. HOLDING COMPANY

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

15. SEGMENTAL INFORMATION

The company did not trade during the year. Its only assets represent the Panguna mine and associated facilities on Bougainville Island, Papua New Guinea and limited plant and equipment in storage in Australia and United States of America.

16. RELATED PARTY TRANSACTIONS

Transactions with directors are disclosed in note 11.

In 1997 the company paid fees of K60 700 (1996 K54 033) to Rio Tinto Financial Services Limited for managing investment funds and K970 430 (1996 K832 443) to Rio Tinto Minerals (PNG) Pty Limited for the provision of office space, staff and related services.

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

17. FINANCIAL INSTRUMENTS

(a) Foreign Exchange

The Company undertakes transactions in foreign currencies from time to time and holds bank balances denominated in foreign currencies. Exposures to foreign currency fluctuations arise from these activities. Details of exchange fluctuations and foreign currency amounts are shown in note 4.

(b) Credit Risk

There are no significant concentrations of net credit risk.

(c) Fair Values

The Company is not in a position to determine the fair values of its receivables and payables due to the significant uncertainties arising from the closure of the mine.

declarations

STATEMENT BY DIRECTORS

The accounts of the company have been prepared using the basis of valuation described in note 1 to the accounts. The directors believe that in the absence of reliable information and the lack of a more suitable alternative, this is the only appropriate basis to use, despite the current cessation of operations. The general provision made in 1991 may eventually prove to be above or below the sum which is necessary to reflect the actual loss in value, which will have occurred. For these reasons the directors are unable to determine if the carrying value of the assets included in the accounts is properly stated.

Accordingly, the directors are unable to form an opinion whether or not the accompanying statement of earnings and statement of cash flows give a true and fair view of the results of the business of the company for the period covered by the statements or that the accompanying balance sheet exhibits a true and fair view of the state of affairs of the company at the end of that period.

B. L. CUSACK
Chairman
M. A. MORAMORO
Director
Port Moresby
28 January, 1998

DECLARATION BY SECRETARY

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

P. D. COLEMAN
Secretary
V. Ani
Commissioner for Oaths
28 January, 1998

AUDITORS' REPORT TO THE MEMBERS OF BOUGAINVILLE COPPER LIMITED

Scope

1. We have audited the financial statements of Bougainville Copper Limited for the financial year ended 31 December, 1997 as set out on pages 7 to 15. The company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

2. Our audit has been conducted in accordance with International Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards adopted for use in Papua New Guinea and Papua New Guinea statutory requirements so as to present a view which is consistent with our understanding of the company's financial position and the results of its operations.

3. The audit opinion expressed in this report has been formed on the above basis.

Qualified Audit Opinion

4. These accounts have been prepared with the inclusion of the company's assets at their 1 January, 1991 book value, with a separate general provision of K350 million having been made in 1991 for the value of the indeterminate level of deterioration, damage and pilferage of assets which is expected to have occurred in the period since the withdrawal of company personnel from Bougainville in early 1990. As explained in note 1. (a) to the accounts, it is not possible, at present, to determine when the company will resume operations at the Panguna mine on Bougainville Island, or to measure or estimate reliably the extent of deterioration, damage and pilferage of assets.

5. While the directors have made this provision in good faith based on the limited information available to them, it must be recognised that the actual extent of the necessary write-downs can only be established when access to the mine site by appropriate company personnel is again possible.

6. In our opinion, providing for the probable loss from deterioration, damage or pilferage is the appropriate accounting treatment for the actual losses which will have occurred in the period to 31 December, 1997. However, as the actual extent of such losses can only be established after the company regains access to the mine site, we recognise that, at present, those losses are not capable of reliable measurement or estimation, either by directors or by us. Accordingly the provision made by directors in 1991 may eventually prove to be above or below the sum which is necessary to reflect these losses.

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

8. In the absence of all the necessary information and explanations we require, (because both we and the directors have been unable to obtain access to Bougainville Island) and for the reasons set out above, we are unable to form an opinion as to whether or not the provision against the net book value of mine assets of K350 million is adequate or not. Accordingly we are unable to form an opinion as to whether or not the carrying value of the mine assets, as disclosed in these accounts, is properly stated.

9. These assets which represent 70% of the book value of total assets and 78% of the book value of net tangible assets are of fundamental importance to the presentation of the accounts. In view of the uncertainty over the quantum of the general provision that has been made against these assets, as set out above, we are unable to form an opinion as to whether or not the accounts give a true and fair view of the state of affairs of the company as at 31 December, 1997 and the results for the year ended on that date.

