

**Bougainville Copper
Limited**

**ANNUAL
REPORT
1975
& Notice of Meeting**

Notice of Meeting

The Annual General Meeting of Bougainville Copper Limited will be held at 10.00 a.m. on Tuesday, 6th April, 1976 in the Recreational Complex, Panguna, Bougainville, P.N.G. A separate Notice of Meeting is enclosed. All shareholders are cordially invited to attend.

D/1272

Bougainville Copper Limited produces a concentrate containing copper, gold and silver from its mine at Panguna in central Bougainville. The concentrate is pumped in slurry form to the Company's port at Anewa Bay where it is dried before being shipped overseas.

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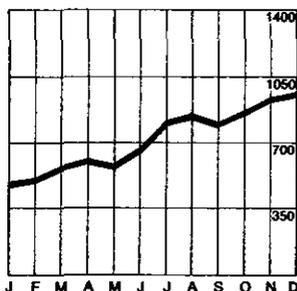




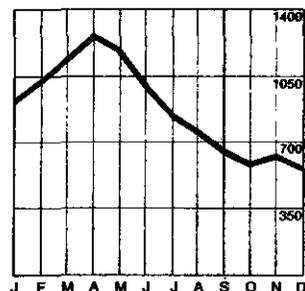
During 1973, the first full year of production, 650 000 tonnes of concentrate were produced. During the year there were unprecedented rises in metal prices. Copper prices rose from £Stg.450 per tonne at the close of 1972 to £Stg.1135 in December 1973, while gold and silver prices also increased markedly. The combined effect of a full year's production and high prices resulted in net earnings of \$158 million.

By the end of the year, the Company's workforce totalled about 3 500 with a further 500 under training. During the year many additional amenities and recreation facilities were installed, including a swimming pool, a gymnasium and squash courts. A church for all denominations was completed and dedicated.

The Company's name was changed from Bougainville Mining Limited to Bougainville Copper Limited, and through a Scheme of Arrangement shareholders received six shares in Bougainville Copper for each five shares previously held in Bougainville Mining.



1973 AVERAGE MONTHLY COPPER PRICES IN £STG.



1974 AVERAGE MONTHLY COPPER PRICES IN £STG.

While 1974 was a year of consolidation and planned development for the Company, it was also one in which the Company was exposed to the results of marked deterioration in the world's major economies, rapidly escalating costs and copper price instability.

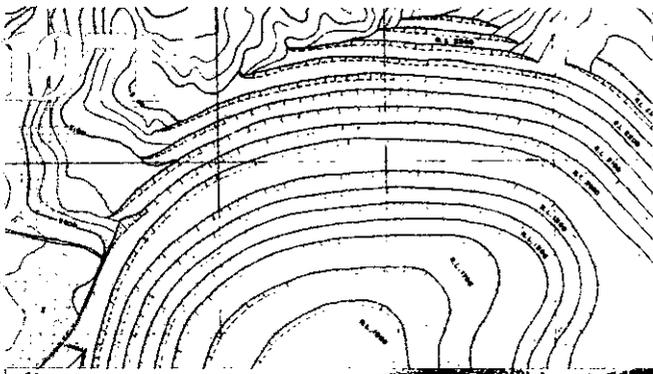
Production totalled 640 000 tonnes of concentrate, and earnings after tax (which was levied for the first time) amounted to \$114 million.

Copper prices rose to a record high of £Stg.1400 per tonne in April, but declined thereafter to £Stg.529 per tonne in December.

Localisation of the workforce continued to make good progress during the year, with Papua New Guineans comprising approximately 77% of the workforce at the year end.

During the year, the Government of Papua New Guinea and the Company renegotiated the Bougainville Copper Agreement. This provided for significant financial changes and resulted in much higher payments being made to the Government.





1971 was a year of rapid construction. By the end of the year the project was nearing completion and a total of \$357 million had been spent on the mine property and the capital works in progress.

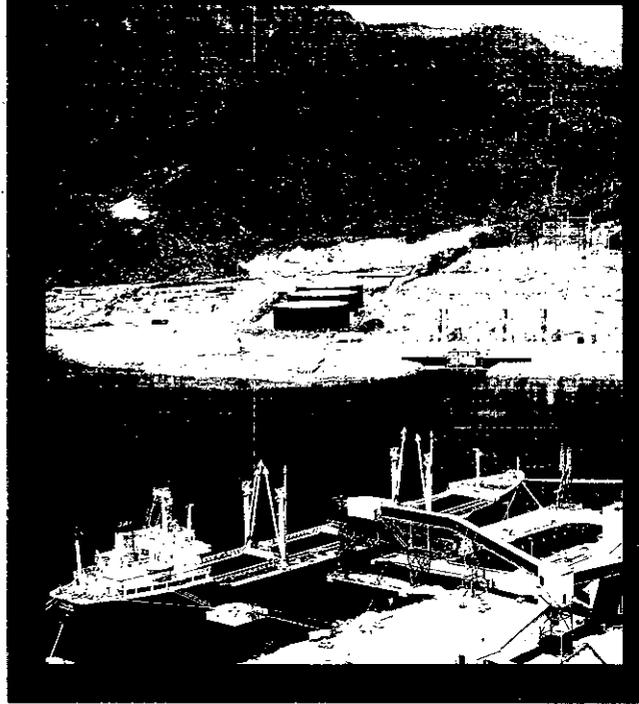
The 135 megawatt steam power station was one of the most critical items of construction completed during 1971. In addition, two gyratory primary crushers and eight ball mills, each 18 feet in diameter and 21 feet long, were completed. Work on the concentrator flotation cells was well advanced by the year's end.

During this year, the work force rose to its maximum level of over 10 000.

As a move to actively promote other commercial ventures on Bougainville, the Company sponsored the establishment of the Panguna Development Foundation. In addition to promoting commercial ventures in which the Company has an interest...



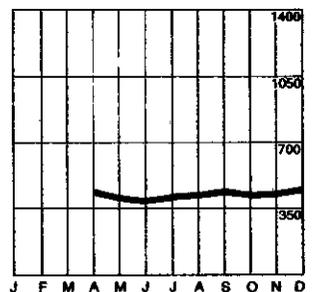
1972



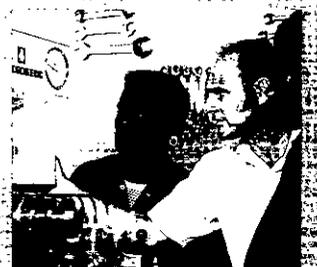
Commercial Production commenced on 1st April, 1972 after the Company had successfully overcome challenges of inclement climate and inhospitable terrain. Production commenced some three months ahead of schedule. During the year, 395 000 tonnes of concentrate were produced and net earnings for the year exceeded \$20 million.

