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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.
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, 1978.

Directors:

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

Sir Frank Espie, O.B.E. (Chairman)
N.R. Agonia

J. L. Auna

Sir Roderick Carnegie

B. E. Fairfax-Ross, C.B.E.

P. W. Quodling

J. T. Ralph

D. C. Vernon

Sir Roderick Carnegie and Mr. J. T. Ralph retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election.

Activities:

Bougainville Copper Limited has produced concentrates 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 1978 totalled K48 015 000 after providing K40 425 000 depreciation and amortisation, K2 790 000 for royalties and K22 000 000 for income tax.

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 K11 740 000 were realised on the repayment of U.S. and Australian dollar loans, while exchange losses of K1 445 000 were suffered on overseas bank balances. These gains and losses were respectively credited and debited to 1978 earnings.

Long Term Loans:

Draw downs against long term loan arrangements consisted of the balance of the Bank of America Syndicate truck loan (U.S. \$8 000 000) and a term loan from the Papua New Guinea Banking Corporation (K10 000 000). Repayments of K64 642 000 were made against existing loans, leaving a balance outstanding at year end of K60 819 000.

Dividends:

An interim dividend of 5 toea per share was declared on 17 August, 1978 and paid on 3 November, 1978. A final dividend of 10 toea per share has been declared and is payable on 3 May, 1979 bringing the total dividend from 1978 earnings to 15 toea per share. 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. In their opinion, no circumstances have arisen which render adherence to the existing method of valuation of assets or liabilities misleading or inappropriate.
4. No contingent liabilities have arisen since the balance date of the group accounts, 31 December 1978, and the date of this report, 6 February, 1979.
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, 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 1979.

Signed this 6th day of February, 1979 in accordance with a resolution of the directors of Bougainville Copper Limited.



F. F. Espie (Chairman)



P. W. Quodling
(General Manager and Director)

Simplified Financial Statements

Bougainville Copper Limited

Balance Sheet

Funds employed: K466m.

KM.

KM.

Assets: K466m.

Shareholders' funds	317	340	Net investment in property, plant and equipment
Potential exchange gains on future loan repayments	9		
Borrowings	61	35	Stocks and shares
Amount owed to creditors and for income tax	52	56	Amount owed by debtors
1978 final dividend payable	27	35	Cash at bank

Earnings Statement

Income: K235m.

KM.

KM.

Expenses: K235m.

Sales and other income	225	122	Cost of sales
Exchange gains realised on financing transactions	10	40	Depreciation
		25	Taxation and royalties
		48	Net earnings

Balance Sheets

Bougainville Copper Limited
and Subsidiary Company

at 31 December, 1978

at 31 December, 1978		Consolidated		Bougainville Copper Limited	
	Notes	1978 K'000	1977 K'000	1978 K'000	1977 K'000
Funds employed by the group:					
Shareholders' funds					
Paid up capital	5	133 688	133 688	133 688	133 688
Retained earnings		183 877	175 968	183 880	175 971
Total shareholders' funds		317 565	309 656	317 568	309 659
Exchange fluctuation					
	6	9 003	14 608	9 003	14 608
Long term liabilities					
Loans	7	40 510	51 952	40 510	51 952
Provision for long service leave		1 550	1 360	1 550	1 360
		42 060	53 312	42 060	53 312
Current liabilities					
Loans	7	20 309	63 724	20 309	63 724
Creditors	8	28 044	23 678	28 042	23 675
Income tax		22 293	13 749	22 293	13 749
Dividend payable		26 737	10 695	26 737	10 695
		97 383	111 846	97 381	111 843
Total funds		466 011	489 422	466 012	489 422
These funds are represented by:					
Fixed assets					
Property, plant and equipment	9	340 144	352 228	340 144	352 228
Investments	10	83	83	92	92
Current assets					
Bank balances and short term deposits		34 426	70 896	34 418	70 887
Debtors for sale of concentrates		51 794	32 527	51 794	32 527
Other debtors	11	4 174	3 585	4 174	3 585
Stocks and stores	12	35 390	30 103	35 390	30 103
		125 784	137 111	125 776	137 102
Total assets		466 011	489 422	466 012	489 422

All amounts are expressed in Papua New Guinea kina.
Rounding 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 group 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 group at the end of that period.

Signed at Panguna this 6th day of February, 1979.

On behalf of the Board
F. F. ESPIE, P. W. QUODLING
Directors

Declaration by Secretary

I, Misac Rangai, Secretary of Bougainville Copper Limited, do solemnly and sincerely declare that the accompanying balance sheets and statements of earnings of the Company and group 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 6th day of February, 1979.