10. In our opinion, except that the records of mine assets may not be a reflection of the existence and value of those assets on Bougainville Island, the remaining accounting and other records, including registers, examined by us have been properly kept in accordance with the Companies Act (Chapter 146).

COOPERS & LYBRAND
by S. C. Beach
Registered under the Accountants Registration Act (Chapter 89)
Port Moresby,
28 January, 1998.

corporate information

BOUGAINVILLE COPPER LIMITED

(Incorporated in Papua New Guinea)

Registered Office:

6th Floor, Pacific Place,
Cnr Champion Parade and Musgrave Street,
Port Moresby
Papua New Guinea
Telephone: 3212044
Facsimile: 3213634

Principal Registered Office in Australia:

Bougainville Copper Limited
A.R.B.N. 007 497 869
Level 33, 55 Collins Street, Melbourne, Vic. 3000.
Telephone: (03) 9283 3333
Facsimile: (03) 9283 3707

Share Registers:

c/o Corporate Registry Services Pty Ltd
Level 12, 565 Bourke Street, Melbourne, Vic. 3000.
Telephone: (03) 9250 0250
Facsimile: (03) 9250 0200

Postal Address:

GPO Box 2975EE Melbourne, Vic. 3001

A.C.T.: c/o KPMG

80 Northbourne Avenue,
Canberra City 2601, A.C.T.

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

Stock Exchanges:

Listed with the Australian Stock Exchange Limited

Anditors:

Coopers & Lybrand

Bankers:

Commonwealth Bank of Australia
Papua New Guinea Banking Corporation

Solicitors:

Arthur Robinson & Hedderwicks
Gadens Ridgeway

TWENTY LARGEST SHAREHOLDERS

The twenty largest shareholders as at 28 January, 1998 and the number of shares held by each were:

Name and Registered Address	Shares	% of Issued Shares
1 Rio Tinto Limited Melbourne Vic	214 887 966	53.58
2 The Independent State of Papua New Guinea	76 430 809	19.06
3 Citicorp Nominees Pty Limited Melbourne Vic	23 997 245	5.98
4 ANZ Nominees Limited Melbourne Vic	22 941 365	5.72
5 Westpac Custodian Nominees Limited Sydney NSW	8 563 746	2.14
6 Chase Manhattan Nominees Limited Sydney NSW	7 194 829	1.79
7 Westpac Custodian Nominees Ltd Sydney NSW	4 431 550	1.10
8 National Nominees Limited Melbourne Vic	4 294 398	1.07
9 Bougainville Copper Foundation Port Moresby PNG	3 600 000	0.90
10 State Services & Statutory Authorities Superannuation Fund Board Port Moresby PNG	2 561 500	0.64
11 James West Auckland NZ	1 151 630	0.29
12 Ayersland Pty Ltd North Ryde NSW	1 019 728	0.25
13 Carstock Nominees Pty Ltd Melbourne Vic	850 000	0.21
14 Franz Heinrich Rast Bulli NSW	612 986	0.15
15 MLC Life Limited North Sydney NSW	598 883	0.15
16 Ronald James Kelly Broadbeach Qld	500 000	0.12
17 Annetle Rose Payne Dean Park NSW	400 000	0.10
18 HKBA Nominees Limited Sydney NSW	396 500	0.10
19 Merrill Lynch (Australia) Nominees Pty Limited Sydney NSW	360 038	0.09
20 Victorian Superannuation Board Melbourne Vic	313 400	0.08
	<u>376 106 573</u>	<u>93.52</u>

DISTRIBUTION OF SHARES

As at 28 January, 1998: The issued shares of the company were 401 062 500 fully paid one kina shares, each carrying one voting right. The number of shareholders was 18 182.

The distribution of holdings of the issued shares was:

	Number of Shares	%
1- 1 000 shares	14 816	81.49
1 001- 5 000 shares	2 509	13.80
5 001- 10 000 shares	472	2.60
10 001 - shares and over	385	2.11
Total shareholders	<u>18 182</u>	<u>100.00</u>

There were 14 443 holdings of shares (79.44%) numbering less than 1000 shares which do not form a marketable parcel.

93.52% of the total issued shares were held by or on behalf of the largest 20 shareholders.

