



Directors' Report & Financial Statements

Bougainville Copper Limited



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Bougainville Copper Limited
(Incorporated in Papua New Guinea)

Registered Office:
Panguna, Province of North Solomons,
Papua New Guinea.

Share Registers:
Victoria: 84 Flinders Lane, Melbourne. Telephone (03) 654 4899.
A.C.T.: 78 Northbourne Avenue, Canberra City.
P.N.G.: Panguna, Province of North Solomons.
United Kingdom: c/o Central Registration Limited.
1 Redcliff Street, Bristol.

Stock Exchanges:
Listed on the principal exchanges in all Australian
states and New Zealand.

Auditors:
Coopers & Lybrand

Bankers:
Commonwealth Trading Bank of Australia
Bank of America NT & SA
Papua New Guinea Banking Corporation

Solicitors:
Gadens
Arthur Robinson & Co.

Directors' Report

The directors of Bougainville Copper Limited present their report on the audited financial statements of the Company and its subsidiary for the year ended 31 December, 1979.

Directors:

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

D. C. Vernon (Chairman)

N. R. Agonia

J. L. Auna

Sir Roderick Carnegie

Sir Frank Espie, O.B.E.

R. H. Harding

P. W. Quodling

J. T. Ralph

Sir Frank Espie and Mr. P. W. Quodling retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

Mr. R. H. Harding holds office until the conclusion of the Annual General Meeting and, being eligible, offers himself for election.

Activities:

Bougainville Copper Limited has produced concentrate containing copper, gold and silver from a mine at Panguna, North Solomons Province, since 1972. Its subsidiary, Bougainville Copper Finance N.V. is incorporated in the Netherlands Antilles for fund raising purposes. No change in the activities of the group occurred during the year.

Net earnings:

The net earnings of Bougainville Copper Limited and its subsidiary for 1979 totalled K83 917 000 after providing K40 730 000 depreciation and amortisation, K4 257 000 for royalties and K77 900 000 for income tax.

Taxation:

Taxation of K77 900 000 charged to earnings comprises K57 499 000 ordinary tax and K20 401 000 additional profits tax. The additional tax is levied when taxable income exceeds a certain level. For 1979 the level at which additional tax applied is K94 380 000.

Subsidiaries:

No subsidiaries were acquired or disposed of during the year. No dividends were paid by Bougainville Copper Finance N.V.

Share Capital:

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

Exchange Fluctuations:

Exchange gains of K3 145 000 were realised on the repayment of U.S.A. and Australian dollar loans. Exchange gains of K400 000 arose on the translation of overseas bank balances. These gains were included in 1979 earnings.

Long Term Loans:

The E.F.I.C. Crusher Loan of A\$4 206 000 was the only draw down made during the year against long term loan arrangements. Repayments of K21 041 000 were made against existing loans, leaving a balance outstanding at the end of the year of K43 448 000.

Dividends:

An interim dividend of 10 toea per share was declared on 16 August, 1979 and paid on 1 November, 1979. A final dividend of 20 toea per share has been declared and is payable on 1 May, 1980. In addition, a bonus dividend of 10 toea per share has been declared and is payable on 1 May, 1980. Withholding tax is deducted from dividends where required by the Chief Collector of Taxes.

Auditors:

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

Statutory Information:

In accordance with the provisions of Section 162 of the Papua New Guinea Companies Act 1963, as amended to date, the directors state that:

1. In their opinion, the results of the group's operations in the year under review have not been materially affected by items of an abnormal character except as mentioned in this report.

2. In their opinion, the current assets will realise at least the value at which they are shown in the accounts and that the value is an amount that these current assets might reasonably be expected to realise in the ordinary course of business.

3. No circumstances have arisen which render adherence to the method of valuation of assets or liabilities misleading or inappropriate save and except that this day they have revalued certain of the fixed assets of the Company (being buildings, plant and machinery) by K300 million to reflect more realistically the invested capital in these assets. Prior to this revaluation all fixed assets were valued at historical cost less accumulated depreciation and amortisation.

4. No contingent liabilities have arisen since the balance date of the group accounts, 31 December, 1979, and the date of this report, 7 February, 1980.

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 group in its ability to meet its obligations as and when they fall due.

