



# BOUGAINVILLE COPPER LIMITED

INCORPORATED IN PAPUA NEW GUINEA ARBN 007 497 869

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## Press Release

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6 May, 2014

Company Announcements Office  
Australian Stock Exchange Limited

Dear Sir/Madam,

**Annual General Meeting – 6 May, 2014  
Bougainville Copper**

The attached material will be presented at the Annual General meeting in Port Moresby, Papua New Guinea today.

This presentation will in due course be posted on the Bougainville Copper website  
[www.bougainvillecopper.com.pg](http://www.bougainvillecopper.com.pg)

Yours faithfully,

Paul Coleman  
**Company Secretary**



**Chairman's Annual General Meeting Statement  
6 May 2014**

Good afternoon, ladies and gentlemen, my name is Peter Taylor and I have the honour to be the chairman of your company. I have been on the board since 1997 and have been Chairman since October 2003. I declare this meeting open. This is the 47th annual general meeting of Bougainville Copper limited and I welcome shareholders, and visitors. I understand that each member has received a copy of the notice of meeting and, with your consent I propose to take the notice as read.

Although visitors who are not shareholders in the company are welcome to attend the meeting as observers, you are not entitled to ask questions or vote. Nevertheless I hope you find the proceedings interesting.

There are five resolutions to be dealt with at the meeting. Voting on these will be by way of a poll, at the end of the meeting. Mr Burns from PWC and Mr Hitchcock of Banisstap Company Limited will act as scrutineers and the results of voting will be announced to the ASX after the voting process is completed.

The company's register of directors' shareholdings is available for inspection at the meeting, for those of you who are interested.

I would like to introduce each of the directors all of whom are present.

Seated on my immediate right is Dame Carol Kidu. Most of you here will know Dame Carol. She was a member of the Parliament of Papua New Guinea and in her distinguished career in politics, held a number of ministerial portfolios. She retired as the Leader of the Opposition, and has been known globally for her commitment to improving the rights of marginalised groups such as the disabled, children, women, HIV positive people and indigenous minorities. She was elected to the board as a Director at the AGM last year.

Seated next to Dame Carol is Sir Rabbie Namaliu. Most of you here will also know Sir Rabbie. He is a former Prime Minister of Papua New Guinea and in his distinguished career in politics, held many senior government ministerial portfolios. Sir Rabbie holds numerous other board positions and joined the BCL board in March 2012.

Seated next is Mr Adam Burley. Mr Burley joined the board in 2013 to fill a casual vacancy and in accordance with the constitution will stand for election at this meeting. He is an mining executive, and has worked in various leadership roles throughout Africa, Europe and North America.

Next to Mr Burley is Mr Rob Burns. Mr Burns is a metallurgist by profession with more than 40 years experience in the mining industry. He was appointed a director in January 2006. Next to Mr Burns is Mr Paul Coleman, the company secretary.

The Annual General Meeting gives me an opportunity, as chairman of the company, to make a statement concerning the up-to-date affairs of the company. Copies of this statement were distributed as you came in this afternoon, and with your permission, I would now like to present it.

Since mining was suspended there have been many challenges both for the people of Bougainville and the company. A considerable time has now elapsed since the peace accord and a good deal of positive dialogue has taken place between company representatives other key parties on Bougainville.

The human issues facing us are complex with technical mining and metallurgy in many ways being the easier challenges.

But I think what best characterises the activities of your company over the past twelve months is, once again, steady progress in dealing with both the human and the technical challenges, as well as increased dialogue.

- Very positive steps continue to be taken on the multi-party engagement, thanks to the contributions of leading landowner representatives, ABG and National Government officers, other agencies, and BCL management, at regular meetings in Port Moresby and Buka;
- The mine-affected landowners, as they continue to assess their priorities for the future, are becoming more aligned with considering options for potential re-development of the mine. They are moving closer to a common position which will make negotiation with the company and governments possible;
- The Government of President Momis is steadfast in its commitment to achieving the wider consensus needed among all Bougainvilleans to allow us, should our technical studies demonstrate a viable business, to make a return to mining at Panguna, and sharing the benefits;
- In my judgement, the substantial majority of Bougainvilleans see clearly that a choice between present autonomy and the approaching vote for independence can only be made in the context of considerable economic self-sufficiency, such as can be provided by large projects including a potential re-started Panguna;
- We are also in dialogue with the National Government.

