Balance sheet

Bougainville Copper Limited at 31 December 2013	Notes	**2013 K'000**	2012 K'000
Funds employed:			
Shareholders' funds			
Share capital	10	**401,063**	401,063
Asset revaluation reserve	8	**31,276**	31,276
Fair value reserve	11	**40,207**	19,853
Accumulated losses		**(110,753)**	(117,531)
		361,793	334,661
Non-current liabilities			
Provisions	6(b)	**13,913**	22,073
Other payables	6(b)	**4,517**	4,517
Income tax	4(b)	**6,759**	6,759
		25,189	33,349
Current liabilities			
Trade payables	6(a)	**3,720**	4,301
Total funds		**390,702**	372,311
These funds are represented by:			
Non-current assets			
Available for sale financial assets	3	**105,396**	99,895
Other receivables	9(b)	**3,909**	3,909
Mine assets	7	**197,894**	197,894
		307,199	301,698
Current assets			
Cash and cash equivalents		**13,553**	1,387
Other receivables	9(a)	**69,950**	69,226
		83,503	70,613
Total assets		**390,702**	372,311

Details of contingent liabilities and assets are shown in note 13. All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The notes on pages 19 to 30 form part of these accounts and are to be read in conjunction with them.

Notes to accounts – continued

These notes form part of the 2013 financial statements of Bougainville Copper Limited and should be read in conjunction with them.

the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Investments:

(i) Available for sale financial assets

Investments in marketable equity securities (shares in other corporations) are classified as "available for sale financial assets". Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale; these are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available for sale investments are subsequently carried at fair value. Changes in the fair value of available for sale investments are recognised as a separate component of equity until the investment is sold, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in determining profit. For investments that are actively traded in organised financial markets, fair value is determined by reference to the Australian Securities Exchange quoted market bid prices at the close of business on the balance sheet date.

(ii) Held to maturity financial assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These are measured at cost with accrued interest included in other receivables.

Impairment of investments:

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at cost

For loans and receivables, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the reversal of he previously recognised impairment loss is recognised in the statement of comprehensive income.

(ii) Assets classified as available for sale

If there is objective evidence of impairment for available for sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the statement of comprehensive income, is removed from equity and recognised in the statement of comprehensive income.

Impairment losses on equity instruments that were recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income in a subsequent period.

If the fair value of a debt instrument classified as available for sale increases in a subsequent period and

Independent auditor's report to the shareholders of Bougainville Copper Limited

Report on the financial statements

We have audited the accompanying financial statements of Bougainville Copper Limited (the company), which comprise the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of these financial statements such that they give a true and fair view in accordance with generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

The financial statements of the company for the year-ended 31 December 2013 have been prepared with the inclusion of the company's mine assets at their 31 December 1991 book value of K198 million. This book value is net of a separate general impairment loss provision of K350 million having been made in 1991 for the value of the indeterminate level of deterioration, damage and pilferage of assets which has occurred in the period since the withdrawal of company personnel from Bougainville in 1990. As explained in notes 1(b) and 1(c) to the financial statements, there continues to be considerable uncertainty surrounding the future of the Panguna mine, and the extent of deterioration, damage and pilferage of the company's assets on Bougainville. While the directors have made the impairment provision in good faith based on the limited information available to them, the actual extent of the necessary write-downs can only be established when access to the mine site by appropriate company representatives is again possible or when a reliable market price for the Panguna mine assets can be determined.

In our opinion, providing for the probable impairment loss from deterioration, damage or pilferage is the appropriate accounting treatment for the actual impairment which will have occurred in the period to 31 December 2013. However as the actual extent of such impairment cannot presently be established, the recoverable amount of the company's assets on Bougainville is not capable of reliable measurement or estimation. Accordingly the impairment provision may eventually prove to be above or below the sum which is necessary to reflect this impairment. In the absence of all the necessary information and explanations we require, and for the reasons set out above, we are unable to form an opinion as to whether or not the impairment provision against the carrying amount of mine assets of K350 million is adequate or not and therefore whether the carrying value of the mine assets is properly stated. The mine assets are not being depreciated which is a departure from International Financial Reporting Standards.

