

# the year in review

## ADMINISTRATION:

The "peace process" is now into its third year and the company has still not gained access to the Panguna mine site. Whilst other areas such as Loloho and Arawa are accessible, because of sensitivities on Bougainville, BCL has elected not to send its representatives to the island.

The people of Bougainville will need to be party to any agreement on the future of the mine. The establishment of a government for Bougainville acceptable to its people and PNG is therefore required for an agreement to be concluded. It is hoped the political future of Bougainville will be settled during the coming year.

Shareholders were advised at the last annual general meeting that company property was being stolen and destroyed as part of a commercial scrap metal business. Legal action by the company has, we believe, stopped this illegal trade but not before considerable damage was caused to mine site and port infrastructure. For example, all that remains of the power station is the shell of the building and badly damaged generating equipment. The company has also received reports that virtually no mine site infrastructure has escaped damage.

The Board has considered whether it is in the shareholders' interest to list on the newly established Port Moresby Stock Exchange. Two advantages that might flow from such a listing are the potential to raise equity in the local market and the ability to trade locally. Given BCL has no immediate prospects of mine redevelopment there is no current need to raise equity. There is also no advantage for the vast majority of shareholders in a local listing as over 90% of shareholders do not hold a tradeable parcel of shares. Listing carries with it costs and additional administration. In the circumstances the Board does not propose at this stage that BCL be listed on the local exchange.

BCL continues to use the services of Rio Tinto Minerals (PNG) Limited (RTM) under modified terms of the management agreement which has been in place since

mining commenced. RTM provides management services "at cost". Under the original agreement a management fee was payable based on mine production in addition to reimbursement of costs.

## FINANCE AND ASSETS:

Interest earnings have increased from K124 million last financial year to K16.7 million in the current year. General and administration expenses for the year were held at the levels of the previous year despite a significant decline in the Kina/A\$ exchange rate. Some rationalisation of the balance sheet has taken place with respect to aged debtors and creditors giving rise to an abnormal gain of K1.6 million. As a result net profit for the year has increased by K6.2 to K13.9 million.

Total cash reserves at the end of the year stood at K106.9 million.

The company's main asset remains the Panguna mine and infrastructure. Although access to much of the infrastructure is not available to the company, it is assumed considerable deterioration has occurred. A decision was taken in 1991 to make a general provision of K350 million to allow for future write-down of the value of assets when their true value can be ascertained. This provision has not been increased since 1991 nor has depreciation been charged.

In previous years the directors had made provision for ongoing compensation to landowners with these funds being set aside in a separate interest bearing deposit. The directors consider that the provision held as at 31 December 1998 is adequate to cover the claims to which the company may be liable and accordingly no further provision has been made in 1999.

The provision for landowners' compensation has been re-named in recognition of the general nature of the company's potential obligations as a consequence of prolonged cessation of operations. Cash balances previously held in respect of this provision and shown under Other Debtors have been reclassified as Bank Balances.

## ORE RESERVES:

No exploration or other work took place on ore reserves during the year. At mine closure the recoverable proved ore reserves based on the 1989 estimates are 496 million tonnes of average grade 0.45% copper and 0.55 grams per tonne gold. Upgrading by screening adds 520 million tonnes of 0.22% copper and 0.18 grams per tonne gold. This would produce an additional 195 million tonnes of mill feed averaging 0.34% copper and 0.28 grams per tonne gold.

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

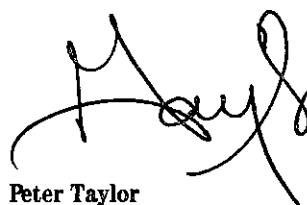
In 1989 the exchange rate was US\$1.17 to the Kina, the copper price was US\$1.29/lb. and gold US\$381/oz. By comparison 1999 averages have been US\$0.39 to the Kina, US\$0.71/lb. copper and US\$280/oz. gold and are unlikely to support the same level of ore reserves.

## COMING YEAR:

In the coming year consideration will be given to further rationalising the company's balance sheet particularly with regard to the remaining contingent liabilities and unrealised assets.

This year's annual report contains a statement on the environment. Work will continue in the coming year on analysing and defining likely environmental issues to be addressed arising from natural processes that have taken place in the ensuing decade.

A provision has now been established to provide funding for care and maintenance projects where there is access to company property. One such area is Loloho where consumables owned by the company have been disturbed or have naturally deteriorated and may require stabilising or containment.



**Peter Taylor**  
Managing Director  
7 March, 2000