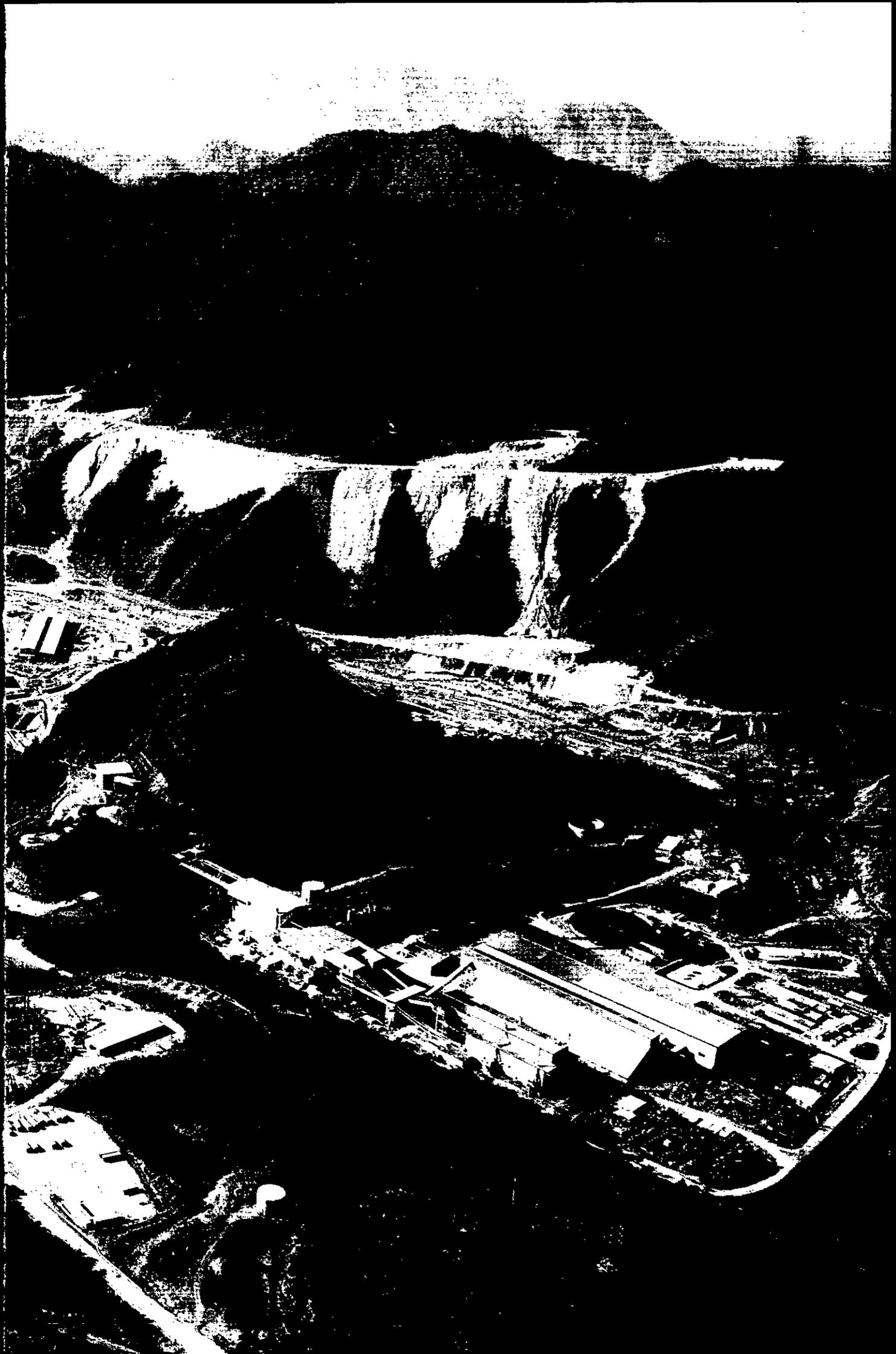
There was a world increase in the available supply of copper during the year, and copper prices remained low throughout the period. This was despite some recovery in the demand from U.S.A., Japan and Europe.

The Company opened its new training centre at Panguna to cater for apprenticeship training in all of the trades used on the mine site. At the end of 1972, 240 apprentices were under training.



1972 AVERAGE MONTHLY COPPER PRICES IN ESTG.





Highlights 1975

April

Final dividend of K46 790 673 paid from 1974 earnings.

Papua New Guinea introduced its own currency, the Kina and toea.

May

Papua New Guinea became 35th member of the Commonwealth.

July

Panguna supermarket opened.

September

Papua New Guinea declared its Independence. Largest shipment to date, 36 700 tonnes of concentrate to Germany.

October

Interim dividend of K13 368 752 paid to shareholders.

Papua New Guinea admitted as full member of United Nations.

Sale of 10 000 tonnes of concentrate to China.

Taxation payable to Papua New Guinea Government from 1974 earnings assessed at K63 159 285.

December

Shipments of copper in concentrate for year of 635 393 wet tonnes. Production of copper in concentrate for year totalled 172 477 tonnes. Consolidated net earnings for year: K46 201 017

Directors

F. F. ESPIE, O.B.E.
(Chairman)

D. C. VERNON
(Managing Director)

J. L. AUNA

R. H. CARNEGIE

B. E. FAIRFAX-ROSS, C.B.E.

J. T. RALPH

I. F. TARUA

Alternate Directors

N. R. AGONIA

R. H. HARDING

Secretary

J. C. RENNIE

BOUGAINVILLE COPPER LIMITED
(Incorporated in Papua New Guinea)

Registered Office:
Panguna, Bougainville, P.N.G.

Share registers:
Melbourne: 95 Collins Street, Melbourne.
Canberra: 78 Northbourne Avenue, Canberra City, A.C.T.
Panguna: Panguna, Bougainville Island, Papua New Guinea.
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.

Chairman's Statement

For 1975, the Company's performance was creditable in the light of the unfavourable world economic conditions which were reflected in high inflation, restrained demands, low metal prices and increased pressure on costs. Bougainville Copper's metal production and sales were below the levels of the previous two years and, in common with other copper exporters, the Company's shipments of concentrate to Japan were curtailed because of the high level of copper stocks in that country.

Earnings in 1975 amounted to K46 201 107 and dividends of K26 737 500 were declared in respect of that year. As I have previously pointed out, a significant portion of the Company's cash flow is required in the early years of its operations to service the Company's borrowings as well as to provide working capital and to meet unforeseen contingencies.

Modern large scale mining operations also require continuous investment in new and replacement equipment. In the interests of prudent cash management, it is essential that all of these matters be considered carefully before deciding on the amount of dividend to be paid.

In 1975, the first payment of Company tax was made to the Papua New Guinea Government when K63.2 million was paid in respect of earnings in 1974. Total Company payments to the Papua New Guinea

Government on account of company tax, royalty, withholding tax and dividends on its 20% shareholding amounted to K84.3 million.

During the year the Government introduced its own currency, the Kina, which operated at par with the Australian dollar. The Government announced that after 31st December, 1975, exchange controls would extend to Australian transactions and Australian currency would cease to be legal tender in Papua New Guinea after that date. However, the Finance Minister has indicated that because of Papua New Guinea's strong commercial and financial links with Australia, the Kina exchange rate will be expressed in terms of Australian dollars. This arrangement is expected to stand for some time provided that there are no major changes in the value of the Australian dollar relative to other major currencies, in which event the position would be reviewed.

Shareholders resident outside Papua New Guinea may be uncertain as to the effects of any

change in the exchange rate between the Kina and the currency of their own country. A unilateral change in the value of the Kina will mean that the Company's cash balances held in Kina will be worth less in terms of the foreign currency if the Kina devalues, and worth more if the Kina revalues. In respect of current revenue from sales, the effect would be small. Copper and silver in concentrate are priced in pounds sterling, and converted to United States dollars on a daily basis. Gold is priced directly in United States currency. A unilateral change in the value of the Kina therefore would not affect the Company's current revenue expressed in terms of United States dollars. The Company's loan borrowings are repayable in United States and Australian dollars and this liability, when expressed in terms of the earnings of foreign currency from exports, would not change as a result of the change in the Kina exchange rate.

In recent months a number of shareholders have expressed their concern as to the possible effect of moves for secession of Bougainville from the newly independent Papua New Guinea. While the Company has been watching the position closely, its policy has been to avoid involvement in what it regards as a political matter to be resolved between the secessionists and the Papua New Guinea Government. Nevertheless, directors do express a sincere hope that the differences between the parties can be settled satisfactorily.

The Company has just completed one of the most difficult years of its short history, and has experienced

the economic problems and uncertainties which I foreshadowed in my statement in the Company's last Annual Report. The success achieved in meeting these problems can be attributed largely to the diligence and efficiency of Bougainville Copper staff and employees, and the directors wish to thank the staff and employees for their efforts during the year.

Finally, the directors wish to record their appreciation to those directors, Mr. R. W. Ballmer and Sir John Gunther, who retired during 1975 after periods of valuable service to the Company. Both contributed much to the development of the Company.



