

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	1995	1994
year ended 31 December, 1995	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.....	5 508	2 252
Net exchange gain.....	6 570	9 209

Expenses:

Provision for doubtful debts in respect of other debtors.....	306	272
Profit on disposal of fixed assets.....	-	94
Directors' emoluments (Note 11).....	12	24
Auditors' remuneration - auditing the accounts.....	8	7
- other services.....	4	2

(The auditors have received no other benefits)

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 accounts are drawn up in accordance with Divisions 4, 4A and 4B of Part 3.6 of the Australian Corporations Law and so as to give a true and fair view of:

(a) the company's state of affairs as at 31 December, 1995 its profits and cash flows for the year ended on that date; and

(b) the other matters with which they deal.

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

D. S. KARPIN
Chairman
C. G. THORNE
Managing Director
Port Moresby
14 February, 1996

DECLARATION BY SECRETARY

I, Brian Phillip Bartholomaeus, 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.

B. P. BARTHOLOMAEUS
Secretary
V. ANI
Commissioner for Oaths
Port Moresby
14 February, 1996

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, 1995 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.

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, 1995.

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 72% of the book value of total assets and 81% 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, 1995 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 R. Hubbard
Registered under the Accountants Registration Act
(Chapter 89)
Port Moresby,
14 February, 1996.

Statistical Summary

FINANCIAL	1996	1994	1993	1992	1991	1990	1989	1988
Earnings (K million)								
Net sales revenue and other income*****	5.5	2.2	1.7	2.2	3.3	80.2	231.6	493.4
Operating and other expenses****	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	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	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)	7.2	7.8	(2.7)	(1.4)	(313.2)	(14.6)	(20.6)	108.6
Dividends	-	-	-	-	-	-	-	108.3
Earnings/(losses) retained	7.2	7.8	(2.7)	(1.4)	(313.2)	(14.6)	(20.6)	0.3
Balance sheet (K million)								
Property, plant and equipment	200.7	200.7	200.8	201.4	201.5	545.9	595.8	570.0
Investments and loans	-	-	-	-	-	-	-	2.2
Current assets	76.0	65.6	56.2	56.8	56.5	64.7	59.5	250.1
Total assets	276.7	266.3	257.0	258.2	258.0	610.6	655.3	822.3
Shareholders' funds	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	47.7	46.9	23.7
Current liabilities	21.1	17.9	16.4	15.0	13.3	11.8	42.8	212.2
Funds employed	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)	-	-	-	-	-	-	63.7	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	0.79	1.01	1.02	1.04	1.05	1.05	1.17	1.16
Average metal prices								
LME copper (US\$/lb)	133.1	105.0	87.0	103.0	106.0	119.8	129.0	117.9
London gold market (US\$/oz)	384.5	384.0	360.0	344.0	362.2	382.8	381.0	436.8
Return on shareholders' funds (per cent)	2.9	3.2	-	-	-	-	-	18.5
Earnings per share*** (toea)	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
Number of shareholders at end of year	18 452	18 765	19 139	19 851	19 982	20 532	21 287	21 966
Debt/equity ratio	-	-	-	-	-	-	-	.002/1
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

Statement of Cash Flows

Bougainville Copper Limited
year ended 31 December, 1995

	1995 K'000	1994 K'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	(4 933)	(4 091)
Interest received	5 152	2 143
Net operating cash flows	219	(1 948)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(4)
Proceeds from sales of property, plant and equipment	-	194
Net investing cash flows	-	190
NET INCREASE/(DECREASE) IN CASH HELD		
Net cash flow	219	(1 758)
Cash at beginning of year	51 770	44 319
Effect of exchange rate changes on cash held	6 570	9 209
Cash at end of year	58 559	51 770

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.

Declarations

STATEMENT BY DIRECTORS

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(a) the company's state of affairs as at 31 December, 1995 its profits and cash flows for the year ended on that date; and

(b) the other matters with which they deal.

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

D. S. KARPIN

Chairman

C. G. THORNE

Managing Director

Port Moresby

14 February, 1996

DECLARATION BY SECRETARY

I, Brian Phillip Bartholomaeus, 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.

B. P. BARTHOLOMAEUS

Secretary

V. ANI

Commissioner for Oaths

Port Moresby

14 February, 1996

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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.

Audit Opinion

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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, 1995. 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.

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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 R. Hubbard

Registered under the Accountants Registration Act (Chapter 89)

Port Moresby,

14 February, 1996.