Your company is responding to these developments in a proactive and consistent manner, by engaging with all stakeholders, increasing the flow of information, and investing time and money in preparatory studies that will form the basis for redevelopment studies when the time is appropriate.

Periodic reports of significant developments that may take place between these annual meetings are reported by the company to the Australian Securities Exchange, and posted on our website.

I will go into more detail of these activities, after my report on other items of importance to the company and its shareholders, which are recurrent, year on year.

First a summary of the **results** as contained in the Annual Report.

For the year ended December 31, 2013, a profit of K6.8 million has been recorded, compared with a planned loss of K10.4 million in the last reporting period.

The result comes after a write-back of a provision of K8 million. In comparison, a loss of K6.3 million was recorded in 2012. Income from interest, and realised capital gains on the disposal of investments, were above budget, with administration and project costs being under budget.

The tax dispute legal fees continue to be a drain on revenue.

Due to the need to preserve cash for future development the company will not pay a dividend.

The company has sufficient funds to cover its recurrent expenditure under the current two year plan, and is debt free.

Now the **investment strategy**.

BCL's liquid assets continue to be cash and Australian equities. The company's financial position is therefore linked to the performance of the Australian equities market, which is in a relatively strong position, both in the reporting period and looking forward.

It is intended to continue with the current investment strategy, for as long as the Investment Committee deems this to be the best option, or until such time as equities need to be sold to fund further studies and potential mine development.

It is expected that the size of the investment portfolio will be reduced as a result of the tax dispute, discussed in a moment, and will continue to reduce to meet future expenditure. Importantly, the company has sufficient funds to carry it through to a commencement of a pre-feasibility study in the medium term. The market has been kept aware of the company's wish to raise development funds as and when the need arises.

The ongoing **taxation dispute** with the Internal Revenue Commission of PNG has made little formal progress in the period, but there continues to be useful contact with the IRC. As I have previously reported, an earlier court-initiated mediation did not result in a settlement, but has taken us closer, I believe, to a negotiated outcome.

It is possible that further mediation will produce a settlement. If not, the company will rely upon the accounting and legal advice it has received and test the issues in court.

At the same time, the company is in dialogue at a high level seeking a resolution to this long running issue.

For a decade now I have been reporting on litigation involving a small group of Bougainvillean plaintiffs in the US Federal Court. The matter involves allegations over

the way the mine was operated and matters that occurred on Bougainville after mining was suspended. BCL was never a party to the litigation. In June last year the US Federal Court of Appeals dismissed this 13 year old action.

BCL has **governance** reporting obligations to the Australian Securities Exchange (ASX) and internally to Rio Tinto Limited. A statement on BCL's compliance with the ASX Corporate Governance Principles and Recommendations is contained in the Annual Report.

BCL is particularly **safety** conscious and has in place a comprehensive set of safety standards to ensure that it provides a safe working environment and that its employees and contractors comply with best practice safety procedures. BCL complies with the requirements of the Rio Tinto safety policy.

The management of BCL undertakes regular facilitated **risk workshops**. The aim of these exercises is to identify risks and opportunities for the company and allocate responsibility for each to a member of the management team. The company has also undergone a number of audits to ensure compliance with its own policies and those of Rio Tinto.

BCL is continuing to support the work of the **Bougainville Copper Foundation**. This is an independent, "not for profit", company that has been funded by BCL since its inception. This year, as in previous years, the Foundation has more than 100 Bougainville students on scholarships. It also undertakes "special projects" on a needs basis with the emphasis being on education, peace and good governance. The Foundation is proud of its achievements and those of its former scholars who are contributing to the development of Bougainville.