Additional Information:

The directors also state that:

1. They took reasonable steps before the statements of earnings and balance sheets were made out to ascertain what action had been taken so far as debts owing to the Holding Company were concerned in relation to the writing off of bad debts and the making of provisions for doubtful debts and are satisfied that there were no bad debts and that a provision for doubtful debts of K50 000 was adequate.
2. They are not aware of any circumstances which would render the amounts written off for bad debts or the amounts of the provision for doubtful debts inadequate to any substantial extent.
3. Since the end of the financial year, no charge on the assets of either of the companies in the group has arisen which secures the liability of any other person.
4. They are not aware of any circumstances not otherwise dealt with in this report or group accounts, which would render any amount stated in the group accounts misleading.
5. No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report, other than higher depreciation charges in 1980 and subsequent years resulting from the revaluation of assets referred to above, which in the opinion of the directors of Bougainville Copper Limited, is likely to substantially affect the results of the operations of the group in 1980.

Signed this 7th day of February, 1980 in accordance with a resolution of the directors of Bougainville Copper Limited.



D. C. Vernon (Chairman)



P. W. Quodling
(Director)

Simplified Financial Statements

Bougainville Copper Limited

Balance Sheet

Funds employed: K527m.

K mill.

K mill.

Assets: K527m.

Shareholders' funds

295

326

Net investment in property,
plant and equipment

Potential exchange gains
on future loan repayments

5

Borrowings

44

45

Stocks and stores

Amount owed to creditors
and for income tax

103

99

Amount owed by debtors

Dividends payable

80

57

Cash at bank

Earnings Statement

Income: K347m.

K mill.

K mill.

Expenses: K347m.

140

Cost of sales

Sales and other income

347

41

Depreciation

82

Taxation and royalties

84

Net earnings

Balance Sheets

Bougainville Copper Limited
and Subsidiary Company

at 31 December, 1979

	Notes	Consolidated		Bougainville Copper Limited	
		1979	1978	1979	1978
		K'000	K'000	K'000	K'000
Funds employed by the group:					
Shareholders' funds					
Paid up capital	5	133 688	133 688	133 688	133 688
Retained earnings		160 844	183 877	160 847	183 880
Total shareholders' funds		<u>294 532</u>	<u>317 565</u>	<u>294 535</u>	<u>317 568</u>
Exchange fluctuation	6	5 387	9 003	5 387	9 003
Long term liabilities					
Loans	7	33 354	40 510	33 354	40 510
Provision for long service leave		2 850	1 550	2 850	1 550
		<u>36 204</u>	<u>42 060</u>	<u>36 204</u>	<u>42 060</u>
Current liabilities					
Loans	7	10 094	20 309	10 094	20 309
Creditors	8	22 994	28 044	22 992	28 042
Income tax	4	77 099	22 293	77 099	22 293
Dividends payable		80 213	26 737	80 213	26 737
		<u>190 400</u>	<u>97 383</u>	<u>190 398</u>	<u>97 381</u>
Total funds		<u>526 523</u>	<u>466 011</u>	<u>526 524</u>	<u>466 012</u>
These funds are represented by:					
Fixed assets					
Property, plant and equipment	9	325 459	340 144	325 459	340 144
Investments	10	83	83	92	92
Current assets					
Bank balances and short term deposits		57 113	34 426	57 105	34 418
Debtors for sale of concentrate		96 076	51 794	96 076	51 794
Other debtors	11	3 235	4 174	3 235	4 174
Stocks and stores	12	44 557	35 390	44 557	35 390
		<u>200 981</u>	<u>125 784</u>	<u>200 973</u>	<u>125 776</u>
Total assets		<u>526 523</u>	<u>466 011</u>	<u>526 524</u>	<u>466 012</u>

All amounts are expressed in Papua New Guinea kina.
Rounding off to the nearest thousand kina has been adopted.
The notes commencing on page 22 form part of these
accounts and are to be read in conjunction with them.

Declarations

Statement by Directors

In the opinion of the Directors of Bougainville Copper Limited the accompanying statements of earnings are drawn up so as to give a true and fair view of the results of the business of the Company and its subsidiary for the period covered by the statements and the accompanying balance sheets are drawn up so as to exhibit a true and fair view of the state of affairs of the Company and its subsidiary at the end of that period.

Signed at Panguna this 7th day of February, 1980.
On behalf of the Board
D. C. VERNON, P. W. QUODLING
Directors

Declaration by Secretary

I, Jillian Margaret Ferguson, Secretary of Bougainville Copper Limited, do solemnly and sincerely declare that the accompanying balance sheets and statements of earnings of the Company and its subsidiary 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 1962, as amended to date, conscientiously believing the statements contained herein to be true in every particular.

Declared at Panguna this 7th day of February, 1980.
J. M. FERGUSON
Secretary
Before me:
L. G. SMITH
Commissioner for Oaths

Report of the Auditors to the Members

We report on the accompanying balance sheets and statements of earnings of the Company and its subsidiary set out on pages 20 to 25 which have been prepared under the historical cost convention described in note 1.