The financial statements reflect a provision of K13.9 million for compensation for which the company may be liable. The company may have other compensation, mine rehabilitation and stabilisation obligations. For the same reasons as set out above in relation to mine assets, the company's actual liability for these costs is subject to significant uncertainty, and we are unable to form an opinion as to whether the provision is fairly stated.

The values attributed to the mine assets and the liabilities for compensation, rehabilitation and stabilisation are significant or potentially significant to the financial statements and are of fundamental importance to the presentation of the financial statements. In view of the significance of these matters we are unable to form an opinion as to whether or not the financial statements give a true and fair view of the financial position of the company as at 31 December 2013 and of its performance for the year ended on that date.

Statistical Summary

FINANCIAL	2013	2012	2011	2010	2009	2008	2007	2006	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	199[illegible]
Earnings (K million)																			
Net sales revenue and other income*****	**9.4**	6.2	8.2	12.1	16.7	9.0	8.3	7.9	7.4	16.1	11.7	13.0	19.6	18.3	12.4	6.1	10.7	5.5	2[illegible]
Operating and other expenses****	**3.1**	11.4	10.5	8.9	8.0	9.2	4.9	4.4	5.0	4.7	4.1	4.6	3.8	4.8	5.2	4.8	5.0	4.9	3[illegible]
Depreciation*****	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings/(loss) before taxation and exchange gains	**6.3**	(5.2)	(2.3)	3.2	5.8	(0.2)	3.4	3.5	2.4	11.4	7.6	8.4	15.8	13.5	7.2	1.4	5.7	0.6	(1[illegible]
Exchange gains/(losses)	**0.5**	(0.2)	(1.4)	(0.4)	2.9	(4.6)	0.2	0.2	(0.4)	3.1	0.3	-	-	0.4	0.5	-	-	6.6	9[illegible]
Earnings/(loss) before taxation	**6.8**	(5.4)	(3.7)	2.8	8.7	(4.8)	3.6	3.7	2.0	14.5	7.9	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7[illegible]
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional profits tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net earnings/(loss)	**6.8**	(5.4)	(3.7)	2.8	8.7	(4.8)	3.6	3.7	2.0	14.5	7.9	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7[illegible]
Dividends paid	-	-	-	-	-	-	-	-	-	-	8.0	-	-	-	-	-	-	-	-
Earnings/(losses) retained	**6.8**	(5.4)	(3.7)	2.8	8.7	(4.8)	3.6	3.7	2.0	14.5	(0.1)	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7[illegible]
Balance Sheet (K million)																			
Property, plant & equipment	**197.9**	197.9	197.9	197.9	197.9	197.9	197.9	197.9	197.9	197.9	197.9	197.9	197.9	197.9	198.6	200.1	200.6	200.7	200[illegible]
Investments and loans	**105.4**	99.9	90.2	128.8	145.7	98.8	204.7	176.6	128.2	121.2	18.9	3.1	-	-	-	-	-	-	-
Current and other non-current assets	**87.4**	74.5	79.0	74.7	58.1	31.1	36.1	38.7	31.7	31.4	119.4	135.4	131.0	114.4	100.7	87.7	85.4	76.0	65.[illegible]
Total assets	**390.7**	372.3	367.1	401.4	401.7	327.8	438.7	413.2	357.8	350.5	336.2	336.4	328.9	312.3	299.3	287.8	286.0	276.7	266[illegible]
Shareholders' funds	**361.8**	334.7	322.5	364.7	365.5	293.3	404.0	378.2	323.3	316.1	301.6	301.8	293.3	277.5	263.6	255.9	254.5	248.8	241[illegible]
Exchange fluctuation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term liabilities	**25.2**	33.4	33.4	33.4	33.4	33.4	33.6	33.7	33.4	33.4	33.4	33.4	33.4	33.5	35.3	6.8	6.8	6.8	6[illegible]
Current liabilities	**3.7**	4.2	11.2	3.3	2.8	1.1	1.1	1.3	1.1	1.0	1.2	1.2	2.2	1.3	0.4	25.1	24.7	21.1	17[illegible]
Funds employed	**390.7**	372.3	367.1	401.4	401.7	327.8	438.7	413.2	357.8	350.5	336.2	336.4	328.9	312.3	299.3	287.8	286.0	276.7	266[illegible]
PRODUCTION / SALES																			
Mined																			
Ore and waste removed (millions of tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ore milled (millions of tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ore grade																			
Copper (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gold (grams/tonne)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Produced																			
Concentrate (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contained copper (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Concentrate grade																			
Copper (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gold (grams/tonne)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Silver (grams/tonne)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shipped																			
Total concentrate (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Destination:																			
Japan (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asian (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
All Other (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Values																			
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution by:																			
Copper (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gold (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER																			
US$/Kina exchange rate	**.4429**	.4906	.4309	.3881	.3821	.3747	0.3636	0.3344	0.33	0.30	0.25	0.26	0.36	0.39	0.48	0.69	0.76	0.79	1.[illegible]
Average metal prices																			
LME copper (USc/lb)	**332.2**	360.7	342.6	339.7	231.9	319.5	323.66	305.50	130.01	79.95	70.65	66.2	82.1	71.4	75.2	105.6	104.0	133.1	105[illegible]
London gold market (US$/oz)	**1 411**	1 667	1 575	1 222	970	872	691.00	602.00	409.55	363.89	310.14	276.5	280.0	280.0	294.0	335.3	387.0	384.5	384[illegible]
Return on shareholders' funds (per cent)	**1.873**	(1.621)	(1.139)	0.772	2.380	(1.632)	0.888	0.967	0.60	4.6	2.6	2.8	5.4	5.0	2.9	0.5	2.2	2.9	3[illegible]
Earnings per share*** (toea)	**1.690**	(1.352)	(0.916)	0.702	2.169	(1.19)	0.895	0.912	0.50	3.61	1.96	2.10	3.93	3.5	1.9	0.3	1.4	1.8	1[illegible]
Dividends per fully paid share***(par value K1)(toea)	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-
Number of shares issued at end of year (millions)	**401**	401	401	401	401	401	401	401	401	401	401	401	401	401	401	401	401	401	401
Number of shareholders at end of year	**15 346**	15 394	15 463	15534	15468	15 495	15 504	15 698	16 072	16 374	16 519	16 812	17 021	17 260	18 183	18 182	18 041	18 452	18 765
Debt/equity ratio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workforce at end of year																			
Overseas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
National	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 ye[illegible]
**Full year figures: but commercial production commenced 1 April, 1972. **1972 figure is for Bougainville Mining Limited.*

