Balance Sheet

Bougainville Copper Limited at 31 December 1992		Bougainville Copper Limited		Consolidated
		1992	1991	1991
	Notes	K'000	K'000	K'000
Funds employed by the group:				
Shareholders' funds				
Paid up capital	12	**401 063**	401 063	401 063
Asset revaluation reserve	9	**31 276**	31 276	31 276
Retained losses		**(195 899)**	(194 473)	(194 483)
		236 440	237 866	237 856
Non-current liabilities				
Income tax	3	**6 759**	6 759	6 759
Provision for long service leave		**25**	75	75
		6 784	6 834	6 834
Current liabilities				
Creditors	7	**12 634**	11 004	11 006
Income tax		**2 329**	2 329	2 329
		14 963	13 333	13 335
Total funds		**258 187**	258 033	258 025
These funds are represented by:				
Non-current assets				
Mine assets	8	**201 382**	201 495	201 495
		201 382	201 495	201 495
Current assets				
Bank balances and short term deposits		**47 369**	49 345	49 347
Other debtors	10	**9 436**	7 193	7 183
		56 805	56 538	56 530
Total assets		**258 187**	258 033	258 025

Details of commitments and contingent liabilities and assets are shown in notes 11 and 14.
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.

for the increased level of deterioration likely because of the prolonged closure, and for anticipated vandalism to and pilferage from infrastructure and accommodation facilities.

The directors note that the economic viability of resumed operations would depend upon a number of factors which they cannot accurately predict at present, including the cost of recommissioning, likely future operating costs, government and community requirements, funding arrangements and the 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, although 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 group 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 lesser. 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 mine assets although the accuracy of that provision cannot be proved, because the lack of access to Bougainville prevents a detailed assessment of the nature or the extent of those losses. In 1990, because of this factor, a normal charge for depreciation and amortisation of K51.5 million was made in the absence of any more realistic measure of those losses. In both 1991 and 1990, these charges were classified as extraordinary items. No depreciation charge or increase to the general provision has been made in 1992.

Employee Entitlements:

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 1992. 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 sheets. Future income tax benefits are not

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 losses 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 funds statement 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.

Signed at Port Moresby on this 17th day of February, 1993.
On behalf of the Board
M. R. RAYNER
Chairman
I. R. JOHNSON
Director

Declaration by Secretary

I, Andrew Genim Corren, 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 funds statement 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.

Declared at Port Moresby on this 17th day of February, 1993.
A. G. CORREN
Secretary
V. ANI
Commissioner for Oaths

Auditors' Report to the Members of Bougainville Copper Limited

1. We have audited the balance sheet, statement of earnings and the funds statement (the accounts) set out on pages 7 to 15 in accordance with generally accepted auditing standards.

2. 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 mine 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 mine assets.

3. 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.

4. 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, 1992. 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.

5. 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.

6. 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.

7. These assets which represent 78% of the book value of total assets and 85% 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, 1992 and the results for the year ended on that date.

8. 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 P. A. Atwood
Registered under the Accountants Registration Act (Chapter 89),
Port Moresby,
on this 17th day of February, 1993.