F. F. Espie, Chairman
10th February, 1976.



Statistical Summary

		1975	1974	1973	1972*
ORE AND WASTE REMOVED	(millions of tonnes)	56.40	56.00	56.65	46.75
ORE MILLED	(millions of dry tonnes)	31.08	30.14	29.14	21.89
ORE GRADE					
COPPER	(per cent)	0.64	0.70	0.73	0.76
GOLD	(grams/tonne)	0.80	1.02	1.03	0.77
SILVER	(grams/tonne)	1.87	2.12	1.99	2.06
CONCENTRATE PRODUCED	(dry tonnes)	595 948	640 818	650 172	438 115
CONTAINED COPPER PRODUCED	(tonnes)	172 477	184 083	182 890	123 961
CONCENTRATE GRADE					
COPPER	(per cent)	28.94	28.73	28.13	28.29
GOLD	(grams/tonne)	30.5	32.0	31.6	27.25
SILVER	(grams/tonne)	71.0	72.0	69.0	69.3
CONCENTRATE SHIPPED	(wet tonnes)	635 393	718 373	676 581	471 120
WORK FORCE AT 31ST DECEMBER (Papua New Guinea)					
OVERSEAS	(number)	942	980	929	971
LOCAL	(number)	3 094	3 242	2 915	2 594
AVERAGE METAL PRICES					
COPPER					
London Metal Exchange cash sellers price for electrolytic wire bars	(£Stg./tonne)	556.81	877.00	727.73	428.09
GOLD					
Mean of London Gold Market	(US\$/oz.)	160.9	158.7	97.3	58.2
SILVER					
Spot price, London Silver Market	(UK pence/oz.)	200.3	199.5	103.7	67.4
NUMBER OF SHAREHOLDERS AT 31ST DECEMBER		54 129	55 558	45 353	46 726**
ISSUED CAPITAL AT 31ST DECEMBER (K'000)		133 687	133 687	133 687	130 000
CONSOLIDATED NET EARNINGS (K'000)		46 201	114 579	158 411	27 679
DIVIDENDS IN RESPECT OF YEAR (K'000)		26 738	73 528	80 212	11 000

NOTES:

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

**1972 figure is for Bougainville Mining Limited.

Review of Operations

Measured Ore Reserves: At the end of the year ore reserves were approximately 840 million tonnes, averaging 0.46% copper and 0.51 gms of gold per tonne. The diamond drilling programme which started in late 1973 continued throughout 1975.

Production: During 1975 a total of 56 404 613 tonnes of ore and waste was removed from the mine. Of this, 31 077 819 tonnes of ore were milled and 172 477 tonnes of contained copper were produced. The statistics are set out in the table below.

Production:	Year Ended 31 Dec.'75	Year Ended 31 Dec.'74
Ore Milled (millions of dry tonnes).....	31.08	30.14
Ore Grade:		
Copper (per cent).....	0.64	0.70
Gold — grams/tonne.....	0.80	1.02
Silver — grams/tonne.....	1.87	2.12
Concentrate produced (dry tonnes).....	595 948	640 818
Concentrate Grade:		
Copper (per cent).....	28.94	28.73
Gold — grams/tonne.....	30.5	32.0
Silver — grams/tonne.....	71.0	72.0

The mine and concentrator operated successfully during the year. Tonnage of ore milled exceeded 1974 by nearly 1 million tonnes because of the improved utilisation of the grinding section and the installation of larger cyclone feed pumps. Metallurgically, the performance continued to improve with an increase in copper concentrate grade and only a slight drop in recovery despite a significant fall in headgrade.

Mining and concentrator operations were carried out for 359 days and were free of any major technical problems. Studies into improved maintenance methods and control of operating circuits are continuing with some benefits already revealed.

Marketing: Sales of copper concentrate during the year totalled 586 947 dry tonnes of concentrate. The concentrate contained 169 876 tonnes of copper, 17 907 kilograms of gold and 41 663 kilograms of silver. These sales absorbed practically the full copper concentrate production for the year and stock at the end of the year was 12 790 tonnes of concentrate.

A total of 29 shipments was made during 1975. The average shipment size was about

22 000 tonnes with the smallest being 6 700 and the largest 36 700 tonnes.

The general recession in the world economy adversely affected copper markets and some buyers, particularly the Japanese buyers. As a result the Japanese could not accept full deliveries under their sales agreement with the Company. Additional sales contracts to replace these reductions in deliveries were obtained, although at less favourable terms. These additional sales included one for approximately 10 000 tonnes to the Peoples' Republic of China.

Metal prices during the year remained at depressed levels. The average London Metal Exchange cash sellers' price for electrolytic copper wirebars was £557 per tonne (U.S. 56 cents per pound) compared with £877 (U.S. 93 cents) in 1974. Prices during the year moved within a relatively narrow range compared with the previous year.

The price of gold on the London Gold Market averaged \$US161 per ounce during the year, compared with \$US159 per ounce in 1974. However the price of gold fell sharply in September following the announcement of plans by the International Monetary Fund for sale of portion of its gold holdings. The average price in December was \$US139 per ounce.

The 1975 average price of silver on the London Silver Market was U.K. 200 pence per ounce which was the same as in 1974.

Finance: The Company's obligations under its various loan agreements during 1975 were all fully met. Interest paid on long term loans during the year amounted to K11.850 million while loan repayments totalling K18.462 million were made.

No new loans were drawn down during the year. However, at the end of the year, negotiations for two loans totalling K11.9 million (\$US15 million) were well advanced. A Letter of Commitment had been signed in respect of one of the loans (for \$US10 million).

Efforts during 1975 to obtain loan finance to cover the cost of replacement mine haul trucks were unsuccessful.

The dual currency period following introduction of the Kina in April, 1975 proceeded without problems. Liaison was maintained with the relevant authorities during this period and planning for the transfer to a single Papua New Guinea currency on 1st January, 1976 was well in hand.

The Australian dollar (and the Kina after 19th April, which was tied to the Australian dollar) continued to float against the U.S. dollar and recorded a net devaluation during the year.

However, the exchange rate is still above that which prevailed when the long term loans designated in U.S. dollars were drawn down and hence exchange gains are being realised on loan repayments. These gains are transferred to earnings as they are realised.

Training: Training of the Company workforce progressed satisfactorily during the year despite a high turnover in the ranks of skilled Papua New Guineans. The following table summarises the year's achievements:

1975	Completed Training	Under Training
Apprentices	37	320
Certificate	58	140
Foreman	11	30
Repairman	23	497
Scholarship	8	46

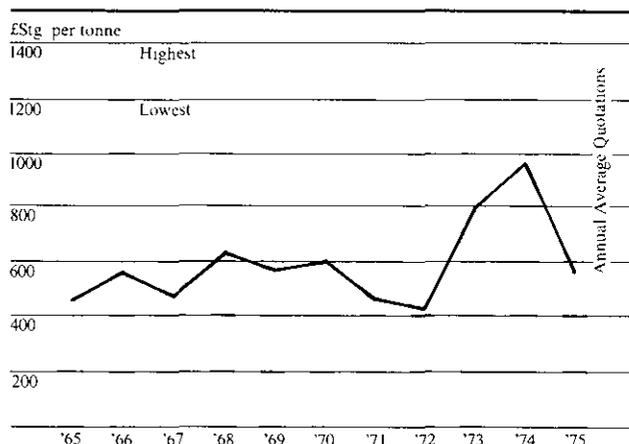
In addition, more than 3 600 employees completed short training courses in operating departments and over 850 employees have been involved in management training courses.

Environment: Positive action continues toward minimising the effect of the operation on the environment.

The scope of environmental concern has been expanded to include marine biology studies.

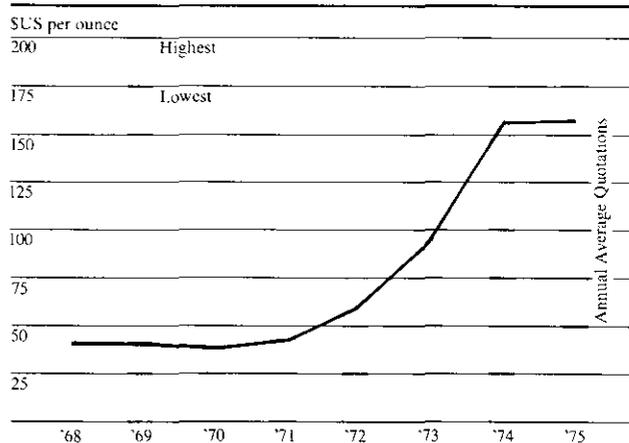


D. C. Vernon, Managing Director.
10th February, 1976.



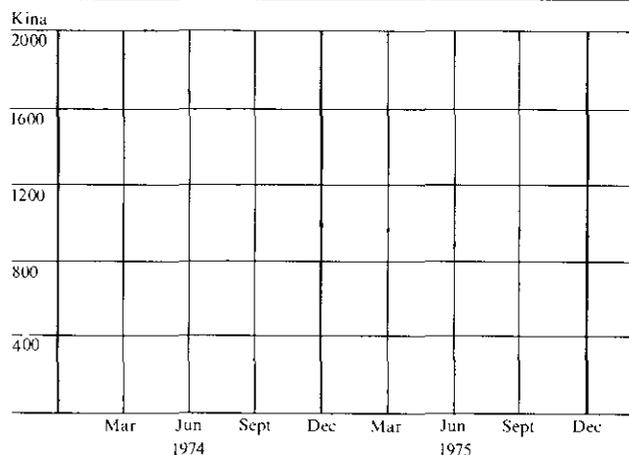
Copper metal prices 1965-1975

Annual Range and Annual Average Quotation of Official London Metal Exchange Daily Cash Copper Wirebar Quotations.
(Source: London Metal Exchange.)