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

FINANCIAL	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972*
Earnings (K million)																						
Net sales revenue and other income*****	1.7	2.2	3.3	80.2	231.6	493.4	415.4	342.7	317.6	310.9	392.9	283.2	296.4	338.7	343.1	225.1	205.3	208.9	193.1	292.6	252.4	95.9
Operating and other expenses****	4.1	5.1	316.6	36.8	181.7	244.8	227.5	223.7	221.5	234.8	228.1	207.2	210.8	174.8	144.1	125.0	126.8	117.5	107.2	92.5	81.8	53.3
Depreciation*****	-		-	51.5	47.3	43.9	49.4	47.3	47.6	46.5	47.0	44.2	43.3	43.8	40.7	40.4	36.2	31.1	29.6	28.5	24.8	14.5
Earnings/(loss) before taxation and exchange gains	(2.4)	(2.9)	(313.3)	(8.1)	2.6	204.7	138.5	71.7	48.5	29.6	117.8	31.8	42.3	120.1	158.3	59.7	42.3	60.3	56.3	171.6	145.8	28.1
Exchange gains/(losses)	(0.3)	1.5	0.1	(0.5)	2.5	(2.9)	2.6	2.3	(1.4)	(2.8)	(16.3)	(3.3)	1.1	2.6	3.5	10.3	(0.1)	1.3	2.3	9.5	12.9	(0.4)
Earnings/(loss) before taxation	(2.7)	(1.4)	(313.2)	(8.6)	5.1	201.8	141.1	74.0	47.1	26.8	101.5	28.5	43.4	122.7	161.8	70.0	42.2	61.6	58.6	181.1	158.7	27.7
Income tax	-	-	-	6.0	25.7	70.0	50.6	28.7	19.0	15.2	46.9	17.3	20.6	39.6	57.5	22.0	13.7	20.3	12.4	49.1	0.3	-
Additional profits tax	-	-	-	-	-	23.2	-	-	-	-	-	-	-	11.6	20.4	-	-	-	-	17.4	-	-
Net earnings/(loss)	(2.7)	(1.4)	(313.2)	(14.6)	(20.6)	108.6	90.5	45.3	28.1	11.6	54.6	11.2	22.8	71.5	83.9	48.0	28.5	41.3	46.2	114.6	158.4	27.7
Dividends paid	-	-	-	-	-	108.3	92.2	44.1	28.1	16.0	52.1	10.0	20.1	80.2	106.9	40.1	21.4	26.7	26.7	73.5	81.4	11.0
Earnings/(losses) retained	(2.7)	(1.4)	(313.2)	(14.6)	(20.6)	0.3	(1.7)	1.2	-	(4.4)	2.5	1.2	2.7	(8.7)	(23.0)	7.9	7.1	14.6	19.5	41.1	77.0	16.7
Balance Sheet (K million)																						
Property, plant & equipment	200.8	201.4	201.5	545.9	595.8	570.0	527.8	550.1	558.5	576.2	594.9	622.8	611.2	610.8	325.4	340.1	352.2	350.4	346.0	352.2	371.7	378.7
Investments and loans	-	-	-	-	-	2.2	0.7	0.7	0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-
Current and other non-current assets	56.2	56.8	56.5	64.7	59.5	250.1	260.3	190.1	160.4	152.9	185.3	155.9	148.7	148.4	201.0	125.8	137.1	136.0	129.5	205.6	130.4	73.9
Total assets	257.0	258.2	258.0	610.6	655.3	822.3	788.8	740.9	719.1	729.3	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