The substantial shareholders were:

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

APPLICABLE JURISDICTION

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

DIRECTORS' INTERESTS

Directors' interests in the share capital of the company and its related companies as at 28 January, 1998 were:

B. L. Cusack	150 BCL shares 6 235 Rio Tinto Limited shares
D. S. Karpin	1 398 Rio Tinto Limited shares 417 Rio Tinto plc shares
R. B. Moaina	No interests
M. A. Moramoro	No interests
P. R. Taylor	8 600 Rio Tinto Limited shares

statistical summary

FINANCIAL	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Earnings (K million)										
Net sales revenue and other income*****	6.1	10.7	5.5	2.2	1.7	2.2	3.3	80.2	231.6	493.4
Operating and other expenses****	4.8	5.0	4.9	3.6	4.1	5.1	316.6	36.8	181.7	244.8
Depreciation*****	-	-	-	-	-	-	-	51.5	47.3	43.9
Earnings/(loss) before taxation and exchange gains	1.4	5.7	0.6	(1.4)	(2.4)	(2.9)	(313.3)	(8.1)	2.6	204.7
Exchange gains/(losses)	-	-	6.6	9.2	(0.3)	1.5	0.1	(0.5)	2.5	(2.9)
Earnings/(loss) before taxation	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)	(8.6)	5.1	201.8
Income tax	-	-	-	-	-	-	-	6.0	25.7	70.0
Additional profits tax	-	-	-	-	-	-	-	-	-	23.2
Net earnings/(loss)	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)	(14.6)	(20.6)	108.6
Dividends	-	-	-	-	-	-	-	-	-	108.3
Earnings/(losses) retained	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)	(14.6)	(20.6)	0.3
Balance sheet (K million)										
Property, plant and equipment	200.1	200.6	200.7	200.7	200.8	201.4	201.5	545.9	595.8	570.0
Investments and loans	-	-	-	-	-	-	-	-	-	2.2
Current assets	87.7	85.4	76.0	65.6	56.2	56.8	56.5	64.7	59.5	250.1
Total assets	287.8	286.0	276.7	266.3	257.0	258.2	258.0	610.6	655.3	822.3
Shareholders' funds	255.9	254.5	248.8	241.6	233.8	236.4	237.9	551.1	565.6	586.2
Exchange fluctuation	-	-	-	-	-	-	-	-	-	0.2
Long term liabilities	6.8	6.8	6.8	6.8	6.8	6.8	6.8	47.7	46.9	23.7
Current liabilities	25.1	24.7	21.1	17.9	16.4	15.0	13.3	11.8	42.8	212.2
Funds employed	287.8	286.0	276.7	266.3	257.0	258.2	258.0	610.6	655.3	822.3
PRODUCTION/SALES										
Mined										
Ore and waste removed (millions of tonnes)	-	-	-	-	-	-	-	-	33.27	89.78
Ore milled (millions of tonnes)	-	-	-	-	-	-	-	-	18.52	47.69
Ore grade										
Copper (per cent)	-	-	-	-	-	-	-	-	0.44	0.41
Gold (grams/tonne)	-	-	-	-	-	-	-	-	0.50	0.41
Produced										
Concentrate (thousands of dry tonnes)	-	-	-	-	-	-	-	-	224.6	552.0
Contained copper (thousands of dry tonnes)	-	-	-	-	-	-	-	-	68.7	166.0
Concentrate grade										
Copper (per cent)	-	-	-	-	-	-	-	-	30.1	30.1
Gold (grams/tonne)	-	-	-	-	-	-	-	-	31.0	25.1
Silver (grams/tonne)	-	-	-	-	-	-	-	-	91.2	87.7
Shipped										
Total concentrate (thousands of dry tonnes)	-	-	-	-	-	-	-	-	250.8	570.8
Destination:										
Japan (per cent)	-	-	-	-	-	-	-	-	40.2	45.4
Other Asian (per cent)	-	-	-	-	-	-	-	-	34.3	23.4
Europe (per cent)	-	-	-	-	-	-	-	-	25.5	27.7
All Other (per cent)	-	-	-	-	-	-	-	-	0.0	3.5
Values										
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	-	-	-	-	-	-	-	0.3	260.0	561.0
Contribution by:										
Copper (per cent)	-	-	-	-	-	-	-	61	68	68
Gold (per cent)	-	-	-	-	-	-	-	38	31	30
OTHER										
US\$/Kina exchange rate	0.69	0.76	0.79	1.01	1.02	1.04	1.05	1.05	1.17	1.16
Average metal prices										
LME copper (US\$/lb)	105.6	104.0	133.1	105.0	87.0	103.0	106.0	119.8	129.0	117.9
London gold market (US\$/oz)	335.3	387.0	384.5	384.0	360.0	344.0	362.2	382.8	381.0	436.8
Return on shareholders' funds (per cent)	0.5	2.2	2.9	3.2	-	-	-	-	-	18.5
Earnings per share*** (toea)	0.3	1.4	1.8	1.9	-	-	-	-	-	27.1
Dividends per fully paid share*** (par value K100) (toea)	-	-	-	-	-	-	-	-	-	27.0
Number of shares issued at end of year (millions)	401	401	401	401	401	401	401	401	401	401
Number of shareholders at end of year	18 182	18 041	18 452	18 765	19 189	19 851	19 982	20 532	21 287	21 966
Debt/equity ratio	-	-	-	-	-	-	-	-	-	0.02/1
Work force at end of year										
Overseas	-	-	-	-	-	1	6	13	330	610
National	-	-	-	-	-	1	6	10	1 987	2 950