Gold prices 1968-1975

Annual Range and Annual Average of Mean Price for Fine Gold on London Gold Market.
(Source: Sharps Pixley and Company Limited, London.)



Monthly average copper prices - 1974/1975

Kina equivalent of Monthly Average Official London Metal Exchange Daily Cash Copper Wirebar Quotations.

Directors' Report

To the Members:

Net Earnings: The Company's consolidated net earnings for 1975 totalled K46 201 017 after providing K29 590 922 for depreciation and amortisation, K2 309 182 for royalties and K15 668 249 for income tax and adding an abnormal item K3 310 715 for prior year adjustment.

Capital: There was no change in the Company's Capital structure during the year and at 31st December, 1975 the paid up capital of the Company was K133 687 500 representing 267 375 000 shares on issue to shareholders.

Exchange Fluctuation: Repayment of U.S. dollar loans during 1975 resulted in a realised exchange gain of K1 981 480 which has been credited to 1975 earnings. The balance of the Exchange Fluctuation account at 31st December, 1975 was K11 494 749, which represents the unrealised portion of gains on outstanding loans at the prevailing exchange rate on 31st December, 1975.

Loans: Loan repayments totalling K18 461 951 were made during the year. At 31st December, 1975, outstanding loans, totalling K126 578 232 were as follows:

- Credit Agreement
Seven Year loans SUS67 400 000 (K53 615 464)
- Japanese Cash Loan Agreement \$US18 000 000 (K14 318 670)
- Japanese Equipment Loan Agreement \$US14 305 801 (K11 380 000)
- Eximbank Loan Agreement \$US30 500 000 (K24 262 191)
- Deferred payment arrangements with Australian suppliers (guaranteed by Export Finance Insurance Corporation) K 14 923 055
- Papua New Guinea Banking Corporation Housing Loan K 8 078 850
(this loan was transferred from the Commonwealth Savings Bank of Australia during 1974)

All loans with the exception of the Papua New Guinea Banking Corporation Housing Loan, deferred payment arrangements with Australian suppliers and overdraft facilities, are secured by a charge over shares held by Conzinc Riotinto of Australia Limited, the Government of Papua New Guinea and the Investment Corporation of Papua New Guinea. Shares directly held by the public in the Company are not encumbered.

Dividends: An interim dividend of 5 toea per share was declared on 7th August and paid on 1st October, 1975.

A final dividend of 5 toea per share was declared payable on 4th May, 1976. Withholding tax will be deducted from dividends paid to shareholders who are not residents of Papua New Guinea. This dividend will bring the total dividend in respect of 1975 earnings to 10 toea per share.

Directors: In accordance with Article 94 of the Company's Articles of Association, Mr. R. H. Carnegie and Mr. J. T. Ralph retire, and being eligible, offer themselves for re-election. In accordance with Article 85 of the Company's Articles of Association, Mr. D. C. Vernon, who was appointed to the Board on 5th June, 1975 holds office until the conclusion of the Annual General Meeting, and being eligible, offers himself for re-election.

The closing date for the receipt of nominations for the office of Director is 18th March, 1976.

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

Statutory: In accordance with the provisions of Section 162 of the Companies Act 1963, as amended to date, the directors state that in their opinion:

1. The results of the Company'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. No circumstances have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
3. No contingent liabilities have arisen since the balance date of the accounts, 31st December 1975, and the date of this report, 10th February 1976.
4. No contingent liability has become enforceable or is likely to become enforceable within twelve months from the date of this report which will materially affect the Company in its ability to meet its obligations as and when they fall due.

For and on behalf of the Board,



F. F. Espie, Chairman
10th February, 1976.

Simplified Balance Sheet

		K Million
<hr/>		
WHAT WE OWN (ASSETS)		
	Mine leases, treatment plant, housing, power station, port facilities, etc.	346.0
	Copper concentrate in storage awaiting shipment and stores on hand	36.4
	Money held by banks on deposit and in cash	36.3
	Amounts owed to your company mainly for copper concentrates recently shipped	56.9
		<hr/> 475.6
<hr/>		
LESS WHAT WE OWE (LIABILITIES)		
	Long term loan borrowings to be repaid after 1976	106.8
	Short term overdraft	4.0
	Loan borrowings to be repaid during 1976	19.7
	Amounts owing to suppliers and others for goods and services	16.6
	Money set aside for payment of dividends to the Company's shareholders	13.4
	Money set aside for payment of income tax	15.7
		<hr/> 176.2
<hr/>		
AMOUNT REMAINING		299.4
	This amount (K299.4 million) is retained to finance operations of the business and represents:	
	Contributions by the Company's shareholders	133.7
	Profits which Directors currently intend to retain in the business	154.2
	The gain (based on present exchange rates and not yet realised) on future United States loan repayments. This gain results from the increase in the value of the Kina compared with the United States dollar	11.5
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Statements of Earnings

year ended 31st December, 1975

	Notes	Consolidated		Bougainville Copper Limited	
		1975 K'000	1974 K'000	1975 K'000	1974 K'000
NET SALES REVENUE		184 754	279 825	184 754	279 825
Other Income.....		8 633	13 900	8 628	13 890
		193 387	293 725	193 382	293 715
<i>Less:</i>					
Cost of sales, financing and other costs.....		104 910	88 977	104 909	88 975
Depreciation and amortisation.....	3	29 591	28 453	29 591	28 453
Royalties.....		2 309	3 487	2 309	3 487
		136 810	120 917	136 809	120 915
		56 577	172 808	56 573	172 800
<i>Add:</i>					
Exchange gains realised on loan repayments.....	10	1 981	8 245	1 981	8 245
EARNINGS (Before taxation)	2	58 558	181 053	58 554	181 045
Taxation – current.....	7	15 668	66 474	15 666	66 470
		42 890	114 579	42 888	114 575
<i>Add:</i>					
Abnormal item:					
Taxation over provision previous year.....		3 311	6	3 311	--
CONSOLIDATED NET EARNINGS		46 201	114 585	46 199	114 575
<i>Plus:</i>					
Unappropriated earnings brought forward.....		134 746	93 689	134 736	93 689
		180 947	208 274	180 935	208 264
<i>Less: Dividends</i>					
– Interim paid.....		13 369	26 737	13 369	26 737
– Final payable.....		13 369	46 791	13 369	46 791
		26 738	73 528	26 738	73 528
UNAPPROPRIATED EARNINGS CARRIED FORWARD		154 209	134 746	154 197	134 736

All amounts expressed in Papua New Guinea currency
This Statement of Earnings should be read in conjunction
with the explanatory notes accompanying these accounts.