Shareholders' funds	233.8	236.4	237.9	551.1	565.6	586.2	586.0	587.7	586.5	586.5	590.9	588.4	587.2	584.5	294.5	317.5	309.7	302.5	287.9	268.4	227.4	146.7
Exchange fluctuation	-	-	-	-	-	0.2	0.3	(3.2)	(5.9)	(5.3)	(4.7)	(5.4)	1.5	5.1	5.4	9.0	14.6	9.0	11.5	19.1	39.5	24.2
Long term liabilities	6.8	6.8	6.8	47.7	46.9	23.7	24.8	48.1	52.4	52.5	51.6	125.6	80.1	25.7	36.2	42.1	53.3	101.7	106.8	121.1	127.5	204.0
Current liabilities	16.4	15.0	13.3	11.8	42.8	212.2	177.7	108.3	86.1	95.6	142.7	70.2	91.2	144.0	190.4	97.4	111.8	73.3	69.4	149.3	107.8	77.7
Funds employed	257.0	258.2	258.0	610.6	655.3	822.3	788.8	740.9	719.1	729.3	780.5	778.8	760.0	759.3	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)	-	-	-	-	33.27	89.78	83.53	79.16	73.62	74.40	81.00	76.22	77.56	79.76	75.97	79.05	70.79	58.54	56.40	56.00	56.65	46.75
Ore milled (millions of tonnes)	-	-	-	-	18.52	47.69	48.20	47.89	50.07	46.52	47.73	41.74	37.53	37.62	36.17	38.12	34.11	31.21	31.08	30.14	29.14	21.89
Ore grade																						
Copper (per cent)	-	-	-	-	0.44	0.41	0.41	0.42	0.42	0.42	0.46	0.47	0.51	0.46	0.55	0.60	0.61	0.64	0.64	0.70	0.73	0.76
Gold (grams/tonne)	-	-	-	-	0.50	0.41	0.43	0.48	0.42	0.48	0.55	0.60	0.59	0.50	0.75	0.82	0.90	0.87	0.80	1.02	1.03	0.77
Produced																						
Concentrate (thousands of dry tonnes)	-	-	-	-	224.6	552.0	585.5	586.6	581.8	542.3	636.9	598.6	576.4	510.4	584.7	658.6	615.6	596.8	596.0	640.8	650.2	438.1
Contained copper (thousands of dry tonnes)	-	-	-	-	68.7	166.0	178.2	178.6	175.0	164.4	183.2	170.0	165.4	146.8	170.8	198.6	182.3	176.5	172.5	184.1	182.9	124.0
Concentrate grade																						
Copper (per cent)	-	-	-	-	30.1	30.1	30.4	30.5	30.1	30.3	28.8	28.4	28.7	28.8	29.2	30.2	29.6	29.6	28.9	28.7	28.1	28.3
Gold (grams/tonne)	-	-	-	-	31.0	25.1	25.8	27.9	24.7	28.9	28.3	29.3	29.2	27.5	33.7	35.5	36.3	33.9	30.5	32.0	31.6	27.3
Silver (grams/tonne)	-	-	-	-	91.2	87.7	86.4	85.9	79.3	81.9	74.4	72.1	73.5	72.2	76.3	79.8	77.0	76.1	71.0	72.3	69.0	69.3
Shipped																						
Total concentrate (thousands of dry tonnes)	-	-	-	-	250.8	570.8	567.6	589.4	560.0	550.8	636.1	599.6	596.2	494.4	586.5	640.9	614.8	605.8	587.0	665.8	625.2	434.4
Destination:																						
Japan (per cent)	-	-	-	-	40.2	45.4	32.6	43.2	44.1	51.9	47.0	46.6	49.8	54.5	56.0	51.0	54.8	42.3	42.7	51.5	54.8	48.1
Other Asian (per cent)	-	-	-	-	34.3	23.4	33.5	15.4	15.7	12.3	11.0	6.6	3.3	4.1	3.7	3.2	1.6	1.7	1.7	0.0	0.0	0.0
