BALANCE SHEET

Bougainville Copper Limited year ended 31 December, 2003	Notes	**2003 K'000**	2002 K'000
FUNDS EMPLOYED:			
Shareholders' Funds			
Paid up capital	10	**401 063**	401 063
Asset revaluation reserve	8	**31 276**	31 276
Accumulated losses		**(116 235)**	(130 732)
		316 104	301 607
NON - CURRENT LIABILITIES			
Provisions	6(b)	**22 073**	22 073
Other creditors	6(b)	**4 518**	4 520
Income tax	4(b)	**6 759**	6 759
		33 350	33 352
CURRENT LIABILITIES			
Creditors	6(a)	**1 028**	1 264
TOTAL FUNDS		**350 482**	336 223
THESE FUNDS ARE REPRESENTED BY:			
NON - CURRENT ASSETS			
Investments	3	**121 249**	18 882
Other debtors	9(b)	**3 909**	3 909
Mine assets	7	**197 894**	197 894
		323 052	220 685
CURRENT ASSETS			
Cash and cash equivalents		**22 976**	110 216
Other debtors	9(a)	**4 454**	5 322
		27 430	115 538
TOTAL ASSETS		**350 482**	336 223

Details of contingent liabilities and assets are shown in note 12.
All amounts are expressed in Papua New Guinea kina.
Rounding to the nearest thousand kina has been adopted.
The notes commencing on page 15 form part of these accounts and are to be read in conjunction with them.

NOTES TO ACCOUNTS

These notes form part of the 2003 accounts of Bougainville Copper Limited and should be read in conjunction with them.

1. (a) BASIS OF PREPARATION

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 considerable 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 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. At the same time, because the assets are not in use, normal depreciation charges, to reflect wear and tear from their utilisation in production, are not technically appropriate.

Nevertheless, with the passage of time, it is clear that a major write-down of assets from their pre-closure levels will be required. To allow for this future write-down, the directors made a general provision 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 likely to have been lost to the operation in respect of the whole inventory of assets carried in the books.

While 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 representatives is again possible. Accordingly, the 1991 provision may eventually prove to be above or below the sum which is necessary to reflect these losses. 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.

1. (b) ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the 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. Accounting policies relevant to mining operations are not presented. The policies generally comply with International Financial Reporting Standards and other generally accepted accounting practice 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:

Following cessation of mining activities, in 1991 a general provision of K350 million was made for deterioration, damage or pilferage of company assets on Bougainville. The accuracy of that provision cannot be proved, because the lack of access to Bougainville prevents a detailed assessment of the nature or extent of those losses. No depreciation charge or increase to the general provision has been made since 1991. The Directors consider that any further review of the general provision at this time would be completely arbitrary because of the continuing lack of access to the mine.

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 temporary differences. Permanent differences are disclosed in note 4. Temporary differences arise because the tax base of some assets and liabilities is different from their accounts carrying value. The tax effect of these temporary 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 probable. 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 rate 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.

PROVISIONS:

Provision is made for compensation, rehabilitation and stabilisation for which the company may be liable as a consequence of cessation of operations. The amount previously shown as a liability for landowners' compensation has been classified as a provision.

INVESTMENTS:

Investments in marketable securities (shares in other corporations) are classified as 'available for sale'. 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 recognized 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. Realised and unrealized gains and losses arising from changes in the fair value of available-for-sale investments are included in the income statement in the period in which they arise.

Investments in treasury bills issued by the Bank of Papua New Guinea are classified under cash and cash equivalents. These are all intended to be held to maturity, which is typically one to three months. These are measured at cost with accrued interest included in other debtors.

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.

Bougainville Copper Limited year ended 31 December, 2003		**2003 K'000**	2002 K'000
2. GENERAL AND ADMINISTRATIVE EXPENSES			
Remuneration of Directors (Note 11)		**955**	660
Auditors' remuneration	- auditing the accounts	**22**	30
	- taxation and exchange control services	**537**	153
(The auditors have received no other benefits)			
Insurance		**161**	223
Management fees - related party (Note 16)		**1 596**	1 486
Other general and administrative expenses		**1 466**	1 551
		4 737	4 103
3. INVESTMENTS			
Non-current			
Quoted shares in other corporations - at market value		**121 249**	18 882
		121 249	18 882

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of movements in equity, statement of cash flows, and the accompanying notes to the financial statements for Bougainville Copper Limited (the company) for the year ended 31 December 2003.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Companies Act 1997. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with International Standards on Auditing, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Companies Act 1997, International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

We read the other information in the Annual Report to determine whether it contained any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of the Papua New Guinea Institute of Accountants and the Companies Act 1997.