Balance Sheets

at 31st December, 1975

	Notes	Consolidated		Bougainville Copper Limited	
		1975 K'000	1974 K'000	1975 K'000	1974 K'000
CAPITAL AND RESERVES					
CAPITAL					
Authorised	8	135 000	135 000	135 000	135 000
Paid up		133 688	133 688	133 688	133 688
REVENUE RESERVES					
Unappropriated earnings	9	154 209	134 746	154 197	134 736
Total capital and reserves		287 897	268 434	287 885	268 424
EXCHANGE FLUCTUATION	10	11 495	19 078	11 495	19 078
LIABILITIES					
MATURING LATER THAN ONE YEAR:					
Loans	11	106 844	121 122	106 844	121 122
CURRENT					
Bank overdraft		4 032	4 976	4 032	4 976
Loan instalments	11	19 734	18 316	19 734	18 316
Creditors	12	16 566	12 605	16 566	12 604
Income tax		15 670	66 571	15 666	66 470
Dividend payable		13 369	46 791	13 369	46 791
		69 371	149 259	69 367	149 157
Contingent & commitments	18	—	—	—	—
TOTAL FUNDS		475 607	557 893	475 591	557 781
These funds are represented by:					
ASSETS					
PROPERTY, PLANT AND EQUIPMENT					
	13	346 001	352 225	346 001	352 225
INVESTMENTS					
	14	83	83	83	83
CURRENT					
Cash and bank balances		1 591	342	1 590	341
Short term deposits and loans		34 685	129 333	34 670	129 223
Debtors	15	56 881	51 500	56 881	51 499
Stocks and stores	16	36 366	24 410	36 366	24 410
		129 523	205 585	129 507	205 473
TOTAL ASSETS		475 607	557 893	475 591	557 781

All amounts expressed in Papua New Guinea currency.

The notes attached hereto form part of these accounts and are to be read in conjunction herewith.

Notes forming part of the 1975 accounts

These notes form part of the accounts and consolidated accounts of Bougainville Copper Limited and should be read in conjunction therewith.

1. ACCOUNTING POLICIES

In general accounting policies and practices have been adopted which follow the joint recommendation of the principal Australian Professional Accounting Bodies.

In particular some of the practices used are:

FIXED ASSETS

Mine Property, Buildings, Plant, Machinery and Equipment are valued at historical cost less accumulated depreciation and amortisation.

DEPRECIATION AND AMORTISATION

Depreciation is provided on the straightline method by charges to income at rates based on estimated useful life of the various assets. Additions are depreciated from the commencement of the month following their completion or installations.

Generally the assets are fully depreciated over the shorter of economic life or twenty years from the commencement of commercial operations.

Borrowing costs incurred prior to the commencement of commercial operations have been capitalised and are being amortised over a five year period commencing 1st January 1974.

STOCK VALUATIONS

Concentrate stocks are valued at cost which is lower than net realisable value. Cost includes direct and indirect labour, materials and services but excludes depreciation and overheads except those directly related to production activities.

Other stocks and stores are valued at cost less allowance for obsolescence.

CURRENCY CONVERSION

A new currency was introduced in Papua New Guinea on 19th April, 1975, and dual currency was maintained from 19/4/75 to 31/12/75 at which date the Australian dollar ceased to be the currency of P.N.G. At 31st December the Kina and Australian dollar were of equal parity. The accounts are now prepared in terms of the new currency. Current assets, current liabilities and long term loans in foreign currencies are converted to Papua New Guinea currency at the rates of exchange ruling at 31st December. All other amounts in foreign currencies have been converted at the rates of exchange at the dates of the relevant transactions.

Unrealised gains on overseas loans are held in Exchange Fluctuation Account and transferred to earnings as and when realised.

INCOME TAX

The provision for income tax is calculated on earnings before tax. Certain items of expense, principally depreciation and major consumable stock items, are deductible for tax purposes in periods different from those for accounting purposes, but at the present time such differences do not affect the determination of the Group's liability for income tax.

MAINTENANCE AND REPAIRS

Maintenance, repair costs and minor renewals are charged against income as incurred. Some maintenance occurs over a cycle of more than one accounting period. Accordingly provisions are made for deferred maintenance which are reviewed annually.

NET SALES REVENUE

Sales revenue is recognised on shipment of concentrates from Bougainville. Net Sales Revenue represent revenue receivable after deducting refining and smelting deductions allowed to buyers, ocean freight and other associated realisation expenses.

	Consolidated		Bougainville Copper Limited	
	1975 K000	1974 K000	1975 K000	1974 K000
2. EARNINGS (BEFORE TAXATION)				
Earnings (before taxation) have been determined after allowing for:				
DEDUCTIONS WHICH INCLUDE:				
Interest paid/payable (note 4)	11 469	13 205	11 469	13 205
Grants and donations	53	43	53	43
Bad and doubtful debts (Note 5)	23	7	23	7
Auditors' remuneration (Note 6)	82	85	82	85
Directors' emoluments (Note 17)	3	4	3	4
Loss on disposal of non-current assets	—	24	—	24
ADDITIONS WHICH INCLUDE—				
Interest on short-term deposits	8 359	12 742	8 354	12 731
Gain on overseas cash balances (Note 10)	273	1 159	273	1 159
Profit on disposal of non-current assets	175	119	175	119

	Consolidated		Bougainville Copper Limited	
	1975 K000	1974 K000	1975 K000	1974 K000
3. DEPRECIATION AND AMORTISATION				
The amount charged against earnings comprised:				
Depreciation on: buildings	9 423	9 365	9 423	9 365
plant, machinery and equipment	17 062	15 983	17 062	15 983
Amortisation of mine property	3 106	3 105	3 106	3 105
	29 591	28 453	29 591	28 453

4. INTEREST PAID/PAYABLE

Long term loans	11 229	13 070	11 229	13 070
Bank overdrafts	240	135	240	135
	11 469	13 205	11 469	13 205

No interest was paid or is payable to related Companies of Bougainville Copper Limited.

5. BAD AND DOUBTFUL DEBTS

Amounts set aside during the year for doubtful debts were in respect of:

Trade debtors	—	—	—	—
Other debtors	23	7	23	7
	23	7	23	7

6. AUDITORS' REMUNERATION

Amounts paid/payable to auditors for:

Auditing the accounts	48	61	48	61
Other services	34	24	34	24
	82	85	82	85

No other benefits were received by the Auditors.

7. CURRENT TAXATION

(a) The income tax charged against earnings is determined in accordance with the policy set out in Note 1 and related to:

Income tax applicable to earnings before tax:				
P.N.G.	15 666	66 470	15 666	66 470
Australian	2	4	—	—
	15 668	66 474	15 666	66 470

Under the terms of the Mining Agreement (as amended) the Company is required from 1st January 1974 to pay company tax pursuant to a prescribed formula. This provides that the Company will pay the normal company tax rate (currently 33½%) on a certain level of taxable income and thereafter the rate is 70% on any excess. The Company was liable for this additional tax in 1974 but not in 1975.

(b) The charge for income tax varied by more than 15% on that payable at normal company tax rates due to:

Income tax at normal rates on:				
Exchange gains	(660)	(3 135)	(660)	(3 135)
Depreciation	(1 555)	(2 916)	(1 555)	(2 916)
Consumable aids	(1 784)	(224)	(1 784)	(224)
Exempt income	—	(5 406)	—	(5 406)
Other	147	446	147	446
Additional income tax pursuant to Mining Agreement (as amended)	—	17 357	—	17 357
Approximate increase (reduction) in charge for income tax	(3 852)	6 122	(3 852)	6 122

8. CAPITAL

The authorised capital of K135 000 000 is made up of 270 000 000 ordinary shares of 50 toea each.

At 31st December, 1975 the paid up capital of the Company was K133 687 500 represented by 267 375 000 ordinary shares of 50 toea each fully paid.

No change in authorised or paid up capital occurred during 1975.

	Consolidated		Bougainville Copper Limited	
	1975 K000	1974 K000	1975 K000	1974 K000
9. REVENUE RESERVES				
Unappropriated earnings:				
1st January	134 746	93 689	134 736	93 689
Net earnings for year	42 890	114 579	42 888	114 575
	177 636	208 268	177 624	208 264
Prior year's overprovision	3 311	6	3 311	—
	180 947	208 274	180 935	208 264
Dividends paid/payable	26 738	73 528	26 738	73 528
31st December	154 209	134 746	154 197	134 736

The earnings of Bougainville Copper Limited are not wholly available for payment to the shareholders due to restrictions imposed on the payment of dividends under the terms of the Credit Agreement dated 28th July, 1969 (as amended).

10. EXCHANGE FLUCTUATION

Due to currency realignments a gain of K273 242 on conversion of overseas cash balances to Papua New Guinea Kina was realised (1974 gain K1 158 781).