Europe (per cent)	-	-	-	-	25.5	27.7	33.9	41.4	40.2	35.8	42.0	45.1	45.4	41.4	40.3	42.0	39.9	46.5	53.8	41.9	37.8	49.4
All Other (per cent)	-	-	-		0.0	3.5	0.0	0.0	0.0	0.0	0.0	1.7	1.5	0.0	0.0	3.8	3.7	9.5	1.8	6.6	7.4	2.5
Values																						
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	-	-	-	0.3	260.0	561.0	489.4	417.9	381.3	373.4	454.6	343.6	355.2	386.3	407.0	294.5	266.3	260.3	219.4	307.4	270.8	118.8
Contribution by:																						
Copper (per cent)	-	-	-	61	68	68	60	54	61	53	52	51	54	51	60	64	66	74	69	74	83	83
Gold (per cent)	-	-	-	38	31	30	38	44	37	45	46	47	44	46	37	`34	32	24	29	25	16	16
OTHER																						
US$/Kina exchange rate	1.02	1.04	1.05	1.05	1.17	1.16	1.10	1.03	1.00	1.11	1.19	1.35	1.48	1.50	1.41	1.42	1.27	1.26	1.31	1.43	1.42	1.19
Average metal prices																						
LME copper (USc/lb)	87.0	103.0	106.0	119.8	129.0	117.9	81.0	62.3	64.3	62.4	71.9	67.1	79.0	99.2	89.8	61.9	59.3	63.6	55.9	93.3	80.9	48.6
London gold market (US$/oz)	[illegible]60.0	344.0	362.2	382.8	381.0	436.8	446.7	367.9	317.3	360.8	423.5	375.6	459.9	614.7	304.7	193.5	147.8	124.8	160.9	158.7	97.3	58.2
Return on shareholders' funds (per cent)	-	-	-	-	-	18.5	15.4	7.7	4.8	2.0	9.3	1.9	3.9	12.2	28.5	15.1	9.2	13.7	16.0	42.7	69.7	18.9
Earnings per share*** (toea)	-	-	-	-	-	27.1	22.6	11.3	7.0	2.9	13.6	2.8	5.7	17.8	20.9	12.0	7.1	10.3	11.5	28.6	39.5	6.9
Dividends per fully paid share***(par value K1)(toea)	-	-	-	-	-	27.0	23.0	11.0	7.0	4.0	13.0	2.5	5.0	20.0	26.7	10.0	5.3	6.7	6.7	18.3	20.0	2.7
Number of shares issued at end of year (millions)	401	401	401	401	401	401	401	401	401	401	401	401	401	401	267	267	267	267	267	267	267	260*
Number of shareholders at end of year	[illegible]189	19 851	19 982	20 532	21 287	21 966	22 650	24 680	27 117	30 435	32 834	36 486	38 027	38 326	38 750	40 935	43 820	50 082	54 129	55 558	45 353	46 726
Debt/equity ratio	-	-	-	-	-	.002/1	.004/1	0.05/1	0.06/1	0.09/1	0.10/1	0.20/1	0.17/1	0.05/1	0.15/1	0.19/1	0.37/1	0.40/1	0.44/1	0.52/1	0.72/1	0.62/1
Workforce at end of year																						
Overseas	-	1	6	13	330	610	699	706	704	749	751	756	801	877	851	855	853	858	942	980	929	971
National	-	1	6	10	1 987	2 950	3 025	2 993	2 948	2 987	3 058	3 174	3 377	3 416	3 314	3 243	3 063	2 989	3 094	3 242	2 915	2 594