The Foundation is completing a high level review of its objectives and future direction.

The company also sponsored the Don Vernon post graduate scholarship to Queensland University.

The scholarship honours Don Vernon who was a past Chairman of BCL and the founder of the Australia PNG Business Council. The scholarship should add to the considerable weight of knowledge currently possessed within the ranks of Papua New Guinea mining professionals, and we are proud of the initiative.

And now, as I indicated earlier, I can report on some other events which have a bearing on this company's prospects and its progress towards a return to profitable and sustainable mining.

I previously disclosed to shareholders an Order of Magnitude Study, which is an exercise aimed at giving us guidance as to the most appropriate and cost effective way to re-develop the Panguna property. It is one of the company's major tools in evaluating our options going forward.

The Order of Magnitude Study was presented at the last Annual General Meeting and is being continually re-visited and up-dated. In brief it describes a new mine at Panguna processing between 60 million and 90 million tonnes of ore per annum, over a mine life of 24 years, with an **estimated** capital cost of approximately 5.2 billion US dollars.

Further, more detailed studies, such as a pre-feasibility study and a feasibility study are required to confidently determine the potential economic viability of re-opening the mine. Only upon completion of those studies will the Board be sufficiently informed to take a decision whether or not to proceed with financing and commencement of construction.

The time line to first production could be between five and seven years from the date of approval and financing.

Many of the assumptions, including the size of the resource, the life of the mine, and the start up cost, may vary significantly when BCL has access to the mine site and conducts a rigorous assessment of the assets.

In support of the Order of Magnitude Study, several other studies are being undertaken by the company, some of them aimed at providing a clearer picture of the state of the environment in mine impacted areas, the needs of the population, as well as land ownership and social mapping. A commitment made by BCL once access to mining related areas is achieved, is early provision of water supplies, school upgrades and other local level improvements.

The Joint Panguna Negotiation Coordination Committee (JPNCC) consisting of government, landowner and company representatives is active in defining and preparing to implement these contributions to the quality of community life.

Another responsibility of the JPNCC which is on the critical path to resumed access to the mine site and other related areas, is the customary reconciliation process known as Bel Kol, an expression perhaps best translated as a cooling of the heart, or a lowering of the emotional temperature. This historic and sensitive ceremony, long discussed and unfortunately somewhat delayed by various factors, aims to bring reconciliation between BCL, landowners, ABG, ex-combatants and community leaders.

Bel Kol may be conducted during the year. As a gesture of goodwill, the company will make a significant contribution, towards vocational training upgrades, village literacy programs and malaria mitigation. After the Bel Kol ceremonies, in which BCL management will participate, three conflict memorials will be erected.

In return, BCL has asked for open access to Panguna and the SML, assurances of safety, and a written invitation to establish a presence in Arawa, as a base for field work, baseline studies and social mapping previously mentioned, and for the recruitment of local people to participate in the evaluation and de-risking programs.

The JPNCC has designed a training program, to be supported by BCL, to prepare members of the “lost generation” for work opportunities.

Within its own work program, the company is conducting or commissioning several studies which will ensure an up-scaling of activity as and when we are back on the ground. These programs aim at firming up many of the early assumptions of the Order of Magnitude Study, including resource quality, tailings options, status of company assets, logistics, safety, security and others.

Of all the significant events that took place on Bougainville in the period, none resonated more strongly with the ABG and the various Bougainville communities than the visit of Prime Minister Peter O’Neill in January of this year.

The visit was highly symbolic, being the first visit to Bougainville by a PNG Prime Minister since the visit by Sir William Skate during the Bougainville crisis in the 1990’s. Prime Minister O’Neill visited Buka, Buin, Siwai, Panguna and Arawa during his visit, and met with very few expressions that a visit by the head of the PNG Government was unwelcome. The PM indicated National Government support for a number of projects including the re-opening of Aropa airport.

Both Prime Minister O’Neill and President Momis committed to the ongoing implementation of the Bougainville Peace Agreement and developing closer relations between the two governments.