Exchange fluctuation gains relating to long term loan repayment obligations are:

Unrealised 1st January	19 078	39 512	19 078	39 512
Reduction due to currency realignments during the year	(5 602)	(12 189)	(5 602)	(12 189)
	13 476	27 323	13 476	27 323
Gains realised on loan repayments during the year	1 981	8 245	1 981	8 245
Unrealised 31st December	11 495	19 078	11 495	19 078

11. LONG TERM LOANS

(a) Repayments due later than one year:

Secured	94 260	106 199	94 260	106 199
Unsecured	12 584	14 923	12 584	14 923
	106 844	121 122	106 844	121 122

(b) Repayments due within one year:

Secured	17 395	16 045	17 395	16 045
Unsecured	2 339	2 271	2 339	2 271
	19 734	18 316	19 734	18 316

TOTAL OBLIGATIONS OUTSTANDING

	126 578	139 438	126 578	139 438
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Total obligations at 31st December were in respect of borrowings as follows:

BANK LOANS (Secured other than by debentures)

	Repayable				
Credit agreement					
Seven year loans	1978	53 615	50 791	53 615	50 791
Other bank loans:					
Eximbank loans	1975-1978	24 262	32 178	24 262	32 178
Housing loan (1)	1975-1978	8 079	10 376	8 079	10 376
Total bank loans		85 956	93 345	85 956	93 345
OTHER SECURED LOANS					
Japanese cash loans	1975-1979	14 319	16 579	14 319	16 579
Japanese equipment loans	1975-1982	11 380	12 320	11 380	12 320
Total secured loans (2)		111 655	122 244	111 655	122 244
UNSECURED LOANS					
Australian equipment (3)	1975-1982	14 923	17 194	14 923	17 194
		126 578	139 438	126 578	139 438

Consolidated		Bougainville Copper Limited	
1975	1974	1975	1974
K000	K000	K000	K000

11. LONG TERM LOANS (Continued)

(1) The housing loan is secured by an equitable charge over certain of Bougainville Copper's housing leases in Arawa Township. Interest rate for this loan is 8% per annum. This loan was originally advanced by the Commonwealth Savings Bank of Australia which transferred its assets and liabilities in Papua New Guinea on 22nd April, 1974 to the Papua New Guinea Banking Corporation under legislation passed in the Australian Parliament.

(2) Except for the Housing Loan, the secured loans are repayable in U.S. dollars and are secured by a charge over 194 000 676 shares in Bougainville Copper Limited owned by Conzinc Riotinto of Australia Limited, the Papua New Guinea Government and the Investment Corporation of Papua New Guinea. Interest rates on these loans during 1975 varied between 6% and 10.6% per annum.

(3) Bougainville Copper entered into deferred payment arrangements with Australian suppliers of goods and services relating to the construction phase. Annual interest rates on these loans vary from 7.25% to 7.75%.

12. CREDITORS

Related corporations

Holding company	1	7	1	7
Other	377	880	377	880
Trade creditors and bills payable	9 308	1 973	9 308	1 973
Other current liabilities				
Secured	885	1 438	885	1 438
Unsecured	5 995	8 307	5 995	8 306
	16 566	12 605	16 566	12 604

13. PROPERTY, PLANT AND EQUIPMENT

Leasehold, land and buildings (at cost)	181 861	179 737	181 861	179 737
Less depreciation	32 023	23 123	32 023	23 123
	149 838	156 614	149 838	156 614
Plant, machinery and equipment (at cost)	180 566	173 007	180 566	173 007
Less depreciation	48 397	32 825	48 397	32 825
	132 169	140 182	132 169	140 182
Mine property (at cost)	62 121	62 121	62 121	62 121
Less amortisation	11 635	8 529	11 635	8 529
	50 486	53 592	50 486	53 592
Capital works in progress	13 508	1 837	13 508	1 837
	346 001	352 225	346 001	352 225

14. INVESTMENTS

RELATED COMPANIES—shares not listed on a Stock Exchange at cost

Subsidiary Company	—	—	—	—
Other	38	38	38	38
	38	38	38	38

OTHER COMPANIES—shares not listed on a Stock Exchange at cost

	45	45	45	45
	83	83	83	83

Bougainville Mining Limited, incorporated in the Australian Capital Territory and having an issued capital of 200 ordinary shares of 50 cents each fully paid, is a wholly owned subsidiary of Bougainville Copper Limited. The contribution made by Bougainville Mining Limited to 1975 consolidated net earnings was K2 539 (1974 K10 224).

15. DEBTORS

Related companies	1 575	1 279	1 575	1 279
Trade debtors	52 752	45 763	52 752	45 763
Other debtors and payments in advance	2 604	4 484	2 604	4 483
Provision for doubtful debts	(50)	(26)	(50)	(26)
	56 881	51 500	56 881	51 499

	Consolidated		Bougainville Copper Limited	
	1975 K000	1974 K000	1975 K000	1974 K000
16. STOCKS AND STORES				
Unshipped concentrate	1 718	465	1 718	465
Other stocks and stores	34 648	23 945	34 648	23 945
	36 366	24 410	36 366	24 410

	1975		1974	
	Company K000	Related Cor- porations K000	Company K000	Related Cor- porations K000
17. DIRECTORS' EMOLUMENTS				

The total of emoluments received or due and receivable (whether from the Company or from a related corporation) by:

(a)

Directors of the Company engaged in full-time employment of the Company or its related corporations (including all bonuses and commissions received or receivable by them as employees, but not including the amount received or receivable by them by way of fixed salary as employees) was

and

(b)

Other Directors of the Company was

	—	—	—	—
	3	—	4	—

18. COMMITMENTS FOR CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

The approximate commitment for the purchase of land, buildings, plant and equipment not reflected in the Balance Sheet amount to K15 158 000 (1974 K5 501 000).

The Company has contingent obligations attaching to the terms of:

(a) the Credit Agreement dated 28th July, 1969 (as amended)

and

(b) the Amending Agreement as referred to in the Mining (Bougainville Copper Agreement) (Amendment) Act, 1974, however, no circumstance has yet arisen to suggest that an enforceable claim has or is likely to arise in respect of these obligations.

In addition, the Company may have a contingent obligation following the outcome of claims by various groups for compensation resulting from the effects of the mining operation.

Except for the foregoing neither the Company nor its subsidiary, Bougainville Mining Limited, has contingent liabilities which are material in nature and/or amount.

19. ULTIMATE HOLDING COMPANY

The ultimate holding Company is The Rio Tinto-Zinc Corporation Limited (incorporated in England).

20. COMPARATIVE FIGURES FOR 1974

Where necessary these figures have been adjusted to conform with changes in presentation made in 1975.

Declarations

Statement by Directors

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

Signed at Panguna this 10th day of February, 1976.

On behalf of the Board

F. F. ESPIE, D. C. VERNON

Directors

Declaration by Secretary

I, John Campbell Rennie, Secretary of Bougainville Copper Limited, do solemnly and sincerely declare that the accompanying balance sheet and statement of earnings of the Company 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 10th day of February, 1976.

J. C. RENNIE

Secretary

Before me:

L. G. SMITH

Justice of the Peace

Report of the Auditors to the Members

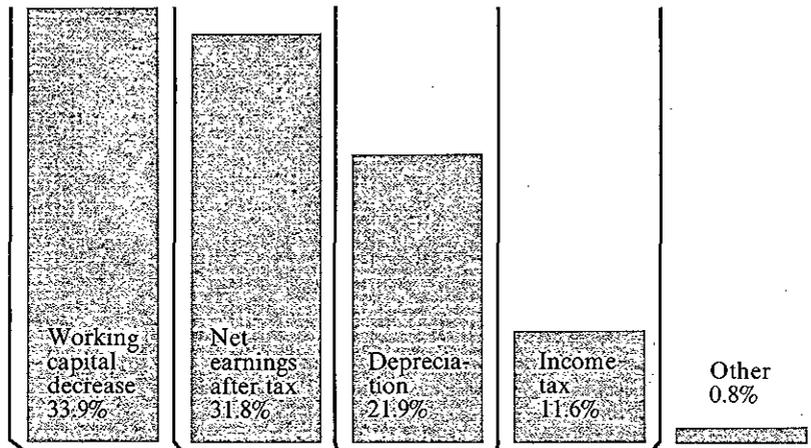
In our opinion, the balance sheets and statements of earnings set out on pages 12 to 18 are properly drawn up in accordance with the provisions of the Companies Act 1963, as amended to date, so as to give a true and fair view of the state of affairs and the profits of the Company and of the Group. The accounting and other records, including registers, of the Company examined by us have, in our opinion, been properly kept in accordance with the provisions of the Act.