In our opinion the balance sheets and statements of earnings are properly drawn up in accordance with the provisions of the Companies Act 1963, as amended, and so as to give a true and fair view of the state of affairs of the Company and its subsidiary as at 31st December, 1979, and the results for the year ended on that date.

In our opinion the accounting and other records, including registers, examined by us have been properly kept in accordance with the provisions of the Act.
COOPERS & LYBRAND
Arawa, 8th February, 1980

Shareholdings

Distribution of shares

As at 31st December, 1979:
The issued shares of the Company were 267 375 000 fully paid 50 toea shares, each carrying one voting right;
The number of shareholders was 38 750;
The distribution of holdings of the issued shares was:

1- 1 000 shares	31 898
1 001- 5 000 shares	5 785
5 001-10 000 shares	594
10 001 shares and over	473
Total shareholders	<u>38 750</u>

83.7% of the total issued shares were held by the 20 largest shareholders;
The substantial shareholders were: Conzinc Riotinto of Australia Limited and its wholly-owned subsidiary C.R.A. Base Metals Pty. Limited — 143 258 644 shares (53.6%). The Rio Tinto-Zinc Corporation Limited has an interest in the same shares through its wholly-owned subsidiaries; (R.T.Z. Australian Holdings Limited and C.R.A. Holdings Pty. Limited), interests in Conzinc Riotinto of Australia Limited and C.R.A. Base Metals Pty. Limited, and The Independent State of Papua New Guinea, and The Investment Corporation of Papua New Guinea — 53 982 125 shares (20.2%).

Ten largest shareholders

The ten largest shareholders at 31st December, 1979, and the number of shares held by each were:

Name & Registered Address:	Shares
Conzinc Riotinto of Australia Limited, Melbourne. Vic.	140 525 676
The Independent State of Papua New Guinea	50 948 113
ANZ Nominees Limited, Melbourne. Vic.	5 323 370
The National Mutual Life Association of Australasia Limited, Melbourne. Vic.	5 184 456
National Nominees Limited, Melbourne. Vic.	3 237 720
Bank of New South Wales Nominees Pty. Ltd., Sydney. N.S.W.	3 213 690
The Investment Corporation of Papua New Guinea, Port Moresby, P.N.G.	3 034 012
C.R.A. Base Metals Pty. Ltd., Melbourne. Vic.	2 732 968
Panguna Development Foundation Limited, Panguna, P.N.G.	2 400 000
The Colonial Mutual Life Assurance Society Limited, Melbourne. Vic.	2 000 991
	<u>218 600 996</u>

Directors' interests

Directors' interests in the share capital of the Company and its related companies as at the 21st January, 1980 were:

D. C. Vernon	No interests
N. R. Agonia	No interests
J. L. Auna	No interests
Sir Roderick Carnegie	6 000 BCL shares 1 000 MKU shares 10 000 CRA shares 1 000 HHL shares
Sir Frank Espie	1 300 MKU shares
R. H. Harding	336 BCL shares 1 000 MKU shares 1 726 CRA shares 1 267 HHL shares
P. W. Quodling	No interests
J. T. Ralph	114 BCL shares 587 CRA shares £750 RTZ Corp. Ltd. convertible loan stock
J. L. Kekedo (Alt. Director)	No interests
M. P. G. Togolo (Alt. Director)	240 BCL shares
Abbreviations:	
BCL — Bougainville Copper Limited	
CRA — Conzinc Riotinto of Australia Limited	
HHL — Hamersley Holdings Limited	
MKU — Mary Kathleen Uranium Limited	
RTZ — The Rio Tinto-Zinc Corporation Limited	

Statistical Summary

Financial

	1979	1978	1977	1976	1975	1974	1973	1972*
Earnings (K million)								
Net sales revenue and other income	343.1	225.1	205.3	208.9	193.1	292.6	252.4	95.9
Operating and other expenses	144.1	125.0	126.8	117.5	107.2	90.0	81.8	53.3
Depreciation	40.7	40.4	36.2	31.1	29.6	28.5	24.8	14.5
Earnings before taxation and exchange gains	158.3	59.7	42.3	60.3	56.3	174.1	145.8	28.1
Exchange gains	3.5	10.3	(0.1)	1.3	2.3	7.0	12.9	(0.4)
Earnings before taxation	161.8	70.0	42.2	61.6	58.6	181.1	158.7	27.7
Taxation	77.9	22.0	13.7	20.3	12.4	66.5	0.3	—
Net earnings	83.9	48.0	28.5	41.3	46.2	114.6	158.4	27.7
Dividends	80.2	40.1	21.4	26.7	26.7	73.5	81.4	11.0
Earnings retained	3.7	7.9	7.1	14.6	19.5	41.1	77.0	16.7
Balance sheet (K million)								
Property, plant and equipment	325.4	340.1	352.2	350.4	346.0	352.2	371.7	378.7
Investments	0.1	0.1	0.1	0.1	0.1	0.1	0.1	—
Current assets	201.0	125.8	137.1	136.0	129.5	205.6	130.4	73.9
Total assets	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
Shareholders' funds	294.5	317.5	309.7	302.5	287.9	268.4	227.4	146.7
Exchange fluctuation	5.4	9.0	14.6	9.0	11.5	19.1	39.5	24.2
Long term liabilities	36.2	42.1	53.3	101.7	106.8	121.1	127.5	204.0
Current liabilities	190.4	97.4	111.8	73.3	69.4	149.3	107.8	77.7
Funds employed	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6