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

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

**1972 figure is for Bougainville Mining Limited

1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972*
415.4	342.7	317.6	310.9	392.9	283.2	296.4	338.7	343.1	225.1	205.3	208.9	193.1	292.6	252.4	95.9
227.5	223.7	221.5	234.8	228.1	207.2	210.8	174.8	144.1	125.0	126.8	117.5	107.2	92.5	81.8	53.3
49.4	47.3	47.6	46.5	47.0	44.2	43.3	43.8	40.7	40.4	36.2	31.1	29.6	28.5	24.8	14.5
138.5	71.7	48.5	29.6	117.8	31.8	42.3	120.1	158.3	59.7	42.3	60.3	56.3	171.6	145.8	28.1
2.6	2.3	(1.4)	(2.8)	(16.3)	(3.3)	1.1	2.6	3.5	10.3	(0.1)	1.3	2.3	9.5	12.9	(0.4)
141.1	74.0	47.1	26.8	101.5	28.5	43.4	122.7	161.8	70.0	42.2	61.6	58.6	181.1	158.7	27.7
50.6	28.7	19.0	15.2	46.9	17.3	20.6	39.6	57.5	22.0	13.7	20.3	12.4	49.1	0.3	-
-	-	-	-	-	-	-	11.6	20.4	-	-	-	-	17.4	-	-
90.5	45.3	28.1	11.6	54.6	11.2	22.8	71.5	83.9	48.0	28.5	41.3	46.2	114.6	158.4	27.7
92.2	44.1	28.1	16.0	52.1	10.0	20.1	80.2	106.9	40.1	21.4	26.7	26.7	73.5	81.4	11.0
(1.7)	1.2	-	(4.4)	2.5	1.2	2.7	(8.7)	(23.0)	7.9	7.1	14.6	19.5	41.1	77.0	16.7
527.8	550.1	558.5	576.2	594.9	622.8	611.2	610.8	325.4	340.1	352.2	350.4	346.0	352.2	371.7	378.7
0.7	0.7	0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-
260.3	190.1	160.4	152.9	135.3	155.9	148.7	148.4	201.0	125.8	137.1	136.0	129.5	205.6	130.4	73.9
788.8	740.9	719.1	729.3	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
586.0	537.7	586.5	586.5	590.9	588.4	587.2	584.5	294.5	317.5	309.7	302.5	287.9	268.4	227.4	146.7
0.3	(3.2)	(5.9)	(5.3)	(4.7)	(5.4)	1.5	5.1	5.4	9.0	14.6	9.0	11.5	19.1	39.5	24.2
24.8	48.1	52.4	52.5	51.6	125.6	80.1	25.7	36.2	42.1	53.3	101.7	106.8	121.1	127.5	204.0
177.7	108.3	86.1	95.6	142.7	70.2	91.2	144.0	190.4	97.4	111.8	73.3	69.4	149.3	107.8	77.7
788.8	740.9	719.1	729.3	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
83.53	79.16	73.62	74.40	81.00	76.22	77.56	79.76	75.97	79.05	70.79	58.54	56.40	56.00	56.65	46.75
48.20	47.89	50.07	46.52	47.73	41.74	37.53	37.82	36.17	38.12	34.11	31.21	31.08	30.14	29.14	21.89
0.41	0.42	0.42	0.42	0.46	0.47	0.51	0.46	0.55	0.60	0.61	0.64	0.64	0.70	0.73	0.76
0.43	0.48	0.42	0.48	0.55	0.60	0.59	0.50	0.75	0.82	0.90	0.87	0.80	1.02	1.03	0.77
585.5	586.6	581.8	542.3	636.9	598.6	576.4	510.4	584.7	658.6	615.6	596.8	596.0	640.8	650.2	438.1
178.2	178.6	175.0	164.4	183.2	170.0	165.4	146.8	170.8	198.6	182.3	176.5	172.5	184.1	182.9	124.0
30.4	30.5	30.1	30.3	28.8	28.4	28.7	28.8	29.2	30.2	29.6	29.6	28.9	28.7	28.1	28.3