I believe that this highly publicised and widely witnessed event will provide impetus to the Bel Kol process.

The relationship between President John Momis, his government, and the Board and management of BCL remains constructive and engaged, including the invitation for company representatives to pursue reconciliation, and establish a presence at Arawa through the Bel Kol process.

President Momis maintains his support for the re-opening of the mine, and the momentum which has produced landowner elections, public forums and an increased focus on the re-start agenda is in considerable part due to the efforts of the President and members of his cabinet, together with the commendable efforts of an increasingly capable Bougainville public service, and the contribution of Australian Government funded advisors.

The ABG team is dealing with the local response to aspects of its draft Bougainville Mining Act. This is of significance to BCL and its future investment plans.

Mining powers currently remain with the National Government but the peace agreement provides that for the transfer of mining powers to Bougainville. It is important that the long term mining regime for Bougainville is settled so the company can factor its terms into its potential redevelopment.

I wish to restate that BCL cannot re-commence mining at Panguna unless all parties: the Landowners, the Autonomous Bougainville Government, the National Government of PNG, and BCL, are acting in close accord, now and into the future.

Funding and sovereign risk assurance for the project will require a united effort. There will need to be a fair and stable regulatory regime that gives investors the confidence needed to commit to a project that will cost in excess of US\$5 billion.

The company's contribution to this united effort includes the Order of Magnitude Study, which I mentioned before. This is in part a published document, and gives all stakeholders some information on which to base their positions.

A pre-feasibility study on reopening the mine, will be very expensive, so certainty is needed that a workable mining regime and conditions will be put in place before committing the funds.

There is one changes to the Board of Directors of the company to be dealt with at this Annual General Meeting.

A Rio Tinto executive, Mr Adam Burley, has been appointed to fill a casual vacancy on the board and will be required to stand for election at this meeting.

In conclusion, let me assure you that the vision to return to active exploration and profitable, sustainable mining remains, and, I am pleased to say, with the active support from local stakeholders to which I have earlier referred.

This company faces the coming year with enthusiasm for the tasks ahead, and anticipates good progress toward the vision of reopening the mine.

We have many initiatives in place, we are engaged with the ABG and the Landowners, and we anticipate the implementation of several new activities in this coming year, particularly if the Bel Kol process comes to fruition, and we are able to resume a presence among old and new friends at Arawa.

Thank you for your attention to my report, and I am now open to your questions.