COOPERS & LYBRAND

Chartered Accountants

MELBOURNE, 11th February, 1976

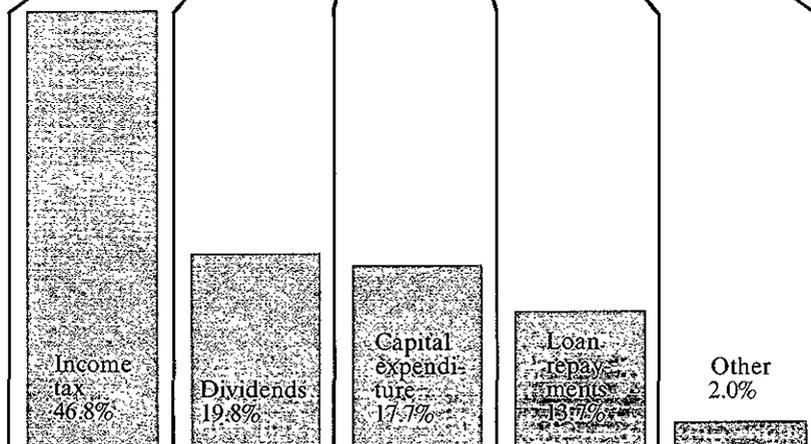
Source of funds
1975



1974 K'000	Source of funds	1975 K'000
114 579	Consolidated net earnings (before abnormal item)	42 890
	Charges against earnings not requiring current outlays:	
66 474	– Income tax	15 668
28 453	– Depreciation	29 591
	– Exchange gains on loans	(1 981)
3 487	– Royalty provided	2 309
827	– Other	143
1 912	Miscellaneous	670
	Decrease in working capital	45 754
207 487		135 044

Consolidated
source &
application
of funds

1974 K'000	Application of funds	1975 K'000
26 737	Dividends – Interim	13 369
46 791	– Final	13 369
3 759	Royalty paid	2 153
36 904	Repayment of long term borrowings	18 462
10 830	Expenditure on fixed assets	23 862
40	Income tax paid	63 259
353	Miscellaneous	570
82 073	Increase in working capital	–
207 487		135 044



Application of funds
1975

Shareholdings

The distribution of holdings of the issued shares in Bougainville Copper Limited at 31st January 1976 was:

0-1000 shares	44 859
1001-5000 shares	7 748
5001-10000 shares	778
10001 shares and over	634
	54 019

Substantial shareholders at 31st January 1976 were:

The Rio Tinto-Zinc Corporation Limited	}	143 258 644 shares
R.T.Z. Australian Holdings Limited		
C.R.A. Holdings Pty. Limited		
Conzinc Riotinto of Australia Limited		
C.R.A. Base Metals Pty. Limited	}	53 475 000 shares
Government of Papua New Guinea		
Investment Corporation of Papua New Guinea		

79.12% of the total issued shares were held by the 20 largest shareholders of the Company at 31st January 1976.

Directors' interests in Bougainville Copper Limited and its associated companies - 21st January, 1976:

F. F. Espie	1 300 Mary Kathleen Uranium Ltd. shares
R. H. Carnegie	6 000 Bougainville Copper Limited shares
	1 000 Mary Kathleen Uranium Ltd. shares
	2 000 Conzinc Riotinto of Australia Limited shares
	1 000 Hamersley Holdings Limited shares
	4 000 Australian Mining & Smelting Limited shares
J. T. Ralph	114 Bougainville Copper Limited shares
	470 Conzinc Riotinto of Australia Limited shares
	26 IOL Petroleum 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
I. F. Tarua	No interests
D. C. Vernon	No interests

Net cash generated

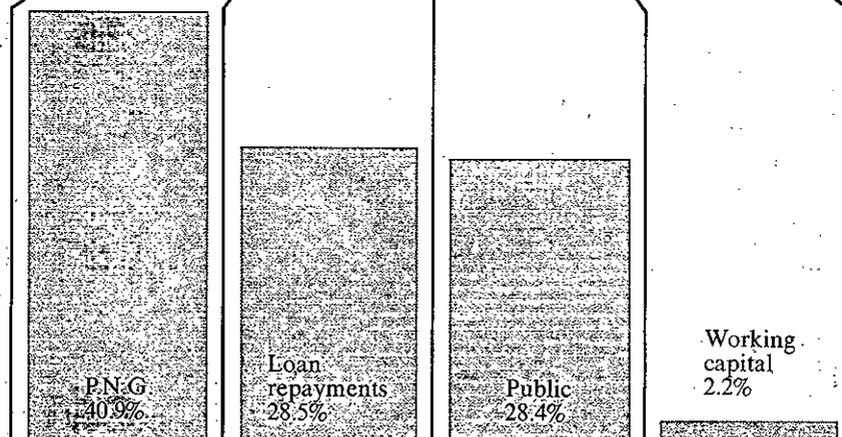
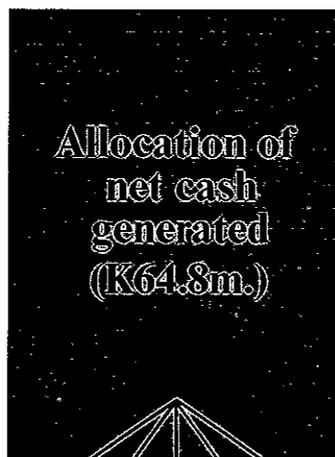
Net cash generated by the business (before payment of royalty and taxation but after spending for new plant).

P.N.G.

P.N.G. Government and Investment Corporation - dividends, royalty, taxation and withholding tax.

Public

Public dividends after withholding tax.



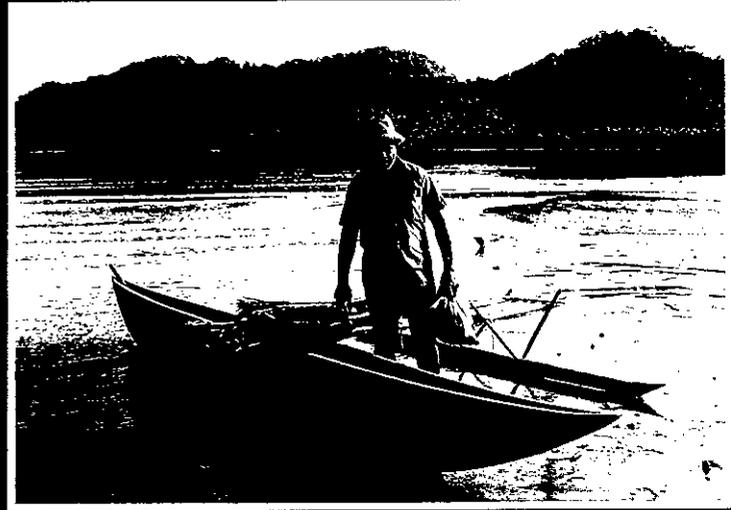
	K millions	
	1975	1974
NET CASH GENERATED	64.8	196.3
P.N.G.	26.5	93.5
Public	18.4	50.1
Loan Repayments	18.5	36.9
Working Capital	1.4	15.8
	64.8	196.3

Complete details of Bougainville Copper's Source and Application of funds are shown on page 20.