****1972 to 1979 figures are after adjustment for the 1980 capital reconstruction*
*****1989, 1990 and 1991 include extraordinary items of K26.1 million, K28.7 million and K309.2 million respectively*
******1990 includes extraordinary items of K76.3 million for insurance litigation settlement and K51.5 million for depreciation.*

Notes to accounts – continued

These notes form part of the 2013 financial statements of Bougainville Copper Limited and should be read in conjunction with them.

the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Investments:

(i) Available for sale financial assets

Investments in marketable equity securities (shares in other corporations) are classified as "available for sale financial assets". Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale; these are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available for sale investments are subsequently carried at fair value. Changes in the fair value of available for sale investments are recognised as a separate component of equity until the investment is sold, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in determining profit. For investments that are actively traded in organised financial markets, fair value is determined by reference to the Australian Securities Exchange quoted market bid prices at the close of business on the balance sheet date.

(ii) Held to maturity financial assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These are measured at cost with accrued interest included in other receivables.

Impairment of investments:

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at cost

For loans and receivables, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the reversal of he previously recognised impairment loss is recognised in the statement of comprehensive income.

(ii) Assets classified as available for sale

If there is objective evidence of impairment for available for sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the statement of comprehensive income, is removed from equity and recognised in the statement of comprehensive income.

Impairment losses on equity instruments that were recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income in a subsequent period.

If the fair value of a debt instrument classified as available for sale increases in a subsequent period and

Notes to accounts – continued

These notes form part of the 2013 financial statements of Bougainville Copper Limited and should be read in conjunction with them.

the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

Impairment testing on receivables and other assets is described below.

Cash and cash equivalents:

Cash and cash equivalents comprises cash on hand, deposits held at call with banks, and bank deposits and treasury bills with original maturities of three months or less.

Other receivables:

Other receivables are recognised initially at fair value, less provision for impairment. They are presented as current assets unless collection is not expected for more than twelve months after the reporting date.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probably that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expense. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expense in the statement of comprehensive income.

Impairment of other assets:

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Revenue recognition:

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

1.(c) Critical accounting estimates and assumptions

(i) Carrying value of mine assets

Mine production was suspended on 15 May 1989 because of attacks on employees. Following repeated instances of damage to mine facilities and the power line and further attacks on employees, it became necessary to evacuate all remaining company personnel from Bougainville early in 1990. There continues to be uncertainty surrounding the future of the Panguna mine. Since the withdrawal of company personnel from Bougainville was completed on 24 March 1990, there has been no care and maintenance of the company's assets. Considerable deterioration of the assets has likely occurred in the intervening period, because of this lack of care and maintenance, their exposure to the elements, vandalism, pilferage and militant action. However, as access to the mine site has not been possible, the extent of the necessary write-downs is not capable of reliable measurement or estimation.