**Peter Taylor**  
**Chairman**  
**6 May 2014**





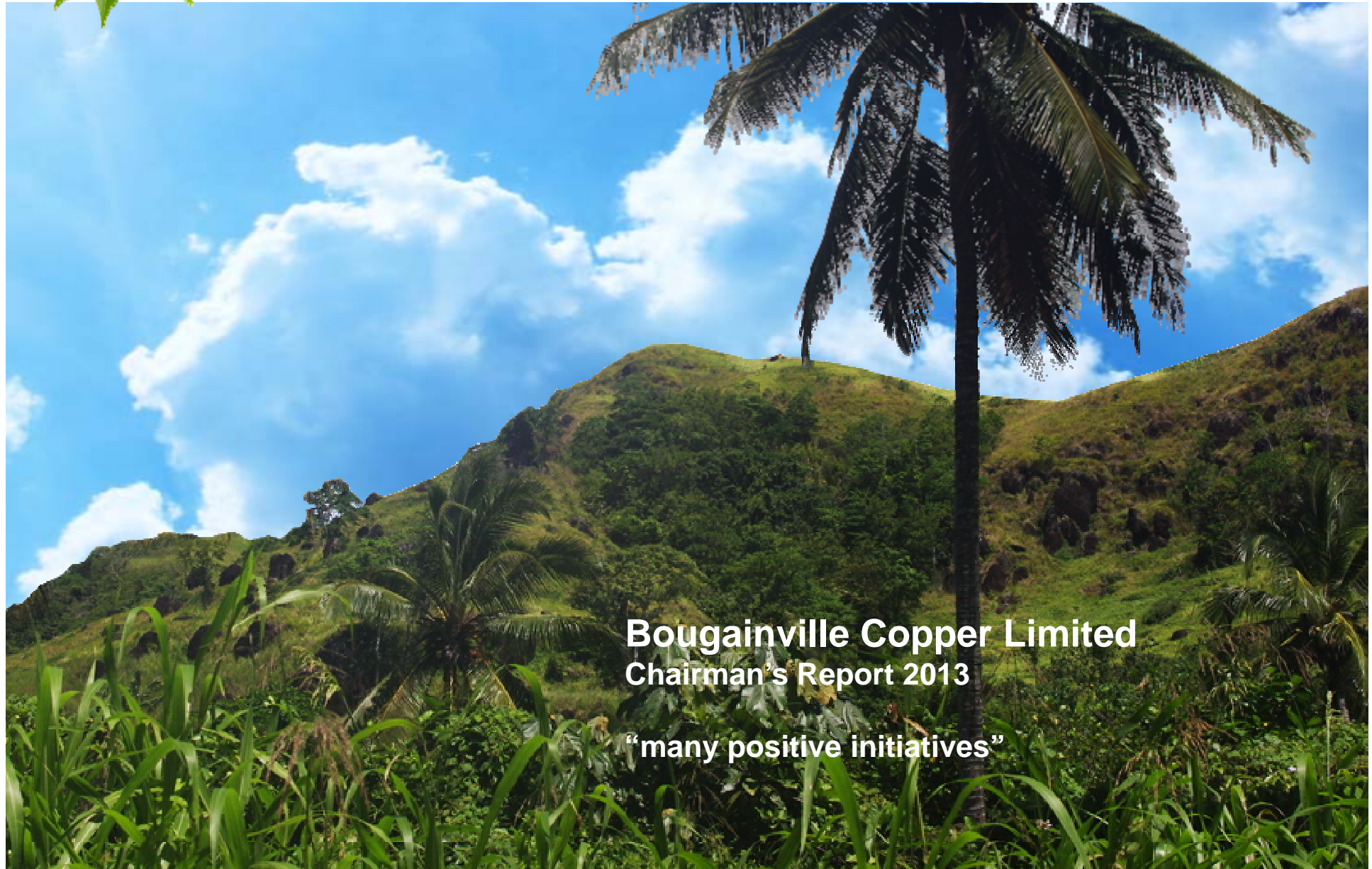
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**Bougainville Copper Limited**  
**Welcome to the 2014 Annual General Meeting**



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**Bougainville Copper Limited  
Chairman's Report 2013**

**"many positive initiatives"**





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## **Bougainville Copper Limited**

- **meaningful landowner negotiations possible**
- **President Momis' government committed**
- **majority of Bougainvilleans realistic**
- **close dialogue with national government**
- **company investing in preparatory studies**



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## 2013 Results

### Results

- Year ended December 31, 2013
  - profit of K6.8 million (planned loss K10.4 million)
  - write back of a provision of K8 million
  - 2012 Loss K6.3 million
  - income and gains above budget, costs under budget
  - directors have not declared a dividend
  - sufficient funds, debt free



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## Investment Strategy

### Investment Strategy

- Assets in cash and equities
  - linked to performance of ASX
  - intention to maintain current strategy
  - taxation dispute will reduce size of portfolio
  - sufficient to carry through to pre-feasibility
  - market kept aware of funding options



**ASX**  
AUSTRALIAN SECURITIES EXCHANGE



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## Taxation Dispute

### Taxation dispute

- Company has maintained dialogue with IRC
  - may be closer to a negotiated outcome
  - possible that further mediation may produce a settlement
  - paid K13 million to IRC, K48.8 million into court-sanctioned arrangement
  - earning interest, available for return to BCL
  - company will rely on accounting and legal advice
  - high level dialogue





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## US Litigation

### Litigation in United States

- small group of Bougainvillean plaintiffs in US Federal Court
- BCL not party to the litigation
- July last year, action has finally been dismissed after 13 years