M. RANGAI
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 of the group 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 of the group as at 31st December, 1978, 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, 1979

Shareholdings

Substantial shareholders

The distribution of holdings of the issued shares in Bougainville Copper Limited at 31st January, 1979, was:

1- 1 000 shares	33 669
1 001- 5 000 shares	6 049
5 001-10 000 shares	609
10 001 shares and over	495
Total shareholders	<u>40 822</u>

Substantial shareholders at 31st January, 1979, were:
The Rio Tinto-Zinc Corporation Limited,
R.T.Z. Australian Holdings Limited,
C.R.A. Holdings Pty. Limited,
Conzinc Riotinto of Australia Limited,
C.R.A. Base Metals Pty. Limited,
143 258 644 shares.

The Independent State of Papua New Guinea,
The Investment Corporation of Papua New Guinea,
53 975 000 shares.

83.07% of the total issued shares were held by the 20 largest shareholders of the Company at 31st January, 1979.

The voting rights are one vote for each share held.

Ten largest shareholders

The ten largest shareholders at 31st January, 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, P.N.G.	50 948 113
The National Mutual Life Association of Australasia Limited, Melbourne. Vic.	5 214 426
ANZ Nominees Limited, Melbourne. Vic.	3 579 929
Bank of New South Wales Nominees Pty. Ltd., Sydney. N.S.W.	3 097 757
The Investment Corporation of Papua New Guinea, Port Moresby. P.N.G.	3 026 887
C.R.A. Base Metals Pty. Ltd., Melbourne. Vic.	2 732 968
Panguna Development Foundation Limited, North Solomons Province. P.N.G.	2 400 000
The Colonial Mutual Life Assurance Society Limited, Melbourne. Vic.	2 100 991
National Nominees Limited, Melbourne. Vic.	2 074 199
	<u>215 700 946</u>

Directors' interests

Directors' interests in Bougainville Copper Limited and its related companies — 31st January, 1979:

F. F. Espie	1 300 Mary Kathleen Uranium Limited shares
R. H. Carnegie	6 000 Bougainville Copper Limited shares
	1 000 Mary Kathleen Uranium Ltd shares
	6 000 Conzinc Riotinto of Australia Limited shares
	1 000 Hamersley Holdings Limited shares
J. T. Ralph	114 Bougainville Copper Limited shares
	476 Conzinc Riotinto of Australia Limited shares
	£750 The Rio Tinto-Zinc Corporation Limited convertible loan stock
B. E. Fairfax-Ross	2 400 Bougainville Copper Limited shares
J. L. Auna	No interests
D. C. Vernon	No interests
P. W. Quodling	No interests
N. R. Agonia	No interests

Financial Summary 1972-1978

Earnings (K million)

	1978	1977	1976	1975	1974	1973	1972*
Net sales revenue and other income	225.1	205.3	208.9	193.1	292.6	252.4	95.9
Operating and other expenses	125.0	126.8	117.5	107.2	90.0	81.8	53.3
Depreciation	40.4	36.2	31.1	29.6	28.5	24.8	14.5
Earnings before taxation and exchange gain	59.7	42.3	60.3	56.3	174.1	145.8	28.1
Exchange gains	10.3	(0.1)	1.3	2.3	7.0	12.9	(0.4)
Earnings before taxation	70.0	42.2	61.6	58.6	181.1	158.7	27.7
Taxation	22.0	13.7	20.3	12.4	66.5	0.3	—
Net earnings	48.0	28.5	41.3	46.2	114.6	158.4	27.7
Dividends	40.1	21.4	26.7	26.7	73.5	81.4	11.0
Earnings retained	7.9	7.1	14.6	19.5	41.1	77.0	16.7

Balance sheet (K million)

Property, plant and equipment	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	—
Current assets	125.8	137.1	136.0	129.5	205.6	130.4	73.9
Total assets	466.0	489.4	486.5	475.6	557.9	502.2	452.6
Shareholders funds	317.5	309.7	302.5	287.9	268.4	227.4	146.7
Exchange fluctuation	9.0	14.6	9.0	11.5	19.1	39.5	24.2
Long term liabilities	42.1	53.3	101.7	106.8	121.1	127.5	204.0
Current liabilities	97.4	111.8	73.3	69.4	149.3	107.8	77.7
Funds employed	466.0	489.4	486.5	475.6	557.9	502.2	452.6

Other data

Return on shareholder funds (%)	15.1	9.2	13.7	16.0	42.7	69.7	18.9
Earnings per share (toea)	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)	15.0	8.0	10.0	10.0	27.5	30.0	4.2
Number of shares issued at end of year (thousands)	267 375	267 375	267 375	267 375	267 375	267 375	260 000**
Number of shareholders at end of year	40 935	43 820	50 082	54 129	55 558	45 353	46 726
Debt: Equity ratio	0.19/1	0.37/1	0.40/1	0.44/1	0.52/1	0.72/1	1.62/1

Notes:

* Commercial production commenced 1 April, 1972.

** 130 000 000 one kina shares; 50 toea equivalent shown for comparison purposes.