PricewaterhouseCoopers

by J.C. Seeto

Registered under the Accountants Registration Act (1996) Port Moresby,

on this 26th day of February, 2004

Statistical Summary

FINANCIAL	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Earnings (K million)													
Net sales revenue and other income*****	**16.1**	11.7	13.0	19.6	18.3	12.4	6.1	10.7	5.5	2.2	1.7	2.2	3.3
Operating and other expenses****	**4.7**	4.1	4.6	3.8	4.8	5.2	4.8	5.0	4.9	3.6	4.1	5.1	316.6
Depreciation*****	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Earnings/(loss) before taxation and exchange gains	**11.4**	7.6	8.4	15.8	13.5	7.2	1.4	5.7	0.6	(1.4)	(2.4)	(2.9)	(313.3)
Exchange gains/(losses)	**3.1**	0.3	-	-	0.4	0.5	-	-	6.6	9.2	(0.3)	1.5	0.1
Earnings/(loss) before taxation	**14.5**	7.9	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)
Income tax	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Additional profits tax	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Net earnings/(loss)	**14.5**	7.9	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)
Dividends paid	**-**	8.0	-	-	-	-	-	-	-	-	-	-	-
Earnings/(losses) retained	**14.5**	(0.1)	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)	(313.2)
Balance Sheet (K million)													
Property, plant & equipment	**197.9**	197.9	197.9	197.9	197.9	198.6	200.1	200.6	200.7	200.7	200.8	201.4	201.5
Investments and loans	**121.2**	18.9	3.1	-	-	-	-	-	-	-	-	-	-
Current and other non-current assets	**31.4**	119.4	135.4	131.0	114.4	100.7	87.7	85.4	76.0	65.6	56.2	56.8	56.5
Total assets	**350.5**	336.2	336.4	328.9	312.3	299.3	287.8	286.0	276.7	266.3	257.0	258.2	258.0
Shareholders' funds	**316.1**	301.6	301.8	293.3	277.5	263.6	255.9	254.5	248.8	241.6	233.8	236.4	237.9
Exchange fluctuation	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Long term liabilities	**33.4**	33.4	33.4	33.4	33.5	35.3	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Current liabilities	**1.0**	1.2	1.2	2.2	1.3	0.4	25.1	24.7	21.1	17.9	16.4	15.0	13.3
Funds employed	**350.5**	336.2	336.4	328.9	312.3	299.3	287.8	286.0	276.7	266.3	257.0	258.2	258.0
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$/Kina exchange rate	**0.30**	0.25	0.26	0.36	0.39	0.48	0.69	0.76	0.79	1.01	1.02	1.04	1.05
Average metal prices													
LME copper (USc/lb)	**79.95**	70.65	66.2	82.1	71.4	75.2	105.6	104.0	133.1	105.0	87.0	103.0	106.0
London gold market (US$/oz)	**363.89**	310.14	276.5	280.0	280.0	294.0	335.3	387.0	384.5	384.0	360.0	344.0	362.2
Return on shareholders' funds (per cent)	**4.6**	2.6	2.8	5.4	5.0	2.9	0.5	2.2	2.9	3.2	-	-	-
Earnings per share*** (toea)	**3.61**	1.96	2.10	3.93	3.5	1.9	0.3	1.4	1.8	1.9	-	-	-
Dividends per fully paid share***(par value K1.00) (toea)	**-**	2	-	-	-	-	-	-	-	-	-	-	-
Number of shares issued at end of year (millions)	**401**	401	401	401	401	401	401	401	401	401	401	401	401
Number of shareholders at end of year	**16 374**	16 519	16 812	17 021	17 260	18 183	18 182	18 041	18 452	18 765	19 189	19 851	19 982
Debt/equity ratio	**-**		-	-	-	-	-	-	-	-	-	-	-
Workforce at end of year													
Overseas	**-**		-	-	-	-	-	-	-	-	-	1	6
National	**-**		-	-	-	-	-	-	-	-	-	1	6

Notes: Bonus dividends of 4.0 and 6.7 toea per fully paid share were made in1979 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, 2003	**2003 K'000**	2002 K'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	**(5 451)**	(3 999)
Interest received	**8 404**	9 619
Dividends received	**1 839**	174
Net Operating Cash Flows	**4 792**	5 794
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**-**	(8 014)
Net financing cash flows	**-**	(8 014)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of shares in non-related entities	**(98 749)**	(16 758)
Proceeds from sales of shares in non-related entities	**3 630**	3 148
Proceeds from sales of property, plant and equipment	**-**	-
Net investing cash flows	**(95 119)**	(13 610)
NET INCREASE / (DECREASE) IN CASH HELD		
Net cash flow	**(90 327)**	(15 830)
Cash and cash equivalents at beginning of year	**110 216**	125 757
Effect of exchange rate changes on cash held	**3 087**	289
Cash and cash equivalents at end of year	**22 976**	110 216

All amounts are expressed in Papua New Guinea kina.
Rounding to the nearest thousand kina has been adopted.
The notes commencing on page 15 form part of these accounts and are to be read in conjunction with them.

For, and on behalf of, the Board.

P. R. Taylor
Chairman and
Managing Director

M. A. Moramoro
Director

26 February 2004

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of movements in equity, statement of cash flows, and the accompanying notes to the financial statements for Bougainville Copper Limited (the company) for the year ended 31 December 2003.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Companies Act 1997. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with International Standards on Auditing, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Companies Act 1997, International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

We read the other information in the Annual Report to determine whether it contained any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of the Papua New Guinea Institute of Accountants and the Companies Act 1997.

PricewaterhouseCoopers

by J.C. Seeto

Registered under the Accountants Registration Act (1996) Port Moresby,

on this 26th day of February, 2004