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## Governance

### Governance

- BCL has reporting obligations to ASX and shareholders
  - BCL reports internally to Rio Tinto
  - report of compliance contained in Annual Report





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## Safety

### Safety

- BCL safety conscious
  - comprehensive set of safety standards
  - safe working environment for employees and contractors
  - compliance with best safety practice
  - compliance with Rio Tinto safety policy





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## Risk Management

### Risk Management

- BCL Board participates in risk analysis
  - identify risks and opportunities
  - allocate responsibility for risk management
  - regular risk audit process



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## Bougainville Copper Foundation

### Bougainville Copper Foundation

- Continued support for more than 20 years
  - not for profit, activities funded by BCL
  - more than 100 students on scholarships 2014
  - emphasis on education, peace and good governance
  - Don Vernon Scholarship
  - building knowledge base of PNG mining professionals





## Updated Order of Magnitude Study

### Order of Magnitude Study

- Major exercise to increase knowledge
  - most effective and profitable way to re-develop Panguna
  - major tool in evaluating options
  - continually up-dated with new studies completed
  - describes a new mine at Panguna
  - mine life 24 years, estimated capital cost US\$5.2 billion
  - further studies required to be confident of proceeding





## Timeline and other assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Pre-feasibility (24 months)	→						
Approvals (3 months)			▲				
Feasibility (12 months)			→				
Approvals (3 months)				▲			
Construction (33 months)				→			
Production							◆





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## Other studies and commitments

### Activities

- several other studies underway
- clearer picture of the state of the mine area environment
- needs of the population
- land ownership and social mapping
- early provision of water supplies, school upgrades and local level improvements





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## Negotiation Committee active

### Joint Panguna Negotiation Coordination Committee

- government, landowner and company representatives
- quality of community life
- critical path to resumed mine access
- Bel Kol... “cooling of the heart”
- reconciliation between BCL and landowners, ex-combatants, communities and ABG







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## Reconciliation

### Bel Kol

- Proposed to be held at Arawa
  - may be in the first half of this year
  - significant donations towards vocational training, work readiness, village literacy and malaria mitigation
  - Bel Kol ceremonies including BCL management
  - conflict memorials erected







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Arising from Bel Kol

## Bel Kol outcomes sought

- open access to Panguna and lease areas
- assurances of safety
- invitation to establish Arawa office as a base for studies and field activities
- recruitment of local men and women for evaluation activities
- training programs for work readiness





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## Further Order of Magnitude Studies

### Work Program

- several studies ready for up-scaling
- firming up earlier OMS assumptions
- resource quality and tailings options
- status of company assets
- logistics, safety and security





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Historic Visit

## Visit of the Prime Minister

- Prime Minister Peter O'Neill visited Bougainville in January 2014
- first such visit since the 1990's
- visited Buka, Buin, Siwai, Panguna and Arawa
- generally made welcome
- re-opening of Aropa airport near Arawa
- promise of closer relations between Governments
- impetus to the Bel Kol process







## Good Relationships

- relationship with President Momis and his Government good
- President maintains his support for the re-opening of the mine
- re-start agenda being pursued by ABG
- increasingly capable public service
- Australian-funded advisors making significant contribution





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## Bougainville Copper Agreement

### **Bougainville Copper Agreement**

- ABG developing its draft Mining Legislation
- BCL also studying the draft provisions
- mining powers remain with National Government
- Peace Agreement provides for the transfer of mining powers to Bougainville
- important that mining regime is settled prior to feasibility study



## Pre-conditions

- all parties acting in close accord, now and into the future
- funding and sovereign risk assurance require united effort
- fair and stable regulatory regime
- investor confidence needed for US\$5 billion investment





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## Importance of our studies

### Company's continuing studies

- A BCL contribution to the effort
  - gives all stakeholders the same information
  - pre-feasibility study will be very expensive
  - certainty needed before committing funds