Bougainville
The island and its people



Bougainville Island



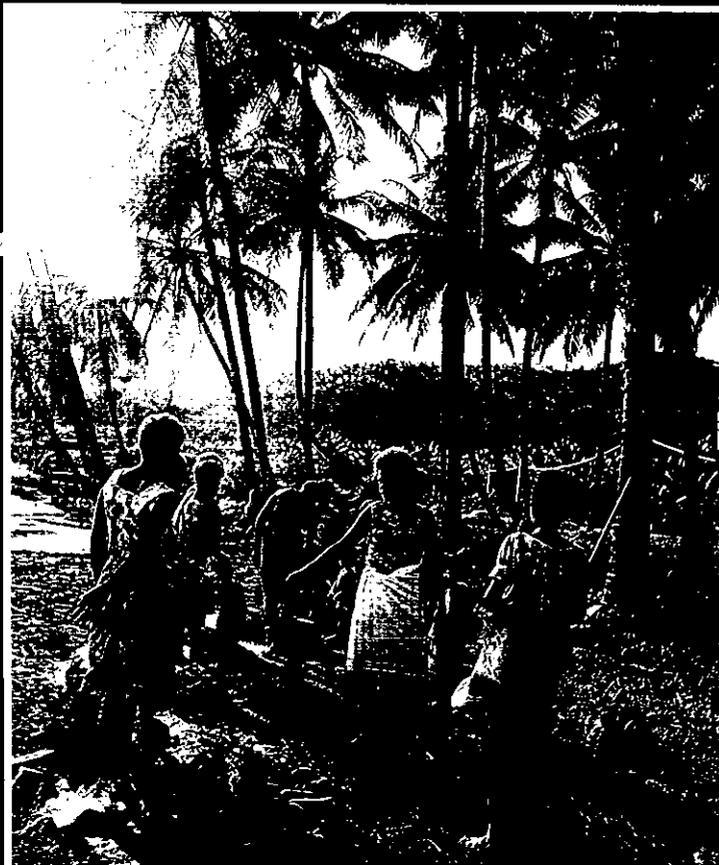
Bougainville is the principal island of the northern group of the Solomon Islands, and is approximately 190 km long by 50 km wide.

An island of great natural beauty, it features a steep mountain range, in parts more than 2500 metres high. The soil is mainly volcanic and there is still one active volcano.

There is relatively little flat land except in the northern and coastal areas. Its fertile areas, coupled with rainfall which rises to 5000 mm a year in the mountain areas, allow copra and cocoa to be grown successfully as commercial crops. Plantations vary in size from small village holdings to large overseas owned plantations.

The people of Bougainville are Melanesian and speak 19 different languages.

Many of these languages are closely related in structure. Each language group tends to be concentrated in one relatively compact area separated from other groups by tracts of unoccupied land. The number of



people speaking a particular language varies considerably with some of the smaller groups having less than 200 and the largest over 12 000 speakers.

Most of the village people on Bougainville grow their own food using a traditional system of bush fallow cultivation. The average area of land used for gardening is

around 0.1 to 0.2 hectares per head per year. Sweet potato, taro and yam are grown and are the main staple foods with sweet potato being the most widely distributed and most important. Crops such as sugar cane, paw paw, bananas, breadfruit and coconut are also an important part of the village diet.

Introduced vegetables, including tomatoes, maize and beans are mainly grown as a cash crop. Many families keep pigs and chickens and occasionally supplement their diet by hunting and fishing.



Bougainville has very good timber resources. Just over 40% of the island is forested and approximately half of this is estimated to be commercial forest. The remainder of the forests are inaccessible because of rugged terrain or swamps. As yet the timber resources of Bougainville have hardly been touched.

The island is a naturalist's paradise with perhaps the many species of orchids taking pride of place.

To the visitor, one of the most striking sights is the beautiful butterflies, with the East coast being the home of the unique "Bougainville Blue".

There is a great profusion of frogs. They vary from the tiny leaf burrowing species to the large river frogs.

Reptiles include the estuarine crocodile, geckos, skink, goanna, tree snakes and ground pythons. Fortunately, none of the land snakes is venomous.



There is a wonderful variety of birdlife. Over 65 species of birds have been recorded. Sea birds and land and fresh water birds are all well represented.

The large mammal on the island is the wild pig. However, its numbers decreased rapidly with the advent of the modern shotgun as a hunting weapon. Other mammals include possums and

many rodents such as tree rats, flying fox and bats.

The people of Bougainville are renowned for their hospitality as any visitor to this lovely South Pacific island will confirm. This then is the island of Bougainville where the traditional ways of life and modern industry are learning to live and work together.



However, the exchange rate is still above that which prevailed when the long term loans designated in U.S. dollars were drawn down and hence exchange gains are being realised on loan repayments. These gains are transferred to earnings as they are realised.

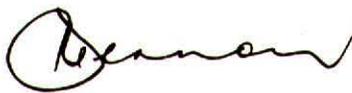
Training: Training of the Company workforce progressed satisfactorily during the year despite a high turnover in the ranks of skilled Papua New Guineans. The following table summarises the year's achievements:

1975	Completed Training	Under Training
Apprentices.....	37	320
Certificate.....	58	140
Foreman.....	11	30
Repairman.....	23	497
Scholarship.....	8	46

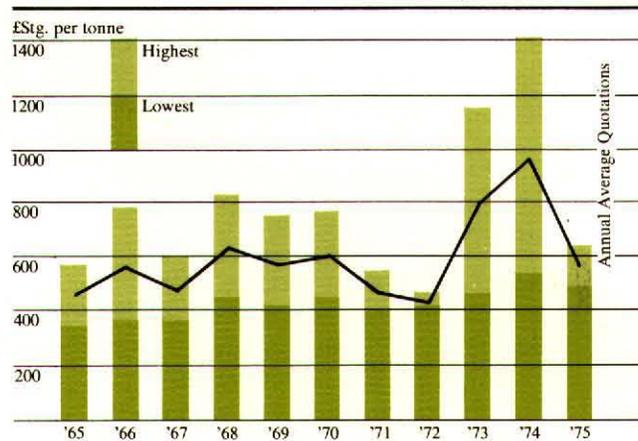
In addition, more than 3 600 employees completed short training courses in operating departments and over 850 employees have been involved in management training courses.

Environment: Positive action continues toward minimising the effect of the operation on the environment.

The scope of environmental concern has been expanded to include marine biology studies.

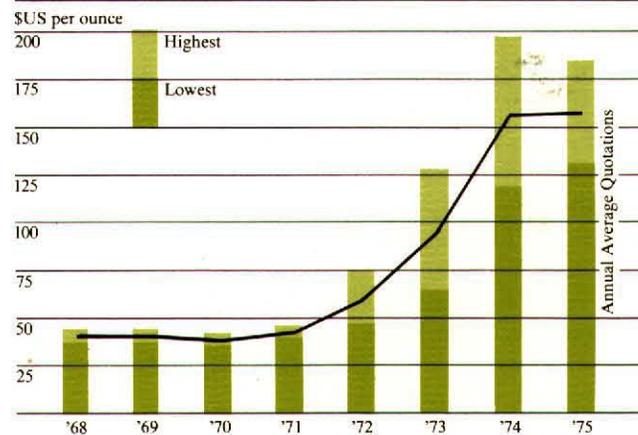


D. C. Vernon, Managing Director.
10th February, 1976.



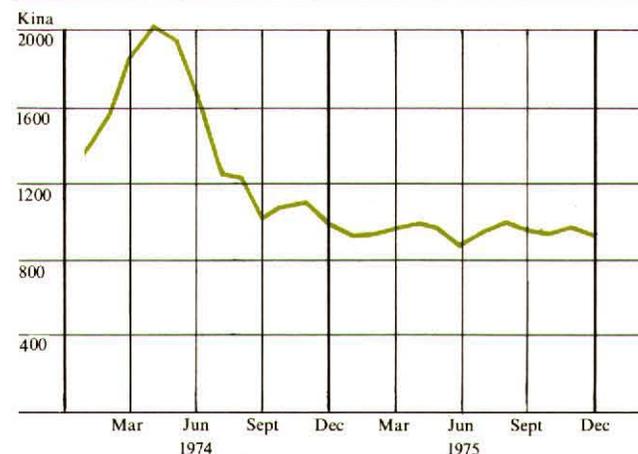
Copper metal prices 1965-1975

Annual Range and Annual Average Quotation of Official London Metal Exchange Daily Cash Copper Wirebar Quotations. (Source: London Metal Exchange.)



Gold prices 1968-1975

Annual Range and Annual Average of Mean Price for Fine Gold on London Gold Market. (Source: Sharps Pixley and Company Limited, London.)



Monthly average copper prices - 1974/1975

Kina equivalent of Monthly Average Official London Metal Exchange Daily Cash Copper Wirebar Quotations.