Production/Sales

Mined								
Ore and waste removed (millions of tonnes)	75.97	79.05	70.79	58.54	56.40	56.00	56.65	46.75
Ore milled (millions of tonnes)	36.17	38.12	34.11	31.21	31.08	30.14	29.14	21.89
Ore grade								
Copper (per cent)	0.55	0.60	0.61	0.64	0.64	0.70	0.73	0.76
Gold (grams/tonne)	0.75	0.82	0.90	0.87	0.80	1.02	1.03	0.77
Silver (grams/tonne)	1.70	1.80	1.86	1.96	1.87	2.12	1.99	2.06
Produced								
Concentrate (thousands of dry tonnes)	584.7	658.6	615.6	596.8	595.5	640.8	650.2	438.1
Contained copper (thousands of tonnes)	170.8	198.6	182.3	176.5	172.5	184.1	182.9	124.0
Concentrate grade								
Copper (per cent)	29.2	30.2	29.6	29.6	28.9	28.7	28.1	28.3
Gold (grams/tonne)	33.7	35.5	36.3	33.9	30.5	32.0	31.6	27.3
Silver (grams/tonne)	76.3	79.8	77.1	76.1	71.0	72.0	69.0	69.3
Shipped								
Total concentrate (thousands of dry tonnes)	586.5	640.9	614.8	605.8	586.9	665.7	625.2	434.4
Shipped to:								
W. Germany	187.6	206.8	198.3	223.2	243.5	221.4	200.3	186.8
Japan	328.2	326.7	337.1	256.4	250.7	343.2	342.9	209.0
Spain	49.0	62.1	47.0	58.2	72.2	57.4	35.8	27.6
Other	21.7	45.3	32.4	68.0	20.6	43.8	46.2	11.0
Values								
Gross value of payable metal (K mill.) (before treatment and refining charges, freight, etc.)	414.6	311.8	270.5	259.8	219.4	307.4	270.8	118.8
Contribution by:								
Copper	247.5	198.8	180.0	192.9	151.6	225.5	224.9	98.2
Gold	155.9	107.2	85.8	62.8	64.3	77.9	43.9	19.5
Silver	11.2	5.8	4.7	4.0	3.5	4.0	2.0	1.1
Other								
Average metal prices								
L.M.E. copper (US\$/lb)	89.8	61.9	59.3	63.6	55.9	93.3	80.9	48.6
London gold market (US\$/oz.)	304.7	193.5	147.8	124.8	160.9	158.7	97.3	58.2
London silver market (US\$/oz.)	11.0	5.4	4.6	4.4	4.4	4.7	2.5	1.7
Return on shareholders' funds (%)	28.5	15.1	9.2	13.7	16.0	42.7	69.7	18.9
Earnings per share (toea)	31.4	18.0	10.7	15.4	17.3	42.9	59.2	10.7
Dividends in toea per fully paid share (par value, 50 toea)	30.0	15.0	8.0	10.0	10.0	27.5	30.0	4.2
Bonus dividend in toea per fully paid share	10.0	—	—	—	—	—	—	—
Number of shares issued at end of year (thousands)	267 375	267 375	267 375	267 375	267 375	267 375	267 375	260 000**
Number of shareholders at end of year	38 750	40 935	43 820	50 082	54 129	55 558	45 353	46 726
Debt: equity ratio	0.15/1	0.19/1	0.37/1	0.40/1	0.44/1	0.52/1	0.72/1	1.62/1
Work force at end of year (P.N.G.)								
Overseas	851	855	853	858	942	980	929	971
National	3 314	3 243	3 063	2 989	3 094	3 242	2 915	2 594

Notes:

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

** 1972 figure is for Bougainville Mining Limited.