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## Changes to the Board

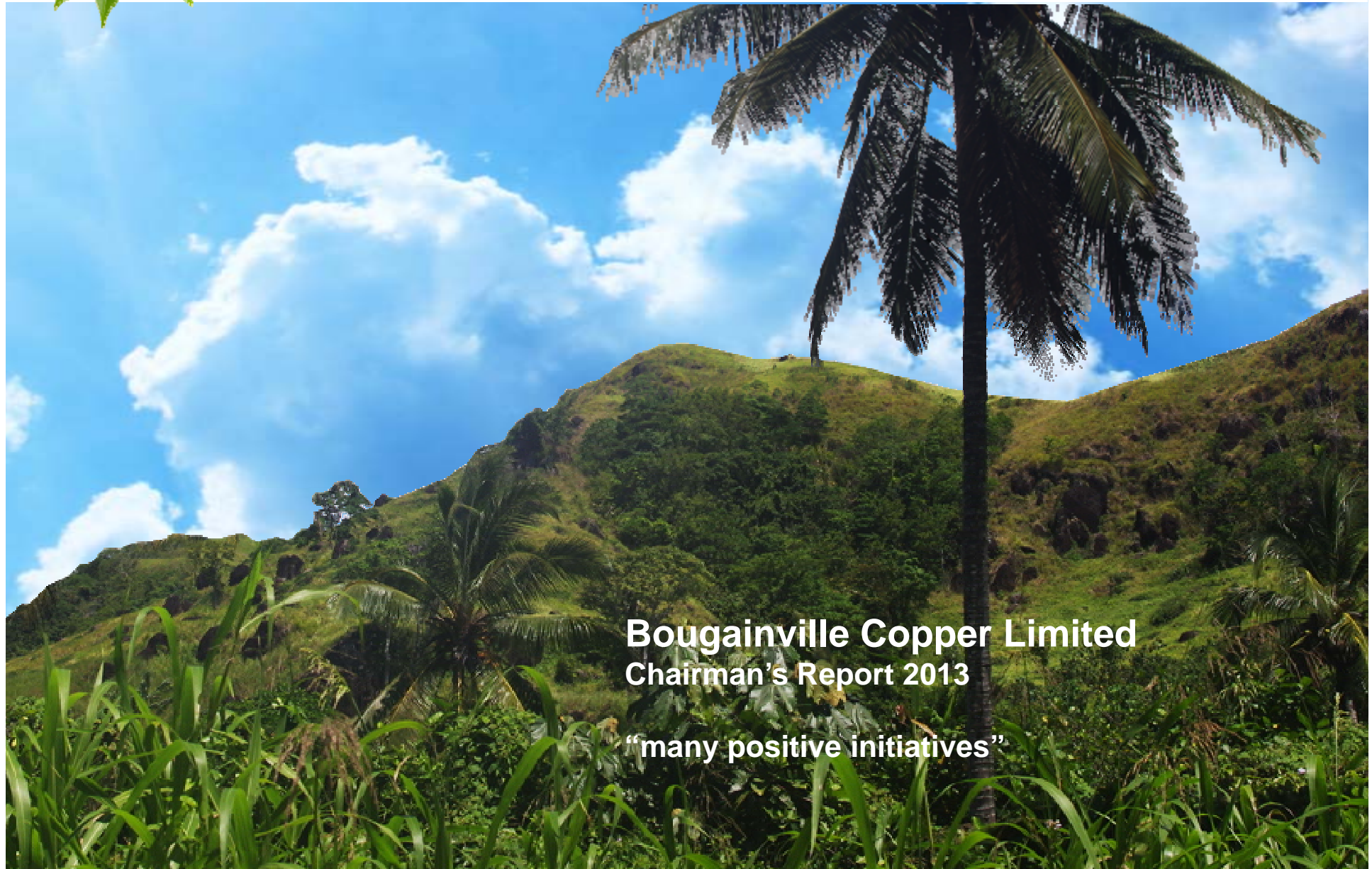
### Directors changing

- One change to be voted on
  - election of Mr Adam Burley





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**Bougainville Copper Limited  
Chairman's Report 2013**

**"many positive initiatives"**