With the passage of time, it became clear that a major write-down of assets from their pre-closure levels would be required. To allow for this future write-down, the directors made an impairment loss in 1991 for deterioration, damage and pilferage of K350 million, with this sum being classified as an extraordinary item.

The exact quantum of this provision should not be viewed as a precise calculation reflecting an accurate estimate of the present value of losses or likely costs of repair. Rather, the reduction in carrying value should be seen as a broad estimate of the total service potential

Independent auditor's report to the shareholders of Bougainville Copper Limited

Report on the financial statements

We have audited the accompanying financial statements of Bougainville Copper Limited (the company), which comprise the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of these financial statements such that they give a true and fair view in accordance with generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

The financial statements of the company for the year-ended 31 December 2013 have been prepared with the inclusion of the company's mine assets at their 31 December 1991 book value of K198 million. This book value is net of a separate general impairment loss provision of K350 million having been made in 1991 for the value of the indeterminate level of deterioration, damage and pilferage of assets which has occurred in the period since the withdrawal of company personnel from Bougainville in 1990. As explained in notes 1(b) and 1(c) to the financial statements, there continues to be considerable uncertainty surrounding the future of the Panguna mine, and the extent of deterioration, damage and pilferage of the company's assets on Bougainville. While the directors have made the impairment provision in good faith based on the limited information available to them, the actual extent of the necessary write-downs can only be established when access to the mine site by appropriate company representatives is again possible or when a reliable market price for the Panguna mine assets can be determined.

In our opinion, providing for the probable impairment loss from deterioration, damage or pilferage is the appropriate accounting treatment for the actual impairment which will have occurred in the period to 31 December 2013. However as the actual extent of such impairment cannot presently be established, the recoverable amount of the company's assets on Bougainville is not capable of reliable measurement or estimation. Accordingly the impairment provision may eventually prove to be above or below the sum which is necessary to reflect this impairment. In the absence of all the necessary information and explanations we require, and for the reasons set out above, we are unable to form an opinion as to whether or not the impairment provision against the carrying amount of mine assets of K350 million is adequate or not and therefore whether the carrying value of the mine assets is properly stated. The mine assets are not being depreciated which is a departure from International Financial Reporting Standards.

The financial statements reflect a provision of K13.9 million for compensation for which the company may be liable. The company may have other compensation, mine rehabilitation and stabilisation obligations. For the same reasons as set out above in relation to mine assets, the company's actual liability for these costs is subject to significant uncertainty, and we are unable to form an opinion as to whether the provision is fairly stated.

The values attributed to the mine assets and the liabilities for compensation, rehabilitation and stabilisation are significant or potentially significant to the financial statements and are of fundamental importance to the presentation of the financial statements. In view of the significance of these matters we are unable to form an opinion as to whether or not the financial statements give a true and fair view of the financial position of the company as at 31 December 2013 and of its performance for the year ended on that date.

Statement of cash flows

Bougainville Copper Limited year ended 31 December 2013	**2013 K'000**	2012 K'000
Cash flows from operating activities		
Payments to suppliers	**(11,970)**	(18,270)
Interest received	**183**	122
Dividends received	**3,959**	4,674
Net operating cash flows	**(7,828)**	(13,474)
Cash flows from investing activities		
Proceeds from available for sale financial assets	**19,500**	8,594
Net investing cash flows	**19,500**	8,594
Net increase/(decrease) in cash and cash equivalents		
Net cash flow	**11,672**	(4,880)
Cash and cash equivalents at beginning of year	**1,387**	6,494
Effect of exchange rate changes on cash and cash equivalents	**494**	(227)
Cash and cash equivalents at end of year	**13,553**	1,387

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand Kina has been adopted. The notes on pages 19 to 30 form part of these accounts and are to be read in conjunction with them.

For, and on behalf of, the board.

Peter R Taylor
Chairman & managing director
25 February 2014

Robert S Burns
Director

Independent auditor's report to the shareholders of Bougainville Copper Limited

Report on the financial statements

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