25.8	27.9	24.7	28.9	28.3	29.3	29.2	27.5	33.7	35.5	36.3	33.9	30.5	32.0	31.6	27.3
86.4	85.9	79.3	81.9	74.4	72.1	73.5	72.2	76.3	79.8	77.0	76.1	71.0	72.3	69.0	69.3
567.6	589.4	560.0	550.8	636.1	599.6	596.2	494.4	586.5	640.9	614.8	605.8	587.0	665.8	625.2	434.4
32.6	43.2	44.1	51.9	47.0	46.6	49.8	54.5	56.0	51.0	54.8	42.3	42.7	51.5	54.8	48.1
33.5	15.4	15.7	12.3	11.0	6.6	3.3	4.1	3.7	3.2	1.6	1.7	1.7	0.0	0.0	0.0
33.9	41.4	40.2	35.8	42.0	45.1	45.4	41.4	40.3	42.0	39.9	46.5	53.8	41.9	37.8	49.4
0.0	0.0	0.0	0.0	0.0	1.7	1.5	0.0	0.0	3.8	3.7	9.5	1.8	6.6	7.4	2.5
489.4	417.9	381.3	373.4	454.6	343.6	355.2	386.3	407.0	294.5	266.3	260.3	219.4	307.4	270.8	118.8
60	54	61	53	52	51	54	51	60	64	66	74	69	74	83	83
38	44	37	45	46	47	44	46	37	34	32	24	29	25	16	16
1.10	1.03	1.00	1.11	1.19	1.35	1.48	1.50	1.41	1.42	1.27	1.26	1.31	1.43	1.42	1.19
81.0	62.3	64.3	62.4	71.9	67.1	79.0	99.2	89.8	61.9	59.3	63.6	55.9	93.3	80.9	48.6
446.7	367.9	317.3	360.8	423.5	375.6	459.9	614.7	304.7	193.5	147.8	124.8	160.9	153.7	97.3	58.2
15.4	7.7	4.8	2.0	9.3	1.9	3.9	12.2	28.5	15.1	9.2	13.7	16.0	42.7	69.7	18.9
22.6	11.3	7.0	2.9	13.6	2.8	5.7	17.8	20.9	12.0	7.1	10.3	11.5	28.6	39.5	6.9
23.0	11.0	7.0	4.0	13.0	2.5	5.0	20.0	26.7	10.0	5.3	6.7	6.7	18.3	20.0	2.7
401	401	401	401	401	401	401	401	267	267	267	267	267	267	267	260**
22 650	24 680	27 117	30 435	32 834	36 486	38 027	38 326	38 750	40 935	43 820	50 082	54 129	55 558	45 353	46 726
0.04/1	0.05/1	0.06/1	0.09/1	0.10/1	0.20/1	0.17/1	0.05/1	0.15/1	0.19/1	0.37/1	0.40/1	0.44/1	0.52/1	0.72/1	0.62/1
699	706	704	749	751	756	801	877	851	855	853	858	942	980	929	971
3 025	2 993	2 948	2 987	3 058	3 174	3 377	3 416	3 314	3 243	3 063	2 989	3 094	3 242	2 915	2 594

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

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

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

distribution of the benefits

Bougainville Copper Limited
year ended 31 December, 1997

	K million		
	1997	1996	1972-1997
PNG GOVERNMENT			
Corporate income tax *	-	-	514.2
Additional profits tax *	-	-	72.6
Group tax (PAYE)	-	-	122.2
Customs duty	-	-	104.1
Miscellaneous	-	-	10.1
Dividends *	-	-	165.9
Dividend WHT *	-	-	96.5
	-	-	1 085.6
NSP 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	1.4	1.9	33.6
	1.4	1.9	36.8
NON-GOVERNMENT SHAREHOLDERS			
Dividends net of Dividend WHT *	-	-	576.7
EMPLOYEES			
Wages (less PAYE)	-	-	575.6
TOTAL	1.4	1.9	2349.9

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

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